

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, DECEMBER 12, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair (Left the meeting at 11:15 a.m.)

Wayne Moore, Secretary

Joseph Kelly

David Muir

Ronald Okum

Herman B. Santos

Gina V. Sanchez

Michael Schneider

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Beulah S. Auten, Chief Financial Officer

Ted Granger, Assistant Financial Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Scott Zdrazil, Senior Investment Officer

David Chu, Senior Investment Officer

Adam Cheng, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Richard Bendall, Chief Audit Executive

Kathryn Ton, Senior Internal Auditor

Sabrina Chen, Accountant

Milliman,

Mark Olleman, Consulting Actuary

Craig Glyde, Consulting Actuary

Meketa Investment Group

Stephen McCourt, Managing Principal

Leandro Festino, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Qi Liu, Senior Associate

Goldman Sachs Hedge Fund Strategies

Richard Quigley, Managing Director

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:06 a.m., in the Board Room of Gateway Plaza.

## II. PLEDGE OF ALLEGIANCE

David Green, Jr. led the Board Members and staff in reciting the Pledge of Allegiance.

## III. APPROVAL OF MINUTES

### A. Approval of the Minutes of the Special Meeting of November 8, 2018

Mr. Santos made a motion, Mr. Moore seconded, to approve the minutes of the special meeting of November 8, 2018. The motion passed with Mrs. Sanchez abstaining.

## IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that, at the September 12, 2018 Board of Investments meeting, the Board met in closed session under agenda item XII.A.5., pursuant to California Government Code Section 54956.8. At that meeting, on a motion by Mr. Santos, seconded by Mrs. Sanchez, the Board voted 9-0 to approve a group of 11 real estate transactions. It is now appropriate, under California Government Code Section 54957.81 of the Brown Act, to report out one of the approved transactions. On November 16, 2018, LACERA-owned special purpose entities sold their entire interest in the St. Regis Princeville Resort and the Makai Golf Course located in Princeville, Hawaii for a total sales price of \$224.1 million dollars. The buyer of the property was an investment fund managed by Starwood Capital Group.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF EXECUTIVE OFFICER'S REPORT

(Memo dated December 3, 2018)

Ms. Lazatin provided a brief discussion on the Chief Executive Officer's Report.

VII. CHIEF INVESTMENT OFFICER'S REPORT

(Memo dated December 3, 2018)

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

VIII. CONSENT ITEMS

Mr. Kelly made a motion, Mr. Okum seconded, to approve agenda item VIII. A. The motion passed unanimously.

- A. Recommendation as submitted by Joseph Kelly, Chair, Portfolio Risk Committee: That the Board approve the proposed Minimum Qualifications and Scope of Work thereby authorizing staff to initiate the Request for Information process for a total Fund risk system search. (Memo dated November 30, 2018)

Mr. Santos made a motion, Mr. Schneider seconded, to approve agenda items VIII. B, VIII. C and VIII. D. The motion passed unanimously.

- B. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the 2019 Private Equity Objectives, Policies, and Procedures. (Memo dated November 21, 2018)

VIII. CONSENT ITEMS (Continued)

- C. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the 2019-2020 Private Equity Structure Review. (Memo dated November 21, 2018)
  
- D. Recommendation that the Board approve attendance of Board members at the 2019 Milken Institute MENA Summit on February 12 – 13, 2019 in Abu Dhabi 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 December 3, 2018)

IX. NON-CONSENT

- A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer and Adam Cheng, Senior Investment Analyst: That the Board hire BlackRock to manage a passive Treasury Inflation Protected Securities strategy within a separate account.  
(Memo dated November 21, 2018)

Messrs. Mahseredjian and Cheng were present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Okum seconded, to hire BlackRock to manage a passive Treasury Inflation Protected Securities strategy within a separate account. The motion passed unanimously.

- B. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the proposed investment guidelines for an in-house co-investment program.  
(Public Memo dated November 29, 2018)  
(Privileged/Confidential Version of Memo dated November 29, 2018)

Messrs. Wagner, Chu and Chang were present and answered questions from the Board.

IX. NON-CONSENT (Continued)

Mr. Santos made a motion, Mr. Kehoe seconded, to approve the proposed investment guidelines for an in-house co-investment program. The motion passed unanimously.

C. Recommendation a submitted by Beulah S. Auten, Chief Financial Officer: That the Board:

1. Accept the June 30, 2018, Retirement Benefits Actuarial Valuation prepared by LACERA's consulting actuary, Milliman.
2. Adopt recommended employer contribution rates (all tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C).
3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefits Actuarial Valuation to the Board of Supervisors by May 15, 2019, with a recommendation to implement the employer and employee rates no later than September 30, 2019.

(Memo dated November 29, 2018)

Mrs. Auten, Mr. Granger, and Messrs. Olleman and Glyde from

Milliman were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Muir seconded, to 1) accept the June 30, 2018, Retirement Benefits Actuarial Valuation prepared by LACERA's consulting actuary, Milliman, 2) adopt recommended employer contribution rates (all tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C) and 3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefits Actuarial Valuation to the Board of Supervisors

IX. NON-CONSENT (Continued)

by May 15, 2019, with a recommendation to implement the employer and employee rates no later than September 30, 2019. The motion passed unanimously.

- D. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Kathryn Ton, Senior Internal Auditor: That the Board (1) accept and file the report and (2) direct the Investment Office to more closely oversee State Street Bank's foreign tax reclamation process and reporting going forward. (Memo dated November 30, 2018)

Mr. Bendall and Mrs. Ton were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to (1) accept and file the report and (2) direct the Investment Office to more closely oversee State Street Bank's foreign tax reclamation process and reporting going forward. The motion passed unanimously.

