

## AGENDA

### SPECIAL MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

TUESDAY, NOVEMBER 13, 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 OCTOBER 10, 2012.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. ACTION ITEMS
  - A. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That the Board adopt the attached Investment Policy Statement with the proposed revisions. (Memo dated November 5, 2012.)
  - B. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That the Board (1) Adopt the LACERA Defined Benefit Retirement Investment Trust Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust; and (2) Adopt an initial asset allocation for the OPEB Trust of 100% Enhanced Cash. (Memo dated November 5, 2012.)
  - C. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: That the Board invest \$200 million in a customized hedge fund of funds portfolio managed by Grosvenor Capital Management focused on opportunistic credit under the terms outlined in this memorandum. (Memo dated November 5, 2012.)
  - D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That the Board approve the 2013 Private Equity Objectives, Policies and Procedures. (Memo dated November 5, 2012.)

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V. ACTION ITEMS (Continued)

- E. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That the Board approve attendance of Staff as designated by the Chief Executive Officer, at the Elkind Emerging Markets Forum hosted by Elkind Economics, Inc. on January 16-17, 2013, at the Four Seasons Hotel at Las Colinas in Dallas, Texas; and approve reimbursement of all costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated October 12, 2012.)

VI. REPORTS

- A. Private Equity Performance Review  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated November 5, 2012.)

Credit Suisse  
David Almodovar, Principal

- B. 2012 Mid-Year Private Equity Portfolio Update  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated November 5, 2012.) (For information only.)
- C. Performance Review as of September 30, 2012  
David E. Kushner, Chief Financial Officer  
(For information only.)
- D. Real Estate Leverage Update – Core Portfolio  
Amit Aggarwal, Investment Officer, Real Estate  
(Memo dated November 5, 2012.) (For information only.)
- E. Co-Sponsoring Shareholder Proposals  
Dale Johnson, Investment Officer, Equities  
(Memo dated November 2, 2012.) (For information only.)
- F. LACERA's Corporate Governance Program and the  
Harvard Shareholder Rights Project  
Dale Johnson, Investment Officer, Equities  
(Memo dated November 5, 2012.) (For information only.)

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VI. REPORTS (Continued)

- G. Staff Report – 2012 Enacted Retirement Legislation  
Cynthia Lau, Legislative Affairs Officer  
(Memo dated October 18, 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.**

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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

TUESDAY, NOVEMBER 13, 2012, 9:00 A.M.

PRESENT: Herman B. Santos, Chair (Arrived at 9:07 a.m.)

David Green

Will Pryor

Mark J. Saladino

Michael Schneider

Steve Valenzuela (Left at 11:10 a.m.)

Leonard Unger, Vice Chair (Arrived at 9:10 a.m.)

Carolyn Widener

ABSENT: Diane Sandoval, Secretary (Absent)

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

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

Mr. Valenzuela nominated Will Pryor as Chair Pro Tem and was unanimously appointed.

The meeting to order at 9:05 a.m. in the Board Room of Gateway Plaza.

I. PLEDGE OF ALLEGIANCE

Mr. Schneider led the Board members and staff in reciting the Pledge of Allegiance.

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II. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE MEETING  
OF THE BOARD OF INVESTMENTS OF OCTOBER 10, 2012.

A motion to approve the minutes of the meeting of the Board of Investments of October 10, 2012, was made by Ms. Widener, seconded by Mr. Saladino. The motion carried by unanimous vote.

(Chair Santos, arrived at 9:07 a.m.)

(Vice Chair Unger, arrived at 9:10 a.m.)

III. PUBLIC COMMENT

Adrian Murillo and Alyssa Giachino of Unite Here Local 11 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.

V. ACTION ITEMS

A. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That the Board adopt the attached Investment Policy Statement with the proposed revisions. (Memo dated November 5, 2012.)

Mr. Kushner presented an executive summary on the proposed revisions to the Investment Policy Statement and he pointed out that the Investment Policy Statement provides an

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V. ACTION ITEMS (Continued)

overall framework for managing the assets of the Retirement Benefit Investment Trust, thus assisting the Board with effectively supervising and monitoring the assets of the Trust. A brief discussion followed on derivative policy provision and hedge fund of fund asset class allocations concerns.

A motion was made by Mr. Saladino, seconded by Ms. Widener, to adopt the Investment Policy Statement as amended with the placement of authority to include the Board Chair, with Chief Investment Officer and Chief Executive Officer. The motion carried by unanimous vote.

- B. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That the Board (1) Adopt the LACERA Defined Benefit Retirement Investment Trust Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust; and (2) Adopt an initial asset allocation for the OPEB Trust of 100% Enhanced Cash. (Memo dated November 5, 2012.)

Mr. Kushner provided an executive summary on the proposed adoption of the Defined Benefits Retirement Investment Trust Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust and on the proposed adoption of an initial asset allocation for the OPEB Trust of 100% Enhanced Cash. A brief discussion followed on specific policy goals and risk concerns.

A motion was made by Mr. Schneider, seconded by Mr. Unger, to Adopt the LACERA Defined Benefit Retirement Investment Trust Investment Policy

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V. ACTION ITEMS (Continued)

Statement for the Other Post Employment Benefits (OPEB) Investment Trust; and to Adopt an initial asset allocation for the OPEB Trust of 100% Enhanced Cash. The motion carried with Ms. Widener and Mr. Valenzuela voting no.

- C. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: That the Board invest \$200 million in a customized hedge fund of funds portfolio managed by Grosvenor Capital Management focused on opportunistic credit under the terms outlined in this memorandum. (Memo dated November 5, 2012.)

Mr. Rice provided a brief overview on the proposed investment into a customized hedge fund of funds portfolio managed by Grosvenor Capital Management which is focused on opportunistic credit. He reported that Grosvenor expects this proposed mandate is to return about 10-15% net which exceeds LACERA's total fund return expectations. A brief discussion followed on fixed income and fee concerns.

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

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That the Board approve the 2013 Private Equity Objectives, Policies and Procedures. (Memo dated November 5, 2012.)

Mr. Wagner presented an executive summary on the proposed 2013 Private Equity Objectives, Policies and Procedures (OPP), formerly referred to as the Private Equity Strategic

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V. ACTION ITEMS (Continued)

Plan. He reported that the OPP defines and describes the strategy for investing in private equity assets. A brief discussion followed.

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

- E. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That the Board approve attendance of Staff as designated by the Chief Executive Officer, at the Elkind Emerging Markets Forum hosted by Elkind Economics, Inc. on January 16-17, 2013, at the Four Seasons Hotel at Las Colinas in Dallas, Texas; and approve reimbursement of all costs associated with conference attendance in accordance with LACERA's Education and Travel Policy. (Memo dated October 12, 2012.)

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

VI. REPORTS

- A. Private Equity Performance Review  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated November 5, 2012.)

Credit Suisse  
David Almodovar, Principal

Mr. Almodovar of Credit Suisse, LACERA's Private Equity Consultant followed a presentation on the Fund's performance and the overall private equity environment. He reported that LACERA has a well-diversified private equity program and continues to contribute strong,

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VI. REPORTS (Continued)

long-term performance. Over the past 10 years the fund has performed well, with a net IRR of 13.58% which exceeds LACERA's benchmark by 277 basis points. He also reported that while the global-macro-economic environment continues to present significant challenges, LACERA has partnered with many funds (such as high quality distressed debt, buyout and venture managers) that are well positioned to take advantage of unique market opportunities. A brief discussion followed and the Report was received and filed.

- B. 2012 Mid-Year Private Equity Portfolio Update  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated November 5, 2012.) (For information only.)

The 2012 Mid-Year Private Equity Portfolio update is for information only and was received and filed.

- C. Performance Review as of September 30, 2012  
David E. Kushner, Chief Financial Officer  
(For information only.)

The Fund's Performance Review as of September 30, 2012 is for information only and was received and filed.

- D. Real Estate Leverage Update – Core Portfolio  
Amit Aggarwal, Investment Officer, Real Estate  
(Memo dated November 5, 2012.) (For information only.)

The Real Estate Leverage Update – Core Portfolio is for information only and was received and filed.

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VI. REPORTS (Continued)

- E. Co-Sponsoring Shareholder Proposals  
Dale Johnson, Investment Officer, Equities  
(Memo dated November 2, 2012.) (For information only.)

The Co-Sponsoring Shareholder Proposals are for information only and received and filed.

- F. LACERA's Corporate Governance Program and the  
Harvard Shareholder Rights Project  
Dale Johnson, Investment Officer, Equities  
(Memo dated November 5, 2012.) (For information only.)

The report on LACERA's Corporate Governance Program and the Harvard Shareholder Rights Project is for information only and is received and filed.

- G. Staff Report – 2012 Enacted Retirement Legislation  
Cynthia Lau, Legislative Affairs Officer  
(Memo dated October 18, 2012.) (For information only.)

Staff's report on the 2012 Enacted Retirement Legislation is for information only and is received and filed.

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

Mr. Rademacher provided a brief update on the status of the Public Employee Pension Reform Act (PEPRA) and reported that Milliman, LACERA's Plan Actuary would provide an analysis on various plan structures/tiers at the December meeting. He also reported that Milliman would present LACERA's June 2012 Actuarial Valuation in April of 2013. The Board commended Mr. Rademacher on the progress in implementing the various plan

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

structures relating to the Public Employee Pension Reform Act. Mr. Rademacher thanked and commended staff on their hard work implementation PEPRA.

(Mr. Valenzuela left at 11:10 a.m.)

Green Folder Items

1. Chief Executive Officer's Report dated November 1, 2012.
2. Memo dated November 5, 2012, from Beulah S. Auten, Chief Financial Officer regarding the Semi-Annual Interest Crediting for Reserves as of June 30, 2012 (Audited).
3. Copy of letter to Andrew Williams, CIO, Equity – Cornerstone Real Estate Advisers from Thomas Walsh, President, Unite Here! Local 11.

VIII. ADJOURNMENT

There being no further business the meeting adjourned at 11:15 a.m.

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Diane Sandoval, Secretary

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Herman Santos, Chair