

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, AUGUST 8, 2018

*The Board may take action on any item on the agenda,
and agenda items may be taken out of order.*

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

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

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

John McClelland, Principal Investment Officer

James Rice, Senior Investment Officer

Amit Aggarwal, Investment Officer

Shelly P. Tilaye, Senior Investment Analyst

Adam Cheng, Senior Investment Analyst

Reed Smith, LLP
Harvey L. Leiderman

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

StepStone Group LP
Jose Fernandez, Partner

The Townsend Group
Micolyn Magee, Principal

Matarin Capital Management
Valerie Malter, Co-founder, Managing Principal
Nili Gilbert, Co-founder, Portfolio Manager

CornerCap Investment Counsel
J. Cannon Carr, Jr., Chief Investment Officer
Jeff P. Moeller, Director of Research

Global Alpha Capital Management
Robert Beauregard, Chief Investment Officer & Portfolio
Manager
Qing Ji, Portfolio Manager
David Savignac, Portfolio Manager

The meeting was called to order by Chair Green at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of July 9, 2018

Mr. Santos made a motion, Mr. Okum seconded, to approve the minutes of the special meeting of July 9, 2018. The motion passed unanimously.

B. Approval of the Minutes of the Special Meeting of July 10, 2018

Mr. Santos made a motion, Mrs. Sanchez seconded, to approve the minutes of the special meeting of July 10, 2018. The motion passed unanimously.

IV. PUBLIC COMMENT

Mr. Fred Massey addressed the Board regarding item VIII.E.

Mrs. Sanchez addressed the Board stating, “As Chair Green reported at the July 2018 Offsite my company Chantico Global LLC is in negotiations with Lazard concerning a potential business transaction. Lazard is a non-US equities manager for LACERA. Lazard has also submitted RFP responses for additional work, and

IV. PUBLIC COMMENT (Continued)

periodically has other contact with LACERA. When our negotiations with Lazard began, I spoke to LACERA’s counsel to discuss the appropriate course of action. I

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also advised the Chief Investment Officer, the Board officers, and the Equities Committee Chair. Based on advice from counsel, while the negotiations are in progress, and in compliance with California conflict law, I will recuse myself and leave the Board room during all matters that involve or could affect Lazard or its interests, including all action items and reports. I request that the Board and staff maintain an ethical wall between me and them with regard to any communications or documents that in any manner whatsoever relate to Lazard, until I am able to advise further as to any relationship I may or may not have with Lazard. Finally, I request this statement be included in the minutes for this meeting.”

V. INTERIM CHIEF EXECUTIVE OFFICER’S REPORT
(Memo dated July 30, 2018)

Mr. Hill discussed the upcoming 8th floor renovations.

VI. CHIEF INVESTMENT OFFICER’S REPORT
(Memo dated July 30, 2018)

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

VII. CONSENT ITEMS

Mr. Okum made a motion, Mrs. Sanchez seconded, to approve the following agenda items. The motion passed with Mr. Kelly voting no on agenda item VII. F.

- A. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board approve LACERA formally signing onto the Climate Action 100+ initiative as a supporter.
(Memo dated July 26, 2018)

- 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 - Master Class on August 20 – 21, 2018 in Newport Coast, California 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. Kelly)
(Memo dated July 23, 2018)

- C. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 LAVCA Summit and Investor Roundtable on September 24 – 26, 2018 in New York, New York 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 July 12, 2018)

- D. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the Public Pension Trustees Fiduciary Conference: Gaining the Tools for Innovation on October 2-3, 2018 in New York, New York 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. Moore)
(Memo dated June 4, 2018)

VII. CONSENT ITEMS (Continued)

- E. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board Approve attendance of Board Members at the 2018 PPI Executive Seminar on October 14–16, 2018 in Melbourne, Australia and PPI's Asia Roundtable on October 17–19 in Sydney, Australia 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. Kelly)

(Memo dated July 16, 2018)

- F. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board waive LACERA's Education and Travel Policy Section 705.07 D. 2, and authorize attendance of a fourth member to the 2018 PPI Executive Seminar on October 14–16, 2018 in Melbourne, Australia and PPI's Asia Roundtable on October 17–19 in Sydney, Australia 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 July 16, 2018)

- G. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board approve attendance of Board members at the 2018 Milken Institute Asia Summit on September 12–14, 2018 in Singapore 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 July 18, 2018)

- H. Recommendation as submitted by Robert R. Hill, Interim Chief Executive Officer: That the Board Approve attendance of Board members at the 2018 USC Marshall Corporate Directors Symposium on November 8, 2018 in Los Angeles, California 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. Kelly)
(Memo dated July 12, 2018)

VII. CONSENT ITEMS (Continued)

- I. Recommendation as submitted by Jill Rawal, Staff Counsel: That the Board (1) Adopt the revised Conflict of Interest Code; and (2) Authorize staff to file the revised Code with the County of Los Angeles Board of Supervisors, which is the code reviewing authority. (Memo dated July 30, 2018)

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Ted Wright, Principal Investment Officer; Brenda Cullen, Investment Officer and Mel Tsao, Investment Analyst: That the Board hire CornerCap Investment Counsel, Global Alpha Capital Management, and Matarin Capital Management for direct active public equity emerging manager mandates with the following allocations using separate account vehicles: CornerCap Fundametrics® Small Cap Equity, \$60 million; Global Alpha International Small Cap, \$160 million; and Matarin North America Small Cap, \$125 million. (Memo dated July 30, 2018)

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

CornerCap Investment Counsel, Global Alpha Capital Management, and Matarin Capital Management were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Moore seconded, to approve staff's recommendation.

Mr. Kehoe made a substitute motion, Mr. Kelly seconded, to vote on each manager individually. The motion passed (roll call) with Messrs. Kehoe, Kelly, Muir, Okum and Schneider voting yes and Messrs. Green, Moore, Santos, and Mrs. Sanchez voting no.

VIII. NON-CONSENT ITEMS (Continued)

Mrs. Sanchez made a motion, Mr. Moore seconded, to hire Matarin Capital Management and allocate \$125 million. The motion passed (roll call) with Messrs. Green, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes and Mr. Kehoe voting no.

Mrs. Sanchez made a motion, Mr. Kelly seconded, to hire CornerCap Investment Counsel and allocate \$60 million. The motion passed (roll call) with Messrs. Green, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes and Mr. Kehoe voting no.

Mr. Kelly made a motion, Mrs. Sanchez seconded, to hire Global Alpha Capital Management and allocate \$160 million. The motion passed (roll call) with Messrs. Green, Kelly, Moore, Muir, Okum, Santos, Schneider and Mrs. Sanchez voting yes and Mr. Kehoe voting no.

- B. Recommendation as submitted by Adam Cheng, Senior Investment Analyst: That the Board authorize a targeted search for a Treasury Inflation Protected Securities manager. (Memo dated July 26, 2018)

Messrs. Grabel, Mahseredjian and Cheng and Mr. Filla of Meketa

Investment Group were present and answered questions from the Board.

VIII. NON-CONSENT ITEMS (Continued)

Mr. Kehoe made a motion, Mrs. Sanchez seconded, to accept staff's recommendation, in addition, the Board directed staff to provide within six months an action plan in converting this process in-house. The motion passed unanimously.

- C. Recommendation as submitted by James Rice, Senior Investment Officer and Shelly P. Tilaye, Senior Investment Analyst: That the Board (1) Approve the minimum qualifications for the Real Assets completion

portfolio manager search, and (2) Authorize staff to initiate the Request for Information process for a separate account manager for the Real Assets completion portfolio. (Memo dated July 27, 2018)

Messrs. Grabel and Jim Rice and Mrs. Tilaye were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Okum seconded, to approve staff's recommendation. The motion passed unanimously.

- D. Recommendation as submitted by Christopher Wagner, Principal Investment Officer, David Chu, Senior Investment Officer, and David E. Simpson, Investment Officer: That the Board approve the proposed Minimum Qualifications Evaluation Criteria, and Scope of Work thereby authorizing staff to initiate the Request for Proposal process for specialized consultant services in Hedge Funds, Illiquid Credit, and Real Assets. (Memo dated July 30, 2018)

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

VIII. NON-CONSENT ITEMS (Continued)

- E. Recommendation as submitted by Amit Aggarwal, Investment Officer: That the Board approve a commitment of up to €50 million to Aermont Fund IV. (Memo dated July 25, 2018)

Messrs. Grabel, McClelland and Aggarwal and Mrs. Micolyn Magee of Townsend Group were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Kehoe seconded, to approve staff's recommendation. The motion passed unanimously.

- F. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer and John McClelland, Principal Investment Officer: That the Board modify the investment strategies covered by each Standing Committee. (Memo dated July 24, 2018)

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

Mr. Santos made a motion, Mr. Muir seconded, to modify the investment strategies covered by each Standing Committee to better match the new functional asset class overlay categories. The motion passed unanimously.

- G. Recommendation as submitted by Joseph Kelly, Board Member:

That the Board:

- (1) Reconstitute the Joint Organizational Governance Committee (JOGC) as a standing joint committee of both the Board of Retirement (BOR) and Board of Investments (BOI) and reassign to the JOGC all matters

VIII. NON-CONSENT ITEMS (Continued)

currently being considered by Ad Hoc Committees, with the exception of the Ad Hoc Committee overseeing the recruitment of the Retirement Administrator/Chief Executive Officer which will remain responsible for this recruitment at this time;

- (2) Revise the JOGC Charter, Section 8 Membership, Quorum, and Rules, as follows.

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs

will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap. **In selecting their appointments, the Chairs will endeavor to include an overall mix of trustees who are appointed by the Board of Supervisors, elected by active employees (general and safety), elected by retired employees, and who serve in an ex-officio capacity. The Chairs will also consider continuity of service when selecting Committee members, so that development of expertise and familiarity with the subject matters jurisdictional to the JOGC are encouraged, and to benefit Committee goals.**

(3) Elect a JOGC Member.

(4) Request the Interim Chief Executive Officer (CEO) engage Funston Consultants, the consultants who assisted the BOR and the BOI Ad Hoc Committee that recommended the formation of the JOGC, to undertake an evaluation of the JOGC's effectiveness in the fall 2019. Funston should allow for input by all trustees in the evaluation processes. When completed, the evaluation should be placed on a BOR and BOI agenda for discussion. (Memo dated July 31, 2018)

VIII. NON-CONSENT ITEMS (Continued)

Mr. Kelly made a motion, Mr. Muir seconded.

Mr. Moore made a substitute motion, Mr. Kelly seconded, to (1) Constitute a Brown Act Ad-Hoc Committee (Committee) to evaluate the JOGC concerns listed in the January memo authored by both Board Chairs; (2) Provide solutions to the concerns listed and report back to both Boards with recommendations; and (3) Be made up of members, excluding the Chair.

The motion passed (roll call) unanimously by Messrs. Green, Kehoe, Kelly, Moore, Muir, Okum,

Santos, Schneider and Mrs. Sanchez
voting yes.

IX. REPORTS

The Following items were received and filed:

- A. Asset Allocation Benchmarks
Jonathan Grabel, Chief Investment Officer
Stephen McCourt, Managing Principal, Meketa Investment Group
Timothy Filla, Managing Principal, Meketa Investment Group
(Memo dated July 26, 2018)
- B. Update on Conversion of Designated Public Equity and Fixed Income
Commingled Trust Funds to Separate Accounts
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated July 12, 2018)
- C. Delivery Date of Second Quarter 2018 Performance Materials
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated July 24, 2018)

IX. REPORTS (Continued)

- D. Performance Review of Private Equity Consultant StepStone Group
Christopher Wagner, Principal Investment Officer
(For Information Only) (Memo dated July 17, 2018)
- E. Performance Review of Real Estate Consultant Townsend Group
John McClelland, Principal Investment Officer
(For Information Only) (Memo dated July 24, 2018)
- F. State Street Incident Report – Update #2
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated July 30, 2018)

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

- G. Oaktree Capital Management
Robert Z. Santos, Investment Officer
(For Information Only) (Memo dated July 18, 2018)
- H. Mandatory Arbitration of Securities Claims

Steven Rice, Chief Counsel
(For Information Only) (Memo dated July 30, 2018)

- I. LACERA Comment Letter on Market-Based Rules Regulation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated July 27, 2018)
- J. Semi-Annual Interest Crediting for Reserves as of June 30, 2018
(Unaudited)
Beulah Auten, Chief Financial Officer
(For Information Only) (Memo dated July 27, 2018)
- K. Implementation Update on LACERA Pension Trust Strategic Asset
Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated July 30, 2018)

IX. REPORTS (Continued)

- L. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated August 1, 2018)
- M. July 2018 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated August 1, 2018) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)

X. REPORT ON STAFF ACTION ITEMS

The Board requested that staff evaluate whether Financial Accounting Services Division or Investments office should manage the State Street relationship and report back to the Boards.

The Board requested that staff request FPPC opinion regarding Trustee Sanchez's Lazard conflict issues.

XI. GOOD OF THE ORDER

(For information purposes only)

Mr. Kelly thanked and acknowledged the people assisting with the California fires.

Mr. Grabel announced that Esmeralda Del Bosque has been promoted to Senior Investment Officer in the Portfolio Analytics team focused on performance, risk and compliance.

Mr. Grabel also announced that Quoc Nguyen joined the Investment office as a Financial Analyst II focused on Hedge Funds.

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. ACCEL-KKR GROWTH CAPITAL PARTNERS III, L.P.

Messrs. Wagner, and Chu, and Jose Fernandez of StepStone Group LP, provided a brief presentation and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kelly, Kehoe, Moore, Okum, Santos, Schneider and Mrs. Sanchez voting yes.

The Board's decision and vote to approve an investment of up to \$50 million in ACCEL-KKR Growth Capital Partners III, L.P., was reported out in open session. It was also reported that ACCEL-KKR Growth Capital Partners III, L.P., is a primarily U.S.

based lower middle market private equity investment targeting business software and technology-enabled services companies.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:00 p.m.

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

1. LACERA's Long Term Returns (CIO Presentation)
2. 2018 Latin America Private Equity & Venture Capital Association (LAVCA) Summit and Investor Roundtable September 24 – 27, 2018 in New York City, New York (Memo dated July 12, 2018)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR