

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, FEBRUARY 14, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Wayne Moore, Secretary

Joseph Kelly

David Muir

Ronald Okum

Gina V. Sanchez

Herman B. Santos

Michael Schneider

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Interim Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

James Rice, Senior Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

John McClelland, Principal Investment Officer

Ted Wright, Principal Investment Officer

David Simpson, Investment Officer

Trina Sanders, Investment Officer

Amit Aggarwal, Investment Officer

Meketa Investment Group

Leandro Festino, Managing Principal

Stephen McCourt, Managing Principal

Reed Smith LLP

Harvey L. Leiderman

StepStone Group LP

Jose Fernandez, Partner

The Townsend Group

Jennifer Stevens, Principal

Goldman Sachs Hedge Fund Strategies

Richard Quigley, Managing Director

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:16 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Schneider led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of January 10, 2018.

Without objection, this item was returned to staff at the request of Mr. Kelly for revisions relating to discussion at the January 10, 2018 meeting concerning election of the Board's elected member on the Joint Organizational Governance Committee. The revised minutes will be placed on the March agenda for approval.

IV. PUBLIC COMMENT

There were no requests from the public.

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated February 5, 2018)

Mr. Hill provided an update regarding the LACERA OPEB account. Mr. Hill informed the Board that LACERA has received a redemption notice from the Los Angeles County Superior Court, requesting to use approximately \$1.245 million each month for a three month period, from March 2018 through May 2018.

Furthermore, Mr. Hill shared feedback received from Board members regarding the 2018 Board Offsite.

Mr. Hill provided the Board an update regarding the CEO Search.

VI. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated February 2, 2018)

Mr. Grabel provided a brief discussion on the Chief Investment Officer's Report.

VII. CONSENT ITEMS

Mr. Santos made a motion, Mr. Muir seconded, to approve the following agenda items. The motion passed unanimously.

- A. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 MoneyConf – “The Future of Money” on June 11-13, 2018 in Dublin, Ireland and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe) (Memo dated February 5, 2018)
- B. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the National Association of Corporate Directors - Global Cyber Forum on April 17-18, 2018 in Geneva, Switzerland and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe) (Memo dated February 5, 2018)
- C. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the Institutional Investor – Public Funds Roundtable on April 25-27, 2018 in Los Angeles, California and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Placed on the agenda at the request of Mr. Santos) (Memo dated February 5, 2018)
- D. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 15th Annual Australia & New Zealand Forum on February 28 – March 2, 2018 in Sydney, Australia and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Placed on the agenda at the request of Mr. Santos) (Memo dated February 5, 2018)

VII. CONSENT ITEMS (Continued)

E. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board waive the Education and Travel Policy, Section 705.07 D. 4, for Trustee Sanchez and in its place approve attendance at the UCLA Anderson Executive Education – Corporate Governance Program on May 15-17, 2018 in Los Angeles, California; and approve reimbursement of all costs associated with the conference according to LACERA’s Education and Travel Policy. (Memo dated February 6, 2018)

F. Recommendation as submitted by Wayne Moore, Chair, Fixed Income/Hedge Funds/Commodities Committee: That the Board make the following changes to the Fixed Income Composite structure:

1. Increase the allocation target for the Core sub-composite from 35% to 45%;
2. Decrease the allocation target for the Core Plus sub- composite from 35% to 25%;
3. Terminate the following mandates and transition assets to the BlackRock Trust Company (BTC) U.S. Debt Index Fund:
 - a. BTC Intermediate Credit Bond Index Fund (Core mandate)
 - b. BlackRock Financial Management (Core mandate)
 - c. LM Capital (Core Plus mandate);
4. Graduate Pugh Capital Management (Core mandate) from the Emerging Manager Program; and
5. Combine the High Yield and Opportunistic sub-composites with an allocation range of 20-40%.

(Memo dated January 31, 2018)

G. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board approve the consolidated Corporate Governance Principles. (Memo dated January 15, 2018)

VIII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Trina Sanders, Investment Officer and Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to \$50 million to Heitman Asia-Pacific Property Investors, L.P. (Memo dated January 26, 2018)

Messrs. McClelland and Aggarwal and Ms. Sanders and Ms. Stevens of

Townsend Group were present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve the agenda item. The motion passed unanimously.

- B. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the attached ballot insert entitled “Powers and Duties of Investments Board Members,” which will be included with the ballot materials for the election of the Third Member of the Board of Investments and posted on lacera.com. (Memo dated February 5, 2018)

Steven P. Rice and Harvey Leiderman of Reed Smith LLP

were present and answered questions from the Board.

Mr. Muir made a motion, Mr. Santos seconded, to approve the agenda item with the following revisions to the Powers and Duties of Investments Board Members:

- (1) Paragraph 2 of Board Member Responsibilities (Pension Fund Investments) to reference the Asset Allocation determination, and
- (2) Paragraph 10 of Board Member Responsibilities (Education) to be revised to create a new paragraph 11, which will include, “Board members may participate in state and national pension and investment related organizations, including serving

VIII. NON - CONSENT AGENDA (Continued)

as an executive or committee member in these organizations,” and

(3) Conflicts of Interest section to be revised to add information regarding the duty of disclosure, penalties for violation of conflict rules, and a link to the Fair Political Practices Commission website. The motion passed unanimously.

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer and David E. Simpson, Investment Officer: That the Board allocate an additional \$100 million to Morgan Stanley Alternative Investment Program, as manager of LACERA's Private Equity Co-Investment Program. (Memo dated January 26, 2018)

Messrs. Grabel, Wagner and Simpson were present and answered

questions from the Board.

Mr. Santos made a motion, Mr. Muir seconded, to approve the agenda item. The motion passed unanimously.

IX. REPORTS

- A. Fund Performance Review as of December 31, 2017
Meketa Performance Report as of December 31, 2017
Jon Grabel, Chief Investment Officer

Messrs. Grabel, Mahseredjian and Wright provided a presentation and

answered questions from the Board.

IX. REPORTS (Continued)

The following items were received and filed:

B. Semi-Annual Interest Crediting for Reserves as of December 31, 2017
Beulah S. Auten, Chief Financial Officer
(For Information Only) (Memo dated January 23, 2018)

C. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 5, 2018)

X. REPORT ON STAFF ACTION ITEMS

In regard to item III.A., the Board requested an update regarding the items that were tabled from the Joint Organizational Governance Committee. The Board also requested that an update be provided in March regarding the Board Secretary classification study.

In regards to item IX.A., the Board requested for Meketa to provide research reports to staff relevant to their work.

XI. GOOD OF THE ORDER
(For information purposes only)

Mr. Kehoe shared that he has been recognized by the National Association Corporate Directors as a Board Leadership Fellow.

Mr. Hill announced that the CEO Search Ad-Hoc Committee has been established and the Committee members are David Green, BOI Chair, Vivian Gray, BOR Chair, Shawn Kehoe, BOI Vice Chair, and Herman Santos, BOR Vice Chair.

XII. EXECUTIVE SESSION (This item was held out of order, after XIII.)

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

1. Davidson Kempner Institutional Partners, L.P.

Messrs. Jim Rice and Richard Quigley of Goldman Sachs Hedge

Fund Strategies, provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve staff's recommendation. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes. The Board's decision and vote to approve an investment of up to \$250 million in Davidson Kempner Institutional Partners. L.P., with an initial investment of \$125 million and potential additional investments to be considered in the future was reported out in open session. It was also reported that Davidson Kempner Institutional Partners is a multi-strategy hedge fund investing in two primary strategies, distressed investments and merger arbitrage, with smaller allocations in four other strategies (convertible arbitrage, distressed new opportunities, long/short equities, and long/short credit).

XIII. RECOGNITION

- A. National Association of Securities Professionals –
F.A.S.T. Track Program

Participating students from Crenshaw High School’s Business and Entrepreneurship Academy and mentors from the F.A.S.T. Program were recognized and introduced to the Board.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:58 a.m.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting)

1. Secondary Advisor RFP Quiet Period – List of Respondents (Memo dated February 12, 2018)
2. Davidson Kempner Institutional Partners, L.P. Investment Recommendation--Additional Information (Memo dated February 13, 2018)
3. CIO Report Presentation slides (Memo dated February 14, 2018)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR