

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF INVESTMENTS

A SPECIAL 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., TUESDAY, OCTOBER 8, 2019

PRESENT: Shawn Kehoe, Chair

Ronald Okum, Vice Chair

Wayne Moore, Secretary

Alan Bernstein (Mr. Bernstein left the Board meeting at 12:00 p.m.)

David Green (Mr. Green left the Board meeting at 11:00 a.m.)

Keith Knox

David Muir

Gina V. Sanchez

Herman B. Santos

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Ted Granger, Assistant Chief Financial Officer

Barry W. Lew, Legislative Affairs Officer

Shelly Tilaye, Senior Investment Analyst

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Townsend Group

Jennifer Stevens, Partner

Milliman

Mark Olleman, Consulting Actuary

Nick Collier, Consulting Actuary

Alan Perry, Consulting Actuary

Unite Here Local 11

Jordan Fein

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:36 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Moore 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 11, 2019

Mr. Green made a motion, Mrs. Sanchez seconded, to approve the minutes of the regular meeting of September 11, 2019. The motion passed with Mr. Muir abstaining.

IV. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

V. PUBLIC COMMENT

Jordan Fein from UNITE HERE addressed the Board regarding PAI Europe VII investment in Areas, pending labor issues, and the potential effect of those issues on LACERA's investment. Mr. Green requested that the issues be agendaized for the November 2019 meeting.

VI. CHIEF COUNSEL'S REPORT (Memo dated September 25, 2019)

Mr. Rice provided a brief overview of the Chief Counsel's Report and answered questions from the Board.

VII. CHIEF INVESTMENT OFFICER'S REPORT

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

VIII. CONSENT ITEMS

Mr. Green made a motion, Mrs. Sanchez, seconded, to approve the following agenda items. The motion passed unanimously.

VIII. CONSENT ITEMS (Continued)

- A. Recommendation as submitted by Ronald Okum, Chair, Real Assets Committee: That the Board approve 1.) Approve the proposed Minimum Qualifications for an Appraisal Management Service Provider; and 2.) Approve changing the frequency of external appraisals from once every three years to annually. (Memo dated September 30, 2019)
- B. Recommendation that the Board approve attendance of Board members at the Responsible Investor (RI) Annual Conference on December 3–5, 2019 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated October 1, 2019)
- C. Recommendation that the Board approve exemption of Education and Travel Policy Section 705.00 A.2. for attendance of Board Members at the Kayne Anderson Capital Advisors, L.P. Investors Conference on October 29-30, 2019 in Los Angeles, California. (Memo dated October 1, 2019)

IX. NON-CONSENT ITEMS

- A. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board of Investments postpone consideration of its proposal related to board self-evaluations in closed session at the SACRS 2019 Fall Conference. (Memo dated September 23, 2019)

Mr. Lew was present and answered questions from the Board.

Mr. Santos made a motion, Mr. Bernstein seconded, to postpone consideration of the Board’s proposal related to board self-evaluations in closed session at the SACRS 2019 Fall Conference. The motion passed unanimously.

- B. Recommendation as submitted by Board Member, Gina Sanchez: That the Board of Investments (BOI) require that the CEO final interviews and selection be scheduled on a date when all BOI members can participate. Scheduling availability should be coordinated by the Board Secretary in order to come to a date or set of dates that everyone can attend and commit to. (Memo dated October 1, 2019)

IX. NON-CONSENT ITEMS (Continued)

Mrs. Sanchez made a motion, Mr. Green seconded, to poll the Board of Investments members and explore a date within the next two weeks that all Board members can attend. If such a date is not available, the current October 16 and 17, 2019 CEO final interview and selection meetings will proceed. The motion passed with Messrs. Bernstein, Green, Knox, Moore, Muir, Santos and Mrs. Sanchez voting yes and Messrs. Kehoe and Okum voting no.

(Mr. Green left the Board meeting at 11:00 a.m.)

X. REPORTS

- A. Actuarial Assumption Review
Beulah S. Auten, Chief Financial Officer
Mark Olleman, Consulting Actuary
Nick Collier, Principal, Consulting Actuary
Alan Perry, Principal, Consulting Actuary
(Memo dated September 20, 2019)

Mr. Granger and Messrs. Olleman, Collier and Perry of Milliman

provided a presentation and answered questions from the Board.

(Mr. Bernstein left the Board meeting at 12:00 p.m.)

- B. Procurement Policy for Investment-Related Services
John McClelland, Principal Investment Officer
(Memo dated September 20, 2019)

Messrs. Grabel and McClelland provided a presentation and answered questions from the Board.

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X. REPORTS (Continued)

The following agenda items were received and filed:

- C. Council of Institutional Investors General Members Business Meeting
Ballot
Scott Zdrazil, Senior Investment Officer
(Memo dated September 10, 2019)
- D. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated September 23, 2019)
- E. Monthly Board and Staff Education and Travel Report – August 2019
Beulah S. Auten, Chief Financial Officer
(Public Memo dated September 25, 2019)
(Confidential Memo dated September 25, 2019– Includes Anticipated Travel)
- F. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated October 1, 2019)
- G. September 2019 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only) (Memo dated September 25, 2019)

XI. ITEMS FOR STAFF REVIEW

In regards to item VI., the Board requested that Chief Counsel reach out to the Board Chairs and Board of Retirement Trustee Pryor regarding the e-voting process for trustee elections.

In regards to item X.A., the Board requested that Milliman provide an analysis on what the impact to the employer and employees would be in percentage and actual dollar amount of reducing the discount rate to 7.00 percent versus to 6.75 percent. The

XI. ITEMS FOR STAFF REVIEW (Continued)

analysis should also include the impact to the employers and the employees of reducing the 30-year amortization down to 20 years as well as an analysis on removing the Star COLA Reserve as part of the funding formula.

In regards to item X.B., the Board requested changes to the Investment Procurement Policy.

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

Mr. Moore shared a memorandum with the Board of Investments members addressing the Emerging Manager policy that is being revised and updated.

Mr. Santos shared his experience attending the 2019 LAVCA Summit and Investor Roundtable and LAVCA Venture Investors Annual Meeting on September 23 – 26, 2019 in New York City, New York.

Mr. Muir requested a list of upcoming conferences for 2020.

Mrs. Sanchez shared her experience attending the National Association of Corporate Directors - Global Board Leaders' Summit on September 21 – 24, 2019 in Washington D.C.

XIII. EXECUTIVE SESSION

(This item was held out of order before X.A)

- 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. Real Estate Manager

XIII. EXECUTIVE SESSION (Continued)

Messrs. Gabel, McClelland and Mrs. Stevens from the Townsend Group were present and answered questions from the Board.

The Board took action with respect to certain purchase and sale transactions, which will be reported out at a later date in accordance with the Brown Act.

2. Green Equity Investors VIII, L.P. and Jade Equity Investors, L.P.

Messrs. Gabel and Wagner and Mrs. Tilaye and Mr. Fernandez of StepStone Group LP were present and answered questions from the Board.

Mr. Okum made a motion, seconded by Mr. Green, to approve a commitment of up to \$150 million to Green Equity Investors VIII and \$50 million to Jade Equity Investors, L.P. GEI and Jade are private equity buyout investments that will invest in companies in the healthcare, retail, industrial, consumer and business services, and distribution sectors. GEI will focus on larger equity investments, while Jade will focus on smaller investments. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Okum and Mrs. Sanchez voting yes and Mr. Santos voting no.

3. Secondary Purchase (For Information Only)

The Board received a private equity secondary purchase update. There is nothing to report.

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XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:40 p.m.

Signature on File

WAYNE MOORE, SECRETARY

Signature on File

SHAWN KEHOE, CHAIR