

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, OCTOBER 10, 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 SEPTEMBER 12, 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 consulting actuary's proposed assumptions and methods to be used for the Public Employee Pension Reform Act analysis as outlined in their October 1, 2012 letter. (Memo dated October 3, 2012.)

Milliman
Nick J. Collier Principal & Consulting Actuary
ASA, EA, MAAA
 - B. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, Dale Johnson, Senior Investment Analyst, Equities, and Esmeralda V. del Bosque, Senior Investment Analyst, Equities: That your Board Authorize Staff to retain Acadian Asset Management LLC and Lazard Asset Management LLC for active emerging markets mandates - or invite both firms to interview with the Board for the mandates; and place AQR Capital, LLC on a "bench" for ongoing monitoring for potential future hiring and funding. (Memo dated October 2, 2012.)

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V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer, and Robert Z. Santos, Investment Officer, Fixed Income: That your Board approve the enclosed plan for implementing changes to the Fixed Income Composite. (Memo dated October 2, 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 €75 million (approximately \$97 million) to Nordic Capital Fund VII, L.P. (Memo dated October 3, 2012.)
- E. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board direct its voting delegate to support the inclusion of San Joaquin CERA's legislative proposal to amend the Brown Act in the SACRS 2013 Legislative Platform. (Memo dated October 1, 2012.)
- F. 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 at the 2013 Colombian Investors Forum February 7 and 8, 2012 in Bogota, Colombia and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the Agenda at the request of Mr. Santos.) (Memo dated September 25, 2012.)

VI. REPORTS

- A. Cornerstone Hotel Income and Equity Fund II, L.P.
John McClelland, Principal Investment Officer, Real Estate
(Memo dated October 1, 2012.)
- B. Real Estate Performance Measurement Report – 2ndQuarter 2012
John McClelland, Principal Investment Officer, Real Estate
(Memo dated October 1, 2012.)

The Townsend Group
Micolyn M. Magee, Principal
- C. 2012 Asset Allocation Implementation
James Rice, CFA, Senior Investment Officer
(Memo dated September 25, 2012.) (For information only.)

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VI. REPORTS (Continued)

- D. Risk Management Project – Update on Fixed Income Analytics
Ruwen Liu, Financial Analyst II, and Vache Mahseredjian, CFA, CAIA, ASA,
Principal Investment Officer, Fixed Income and Commodities

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.

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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, OCTOBER 10, 2012, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Diane Sandoval, Secretary (Left at 11:30 a.m.)

David Green

Will Pryor

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

June H. Kim, Principal Investment Officer, Equities

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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

Andrew C. Williams, Chief Investment Officer, Equity
Cornerstone Hotel Income and Equity Fund II, L.P.

David R. Almodovar, Vice President
Credit Suisse Securities (USA) LLC

Micolyn M. Magee, Principal
The Townsent Group

I. PLEDGE OF ALLEGIANCE

Mr. Schneider 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 SEPTEMBER 12, 2012.

A motion to approve the minutes of the meeting of the Board of Investments of September 12, 2012, was made by Ms. Sandoval, seconded by Mr. Green. The motion carried by unanimous vote.

III. PUBLIC COMMENT

Mr. Klein of Local SEIU 721 expressed SEIU 721's support and cooperation with both LACERA and Los Angeles County, on the California Public Employees' Pension Reform Act (PEPRA) which takes effect on January 1, 2013.

Ana Maria Trevino, Argelia Rico, Alyssa Giachino of Unite Here Local 11, and Mr. Klein of Local SEIU 721, expressed to the Board the Union's concern relating to a labor dispute at a hotel managed by HEI Hotel and 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.

IV. REPORT ON CLOSED SESSION ITEMS

None.

Chair Santos pointed out that both Items A. and B under VI. Reports would be handled at this time.

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VI. REPORTS

- A. Cornerstone Hotel Income and Equity Fund II, L.P.
John McClelland, Principal Investment Officer, Real Estate
(Memo dated October 1, 2012.)

Mr. McClelland introduced Mr. Andrew Williams of Cornerstone Real Estate Advisors (“CREA”), LACERA’s hotel investment consultant. Mr. Williams addressed the Board in response to the Board’s request that CREA provide an update on the labor dispute at the hotel managed by HEI Hotel and Resorts, which is owned by Chief II, in which LACERA participates as a Limited Partner. He reaffirmed CREA’s understanding of LACERA’s Responsible Contractor Policy and presented an outline on how risk related to labor unrest is mitigated when managing hotel investments. The Board asked that Cornerstone help reach an amicable resolution to the dispute. A brief discussion followed and the Report was received and filed.

- B. Real Estate Performance Measurement Report – 2nd Quarter 2012
John McClelland, Principal Investment Officer, Real Estate
(Memo dated October 1, 2012.)

The Townsend Group
Micolyn M. Magee, Principal

Mr. McClelland introduced Micolyn Magee of The Townsend Group, who presented a brief overview on the 2012 2nd Quarter Real Estate Performance Measurement Report. LACERA is currently above the 10% real estate target at 10.6%, but remains inside of its policy range of 7-15%. She also reported that the portfolio generated a one-year income return of 6.2%

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VI. REPORTS (Continued)

compared to the NPI income return of 5.9%. Appreciation of the same period was 0.9% for LACERA, 6.9% for the NPI and LACERA's one-year core income return was 6.5%. A brief discussion followed and the Report was received and filed.

Chair Santos indicated the meeting would now return to the regular order of business and handle V. Action Items.

V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board adopt the consulting actuary's proposed assumptions and methods to be used for the Public Employee Pension Reform Act analysis as outlined in their October 1, 2012 letter. (Memo dated October 3, 2012.)

Milliman
Nick J. Collier Principal & Consulting Actuary
ASA, EA, MAAA

Mr. Rademacher reported that the Public Employees' Pension Reform Act of 2013 (PEPRA) will become California state law on January 1, 2013, requiring an employer to offer specific defined benefit plan formulas to new general and safety members. He also reported that PEPRA will allow an employer to continue offering one of its existing defined benefit plan formulas, if the plan meets certain cost hurdles. Mr. Rademacher introduced LACERA's consulting actuary Mr. Collier of Milliman, who followed with an executive summary on

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V. ACTION ITEMS (Continued)

the analysis for the proposed assumptions and methods to be used to value the benefits provided through the Public Employee Pensions Reform Act of 2013. A brief discussion followed.

A motion was made by Mr. Saladino, seconded by Ms. Widener, to adopt the consulting actuary's proposed assumptions and methods to be used for the Public Employee Pension Reform Act analysis. The motion carried by unanimous vote.

(Ms. Sandoval left at 11:30 a.m.)

- B. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, Dale Johnson, Senior Investment Analyst, Equities, and Esmeralda V. del Bosque, Senior Investment Analyst, Equities: That your Board Authorize Staff to retain Acadian Asset Management LLC and Lazard Asset Management LLC for active emerging markets mandates - or invite both firms to interview with the Board for the mandates; and place AQR Capital, LLC on a "bench" for ongoing monitoring for potential future hiring and funding. (Memo dated October 2, 2012.)

Ms. Kim provided an executive summary on the proposed recommendation on the finalists for the active emerging markets equity manager search and conveyed staff's evaluation process and assessment. She also provided a brief report on the background and investment strategies for each of the finalists. A brief discussion followed.

A motion was made by Mr. Schneider, seconded by Mr. Saladino to authorize Staff to retain Acadian Asset Management LLC and Lazard Asset Management LLC for active emerging markets mandates – or

V. ACTION ITEMS (Continued)

invite both firms to interview with the Board for the mandates; and place AQR Capital, LLC on a “bench” for ongoing monitoring for potential future hiring and funding. The motion failed with Messrs. Saladino, Pryor and Schneider voting yes, and Ms. Widener, Messrs. Green, Santos, and Valenzuela voting no.

A second motion was made by Mr. Valenzuela, seconded by Mr. Green to retain Acadian Asset Management LLC and Lazard Asset Management LLC for active emerging market mandates and to place AQR Capital, LLC on a “bench” for ongoing monitoring for potential future hiring and funding. The motion carried with Mr. Schneider voting no.

- C. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, ASA, Principal Investment Officer, and Robert Z. Santos, Investment Officer, Fixed Income: That your Board approve the enclosed plan for implementing changes to the Fixed Income Composite. (Memo dated October 2, 2012.)

Mr. Mahseredjian gave a brief presentation on the proposed new plan for implementing the changes to the Fixed Income Composite. A brief discussion followed on mandate issues.

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

V. ACTION ITEMS (Continued)

- 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 €75 million (approximately \$97 million) to Nordic Capital Fund VIII, L.P. (Memo dated October 3, 2012.)

Ms. Tilaye provided a brief overview on the proposed commitment of up to \$97 million to Nordic Capital Fund VIII, L.P. She reported that Nordic VIII, L.P. is an attractive investment opportunity. Ms. Tilaye also reported that Credit Suisse, LACERA's Private Equity Consultant conducted independent due diligence on the general partner and provided their assessment of the opportunity, and concurs.

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

- E. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board direct its voting delegate to support the inclusion of San Joaquin CERA's legislative proposal to amend the Brown Act in the SACRS 2013 Legislative Platform. (Memo dated October 1, 2012.)

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

V. ACTION ITEMS (Continued)

- F. 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 at the 2013 Colombian Investors Forum February 7 and 8, 2013, in Bogota, Colombia and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the Agenda at the request of Mr. Santos.) (Memo dated September 25, 2012.)

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

VI. REPORTS

- C. 2012 Asset Allocation Implementation
James Rice, CFA, Senior Investment Officer
(Memo dated September 25, 2012.) (For information only.)

The 2012 Asset Allocation Implementation Report is for information only and was received and filed.

- D. Risk Management Project – Update on Fixed Income Analytics
Ruwen Liu, Financial Analyst II, and Vache Mahseredjian, CFA, CAIA, ASA,
Principal Investment Officer, Fixed Income and Commodities
(Memo dated September 25, 2012.) (For information only.)

The Report on the Fixed Income Analytics/Risk Management Project is for information only and was received and filed.

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

Green Folder Items

1. Chief Executive Officer's Report dated October 4, 2012.
2. Letter dated October 1, 2012 from Thomas Walsh, President of UNITE HERE Local 11 to Andrew Williams, CIO-Equity, Cornerstone Real Estate Advisers.

VIII. ADJOURNMENT

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

Diane Sandoval, Secretary

Herman B. Santos, Chair