

REVISED as of February 13, 2019

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, JANUARY 9, 2019

PRESENT: Shawn Kehoe, Chair

Joseph Kelly, Vice Chair

Wayne Moore, Secretary

Alan Bernstein

David Green (Left the meeting at 1:53 p.m.)

David Muir

Ronald Okum

Gina V. Sanchez

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

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

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)

Vache Mahseredjian, Principal Investment Officer

Jude Perez, Principal Investment Officer

David Chu, Senior Investment Officer

Michael D. Herrera, Senior Staff Counsel

Trina Sanders, Investment Officer

Esmeralda V. del Bosque, Senior Investment Officer

Adam Cheng, Senior Investment Analyst

Jeff Jia, Senior Investment Analyst

Beulah Auten, Chief Financial Officer

Ted Granger, Assistant Chief Financial Officer

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Stephen McCourt, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Natalie Walker, Partner

The Townsend Group

Jennifer Stevens, Partner

Milliman

Nick Collier, Consulting Actuary

State Street

Hemant Bhide, Senior Vice President

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:14 a.m., in the Board Room of Gateway Plaza.

II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member)

The election of officers was conducted by Secretary Moore:

A. Chair of the Board

Mr. Kehoe was nominated to the position of Chair of the Board of Investments by Mr. Green.

Hearing no other nominations, the Board voted unanimously and elected Mr. Kehoe as Chair of the Board of Investments.

Secretary Moore announced that Mr. Kehoe was elected to the position of Chair of the Board of Investments.

B. Vice Chair of the Board

Mrs. Sanchez was nominated to the position of Vice Chair of the Board of Investments by Mr. Santos. Mr. Kelly was nominated to the position of Vice Chair of the Board of Investments by Mr. Bernstein.

A vote was held first on Mrs. Sanchez as the first person nominated pursuant to Robert's Rules of Order. The motion failed with Messrs. Bernstein, Kehoe, Kelly, Muir and Okum voting no; and Messrs. Green, Moore, Santos and Mrs. Sanchez voting yes.

II. ELECTION OF OFFICERS (Continued)

B. Vice Chair of the Board

A vote was held on Mr. Kelly, the motion passed with Messrs. Bernstein, Kehoe, Kelly, Moore, Muir and Okum voting yes; and Messrs. Green, ~~Moore~~, Santos and Mrs. Sanchez voting no.

Secretary Moore announced that Mr. Kelly was elected to the position of Vice Chair of the Board of Investments.

C. Secretary

Mr. Moore was nominated to the position of Secretary of the Board of Investments by Mr. Kehoe.

Hearing no other nominations, the Board voted unanimously and elected Mr. Moore Secretary of the Board of Investments.

Secretary Moore announced that he was elected to the position of Secretary of the Board of Investments.

D. Audit Committee Member

Mrs. Sanchez was nominated to the position of Audit Committee Member by Mr. Bernstein.

Hearing no other nominations, the Board voted unanimously and elected Mrs. Sanchez as Audit Committee Member of the Board of Investments.

Secretary Moore announced that Mrs. Sanchez was elected to the position of Audit Committee Member.

III. PLEDGE OF ALLEGIANCE

Mr. Santos led the Board Members and staff in reciting the Pledge of Allegiance.

IV. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of December 12, 2018

Mr. Green made a motion, Mr. Santos seconded, to approve the minutes of the regular meeting of December 12, 2018. The motion passed with Mr. Bernstein abstaining.

V. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that, at the October 10, 2018 Board of Investments meeting, the Board met and voted in closed session, pursuant to California Government Code Section 54956.8.1, to authorize staff to pursue certain private equity secondary sales. The motion was made by Mr. Santos, seconded by Mr. Muir, and was approved 7-0 by all members present. Messrs. Green, Kehoe, Kelly, Muir, Okum, Santos and Mrs. Sanchez voted yes. Mr. Moore and Mr. Schneider were absent. Certain sales have now closed, so it is necessary and appropriate under Government Code 54957.1(a)(7) of the Brown Act to report the Board action. Specifically, on November 30, 2018, the sale of 12 interests closed; on December 3, 2018, the sale of 9 interests closed; and on December 31, 2018, the sale of 36 interests closed. In total by December 31, 2018, the sale of 57 private equity

V. REPORT ON CLOSED SESSION ITEMS (Continued)

interests closed with an allocated part of the purchase price for all sold interests being just under \$800 million.

VI. PUBLIC COMMENT

There were no requests from the public to speak.

VII. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated December 31, 2018)

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

VIII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated December 24, 2018)

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

IX. CONSENT ITEMS

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

- A. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board approve the issuance of a Request for Proposal for Fixed Income Emerging Managers.
(Memo dated December 15, 2018)
- B. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board make the following changes to the Credit structure: 1) Reduce the allocation to High Yield, 2) Increase the allocation to Emerging Market Debt (EMD) and 3) Increase the allocation to bank loans. (Memo dated December 19, 2018)

IX. CONSENT ITEMS (Continued)

- C. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board approve the following changes to the Investment Grade Bonds structure: 1) Adopt Core and Core Plus allocation targets of 80% and 20%, respectively (both with +/- 10% ranges), and 2) Re-categorize Dodge & Cox as Core Plus.
(Memo dated December 19, 2018)

- D. Recommendation that the Board approve attendance of Board members at the 2019 Forum for Institutional Investors: Protecting Shareholder Rights on April 10-13, 2019 in New Orleans, Louisiana 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. Green)
(Memo dated December 20, 2018)

- E. Recommendation that the Board Approve attendance of Board members at the 2019 PPI Study Mission to Mexico City on March 3-5, 2019 in Mexico City, Mexico 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. Santos)
(Memo dated December 21, 2018)

X. NON - CONSENT AGENDA

- A. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Board review the 2019 meeting schedule, and consider rescheduling the Wednesday, May 8, 2019 and Wednesday, November 13, 2019 BOI meetings. (Memo dated December 19, 2018)

Ms. Lazatin was present and answered questions from the Board.

After a brief discussion, Mr. Green made a motion, Mrs. Sanchez seconded, to (1) Reschedule the May 8, 2019 Board of Investments meeting to Wednesday, May 15, 2019; and to (2) Reschedule the November 13, 2019 Board of Investments meeting to Wednesday, November 20, 2019. The motion passed unanimously.

X. NON - CONSENT AGENDA (Continued)

- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised Legislative Policy.
(Memo dated December 24, 2018)

Mr. Lew and Mr. Steven Rice were present and answered questions from the Board.

Mr. Bernstein made a motion, Mr. Green seconded, to approve the agenda item. The motion passed unanimously.

XI. REPORTS

- A. 2019 Board of Investments and Committee Meeting Calendar and Workplan
Jonathan Grabel, Chief Investment Officer
(Memo dated December 18, 2018)

Mr. Grabel provided a brief presentation and answered questions from the Board.

- B. Investment Fee Structure
Jude Perez, Principal Investment Officer
Steve McCourt, Meketa Investment Group
Tim Filla, Meketa Investment Group
(Memo dated December 20, 2018)

Messrs. Grabel and Perez and Messrs. McCourt and Filla of Meketa Investment Group provided a brief presentation and answered questions from the Board.

- C. Actuarial Educational Session
Beulah Auten, Chief Financial Officer
Nick Collier, Milliman
(Memo dated December 24, 2018)

XI. REPORTS (Continued)

Mrs. Auten, Mr. Granger and Mr. Collier of Milliman provided a brief presentation and answered questions from the Board.

- D. State Street Update
Jonathan Grabel, Chief Investment Officer
(Memo dated December 20, 2018)

Messrs. Grabel and Perez and Mr. Bhide of State Street provided a brief presentation and answered questions from the Board.

- E. Real Estate Performance – 2nd Quarter 2018
John McClelland, Principal Investment Officer
Jennifer Stevens, Townsend Group
(Memo dated December 19, 2018)

Messrs. McClelland and Grabel and Mrs. Stevens of Townsend Group provided a brief presentation and answered questions from the Board.

- F. Investment – Related Services Procurement Process
John McClelland, Principal Investment Officer
(Memo dated December 19, 2018)

Messrs. Grabel and McClelland provided a brief presentation and answered questions from the Board. The Board requested that staff review and revise the Procurement Process and the CEO expenditure authorization and return at a future Board meeting.

- G. Potential Use of E-Voting Procedure for 2019 Board Elections
Lou Lazatin, Chief Executive Officer
Steven P. Rice, Chief Counsel
(Memo dated December 31, 2018)

Ms. Lazatin and Mr. Steven Rice provided a brief presentation and

XI. REPORTS (Continued)

answered questions from the Board. The Board's comments will be shared with the County of Los Angeles, which is responsible for the elections.

The following items were received and filed:

- H. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated December 20, 2018)
- I. Update on Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated December 24, 2018)
- J. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated January 2, 2019)
- K. Update on Resolution of Trustee Sanchez Conflict of Interest Issue
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 31, 2018)
- L. Meketa Investment Group Self-Evaluation
Stephen McCourt, Meketa Investment Group
Leandro Festino, Meketa Investment Group
Tim Filla, Meketa Investment Group
(For Information Only) (Memo dated December 31, 2018)
- M. December 2018 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated January 2, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)

XII. ITEMS FOR STAFF REVIEW

In regards to item X.B., the Board requested that at the next Legislative Policy

XII. ITEMS FOR STAFF REVIEW (Continued)

review that staff include a provision for performance evaluation of LACERA's Legislative Advocates and to also mention this request at the January 10, 2019 Board of Retirement meeting.

In regards to item XI.I., the Board requested staff to invite Joe Ackler to a future Board of Investment meeting to address the Board regarding potential legislation on compensation for Board members.

In regards to item XI.C., The Board requested staff agendize a discussion regarding the Actuarial Standards of Practice and to address the issues and concerns addressed at today's meeting. In addition, the Board requested for staff or Milliman to provide a report on the opportunities cost/losses had we lowered the amortization to 20-years about 10 years ago. The Board also requested that staff or Milliman include the cost/losses if a decision is made to lower the amortization to 20 years.

In regards to item XI.F., the Board requested that staff to revise the CEO expenditure authorization.

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

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

Mr. Bernstein shared his experience attending the NACD's Detecting Disruptive Personalities luncheon on January 8, 2019 in Los Angeles.

Mr. Green welcomed Mr. Bernstein and congratulated Mr. Kehoe in his new

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

role as Chair of the Board of Investments.

Mr. Moore thanked the investment and accounting staff for providing him with a template for showing all the fees associated with investments.

Mrs. Sanchez reported out the following: I previously disclosed negotiations by me and my company Chantico Global with an affiliate of Lazard Asset Management, a LACERA emerging markets public equity manager. I recused myself from any LACERA matters related to Lazard during the negotiations. On December 18, 2018, I terminated the negotiations and informed Lazard that I will not engage in further discussions with them while I am on this Board and Lazard remains a LACERA manager. I made this decision to avoid a conflict of interest, to eliminate potential adverse impact on LACERA, and to enable me to fully perform my duties as a LACERA trustee. LACERA is my first priority. I am informed by LACERA's counsel that, having taken these steps, there are no longer any limits, arising from the Lazard negotiations, on my ability to participate in the Board's business.

Mr. Okum congratulated all the officers elected to the Board of Investments today.

Mr. Grabel welcomed Didier Acevedo, Financial Analyst III, to the Private Equity investment team.

Mr. Grabel announced that Chad Timko has been promoted to Senior Investment

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

Officer in the Hedge Funds investment team. Lastly, Mr. Grabel announced that Elin Elin Szymanowski will be moving and leaving LACERA for personal reasons.

XIV. 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: 3

The Board met in Executive Session with counsel pursuant to California Government Code Section 54956.81, to consider several specific pension fund investments. The Board took action, which will be reported out a future dated pursuant to the Brown Act. There is nothing to report at this time.

2. Other Manager: 2

The Board met in Executive Session with counsel pursuant to California Government Code Section 54956.81, to consider several specific pension fund investments. The Board took action, which will be reported out a future dated pursuant to the Brown Act. There is nothing to report at this time.

3. LAV BIOSCIENCES FUND V, L.P.

Mr. Kehoe made a motion, Mrs. Sanchez seconded, to approve staff's recommendation. The motion passed unanimously by all members present (roll call) with Messrs. Bernstein, Kehoe,

XIV. EXECUTIVE SESSION (Continued)

Kelly, Moore, Muir, Okum and Mrs. Sanchez voting yes. The Board's decision and vote to approve an investment of up to \$100 million to LAV BIOSCIENCES FUND V, L.P., which is a private equity fund pursuing venture, growth, and public equity in the biopharmaceuticals and medical devices/diagnostics sectors, primarily in China and some based in the U.S. with cross border dimensions, was reported out in open session. Mr. Green and Mr. Santos were not present for the vote.

4. AG Asia Realty Fund IV

Mr. Okum made a motion, Mr. Muir seconded, to approve staff's recommendation. The motion passed unanimously by all members present (roll call) with Messrs. Bernstein, Kehoe, Kelly, Moore, Muir, Okum and Mrs. Sanchez voting yes. The Board's decision and vote to approve an investment of up to \$100 million to AG Asia Realty Fund IV, which is a real estate fund that will pursue opportunistic real estate investments of diverse types in the Pan-Asia region, particularly Japan, South Korea, China, Hong Kong and Singapore, emphasizing under performing and troubled assets, was reported out in open session. Mr. Green and Mr. Santos were not present for the vote.

XIV. EXECUTIVE SESSION (Continued)

- B. Conference with Legal Counsel - Pending Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9).

1. LACERA v. BHP Billiton Limited, et al, etc.
Victoria Registry, Federal Court of Australia,
Case No. VID1218/2018

The Board met in Executive Session with counsel pursuant to California Government Code Section 54956.9. There was nothing to report.

- C. Conference with Labor Negotiators
(Pursuant to Government Code Section 54957.6)

LACERA Designated Representatives:
John Popowich, Assistant Executive Officer
John Nogales, Director, Human Resources

Employee Organization:
SEIU, Local 721

The Board met in Executive Session with LACERA's designated representatives and counsel pursuant to Government Code Section 54957.6. There was nothing to report. Mr. Green recused himself from this item.

XV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:54 p.m.

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

1. CIO Presentation – Mr. Grabel will provide a brief presentation during his CIO Report.
2. Amended Board of Investments Agenda, January 9, 2019
3. Actuarial Educational Session – Replacement Slides (Memo dated January 3, 2019)
4. Potential LACERA Sponsorship of Legislation on Conducting Board Self-Evaluations in Closed Session (Memo dated December 28, 2018)
5. Board Offsite Meeting Information (Memo dated January 3, 2019)
6. Deferred Retirement Option Program (Memo dated January 4, 2019)

WAYNE MOORE, SECRETARY

SHAWN KEHOE, CHAIR