

MINUTES OF THE 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., MONDAY, MARCH 5, 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

Jonathan Grabel, Chief Investment Officer

James Brekk, Interim Deputy Chief Executive Officer

Steven P. Rice, Chief Counsel

John Popowich, Assistant Executive Officer

Christine Roseland, Senior Staff Counsel

John McClelland, Principal Investment Officer

Amit Aggarwal, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Barry W. Lew, Legislative Affairs Officer

The Townsend Group
Jennifer Stevens, Principal

Meketa Investment Group
Timothy Filla, Managing Principal
Stephen McCourt, Managing Principal

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:10 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 January 10, 2018

Mr. Kelly requested that in the future, any revisions made to the meeting minutes be redlined.

Mrs. Sanchez made a motion, Mr. Okum seconded, to approve the revised minutes of the regular meeting of January 10, 2018. The motion passed with Messrs. Green, Kehoe, Moore, Muir, Okum, Santos, Schneider, and Mrs. Sanchez voting yes; and Mr. Kelly voting no.

III. APPROVAL OF MINUTES (Continued)

B. Approval of the Minutes of the Special Meeting of February 1, 2018

Mr. Kelly requested to have the meeting minutes amended to reflect Mr. Wayne Moore as Secretary for the Board of Investments.

Mr. Okum made a motion, Mr. Santos seconded, to approve the minutes of the special meeting of February 1, 2018 as amended above. The motion passed with Messrs. Green, Kehoe, Moore, Muir, Okum, Santos, Schneider, and Mrs. Sanchez voting yes; and Mr. Kelly voting no.

C. Approval of the Minutes of the Regular Meeting of February 14, 2018

Mr. Santos made a motion, Mr. Muir seconded, to approve the minutes of the regular meeting of February 14, 2018. The motion passed unanimously.

IV. PUBLIC COMMENT

Mr. Kurt Peterson of UNITE HERE Local 11, addressed the Board regarding item VIII.D.

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated February 26, 2018)

Mr. Brekk announced that there will be a Joint Board of Investments and Board of Retirement Meeting on Wednesday, April 4, 2018 at 9:00 a.m. In addition, there will be two Budget Hearings for Fiscal Year 18-19; one on Wednesday, May 9,

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT (Continued)
(Memo dated February 26, 2018)

2018 following the Board of Investments and committee Meetings and the other on Thursday, May 10, 2018 following the Board of Retirement and committee Meetings.

Mr. Brekk noted that the Board of Investments Offsite meeting will be held on Monday, July 9, 2018 and Tuesday, July 10, 2018 at the Loews Hotel in Santa Monica.

Mr. Brekk updated the Board regarding LACERA's classification studies.

Finally, he introduced the new CEO Report Dashboard and went over the new look and metrics systems in the report and thanked John Popowich and his staff for their hard work in creating the new CEO Report Dashboard.

VI. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated February 23, 2018)

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

VII. CONSENT ITEMS

Mr. Santos made a motion, Mrs. Sanchez 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 International Corporate Governance Network (ICGN) conference on June 25–28, 2018 in Milan, Italy 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 Messrs. Green and Santos) (Memo dated February 21, 2018)

VII. CONSENT ITEMS (Continued)

- 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 (NACD) - Future Trends Event on June 13, 2018 in Austin, Texas 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 22, 2018)

- C. Recommendation as submitted by Dale Johnson, Investment Officer: That the Board approve submission of LACERA's member ballots in support of the Council of Institutional Investors' General Members' Meeting Action Item #1 regarding a revised travel policy and public fund director nominees to the Council of Institutional Investors board of directors.
(Memo dated February 23, 2018)

VIII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to \$50 million to AG Europe Realty Fund II. (Memo dated February 22, 2018)

Messrs. McClelland and Aggarwal and Ms. Stevens of Townsend Group

were present and answered questions from the Board.

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

- B. Recommendation as submitted by Jon Grabel, Chief Investment Officer: That the Board approve the recommendations proposed in Meketa's March 2018 asset allocation review:

VIII. NON - CONSENT AGENDA (Continued)

- 1) Adopt the use of a functional framework for LACERA's Total Fund
- 2) Expand LACERA's opportunity set to include a broader group of investments in Credit and Inflation Hedging/Real Assets

(Memo dated February 20, 2018)

Mr. Grabel and Messrs. McCourt and Filla of Meketa Investment Group

were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to adopt staff's recommendation for modeling and reporting purposes only. The motion passed unanimously.

- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised Legislative Policy.
(Memo dated February 26, 2018)

Messrs. Lew and Rice were present and answered questions from the

Board.

Mr. Kehoe made a motion, Mr. Muir seconded, to have staff revise the Legislative Policy as directed by the Board and return the policy to the Board of Investments for further consideration. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes.

VIII. NON - CONSENT AGENDA (Continued)

- D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt an “Oppose” position on Assembly Bill 2571, which would restrict certain investments in alternative investment vehicles. (Memo dated February 26, 2018)

Mr. Moore made a motion, Mr. Santos seconded, to adopt a “Watch” position on Assembly Bill 2571, and for staff to report back within 60 days on how staff will address the issues raised by the bill and provide recommendations regarding the issue and collection of information.

Mr. Kelly made a substitute motion, Mr. Okum seconded, to approve staff’s recommendation and adopt an “Oppose” position on Assembly Bill 2571. The motion failed (roll call) with Messrs. Kehoe and Kelly voting yes; Messrs. Green, Moore, Muir, Santos, Schneider and Mrs. Sanchez voting no; and Mr. Okum abstaining.

The Board voted on the original motion as above made by Mr. Moore and seconded by Mr. Santos. The motion passed (roll call) with Messrs. Green, Kehoe, Moore, Muir, Santos, Schneider and Mrs. Sanchez voting yes; Mr. Kelly voting no; and Mr. Okum abstaining.

IX. REPORTS

- A. Status and Plan for Joint Organizational Governance Committee Items
Robert R. Hill, Interim Chief Executive Officer
(For Information Only) (Memo dated February 23, 2018)

IX. REPORTS (Continued)

Mr. Kelly requested that staff prioritize the broadcasting of Board meetings and provide an update.

The following items were received and filed:

- B. OPEB Master Trust
Ted Wright, Principal Investment Officer
(For Information Only) (Memo dated February 15, 2018)
- C. Update on OPEB Master Trust New Strategic Asset Allocation
Implementation Plan
Jon Grabel, Chief Investment Officer
(For Information Only) (Memo dated February 19, 2018)
- D. 2017 Fourth Quarter Hedge Fund Performance Report
James Rice, Senior Investment Officer
(For Information Only) (Memo dated February 22, 2018)
- E. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 23, 2018)

X. REPORT ON STAFF ACTION ITEMS

In regard to item V., the Board requested that staff review the metric calculations on the CEO Report.

In regards to item VI., the Board requested that staff agendaize for the next Corporate Governance committee meeting a discussion about LACERA's exposure to Firearms and Ammunition.

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

Mr. Muir wished Scott Zdrazil good luck relating to his nomination as Director on the Council of Institutional Investors Board.

Mr. Muir asked staff to include the names of the presenters on the Board meeting agendas.

Mr. Muir requested that staff work on creating a more comprehensive bookmark on the electronic Board packages.

Mr. Muir requested that, at an upcoming Board meeting, staff agendize a discussion by the Legal Office on efforts to impair securities litigation by requiring arbitration.

Mr. Rice congratulated Mike Herrera on being appointed as President of the National Association of Public Pension Attorney's Executive Board.

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:00 p.m.

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

1. Council of Institutional Investors Joint Investor Letter to U.S. Senate Banking Committee Regarding Proposed Legislation Relating to Proxy Advisory Firms. (Memo dated February 28, 2018)
(For Information Only)
2. LACERA Exposures to Firearms and Ammunition Manufacturers. (Presentation Slides dated March 5, 2018) (For Information Only)
3. Charts following Page 16 of the Legislative Policy for Agenda Item VIII.C. (For Information Only)
4. Correction to New CEO Report Dashboard (Memo dated March 2, 2018)
(For Information Only)
5. Email from Harvey Leiderman, Reed Smith LLP, regarding AB 2571
(Email dated February 27, 2018) (For Information Only)
6. LACERA's Corporate Governance Principles (For Information Only)
7. Online Investment Dashboard (Memo dated February 28, 2018)
(For Information Only)
8. Chief Investment Officer's Report – Amendment
(Memo dated February 27, 2018) (For Information Only)
9. February 2018 Fiduciary Counsel Contact and Billing Report
(Memo dated February 28, 2018) (For Information Only) Privileged and Confidential

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR