

## AGENDA

### MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

WEDNESDAY, MARCH 14, 2012, 9:00 A.M.

#### I. APPROVAL OF THE MINUTES

- A. APPROVAL OF THE MINUTES OF THE MEETING  
OF THE BOARD OF INVESTMENTS OF FEBRUARY 8, 2012.

#### II. PUBLIC COMMENT

#### III. REPORT ON CLOSED SESSION ITEMS

#### IV. ACTION ITEMS

- A. Recommendation as submitted by David E. Kushner, Chief Investment Officer: Reschedule the May 9, 2011, Board of Investment meeting to May 16, 2011 at 9:00 a.m. (Memo dated March 1, 2012.)
- B. Recommendation as submitted by the Christopher J. Wagner, Senior Investment Officer, Private Equity: That your Board Adopt the 2012 Private Equity Annual Investment Plan. (Memo dated March 7, 2012.)
- C. Recommendation as submitted by William Pryor, Chair, Corporate Governance Committee: That your Board endorse Mr. Kushner for CII Director for CII's 2012 election. (Memo dated March 6, 2012.)
- D. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board of Investments adopt a "Support" position on Assembly Bill 1519 relating to Board member education. (Memo dated March 6, 2012.)

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IV. ACTION ITEMS (Continued)

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members, and staff at the Goldman Sachs Asset Management 2012 Growth Markets Summit in New York City on April 24 and 25, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 7, 2012.) (Placed on the Agenda at the request of Chair Santos.)

V. REPORTS

- A. Hedge Fund Performance Report - 2011 Fourth Quarter  
James Rice, CFA, Senior Investment Officer  
(Memo dated March 5, 2012.)
- B. Investment Staff Goals  
David E. Kushner, Chief Investment Officer  
(Memo dated March 1, 2011.)
- C. Nomination to Council of Institutional Investors Board of Directors for 2012  
William Pryor, Chair, Corporate Governance Committee  
(Memo dated March 6, 2012.) (For information only.)
- D. LACERA's Corporate Governance Program and the Harvard  
Shareholder Rights Project  
Dale Johnson, Senior Investment Analyst  
(Memo dated March 6, 2012.) (For information only.)
- E. Governor's 12-Point Reform Plan  
Robert Van Der Volgen, Chief Counsel  
Cynthia Lau, Legislative Affairs Officer  
(Memo dated March 7, 2012.) (For information only.)
- F. Senate Bill 31 – Revolving Door Restrictions  
Cynthia Lau, Legislative Affairs Officer  
(Memo dated March 6, 2012.) (For information only.)

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VI. EXECUTIVE SESSION

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

1. FX Analytics v. Bank of New York Mellon Corp.  
Court Case No. 11-CV-05683 (JCS)

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

1. In re IndyMac Securities Litigation.

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

VIII. ADJOURNMENT

**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 Cynthia Guider at (626) 564-6000, 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 MEETING BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

WEDNESDAY, MARCH 14, 2012, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Leonard Unger, Vice Chair

Diane Sandoval, Secretary

David Green

Will Pryor

Mark J. Saladino

Michael Schneider

Steve Valenzuela

Carolyn Widener

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

Janice Golden, Assistant Executive Officer

David E. Kushner, Chief Investment Officer

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STAFF, ADVISORS, PARTICIPANTS (Continued)

John D. McClelland, 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

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

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

I. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE MEETING  
OF THE BOARD OF INVESTMENTS OF FEBRUARY 8, 2012.

A motion was made by  
Mr. Unger, seconded by  
Ms. Widener to approve the  
Minutes of the February 8,  
2012, meeting of the Board of  
Investments. The motion  
carried by unanimous vote.

II. PUBLIC COMMENT

Ms. Alyssa Giachino, Research Analyst from Unite Here Local 11 expressed to the Board the union'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. They asked that the Board follow-up and help reach an amicable resolution to the dispute.

Mr. Mark Klein, of SEIU Local 721 thanked the members of the Board and staff who attended the 5<sup>th</sup> Annual Trustee Round-Up conference, for developing a meaningful event. He also reported on an editorial that appeared in the New York Times written by Greg Smith, a former employee of Goldman Sachs entitled *Why I am Leaving Goldman Sachs*.

### III. REPORT ON CLOSED SESSION ITEMS

None.

### IV. ACTION ITEMS

- A. Recommendation as submitted by David E. Kushner, Chief Investment Officer: Reschedule the May 9, 2011, Board of Investment meeting to May 16, 2012 at 9:00 a.m. (Memo dated March 1, 2012.)

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

- B. Recommendation as submitted by the Christopher J. Wagner, Senior Investment Officer, Private Equity: That your Board Adopt the 2012 Private Equity Annual Investment Plan. (Memo dated March 7, 2012.)

Credit Suisse's Customized Fund Investment Group  
David Almodovar, Principal

Mr. Wagner provided an executive summary on the proposed recommendation and reported that the primary purpose of the Private Equity Annual Investment Plan (Plan) is to establish an appropriate commitment pace for the 2012 Calendar year, identify key investment strategies, and review and ensure appropriate diversification to private equity investment strategies.

IV. ACTION ITEMS (Continued)

Mr. Almodovar gave a brief overview on the Plan's proprietary investment pacing model for estimating private equity commitments. A brief discussion followed.

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

- C. Recommendation as submitted by William Pryor, Chair, Corporate Governance Committee: That your Board endorse Mr. Kushner for CII Director for CII's 2012 election. (Memo dated March 6, 2012.)

Mr. Kushner provided a brief overview of the recommendation and reported that LACERA's Corporate Governance Committee nominated him as a LACERA representative for the Council of Institutional Investors (CII) Board of Directors (Director). CII's annual election coincides with their spring meeting in Washington DC on April 2, 2012. Directors serve one year terms.

A motion was made by Mr. Saladino, seconded by Ms. Widener to endorse Mr. Kushner for CII Director for CII's 2012 Election. The motion carried by unanimous vote.

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IV. ACTION ITEMS (Continued)

- D. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board of Investments adopt a “Support” position on Assembly Bill 1519 relating to Board member education. (Memo dated March 6, 2012.)

A motion to adopt a “Support” position on Assembly Bill 1519 was made by Ms. Widener, seconded by Mr. Green. The motion carried by unanimous vote.

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members, and staff at the Goldman Sachs Asset Management 2012 Growth Markets Summit in New York City on April 24 and 25, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated March 7, 2012.) (Placed on the Agenda at the request of Chair Santos.)

A motion to approve the recommendation was made by Mr. Saladino, seconded by Ms. Sandoval. The motion carried with Mr. Green voting No.

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## V. REPORTS

- A. Hedge Fund Performance Report - 2011 Fourth Quarter  
James Rice, CFA, Senior Investment Officer  
(Memo dated March 5, 2012.)

Mr. Rice gave a presentation on Grosvenor Capital Management's (Grosvenor) 2011 Fourth Quarter Hedge Fund performance report. Grosvenor is LACERA's Hedge Fund of Funds manager. Mr. Rice reported that the Hedge Fund of Funds portfolio returned 0.25% for the fourth quarter of 2011. The portfolio underperformed by 148 basis points the 1.23% return of LACERA's primary hedge fund benchmark. LACERA'S portfolio performance in the quarter is attributed to weaker, but positive performance from equity and credit strategy managers and drag in performance from dedicated short (portfolio hedge) managers. A brief discussion followed on strategy and volatility concerns. The Report was received and filed.

- B. Investment Staff Goals  
David E. Kushner, Chief Investment Officer  
(Memo dated March 1, 2011.)

Mr. Kushner provided an overview on Investment Staff's Goals for the upcoming 2012/13 fiscal year. The Report was received and filed.

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V. REPORTS (Continued)

- C. Nomination to Council of Institutional Investors Board of Directors for 2012  
William Pryor, Chair, Corporate Governance Committee  
(Memo dated March 6, 2012.) (For information only.)

The Report on the Nomination to Council of Institutional Investors Board of Directors for 2012 is for information only and was received and filed.

- D. LACERA's Corporate Governance Program and the Harvard Shareholder Rights Project  
Dale Johnson, Senior Investment Analyst  
(Memo dated March 6, 2012.) (For information only.)

The Report on LACERA's Corporate Governance Program and the Harvard Shareholder Right Project is for information only and was received and filed.

- E. Governor's 12-Point Reform Plan  
Robert Van Der Volgen, Chief Counsel  
Cynthia Lau, Legislative Affairs Officer  
(Memo dated March 7, 2012.) (For information only.)

The Report on the Governor's 12-Point Reform Plan is for information only and was received and filed.

- F. Senate Bill 31 – Revolving Door Restrictions  
Cynthia Lau, Legislative Affairs Officer  
(Memo dated March 6, 2012.) (For information only.)

The Report on Senate Bill 31 is for information only and was received and filed.

Chair Santos indicated that item VII. Good of the Order would be handled at this time.

**VII. GOOD OF THE ORDER**  
(For discussion purposes only.)

Mr. Rademacher provided highlights on the LA Trustee's Roundup, and recognized Ms. Widener who was the program chair and Will Pryor, the organizer, for an exceptional conference, with emphasis on the presentations on the importance of a well designed Corporate Governance program. Mr. Rademacher also pointed out that LACERA's election for Third Member (General Seat) of both Boards of Retirement and Investments will be held July 31, 2012. The resolution for the Board's election will be placed on the Board of Supervisors April 3, 2012, agenda for approval. Mr. Rademacher also thanked Mr. Van Der Volgen for assisting LA County in providing them with various election materials.

Ms. Sandoval indicated that her attendance at the NIRS Conference was very educational and informative.

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

The Board commended Ms. Widener on her participation at the LA Trustee Roundup Conference, and Mr. Rademacher on representing LACERA before the State Legislature and industry groups.

The Board also asked that staff provide an update on the labor dispute with HEI and that Cornerstone address the concerns of Unite Here Local 11.

Mr. Valenzuela thanked Mr. Rademacher and staff for keeping the Board apprised of the Public Records Act disclosures.

Mr. Kushner thanked the Board for supporting his nomination to the CII Board of Directors 2012 election.

VI. EXECUTIVE SESSION

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

1. FX Analytics v. Bank of New York Mellon Corp.  
Court Case No. 11-CV-05683 (JCS)

VI. EXECUTIVE SESSION (Continued)

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

1. In re IndyMac Securities Litigation.

Mr. Herrera reported that the Board met in Executive Session to discuss two cases under Subdivision (a) of California Government Code Section 54956.9 and there is nothing to report at this time.

Green Folder Items

1. Chief Executive Officer's Report dated March 7, 2012.
2. Memo dated March 14, 2012, from Christopher J. Wagner, Senior Investment Officer, Private Equity regarding Secondary Underwriting Process.
3. Letter dated March 14, 2012, from Unite Here Local 11 regarding Embassy Suites and HEI.

VIII. ADJOURNMENT

There being no further business, the meeting adjourned at 12:45 p.m.

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Diane Sandoval, Secretary

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Herman B. Santos, Chair