

BOARD OF INVESTMENTS AGENDA 6-8-11

LACERA

300 N. Lake Ave., Suite 810
Pasadena, CA 91101

9:00 AM

I. APPROVAL OF THE MINUTES

- A. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF THE BOARD OF INVESTMENTS OF MAY 9, 2011.

II. PUBLIC COMMENT

III. REPORT ON CLOSED SESSION ITEMS

IV. ACTION ITEMS

- A. Recommendation as submitted by James Rice, CFA, Investment Officer, Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Gerry Flintoft, CAIA, Investment Officer: Retain a manager for a hedge fund of funds mandate. (Memo dated May 31, 2011.)

GROSVENOR CAPITAL MANAGEMENT

Michael Sacks, Chief Executive Officer, Managing Director
David Richter, Managing Director, Investments
Sean Conroy, Director, Client Group

BLACKSTONE ALTERNATIVE ASSET MANAGEMENT

Brian Gavin, Senior Managing Director and Chief Operating Officer
Stephen Sullens, Senior Managing Director and Head of Portfolio Management
Eric Perlyn, Vice President, Business Development & Client Service

GOLDMAN SACHS HEDGE FUND STRATEGIES

Kent A. Clark, Managing Director, Chief Investment Officer
Jennifer Barbetta, Managing Director, Chief Operating Officer
Ryan Roderick, Managing Director, Portfolio Management
Stephanie Ivy, Vice President, Senior Relationship Manager

- B. Recommendation as submitted by James Rice, CFA, Investment Officer, Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer: Adopt the recommended additions to the Investment Policy Statement to address LACERA's investment in hedge funds. (Memo dated May 31, 2011.)
- C. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Ted Granger, Senior Internal Auditor, that your Board:
1. Retain one actuarial services firm to perform *consulting* services for the Retirement Benefits Plan and Other Postemployment Benefits Program administered by LACERA;
 2. Retain one actuarial services firm to perform *auditing* services for the Retirement Benefits Plan and Other Postemployment Benefits Program administered by LACERA; and
 3. Authorize LACERA's Chief Executive Officer to sign all necessary legal documents to execute the consulting and auditing agreements.

CHEIRON

Gene Kalwarski Principal Consulting Actuary FSA, FCA, EA, MAAA
William "Bill" R. Hallmark Consulting Actuary ASA, FCA, EA, MAAA
David Holland Associate Actuary ASA, MAAA

GRS

Leslie Thompson Principal Consulting Actuary FSA, FCA, EA, MAAA
Danny White Principal Consulting Actuary FSA, EA, MAAA

SEGAL

Paul Angelo Senior Vice President & Actuary FSA, MAAA, FCA, EA
John Monroe Vice President & Associate Actuary ASA, MAAA, EA
Dave Bergerson Vice President, Actuarial Manager, Actuary, ASA, MAAA, FCA, EA

MILLIMAN

Nick J. Collier Principal & Consulting Actuary ASA, EA, MAAA
Mark C. Olleman Principal & Consulting Actuary FSA, EA, MAAA
Robert L. Schmidt Principal & Consulting Actuary FSA, EA, MAAA

- D. Recommendation as submitted by June Kim, Senior Investment Officer, Equities, Dale Johnson, Senior Investment Analyst, Equities, and Esmeralda V. del Bosque, Senior Investment Analyst, Equities: Invite Putnam Investments to interview with your Board for an active small capitalization developed markets non-U.S. equity mandate. (Memo dated May 23, 2011.)
- E. Recommendation as submitted by June Kim, Senior Investment Officer, Equities: That your Board authorize Staff to make new investments in the following BlackRock MSCI Index Funds for future rebalancing purposes in LACERA's Non-U.S. Equity Composite: EAFE Small Cap, Canada Small Cap, and Emerging Markets Small Cap. (Memo dated May 24, 2011.)
- F. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer: That your Board provide direction on renewing the Emergency Line of Credit (ELOC). (Memo dated May 24, 2011.)
- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Adopt the LACERA Fiscal Year 2011-2012 Administrative and Retiree Health Care Benefits Budgets. (Memo dated June 1, 2011.)
- H. Recommendation as submitted by John D. McClelland, Interim Chief Investment Officer: That your Board approve attendance of Board members at the World Pension Forum, at the Aspen Institute located in Aspen Meadows, Colorado and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 17, 2011.)

