

Revised and Approved

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

A 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 8, 2020

PRESENT: David Green, Chair

Herman B. Santos, Vice Chair

Wayne Moore, Secretary

Alan Bernstein

Elizabeth Greenwood

Shawn Kehoe

Keith Knox

David Muir

Gina V. Sanchez

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

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

Jude Perez, Principal Investment Officer

Ted Granger, Interim Chief Financial Officer

Robert Santos, Investment Officer

Derek Kong, Investment Officer

Esmeralda V. del Bosque, Senior Investment Officer

John Kim, Senior Investment Analyst

Dale Johnson, Investment Officer

Adam Cheng, Senior Investment Analyst

Jeff Jia, Senior Investment Analyst

Milliman

Craig Glyde, Consulting Actuary

Mark Olleman, Consulting Actuary

Meketa Investment Group

Stephen McCourt, Managing Principal

Timothy Filla, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Natalie Walker, Partner

Cavanaugh Macdonald

Patrice A. Beckham, Principal and Consulting Actuary

Los Angeles County

Sachi Hamai, Chief Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

SEIU Local 721

Ramon Rubalcava, Director of Member Benefits and Employer Relations

California Association of Professional Employees

Blaine Meek, Board Member

Unite Here Local 11

Jordan Fein

Maribel Duarte

Amber Landry

Wade Luneburg

I. CALL TO ORDER

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

II. ELECTIONS

(Election of Chair, Vice Chair, Secretary, Joint Organizational Governance Committee and Audit Committee Trustees)

The election of officers was conducted by Secretary Moore:

A. Chair of the Board

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

Hearing no other nominations, the nominations were closed and Secretary Moore announced that Mr. Green was elected to the position of Chair of the Board of Investments.

B. Vice Chair of the Board

II. ELECTION OF OFFICERS (Continued)

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

Hearing no other nominations, the nominations were closed and Secretary Moore announced that Mr. Santos 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. Santos.

Hearing no other nominations, the nominations were closed and Secretary Moore announced that he was elected to the position of Secretary of the Board of Investments.

D. Joint Organizational Governance Committee Member

Mr. Muir was nominated to the position of Joint Organizational Governance Committee Member by Mr. Green.

Hearing no other nominations, the nominations were closed and Secretary Moore announced that Mr. Muir was elected to the position of Joint Organizational Governance Committee Member.

E. Audit Committee Member

Ms. Sanchez was nominated to the position of Audit Committee Member by Mr. Santos.

II. ELECTION OF OFFICERS (Continued)

Hearing no other nominations, the nominations were closed and Secretary Moore announced that Ms. Sanchez was elected to the position of Audit Committee Member.

III. PLEDGE OF ALLEGIANCE

Mr. Knox 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 11, 2019

Mr. Bernstein made a motion, Ms. Greenwood seconded, to approve the minutes of the regular meeting of December 11, 2019. The motion passed unanimously by all trustees present.

V. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that:

At its September 12, 2018 meeting, the Board took action on a number of real estate investments. The vote has previously been reported, and individual transactions have been reported out at various times as appropriate under the Brown Act. Today, it is appropriate to report out that the Board at that time approved the termination of real estate manager Vanbarton under certain guidelines. At its October 8, 2019 meeting, under Agenda Item XIII.A.1, the Board voted unanimously by all members on a motion by Mr. Santos, seconded by Mr. Kehoe, to accelerate Vanbarton's termination and authorize staff to reassign its properties under management. At its November 20,

V. REPORT ON CLOSED SESSION ITEMS (Continued)

2019 meeting, under Agenda Item XIV.A.5, the Board was provided with an information only memo that staff selected Clarion Partners LLC to take over management of the three reminding properties. The final conclusion of this series of events is that on December 31, 2019, Vanbarton was terminated and management responsibility for the three remaining assets was transferred to Clarion effective January 1, 2020.

At its September 11, 2019 meeting, under Agenda Item XII.A.1, the Board took action in connection with the Hedge Fund 2019 Structure Review. The vote on this item was reported out at that meeting. However, as permitted by the Brown Act, certain aspects of the action were not reported in September. It is now appropriate to report that the September 2019 action included approval to wind down the Grosvenor and Goldman Diversified Fund of Fund portfolios, which at the time had net asset values of approximately \$480 million and \$490 million, respectively. Most of the capital is expected to be returned by end the of 2020. The September 2019 action also included action to increase maximum allocations to existing direct managers Capula, Davidson Kempner, and HBK.

VI. PUBLIC COMMENT

Ms. Hamai, Chief Executive Officer for Los Angeles County, Mr. Ramon Rubalcava from SEIU Local 721 and Mr. Blaine Meek from California Association of Professional Employees addressed the Board regarding agenda item IX.A.

VI. PUBLIC COMMENT (Continued)

Jordan Fein, Maribel Duarte, Amber Landry and Wade Luneburg 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 December 18, 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. NON-CONSENT ITEMS

A. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer, Jon Grabel, Chief Investment Officer and Ted Granger, Interim Chief Financial Officer: That the Board:

1. Adopt the economic assumptions identified as Alternative #2 on page 17 of the draft 2019 Investigation of Experience for Retirement Benefit Assumption Report (2019 Experience Study), as submitted by the plan actuary (Milliman). This option (combined with 25 year amortization for existing layers) is labeled as Alternative 2a on the Milliman presentation slides to be shown and discussed at the upcoming January 8, 2020 Board of Investments (BOI) meeting. The economic assumptions recommended for adoption by LACERA staff and Milliman includes a 6.75% investment return; 3.00% general wage growth; 2.50% price inflation rate and 3.00% payroll growth factor.

IX. NON-CONSENT ITEMS (Continued)

2. Adopt a 25-year amortization period for existing annual payment layers and a new 20-year amortization schedule for all payment layers added in future years.
3. Adopt the demographic assumptions that allow for use of revised mortality tables; larger merit salary increases; modified rates of retirement; small adjustments to the termination and disability assumptions; and other minor changes. The recommended changes are more fully described in Milliman's draft 2019 Experience Study report.
4. Adopt the phase-in of increases in the employer contribution rates over a three-year period to help fulfill LACERA's fiduciary duty ~~of~~ and legal authority to minimize the impact on employer contributions in the short-term.
5. Delegate authority to the Chief Executive Officer working in concert with LACERA's General Counsel, the Interim Chief Financial Officer and Chief Investment Officer to ensure the actuarial assumptions adopted by the BOI Trustees, and as more fully detailed in Appendix A of the 2019 Experience Study report, are incorporated in Milliman's calculation of plan liabilities presented in the 2019 Actuarial Valuation of Retirement Benefits report. (Memo dated December 30, 2019).

For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the Phase-In of Employee Contribution Rates.
(Memo dated December 23, 2019)

Messrs. Kreimann and Granger and Messrs. Glyde and Olleman of Milliman provided a presentation and answered questions from the Board.

Mr. Santos made a motion, seconded by Mr. Moore to adopt the following:
A 7.00% investment return; 3.25% general wage growth; 2.75% price inflation rate and 3.25% payroll growth factor.

IX. NON-CONSENT ITEMS (Continued)

Mr. Kehoe made a substitute motion, seconded by Ms. Greenwood, to bring this item back at the next Board of Investments meeting to provide additional information regarding a 3-year phase in option for the employee contribution rate adjustment. The motion failed with Messrs. Bernstein, Green, Knox, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting no and Mr. Kehoe voting yes.

The motion to adopt a 7.00% investment return; 3.25% general wage growth; 2.75% price inflation rate and 3.25% payroll growth factor. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting yes and Mr. Knox voting no.

- B. Recommendation as submitted by Jude Perez, Principal Investment Officer, Esmeralda del Bosque, Senior Investment Officer, Scott Zdrazil, Senior Investment Officer, Dale Johnson, Investment Officer and John Kim, Senior Investment Analyst: That the Board approve appointing:
- a. MSCI Analytics to provide total Fund risk services; and
 - b. MSCI ESG Research LLC and Sustainalytics US Inc. for ESG data and analytics, as well as Trucost-S&P global for climate-related data. (Memo dated December 30, 2019)

Mr. Santos made a motion, Mr. Muir seconded, that the Board approve appointing: a) MSCI Analytics to provide total Fund risk services; and b) MSCI ESG Research LLC and Sustainalytics US Inc. for ESG data and analytics, as well as Trucost-S&P global for climate-related data. The motion passed unanimously by all trustees present.

X. REPORTS

A. Vision 2020: Investment Division Work Plan and Strategic Initiatives Update

Jon Grabel, Chief Investment Officer
(Memo dated December 30, 2019)

Mr. Grabel provided a presentation 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 December 20, 2019)

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

provided a presentation and answered questions from the Board.

C. Private Equity Portfolio Update

Christopher Wagner, Principal Investment Officer
(Memo dated December 26, 2019)

Mr. Wagner, Mr. Fernandez and Ms. Walker of StepStone Group LP

provided a presentation and answered questions from the Board.

D. 2020 Board Election Process

Steven P. Rice, Chief Counsel
(Memo dated December 23, 2019)

Messrs. Kreimann and Steven Rice provided a presentation and answered

Questions and received input and direction from the Board.

X. REPORTS (Continued)

The following agenda items were received and filed:

- E. Real Estate Process Workflow Findings – Update
Esmeralda del Bosque, Senior Investment Officer
Trina Sanders, Investment Officer
Cindy Rivera, Senior Investment Analyst
(For Information Only) (Memo dated December 20, 2019)
- F. Private Equity Secondary Sale Update
Christopher Wagner, Principal Investment Officer
David Simpson, Investment Officer
(For Information Only) (Memo dated December 20, 2019)
- G. Investment Policy Statement – Update
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated December 20, 2019)
- H. Fair Political Practices Commission Form 806 – Agency Report of Public
Official Appointments
Jill Rawal, Staff Counsel
(For Information Only) (Memo dated December 30, 2019)
- I. 2019 Third Quarter –Hedge Fund Performance Report
James Rice, Principal Investment Officer
Quoc Nguyen, Investment Officer
(For Information Only) (Memo dated December 16, 2019)
- J. Monthly Education and Travel Report for November 2019
Ted Granger, Interim Chief Financial Officer
(For Information Only) (Public Memo dated December 20, 2019)
(Confidential Memo dated December 20, 2019 – Includes Anticipated
Travel)
- K. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 31, 2019)
- L. December 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 December 31, 2019)

XI. ITEMS FOR STAFF REVIEW

In regards to item VI. The Board requested for staff to agendize a discussion regarding PAI and a plan moving forward.

In regards it item IX. A., the Board requested for staff and our consultants in the future to explore the 3-year phase option for the employee contribution rate adjustment and for staff to explore legislative remedy.

In regards to item X. B., the Board provided changes to the Emerging Manager Program.

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

Mr. Muir requested for staff to include the name of the presenters on the agenda.

Furthermore, the Board welcomed Ms. Greenwood to the Board of Investments and congratulated the new officers.

Lastly, Mr. Bernstein asked that we have translator's onsite during the Board meetings.

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. Syndicated Bank Loan Manager Search

Messrs. Cheng, Jia and Santos provided a presentation and answered questions from the Board.

XIII. EXECUTIVE SESSION (Continued)

Mr. Santos made a motion, seconded by Mr. Bernstein, to select Credit Suisse Asset Management to manage approximately \$1 billion in a separate account Syndicated Bank Loan mandate. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting yes.

2. Montefiore Investment V S.L.P.

Messrs. Wagner and Kong and Ms. Walker of StepStone Group LP

provided a presentations and answered questions from the Board.

Mr. Santos made a motion, seconded by Mr. Knox, to approve a commitment of up to \$50 million in Montefiore Investment V S.L.P., which is a French small buyout private equity fund targeting service businesses in the travel and leisure, retail, business to consumer, and business to business subsectors. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting yes.

3. Credit Structure Review – Part 2

The Board took action, which under the Brown Act, will be reported out at a later date.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:54 p.m.

Signature on File

WAYNE MOORE, SECRETARY

Signature on File

DAVID GREEN, CHAIR