

BOARD OF INVESTMENTS MINUTES 8-11-10

PRESENT

- Herman Santos, Chair
- John M. Barger, Vice Chair
- Diane Sandoval, Secretary
- William Pryor
- Simon S. Russin
- Mark J. Saladino
- Michael Schneider
- Estevan Valenzuela

ABSENT

- Leonard Unger

STAFF, ADVISORS, PARTICIPANTS

- Robert Hill, Assistant Executive Officer
- Janice Golden, Assistant Executive Officer
- Lisa Mazzocco, Chief Investment Officer
- John McClelland, CRE, Principal Investment Officer, Real Estate
- Vache Mahseredjian, CFA, Principal Investment Officer
- Christopher J. Wagner, Senior Investment Officer, Private Equity
- June H. Kim, Senior Investment Officer, Equities
- Robert Z. Santos, Investment Officer, Fixed Income
- Gerald P. Flintoft, CAIA, Investment Officer, Private Equity
- Esmeralda Vita del Bosque, Senior Investment Analyst, Equities
- Dale Johnson, Senior Investment Analyst
- Robb Van Der Volgen, Chief Counsel
- Johanna Fontenot, Senior Staff Counsel
- Michael D. Herrera, Senior Staff Counsel
- Christine Roseland, Staff Counsel
- Cynthia Lau, Legislative Analyst

1. PUBLIC COMMENT

None.

2. REPORT ON CLOSED SESSION ITEMS

None.

3. ACTION ITEMS

1. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members, and staff as designated by the Chief Executive Officer to attend NAIC's 40th Annual Meeting and Convention on October 19-21, 2010, in New York City at the Goldman Sachs Global Headquarters and approve reimbursement of costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 5, 2010.) (Placed on the Agenda at the request of Mr. Santos.)

A motion to approve the recommendation was made by Ms. Sandoval, seconded by Mr. Saladino. The motion carried by unanimous vote.

2. Recommendation as submitted by John D. McClelland, CRE, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Adopt the revised Real Estate Strategic Plan as presented. (Memo dated July 28, 2010.)

Mr. McClelland and Ms. Sanders provided a brief overview on the proposed changes to the revised Real Estate Strategic Plan ("Plan") and reported that the most significant change would be the expansion of the Plan to allow investment in commercial real estate debt. A brief discussion followed on valuation concerns and the portfolio composition target.

A motion to table this item for a later date was made by Mr. Barger, seconded by Mr. Schneider. The motion failed due to a tie vote as follows: Messrs. Russin, Barger, Schneider and Chair Santos voting yes and Ms. Sandoval, Messrs. Saladino, Valenzuela and Pryor voting no.

A motion to adopt the revised Real Estate Strategic Plan was made by Mr. Valenzuela, seconded by Ms. Sandoval. The motion carried with Messrs. Schneider, Barger and Chair Santos voting no and Ms. Sandoval, and Messrs. Saladino, Russin, Pryor and Valenzuela voting yes.

3. Recommendation as submitted by John D. McClelland, CRE, Principal Investment Officer, Real Estate: Adopt the 2010-2011 Real Estate Investment Plan as presented. (Memo dated August 3, 2010.)

Mr. McClelland provided a brief overview on the proposed 2010-2011 Real Estate Investment Plan and reported that the current market environment is a challenge and that most of the fundamental space market factors are continuing to work against property owners and investors such as LACERA. Demand for space in most property types is still declining and currently there is nothing to indicate that values are imminently poised to increase.

Mr. McClelland notes that the second quarter NCREIF property index numbers were released and will post a modest increase in valuation. The portfolio at the beginning of this fiscal year is in compliance with the risk management policies that are contained in the Strategic Plan. The fund is reasonably diversified by geography, manager, property type and risk sector or style.

The Strategic Plan calls for a minimum of 60% to be invested in lower risk, or core investments. The level of leverage on the core portfolio remains low and reflects a secure, conservatively positioned portfolio. The majority of the outstanding debt will mature during the fiscal year ending 2012 and is attributable to two factors: the Single Family Home Building Program and a large retail portfolio investment. The debt associated with the large retail center is likely to be refinanced approximately three to six months prior to maturity. Managers will continue to closely monitor the leverage for all assets on a case-by-case basis.

Mr. McClelland also provided a brief overview on the commingled fund activity and pointed out that staff would provide a complete comprehensive review of the program during the current fiscal year, including findings and recommendations. The portfolio manager is realizing continued attractive sales volumes and is returning capital to LACERA. Mr. McClelland also reported that commercial real estate debt is potentially an attractive investment option for the Fund. Staff is expected to evaluate a debt investment program through issuing a request for information to interested separate account managers. A brief discussion followed.

A motion was made by Mr. Saladino, seconded by Mr. Valenzuela to adopt the 2010-2011 Real Estate Investment Plan as presented. The motion carried with Mr. Barger abstaining.

4. REPORTS

1. Performance Review for the Quarter ended June 30, 2010 Lisa Mazzocco, Chief Investment Officer
(For information only.)

1. Wilshire Consulting Investment Review for the Period Ending June 30, 2010
Investment Performance Analysis, June 30, 2010
 - William (Bill) G. Bensus, Jr., CFA, Managing Director

Ms. Mazzocco provided an executive summary on the quarterly performance of the fund and commented on the new Asset Allocation Policy which was adopted by the Board in June and other policy issues. The results of the fund's performance for the one year was up 11.8%, outperforming the policy benchmark of 9½%, the outperformance being driven by the private equity composites. She pointed out that one of the goals for this fiscal year is to review the private equity benchmark returns and observe the ten year number for the total fund.

She introduced Bill Bensus of Wilshire Associates, LACERA's consultant, who followed with a brief presentation on LACERA's Fiscal Year End results for the fund, reporting positive gains in the amount of \$3.6 billion over the last year. The Report was received and filed.

2. FIS Group Personnel Update

- June Kim, Senior Investment Officer, Equities
- Esmeralda V. del Bosque, Senior Investment Analyst, Equities

(Memo dated August 3, 2010.) (For information only.)

The update on the FIS Group is for information only and was received and filed.

5. GOOD OF THE ORDER

(For discussion purposes only.)

The Board commended Mr. Pryor on his promotion as Captain to the Los Angeles County Fire Department and his re-election to both the Board of Retirement and Board of Investments.

Informational Items

1. Memo dated August 3, 2010 from James Rice, CFA, Investment Officer regarding Commodities RFP Update.

6. ADJOURNMENT

 PROTECT | We continue to employ solid investment and business strategies designed to serve the best interests of our members and their beneficiaries.

4/29/11