

BOARD OF INVESTMENTS AGENDA 12-14-11

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 NOVEMBER 9, 2011.

III. PUBLIC COMMENT

IV. REPORT ON CLOSED SESSION ITEMS

V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer:
1. Accept the June 30, 2011, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman.
 2. Adopt recommended employer and employee contribution rates.
 3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2012, with a recommendation to implement the employer and employee rates no later than September 30, 2012. (Memo dated December 7, 2011.)

Milliman

Nick J. Collier Principal & Consulting Actuary ASA, EA, MAAA
Mark Olleman, Principal & Consulting Actuary ASA, EA, MAAA

- B. Recommendation as submitted by Christopher J. Wagner, Senior Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$75 million to Juggernaut Capital Partners II, L.P. (Memo dated December 7, 2011.)
- C. Recommendation as submitted by Michael D. Herrera, Senior Staff Counsel: That your Board authorize the Legal Office to send a letter asking the SEC to make a finding that the antifraud provisions of the Securities Exchange Act should be applicable to all purchases and sales of securities by U.S. investors, and that the SEC recommend to the U.S. Congress that the Securities Exchange Act be so amended. (Memo dated December 5, 2011.)
- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members, and staff as designated by the Chief Executive Officer to attend the National Institute on Retirement Security (NIRS) Retirement Policy Conference on March 5 and 6, 2012, in Washington, DC and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated December 8, 2011.) (Placed on the Agenda at the request of Ms. Sandoval.)
- E. Recommendation as submitted by David Kushner, Chief Investment Officer: That your Board approve attendance of Board members and Staff as designated by the Chief Executive Officer, at the Elkind Emerging Markets Forum hosted by Elkind Economics, Inc. on January 18-19, 2012 at the Four Seasons Hotel at Las Colinas in Dallas, Texas; and approve reimbursement of all costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated December 1, 2011.)
- F. Recommendation as submitted by the Robert Z. Santos, Investment Officer, Fixed Income: That your Board (1) Approve attendance of Board Members, and Staff as designated by the Chief Executive Officer, at the Information Management Network's 18th Annual International Beneficial Owners' Securities Lending Summit to be held at the Arizona Biltmore Resort & Spa in Phoenix, Arizona from January 29-31, 2012; and (2) Approve reimbursement of all costs associated with the Conference in accordance with LACERA's Education and Travel Policy. (Memo dated December 5, 2011.)

VI. REPORTS

- A. Private Equity Performance Review
Christopher J. Wagner, Senior Investment Officer, Private Equity
(Memo dated December 7, 2011.)
1. David Almodovar, Consultant
Credit Suisse Customized Fund Investment Group

B. Commodity Manager Review
Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer
Ruwen Liu, Senior Investment Analyst

1. Gresham Investment Management
Jonathan Spencer, President and Portfolio Manager
Jon Berland, Director of Sales

C. Review of European Debt Crisis and LACERA Exposure
David Kushner, CFA, Chief Investment Officer
(Memo dated December 5, 2011.)

D. Corporate Governance Quarterly Review
Volume 7, Issue #3: July 1, 2011 — September 30, 2011
Dale Johnson, Senior Investment Analyst
(Memo dated December 5, 2011.)
(For information only.)

VII. EXECUTIVE SESSION

A. Conference with Legal Counsel — Existing Litigation (Subdivision (a) of California Government Code Section 54956.9)
1. *Deutsche Bank Trust Co. et al v. Janice McGurn, et al.* Civil Action No. 8:11-cv-1510 (AW)
(For discussion purposes only.)

VIII. GOOD OF THE ORDER

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, DECEMBER 14, 2011, 9:00 A.M.

PRESENT: John M. Barger, Chair

Simon S. Russin, Vice Chair

Herman B. Santos, Secretary

Will Pryor

Mark J. Saladino

Diane Sandoval

Michael Schneider

Estevan Valenzuela

Leonard Unger

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

Janice Golden, Assistant Executive Officer

David Kushner, Chief Investment Officer

John D. McClelland, Principal Investments Officer, Real Estate

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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, Senior Investment Officer

Robert Z. Santos, Investment Officer, Fixed Income

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

Earl Buehner, Senior Staff Counsel

Johanna Fontenot, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

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I. PLEDGE OF ALLEGIANCE

Chairman Barger 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 NOVEMBER 9, 2011.

A motion was made by Ms. Sandoval, seconded by Mr. Pryor to approve the Minutes of the meeting of the Board of Investment of November 9, 2011. The motion carried with Mr. Unger abstaining.

III. PUBLIC COMMENT

None.

IV. REPORT ON CLOSED SESSION ITEMS

None.

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V. ACTION ITEMS

A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer:

1. Accept the June 30, 2011, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman.
2. Adopt recommended employer and employee contribution rates.
3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2012, with a recommendation to implement the employer and employee rates no later than September 30, 2012. (Memo dated December 7, 2011.)

Milliman

Nick J. Collier Principal & Consulting Actuary
ASA, EA, MAAA

Mark Olleman, Principal & Consulting Actuary
ASA, EA, MAAA

Mr. Rademacher introduced Mr. Collier and Mr. Olleman of Milliman, LACERA's actuary, who followed with a presentation on the June 30, 2011, Retirement Benefit Actuarial Valuation. They reported that the results of the valuation show an increase employer contribution rate, a decreased funded ratio and small changes to member rates. The large investment loss for fiscal year 2009 is still being recognized but the good return for fiscal year 2011 of 20.4% helped

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V. ACTION ITEMS (Continued)

offset this loss. They noted the Board's new investment return assumption of 7.70%, for the fiscal year ending June 30, 2011, with further scheduled reductions to 7.6% for the current fiscal year, and to 7.50% for the fiscal year ending June 30, 2013.

The employer contribution rate increase is 1.24% and would be .52% higher if STAR were excluded. The funded ratio decrease since last year from 83.3% to 80.6% is almost entirely due to prior investment losses being recognized, mitigated somewhat by a good fiscal year return in 2011, low salary increases, and low CPI increases. The average member contribution rate increased from 7.96% to 8.00%, based on contributory plans only.

The projected required rate increase next year is to be about 2% of pay if LACERA earns 7.60% for Fiscal Year Ending in June 2012, and assuming the STAR Reserve is included. The fund would have to return about 40% on market this year to avoid a contribution rate increase for the Fiscal Year beginning July 2011 (assuming all else being equal). Messrs. Olleman and Collier also reported

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V. ACTION ITEMS (Continued)

that future required contribution rates will be highly dependent on investment returns over the next ten years. A brief discussion followed.

A motion was made by Mr. Saladino, seconded by Mr. Pryor to:

(1) Accept the June 30, 2011, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman; (2) Adopt the recommended employer and employee contribution rates; and (3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2012, with a recommendation to implement the employer and employee rates no later than September 30, 2012. The motion carried with Chair Barger and Ms. Sandoval voting no.

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V. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Christopher J. Wagner, Senior Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$75 million to Juggernaut Capital Partners II, L.P. (Memo dated December 7, 2011.)

Ms. Tilaye provided a brief overview on the proposed commitment to Juggernaut Capital Partners II, L.P (JCP II). She reported that Juggernaut will invest in U.S. based, lower middle-market companies in the business services and consumer sectors. The predecessor offering, Juggernaut Capital Partners I (JCP I) has invested 100% of its committed capital, and the general partner continues to uncover investment opportunities that fit with its investment strategy. This commitment to JCPII is within the parameters of LACERA's 2011 Private Equity Investment Plan. Ms. Tilaye also reported that as of September 30, 2011, the Pre-JCP investments and JCP I each solidly outperformed their Venture Economics upper quartile net internal rate of return benchmark. A brief discussion followed.

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

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V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by Michael D. Herrera, Senior Staff Counsel: That your Board authorize the Legal Office to send a letter asking the SEC to make a finding that the antifraud provisions of the Securities Exchange Act should be applicable to all purchases and sales of securities by U.S. investors, and that the SEC recommend to the U.S. Congress that the Securities Exchange Act be so amended. (Memo dated December 5, 2011.)

Mr. Herrera provided a brief overview on the proposed recommendation.

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

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members, and staff as designated by the Chief Executive Officer to attend the National Institute on Retirement Security (NIRS) Retirement Policy Conference on March 5 and 6, 2012, in Washington, DC and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated December 8, 2011.) (Placed on the Agenda at the request of Ms. Sandoval.)

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

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V. ACTION ITEMS (Continued)

- E. Recommendation as submitted by David Kushner, Chief Investment Officer: That your Board approve attendance of Board members and Staff as designated by the Chief Executive Officer, at the Elkind Emerging Markets Forum hosted by Elkind Economics, Inc. on January 18-19, 2012 at the Four Seasons Hotel at Las Colinas in Dallas, Texas; and approve reimbursement of all costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated December 1, 2011.)

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

- F. Recommendation as submitted by the Robert Z. Santos, Investment Officer, Fixed Income: That your Board (1) Approve attendance of Board Members, and Staff as designated by the Chief Executive Officer, at the Information Management Network's 18th Annual International Beneficial Owners' Securities Lending Summit to be held at the Arizona Biltmore Resort & Spa in Phoenix, Arizona from January 29-31, 2012; and (2) Approve reimbursement of all costs associated with the Conference in accordance with LACERA's Education and Travel Policy. (Memo dated December 5, 2011.)

A motion to approve the recommendation was made by Mr. Saladino, seconded by Mr. Santos. The motion failed with Messrs. Saladino, Schneider, Ms. Sandoval, and Chair Barger voting yes and Messrs. Russin, Santos, Pryor, Unger, and Valenzuela voting no.

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V. ACTION ITEMS (Continued)

The Board asked staff to report back with additional information on whether to take a position on travel to Arizona while the current Arizona law with respect to legal residency documentation (Arizona Senate Bill 1070) is being reviewed by the United States Supreme Court.

VI. REPORTS

A. Private Equity Performance Review
Christopher J. Wagner, Senior Investment Officer, Private Equity
(Memo dated December 7, 2011.)

1. David Almodovar, Consultant
Credit Suisse Customized Fund Investment Group

Mr. Wagner introduced Mr. Almodovar of Credit Suisse Customized Fund Investment Group (Credit Suisse) who followed with his presentation on LACERA Private Equity Portfolio.

LACERA's Private Equity Portfolio represents 10.6% of LACERA's total portfolio by market value as of June 30, 2011. The portfolio exceeds the high end of LACERA's target allocation range of 4%-10% by 62 basis points. As of June 30, 2011, the 10 year net performance of 10.6% exceed the benchmark (Russell

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VI. REPORTS (Continued)

3000 + 500 basis points) by 214 basis points. The portfolio is well-diversified by time, strategy and geography. The current exposure to non-US investments is below the low end of the target by 150 basis points and staff will work towards increasing this exposure in 2012. LACERA's private equity portfolio is within the target allocation range based on the market value of invested capital and continues to generate strong performance. Over the past 22 vintage years, LACERA has committed \$6.1 billion to 141 investments. These investments have drawn down \$4.5 billion and distributed \$2.8 billion. In 2011, LACERA made four commitments to high-quality funds, managers with whom LACERA has enjoyed success in the past. While the global macro-economic environment continues to present significant challenges, LACERA has partnered with many funds (such as high quality distressed debt and buyout managers) that are well positioned to take advantage of unique market opportunities. A brief discussion followed and the Report was received and filed.

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VI. REPORTS (Continued)

B. Commodity Manager Review

Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer
Ruwen Liu, Senior Investment Analyst

1. Gresham Investment Management

Jonathan Spencer, President and Portfolio Manager
Jon Berland, Director of Sales

Mr. Mahseredjian introduced the principals of Gresham Investment Management (Gresham) who followed with an overview on the Fund's performance. They provided an overview on the firm's historical background, investment process and portfolio structure. Gresham is a commodities investment specialist firm based in New York and established in 1992, currently managing \$14 billion in assets.

Gresham's trailing one-year excess return has exceeded the benchmark by more than 300 basis points for the past eight quarters. Their realized excess return is consistent with the expected level set at the outset of the mandate. The annualized excess return of 1.86% net of fees lies squarely in the expected range of 150-200 basis points. Gresham also reported that the majority of excess return is due to commodities management.

A brief discussion followed and the Report was received and filed.

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VI. REPORTS (Continued)

- C. Review of European Debt Crisis and LACERA Exposure
David Kushner, CFA, Chief Investment Officer
(Memo dated December 5, 2011.)

Wilshire Associates
William (Bill) Bensur, CFA, Managing Director
Marlin Pease, CFA, Managing Director

Mr. Kushner reported that LACERA's Consultant, Wilshire Associates would provide an overview of the European Crisis and a review on the exposure of LACERA, relative to the global benchmark. Wilshire will also provide a viewpoint regarding potential action.

Mr. Bensur reported that the European Union (EU) has been under stress due to weak economies and substantial debt on the part of Portugal, Italy, Greece, and Spain. By design, the LACERA global equity profile maintains a similar profile to the global equity opportunity set, as measured by the MSCI All Country World Investable Market Index. Institutional investors must maintain a long term view of the global equity exposure in light of the current European crisis. Europe will continue to be an important component of global economic activity.

Approximately 20% of U.S. exports are derived from Europe. In 2010, S&P 500

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VI. REPORTS (Continued)

Index revenue from Europe was 29.1%; up from 25.6% in 2009. Wilshire believes institutional allocations should be representative of the overall global equity opportunity set and does not recommend taking a tactical or reactionary response to short term market events and conditions. Ongoing portfolio rebalancing remains an important tool for maintaining efficient long term exposures and the current challenges are not expected to persist forever. A brief discussion followed and the report was received and filed.

- D. Corporate Governance Quarterly Review
Volume 7, Issue #3: July 1, 2011 – September 30, 2011
Dale Johnson, Senior Investment Analyst
(Memo dated December 5, 2011.) (For information only.)

The Corporate Governance Quarterly Review, Volume 7, Issue #3 is for information only and was received and filed.

Chair Barger reported that item VIII. Good Of The Order would be handled at this time and Executive Session item VII would follow.

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VIII. GOOD OF THE ORDER

(For discussion purposes only.)

Mr. Rademacher and the Board recognized and welcomed Mr. Kushner as LACERA's new Chief Investment Officer at his first Investment Board meeting. Mr. Rademacher also presented Board Service Scrolls to Messrs. Barger, Russin and Schneider, recognizing Mr. Russin on 30 year (combined) dedicated service on both the Board of Investments and Board of Retirement. The scroll expressed the Board's appreciation for their dedicated service on the Board of Investments over the last three years. Mr. Rademacher also reminded the Board on the upcoming Board off-site to be held on January 24 and 25, 2012.

VII. EXECUTIVE SESSION

A. Conference with Legal Counsel - Existing Litigation
(Subdivision (a) of California Government Code Section 54956.9)

1. Deutsche Bank Trust Co. et al v. Janice McGurn, et al.
Civil Action No. 8:11-cv-1510 (AW)

The Board met in closed session with legal counsel pursuant to subdivision (a) of the California Government Code Section 54956.9 in connection with the

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VII. EXECUTIVE SESSION (Continued)

Deutsche Bank Trust Co. et al v. Janice McGurn, et al. Civil Action No. 8:11-cv-1510 (AW). The Board gave direction to counsel and there is nothing further to report at this time.

Green Folder Items

1. Chief Executive Officer's Report.
2. Memo dated December 8, 2011, from James Beasley, Risk Management regarding International Travel Insurance Procedures.
3. Memo dated December 12, 2011, from Vache Mahseredjian, Principal Investment Officer, and Earl W. Buehner, Senior Staff Counsel, regarding the update on LACERA's Securities Lending Agency and Collateral Management Agreement with ClearLend.
4. Memo dated December 7, 2011, from Gregg Rademacher, Chief Executive Officer regarding the Board Offsite Agenda.
5. Letters dates October 7, 2011, November 1, 2011, and November 21, 2011, from J.P. Morgan Asset Management, BlackRock, and Goldman, Sachs & Co., respectively regarding defined benefits plans.

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IX. ADJOURNMENT

There being no further business the meeting was adjourned at 12:16 p.m.

Herman B. Santos, Secretary

John M. Barger, Chair