

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, MAY 16, 2012, 9:00 A.M.

I. APPROVAL OF THE MINUTES

- A. APPROVAL OF THE MINUTES OF THE MEETING
OF THE BOARD OF INVESTMENTS OF APRIL 11, 2012.

II. PUBLIC COMMENT

III. REPORT ON CLOSED SESSION ITEMS

IV. ACTION ITEMS

- A. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Robert Z. Santos, Investment Officer, Fixed Income: Invite three firms to interview for an enhanced cash investment mandate. (Memo dated May 7, 2012.)
- B. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Ruwen Liu, Senior Investment Analyst:
Authorize Staff to:
1. Hire Gresham directly as commodities advisor and modify the Neuberger Berman contract accordingly. (LACERA's current contract is with Neuberger Berman, and Gresham is the sub-advisor);
 2. Revise the PIMCO contract to convert the fee structure from performance-based to asset-based; and
 3. Amend Investment Guidelines for PIMCO to reduce volatility in the cash collateral portfolio. (Memo dated May 4, 2012.)

IV. ACTION ITEMS (Continued)

- C. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate: Adopt the revised Real Estate Objectives, Policies & Procedures as presented. (Memo dated May 4, 2012.)
- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$100 million to Oaktree Opportunities Fund IX, L.P. (Memo dated May 9, 2012.)
- E. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$50 million to GGV Capital IV, L.P. (Memo dated May 9, 2012.)
- F. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$75 million to Institutional Venture Partners XIV, L.P. (Memo dated May 9, 2012.)
- G. Recommendation as submitted by June Kim, Principal Investment Officer, Equities: Authorize Staff to issue a new Request for Proposal (RFP) for active emerging markets equity managers using the modified minimum qualifications shown in the attachment. (Memo dated May 3, 2012.)
- H. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: Adopt the assumptions and constraints proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study. (Memo dated May 7, 2012)

Wilshire Associates
Steve Foresti, Managing Director
Marlin D. Pease, CFA, Managing Director

- I. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: Recommend that the Board of Investments adopt a “Watch” position on Senate Bill 955 which encourages investment in-state infrastructure projects. (Memo dated May 4, 2012.)

V. REPORTS

A. Educational Session on Asset Liability Valuation Analysis Methodology

Wilshire Associates
Stephen M. Marshall, Managing Director
Marlin D. Pease, CFA, Managing Director

B. Real Estate Performance Measurement Report 4th Quarter 2011
Trina Sanders, Investment Officer, Real Estate
(Memo dated May 4, 2012.)

The Townsend Group
Micolyn Magee, Principal

C. Cornerstone Hotel Income and Equity Fund II, L.P.
John D. McClelland, Principal Investment Officer, Real Estate
(Memo dated May 4, 2012.)

Cornerstone Real Estate Advisors, L.L.C.
Scott Piccone, Senior Vice President Hotel Group
Drew Williams, Executive Vice President

D. Securities Lending Program – 2011 Annual Review
Robert Z. Santos, Investment Officer, Fixed Income
(Memo dated May 7, 2012.) (For information only.)

E. Performance Review as of March 31, 2012 and Wilshire Consulting
Investment Performance Analysis - March 31, 2012
David Kushner, Chief Investment Officer
(For information only.)

F. Senate Bill 1234 – “California Secure Choice Retirement Savings Act”
Cynthia Lau, Legislative Affairs Officer
(Memo dated May 4, 2012.) (For information only.)

VI. EXECUTIVE SESSION

A. Conference with Legal Counsel – Anticipated Litigation
(Subdivision (c) of California Government Code Section 54956.9)

1. One case.

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 SPECIAL MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, MAY 16, 2012, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Leonard Unger, Vice Chair

David Green

Will Pryor

Joseph Kelly (Sitting in for Mark J. Saladino)

Michael Schneider

Steve Valenzuela

Carolyn Widener

ABSENT: Diane Sandoval, Secretary

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

JJ Popovich, Assistant Executive Officer

David E. Kushner, Chief Investment Officer

John D. McClelland, Principal Investment Officer, Real Estate

Vache Mahseredjian, CFA, Principal Investment Officer

Christopher J. Wagner, Principal Investment Officer, Private Equity

June H. Kim, Principal Investment Officer, Equities

STAFF, ADVISORS, PARTICIPANTS (Continued)

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

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

Alyssa Giachino, Research Analyst of Unite Here Local 11

Andrew Cohen

Anamaria Trevino

Argelia Rico

The Townsend Group

Micolyn Magee, Principal

Wilshire Associates

Steve Foresti, Managing Director,

Marlin D. Pease, CFA, Managing Director

Steven Marshall, Managing Director

Cornerstone Real Estate Advisors, LLC

Scott Piccone, Senior Vice President Hotel Group

Drew Williams Executive Vice President

I. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE MEETING
OF THE BOARD OF INVESTMENTS OF APRIL 11, 2012.

A motion was made by Mr. Unger, and seconded by Ms. Widener to approve the Minutes of the April 11, 2012, meeting of the Board of Investments. The motion carried by unanimous vote.

II. PUBLIC COMMENT

Alyssa Giachino, Research Analyst of Unite Here Local 11, Andrew Cohen, Anamaria Trevino, and Argelia Rico, staff at the Embassy Suites in Irvine expressed to the Board their concerns relating to a labor dispute at the hotel managed by HEI Hotel & Resorts. The hotel 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.

III. REPORT ON CLOSED SESSION ITEMS

None.

IV. ACTION ITEMS

- A. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Robert Z. Santos, Investment Officer, Fixed Income: Invite three firms to interview for an enhanced cash investment mandate. (Memo dated May 7, 2012.)

Mr. Mahseredjian provided a brief overview of the recommendation and reported that staff has conducted the Request-for-Information (RFI) using LACERA's two phase manager

IV. ACTION ITEMS (Continued)

evaluation process. Three highly qualified firms were identified with staff recommending that the Board interview Wells Capital, J.P. Morgan, and Western Asset for an enhanced cash mandate. A brief discussion followed and the Board commended staff on their report.

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

B. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Ruwen Liu, Senior Investment Analyst:
Authorize Staff to:

1. Hire Gresham directly as commodities advisor and modify the Neuberger Berman contract accordingly. (LACERA's current contract is with Neuberger Berman, and Gresham is the sub-advisor);
2. Revise the PIMCO contract to convert the fee structure from performance-based to asset-based; and
3. Amend Investment Guidelines for PIMCO to reduce volatility in the cash collateral portfolio. (Memo dated May 4, 2012.)

Mr. Mahseredjian provided an executive summary and background on the Commodities Program structure and LACERA's Commodities Composite and performance history. He also presented a brief overview on the proposed recommendations to (1) hire Gresham directly as commodities advisor and modify the Neuberger Berman contract accordingly. (LACERA's current contract is with Neuberger Berman, and Gresham is the sub-advisor); (2) revise the PIMCO contract to convert the fee structure from performance-based to asset-based; (3) amend

IV. ACTION ITEMS (Continued)

Investment Guidelines for PIMCO to reduce volatility in the cash collateral portfolio. A brief discussion followed with emphasis on fee concerns.

A motion to approve the recommendation was made by Ms. Widener, and seconded by Mr. Green. The motion carried by unanimous vote.

- C. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate: Adopt the revised Real Estate Objectives, Policies & Procedures as presented. (Memo dated May 4, 2012.)

Mr. McClelland presented a brief overview on the proposed revisions to the Real Estate Objective, Policies & Procedures. A brief discussion followed with a recommendation that the Real Estate Objective, Policies & Procedures be reviewed by the Board every three years. A brief discussion followed on public disclosure concerns.

A motion was made by Mr. Valenzuela, and seconded by Mr. Unger to adopt the revised Real Estate Objectives, Policies & Procedures as presented and to include the Board of Investments review said process every 3 years. The motion carried with Mr. Santos voting no.

Chair Santos reported at the request of Staff, that Item B. under V. Reports would be handled at this time.

V. REPORTS

- B. Real Estate Performance Measurement Report 4th Quarter 2011
Trina Sanders, Investment Officer, Real Estate (Memo dated May 4, 2012.)

The Townsend Group
Micolyn Magee, Principal

Ms. Magee, of The Townsend Group, LACERA's real estate consultant, provided a brief overview on the LACERA's Real Estate Performance Measurement Report for the 4th Quarter of 2011. A brief discussion followed and the Report was received and filed.

Chair Santos reported that the Board would return to the regular order of business.

IV. ACTION ITEMS

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$100 million to Oaktree Opportunities Fund IX, L.P. (Memo dated May 9, 2012.)

Mr. Wagner presented a brief overview on the proposed commitment to Oaktree and reported on the fund's investment strategy and track record and pointed out that said commitment is within the parameters of LACERA's 2012 Private Equity Investment Plan. A brief discussion followed.

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

IV. ACTION ITEMS (Continued)

- E. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$50 million to GGV Capital IV, L.P. (Memo dated May 9, 2012.)

Mr. Wagner reported that GGV Capital IV, L.P. (GGV) is a good fit within LACERA's private equity portfolio, with an attractive investment strategy and would complement the existing private equity portfolio. A brief discussion followed on the fee structure.

A motion to approve the recommendation was made by Mr. Valenzuela, and seconded by Ms. Widener. The motion carried with Messrs. Schneider and Green voting no.

- F. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$75 million to Institutional Venture Partners XIV, L.P. (Memo dated May 9, 2012.)

Mr. Wagner provided a report on the proposed commitment to Institutional Venture Partners XIV, L.P. (IVP) and pointed out that IVP is an investment in U.S. based, later-stage technology and media companies with accelerating revenue and a proven business model, targeting businesses that focus on enterprise information technology, international and digital media, and mobile and communications. A brief discussion followed on fee concerns.

A motion to approve the recommendation was made by Mr. Valenzuela, and seconded by Mr. Green. The motion carried by unanimous vote.

IV. ACTION ITEMS (Continued)

- G. Recommendation as submitted by June Kim, Principal Investment Officer, Equities: Authorize Staff to issue a new Request for Proposal (RFP) for active emerging markets equity managers using the modified minimum qualifications shown in the attachment. (Memo dated May 3, 2012.)

Ms. Kim gave a brief presentation on the active emerging markets equity manager search and reported that staff is seeking authorization to issue a new Request for Proposal (RFP) for active emerging markets equity managers. A brief discussion followed.

A motion to approve the recommendation was made by Mr. Valenzuela, and seconded by Mr. Kelly. The Motion carried with Messrs. Green and Santos voting no.

- H. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: Adopt the assumptions and constraints proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study. (Memo dated May 7, 2012)

Wilshire Associates
Steve Foresti, Managing Director
Marlin D. Pease, CFA, Managing Director

Mr. Rice presented an executive summary on the assumptions and constraints proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study. He introduced Messrs. Foresti and Pease of Wilshire Associates, LACERA's Investment Consultant, who

IV. ACTION ITEMS (Continued)

followed with a report on the capital market return assumptions, the role, philosophy and process of asset allocation.

A motion was made by Mr. Pryor, seconded by Mr. Schneider to adopt the assumptions and constraints proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study and to include at least one scenario with private equity running up to 13%. The motion carried by unanimous vote.

At the request of staff, Chair Santos reported that Item A. under V. Reports would be handled at this time.

V. REPORTS

A. Educational Session on Asset Liability Valuation Analysis Methodology

Wilshire Associates
Stephen M. Marshall, Managing Director
Marlin D. Pease, CFA, Managing Director

Messrs. Marshall and Pease of Wilshire Associates, LACERA's Investment Consultant, presented an education session on the asset liability valuation analysis methodology. A brief discussion followed and the Report was received and filed.

Chair Santos indicated that the Board would return to the regular order of business.

IV. ACTION ITEMS

- I. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: Recommend that the Board of Investments adopt a “Watch” position on Senate Bill 955 which encourages investment in-state infrastructure projects. (Memo dated May 4, 2012.)

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

V. REPORTS

- C. Cornerstone Hotel Income and Equity Fund II, L.P.
John D. McClelland, Principal Investment Officer, Real Estate
(Memo dated May 4, 2012.)

Cornerstone Real Estate Advisors, L.L.C.
Scott Piccone, Senior Vice President Hotel Group
Drew Williams, Executive Vice President

Messrs Piccone and Williams of Cornerstone gave a presentation on the Cornerstone Hotel Income and Equity Fund II. L.P. A brief discussion followed and the Report was received and filed.

- D. Securities Lending Program – 2011 Annual Review
Robert Z. Santos, Investment Officer, Fixed Income
(Memo dated May 7, 2012.) (For information only.)

The Securities Lending Program 2011 Annual Review is for information only and was received and filed.

V. REPORTS (Continued)

- E. Performance Review as of March 31, 2012 and Wilshire Consulting Investment Performance Analysis - March 31, 2012
David Kushner, Chief Investment Officer
(For information only.)

The Performance Review as of March 31, 2012 and the Wilshire Consulting Investment Performance Analysis, March 31, 2012, is for information only and was received and filed.

- F. Senate Bill 1234 – “California Secure Choice Retirement Savings Act”
Cynthia Lau, Legislative Affairs Officer
(Memo dated May 4, 2012.) (For information only.)

Senate Bill 1234 - “California Secure Choice Retirement Savings Act” 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. One case.

The Board met in closed session with legal counsel pursuant to Subdivision (c) of California Government Code Section 54956.9. On a motion by Mr. Santos, and seconded by Mr. Schneider, the Board gave direction to the Legal Office with regard to one matter of anticipated litigation and there is nothing further to report at this time.

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

Mr. Rademacher reiterated that the Los Angeles County Board of Supervisors is interested in hiring the LACERA Board of Investments to manage the County’s Other

May 16, 2012
Page 12

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

Post-Employment Benefit (OPEB) Trust. The Trust will serve as a funding tool for the participating employers to hold and invest assets for paying expenses associated with other post-employment benefits, such as the Retiree Healthcare Program and retiree burial benefit. The Board of Supervisors unanimously approved an Investment Servicing Agreement at their May 15, 2012, meeting. This Agreement will be presented to the Board of Investments for its consideration at the June 13 meeting. Mr. Rademacher also reminded the Board that he spoke at the Public Employees Pension Committee hearing in Chino. The committee asked about the non-contributory pension plans in 37 Act Counties and he provided a report on LACERA's plan E, its non-contributory plan.

The Board thanked and commended the Investment Staff on their reports and presentations. The Board also acknowledged and congratulated Ms. Kim and Mr. Wagner on their recent promotions.

Green Folder Items

1. Chief Executive Officer's Report dated May 4, 2012.
2. 2012 Public Funds Forum Brochure.

VIII. ADJOURNMENT

There being no further business the meeting adjourned at 1:35 p.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair