

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, APRIL 10, 2013, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. APPROVAL OF THE MINUTES OF THE MARCH 13, 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. Accept the June 30, 2012, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman.
 - 2. Adopt recommended employer and employee contribution rates.
 - 3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2013, with a recommendation to implement the employer and employee rates no later than September 30, 2013. (Memo dated April 1, 2013.)
 - B. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate: That your Board increase the amount of capital available for investment by the Fund's separate account Managers by \$350 million. (Memo dated March 29, 2013.)
 - C. 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 commitment of up to \$100 million to Insignia Capital Partners, L.P. (Memo dated April 3, 2013.)

V. ACTION ITEMS (Continued)

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and David E. Simpson, CFA, Investment Officer, Private Equity: That your Board approve commitment of up to \$100 million to Marlin Equity Partners IV, L.P. (Memo dated April 3, 2013.)
- E. Recommendation as submitted by Dale Johnson, Investment Officer: That your Board approve Staff's voting recommendations for the Council of Institutional Investors Public Fund Board of Directors and General Members Ballots. (Memo dated April 2, 2013.)
- F. Recommendation as submitted by the Corporate Governance Committee: That your Board adopt LACERA's revised U.S. and Non-U.S. Proxy Voting Guidelines. (Memo dated March 25, 2013.)
- G. Recommendation as submitted by the Corporate Governance Committee: That your Board adopt LACERA's Corporate Governance Policy and revised Corporate Governance Principles. (Memo dated March 25, 2013.)
- H. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board adopt Legislative Policy Standards. (Memo dated April 2, 2013.)
- I. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate: (1) That your Board approve attendance of Board members, and staff as designated by the Chief Executive Officer at the Invesco Real Estate Asia Client Conference 2013 on June 11-13, 2013, to be held at the Commune by the Great Wall Hotel in Beijing, China; (2) Approve payment to Invesco for the actual cost of providing meals to LACERA representatives attending the conference; and (3) Approve reimbursement of all other costs associated with the conference attendance in accordance with LACERA'S Education and Travel Policy. (Memo dated March 27, 2013.)
- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members, and staff as designated by the Chief Executive Officer to attend the Goldman Sachs Asset Management 2013 Growth Markets Summit at the Goldman Sachs Headquarters in New York City on April 24 and 25, 2013, 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. Schneider.)

V. ACTION ITEMS (Continued)

- K. 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 Chief Investment Officer Summit on April 11 and 12, 2013, at the Harvard Club in New York City and approve reimbursement of all travel costs incurred in accordance with LACERA's Education Travel Policy. (Memo dated April 3, 2013.) (Placed on the Agenda at the request of Mr. Barger.)
- 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 at NASP's 24th Annual Pension and Financial Services Conference to be held on June 24-26, 2013 at the Crown Plaza Time Square in New York City, New York, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 19, 2013.)

VI. REPORTS

- A. Capital Guardian – Emerging Markets Equity Mandate Review
Dale Johnson, Investment Officer, Equities
Esmeralda Vita del Bosque, Senior Investment Analyst, Equities
(Memo dated April 2, 2013.)

Victor Kohn, President
Michael Bowman, Relationship Manager

- B. Debt Program Update
John McClelland, Principal Investment Officer, Real Estate
Amit Aggarwal, Investment Officer, Real Estate
(Memo dated March 27, 2013.)
- C. Opportunistic Fixed Income Manager Search Update
Vache Mahseredjian, CFRA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated April 2, 2013.) (For information only.)

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

VIII. EXECUTIVE SESSION

A. Pursuant to Government Code Section 54957
Public Employee Performance Evaluation

Title: Chief Executive Officer

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, APRIL 10, 2013, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Leonard Unger, Vice Chair

Diane Sandoval, Secretary

John M. Barger

David Green (Left at 12:30 p.m.)

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

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

Alyssa Giachino, Unite Here Local 11

Milliman

Nick J. Collier, Associate, Society of Actuaries

Jennifer D. Senta, Associate, Society of Actuaries

STAFF, ADVISORS, PARTICIPANTS (Continued)

Credit Suisse
David Almodovar, Principal
Mina Pacheco, Director

Capital Guardian
Victor Kohn, President
Michael Bowman, Relationship Manager

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 MARCH 13, 2013 MEETING OF THE BOARD OF INVESTMENTS.

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

III. PUBLIC COMMENT

Alyssa Giachino of Unite Here Local 11, presented a brief overview on LACERA's Portfolio performance that Cornerstone manages. She also expressed

III. PUBLIC COMMENT (Continued)

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 Gregg Rademacher, Chief Executive Officer, that your Board:
1. Accept the June 30, 2012, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman.
 2. Adopt recommended employer and employee contribution rates.
 3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2013, with a recommendation to implement the employer and employee rates no later than September 30, 2013. (Memo dated April 1, 2013.)

V. ACTION ITEMS (Continued)

Mr. Rademacher provided an executive summary on the actuarial valuation result for June 30 2012. He reported that Nick Collier and Jennifer Senta of Milliman, LACERA's actuary, would follow-up with a report on the valuation.

Mr. Collier pointed out that the report presents results of the June 30, 2012 actuarial valuation. The valuation determines the required contribution rates payable starting July, 2013. The Investment return for the fiscal year ending in 2012 was 0.3% on a market basis, a rate of return less than the assumed rate. The total required Employer contribution rate increased from the prior valuation by 2.28% (from 17.54% to 19.82% of payroll). This is equal to the payment of the Employer Normal Cost rate plus a layered 30-year amortization of the UAAL. The 19.82% is a weighted average for all LACERA plans. The actual percent of payroll to be contributed by the Employer varies by plan. The most significant factor causing this increase was the recognition of asset losses. New member contribution rates are being recommended based on the new investment return assumption of 7.60%, effective for the 2012 actuarial valuation. Milliman is recommending small increases in the member rates effective July 1, 2013, and

V. ACTION ITEMS (Continued)

based on the recommended rates, the average contribution rate for members of contributory plans (i.e., excluding Plan E) is projected to increase from 8.00% to 8.05%.

The Board of Investments, at their October 2011 meeting adopted a decrease in the investment return assumption to be phased in over a period of three years. The investment return assumption in effect for 2012 actuarial valuation is 7.60%, down from the 7.70% used in the last valuation. The assumption that is scheduled to be in effect for the 2013 actuarial valuation is 7.50%. A corresponding decrease in the price and wage inflation assumptions is scheduled to be made for the 2013 actuarial valuation.

It was also reported that Assembly Bill 340 (AB340) which contains the Public Employees' Pension Reform Act of 2013 (PEPRA) will change the benefits for most members of LACERA who enter on or after January 1, 2013. These members will join either General Plan G or Safety Plan C. Since no members as of June 30, 2012 are impacted by PEPRA, there are no members in either of these plans reflected in this actuarial valuation; however, Milliman has

V. ACTION ITEMS (Continued)

shown the required contribution rates effective July of 2013 for the plans based on Milliman's prior study with updated UAAL contribution rates. A brief discussion followed on future contribution rate concerns.

A motion was made by Mr. Unger, seconded by Ms. Widener to: (1) Accept the June 30, 2012, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman; (2) Adopt recommended employer and employee contribution rates; and (3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2013, with a recommendation to implement the employer and employee rates no later than September 30, 2013. (The motion carried with Ms. Sandoval voting no.)

V. ACTION ITEMS (Continued)

- B. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate: That your Board increase the amount of capital available for investment by the Fund's separate account Managers by \$350 million. (Memo dated March 29, 2013.)

Mr. McClelland provided a brief overview on the proposed modification to the Real Estate Investment Plan Fiscal Year 2012-2013, increasing the amount of capital available for investment by the Fund's separate account Managers by \$350 million. He also pointed out that the Fund's separate account Managers had been successful in identifying new investments, utilizing all of the capital made available for investment. The Fund's real estate managers continue to identify attractive new investments; however, additional allocation is required if they are to remain active on LACERA's behalf for the remainder of the fiscal year.

He reported that increasing the amount of capital will facilitate increased real estate investments, helping the Fund reach its target allocation of 10% for real estate. The Fund's real estate consultant, The Townsend Group, concurred with Staff's recommendations. A brief discussion followed on reallocation concerns.

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

V. ACTION ITEMS (Continued)

- C. 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 commitment of up to \$100 million to Insignia Capital Partners, L.P. (Memo dated April 3, 2013.)

