

# APPROVED

## 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 11, 2019

PRESENT: Shawn Kehoe, Chair

Ronald Okum, Vice Chair (Left the Board meeting at 12:30 p.m.)

Wayne Moore, Secretary (Left the Board meeting at 12:30 p.m.)

Alan Bernstein

David Green (Left the Board meeting at 12:30 p.m.)

Keith Knox

David Muir

Gina V. Sanchez (Left the Board meeting at 12:30 p.m.)

Herman B. Santos (Left the Board meeting at 12:30 p.m.)

### STAFF ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

Jim Rice, Principal Investment Officer

Vache Mahseredjian, Principal Investment Officer

Chad Timko, Senior Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

David Chu, Senior Investment Officer

David Simpson, Investment Officer

Ted Granger, Interim Chief Financial Officer

Didier Acevedo, Investment Officer

Calvin Chang, Senior Investment Analyst

Sabrina Chen, Accountant

Milliman,

Nick Collier, Consulting Actuary

Mark Olleman, Consulting Actuary

Meketa Investment Group

Leandro A. Festino, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Albourne

James Walsh, Head of Portfolio Advisory

Tom Cawkwell, Partner

SEIU Local 721

Ramon Rubalcava, Director of Member Benefits and Employer Relations

Unite Here Local 11

Jordan Fein

I. CALL TO ORDER

The meeting was called to order at 9:02 a.m., in the Board Room of Gateway Plaza.

## II. PLEDGE OF ALLEGIANCE

Mr. Green 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 20, 2019

Mr. Green made a motion, Mr. Santos seconded, to approve the minutes of the special meeting of November 20, 2019. The motion passed with Mrs. Sanchez and Mr. Bernstein abstaining.

## IV. AWARDS

Mr. Kreimann thanked Messrs. Kehoe and Okum for their service and whose terms are ending at the end of the year.

## V. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that:

At the November 20, 2019 Board of Investments meeting, under Agenda item XIV.A.1., the Board met in closed session under Government Code Section 54956.81 to consider the purchase and sale of particular, specific pension fund investments. On a motion by Mr. Santos, seconded by Mr. Muir, the Board voted to suspend new debt investment activity of Barings LLC pending completion of a real estate portfolio review. The motion passed unanimously (roll call) with Messrs. Green, Knox, Okum, Muir and Santos voting yes. Messrs. Bernstein, Kehoe, Moore and Mrs. Sanchez were absent.

Also, at the same meeting on November 20, 2019 under Agenda item XIV.A.3. the Board met in closed session under Government Code Section 54956.81 to

V. REPORT ON CLOSED SESSION ITEMS (Continued)

consider the purchase and sale of particular, specific pension fund investments. As reported out at that meeting, the Board approved a commitment to Revelstoke Capital Partners Single Asset Fund I, L.P. It can now be reported that the amount of the commitment was \$60 million.

VI. PUBLIC COMMENT

Mr. Ramon Rubalcava from SEIU Local 721 addressed the Board regarding the Actuarial Assumption Review.

Jordan Fein from Unite Here Local 11 addressed the Board regarding PAI Europe VII investment in Areas, pending labor issues, and the potential effect of those issues on LACERA's investment.

VII. CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated November 22, 2019)

Mr. Kreimann provided a brief presentation on the Chief Executive Officer's Report.

VIII. CHIEF INVESTMENT OFFICER'S REPORT

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

IX. CONSENT ITEMS

- A. Recommendation as submitted by Gina Sanchez, Chair, Equities Committee: That the Board approve the 2020 Private Equity Objectives, Policies, and Procedures. (Memo dated November 22, 2019)

Agenda item IX.A was pulled for discussion.

IX. CONSENT ITEMS (Continued)

Mr. Bernstein made a motion, Mr. Kehoe seconded, to approve staff's recommendation in addition to communicating to the Board if there is trustee contact during the deliberation process. The motion passed (roll call) with Messrs., Bernstein, Green, Kehoe, Knox, Muir, Okum and Mrs. Sanchez voting yes and Messrs. Moore and Santos voting no.

Mr. Muir made a motion, Mr. Bernstein seconded, to approve the following agenda items; IX.B., IX.C., IX.D., and IX.E. The motion passed unanimously.

- B. Recommendation as submitted by Gina Sanchez, Chair, Equities Committee: That the Board approve the following changes to the Global Equity portfolio structure:
1. Revise LACERA's Global Equity benchmark from the 80% MSCI ACWI IMI Index +20% MSCI World-ex US IMI Index Currency Hedged to the MSCI ACWI IMI Index effective July 1, 2019.
  2. Establish market capitalization and regional bands for the Global Equity portfolio relative to the MSCI ACWI IMI Index as follows:
    - a. Maintain market capitalization exposure of +/- 5 percentage points relative to MSCI ACWI IMI Index for each of the following market capitalization categories: small, mid, and large cap stocks.
    - b. Maintain U.S. Market, Non-U.S. Developed Markets, and Emerging Markets weights of +/- 5 percentage points relative to the MSCI ACWI IMI Index.

(Memo dated November 22, 2019)

- C. Recommendation that the Board approve attendance of Board members at the International Corporate Governance Network Conference on February 25 – 26, 2020 in Seoul, South Korea and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated December 2, 2019)

IX. CONSENT ITEMS (Continued)

- D. Recommendation that the Board approve attendance of Board members at the 2020 SuperReturn Berlin Conference on February 25 – 28, 2020 in Berlin, Germany and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated December 2, 2019)
- E. Recommendation that the Board Approve attendance of Board members at the 2020 SuperReturn China Conference in Beijing, China on May 6 – 8, 2020 and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated December 2, 2019)

X. NON-CONSENT ITEMS

- A. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee; James Rice, Principal; Investment Officer and Chad Timko, Senior Investment Officer: That the Board approve the Minimum Qualifications for a separate account manager to manage a \$200 million program of emerging manager hedge funds as amended by the Credit and Risk Mitigation Committee. (Memo dated November 26, 2019)

Messrs. Grabel, Rice and Timko were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Okum seconded, that the Board approve the Minimum Qualifications for a separate account manager to manage a \$200 million program of emerging manager hedge funds as amended by the Credit and Risk Mitigation Committee. The motion passed unanimously.

- B. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board review the 2020 meeting calendar and consider rescheduling meeting dates that conflict with a holiday and/or the potential of a lack of quorum. (Memo dated November 27, 2019)

X. NON-CONSENT ITEMS (Continued)

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

Mr. Kehoe made a motion, Mr. Bernstein seconded, to schedule the March meeting to March 16, 2020, the May meeting to May 18, 2020 and the November meeting to November 5, 2020. The motion passed unanimously.

XI. REPORTS

- A. Actuarial Assumption Review  
Ted Granger, Interim Chief Financial Officer  
Mark Olleman, Consulting Actuary  
Nick Collier, Principal, Consulting Actuary  
(Memo dated November 27, 2019)

Mr. Granger and Messrs. Olleman and Collier of Milliman were present and answered questions from the Board.

- B. Emerging Manager Policy Review – Part 3  
Jon Grabel, Chief Investment Officer  
Leandro Festino, Meketa  
Ted Wright, Principal Investment Officer  
Vache Mahseredjian, Principal Investment Officer  
(Memo dated November 27, 2019)

This item will be discussed at the January 2020 Board of Investments meeting.

- C. Assembly Bill 2833 Report – Fiscal Year 2019  
Jonathan Grabel, Chief Investment Officer  
Calvin Chang, Senior Investment Analyst  
Sabrina Chen, Investment Accountant  
(Memo dated November 26, 2019)

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

XI. REPORTS (Continued)

- D. PAI Europe VII Manager Update  
Jonathan Grabel, Chief Investment Officer  
(Memo dated November 27, 2019)

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

The following items were received and filed:

- E. Real Estate Performance – Second Quarter  
John McClelland, Principal Investment Officer  
(For Information Only) (Memo dated November 26, 2019)
- F. Council of Institutional Investors Joint Letter to Securities and Exchange Commission  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated November 26, 2019)
- G. Semi – Annual Report on Approved Engagements  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated November 26, 2019)
- H. LACERA Quarterly Performance Book  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated November 27, 2019)
- I. Monthly Education and Travel Report for October 2019  
Ted Granger, Interim Chief Financial Officer  
(For Information Only) (Public Memo dated November 25, 2019)  
(Confidential Memo dated November 25, 2019 – Includes Anticipated Travel)  
  