V. REPORTS

- A. Private Equity Performance Report 2010 Annual Report Christopher Wagner, Senior Investment Officer, Private Equity (Memo dated June 1, 2011.) (For information only.)
- B. Corporate Governance Quarterly Review Volume 7, Issue #1: January 1, 2011 – March 31, 2011 (Memo dated May 24, 2011.) (For information only.)

VI. EXECUTIVE SESSION

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION (Subdivision (c) of California Government Code Section 54956.9)
 - 1. Initiation of litigation pursuant to subdivision (c) of California Government Code Section 54956.9: One potential case.

VII. GOOD OF THE ORDER

(For discussion purposes only.)

VIII. ADJOURNMENT

BOARD OF INVESTMENTS MINUTES 6-8-11

PRESENT

John M. Barger, Chair
Simon S. Russin, Vice Chair
Herman B. Santos, Secretary
William Pryor
Mark J. Saladino
Michael Schneider
Leonard Unger
Estevan Valenzuela

ABSENT

Diane Sandoval

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
Janice Golden, Assistant Executive Officer
John D. McClelland, Interim Chief Investment Officer
Vache Mahseredjian, CFA, Principal Investment Officer
Christopher J. Wagner, Senior Investment Officer, Private Equity
June H. Kim, Senior Investment Officer, Equities
James Rice, Investment Officer
Robert Z. Santos, Investment Officer, Fixed Income
Gerald P. Flintoft, CAIA, Investment Officer, Private Equity
Juan Almaguer, Senior Investment Analyst
Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity
Esmeralda Vita del Bosque, Senior Investment Analyst, Equities
Dale Johnson, Senior Investment Analyst
Robb Van Der Volgen, Chief Counsel
Earl W. Buehner, Senior Staff Counsel
Johanna Fontenot, Senior Staff Counsel
Michael D. Herrera, Senior Staff Counsel
Christine Roseland, Staff Counsel

I. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF THE BOARD OF INVESTMENTS OF MAY 9, 2011.

A motion to approve the Minutes of the Special Meeting of the Board of Investments of May 9, 2011, was made by Mr. Russin, seconded by Mr. Schneider. The motion carried by unanimous vote.

II. PUBLIC COMMENT

Ivana Krajcizovic, of Unite Here-Local 11, provided an update to the Board on Unite Here's concerns relating to a labor dispute with a hotel currently managed by HEI Hotel & Resorts, which is owned by Cornerstone Hotel Income and Equity Fund II (Chief II), in which LACERA participates as a Limited Partner.

David Green, Arnella Sims, and Donna Meredith, members of SEIU Local 721, and Susan Barrett, Sue Cline, and Perry Berkowitz, members of the American Federation of State and County Municipal Employees (AFSCME) expressed their concern over Goldman Sachs being a candidate to the hedge fund of funds mandate the Board is considering today.

III. REPORT ON CLOSED SESSION ITEMS

None.

Chair Barger reported that **Action Item B** would be handled at this time.

IV. ACTION ITEMS

A. Recommendation as submitted by James Rice, CFA, Investment Officer, Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Gerry Flintoft, CAIA, Investment Officer: Retain a manager for a hedge fund of funds mandate. (Memo dated May 31, 2011.)

Mr. Rice gave a brief presentation on the proposed recommendation and manager interviews for the hedge fund of funds (HFoF) mandate. It was reported that an HFoF manager would construct a customized HFoF portfolio which would be a suitable initial approach into hedge fund investing, resulting in reduced volatility of the Total Fund and with

minimal effect on Total Fund return. The three candidates followed with a presentation on the historical background, investment strategy, philosophy and process of their respective firm.

GROSVENOR CAPITAL MANAGEMENT

Michael Sacks, Chief Executive Officer, Managing Director
David Richter, Managing Director, Investments
Sean Conroy, Director, Client Group

Grosvenor Capital Management, L.P. (Grosvenor) reported that it was founded in 1971, and is one of the largest HFoF managers, with over \$24 billion in assets under management (AUM). Managing HFoF is Grosvenor's only business. Their global client base consists predominantly of institutional investors. They are headquartered in Chicago with additional offices in Tokyo and London. The firm is led by Chief Executive Officer Michael Sacks and a senior management team. Grosvenor has been registered with the SEC as an investment adviser since 1997.

Grosvenor believes a properly constructed portfolio of proven hedge fund investment strategies can be implemented using funds managed by superior investment managers and diversified across strategies. This is expected to produce competitive absolute returns and superior risk-adjusted returns with limited correlation to traditional equity and fixed income markets. Grosvenor works with its institutional clients to develop portfolio investment objectives such as performance, volatility, and correlation. It also adds specific risk and regulatory objectives and constraints, such as maximum strategy allocations, leverage parameters, and liquidity profiles. Their investments process is governed by committee structure. The Investment Committee establishes manager and strategy target ranges, and approves and terminates managers and strategies. The Investment Committee also oversees the allocation of capital to capacity-constrained managers. The Operations Committee addresses firm-wide risk management, approves operating and compliance policies and procedures, approves and terminates managers. Grosvenor's investment process consists of four primary elements: strategy due diligence, manager due diligence, portfolio construction and monitoring. The firm takes pride in helping to establish and adhering to best practices in the hedge fund investment arena. A brief discussion followed.

BLACKSTONE ALTERNATIVE ASSET MANAGEMENT

Brian Gavin, Senior Managing Director and Chief Operating Officer
Stephen Sullens, Senior Managing Director and Head of Portfolio Management
Eric Perlyn, Vice President, Business Development & Client Service

The Blackstone Group ("Blackstone") was founded in 1985. Blackstone is one of the largest global alternative asset managers. The firm manages products in private equity, real estate, credit, collateralized loan obligations, hedge funds and closed-end mutual funds. They also have several advisory businesses covering financial strategy, restricting, and fund placement. Blackstone Alternative Asset Management L.P. (BAAM) was founded in 1990 to create a diversified portfolio of hedge funds for managing the internal assets of the firm. BAAM has developed into one of the largest institutional hedge fund of funds managers with \$33 billion in AUM as of December 2010, with offices in New York, London and Hong Kong.

BAAM first began managing customized portfolios for clients in 2001. As of December 2010, approximately 45% of BAAM's AUM are in customized funds. BAAM currently manages 36 customized funds and eight special purpose vehicles. BAAM's team of 146 experienced professionals is led by J. Tomilson Hill, President and Chief Executive Officer and Vice Chairman of The Blackstone Group. A number of senior BAAM managers serve on The Blackstone Group's firm-wide valuation committee. Their investment professionals operate in three strategy-focused research teams: hedged equity; arbitrage/credit & event, and directional trading & fixed income relative value.

BAAM's investment philosophy and process consists of building and maintaining diversified portfolios of hedge fund managers to maximize risk-adjusted returns. Their portfolio management process combines top-down views and bottom-up manager analysis. A client's investment strategy, objectives, and restrictions are documented at the start of the investment process. Portfolio construction considers unique client constraints, including those related to volatility, strategy allocation, market correlation, and liquidity. Identified opportunities are refined to satisfy investment goals and restrictions. On a monthly basis, these opportunities are formalized at allocation strategy meetings. They maintain an open dialogue, subject to a formalized compliance process, with other investment personnel across Blackstone. This enables BAAM to leverage Blackstone's resources in formulating a macroeconomic view to set strategy allocations. A bottom-up approach is used to determine the optimal combination of underlying hedge fund managers. Managers are evaluated on their own performance as well as their ability to add diversification benefits to the portfolio. BAAM employs quantitative analysis to understand each underlying manager's alpha generating abilities, their individual risk profile, as well as their effect on the overall portfolio. BAAM relies on regular contact with underlying managers to get a qualitative understanding of their investment strategy, largest exposures and positions, hedging strategy, and organizational developments. BAAM's due diligence team conduct operational due diligence on managers and routinely review the processes of fund administrators and prime brokers, verifying assets held in custody on behalf of hedge fund clients, reviewing counterparty risks and reviewing counterparty agreements. A brief discussion followed.

GOLDMAN SACHS HEDGE FUND STRATEGIES

Kent A. Clark, Managing Director, Chief Investment Officer,
Jennifer Barbetta, Managing Director, Chief Operating Officer
Ryan Roderick, Managing Director, Portfolio Management
Stephanie Ivy, Vice President, Senior Relationship Manager

Goldman Sachs Group, Inc. (GSG), the publicly traded bank runs its hedge fund strategies business with the investment management division, one of four divisions of GSG. Goldman Sachs Asset Management (GSAM) is the part of the investment management division which provides investment advisory services to institutional investors and has been registered with the SEC as an investment adviser since 1990. Alternative Investments & Manager Selection is the part of GSAM that provides institutional investors customized portfolios of externally managed hedge funds, private equity, and traditional long-only strategies.

Goldman Sachs Hedge Fund Strategies LLC (HFS) is a group within Alternative Investments & Manager Selection responsible for investment in external hedge fund managers and has been separately registered as an Investment Adviser with the SEC since 1999.

HFS was founded in 1969, with the founding of a commodities corporation, an early innovator in the creation of hedge fund of funds. HFS currently manages over \$22 billion across hedge funds of funds, customized accounts and advisory relationships, half of which is managed for institutions. HFS has over 120 investments in individual hedge funds and sources investments opportunities around the world. Subject to strict compliance rules, HFS leverages investment resources from the other Alternative Investments & Manager Selection businesses, additional administrative support from GSAM, and global industry knowledge from other GSG divisions. HFS' dedicated professional staff of 124 is based mainly in New York with access to over 600 additional staff in GSAM's administration and back office, including teams in finance, accounting, portfolio analytics, reporting and legal. Kent Clark, Chief Investment Officer, is the proposed portfolio manager for LACERA's portfolio and has 19 years of portfolio management experience with Goldman.

HFS' investment philosophy focuses on the allocation of capital to skillful hedge fund managers within strategies as well as tactical allocation of capital across strategies. HFS believes that risks can be effectively monitored. Their portfolio construction process combines judgment with quantitative tools and focuses on diversification by selecting multiple managers who employ diverse approaches to a variety of strategies. Their goal is to capture each manager's alpha and to understand common risk exposures among managers so that only intended risks appear in the portfolio. HFS reported that their strategy will include prudent risk management and robust analytical systems with a rigorous and disciplined due diligence process. A brief discussion followed.

A motion was made by Mr. Pryor, seconded by Mr. Santos to hire Grosvenor Capital Management to manage the hedge fund of funds mandate. The motion carried with Messrs. Saladino and Russin voting no.

Chair Barger indicated that Item **VI. Executive Session** would be handled at this time.

- B.** Recommendation as submitted by James Rice, CFA, Investment Officer, Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer: Adopt the recommended additions to the Investment Policy Statement to address LACERA's investment in hedge funds. (Memo dated May 31, 2011.)

Jim Rice provided an executive summary on the proposed modification to the Investment Policy, addressing LACERA's investment in hedge funds. A brief discussion followed on transparency and risk concerns.

A motion to approve the recommendation was made by Mr. Valenzuela, seconded by Mr. Santos. The motion carried with Messrs. Russin, Saladino and Pryor voting no.

Chair Barger reported that **Action Item IV. A.** would be handled at this time.

- C.** Recommendation as submitted by Richard Bendall, Chief Audit Executive and Ted Granger, Senior Internal Auditor, that your Board:

1. Retain one actuarial services firm to perform consulting services for the Retirement Benefits Plan and Other Postemployment Benefits Program administered by LACERA;
2. Retain one actuarial services firm to perform auditing services for the Retirement Benefits Plan and Other Postemployment Benefits Program administered by LACERA; and
3. Authorize LACERA's Chief Executive Officer to sign all necessary legal documents to execute the consulting and auditing agreements.

Ted Granger, Senior Internal Auditor, provided an executive summary on the search process and finalists, for the proposed actuarial consulting services and actuarial auditing services. He reported that the four finalists would be presenting before the Board with a presentation on each firm's actuarial background and actuarial expertise, including routine and special actuarial projects for LACERA's retirement benefits plan and Los Angeles County's Other Post Employment Benefits (OPEB) Program administered by LACERA.

Mr. Granger also reported that each contract term would be for a period of six years, beginning with the 2010-2011

fiscal year and ending in 2016, with the completion of the second of two triennial valuations conducted during the contract period.

GRS

Leslie Thompson Principal Consulting Actuary FSA, FCA, EA, MAAA
Danny White Principal Consulting Actuary FSA, EA, MAAA

GRS has provided actuarial consulting services since 1938. They are headquartered in Denver, Colorado and are a national firm whose primary focus is the public sector, serving 600 plus public employee systems (pension and OPEB). They have over 120 associates, including 47 credentialed actuaries in five offices. GRS' management is committed to providing technology and resources to consultants and actuaries and has a stellar reputation. They also provide CalPERS with ongoing technology support. Leslie Thompson is the proposed lead actuary for LACERA's retirement benefits plan and OPEB program, for the consulting or auditing projects. GRS' actuarial engagements include some routine services which are supported by value-added consulting and forward-looking analysis. They have a real-time knowledge of the industry across the country and a team depth to ensure timely deliveries, a strategic view, and a creative approach. A brief discussion followed.

CHEIRON

Gene Kalwarski Principal Consulting Actuary FSA, FCA, EA, MAAA
William "Bill" R. Hallmark Consulting Actuary ASA, FCA, EA, MAAA
David Holland Associate Actuary ASA, MAAA

Cheiron is headquartered in McLean, Virginia and has worked on actuarial projects for large state pension funds since 1981. Cheiron has substantial experience working on the largest and most complex assignments, with specialized experience with federal agencies and Congress. Cheiron has a reputation for highly sophisticated and effective technologies and communication methods coupled with integrity and objectivity. Cheiron is very experienced at transitioning large public sector accounts and effecting a smooth and positive change over time. Their focus is on providing value-added service, reviewing past processes to see what works and what could work better. Cheiron also described its interactive actuarial model that could be used in formal meetings with the Board to change input variables and calculate immediate results for review. A brief discussion followed.

SEGAL

Paul Angelo Senior Vice President & Actuary FSA, MAAA, FCA, EA
John Monroe Vice President & Associate Actuary ASA, MAAA, EA
Dave Bergerson Vice President, Actuarial Manager, Actuary, ASA, MAAA, FCA, EA

Segal is headquartered in San Francisco, California. They are a large firm with good resources, staff, with a significant number of 1937 Act clients. Segal has demonstrated the capacity to meet and exceed deadlines and deliverables while serving multiple clients. They are an industry leader on emerging issues and are frequent speakers at SACRS and CALAPRS meetings, having conducted asset smoothing studies and workshops. Segal is a 1937 Act specialist and has rigorous quality control procedures. A brief discussion followed.

MILLIMAN

Nick J. Collier Principal & Consulting Actuary ASA, EA, MAAA
Mark C. Olleman Principal & Consulting Actuary FSA, EA, MAAA
Robert L. Schmidt Principal & Consulting Actuary FSA, EA, MAAA

Milliman is headquartered in Seattle, Washington and is a large firm with over 60 years of experience working with public sector retirement systems, national and statewide. Milliman has great resources, staff, and 1937 Act experience, and is proposing two very strong teams, one for pension and one for OPEB. Milliman has a dedicated research department. Milliman is an industry leader in actuarial audits, bringing perspective to the process. Milliman has consulted LACERA on the Retirement Benefits Enhancement Agreement, the implementation of ARC, the funding policy and provided OPEB reporting and studies. Milliman has also provided LACERA with projected models on the forecast of assets and liabilities to measure variability of funded status and contribution rates, models on the long-term impact of various actuarial methods on asset smoothing, smoothing amortization methodology and period cost method and investment return assumption. Milliman has retiree medical expertise with two senior health actuaries and two senior pension actuaries. They are at the forefront of retiree health claims and trend modeling. A brief discussion followed.

A motion was made by Mr. Pryor, seconded by Mr. Santos (1) to retain Milliman to perform consulting services for the Retirement Benefits Plan and Other Postemployment Benefits Program administered by LACERA; (2) to retain Segal to perform auditing services for the Retirement Benefits Plan and Other Postemployment Benefits Program administered by LACERA; and (3) authorize LACERA's Chief Executive Officer to sign all necessary legal documents to execute the consulting and auditing agreements. The motion carried with Mr. Russin voting no.

- D. Recommendation as submitted by June Kim, Senior Investment Officer, Equities, Dale Johnson, Senior Investment

Analyst, Equities, and Esmeralda V. del Bosque, Senior Investment Analyst, Equities: Invite Putnam Investments to interview with your Board for an active small capitalization developed markets non-U.S. equity mandate. (Memo dated May 23, 2011.)

Ms. Kim gave a brief overview on staff's recommendation to invite Putnam Investments to interview with the Board for an active small capitalization developed markets non-U.S. equity mandate.

A motion to approve the recommendation was made by Mr. Pryor, seconded by Mr. Unger. The motion carried with Mr. Russin voting no.

(Mr. Pryor left prior to the vote taking place.)

- E.** Recommendation as submitted by June Kim, Senior Investment Officer, Equities: That your Board authorize Staff to make new investments in the following BlackRock MSCI Index Funds for future rebalancing purposes in LACERA's Non-U.S. Equity Composite: EAFE Small Cap, Canada Small Cap, and Emerging Markets Small Cap. (Memo dated May 24, 2011.)

A motion to approve the recommendation was made by Mr. Santos, seconded by Mr. Unger. The motion carried by unanimous vote.

- F.** Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer: That your Board provide direction on renewing the Emergency Line of Credit (ELOC). (Memo dated May 24, 2011.)

Mr. Mahseredjian provided a brief overview on the proposed renewal of the emergency line of credit. A brief discussion followed.

A motion not to renew the Emergency Line of Credit was made by Mr. Santos, seconded by Mr. Saladino. The motion carried by unanimous vote.

- G.** Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Adopt the LACERA Fiscal Year 2011-2012 Administrative and Retiree Health Care Benefits Budgets. (Memo dated June 1, 2011.)

Mr. Rademacher provided an executive summary of the presentations made during the budget hearings and reported that there were no changes made to the spending plan as a result of the budget hearings. He thanked the Board for attending the budget hearings and reported that Minutes of both budget hearing meetings were distributed to the Board Members.

Mr. Rademacher also thanked Shamila Freeman and Kaelyn Ung, LACERA's budget team, for their hard work and dedication in putting together the Budgets. Additionally, he recognized and thanked LACERA's Communications and Management Team for their input and great work.

The Board commended Mr. Rademacher on the Budget's outcome.

A motion was made by Mr. Santos, seconded by Mr. Russin to adopt the LACERA Fiscal Year 2011-2012 Administrative and Retiree Health Care Benefits Budgets. The motion carried by unanimous vote.

- H.** Recommendation as submitted by John D. McClelland, Interim Chief Investment Officer: That your Board approve attendance of Board members at the World Pension Forum, at the Aspen Institute located in Aspen Meadows, Colorado and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 17, 2011.)

A motion was made by Mr. Saladino, seconded by Mr. Russin, to approve the recommendation as amended, to include that the Board approve attendance of Board members and staff as approved by the Chief Executive Officer, to attend the World Pension Forum at the Aspen Institute located in Aspen Meadows, Colorado and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. The motion carried by unanimous vote.

V. REPORTS

- A.** Private Equity Performance Report 2010 Annual Report Christopher Wagner, Senior Investment Officer, Private Equity (Memo dated June 1, 2011.) (For information only.) The Private Equity Performance Report 2010 Annual Report is for information only and was received and filed.
- B.** Corporate Governance Quarterly Review Volume 7, Issue #1: January 1, 2011 – March 31, 2011 (Memo dated May 24, 2011.) (For information only.) The Corporate Governance Quarterly Review is for information only and was received and filed.

VI. EXECUTIVE SESSION

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION** (Subdivision (c) of California Government Code Section 54956.9)
- 1.** Initiation of litigation pursuant to subdivision (c) of California Government Code Section 54956.9: One potential case. The Board met in closed session to discuss with legal counsel one potential case, pursuant to subdivision (c) of the California Government Code Section 54945.9.

There is nothing further to report at this time.

Chair Barger indicated **Action Item IV. C.** would be handled at this time.

VII. GOOD OF THE ORDER

(For discussion purposes only.)

Mr. Rademacher reported that the CIO Search Committee is actively working on the search. The Committee met in May and its Executive Recruiter, Jeff Warren, reported that he has developed a list of 10 viable CIO candidates for the Committee to consider. The CIO Search Committee will meet on Monday June 20th with Mr. Warren, to review the candidate list and decide to interview candidates or extend the search process. The Board is encouraged to attend the meeting.

Mr. Rademacher also reported that he received an invitation from Governor Brown's Office to discuss pension reform. He met with Julie Henderson, Senior Advisor to the Governor. This meeting was set up through the Los Angeles County Sheriff's Department and he attended the meeting with Brian Moriguchi who is the President of the POPA Union.

Ms. Henderson was interactive and Mr. Rademacher was encouraged to see the Governor's Office was open to LACERA's input.

Mr. Rademacher also reported that he traveled to Sacramento to lobby for the Board of Investments' subpoena power legislation and spoke with Senator Juan Vargas, Committee Consultant Karen Green, and Assembly Member Michael Allen's Senior Consultant David Miller. Mr. Rademacher reported that he also had the opportunity to meet with Terry Mast, Senior Consultant for the Republican Caucus to speak about pension reform and LACERA, which was enlightening.

Mr. Rademacher also reported that on June 7, 2011, the Board of Supervisors adopted the June 30, 2010 Valuation, which went through on Consent. After the Board of Supervisor's meeting, a reporter from the Beverly Hills Courier contacted Mr. Rademacher regarding Pension Reform and after an extensive conversation, quoted him saying "the L.A. County did some things right."

Mr. Rademacher provided an update on the Retiree Health Care Investment Services Agreement and indicated that the Los Angeles County is interested in prefunding the Retiree Health Care Plan A draft Investment Agreement was presented to the County to review and the County agreed in May that they liked the new Agreement, but had a few amendments. Fundamentally, it is a solid Agreement. SEIU supports it and the Coalition of County Unions is still thinking about it. Mr. Buehner, Senior Staff Counsel at LACERA, is finalizing the Agreement which will be brought back to this Board for discussion.

Mr. Rademacher reported on his invitation from the National Association of Security Professionals to speak with a selected group of students from Crenshaw High School. He reported that the invitation was a rewarding mentoring experience. He also reported that Mr. Santos was the inaugural speaker when this program was first started. Mr. Santos reported that this program is powerful in assisting these students in making good choices.

The Board commended Messrs. Mahseredjian, Rice and Flintoft on the Hedge Fund-of-Fund search.

The Board also commended Trina Sanders from the Investment Office, who just earned her Masters Degree in Business Administration from Ashford University.

Green Folder Items

1. Chief Executive Officer's Report.
2. Letter addressed to Mr. Barger, dated June 3, 2011, from Michael Schaffer of AFSCME Retiree Chapter 36 regarding AFSCME's concern over Goldman-Sach

VIII. ADJOURNMENT