- E. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board formally nominate Board member Gina Sanchez for the Council of Institutional Investors' 2019 board elections. (Memo dated November 20, 2018)

Mrs. Sanchez made a motion, Mr. Kehoe seconded, to nominate Scott Zdrazil, Senior Investment Officer, for the Council of Institutional Investors' 2019 board elections. The motion passed unanimously.

X. REPORT

- A. Assembly Bill 2833 Report – Fiscal Year 2018  
Jonathan Grabel, Chief Investment Officer  
(Memo dated November 30, 2018)

Messrs. Grabel, Chang and Ms. Chen provided a brief presentation and answered questions from the Board.

- B. Private Equity Portfolio Update  
Christopher Wagner, Principal Investment Officer  
Jose Fernandez, StepStone Group LP  
(Memo dated December 3, 2018)

Mr. Wagner, Mr. Fernandez and Ms. Lin of StepStone LP provided a brief presentation and answered questions from the Board.

- C. Hedge Fund Performance Report – Third Quarter  
James Rice, Principal Investment Officer  
Richard Quigley, Goldman Sachs Hedge Fund Strategies  
(Memo dated November 28, 2018)

Mr. Jim Rice and Mr. Quigley of Goldman Sachs Hedge Fund Strategies provided a brief presentation and answered questions from the Board.

- D. OPEB Master Trust Quarterly Performance Report  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated November 7, 2018)

This Item was received and filed.

- E. LACERA Quarterly Performance Report  
Meketa Report: Third Quarter Total Fund Performance Report  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated November 7, 2018)

This Item was received and filed.



X. REPORT (Continued)

- F. Implementation Update on LACERA Pension Trust Strategic Asset Allocation  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated November 30, 2018)

This Item was received and filed.

- G. Code of Ethical Conduct  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 3, 2018)

This Item was received and filed.

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

This Item was received and filed.

- I. Update on FPPC Advice Letter re Trustee Sanchez  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 4, 2018)

This Item was received and filed.

- J. Semi-Annual Interest Crediting for Reserves as of June 30, 2018  
(Audited)  
Beulah S. Auten, Chief Financial Officer  
(For Information Only) (Memo dated December 3, 2018)

This Item was received and filed.

- K. November 2018 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(Memo dated December 3, 2018) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)

This Item was received and filed.

## XI. ITEMS FOR STAFF REVIEW

The Board requested the Chief Executive Officers Report include percentages in the Member Snapshot: Average Monthly Benefit Allowance with COLA Distribution.

The Board requested for staff to summarize the Hedge Fund Reports in a similar format.

## XII. GOOD OF THE ORDER (For information purposes only)

The Board and Ms. Lazatin recognized and thanked Mr. Schneider for his dedicated service and contribution to the Board of Investments.

Mrs. Sanchez shared her experience in attending the Harvard Business School – Executive Education: Women on Boards: Succeeding as a Corporate Director.

Mr. Santos shared his experience in attending the AVCJ's 31<sup>st</sup> Annual Private Equity & Venture Forum in Hong Kong.

Mr. Kelly shared his experience in participating and attending the Disaster Assistance Center for the Woolsey Fire.

Mr. Muir announced that the Retired Employees of Los Angeles County Annual Luncheon will be held on January 16, 2019.

Mr. Moore recognized the Private Equity Investment Team in working with the Los Angeles County Executive Office on their Bioscience Venture Capital Investment in participating and reviewing some of the Request for Proposals that the County will be receiving.

XII. GOOD OF THE ORDER (Continued)  
(For information purposes only)

Mr. Grabel welcomed John Kim, Senior Investment Analyst in the Portfolio Analytics Unit.

Mr. Green recognized David Green Jr. in attending his first Board of Investments meeting.

XIII. 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. Other Manager: 1

The Board met in Executive Session to consider the purchase and sale of a particular specific public pension investment, following up on part of the recommendation approved by the Board at the September 12, 2018 Board of Investment meeting under Item XII.A.5. of the agenda for that prior meeting. At today's Board meeting on a motion by Mr. Kehoe, seconded by Mr. Schneider, the Board voted 9-0, to approve portions of that prior transaction. The specific transaction details will be reported out at a later date under the relevant provisions of the Brown Act.

2. USV 2019

The Board received a For Information Only memorandum providing notice of a re-up commitment of up to \$20.25 million allocated to USV 2019, L.P. and USV Opportunity 2019, L.P., which was approved by staff pursuant to the Private Equity Objectives, Policies, and Procedures. The item did not require any Board action.

XIII. EXECUTIVE SESSION (Continued)

3. VISTA EQUITY PARTNERS FUND VII, L.P.

The Board received a For Information Only memorandum providing notice of a re-up commitment of up to \$200 million to Vista Equity Partners Fund VII, L.P., which was approved by staff pursuant to the Private Equity Objectives, Policies, and Procedures. The item did not require any Board action.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:06 p.m.

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

1. Executive Session - *Cal Fire Local 2881 v. CalPERS et al.*, Case No. S239958 (Memo dated December 7, 2018)  
(PRIVILEGED AND CONFIDENTIAL)
2. Disclosure by the Townsend Group of SEC Examination and Enforcement Inquiry re Its Affiliate, Aon Hewitt Investment Consulting, Inc.  
(Memo dated December 10, 2018) (PRIVILEGED AND CONFIDENTIAL)
3. Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance (Memo dated December 4, 2018)
4. Supplemental Update on FPPC Advice Letter re Trustee Sanchez  
(Memo dated December 10, 2018)

---

WAYNE MOORE, SECRETARY

---

DAVID GREEN, CHAIR