

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, SEPTEMBER 12, 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 AUGUST 8, 2012.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. ACTION ITEMS
 - A. Recommendation as submitted by David Kushner, Chief Investment Officer, that your Board reschedule the meeting of November 14, 2012, to Tuesday, November 13, 2012. (Memo dated August 29, 2012.)
 - B. Discussion and possible action regarding the economic assumptions used in conducting retirement benefit actuarial valuations. (Memo dated August 30, 2012, from Gregg Rademacher, Chief Executive Officer.)
 - C. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer: Change the structure of the Fixed Income Composite as outlined. The two main changes are:
 1. Separate High Yield from other Opportunistic investments and reduce the strategic allocation for High Yield to be consistent with the Barclays U.S. Universal Index; and
 2. Increase the target allocation to Opportunistic investments from 5% to 25%. (Memo dated September 5, 2012.)

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V. ACTION ITEMS (Continued)

- D. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Authorize an investment of \$100 million in City View Bay Area II. (Memo dated August 31, 2012.)
- E. Discussion and/or possible regarding Cornerstone Real Estate Advisers and Cornerstone Hotel Income and Equity Fund II, L.P. John McClelland, Principal Investment Officer, Real Estate (Memo dated August 31, 2012.)
- F. Recommendation as submitted by Robert Van Der Volgen, Chief Counsel: That the Board adopt the changes shown on the attached draft Education and Travel Policy. (Memo dated August 24, 2012.)
- G. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board approve the legislative proposal to SACRS regarding an exemption from the California Public Records Act for real estate investments. (Memo dated August 29, 2012.)
- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members, and staff as designated by the Chief Executive Officer to attend the Credit Suisse Conference to be held on September 19-20, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)
- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members and staff as designated by the Chief Executive Officer to attend the Goldman Sachs 2012 Alternative Investments Symposium, at the Goldman Sachs Headquarters in New York City on October 24 and 25, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)
- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members and staff as designated by the Chief Executive Officer to attend KKR's 2012 Market Perspectives Meeting and Private Equity Portfolio Review on October 9 and 10, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's education and Travel Policy. (Memo dated August 31, 2012.)

V. ACTION ITEMS (Continued)

- K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members and staff as designated by the Chief Executive Officer to attend the 2012 Invesco Real Estate Client Conference on November 6-8, 2012, and approve reimbursement of all travel costs incurred in Accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)
- L. 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 2012 Public Safety Employees Pension & Benefits Conference to be held in New Orleans, Louisiana, from October 7-10, 2012; and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)
- M. Recommendation as submitted by David E. Kushner, Chief Investment Officer: That your Board approve attendance of staff, as designated by the Chief Executive Officer, at BlackRock's 2012 Institutional Client Conference on October 16-17, 2012, and approve reimbursement of all costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated August 28, 2012.)
- N. Recommendation as submitted by John McClelland, Principal Investment Officer-Real Estate: That your Board approve attendance of Board members, and Staff as designated by the Chief Executive Officer, at the ANREV Annual Conference 2012 Hong Kong on October 16 and 17, 2012 at the Conrad Hotel Hong Kong, China; and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 29, 2012.)

VI. REPORTS

- A. Grosvenor 2012 Second Quarter Hedge Fund Performance Report
James Rice, CFA, Senior Investment Officer
(Memo dated August 30, 2012.) (For information only.)
- B. Evaluation and Selection of Monitoring Counsel for Non-U.S. Cases
Michael D. Herrera, Senior Staff Counsel
(Memo dated September 4, 2012.) (For information only.)

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VI. REPORTS (Continued)

- C. OPEB Trust Fiduciary Insurance
Cynthia Guider, Administrative Services Division
(Memo dated September 5, 2012.) (For information only.)

VII. EXECUTIVE SESSION

- A. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

Agency designated representatives:

Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
JJ Popowich, 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.

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, SEPTEMBER 12, 2012, 9:00 A.M.

