

BOARD OF INVESTMENTS AGENDA 8-10-11

LACERA

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

9:00 AM

I. PLEDGE OF ALLEGIANCE

II. APPROVAL OF THE MINUTES

- A. APPROVAL OF THE MINUTES OF THE MEETING OF THE BOARD OF INVESTMENTS OF JULY 13, 2011.

III. PUBLIC COMMENT

IV. REPORT ON CLOSED SESSION ITEMS

V. ACTION ITEMS

- A. Recommendation as submitted by the Audit Committee: That the Board direct the Chief Executive Officer to respond to the Los Angeles County Court's Presiding Judge on the findings and recommendations in the Civil Grand Jury's 2010-2011 Civil Grand Jury report "Whoa! The State of Public Pensions in Los Angeles County." (Memo dated July 29, 2011.)
- B. Recommendation as submitted by John D. McClelland, Interim Chief Investment Officer and Trina Sanders, Investment Officer, Real Estate: That your Board Adopt the 2011-2012 Real Estate Investment Plan as presented. (Memo dated August 2, 2011.)
- C. Recommendation as submitted by John D. McClelland, Interim Chief Investment Officer: That your Board (1) Approve attendance of Board members, and staff as designated by the Chief Executive Officer, at the 2011 INVESCO Real Estate Client Conference on November 8-10, 2011 at the Lodge at Torrey Pines in La Jolla, California; (2) Approve payment to INVESCO for the actual cost of providing meals and associated programs to LACERA representatives attending the conference; and (3) Approve reimbursement of all other costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated July 26, 2011.)
- D. Recommendation as submitted by the Performance Committee: That the Board of Retirement and the Board of Investments amend the Chief Executive Officer's employment agreement to provide an assigned LACERA vehicle in lieu of a car allowance. (Memo dated July 29, 2011.)

VI. REPORTS

- A. Performance Review for the Quarter ended June 30, 2011
John D. McClelland, Interim Chief Investment Officer
 - 1. Wilshire Associates
Investment Review for the Period Ending June 30, 2011
Investment Performance Analysis, June 30, 2011
William (Bill) G. Bensur, Jr., CFA, Managing Director
Marlin Pease, Managing Director
- B. Single Family Housing Program
Update and Report from Independent Consultant
John D. McClelland, Interim Chief Investment Officer (Memo dated August 2, 2011.)
 - 1. LDC Advisors
Geoff LePlastrier, AICP-Managing Director
Jonathan Civita, AICP, Managing Director
Mike Pearson, Senior Vice President
Donald J. Fike, Senior Associate
Jim Bowman, Senior Associate
- C. Municipal Advisor Registration
Robert Van Der Volgen, Jr., Chief Counsel (Memo dated August 3, 2011.)
(For information only.)

VII. 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.

VIII. GOOD OF THE ORDER

(For discussion purposes only.)

IX. ADJOURNMENT

MINUTES OF THE MEETING OF THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101
WEDNESDAY, AUGUST 10, 2011, 9:00 A.M.

PRESENT: Simon S. Russin, Vice Chair

Herman B. Santos, Secretary

William Pryor

Mark J. Saladino

Diane Sandoval

Michael Schneider

Leonard Unger (Arrived at 9:06 a.m.)

ABSENT: John M. Barger, Chair

Estevan Valenzuela

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

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STAFF, ADVISORS, PARTICIPANTS (Continued)

Vache Mahseredjian, CFA, Principal Investment Officer

Christopher J. Wagner, Senior Investment Officer, Private Equity

June H. Kim, Senior Investment Officer, Equities

James Rice, CFA, 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, Equities

Robb Van Der Volgen, Chief Counsel

Johanna Fontenot, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

I. PLEDGE OF ALLEGIANCE

Vice Chair Russin led the Board Members and staff in reciting the Pledge of Allegiance.

II. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE MEETING
OF THE BOARD OF INVESTMENTS OF JULY 13, 2011.

A motion was made by Ms. Sandoval, seconded by Mr. Pryor to approve the minutes of the meeting of the Board of Investments of July 13, 2011. The motion carried with Mr. Unger abstaining.

(Mr. Unger arrived at 9:06 a.m.)

III. PUBLIC COMMENT

Mr. Andrew Cohen, a former employee of the Embassy Suites Irvine, provided an update on a litigation matter involving Embassy Suites Irvine, which is currently managed by HEI Hotel & Resorts and owned by Cornerstone Hotel Income and Equity Fund II (Chief II), in which LACERA participates as a Limited Partner.

IV. REPORT ON CLOSED SESSION ITEMS

None.

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V. ACTION ITEMS

- A. Recommendation as submitted by the Audit Committee: That the Board direct the Chief Executive Officer to respond to the Los Angeles County Court's Presiding Judge on the findings and recommendations in the Civil Grand Jury's 2010-2011 Civil Grand Jury report "Whoa! The State of Public Pensions in Los Angeles County". (Memo dated July 29, 2011.)

Mr. Rademacher provided an executive summary on the Civil Grand Jury 2010-2011 Report and he pointed out that the Civil Grand Jury convenes every year to look at a variety of different aspects of local government in the County of Los Angeles. This year they decided to investigate all the pension plans operating within Los Angeles County. They conducted an inventory and found 277 pension plans operating within Los Angeles County, most of which are handled through CalPERS. They selected five pension plans for an in-depth analysis, and LACERA, based on its size and good reputation was selected. The Civil Grand Jury found that LACERA was a very well run plan and commended the County of Los Angeles for taking very deliberate and thoughtful steps in controlling their pension costs and operating a very good plan for its employees.

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V. ACTION ITEMS (Continued)

The Civil Grand Jury report included a finding and recommendation on using the STAR Program reserve as an asset available to fund pension benefits. Specifically, the Civil Grand Jury concluded the STAR Program reserves should only be included in the assets available for pension benefits to the extent a STAR Program liability is recognized. The Board concluded the Civil Grand Jury does not fully understand how the STAR Program reserve can be used to pay pension benefits or the STAR Program benefit vesting requirements. The Board also recognized its prior decision to revisit the practice of including the STAR Program reserves in assets available for pension benefits when performing the upcoming June 30, 2011 actuarial valuation. Therefore, the Board directed staff to disagree with the Civil Grand Jury report finding and to include in the recommendation response an explanation of how the STAR Program reserves can

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V. ACTION ITEMS (Continued)

be used to pay pension benefits, the vesting requirements for STAR Program benefits, and that the recommendation requires further analysis.

A motion was made by Mr. Santos, seconded by Mr. Pryor, for staff to respond to the Civil Grand Jury report, disagree with the Civil Grand Jury's STAR Program finding, report the STAR Program recommendation requires further analysis, and include a clarifying explanation on the uses of the STAR Program Reserve and STAR Program benefit vesting requirements. The motion carried by unanimous vote.

- B. Recommendation as submitted by John D. McClelland, Interim Chief Investment Officer and Trina Sanders, Investment Officer, Real Estate: That your Board Adopt the 2011-2012 Real Estate Investment Plan as presented. (Memo dated August 2, 2011.)

Ms. Sanders provided a brief summary on the proposed 2011-2012 Real Estate Investment Plan (the "Plan"). She reported that the Plan moves the program forward in its investment strategies, capitalizing on current real estate market opportunities. The plan projected to increase the Fund's actual allocation to real

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V. ACTION ITEMS (Continued)

estate from 8.2% to 9.6%, remaining within the Policy range of 7% to 15%. The proposed allocation of \$300 million to the separate account managers is the only new capital being authorized by the Board and the remaining activity related either to existing commitments, already approved by the Board or potential commitments that would be presented to the Board for approval during the fiscal year.

The Fund's real estate consultant, the Townsend Group, has reviewed the Plan and concurs with Staff's recommendation. A brief discussion followed.

A motion was made by Mr. Unger, seconded by Ms. Sandoval to adopt the 2011-2012 Real Estate Investment Plan. The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by John McClelland, Interim Chief Investment Officer: That your Board (1) Approve attendance of Board members, and staff as designated by the Chief Executive Officer, at the 2011 INVESCO Real Estate Client Conference on November 8-10, 2011 at the Lodge at Torrey Pines in La Jolla, California; (2) Approve payment to INVESCO for the actual cost of providing meals and associated programs to LACERA representatives attending the conference; and (3) Approve reimbursement of all other costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated July 26, 2011.)

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

- D. Recommendation as submitted by the Performance Committee: That the Board of Retirement and the Board of Investments amend the Chief Executive Officer's employment agreement to provide an assigned LACERA vehicle in lieu of a car allowance. (Memo dated July 29, 2011.)

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

VI. REPORTS

A. Performance Review for the Quarter ended June 30, 2011
John D. McClelland, Interim Chief Investment Officer

1. Wilshire Associates
Investment Review for the Period Ending June 30, 2011
Investment Performance Analysis, June 30, 2011
William (Bill) G. Bensur, Jr., CFA, Managing Director
Marlin Pease, Managing Director

Mr. McClelland introduced the principals of Wilshire Associates, LACERA's portfolio consultant and they followed with an investment review and investment performance analysis for the period ending June 30, 2011.

They reported that during the second quarter of 2011, LACERA's total fund rose 1.1%, beating its policy benchmark return of 0.7% by 40 basis points.

Outperformance in the non-U.S. Equity, Private Equity, and Commodities composites more than offset underperformance in the Real Estate, Fixed Income, and U.S. Equity composites. A brief discussion followed and the Reports were received and filed.

VI. REPORTS (Continued)

- B. Single Family Housing Program
Update and Report from Independent Consultant
John D. McClelland, Interim Chief Investment Officer
(Memo dated August 2, 2011.)

Mr. McClelland, reported that Item B., an update on the Single Family Housing Program, would be addressed at the next regularly scheduled meeting of the Board of Investments.

- C. Municipal Advisor Registration
Robert Van Der Volgen, Jr., Chief Counsel
(Memo dated August 3, 2011.) (For information only.)

Mr. Van Der Volgen provided a brief update on a proposed new rule relating to the municipal advisor registration and reported that the Securities and Exchange Commission (“SEC”) was rethinking its position on the proposed rule which called for non-elected *ex officio* members of pension boards to register as advisors. He also reported that he articulated in a letter to Ms. Murphy of the SEC that LACERA viewed this registration requirement as unnecessary. A brief discussion followed.

VII. 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 pursuant to subdivision (c) of the California Government Code Section 54956.9, to discuss with legal counsel one potential case. The Board gave direction to legal counsel and there is nothing further to report at this time.

VIII. GOOD OF THE ORDER (For discussion purposes only.)

The Board congratulated Ms. Sandoval on her re-election to the Board of Investments for a third term.

Mr. Rademacher pointed out that Mr. Russin was not successful in his election but wanted to recognize that Mr. Russin has been on the Board of Investments for eight terms, over 22 years of dedicated public service. He helped bring LACERA through many interesting changes, such as international investing,

VIII. GOOD OF THE ORDER (Continued)
(For discussion purposes only.)

the pension obligation bond and was involved in the purchase of Gateway Plaza. He has been part of many key milestones and most importantly, the evolution of LACERA's independent governance structure.

Green Folder Items

1. Chief Executive Officer's Report dated August 4, 2011.
2. Memo from Beulah S. Auten, Chief Financial Officer, regarding the Semi-Annual Interest Crediting for Reserves as of June 30, 2011 (Unaudited).

IX. ADJOURNMENT

There being no further business the meeting adjourned at 12:2 p.m.

Herman B. Santos, Secretary

Simon S. Russin, Vice Chair