

## AGENDA

### A REGULAR MEETING OF THE EQUITY: PUBLIC/PRIVATE COMMITTEE OF THE BOARD OF INVESTMENTS\*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA

8:15 A.M., WEDNESDAY, MARCH 13, 2019\*\*

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

- I. CALL TO ORDER
- II. APPROVAL OF THE MINUTES
  - A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of January 9, 2019.
- III. PUBLIC COMMENT
- IV. NON-CONSENT ITEM
  - A. Recommendation as submitted by Ted Wright, Principal Investment Officer:  
That the Committee advance the Factor-Based Mandate Minimum Qualifications to the Board of Investments for approval.  
(Memo dated February 27, 2019)
- V. REPORT
  - A. 2019 Equity: Public/Private Committee Work Plan Overview  
Ted Wright, Principal Investment Officer  
Christopher Wagner, Principal Investment Officer  
(Memo dated February 25, 2019)
- VI. REPORT ON STAFF ACTION ITEMS

March 13, 2019

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

VIII. ADJOURNMENT

\*The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

\*\*Although the meeting is scheduled for 8:15 a.m., the meeting will start at the conclusion of the Credit and Risk Mitigation Committee meeting scheduled prior to this meeting.

***Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.***

***Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling the Board Offices at (626) 564-6000, Ext. 4401/4402, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.***

MINUTES OF THE REGULAR MEETING OF THE EQUITY: PUBLIC/PRIVATE  
COMMITTEE OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., WEDNESDAY, JANUARY 9, 2019

PRESENT:           Herman B. Santos, Chair  
  
                      Wayne Moore, Vice Chair  
  
                      David Green, Alternate  
  
                      Shawn R. Kehoe  
  
                      Gina V. Sanchez

MEMBERS AT LARGE:

                      David Muir  
  
                      Alan Bernstein  
  
                      Joseph Kelly  
  
                      Ronald Okum

STAFF, ADVISORS, PARTICIPANTS

                      Jonathan Gabel, Chief Investment Officer  
  
                      Ted Wright, Principal Investment Officer  
  
                      Dale Johnson, Investment Officer  
  
                      Brenda Cullen, Investment Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Jeff Jia, Senior Investment Analyst

Meketa Investment Group

Timothy Filla, Vice President

Stephen McCourt, Managing Principal

I. CALL TO ORDER

The Meeting was called to order by Chair Santos at 7:59 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of November 8, 2018.

Mr. Moore made a motion, seconded by Mr. Kehoe, to approve the minutes of the meeting of November 8, 2018. The motion carried by unanimous vote.

III. PUBLIC COMMENT

There were no requests from the public.

IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Ted Wright, Principal Investment Officer: That the Committee recommend the minimum qualifications in the accompanying MSCI ACWI IMI Request For Proposal presentation to the Board of Investments for approval.  
(Memo dated December 20, 2018)

This Item was held out of order after Item IV. B.

IV. NON-CONSENT ITEMS (Continued)

Messrs. Grabel, Wright, Johnson, Jia and Filla provided their presentation and answered questions from the Committee.

Mrs. Sanchez made a motion, Mr. Kehoe seconded, to recommend the minimum qualifications in the accompanying MSCI ACWI IMI Request For Proposal presentation to the next Board of Investments meeting. The motion was passed unanimously.

- B. Recommendation as submitted by Ted Wright, Principal Investment Officer: That the Committee recommend the accompanying Global Equity Structure Review to the Board of Investments for approval.  
(Memo dated December 20, 2018)

This Item was held out of order after Item III.

Messrs. Grabel, Wright, Johnson and Filla, and Mrs. Cullen provided their presentation and answered questions from the Committee.

Mr. Kehoe made a motion, Mr. Moore seconded, to recommend the accompanying Global Equity Structure Review to the next Board of Investments meeting. The motion was passed unanimously.

V. ITEMS FOR STAFF REVIEW

There were no items to report.

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

There were no comments.

January 9, 2019

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## VII. CLOSED SESSION

- A. Recommendation as submitted by Ted Wright, Principal Investment Officer: That the Committee recommend the termination of a Global Equity Structure Review Investment Management Agreement.  
(Memo dated December 20, 2018)

The Committee met in Closed Session pursuant to California Government Code Section -54956.81. The Committee took action, which will be reported out at the appropriate time under the Brown Act. There is nothing to report at this time.

## VIII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 9:01 a.m.

February 27, 2019

TO: Each Member  
Equity: Public/Private Committee

FROM: Ted Wright   
Principal Investment Officer

Jeff Jia   
Senior Investment Analyst

Ron Senkandwa   
Senior Investment Analyst

FOR: March 13, 2019 Equity: Public/Private Committee Meeting

SUBJECT: **FACTOR-BASED MANDATE MINIMUM QUALIFICATIONS**

### **RECOMMENDATION**

That the Committee advance the Minimum Qualifications specified in this memo for a factor-based mandate request for proposal (“RFP”) to the Board of Investments for approval.

### **BACKGROUND**

In the February 2019 Board of Investments (“Board”) meeting, the Board approved changes to the Global Equity portfolio structure. One of the proposals was to reorganize the portfolio into the following groups: Passive, Factor-Based, and Active, with target allocations of 60%, 15%, and 25%, respectively. Currently, there is no factor-based mandate in the portfolio.<sup>1</sup> This recommendation is the next step in implementing the approved new structure by identifying institutional-quality manager(s) of factor-based strategies to reach the portfolio’s 15% allocation target.

### **MANDATE DESCRIPTION**

The purpose of this RFP is to identify, evaluate, and hire investment management firm(s) to manage factor-based mandates that will provide the Global Equity portfolio with consistent factor exposures to the U.S. equity and non-U.S. equity markets. The strategy(ies) within this mandate would provide rules-based (or non-tactical) exposure to one or more factors that have been demonstrated by rigorous academic research to be persistent, robust, and tradable. One or more

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<sup>1</sup> LACERA’s current quantitative managers that utilize a factor investing approach are more active in nature as they seek to outperform their respective benchmarks by shifting tactically between factors. Recall that in the Global Equity Structure Review, factor-based strategies are defined as those that provide consistent exposure to persistent, robust, and uncorrelated factors that explain much of active managers’ returns at a fraction of the cost.

managers may be considered for the mandate based on portfolio fit and demonstrated live performance.

### **MINIMUM QUALIFICATIONS**

Staff proposes the following Minimum Qualifications for the RFP:

1. Must be an SEC-registered investment advisor or exempt from registration. If exempt, must explain the nature of this exemption.
2. Must submit the entire Form ADV, including Part 1 and Part 2 brochures and relevant Schedules.
3. Must have at least three (3) defined benefit public pension plan clients in the proposed strategy or similar factor strategies.
4. The organization must have at least a 3-year performance track record as of March 31, 2019 for the proposed strategy or similar factor strategies.
5. The organization must have at least \$5 billion in assets in the proposed strategy or similar factor strategies and all assets must be managed directly by the organization as of March 31, 2019.
6. The organization must conform to Global Investment Performance Standards for performance reporting.

### **PROPOSED RFP TIMELINE**

<b>Phase</b>	<b>Steps</b>	<b>Actions</b>	<b>Timing</b>
I	Questionnaire Design and Launch	Staff drafts Minimum Qualifications for Committee/Board approval, creates questionnaire specific to the mandate, and launches the search	Mar / Apr 2019
II	RFP Evaluation	Staff reviews and ranks RFP responses, selects a pool of semi-finalists	Jun / Jul 2019
III	Semi-Finalist Evaluation	Staff conducts in-person interviews, on-site diligence, and complete reference calls	Aug / Sep 2019
V	Potential Recommendations	Board recommendations	Sep / Oct 2019



## CONCLUSION

The proposed minimum qualifications for a Factor-Based Mandate RFP would allow LACERA to identify highly qualified institutional investment managers with demonstrated experience managing factor-based strategies. Meketa has reviewed staff's memo and concurs with staff's recommendations.

Noted and reviewed:



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Jonathan Grabel  
Chief Investment Officer

TW:JJ

February 25, 2019

TO: Each Member  
Equity: Public/Private Committee

FROM: Ted Wright   
Principal Investment Officer

Christopher Wagner   
Principal Investment Officer

FOR: March 13, 2019 Equity: Public Private Committee

SUBJECT: **2019 EQUITY: PUBLIC/PRIVATE COMMITTEE  
WORK PLAN OVERVIEW**

### BACKGROUND

Attached for your review and discussion is an overview of the 2019 Equity: Public/Private Committee's current and ongoing initiatives as well as anticipated dates and agenda items for 2019.

Attachment

Noted and Reviewed:



Jonathan Grabel  
Chief Investment Officer

# 2019 Committee Work Plan Overview

Equity: Public/Private Committee

March 13, 2019

Ted Wright, Principal Investment Officer  
Christopher Wagner, Principal Investment Officer



# Key Current and Ongoing Projects

The Public/Private Equity team has numerous projects both upcoming and in motion to achieve LACERA's strategic asset allocation of the Plan Trust

Optimization Structure Reviews	Opportunity Manager Searches	Knowledge Engagements	Execution Implementation
<ul style="list-style-type: none"><li>▪ November 2018 BOI <b>Private Equity Structure Review</b> to commit \$1.6 billion for calendar year 2019</li><li>▪ December 2018 BOI <b>Private Equity Internal Co-Investment Program</b> up to \$100 million target capital deployment for calendar year 2019</li><li>▪ February 2019 BOI <b>Global Equity Structure Review</b> to optimize the oversight of LACERA's global equity managers, combine the U.S. &amp; non-U.S. allocation to a single global allocation and to recategorize the risk spectrum allocation groupings and ranges</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Private Equity:</b> Periodic investment commitment recommendations to the Board of Investments</li><li>▪ <b>Private Equity:</b> Participation within the secondary markets to add value and liquidity to the portfolio</li><li>▪ <b>Global Equity:</b> 1. MSCI ACWI IMI Benchmark Passive Index Manager search, 2. Equity Factor-Based Index Manager search, 3. Equity Emerging Manager Program search</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Internal Management:</b> Public Markets Internal Management Assessment presentation to determine Board interest in managing passive equity benchmarks in-house (February 2019 and ongoing)</li><li>▪ <b>Global Equity:</b> Engaging existing equity managers in reevaluation outdated fee agreements. Reductions result in lower plan expenses, benefiting members (January 2019 and ongoing)</li><li>▪ <b>Global Equity:</b> Factor Investing and "An Introduction to Factors" presented jointly with both staff and Meketa (October 2018)</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Private Equity/Public Equity:</b> Manager/investment recommendations to the BOI on the hiring and firing of investment mandates</li><li>▪ <b>Private Equity/Public Equity:</b> Manager rebalancing within delegated authority by staff and funding cash to pay promised benefits</li><li>▪ <b>Private Equity/Public Equity:</b> Investment manager due diligence on opportunity sourcing, oversight of existing managers</li><li>▪ <b>Private Equity/Public Equity:</b> Continued development of manager scorecards</li></ul>



# Anticipated 2019 Agenda Items for Oversight

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Staff is proposing the following meetings for the Public/Private Equity Committee to exercise oversight of key initiatives and necessary advancements\*

Committee Meeting	Anticipated Agenda Items
March 13, 2019	▪ <b>Global Public Equity Recommendation:</b> Minimum Qualifications for Factor-Based Mandate
May 15, 2019	▪ <b>Global Public Equity Recommendation:</b> Minimum Qualifications for Emerging Manager Program
November 20, 2019	▪ <b>Private Equity:</b> Operating Procedures Review

\* Additional items and reports may be added, as appropriate.

