

# AGENDA

## MEETING OF THE BOARD OF INVESTMENTS

### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

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

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
  - A. APPROVAL OF THE MINUTES OF THE FEBRUARY 13, 2013 MEETING OF THE BOARD OF INVESTMENTS.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. ACTION ITEMS
  - A. Recommendation to retain custody bank as submitted by David E. Kushner, Chief Investment Officer: (To be mailed under separate cover.)
  - B. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate: That your Board approve increasing the dollar limit available for investment by Capri Capital from \$300 million to \$400 million of LACERA capital. (Memo dated March 6, 2013.)
  - C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board Adopt the 2013 Private Equity Annual Investment Plan. (Memo dated March 6, 2013.)

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V. ACTION ITEMS (Continued)

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity : That your Board approve modifications to the Private Equity Secondary Program as follows:
1. Authorize the CIO to acquire individual secondary interests of up to a total purchase price of \$50 million in funds in which LACERA is not an existing investor but has an existing relationship with the general partner; and
  2. Authorize the CIO to acquire portfolios of secondary interests from single sellers up to a maximum purchase price of \$300 million with no less than 80% of the purchase price for fund interests from general partners with whom LACERA has an existing relationship. (Memo dated March 6, 2013.)
- E. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, Fixed Income: That the Board authorize Staff to terminate the investment management agreement (IMA) with Harch Capital Management and transition the assets to one or more of LACERA's existing opportunistic fixed income portfolios (Memo dated March 7, 2013. (Memo to be mailed under separate cover.)
- F. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: That your Board approve the minimum qualifications to issue a Request for Information for a Hedge Fund of Funds manager. (Memo dated February 27, 2013.)
- G. Recommendation as submitted by Robert S. Van Der Volgen, Chief Counsel: That your Board approve the attached ballot insert entitled "POWERS AND DUTIES OF INVESTMENTS BOARD MEMBERS" to be included with the ballot materials for the election of the Fourth Member of the Board of Investments. (Memo dated February 26, 2013.)

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V. ACTION ITEMS (Continued)

- H. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board adopt a “Watch” position on Assembly Bill 205 which encourages investment in-state infrastructure projects. (Memo dated February 22, 2013.)
- I. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board adopt a “Support” position on Assembly Bill 382 which addresses alternative investments. (Memo dated February 26, 2013.)
- J. 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 2013 Latin Markets Peruvian Investors Forum to be held in Lima, Peru on April 15 and 16, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated March 6, 2013.) (Placed on the Agenda at the request of Chair Santos.)

VI. REPORTS

- A. Cornerstone Real Estate Advisers and Cornerstone Hotel Income and Equity Fund II, L.P., and Update and Performance Review, John McClelland, Principal Investment Officer, Real Estate (Memo dated February 26, 2013.)
- B. Securities Lending Program – 2012 Annual Review Robert Z. Santos, Investment Officer, Fixed Income (Memo dated February 27, 2013) (For information only.)
- C. 2012 Fourth Quarter Hedge Fund Performance Report James Rice, CFA, Senior Investment Officer (Memo dated February 28, 2013.) (For information only.)

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VI. REPORTS (Continued)

- D. RLH Investors III, L.P.  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated March 6, 2013.) (For information only.)
- E. Annual Securities Litigation Report for 2012  
Michael D. Herrera, Senior Staff Counsel  
(Memo dated February 26, 2013.) (For information only.)
- F. Chief Executive Officer's Report  
(Memo dated February 27, 2013.) (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, MARCH 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

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

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

Rachelle Smith, Unite Here, Local 11

Alyssa Giachino, Unite Here Local 11

STAFF, ADVISORS, PARTICIPANTS (Continued)

Callan Associates Inc.  
Virgilio “Bo” Abesamis

The Townsend Group  
Micolyn Magee

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 FEBRUARY 13, 2013  
MEETING OF THE BOARD OF INVESTMENTS.

A motion was made by Ms. Sandoval, seconded by Mr. Green to approve the Minutes of the February 13, 2013, meeting of the Board of Investments. The motion carried by unanimous vote.

III. PUBLIC COMMENT

Rachelle Smith 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

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### III. PUBLIC COMMENT (Continued)

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 to retain custody bank as submitted by David E. Kushner, Chief Investment Officer: (Memo dated March 8, 2013.)

Both Mr. Kushner and Mr. Hill provided an executive summary on the outcome of the Request for Proposal for Global Custody and Commercial Banking Services. They reported that both Northern Trust and State Street offered a means to significantly improve the processes currently utilized by LACERA in many respects; however, State Street appeared to be much more comprehensive including an ability to handle LACERA's currency hedge in terms of compliance. A brief discussion followed on transition concerns.

V. ACTION ITEMS (Continued)

A motion was made by Ms. Sandoval, seconded by Mr. Pryor, to approve appointment of State Street Bank and Trust to provide Global Master Custodian and Banking Services. The motion carried by unanimous vote.

- B. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate: That your Board approve increasing the dollar limit available for investment by Capri Capital from \$300 million to \$400 million of LACERA capital. (Memo dated March 6, 2013.)

Ms. Sanders provided a brief overview on the proposed increase in the dollar limit available for investment by Capri Capital. A brief discussion followed.

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

V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board Adopt the 2013 Private Equity Annual Investment Plan. (Memo dated March 6, 2013.)

Mr. Kushner presented a brief overview on the proposed adoption of the 2013 Private Equity Annual Investment Plan. A brief discussion followed.

A motion to approve the recommendation was made by Mr. Unger, 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 your Board approve modifications to the Private Equity Secondary Program as follows:
1. Authorize the CIO to acquire individual secondary interests of up to a total purchase price of \$50 million in funds in which LACERA is not an existing investor but has an existing relationship with the general partner; and
  2. Authorize the CIO to acquire portfolios of secondary interests from single sellers up to a maximum purchase price of \$300 million with no less than 80% of the purchase price for fund interests from general partners with whom LACERA has an existing relationship. (Memo dated March 6, 2013.)

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V. ACTION ITEMS (Continued)

Mr. Wagner gave a presentation on the proposed modifications to the Private Equity Secondary Program. A brief discussion followed on appointing an ad hoc committee or a sub-committee to study the Secondary Program process.

A motion to approve the recommendation as amended was made by Mr. Barger, seconded by Ms. Sandoval. The Board Chair will appoint an ad hoc committee to (1) address the Private Equity Secondary Program including process involved and make sure appropriate processes, parameters and guidelines are created and articulated in the context of the Private Equity program and the role of secondary's in the Program ; (2) address the Board's involvement in the process; and (3) add a reporting mechanism to the Board if staff is granted authority to complete the executions. The motion carried by unanimous vote.

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V. ACTION ITEMS (Continued)

- E. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, Fixed Income: That the Board authorize Staff to terminate the investment management agreement (IMA) with Harch Capital Management and transition the assets to one or more of LACERA's existing opportunistic fixed income portfolios (Memo dated March 7, 2013.)

Mr. Mahseredjian provided a brief summary on the proposed termination of the Investment Management Agreement (IMA) with Harch Capital Management and transition the assets to one or more of LACERA's existing opportunistic fixed income portfolios. A brief discussion followed on staff departure concerns.

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

- F. Recommendation as submitted by James Rice, CFA, Senior Investment Officer: That your Board approve the minimum qualifications to issue a Request for Information for a Hedge Fund of Funds manager. (Memo dated February 27, 2013.)

Mr. Rice presented a brief overview on the proposed minimum qualifications to issue a Request for Information for a Hedge Fund of Funds manager (HFoF).

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V. ACTION ITEMS (Continued)

It was reported that in December 2012 the Board approved a plan for LACERA to implement its 3% strategic allocation to hedge fund investments. The next phase of said plan is to hire another firm to manage a second HFoF mandate. A brief discussion followed on fee concerns.

A motion to approve the recommendation was made by Mr. Pryor, seconded by Mr. Unger. The motion carried with Ms. Sandoval, Mr. Schneider, Mr. Saladino and Mr. Barger voting no.

- G. Recommendation as submitted by Robert S. Van Der Volgen, Chief Counsel: That your Board approve the attached ballot insert entitled “POWERS AND DUTIES OF INVESTMENTS BOARD MEMBERS” to be included with the ballot materials for the election of the Fourth Members of the Board of Investments. (Memo dated February 26, 2013.)

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

V. ACTION ITEMS (Continued)

- H. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board adopt a “Watch” position on Assembly Bill 205 which encourages investment in in-state infrastructure projects. (Memo dated February 22, 2013.)

Ms. Lau presented a brief overview on Assembly Bill 205 and reported that the Bill encourages investment in in-state infrastructure projects. A brief discussion followed on legislative “watch” position issues and policies.

A motion was made by Mr. Pryor, seconded by Ms. Sandoval, to adopt a “Watch” position on Assembly Bill 205. The motion carried with Mr. Green voting no.

- I. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board adopt a “Support” position on Assembly Bill 382 which addresses alternative investments. (Memo dated February 26, 2013.)

Ms. Lau provided a brief overview on Assembly Bill 382, which addresses alternative investments. A discussion followed on privacy concerns and on who supports and who opposes said Bill.

V. ACTION ITEMS (Continued)

A motion was made by Ms. Sandoval, seconded by Mr. Saladino to adopt a “Support” position on Assembly Bill 382. The motion carried with Mr. Barger voting no, and Ms. Widener abstaining.

- J. 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 2013 Latin Markets Peruvian Investors Forum to be held in Lima, Peru on April 15 and 16, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated March 6, 2013.) (Placed on the Agenda at the request of Chair Santos.)

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

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## VI. REPORTS

- A. Cornerstone Real Estate Advisers and Cornerstone Hotel Income and Equity Fund II, L.P., and Update and Performance Review, John McClelland, Principal Investment Officer, Real Estate (Memo dated February 26, 2013.)

Ms. Sanders gave a brief presentation on the performance of Cornerstone Real Estate Advisers and Cornerstone Hotel Income and Equity Fund II, L.P. Cornerstone has three separate mandates (equity separate account, debt separate account and CHIEF II. After realizing attractive gains through the timely sale of four hotel assets, Cornerstone reinvested proceeds in several assets just prior to the Global Financial Crisis. As a result, there has been unrealized value decline.

No changes to the mandates are recommended at this time. A brief discussion followed on economic concerns. Staff was directed to notify Cornerstone of the Board's concerns regarding the performance, and that no new funds will be allocated for the time being.

- B. Securities Lending Program – 2012 Annual Review  
Robert Z. Santos, Investment Officer, Fixed Income  
(Memo dated February 27, 2013) (For information only.)

The Securities Lending Program -2012 Annual Review is for information only and was received and filed.

VI. REPORTS (Continued)

- C. RLH Investors III, L.P.  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated March 6, 2013.) (For information only.)

The RLH Investors III, L.P. memo dated March 6, 2013, is for information only and was received and filed.

- D. Annual Securities Litigation Report for 2012  
Michael D. Herrera, Senior Staff Counsel  
(Memo dated February 26, 2013.) (For information only.)

The Annual Securities Litigation Report for 2012 is for information only and was received and filed.

- E. Chief Executive Officer's Report  
(Memo dated February 27, 2013.) (For information only.)

The Chief Executive Officer's Report is for information only and was received and filed.

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

Mr. Rademacher and the Board commended Mr. Kushner and staff on the collaborative search process of for the Global Custody and Commercial Banking Services.

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

Mr. Kushner reported that The Council of Institutional Investors (CII) Board of Directors is currently accepting nominations for Public Fund Director and that he is currently completing his first one-year term as a Public Fund Director on the CII Board. Mr. Kushner reported that he will be running for a second one-year term in 2013.

Ms. Widener reported that she attended the World Pension Forum in Miami, Florida and Havana, Cuba, and Chair Santos reported that both he and David Simpson attended the Latin Markets conference in Bogota, Colombia and reported that both conferences were extremely informative.

Green Folder Items

1. Memo dated March 12, 2013, from Dale Johnson, Investment Officer, regarding LACERA's Candidate for the Council of Institutional Investors Board of Directors.
2. Memo dated March 12, 2013, from Dale Johnson, Investment Officer, regarding Corporate Governance Quarterly Review Volume 8, Issue #4: October 1, 2012-December 31, 2012.

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Green Folder Items (Continued)

3. Letter dated March 13, 2013, from Sameer Ashar, Clinical Professor of Law, UC Irvine School of Law, Katherine Stone, Arjay and Frances Fearing Miller Distinguished Professor of Law, UCLA Law School and Michael Wishnie, of the William O. Douglas Clinical Professor of Law, Yale Law School regarding the NLRB Action Against Embassy Suites Irvine Hotel. (Via personal delivery to the Board by Alyssa Giachino of Unite Here Local 11.)

VIII. ADJOURNMENT

There being no further business the meeting adjourned at 12:13 p.m.

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Diane Sandoval, Secretary

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Herman B. Santos, Chair