1st Quarter Education and Travel Expenditure Reports  
Ted Granger, Interim Chief Financial Officer  
(For Information Only) (Memo dated November 22, 2019)
- J. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 2, 2019)



XI. REPORTS (Continued)

- K. November 2019 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(Memo dated November 22, 2019)

XII. ITEMS FOR STAFF REVIEW

In regards to item VII., the Board requested staff look into the accuracy of the CEO Report 10 year total Fund Return percentage, as well as for staff to look into reporting underperforming managers.

In addition, in regards to item XI.A., the Board requested for Milliman to provide additional information prior to the January 2020 meeting and requested information as to whether changes in employee contribution rates can be phased in.

Furthermore, regarding item XI. D., the Board requested for staff to share correspondence related to PAI and Unite Here 11 with the whole Board.

Additionally, in regards to item XI.C., the Board requested for staff to request reimbursement from the state for the expenses associated in finalizing the Assembly Bill 2833 Report.

The Board requested for Barry Lew to reach out to Mr. Roda, LACERA's federal lobbyist in regards to the Government Pension Offset and Windfall Elimination Provision bills.

Lastly, in regards to item XI.I., the Board requested for staff to identify cancelled conferences by host on the report.

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

The Board thanked Mr. Okum for his service on the Board of Investments.

Mr. Muir shared his experience attending the RI New York Conference on December 3-5, 2019.

XIV. EXECUTIVE SESSION

(This item was held out of order prior to agenda item XI.)

- A. Conference with Legal Counsel – Anticipated Litigation Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9). Note: These items were held under California Government Code Section 54956.81 as a Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments, and were stated to be reported out under that statute as required under the Brown Act.

1. Wynnchurch Capital Partners V, L.P.

Messrs. Grabel, Wagner, Chang and Jose Fernandez of StepStone Group LP provided a presentation and answered questions from the Board.

Mr. Kehoe made a motion, seconded by Mr. Santos, to approve a commitment of up to \$75 million to Wynnchurch Capital Partners V, L.P., which is a value-based middle market buyout manager focused on equity and debt investments of companies headquartered in U.S. and Canada. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Muir, Okum, Santos and Mrs. Sanchez voting yes. Mr. Moore was not present.

2. Illiquid Credit Investment Manager Search

Messrs. Grabel, Mahseredjian, Acevedo and Timko provided a presentation and answered questions from the Board.

XIV. EXECUTIVE SESSION (Continued)

Mr. Santos made a motion, seconded by Mr. Green, to approve an investment of up to \$500 million to Napier Park Global Capital LP to manage a portfolio of illiquid credit assets in a single-investor separate account structure. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Okum, Santos and Mrs. Sanchez voting yes.

3. MBK Partners Fund V, L.P. – (For Information Only)

The Board received a For Information Only item concerning a re-up commitment of \$150 million to MBK Partners Fund V, L.P. authorized by the Chief Investment Officer based on his authority under the Private Equity Objective, Policies and Procedures. MBK Partners Fund V targets buyout investments in South Korea, Japan, and Greater China.

B. Public Employee Performance Evaluation  
(Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Counsel

The Board met in Executive Session pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957. There was nothing to report.

(Messrs. Green, Moore, Santos, Okum and Mrs. Sanchez left the meeting at 12:30pm)

XV. ADJOURNMENT

There being no further business to come before the Board, the meeting was Adjourned in memory of Dr. Richard Zapanta and Thomas Rice at 2:28 p.m.

December 11, 2019

Page 12

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

1. Item XI. A. – Milliman Actuarial Assumption Review Slides  
(Revised Page 11 and New Page 12)
2. Item XIV. B. – Closed Session/Chief Counsel Performance Evaluation  
(Privileged and Confidential)

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WAYNE MOORE, SECRETARY

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SHAWN KEHOE, CHAIR