PRESENT: Herman B. Santos, Chair
Leonard Unger, Vice Chair
Diane Sandoval, Secretary
David Green
Will Pryor
Joseph Kelly (Sitting in for Mark J. Saladino)
Michael Schneider
Steve Valenzuela
Carolyn Widener

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

Johanna Fontenot, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Staff Counsel

Alyssa Giachino, Research Analyst, Unite Here Local 11

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 AUGUST 8, 2012.

A motion was made by
Ms. Sandoval, seconded by
Mr. Green, to approve the
Minutes of the meeting of
the Board of Investment of
August 8, 2012. The motion
carried with Mr. Unger abstaining.

III. PUBLIC COMMENT

Mr. Klein of Local SEIU 721 expressed to the Board his concerns should the actuarial assumption rate be changed at this time.

Rosie Martinez of Local SEUI 721, Alyssa Giachino, Research Analyst of Unite Here Local 11, Yolanda Touve, Ana Maria Trevino, David Williamson, and Rachele Smith, 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. 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.

IV. REPORT ON CLOSED SESSION ITEMS

None.

V. ACTION ITEMS

- A. Recommendation as submitted by David Kushner, Chief Investment Officer, that your Board reschedule the meeting of November 14, 2012, to Tuesday, November 13, 2012. (Memo dated August 29, 2012.)

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

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V. ACTION ITEMS (Continued)

- B. Discussion and possible action regarding the economic assumptions used in conducting retirement benefit actuarial valuations. (Memo dated August 30, 2012, from Gregg Rademacher, Chief Executive Officer.)

A motion was made by Mr. Valenzuela, seconded by Mr. Pryor to receive and file the Memorandum on the Economic Assumption. The motion carried by unanimous vote.

- C. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer: Change the structure of the Fixed Income Composite as outlined. The two main changes are:

1. Separate High Yield from other Opportunistic investments and reduce the strategic allocation for High Yield to be consistent with the Barclays U.S. Universal Index; and
2. Increase the target allocation to Opportunistic investments from 5% to 25%. (Memo dated September 5, 2012.)

Mr. Mahseredjian presented an executive summary on the proposed recommendation and reported that LACERA's Fixed Income composite had fulfilled its strategic objectives, generating a return of 6.7%, net-of- fees, over the past 15 years. Staff recommends separating High Yield from opportunistic investments, reducing the High Yield allocation to be consistent with the benchmark and increasing the opportunistic allocation to 25%. The composite can continue to meet its strategic objectives with these changes and also generate a higher expected return. Although the structural change entails significant costs and risks, the opportunity cost of no change may be greater. A brief discussion followed.

V. ACTION ITEMS (Continued)

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

- D. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Authorize an investment of \$100 million in City View Bay Area II. (Memo dated August 31, 2012.)

Ms. Sanders provided a brief overview on the proposed recommendation and reported that the City View Bay Area II \$100 million commitment would complement LACERA's existing portfolio, generating high-quality, low-risk investment. 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.

- E. Discussion and/or possible action regarding Cornerstone Real Estate Advisers and Cornerstone Hotel Income and Equity Fund II, L.P.
John McClelland, Principal Investment Officer, Real Estate
(Memo dated August 31, 2012.)

Mr. McClelland provided a brief overview on concerns raised over allegations of unfair labor practices by the previous operator at the hotel. The Board requested that Cornerstone address the Board, responding to the concerns raised at a future meeting. A brief discussion followed.

A motion to receive and file the Report was made by Ms. Sandoval, seconded by Mr. Pryor. The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- F. Recommendation as submitted by Robert Van Der Volgen, Chief Counsel: That the Board adopt the changes shown on the attached draft Education and Travel Policy. (Memo dated August 24, 2012.)

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

- G. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Board approve the legislative proposal to SACRS regarding an exemption from the California Public Records Act for real estate investments. (Memo dated August 29, 2012.)

Ms. Lau provided a brief overview on the proposed recommendation. A brief discussion followed.

A motion to approve the recommendation was made by, Mr. Schneider, seconded by Ms. Sandoval. The motion carried, with Mr. Valenzuela abstaining.

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members, and staff as designated by the Chief Executive Officer, at the Credit Suisse Conference to be held on September 19-20, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)

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

V. ACTION ITEMS (Continued)

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members and staff as designated by the Chief Executive Officer to attend the Goldman Sachs 2012 Alternative Investments Symposium, at the Goldman Sachs Headquarters in New York City on October 24 and 25, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)

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

- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members and staff as designated by the Chief Executive Officer, at the KKR's 2012 Market Perspectives Meeting and Private Equity Portfolio Review on October 9 and 10, 2012, and approve reimbursement of all travel costs incurred in accordance with LACERA's education and Travel Policy. (Memo dated August 31, 2012.)

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

- K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members and staff as designated by the Chief Executive Officer, at the 2012 Invesco Real Estate Client Conference on November 6-8, 2012, and approve reimbursement of all travel costs incurred in Accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)

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

V. ACTION ITEMS (Continued)

- L. 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, at the 2012 Public Safety Employees Pension & Benefits Conference to be held in New Orleans, Louisiana, from October 7-10, 2012; and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 30, 2012.)

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

- M. Recommendation as submitted by David E. Kushner, Chief Investment Officer: That your Board approve attendance of staff, as designated by the Chief Executive Officer, at BlackRock's 2012 Institutional Client Conference on October 16-17, 2012, and approve reimbursement of all costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated August 28, 2012.)

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

- N. Recommendation as submitted by John McClelland, Principal Investment Officer-Real Estate: That your Board approve attendance of Board members, and Staff as designated by the Chief Executive Officer, at the ANREV Annual Conference 2012 Hong Kong on October 16 and 17, 2012 at the Conrad Hotel Hong Kong, China; and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 29, 2012.)

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

VI. REPORTS

- A. Grosvenor 2012 Second Quarter Hedge Fund Performance Report
James Rice, CFA, Senior Investment Officer

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

- B. Evaluation and Selection of Monitoring Counsel for Non-U.S. Cases
Michael D. Herrera, Senior Staff Counsel
(Memo dated September 4, 2012.) (For information only.)

The report on Evaluation and Selection of Monitoring Counsel for Non-U.S. Cases is for information only and was received and filed.

- C. OPEB Trust Fiduciary Insurance
Cynthia Guider, Administrative Services Division
(Memo dated September 5, 2012.) (For information only.)

The OPEB Trust Fiduciary Insurance report 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 with item VII. Executive Session to follow.

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

Mr. Rademacher provided a brief update on the proposed Public Employees Pensions Reform Act. He mentioned a reporter contacted him asking how much the Los Angeles County would save with the new Reform Act. Mr. Rademacher was happy to respond that

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

the Los Angeles County had implemented pension reform in 1979, saving money for the Los Angeles County from that point on.

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

The Board commended staff on their reports and presentations.

VII. EXECUTIVE SESSION

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

Agency designated representatives:

Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
JJ Popowich, Assistant Executive Officer
John Nogales, Director, Human Resources

Employee organization:

Service Employees International Union (SEIU), Local 721

The Board met in closed session pursuant to Government Code Section 54957.6 and there is nothing to report at this time.

Green Folder Items

1. Chief Executive Officer's Report dated August 30, 2013.
2. Corporate Governance Quarterly Review, Volume 8, Issue #2: April 1, 2012-June 30, 2012, from Dale Johnson, Senior Investment Analyst, dated September 12, 2012.
3. Memo from Cynthia Lau, Legislative Affairs Officer, dated September 7, 2012, regarding Assembly Bill 340.
4. Copy of the preliminary agenda for the SACRS 2012 Fall Conference.

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IX. ADJOURNMENT

There being no further business the meeting adjourned at 12:20 p.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair