

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, FEBRUARY 13, 2013, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. APPROVAL OF THE MINUTES OF THE JANUARY 9, 2013 MEETING OF THE BOARD OF INVESTMENTS.
- 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: (1) Amend the Retirement Benefit Funding Policy to conform with new standards in the California Public Employees' Pension Reform Act of 2013, and (2) Evaluate the Retirement Benefit Funding Policy provision excluding STAR Reserve amounts from valuation assets. (Memo dated January 28, 2013.)
 - B. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: That your Board approve a commitment of up to \$50 million to RLH Investors III, L.P. (Memo dated February 6, 2013.)

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V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and David Simpson, CFA, Investment Officer, Private Equity: That your Board approve a commitment of p to \$150 million to Silver Lake Partners IV, L.P. (Memo dated February 6, 2013.)
- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board (1) Adopt the 2013 Private Equity Annual Investment Plan, and (2) Approve modifications to the Secondary Purchase Program policy for implementation in the 2013 Annual Investment Plan. (Memo dated February 6, 2013.)
- E. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, and Dale Johnson, Investment Officer, Equities: That your Board approve an amendment to the Relational Investors XVI, L.P. limited partnership agreement to remove the minimum market capitalization limit for portfolio investments of \$5 billion, subject to review and approval by LACERA's Legal Office. (Memo dated February 5, 2013.)
- F. Discussion and possible action regarding a request to appoint an ad-hoc committee for custody bank interviews. (Memo from David E. Kushner, CFA, Chief Investment Officer, dated February 5, 2013.)
- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members, and staff to attend Klausner and Kaufman's 15th Annual Client Conference on March 10-13, 2013, in Fort Lauderdale, Florida. (Memo dated January 9, 2013.) (Placed on the Agenda at the Request of Herman Santos.)

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V. ACTION ITEMS (Continued)

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance at Manatt's 2013 Public Pension Fiduciary Forum on March 21 and 22, 2013, in San Francisco, California. (Memo dated January 29, 2013.) (Placed on the Agenda at the request of Herman Santos.)
- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance at the Institutional Limited Partners Association (ILPA) Private Equity Executive Education session on March 18 and 19, 2013, in San Francisco, California. (Memo dated February 5, 2013.) (Placed on the Agenda at the Request of Mr. Barger.)

VI. REPORTS

- A. LACERA's Portfolio Performance Review as of December 31, 2012
David E. Kushner, CFA, Chief Investment Officer
- B. Discussion of Board Offsite
David E. Kushner, CFA, Chief Investment officer
(Memo dated February 5, 2013.)
- C. Secondary Purchase
Christopher J. Wagner, Principal Investment Officer, Private Equity.
(Memo dated February 6, 2013. (For information only.)
- D. LACERA's Corporate Governance Program and the Harvard Shareholder Rights Project
Dale Johnson, Investment Officer
(Memo dated February 5, 2013.) (For information only.)
- E. Semi-Annual Interest Crediting for Reserves as of December 31, 2012
Buelah S. Auten, Chief Financial Officer
(Memo dated January 30, 2013.) (For information only.)

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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, FEBRUARY 13, 2013, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Leonard Unger, Vice Chair

Diane Sandoval, Secretary

John M. Barger

David Green

Will Pryor (Arrived at 9:12 a.m.)

Mark J. Saladino

Michael Schneider

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

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STAFF, ADVISORS, PARTICIPANTS (Continued)

Vache Mahseredjian, CFA, Principal Investment Officer

Christopher J. Wagner, Principal Investment Officer, Private Equity

June H. Kim, Principal Investment Officer, Equities

Juan Almaguer, Senior Investment Analyst, Fixed Income

Esmeralda V. del Bosque, Senior Investment Analyst, Equities

Dale Johnson, Senior Investment Analyst, Equities

James Rice, CFA, Senior Investment Officer, Hedge Funds

Robert Z. Santos, Investment Officer, Fixed Income

Ron Senkandwa, Senior Investment Analyst, Equities

David Simpson, Investment Officer, Private Equities

Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity

Robb Van Der Volgen, Chief Counsel

Johanna Fontenot, Senior Staff Counsel

John Harrington, Staff Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

David R. Almodovar, Vice President, Credit Suisse

STAFF, ADVISORS, PARTICIPANTS (Continued)

William (Bill) Fujioka, Chief Executive Officer
County of Los Angeles

Blaine Meek, Coalition of County Unions

Edwina Walker, SEIU, Local 721

Doris Wallace, SEIU, Local 721

Michael Green, SEUI, Local 721

Mark Klein, SEIU, Local 721

Rachelle Smith, Unite Here, Local 11

Argelia Rico, Unite Here, Local 11

Alyssa Giachino, Unite Here Local 11

The meeting was called to order at 9:00 a.m. in the Board Room of Gateway Plaza.

I. PLEDGE OF ALLEGIANCE

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

II. ELECTION OF OFFICERS (Election of Vice Chair)

The election of Vice Chair for the LACERA Board of Investments was conducted by Secretary Sandoval:

II. ELECTION OF OFFICERS (Election of Vice Chair)

A. Vice Chair of the Board

Mr. Unger was nominated to the position of Vice Chair of the Board of Investment by Mr. Santos.

Mr. Barger was nominated to the position of Vice Chair of the Board of Investments by Mr. Schneider.

Hearing no other nominations, the nominations were closed on a motion by Mr. Saladino, second by Ms. Widener.

A roll call vote was taken for the position of Vice Chair of the Board of Investments with the following results:

Votes cast for Mr. Unger:	Mr. Green
	Mr. Unger
	Mr. Widener
	Chair Santos
Votes cast for Mr. Barger:	Mr. Saladino
	Mr. Schneider
	Mr. Barger
	Secretary Sandoval

II. ELECTION OF OFFICERS (Election of Vice Chair)

The results for the position of Vice Chair was a tie vote. Chair Santos indicated that this vote would be retaken after the Approval of the Minutes.

III. APPROVAL OF THE MINUTES

A. APPROVAL OF THE MINUTES OF THE JANUARY 9, 2013 MEETING OF THE BOARD OF INVESTMENTS.

A motion was made by Ms. Sandoval, seconded by Mr. Green to approve the Minutes, as corrected, of the January 9, 2013 meeting of the Board of Investments. The motion carried by unanimous vote.

(Mr. Pryor arrived at 9:12 a.m.)

IV. PUBLIC COMMENT

Blaine Meeks of the Coalition of County Unions, Edwina Walker, Doris Wallace, Michael Green, of SEIU Local 721, and William Fujioka, Chief Executive Officer for the Los Angeles County, asked that the Board amend the Funding Policy to include the STAR Reserves as a valuation asset.

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IV. PUBLIC COMMENT (Continued)

Rachelle Smith, Argelia Rico, and Alyssa Giachino of Unite Here Local 11 and Mark Klein of SEIU Local 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.

Chair Santos reported that the Board would now handle the Election of Officers (Election of Vice Chair)

I. ELECTION OF OFFICERS (Election of Vice Chair)

The election of Vice Chair for the LACERA Board of Investments was conducted by Secretary Sandoval:

A. Vice Chair of the Board

Mr. Unger was nominated to the position of Vice Chair of the Board of Investment by Mr. Santos.

Mr. Barger was nominated to the position of Vice Chair of the Board of Investments by Ms. Sandoval.

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I. ELECTION OF OFFICERS (Election of Vice Chair) (Continued)

Mr. Barger indicated that he would withdraw his nomination for Vice Chair of the Board of Investments.

Mr. Pryor made a motion that the nominations be closed and was unanimously approved.

Secretary Sandoval announced that Mr. Unger was elected to the position of Vice Chair of the Board of Investments.

V. REPORT ON CLOSED SESSION ITEMS

None.

VI. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer, that your Board: (1) Amend the Retirement Benefit Funding Policy to conform with new standards in the California Public Employees' Pension Reform Act of 2013, and (2) Evaluate the Retirement Benefit Funding Policy provision excluding STAR Reserve amounts from valuation assets. (Memo dated January 28, 2013.)

Mr. Rademacher provided an executive summary and clarification on the proposed recommendation. He pointed out that the two recommendations had separate and distinct issues to address. The first recommendation is to amend the Retirement Benefit Funding Policy to conform with new standards in the

VI. ACTION ITEMS (Continued)

California Public Employees' Pension Reform Act of 2013. Specifically, raising the contribution reduction threshold from the current 100% funded status, to the PEPRA mandated 120% funded status.

The second recommendation is to review the STAR Reserve and establish if it should be included as a valuation asset for a set period of time or in perpetuity.

A discussion followed on indemnification from the County of Los Angeles if the STAR Reserve were included as a valuation asset.

A motion was made by Mr. Saladino, seconded by Ms. Widener: (1) to amend the Retirement Benefit Funding Policy to conform with new standards in the California Public Employees' Pension Reform Act of 2013; and (2) include, STAR Reserve as a valuation asset on the condition that Los Angeles County indemnify LACERA for any liability. The motion carried with Mr. Schneider, Mr. Barger, and Ms. Sandoval voting no.

VI. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and Shelly P. Tilaye, CAIA, Senior Investment Analyst, Private Equity: That your Board approve a commitment of up to \$50 million to RLH Investors III, L.P. (Memo dated February 6, 2013.)

Ms. Tilaye gave a presentation on the merits of the proposed commitment to RLH Investors III, L.P. and reported on the expansion of RLH and pointed out that this commitment would be beneficial in the long term as it does not limit the general partner and leads to geographic diversification of companies in the Fund. RLH has demonstrated strong portfolio company performance and the performance of the underlying portfolio companies has been very robust over the last four years coming out of the financial crisis.

Mr. Almodovar of Credit Suisse, LACERA's Private Equity Consultant, provided a brief assessment on the commitment and proposed fee concerns.

A brief discussion followed.

A motion was made by Mr. Schneider, seconded by Mr. Pryor to approve the recommendation, and that Chair Santos appoint an ad hoc

VI. ACTION ITEMS (Continued)

committee to work with staff on the terms. The motion carried with Mmes. Sandoval, Widener, and Mr. Green voting no.

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and David Simpson, CFA, Investment Officer, Private Equity: That your Board approve a commitment of up to \$150 million to Silver Lake Partners IV, L.P. (Memo dated February 6, 2013.)

Mr. Wagner introduced David Simpson, LACERA's new Private Equity staff member, who followed with a brief overview on the proposed commitment to Silver Lake Partners IV, L.P., (Silver Lake). Mr. Simpson reported on Silver Lake's proposed investments strategy, its investment team, and the merits of the commitment. A brief discussion followed.

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

VI. ACTION ITEMS (Continued)

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That the Board (1) Adopt the 2013 Private Equity Annual Investment Plan, and (2) Approve modifications to the Secondary Purchase Program policy for implementation in the 2013 Annual Investment Plan. (Memo dated February 6, 2013.)

Messrs. Kushner and Wagner presented a brief overview on the proposed 2013 Private Equity Annual Investment Plan and the modifications to the Secondary Purchase Program policy for implementation in the 2013 Annual Investment Plan.

A brief discussion followed on in-house private equity concerns.

The Board requested additional information from staff and asked that this item be postponed until the next regularly scheduled meeting of the Board of Investments.

- E. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, and Dale Johnson, Investment Officer, Equities: That your Board approve an amendment to the Relational Investors XVI, L.P. limited partnership agreement to remove the minimum market capitalization limit for portfolio investments of \$5 billion, subject to review and approval by LACERA's Legal Office. (Memo dated February 5, 2013.)

VI. ACTION ITEMS (Continued)

Mr. Johnson provided a brief overview on the proposed amendment to the Relational Investors XVI, L.P., limited partnership agreement. A brief discussion followed on the fund's performance.

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

- F. Discussion and possible action regarding a request to appoint an ad-hoc committee for custody bank interviews. (Memo from David E. Kushner, CFA, Chief Investment Officer, dated February 5, 2013.)

Mr. Kushner provided an update on the custody bank RFP and requested the Board appoint an ad-hoc committee for custody bank interviews.

A motion was made by Mr. Unger, seconded by Mr. Barger to appoint an ad-hoc committee for custody bank interviews. The motion carried by unanimous vote.

- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members, and staff to attend Klausner and Kaufman's 15th Annual Client Conference on March 10-13, 2013, in Fort Lauderdale, Florida. (Memo dated January 9, 2013.)

VI. ACTION ITEMS (Continued)

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

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance at Manatt's 2013 Public Pension Fiduciary Forum on March 21 and 22, 2013, in San Francisco, California. (Memo dated January 29, 2013.)

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

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance at the Institutional Limited Partners Association (ILPA) Private Equity Executive Education session on March 18 and 19, 2013, in San Francisco, California. (Memo dated February 5, 2013.)

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

VII. REPORTS

- A. LACERA's Portfolio Performance Review as of December 31, 2012
David E. Kushner, CFA, Chief Investment Officer

Investment staff provided an executive summary on the Fund's performance for the fourth quarter of 2012. LACERA's total Fund rose 2.5% and beat its Policy Benchmark return of 2.2% by 30 basis points (bps). The relative gain was attributable to the outperformance of all public markets assets classes and Hedge Funds. A brief discussion followed and the Report was received and filed.

- B. Discussion of Board Offsite
David E. Kushner, CFA, Chief Investment officer
(Memo dated February 5, 2013.)

Mr. Kushner provided a brief follow-up on the Board's direction relating to presentations and discussions presented at the Board Offsite on January 23, 2013.

- C. Secondary Purchase
Christopher J. Wagner, Principal Investment Officer, Private Equity.
(Memo dated February 6, 2013. (For information only.)

The memorandum dated February 6, 2013, on Secondary Purchase is for information only and was received and filed.

VII. REPORTS (Continued)

- D. LACERA's Corporate Governance Program and the Harvard Shareholder Rights Project
Dale Johnson, Investment Officer
(Memo dated February 5, 2013.) (For information only.)

The memorandum dated February 6, 2013, on LACERA's Corporate Governance Program and the Harvard Shareholder Rights Project is for information only and was received and filed.

- E. Semi-Annual Interest Crediting for Reserves as of December 31, 2012
Buelah S. Auten, Chief Financial Officer
(Memo dated January 30, 2013.) (For information only.)

The Report on the Semi-Annual Interest Crediting for Reserves as of December 31, 2012, is for information only and was received and filed.

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

The Board commended staff on their reports and presentations.

Additionally, the Board asked that staff provide information relating to the Chief II Fund at its next meeting.

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IX. ADJOURNMENT

There being no further business the meeting adjourned at 12:50 p.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair