

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, FEBRUARY 13, 2019

PRESENT: Shawn Kehoe, Chair

Joseph Kelly, Vice Chair

Alan Bernstein

David Green

David Muir

Herman B. Santos

ABSENT: Wayne Moore, Secretary

Ronald Okum

Gina V. Sanchez

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

Jonathan Gabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

Jude Perez, Principal Investment Officer

Ted Wright, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

James Rice, Principal Investment Officer

David Chu, Senior Investment Officer

Esmeralda V. del Bosque, Senior Investment Officer

David Simpson, Investment Officer

Amit Aggarwal, Investment Officer

Trina Sanders, Investment Officer

Quoc Nguyen, Senior Investment Analyst

John Kim, Senior Investment Analyst

Shelly Tilaye, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Meketa Investment Group

Stephen McCourt, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Natalie Walker, Managing Director

The Townsend Group

Jennifer Stevens, Partner

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:08 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Santos 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 9, 2019

Mr. Green made a motion, Mr. Bernstein seconded, to approve the revised minutes of the regular meeting of January 9, 2019. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that:

At the September 12, 2018 Board of Investments meeting, the Board met and voted in closed session, under agenda item XII.A.5., pursuant to California Government Code Section 54956.81, 9–0 on a motion made by Mr. Santos, seconded by Mrs. Sanchez, to approve a group of 11 real estate transactions. It is appropriate and necessary to report out four of those transactions. On January 31, 2019, LACERA owned holding companies transferred management of four apartment properties from Capri Capital Partners to DWS (RREEF). The four properties were: 1) Tower 801 located in Seattle, Washington; 2) Park Lane Place located in Dallas, Texas; 3) Esprit located in Marina Del Rey, California; and 4) Dominion Post Oak located in Houston, Texas. The market value of the assets transferred is \$534,600,000.

At the October 10, 2018 Board of Investments meeting, the Board met and voted in closed session, under agenda item XII.A.1., pursuant to California Government Code Section 54956.81, to authorize staff to pursue certain private equity secondary sales. The motion was made by Mr. Santos, seconded by Mr. Muir, and was supported 7–0, by all members present, with Messrs., Green, Kehoe, Kelly, Muir, Okum and

IV. REPORT ON CLOSED SESSION ITEMS (Continued)

Santos and Mrs. Sanchez voting yes, and Messrs. Moore and Schneider absent. Certain sales were reported out at the January 9, 2019 meeting; however, an additional sale has now officially closed. On January 31, 2019, the sale of one additional interest closed. In total including the sales previously reported, by January 31, 2019, the sale of 58 private equity interests closed, with an allocated purchase price for all sold interest being approximately \$800 million.

At the January 9, 2019 Board of Investments meeting, the Board met and voted in closed session, under agenda item XIV.A.1., pursuant to California Government Code Section 54956.81, to terminate LACERA's investment management agreements with three credit managers. The terminated managers are: 1) Penn Capital Management, which had a high yield bond mandate; 2) Principal Global Investors, which had an opportunistic fixed income mandate; and 3) Western Asset Management, which had an opportunistic fixed income mandate. The motion was made by Mr. Muir, seconded by Mr. Kelly, and passed 7-0, with Messrs. Bernstein, Kehoe, Kelly, Muir, Moore and Okum and Mrs. Sanchez voting yes, and Messrs. Green and Santos absent. Those terminations have now been completed.

At the January 9, 2019 Board of Investments meeting, the Board met and voted in closed session, under agenda item XIV.A.2., pursuant to California Government Code Section 54956.81, to terminate LACERA's relationship with two Investment Grade Bond managers and transition the assets under their management to the BlackRock U.S. Debt Index Fund. The managers are: 1) Loomis, Sayles &

IV. REPORT ON CLOSED SESSION ITEMS (Continued)

Company, which had a Core Plus fixed income mandate, and 2) Dolan McEniry Capital Management, which had had a Core Plus fixed income mandate. The transfer of assets to BlackRock is under way and will be completed soon. The motion was made by Mr. Kelly, seconded by Mr. Muir, and passed 7–0, Messrs. Bernstein, Kehoe, Kelly, Muir, Moore and Okum and Mrs. Sanchez voting yes, and Messrs. Green and Santos absent.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated February 4, 2019)

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

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated January 31, 2019)

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

VIII. CONSENT ITEMS

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

- A. Recommendation as submitted Herman Santos, Past Chair, Equity: Public/Private Committee: That the Board approve the following changes to the Global Equity portfolio structure:

VIII. CONSENT ITEMS (Continued)

1. Combine oversight of U.S. and Non-U.S. Public Equity Composites;
 2. Consolidate U.S. and Non-U.S. passive index strategies into MSCI ACWI IMI Index separate account;
 3. Approve an RFP for MSCI ACWI IMI Index separate account manager;
 4. Lower the Global Equity Composite tracking error to 1.0% to 2.5% on a rolling 7-year basis;
 5. Approve risk spectrum allocation groupings and ranges; and
 6. Develop an RFP and establish minimum qualifications for external Factor Strategy separate account manager(s).
(Memo dated February 4, 2019)
- B. Recommendation as submitted by Herman Santos, Past Chair, Equity: Public/Private Committee: That the Board approve the proposed Minimum Qualifications specified in the MSCI ACWI IMI Request for Proposal. (Memo dated February 4, 2019)
- C. Recommendation that the Board approve attendance of Board members at the 3rd Annual Delegation trip to Africa held on March 30- April 7, 2019 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 February 5, 2019)
- D. Recommendation as submitted by Jon Grabel, Chief Investment Officer: That the Board consider rescheduling its 2019 offsite meeting from Monday, July 8 and Tuesday, July 9 to Monday, July 1 and Tuesday, July 2. (Memo dated January 23, 2019)
- E. Recommendation as submitted by Steven P. Rice: That the Board approve the ballot insert entitled "Powers and Duties of Retirement Board Members," which will be included with the ballot materials for the election of the Fourth Member of the Board of Investments and posted on lacera.com (Memo dated February 5, 2019)

This item, which was agendized as Non-Consent Item IX.C, was acted on, without objection, upon consent.

IX. NON-CONSENT

- A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, James Rice, Principal Investment Officer, David Chu, Senior Investment Officer and Quoc Nguyen, Senior Investment Analyst:

That the Board invite Albourne to the March 13, 2019 Board of Investments meeting to interview as LACERA's Hedge Funds, Illiquid Credit, and Real Assets Consultant.
(Memo dated January 30, 2019)

Messrs. Grabel, Rice and Nguyen provided a presentation and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to invite Albourne, Aksia and Cambridge Associates to the March 13, 2019 Board of Investments meeting to interview as LACERA's Hedge Funds, Illiquid Credit, and Real Assets Consultant. The motion passed unanimously.

- B. Recommendation as submitted by James Rice, Principal Investment Officer, Amit Aggarwal, Investment Officer, Shelly Tilaye, Senior Investment Analyst and Calvin Chang, Senior Investment Analyst: That the Board hire DWS to manage an active Real Assets completion portfolio in a separate account. (Memo dated February 1, 2019)

Messrs. Grabel, Rice and Aggarwal provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Green seconded, to hire DWS to manage an active Real Assets completion portfolio in a separate account. The motion passed with Messrs. Bernstein and Kelly voting no.

- C. Recommendation as submitted by Steven P. Rice: That the Board approve the ballot insert entitled "Powers and Duties of Retirement Board Members," which will be included with the ballot materials for the election of the Fourth Member of the Board of Investments and posted on lacera.com (Memo dated February 5, 2019)

IX. NON-CONSENT (Continued)

This item was acted on, without objection, upon consent as Item VIII.E above.

X. REPORTS

- A. LACERA Quarterly Performance Report as of December 31, 2018
Meketa Report: Total Fund Performance Report
Jude Perez, Principal Investment Officer
Esmeralda V. del Bosque, Senior Investment Officer
John Kim, Senior Investment Analyst
(Memo dated February 4, 2019)

Messrs. Grabel, Perez, Kim and Ms. del Bosque provided a presentation and answered questions from the Board.

- B. Public Markets Internal Management Assessment
Jon Grabel, Chief Investment Officer
(Memo dated January 31, 2019)

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

Mr. Kehoe made a motion, Mr. Muir seconded, to have staff return the Public Markets Internal Management Assessment in 90 days with an additional report on proceedings. The motion passed unanimously.

The following items were received and filed:

- C. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated January 29, 2019)
- D. LACERA OPEB Master Trust Quarterly Performance Report as of December 31, 2018
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated February 4, 2019)

X. REPORTS (Continued)

- E. Semi-Annual Interest Crediting for Reserves as of December 31, 2018
(Unaudited)
Beulah S. Auten, Chief Financial Officer
(For Information Only) (Memo dated January 31, 2019)
- F. Trustees United
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated January 28, 2019)
- G. Meketa Investment Group Merger with Pension Consulting Alliance
Leandro Festino, Managing Principal
Stephen McCourt, Managing Principal
Tim Filla, Managing Principal
(For Information Only) (Memo dated January 22, 2019)
- H. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 4, 2019)
- I. January 2019 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated February 4, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only)
- J. Report on Security Incident
Steven P. Rice, Chief Counsel
(Memo dated February 6, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only)

XI. ITEMS FOR STAFF REVIEW

In regards to item VI. A., the Board requested the Chief Executive Officer Report be changed to include 5 year and 10 year returns in the Key Financial Metrics.

In regards to item VII. A., the Board requested for staff to report back on the impact of the Iran and Sudan Investment under Office of Foreign Assets Control.

In regards to item IX. A., the Board requested a copy of the Board approved RFP Process be distributed to the Board.

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

Mr. Santos shared his experience in attending the NCPERS in Washington D.C. and thanked Ms. Lazatin for participating in the sessions at NCPERS. In addition, he suggested moving the Executive Session agenda items earlier in the day.

Mr. Kelly reminded the Board and staff that Friday, March 8, 2019 is Independence Women's Day.

Mr. Grabel welcomed Terra Elijah, Financial Analyst I in the Portfolio Analytics Unit. In addition, he welcomed and introduced LACERA's Investment Office interns, DaJaun Bennett and Wei-Wei Lee.

XIII. 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: 1

Messrs. Wright and Grabel were present and answered questions from the Board.

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 at a future date pursuant to the Brown Act. There is nothing to report at this time.

2. Real Estate Commingled Fund – Core Property Index Fund

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

XIII. EXECUTIVE SESSION (Continued)

Mr. Santos made a motion, Mr. Green seconded, to approve staff's recommendation. The motion passed unanimously (roll call) by all members present, with Messrs. Bernstein, Green, Kehoe, Kelly, Muir and Santos voting yes. The Board's decision and vote to approve a commitment of up to \$250 million to the Core Property Index Fund, which is an open-end commingled real estate fund that will seek to match the returns of the NCREIF NFI-ODCE index, was reported out in open session. Messrs. Moore, Okum and Mrs. Sanchez were absent.

3. Real Estate Commingled Fund – Bain Capital Real Estate Fund I

Messrs. Grabel, McClelland and Aggarwal and Mrs. Stevens of the Townsend

Group provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Bernstein seconded, to approve staff's recommendation. The motion passed unanimously (roll call) by all members present, with Messrs. Bernstein, Green, Kehoe, Kelly, Muir and Santos voting yes. The Board's decision and vote to approve a commitment of up to \$100 million to Bain Capital Real Estate Fund I, which is a value-add real estate commingled fund that will focus on making investments in small to mid-sized assets primarily in North America and up to 25% outside North America, was reported out in open session. Messrs. Moore, Okum and Mrs. Sanchez were absent.

XIII. EXECUTIVE SESSION (Continued)

4. SH Holding, L.P.

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

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 at a future date pursuant to the Brown Act. There is nothing to report at this time.

5. BRV Aster Fund III, L.P. and BRV Aster Opportunity Fund II, L.P.

Messrs. Grabel, Wagner and Chu and Mrs. Walker of StepStone Group LP were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Green seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Bernstein, Green, Kelly, Muir and Santos voting yes and Mr. Kehoe voting no. The Board's decision and vote to approve a commitment of up to \$75 million to be allocated approximately \$50 million to BRV Aster Fund III, L.P., and approximately \$25 million to BRV Aster Opportunity Fund II, L.P. was reported out in open session. The investments are venture capital private equity funds with a focus on China. BRV Aster Fund III will make early stage investments in China based technology companies. BRV Aster Opportunity Fund II will primarily invest in the follow on rounds of BRV Aster Fund III's most promising companies. Messrs. Moore, Okum and Mrs. Sanchez were absent.

XIII. EXECUTIVE SESSION (Continued)

6. Vinci Capital Partners III, L.P.

Messrs. Grabel, Wagner and Simpson and Mrs. Walker of StepStone Group LP were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Bernstein, Green, Kelly, Muir and Santos voting yes and Mr. Kehoe voting no. The Board's decision and vote to approve a commitment of up to \$75 million to Vinci Capital Partners III, L.P., which is a private equity investment focusing on a Brazilian middle market buy-out strategy, targeting primarily consumer related and industrial companies, was reported out in open session. Messrs. Moore, Okum and Mrs. Sanchez were absent.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:52 a.m.

Signature on File

WAYNE MOORE, SECRETARY

Signature on File

SHAWN KEHOE, CHAIR