

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

10:00 A.M., WEDNESDAY, MAY 9, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Wayne Moore, Secretary

Keith Knox (Chief Deputy to Joseph Kelly)

David Muir

Ronald Okum

Gina V. Sanchez

Herman B. Santos

Michael Schneider

ABSENT: Joseph Kelly

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

Ted Wright, Principal Investment Officer

David Simpson, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Michael Herrera, Senior Staff Counsel

Dale Johnson, Investment Officer

Shelly P. Tilaye, Senior Investments Analyst

Ron Senkandwa, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Quantitative Management Associates

Stacie Mintz, Managing Director and Portfolio Manager

Roy Henriksson, Chief Investment Officer

Brad Zenz, Managing Director, Head of North America Sales

Systematic Financial Management

Kenneth Burgess, Portfolio Manager and Partner

Eoin Middaugh, Partner

Steven Shaw, Senior Vice President, Institutional Sales

I. CALL TO ORDER

The meeting was called to order by Chair Green at 10:56 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of April 11, 2018

Mr. Okum made a motion, Mrs. Sanchez seconded, to approve the minutes of the special meeting of April 11, 2018. The motion passed with Mr. Muir abstaining.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. INTERIM CHIEF EXECUTIVE OFFICER'S REPORT (Memo dated April 2, 2018)

Mr. Hill did not provide any comments.

VI. CHIEF INVESTMENT OFFICER'S REPORT (Memo dated April 2, 2018)

Mr. Grabel did not provide any comments.

VII. CONSENT ITEMS

Mr. Schneider made a motion, Mr. Kehoe 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 2018 SWFI Institutional Investor Summit Asia on June 5 – June 6, 2018 in Tokyo, Japan 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 April 25, 2018)

B. Recommendation as submitted by Michael Schneider, Chair, Real Estate Committee: That the Board adopt the immediate, intermediate and on-going actions identified by the Real Estate Structure Review.
(Memo dated April 27, 2018)

VIII. NON - CONSENT AGENDA

A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve Allocation option “B,” on page 10 of Meketa’s presentation and Chart 1 of this memorandum, for the LACERA Pension Trust Asset Allocation for the following reasons:

- Allocation B is a diversified portfolio consistent with LACERA’s Investment Beliefs;
- Provides comparatively better downside protection and greater probability of achieving LACERA’s 7.25% target return compared to LACERA’s current allocation and 4Q2018 Policy, given model constraints; and
- Delivers a higher expected Sharpe ratio and expected returns adjusted for risk and net of fees. (Memo dated April 25, 2018)

Mr. Grabel and Messrs. Festino and Filla of Meketa Investments Group

were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Muir seconded, to approve Allocation option “B,” for the LACERA Pension Trust Asset Allocation. The motion passed unanimously.

B. Recommendation as submitted by Ted Wright, Principal Investment Officer, Dale Johnson, Investment Officer and Brenda Cullen, Investment Officer: That the Board hire Quantitative Management Associates, L.L.C., and Systematic Financial Management, L.P., for active U.S. Small Capitalization Equity mandates and allocate up to \$400 million to each using separate account vehicles.
(Memo dated April 30, 2018)

VIII. NON - CONSENT AGENDA (Continued)

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

Mr. Muir made a motion, Mr. Knox seconded, to hire Quantitative Management Associates (QMA) and Systematic Financial Management (Systematic) for active U.S. Small Capitalization Equity mandates and allocate up to \$400 million to each using separate account vehicles. The motion passed with Mr. Kehoe voting no.

- C. Recommendation as submitted by Christopher Wagner, Principal Investment Officer and David E. Simpson, Investment Officer: That the Board invite the following Secondary Advisor Request for Proposal finalists, Greenhill Capital Advisory, Evercore Group L.L.C., and Campbell Lutyens to present at the June Board meeting.
(Memo dated April 27, 2018)

Messrs. Wagner and Johnson were present and answered questions from the Board.

Mr. Kehoe made a motion, Mrs. Sanchez seconded, to approve the proposed list of finalists and direct staff to make a selection of the advisor to be engaged. The motion passed with Mr. Santos voting no.

- D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised Legislative Policy.
(Memo dated April 30, 2018)

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

VIII. NON - CONSENT AGENDA (Continued)

Mr. Santos made a motion, Mr. Muir seconded, to adopt the revised Legislative Policy. The motion passed unanimously.

IX. REPORTS

- A. Review of Securities Litigation Policy
Michael Herrera, Senior Staff Counsel
(Memo dated April 30, 2018)

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

The following items were received and filed:

- B. Update on AB 2571 – Race and Gender Pay Equity Policy
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated April 26, 2018)
- C. Enhancing Manager Due Diligence and Monitoring Regarding
Workplace Diversity and Inclusion Policies and Practices
Jude Perez, Principal Investment Officer
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated April 27, 2018)
- D. Sexual Harassment Prevention Training for Trustees
John Nogales, Director Human Resources
Roberta Van Nortrick, Training Coordinator
(For Information Only) (Memo dated April 23, 2018)
- E. Tennenbaum Capital Partners – Organizational Update
Adam Cheng, Senior Investment Analyst
(For Information Only) (Memo dated April 27, 2018)
- F. OPEB Master Trust as of March 31, 2018
Ted Wright, Principal Investment Officer
(For Information Only) (Memo dated April 26, 2018)

IX. REPORTS (Continued)

- G. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated May 1, 2018)
- H. Fund Performance Review as of March 31, 2018
Meketa Performance Report as of March 31, 2018
Jon Grabel, Chief Investment Officer
(For Information Only)
- I. April 2018 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated May 1, 2018) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)

X. REPORT ON STAFF ACTION ITEMS

The Board requested that staff return the Fiduciary Counsel Policy for Board review.

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

Mr. Grabel announced that Michael Romero has been promoted to Financial Analyst II position.

(Mr. Kehoe left the Boardroom at 12:30 p.m.)

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. AE Industrial Partners Fund II, L.P.

Messrs. Wagner, Simpson, and Jose Fernandez of StepStone Group LP,

XII. EXECUTIVE SESSION (Continued)

provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Okum seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Knox, Moore, Muir, Okum, Santos and Mrs. Sanchez voting yes; and Mr. Schneider voting no. Mr. Kehoe was absent. The Board's decision and vote to approve an investment of up to \$100 million in AE Industrial Partners Fund II, L.P., was reported out in open session. AE Industrial Partners Fund II, LP is a small market buy-out fund specializing in aerospace and defense, power generation, and specialty industrial businesses.

2. Other Manager: 1

Mr. Wright was present and answered question from the Board.

Mr. Santos made a motion, Mr. Okum seconded, to approve staff's recommendation to terminate Cramer Rosenthal McGlynn, which has managed an active small/mid-capitalization equity mandate. The motion passed (roll call) with Messrs. Green, Knox, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes. Mr. Kehoe was absent. The Board's decision and vote was reported out in open session.

XII. EXECUTIVE SESSION (Continued)

3. Other Manager: 2

Mr. Wright was present and answered question from the Board.

Mr. Santos made a motion, Mr. Schneider seconded, to approve staff's recommendation to terminate Westwood Asset Management, which has managed an active small/mid-capitalization equity mandate. The motion passed (roll call) with Messrs. Green, Knox, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes. Mr. Kehoe was absent. The Board's decision and vote was reported out in open session.

XIII. ADJOURNMENT

(Mr. Kehoe returned to the Boardroom at 1:02 p.m.)

There being no further business to come before the Board, the meeting was adjourned at 1:08 p.m.

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

1. Supplement to April 2018 Fiduciary Counsel Contact and Billing Report
(Privileged and Confidential)
(Memo dated May 7, 2018) (For Information Only)
2. Investment Recommendation Memorandum: AE Industrial Partners Fund II,
L.P. (Confidential) (Memo dated May 9, 2018) (For Information Only)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR