

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

A 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, OCTOBER 10, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair (left the Board meeting at 11:00 a.m.)

Joseph Kelly

David Muir

Ronald Okum (Left the Board meeting at 11:28 a.m.)

Gina V. Sanchez

Herman B. Santos

ABSENT: Wayne Moore, Secretary

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

Jude Perez, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

John McClelland, Principal Investment Officer

James Rice, Principal Investment Officer

Ted Wright, Principal Investment Officer

David Simpson, Investment Officer

Esmeralda V. del Bosque, Senior Investment Officer

Chad Timko, Investment Officer

Barry W. Lew, Legislative Affairs Officer

Reed Smith LLP

Harvey L. Leiderman

Greenhill Cogent

Andy Nick, Managing Director

Goldman Sachs Hedge Fund Strategies

Richard Quigley, Managing Director

Meketa Investment Group

Stephen McCourt, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:04 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Muir 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 September 12, 2018

Mr. Santos made a motion, Mrs. Sanchez seconded, to approve the minutes of the regular meeting of September 12, 2018. The motion passed unanimously.

### IV. REPORT ON CLOSED SESSION ITEM

In closed session at the September 12, 2018 Board of Investments meeting, under Item XII.B. of the agenda for that meeting, the Board met with counsel under Government Code Section 54956.9 (d)(4) to discuss the initiation of litigation. The Board voted to approve the filing of a securities fraud class action against BHB Billiton Limited and others as appropriate in Australia to seek recovery of LACERA's losses on BHP ordinary shares. The motion made by Mr. Santos, seconded by Mrs. Sanchez, was passed 7-0, with Messrs. Okum, Muir, Green, Kelly, Santos, Schneider, and Mrs. Sanchez voting yes. Messrs. Kehoe and Moore were absent from the vote.

### V. PUBLIC COMMENT

There were no requests from the public to speak.

### VI. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT (Memo dated October 2, 2018)

No comments were made.

### VII. CHIEF INVESTMENT OFFICER'S REPORT (Memo dated September 28, 2018)

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

## VIII. CONSENT ITEMS

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

- A. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board approve the proposed Minimum Qualifications and Scope of Work thereby authorizing staff to initiate the Request for Proposal process for a cash overlay manager search. (Memo dated September 28, 2018)
- B. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board (1) approve the 2019 Hedge Funds Annual Investment Plan, and (2) approve the Hedge Funds Objectives, Policies, and Procedures. (Memo dated September 25, 2018)
- C. Recommendation as submitted by Michael Schneider, Chair, Real Assets Committee: That the Board conduct a Request for Information for Real Estate Administrative Services for approval by the Board of Investments. (Memo dated September 25, 2018)
- D. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 Milken Institute London Summit on December 4, 2018 in London 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 Mrs. Sanchez) (Memo dated September 28, 2018)

## IX. REPORTS

- A. Investment Policy Statement – Draft 2 Discussion  
Jude Perez, Principal Investment Officer  
(Memo dated September 28, 2018)

Mr. Perez and Ms. del Bosque provided a presentation, answered questions, and received input from the Board.

IX. REPORTS (Continued)

- B. Standing Committee Discussion  
Jonathan Grabel, Chief Investment Officer  
(Memo dated September 28, 2018)

Mr. Grabel provided a brief discussion, answered questions, and received input from the Board.

- C. Ralph M. Brown Act, "Sunshine is the Best Antiseptic"  
Harvey L. Leiderman, Reed Smith LLP  
(Presentation material dated October 10, 2018)

(This Item was held following Item XIII. A.) (Mr. Kehoe left the meeting at 11 a.m. and Mr. Okum left the meeting at 11:28 a.m.)

Mr. Leiderman of Reed Smith LLP provided a presentation and answered questions from the Board.

- D. Implementation Update On LACERA Pension Trust Strategic Asset Allocation  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated September 24, 2018)

This Item was received and filed.

- E. 2018 Year-End Legislative Report  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated October 1, 2018)

This Item was received and filed.

- F. Evaluation and Selection of Real Estate Counsel  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated October 1, 2018)

This Item was received and filed. Mr. Santos volunteered to assist with the RPF selection process.

IX. REPORTS (Continued)

- G. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated October 3, 2018)

This Item was received and filed.

- H. September 2018 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(Memo dated October 1, 2018) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)

This Item was received and filed.

- I. Report on Public Records Act Response  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated October 3, 2018)

This Item was received and filed.

X. ITEMS FOR STAFF REVIEW

There was nothing to report.

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

Mr. Santos shared his conference experience in attending the PREA and LAVCA conferences. In addition, Mr. Kehoe shared his conference experience in attending the NACD Global Board Leader's Summit and encouraged Board members to attend NACD. Lastly, Mr. Green shared his experience in attending the Public Pension Trustees Fiduciary conference and thanked Mr. Grabel and staff for the great work behind the scenes.

XI. GOOD OF THE ORDER (Continued)

Mr. Kelly shared that he is now designated as an official trainer for the County's Center for Financial Empowerment that helps constituents with services and resources to help them make effective money management decisions. Mr. Kelly shared his thoughts on the Orange County Employees Retirement Association initiative at SACRS to increase appointed board member meeting payments. Mr. Muir requested the Legal Division to consider ways by which Board of Investments input may be received before LACERA determines its position on SACRS legislative proposals that affect issues of concern to the Board of Investments.

Lastly, Mr. Grabel thanked his staff for their continued hard work and updated the Board on current projects in progress by the team.

XII. EXECUTIVE SESSION

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. Secondary Private Equity Sales
2. CAPULA GLOBAL RELATIVE VALUE FUND L.P.
3. SIRIS PARTNERS IV, L.P. (For Information Only)

The Board met in Executive Session with counsel, pursuant to California Government Code Section 54956.81.

On Agenda Item XII. A. 1., the Board discussed a secondary private equity sale authorization. There is nothing to report. The item will be reported out under the Brown Act at the earlier of the close of the transaction or the transfer of pension fund

## XII. EXECUTIVE SESSION (Continued)

assets.

On Agenda Item XII. A. 2., on a motion by Mr. Kehoe, seconded by Mr. Santos, the Board voted unanimously by all members present to approve an investment of up to \$250 million in Capula Global Relative Value Fund L.P., with an initial allocation of \$100 million. This fund is a direct hedge fund investment, which pursues a global fixed income relative value strategy that primarily targets pricing distortions between related government debt securities in developed countries. Messrs. Kehoe, Kelly, Muir, Okum, Green, Santos, and Mrs. Sanchez voted yes; and Messrs. Moore and Schneider were absent.

On Agenda Item XII. A. 3., the Board was provided with an information only memo confirming a re-up commitment by staff, in accordance with the authority and criteria set forth in the Board's 2018 Private Equity Objectives, Policies, and Procedures, of \$100 million to Siris Partners IV, L.P., which will pursue middle market buyout transactions in the United States. Siris targets undervalued legacy information technology companies to exploit industry disruption.

B. Conference with Legal Counsel - Pending Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9).

1. LACERA v. BHP Billiton Limited, et al, etc.  
Victoria Registry, Federal Court of Australia,  
Case No. VID1218/2018  
(For Information Only)

The Board met in Executive Session with counsel, pursuant to California



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## XII. EXECUTIVE SESSION (Continued)

Government Code Section 54956.9. On Agenda Item XII. B. 1. (d)(1), to receive information regarding the pending litigation, LACERA v. BHP Billiton Limited, filed in federal court in Australia. There is nothing to report.

## XIII. EDUCATION

- A. An Introduction to Factors  
Ted Wright, Principal Investment Officer  
Timothy Filla, Meketa Investment Group  
(Memo dated September 28, 2018)

Mr. Wright and Mr. Filla provided a presentation to the Board.

## XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:40 a.m.

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

1. Chief Investment Officer's Report (Presentation dated October 10, 2018)
2. SACRS 2019 Legislative Platform (Memo dated October 2, 2018)

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WAYNE MOORE, SECRETARY

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DAVID GREEN, CHAIR