Ms. Tilaye presented an executive summary on the proposed commitment to Insignia Capital Partners, L.P. and reported that Insignia would invest in U.S. based lower middle-market companies in industry sectors such as consumer products/services, business services, healthcare, software, and financial services. It was also reported that staff completed thorough due diligence on the general partner and determined that Insignia is an attractive investment opportunity. Credit Suisse Customized Fund Investment Group (“CFIG”) LACERA’s Private Equity Consultant, conducted an independent due diligence on the general partner and concurred with Staff’s recommendation. A brief discussion followed.

A motion to approve the recommendation was made by Mr. Pryor and the motion failed for lack of a second.

V. ACTION ITEMS (Continued)

A second motion to approve the recommendation was made by Mr. Pryor, seconded by Mr. Unger. The motion failed with Messrs. Pryor and Unger voting yes and Mmes. Sandoval, Widener, Messrs. Barger, Green, Saladino, Schneider and Chair Santos voting no.

A motion was made by Mr. Barger, seconded by Ms. Sandoval that Insignia Capital Partners, L.P. submit their request for commitment through LACERA's Emerging Manager Program. The motion carried by unanimous vote.

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity and David E. Simpson, CFA, Investment Officer, Private Equity: That your Board approve commitment of up to \$100 million to Marlin Equity Partners IV, L.P. (Memo dated April 3, 2013.)

Mr. Simpson provided a brief overview on the proposed commitment to Marlin Equity Partners IV, L.P. ("Marlin") and reported that Marlin has generated superior performance and have created sustainable competitive advantages in the

V. ACTION ITEMS (Continued)

marketplace. Credit Suisse Customized Fund Investment Group (“CFIG”)

LACERA’s private equity consultant concurred with Staff’s recommendation. A brief discussion followed.

A motion to approve the recommendation was made by Mr. Pryor, seconded by Mr. Unger. The motion carried with Ms. Widener voting no.

- E. Recommendation as submitted by Dale Johnson, Investment Officer: That your Board approve Staff’s voting recommendations for the Council of Institutional Investors Public Fund Board of Directors and General Members Ballots. (Memo dated April 2, 2013.)

Mr. Johnson presented a brief overview on the proposed voting recommendations for the Council of Institutional Investors Public Fund Board of Directors and General Members Ballots for Spring 2013. A brief discussion followed.

A motion was made by Chair Santos, seconded by Mr. Schneider to vote for the incumbents only to the Public Fund Board Directors of Council of Institutional Investors.

V. ACTION ITEMS (Continued)

The motion carried with Messrs. Green, Pryor, Unger, Schneider, Ms. Widener and Chair Santos voting yes, Mr. Saladino and Ms. Sandoval voting no, and with Mr. Barger abstaining.

A motion was made by Mr. Pryor seconded by Ms. Widener to approve the Council of Institutional Investors General Members ballots as recommended. The motion carried by unanimous vote.

- F. Recommendation as submitted by the Corporate Governance Committee: That your Board adopt LACERA's revised U.S. and Non-U.S. Proxy Voting Guidelines. (Memo dated March 25, 2013.)

A motion to adopt LACERA's revised U.S. and Non-U.S. Proxy Voting Guidelines was made by Mr. Pryor, seconded by Ms. Sandoval. The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- G. Recommendation as submitted by the Corporate Governance Committee: That the Board adopt LACERA's Corporate Governance Policy and revised Corporate Governance Principles. (Memo dated March 25, 2013.)

A motion was made by Mr. Pryor, seconded by Ms. Widener to Adopt LACERA's Corporate Governance Policy and revised Corporate Governance Principles. The motion carried by unanimous vote.

- H. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That your Board adopt Legislative Policy Standards. (Memo dated April 2, 2013.)

Ms. Lau provided a brief overview on the proposed Legislative Policy Standards and a brief discussion followed.

A motion was made by Mr. Barger, seconded by Mr. Pryor, to adopt the Legislative Policy Standards with an amendment to add the term "watch" to the policy. The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- I. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate: (1) That your Board approve attendance of Board members, and staff as designated by the Chief Executive Officer at the Invesco Real Estate Asia Client Conference 2013 on June 11-13, 2013, to be held at the Commune by the Great Wall Hotel in Beijing, China; (2) Approve payment to Invesco for the actual cost of providing meals to LACERA representatives attending the conference; and (3) Approve reimbursement of all other costs associated with the conference attendance in accordance with LACERA'S Education and Travel Policy. (Memo dated March 27, 2013.)

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

- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members, and staff as designated by the Chief Executive Officer to attend the Goldman Sachs Asset Management 2013 Growth Markets Summit at the Goldman Sachs Headquarters in New York City on April 24 and 25, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA'S Education and Travel Policy. (Memo dated March 19, 2013.) (Placed on the Agenda at the request of Mr. Schneider.)

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

V. ACTION ITEMS (Continued)

- K. 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 Chief Investment Officer Summit on April 11 and 12, 2013, at the Harvard Club in New York City and approve reimbursement of all travel costs incurred in accordance with LACERA's Education Travel Policy. (Memo dated April 3, 2013.) (Placed on the Agenda at the request of Mr. Barger.)

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

- 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 at NASP's 24th Annual Pension and Financial Services Conference to be held on June 24-26, 2013 at the Crown Plaza Time Square in New York City, New York, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 19, 2013.)

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

(Mr. Green left at 12:30 p.m.)

VI. REPORTS

Chair Santos reported for the record that Mr. Unger recused himself of this presentation.

- A. Capital Guardian – Emerging Markets Equity Mandate Review
Dale Johnson, Investment Officer, Equities
Esmeralda Vita del Bosque, Senior Investment Analyst, Equities
(Memo dated April 2, 2013.)

Capital Guardian
Victor Kohn, President
Michael Bowman, Relationship Manager

Ms. Del Bosque pointed out that Capital Guardian Trust Company (Capital) was asked to provide an update on their performance due to their one-year rolling excess returns being below pre-determined performance bands for three consecutive quarters as of December 31, 2012. She introduced the principals of Capital Guardian who followed with a presentation on the Fund's performance, investments strategy, and philosophy. Capital manages a total of \$32.9 billion in Emerging Markets Growth Fund (EM) assets across equities, fixed income, and private equity mandates, of which \$11.1 billion is in the EM Fund. The EM Fund is a commingled fund; LACERA holds shares of the Fund and does not hold any

VI. REPORTS (Continued)

securities directly. As of February 28, 2013, Capital trailed its benchmark net of fees, except the 20 year and since inception periods, outperforming by 1.4% and 1.1% respectively. Capital's portfolio has underperformed the benchmark every year since 2008. A brief discussion followed performance concerns and the Report was received and filed.

- B. Debt Program Update
John McClelland, Principal Investment Officer, Real Estate
Amit Aggarwal, Investment Officer, Real Estate
(Memo dated March 27, 2013.)

Mr. McClelland provided an update on LACERA's Real Estate Debt Program and reported that the debt program was initiated as an alternative to core equity investments. The relatively high yields (7% net of fees), while taking less risk than equity investment, presented an attractive opportunity. The debt investments deliver higher, more stable current return than core equity investments. However, there is no upside due to property appreciation and alternatively, downside risk due to depreciation is mitigated by the borrower's equity "cushion". A brief discussion followed and the Board asked staff to

VI. REPORTS (Continued)

provide an analysis and clarification on concerns relating to Cornerstone. The Report was received and filed.

- C. Opportunistic Fixed Income Manager Search Update
Vache Mahseredjian, CFRA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated April 2, 2013.) (For information only.)

The Report on the Opportunistic Fixed Income Manager Search was received and filed.

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

Mr. Rademacher reported that in July the electronic Board agenda packages would be e-mailed the Trustees respective iPads and pointed out that a hard copy would be delivered as well.

Mr. Kushner introduced Mel Tso who joined LACERA's Investment Staff in their Equity section. Mr. Kushner also thanked the Board for their Support at

CII.

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VIII. EXECUTIVE SESSION

- A. Pursuant to Government Code Section 54957
Public Employee Performance Evaluation

Title: Chief Executive Officer

The Board met in executive session pursuant to Government Code Section 54957 Public Employee Performance Evaluation and there is nothing to report at this time.

IX. ADJOURNMENT

There being no further business the meeting adjourned at 2:20 p.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair