

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, JUNE 13, 2012, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF THE BOARD OF INVESTMENTS OF MAY 16, 2012.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. ACTION ITEMS
 - A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board adopt the LACERA Fiscal Year 2012-2013 Administrative and Retiree Healthcare Benefits Budgets. (Memo dated June 13, 2012.)
 - B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer, that your Board:
 - 1. Direct the Chief Executive Officer to execute the Trust and Investment Services Agreement between the Board of Investments and the Los Angeles County Board of Supervisors for the Primary purpose of holding and investing assets to fund the Retiree Healthcare Program;
 - 2. Direct the Chief Investment Officer to draft an OPEB Investment Trust funding policy for the Board of Investment's consideration; and
 - 3. Direct the Chief Executive Officer to implement the necessary operational practices and policies to administer the Trust and Investment Services Agreement. (Memo dated May 26, 2012.)

V. ACTION ITEMS (Continued)

C. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: That your Board adopt the five optimal portfolios proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study. (Memo dated May 31, 2012.)

D. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Robert Z. Santos, Investment Officer, Fixed Income: That your Board retain one of the three finalists for an enhanced cash investment mandate:

Western Asset Management:

Joseph C. Carieri - Client Service Executive

Andrea A. Mack, CFA- Portfolio Manager

Stephen A. Walsh - Chief Investment Officer

Wells Capital Management:

Jeffrey L. Weaver, CFA, Senior Portfolio Manager,

Head of Short Duration Fixed Income

Michael P. Rodgers, Managing Director, Institutional Fixed Income

Christopher A. Alders, managing Director, Business Development

J.P. Morgan Asset Management

John Donohue, Managing Director, CIO, Global Liquidity

Kyongsoo Noh, CFA

Executive Director, Portfolio Manager

Paula Stibbe, Managing Director, Client Portfolio Manager

Juliana Hastings, Executive Director

Western Regional Manager

(Memo dated May 31, 2012.)

E. Recommendation as submitted by David Kushner, Chief Investment Officer: That your Board approve a commitment of up to \$50 million to Northgate Venture Partners, VI, L.P. (Memo dated June 6, 2012.)

F. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate: That your Board adopt the 2012-2013 Real Estate Investment Plan as presented. (Memo dated June 1, 2012.)

V. ACTION ITEMS (Continued)

- G. Recommendation as submitted by Earl W. Buehner, Senior Staff Counsel: That your Board consent to the assignment of the Domestic Investment Manager Agreement from M&I Investment Management Corp. to BMO Asset Management Corp., and authorize staff to execute such consents and other documents to effect the assignment after review and approval by the LACERA Legal Office. (Memo dated June 6, 2012.)
- H. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: Recommend that the Board of Investments continue its "Watch" position on Senate Bill 955 which encourages investment in in-state infrastructure projects by CalPERS and CalSTRS. (Memo dated May 31, 2012.)

VI. REPORTS

- A. Educational Session on Asset Liability Valuation

Wilshire Associates
William G. Bensus, Jr., CFA, Managing Director
Stephen M. Marshall, Managing Director
- B. Private Equity Program Review
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated June 1, 2012.)
- C. 2012 First Quarter Hedge Fund Performance Report
James Rice, CFA, Senior Investment Officer
(Memo dated June 1, 2012.) (For information only.)
- D. Review and Evaluation of Foreign Securities Monitoring Services
Michael D. Herrera, Senior Staff Counsel
(Memo dated June 5, 2012.) (For information only.)
- E. 2011 Year-End Private Equity Portfolio Update
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated June 6, 2012.) (For information only.)

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VI. REPORTS (Continued)

- F. ResCap Bankruptcy
Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer
(Memo dated May 31, 2012.) (For information only.)
- G. Proposed Ballot Initiative
Cynthia Lau, Legislative Affairs Officer
(Memo dated June 5, 2012.) (For information only.)

VII. 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 (WHA)
- B. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

Agency designated representatives

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

John Nogales, Director, Human Resources

Employee Organization

Service Employees International Union (SEIU), Local 721

VIII. GOOD OF THE ORDER

(For discussion purposes only.)

IX. 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.

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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, JUNE 13, 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
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

Earl W. Buehner, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

Ramon Rubalcava
SEIU Local 721

Wilshire Associates
William G. Bensusan, Jr., CFA, Managing Director
Steven Marshall, Managing Director

Western Asset Management:
Joseph C. Carieri - Client Service Executive
Andrea A. Mack, CFA - Portfolio Manager
Stephen A. Walsh - Chief Investment Officer

Wells Capital Management:
Jeffrey L. Weaver, CFA, Senior Portfolio Manager,
Head of Short Duration Fixed Income
Michael P. Rodgers, Managing Director, Institutional Fixed Income
Christopher A. Alders, managing Director, Business Development

STAFF, ADVISORS, PARTICIPANTS (Continued)

J.P. Morgan Asset Management
John Donohue, Managing Director, CIO, Global Liquidity
Kyongsoo Noh, CFA
Executive Director, Portfolio Manager
Paula Stibbe, Managing Director, Client Portfolio Manager
Juliana Hastings, Executive Director
Western Regional Manager

I. PLEDGE OF ALLEGIANCE

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

II. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF INVESTMENTS OF MAY 16, 2012.

A motion was made by Mr. Pryor, seconded by Ms. Widener to approve the Minutes of May 16, 2012, meeting. The motion carried with Ms. Sandoval abstaining.

III. PUBLIC COMMENT

Mr. Ramon Rubalcava of SEIU, Local 721 expressed to the Board his support of the Trust and Investment Services Agreement between the Board of Investments and the Los Angeles County Board of Supervisors.

IV. REPORT ON CLOSED SESSION ITEMS

None.

V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board adopt the LACERA Fiscal Year 2012-2013 Administrative and Retiree Healthcare Benefits Budgets. (Memo dated June 13, 2012.)

Mr. Rademacher provided an executive summary of the presentations made during the budget hearings and reported that there were no changes made to the structural part of the budget as a result of the budget hearings. He thanked the Board for attending the budget hearings and said that minutes of both budget hearings were distributed to the Board Members.

Additionally, Mr. Rademacher thanked Shamila Freeman and Kaelyn Ung, LACERA's budget team, for their hard work and dedication in putting together the budgets. Mr. Rademacher also recognized and thanked Mr. Hill and LACERA's Management Team for all their help and input.

A brief discussion followed with the final vote being made:

A motion was made by
Mr. Unger, seconded by
Ms. Sandoval, to adopt the
LACERA Fiscal Year 2012-2013
Administrative and Retiree
Healthcare Benefits Budgets. The
motion carried by unanimous vote.

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer, that your Board:
1. Direct the Chief Executive Officer to execute the Trust and Investment Services Agreement between the Board of Investments and the Los Angeles County Board of Supervisors for the Primary purpose of holding and investing assets to fund the Retiree Healthcare Program;

V. ACTION ITEMS (Continued)

2. Direct the Chief Investment Officer to draft an OPEB Investment Trust funding policy for the Board of Investment's consideration; and
3. Direct the Chief Executive Officer to implement the necessary operational practices and policies to administer the Trust and Investment Services Agreement. (Memo dated May 26, 2012.)

Mr. Rademacher provided an executive summary on the proposed recommendation. A brief discussion followed.

A motion was made by
Mr. Valenzuela, seconded by
Mr. Schneider, that the Board:

1. Authorize the Chief Executive Officer to execute the Trust and Investment Services Agreement between the Board of Investments and the Los Angeles County Board of Supervisors for the Primary purpose of holding and investing assets to fund the Retiree Healthcare Program;
2. Direct the Chief Investment Officer to draft an OPEB Investment Trust funding policy for the Board of Investment's consideration; and
3. Direct the Chief Executive Officer to implement the necessary operational practices and policies to administer the Trust and Investment Services Agreement.

The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: That your Board adopt the five optimal portfolios proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study. (Memo dated May 31, 2012.)

Mr. Rice provided a brief overview on the five optimal portfolios proposed by Wilshire Associates to be used in the 2012 Asset Liability Valuation Study and introduced Messrs. Bensur and Marshall of Wilshire Associates, LACERA's Investment Consultant, who also provided an executive summary on the proposed valuation study. A brief discussion followed.

A motion was made by Mr. Pryor, seconded by Mr. Schneider to receive and file staff's memorandum on Optimal Portfolios for 2012 Asset Liability Valuation Study, with direction that staff provide the Board alternative portfolios with more analysis, one of which would include a rate of return of 7.50 percent. The motion carried by unanimous vote.

Chair Santos reported that item A. of VI. Reports would be handled at this time

VI. REPORTS

- A. Educational Session on Asset Liability Valuation

Wilshire Associates
William G. Bensur, Jr., CFA, Managing Director
Stephen M. Marshall, Managing Director

Messrs. Bensur and Marshall of Wilshire Associates, LACERA's Investment Consultant, provided an educational session on asset liability valuation. A brief discussion followed and the Report was received and filed.

V. ACTION ITEMS (Continued)

Chair Santos reported that Item D. of V. Action Items would be handled at this time.

- D. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer and Robert Z. Santos, Investment Officer, Fixed Income: That your Board retain one of the three finalists for an enhanced cash investment mandate:

Mr. Mahseredjian reported that the three finalists for the enhanced cash investment mandate would present before the Board and he introduced the principals of Western Asset Management who followed with their presentation.

Western Asset Management:
Joseph C. Carieri - Client Service Executive
Andrea A. Mack, CFA- Portfolio Manager
Stephen A. Walsh - Chief Investment Officer

The Principals of Western Asset Management provided a brief overview on the firm's historical background, their investment strategy, philosophy and process. A brief discussion followed.

Wells Capital Management:
Jeffrey L. Weaver, CFA, Senior Portfolio Manager,
Head of Short Duration Fixed Income
Michael P. Rodgers, Managing Director, Institutional Fixed Income
Christopher A. Alders, managing Director, Business Development

V. ACTION ITEMS (Continued)

The principals of Wells Capital Management presented a brief overview on the firm's historical background, investment strategy, philosophy and process. A brief discussion followed.

J.P. Morgan Asset Management
John Donohue, Managing Director, CIO, Global Liquidity
Kyongsoo Noh, CFA
Executive Director, Portfolio Manager
Paula Stibbe, Managing Director, Client Portfolio Manager
Juliana Hastings, Executive Director
Western Regional Manager

The principals of J.P. Morgan Asset Management presented a brief overview on the firm's historical background, investment strategy, philosophy and process. A brief discussion followed.

A motion was made by
Ms. Sandoval, seconded by
Mr. Valenzuela to retain J.P. Morgan
Asset Management for the enhanced
cash investment mandate. The
motion carried by unanimous vote.

- E. Recommendation as submitted by David Kushner, Chief Investment Officer:
That your Board approve a commitment of up to \$50 million to Northgate Venture
Partners, VI, L.P. (Memo dated June 6, 2012.)

Mr. Kushner introduced David Almodovar of Credit Suisse, LACERA's Private Equity
Consultant who presented a brief overview on the proposed commitment to Northgate Venture
Partners, VI, L.P. A brief discussion followed.

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

Chair Santos pointed out that the Board would handle Item B., under VI. Reports.

VI. REPORTS

- B. Private Equity Program Review
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated June 1, 2012.)

Mr. Wagner provided an executive summary on the Private Equity Program with emphasis on the program's structure, diversification, its returns and specific market indicators. A brief discussion followed and the Report was received and filed.

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

V. ACTION ITEMS (Continued)

- F. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate: That your Board adopt the 2012-2013 Real Estate Investment Plan as presented. (Memo dated June 1, 2012.)

Mr. McClelland presented a brief overview of the proposed 2012-2013 Real Estate Investment Plan and a brief discussion followed with emphasis on leverage concerns.

A motion was made by Mr. Valenzuela, seconded by Mr. Schneider to approve the recommendation as presented, except with respect to the delegation of authority to staff, and with direction to staff to report back to the board with clarification on delegation of authority and reporting mechanisms associated with the delegation of authority. The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- G. Recommendation as submitted by Earl W. Buehner, Senior Staff Counsel: That your Board consent to the assignment of the Domestic Investment Manager Agreement from M&I Investment Management Corp. to BMO Asset Management Corp., and authorize staff to execute such consents and other documents to effect the assignment after review and approval by the LACERA Legal Office. (Memo dated June 6, 2012.)

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

- H. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: Recommend that the Board of Investments continue its "Watch" position on Senate Bill 955 which encourages investment in in-state infrastructure projects by CalPERS and CalSTRS. (Memo dated May 31, 2012.)

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

VI. REPORTS

The Private Equity Program Review is for information only and was received and filed.

- C. 2012 First Quarter Hedge Fund Performance Report
James Rice, CFA, Senior Investment Officer
(Memo dated June 1, 2012.) (For information only.)

The 2012 First Quarter Hedge Fund Performance Report is for information only and was received and filed.

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VI. REPORTS (Continued)

- D. Review and Evaluation of Foreign Securities Monitoring Services
Michael D. Herrera, Senior Staff Counsel
(Memo dated June 5, 2012.) (For information only.)

The Review and Evaluation of Foreign Securities Monitoring Services is for information only and was received and filed.

- E. 2011 Year-End Private Equity Portfolio Update
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated June 6, 2012.) (For information only.)

The 2011 Year End Private Equity Portfolio Update is for information only and was received and filed.

- F. ResCap Bankruptcy
Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer
(Memo dated May 31, 2012.) (For information only.)

The ResCap Bankruptcy memorandum is for information only and was received and filed.

- G. Proposed Ballot Initiative
Cynthia Lau, Legislative Affairs Officer
(Memo dated June 5, 2012.) (For information only.)

The Proposed Ballot Initiative is for information only and was received and filed.

Chair Santos reported that Item VIII. Good of the Order would be handled at this time and Item VII. Executive Session would follow.

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

Mr. Rademacher recognized and thanked Earl Buehner, LACERA's Senior Staff Counsel, who is leaving LACERA after 16 years.

The Board commended staff on their reports and presentations.

VII. 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 (WHA)

B. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

Agency designated representatives
Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
John Nogales, Director, Human Resources

Employee Organization
Service Employees International Union (SEIU), Local 721

Mr. Rademacher reported that the Board met in executive session on two items, existing litigation under (Subdivision (a) of California Government Code Section 54956.9), FX Analytics v. Bank of New York Mellon Corp., Court Case No. 11-CV 05683 (WHA) and with labor negotiators under Government Code Section 54957.6, and there is nothing to report at this time.

Green Folder Items

1. Chief Executive Officer's Report dated May 4, 2012.
2. Copy of Conference brochure from Robbins Geller Rudman & Dowd LLP entitled *The Future of Corporate Reform 2012 Public Funds Forum*.

IX. ADJOURNMENT

There being no further business, the meeting adjourned at 2:36 p.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair