

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, AUGUST 8, 2012, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
  - A. APPROVAL OF THE MINUTES OF THE MEETING OF THE BOARD OF INVESTMENTS OF JULY 11, 2012.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. ACTION ITEMS
  - A. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate and Amit Aggarwal, Investment Officer, Real Estate: That your Board approve a commitment of up to €50 Million to Europa Fund IV. (Memo dated July 24, 2012.)
  - B. Recommendation as submitted by David Kushner, Chief Investment Officer, John McClelland, Principal Investment Officer, June Kim, Principal Investment Officer, Christopher Wagner, Principal Investment Officer, Vache Mahseredian, CFA, Principal Investment Officer, and James Rice, CFA, Senior Investment Officer: That the Board adopt Alternative 4 from the six proposed portfolios presented by Wilshire Associates in the 2012 Asset Liability Valuation Study. (Memo dated July 24, 2012.)

Wilshire Associates  
William G. Bensus, Jr., CFA, Managing Director  
Marlin D. Pease, CFA, Managing Director  
Stephen M. Marshall, Managing Director
  - C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: That the Board approve a commitment of up to \$105 million to Lightyear Fund III, L.P. (Memo dated August 1, 2012.)

V. ACTION ITEMS (Continued)

- D. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, Esmeralda V. Del Bosque, Senior Investment Analyst, Equities: That the Board authorize Staff to terminate Delta Asset Management and transition the assets to one or more of LACERA's existing or approved passive large capitalization U.S. Equity portfolios. (Memo dated July 27, 2012.)
- E. Recommendation as submitted by David Kushner, CFA, Chief Investment Officer, Robert Hill, Assistant Executive Officer, Beulah Auten, Financial & Accounting Services, Richard Bendall, Internal Audit, and Robert Van Der Volgen, Chief Counsel: That the Board approve retention of Callan Associates to Assist LACERA Staff in the process of reviewing the existing Custody Bank relationship, and in constructing, issuing and evaluating a Request for Proposal for Custody Services, including, if necessary, assisting in transition to a new relationship. (Memo dated July 23, 2012.)
- F. Recommendation as submitted by the Corporate Governance Committee: That the Board adopt LACERA's revised Corporate Governance Committee Policy Statement. (Memo dated July 30, 2012.)
- G. Recommendation as submitted by the Travel Policy Committee: That the Board adopt the changes shown on the attached draft Education and Travel Policy. (Memo dated July 25, 2012.)
- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board waive the Education and Travel Policy attendance limit for the April 2012 Milken Institute Global Conference. (Memo dated August 1, 2012.)
- I. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board adopt Board Member Educational Requirements Policy. (Memo dated July 16, 2012.)

VI. REPORTS

- A. Second Quarter Wilshire Associates Performance Report  
Investment Review for the Period Ending June 30, 2012.

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

VI. REPORTS (Continued)

- B. Second Quarter Total Fund Performance Report as of June 30, 2012  
David Kushner, Chief Investment Officer (For information only.)
- C. Co-Investment Notification  
David Kushner, Chief Investment Officer  
Trina Sanders, Investment Officer, Real Estate  
(Memo dated July 30, 2012.) (For information only.)
- D. Credit Suisse Customized Fund Investment Group  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated August 1, 2012.) (For information only.)
- E. Real Estate Performance Measurement Report, 1<sup>st</sup> Quarter 2012  
Trina Sanders, Investment Officer, Real Estate  
(Memo dated July 24, 2012.) (For information only.)
- F. International Investment Post Morrison v. National Australia Bank:  
Buyers Beware!, Michael D. Herrera, Senior Staff Counsel  
(Memo dated July 24, 2012.)
- G. Secure Electronic Document Delivery and a Tour of Information Systems  
James Pu, Chief Information Officer  
Information Security Officer (Memo dated July 27, 2012.)
- H. Semi-Annual Interest Crediting for Reserves as of June 30, 2012 (Unaudited)  
Beulah S. Auten, Chief Financial Officer (Memo dated August 2, 2012.)  
(For information only.)

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 OF THE BOARD OF INVESTMENTS  
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

WEDNESDAY, AUGUST 8, 2012, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Diane Sandoval, Secretary

David Green

Will Pryor (Arrived at 9:10 a.m.) (Left at 12:05 p.m.)

Mark J. Saladino

Michael Schneider

Steve Valenzuela

Carolyn Widener

ABSENT: Leonard Unger, Vice Chair

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

STAFF, ADVISORS, PARTICIPANTS (Continued)

June H. Kim, Principal 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

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

Alyssa Giachino, Research Analyst  
Unite Here Local 11

Wilshire Associates

William G. Bensur, Jr., CFA, Managing Director  
Marlin D. Pease, CFA, Managing Director

The Townsend Group

Micolyn Magee, Principal

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 MEETING  
OF THE BOARD OF INVESTMENTS OF JULY 11, 2012.

A motion was made by  
Ms. Sandoval, seconded by  
Mr. Green to approve the  
Minutes of the July 11, 2012,  
meeting. The motion carried by  
unanimous vote.

(Will Pryor arrived at 9:10 a.m.)

III. PUBLIC COMMENT

Alyssa Giachino, Research Analyst of Unite Here Local 11, and David Williamson, Rachele Smith, Argelia Rico, and Ana Maria Trevino, staff at a hotel managed by HEI Hotel & Resorts expressed to the Board the union's concerns relating to a labor dispute at the hotel. Said 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.

IV. REPORT ON CLOSED SESSION ITEMS

None.

V. ACTION ITEMS

- A. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate and Amit Aggarwal, Investment Officer, Real Estate: That your Board approve a commitment of up to €50 Million to Europa Fund IV. (Memo dated July 24, 2012.)

Mr. Aggarwal provided a brief overview on the proposed commitment to the Europa Fund IV. A brief discussion followed with emphasis on leverage concerns.

V. ACTION ITEMS (Continued)

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

- B. Recommendation as submitted by David Kushner, Chief Investment Officer, John McClelland, Principal Investment Officer, June Kim, Principal Investment Officer, Christopher Wagner, Principal Investment Officer, Vache Mahseredian, CFA, Principal Investment Officer, and James Rice, CFA, Senior Investment Officer: That the Board adopt Alternative 4 from the six proposed portfolios presented by Wilshire Associates in the 2012 Asset Liability Valuation Study. (Memo dated July 24, 2012.)

Wilshire Associates  
William G. Bensusan, Jr., CFA, Managing Director  
Marlin D. Pease, CFA, Managing Director  
Stephen M. Marshall, Managing Director

Mr. Rice provided a brief overview on the proposed recommendation for the 2012 Asset Liability Valuation Study. He introduced the principals of Wilshire Associates who followed with a presentation on their asset allocation analysis and recommendations. A brief discussion followed and a request was made by Mr. Schneider to revisit the 7.50% actuarial investment return assumption rate this year rather than next.

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

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

VI. REPORTS

- A. Second Quarter Wilshire Associates Performance Report  
Investment Review for the Period Ending June 30, 2012.

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

Messrs. Bensur and Marshall provided a brief overview on the total Fund's performance for the period ending June 30, 2012. A brief discussion followed and the Report was received and filed.

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

V. ACTION ITEMS

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: That the Board approve a commitment of up to \$105 million to Lightyear Fund III, L.P. (Memo dated August 1, 2012.)

Ms. Tilaye provided a brief overview on the proposed commitment to Lightyear Fund III, L.P. ("Lightyear"), which will invest in U.S. based, middle-market companies in the financial services industry. Lightyear has an experienced and well-regarded investment team, an attractive investment strategy and is a good fit within LACERA's private equity portfolio. Credit Suisse Customized Fund Investment Group ("CFIG"), LACERA's private equity consultant concurred with staff's conclusion. A brief discussion followed on strategy concerns

V. ACTION ITEMS (Continued)

A motion to approve the recommendation was made by Mr. Pryor, seconded by Ms. Sandoval. The motion carried with Chair Santos and Mr. Valenzuela voting no and Ms. Widener abstaining.

- D. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, Esmeralda V. Del Bosque, Senior Investment Analyst, Equities: That the Board authorize Staff to terminate Delta Asset Management and transition the assets to one or more of LACERA's existing or approved passive large capitalization U.S. Equity portfolios. (Memo dated July 27, 2012.)

Ms. Del Bosque presented a brief overview on the proposed recommendation to terminate Delta Asset Management and transition the assets to one or more of LACERA's existing or approved passive large capitalization U.S. equity portfolios.

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

- E. Recommendation as submitted by David Kushner, CFA, Chief Investment Officer, Robert Hill, Assistant Executive Officer, Beulah Auten, Financial & Accounting Services, Richard Bendall, Internal Audit, and Robert Van Der Volgen, Chief Counsel: That the Board approve retention of Callan Associates to Assist LACERA Staff in the process of reviewing the existing Custody Bank relationship, and in constructing, issuing and evaluating a Request for Proposal for Custody Services, including, if necessary, assisting in transition to a new relationship. (Memo dated July 23, 2012.)

Mr. Kushner provided a brief report on the proposed retention of Callan Associates to assist LACERA Staff in the process of reviewing the existing Custody Bank relationship and in

V. ACTION ITEMS (Continued)

constructing, issuing and evaluating a Request for Proposal for Custody Services. A brief discussion followed.

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

- F. Recommendation as submitted by the Corporate Governance Committee: That the Board adopt LACERA's revised Corporate Governance Committee Policy Statement. (Memo dated July 30, 2012.)

A motion to adopt LACERA's revised Corporate Governance Committee Policy Statement was made by Mr. Pryor, seconded by Mr. Valenzuela. The motion carried by unanimous vote.

- G. Recommendation as submitted by the Travel Policy Committee: That the Board adopt the changes shown on the attached draft Education and Travel Policy. (Memo dated July 25, 2012.)

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

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board waive the Education and Travel Policy attendance limit for the April 2012 Milken Institute Global Conference. (Memo dated August 1, 2012.)

Mr. Rademacher presented a brief overview on the proposed recommendation and a discussion followed. Mr. Pryor requested that the Travel Policy Committee at its next meeting

V. ACTION ITEMS (Continued)

consider excluding the Milken Institute Global Conference from counting toward the annual limit.

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

- I. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board adopt Board Member Educational Requirements Policy. (Memo dated July 16, 2012.)

Ms. Lau reported that Assembly Bill 1519 had been chaptered, becoming effective on January 1, 2013, adding a new Government Code, Section 31522.8. This Bill will require that the Board adopt an educational policy with a minimum 24 hours of Board member education within the first two years of assuming office, and for every subsequent two-year period the member serves on the Board.

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

VI. REPORTS

- B. Second Quarter Total Fund Performance Report as of June 30, 2012  
David Kushner, Chief Investment Officer (For information only.)

The Second Quarter Total Fund Performance Report as of June 30, 2012 is for information only and was received and filed.

VI. REPORTS (Continued)

- C. Co-Investment Notification  
David Kushner, Chief Investment Officer  
Trina Sanders, Investment Officer, Real Estate  
(Memo dated July 30, 2012.) (For information only.)

The Real Estate Co-Investment Notification is for information only and was received and filed.

- D. Credit Suisse Customized Fund Investment Group  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated August 1, 2012.) (For information only.)

Credit Suisse's Customized Fund Investment Group memo is for information only and was received and filed. Mr. Valenzuela requested that Staff keep the Board apprised of CFG's divestitures. (CFG is a subsidiary of Credit Suisse.)

- E. Real Estate Performance Measurement Report, 1<sup>st</sup> Quarter 2012  
Trina Sanders, Investment Officer, Real Estate  
(Memo dated July 24, 2012.) (For information only.)

The Real Performance Measurement Report, 1<sup>st</sup> Quarter 2012, is for information only and was received and filed.

- F. International Investment Post Morrison v. National Australia Bank: Buyers Beware!, Michael D. Herrera, Senior Staff Counsel  
(Memo dated July 24, 2012.)

(Mr. Pryor left at 12:05 p.m.)

The report on the International Investment Post Morrison v. National Australia Bank: Buyers Beware! is for information only and was received and filed.

VI. REPORTS (Continued)

- G. Secure Electronic Document Delivery and a Tour of Information Systems  
James Pu, Chief Information Officer  
Information Security Officer (Memo dated July 27, 2012.)

Mr. Pu provided an executive summary on the proposed implementation of the secure electronic document delivery and also provided a brief overview of LACERA's Information Technology operation.

- H. Semi-Annual Interest Crediting for Reserves as of June 30, 2012 (Unaudited)  
Beulah S. Auten, Chief Financial Officer (Memo dated August 2, 2012.)  
(For information only.)

The Semi-Annual Interest Crediting for Reserves as of June 30, 2012 is for information only and was received and filed.

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

The Board congratulated Mr. Santos on his re-election to the Board of Investments and also welcomed and congratulated Ms. Vivian Gray who was elected to the Board of Retirement.

The Board commended staff on their reports and presentations.

Green Folder Items

1. Chief Executive Officer's Report dated July 5, 2012.
2. Memo dated July 6, 2012 from John McClelland, Principal Investment Officer-Real Estate regarding sale of RREEF by Deutsche Bank.

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VIII. ADJOURNMENT

There being no further business, the meeting adjourned at 12: 35 p.m.

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Diane Sandoval, Secretary

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Herman B. Santos, Chair