

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, AUGUST 14, 2013, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. Approval of the Minutes of the July 10, 2013, meeting of the Board of Investments.
- 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 your Board approve retention of State Street Bank and Trust as Master Custodian for the OPEB Investment Trust.
 - B. 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 a commitment of up to \$100 million to MBK Partners III, L.P. (Memo dated August 7, 2013.)

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V. ACTION ITEMS (Continued)

- C. Recommendation that your Board approve attendance of Board members to attend the Managed Funds Association 2013 Outlook Conference at The Pierre Hotel in New York City on October 17 and 18, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 14, 2013. (Placed on the Agenda at the request of Mr. Barger.)

VI. REPORTS

- A. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated August 7, 2013)
- B. 2013 First Quarter Hedge Fund Performance Report
James Rice, Senior Investment Officer
(Memo dated July 31, 2013.)
- C. LACERA Fund Performance Review as of June 30, 2012
June Kim, Principal Investment Officer, Equities

Wilshire Associates
William (Bill) G. Bensur, Jr., CFA, Managing Director
- D. Sale of Credit Suisse Customized Fund Investment Group
Christopher J. Wagner, Principal Investment Officer, Private Equity
James Rice, Senior Investment Officer
(Memo dated August 7, 2013.) (For information only.)
- E. OPEB Trust Fund Quarterly Report as of June 30, 2013
Vache Mahseredjian, CFA, CAIA, FRM, ASA
(Memo dated July 30, 2013.) (For information only.)

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VII. GOOD OF THE ORDER
(For informational 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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OF THE MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, AUGUST 14, 2013, 9:00 A.M.

PRESENT: Herman B. Santos, Chair

Diane Sandoval, Secretary

David Green

Will Pryor

Mark J. Saladino

Michael Schneider

Carolyn Widener

ABSENT: Leonard Unger, Vice Chair

John M. Barger

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

JJ Popovich, Assistant Executive Officer

David E. Kushner, Chief Investment Officer

Vache Mahseredjian, CFA, Principal Investment Officer

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STAFF, ADVISORS, PARTICIPANTS (Continued)

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

Cynthia Lau, Legislative Affairs Officer

Wilshire Associates

William (Bill) G. Bensur, Jr., CFA, Managing Director

Credit Suisse Customized Fund Investment Group (CFIG)

David Almodovar, Vice President

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 July 10, 2013, meeting of the Board of Investments.

A motion was made by Ms. Sandoval, seconded by Mr. Green to approve the July 10, 2013 Minutes of the meeting of the Board of Investments as corrected. The motion carried by unanimous vote.

III. PUBLIC COMMENT

Albertina Solorio and David Williamson of Unite Here, Local 11, And Larry Agran, City Councilmember for the City of Irvine, expressed their concerns 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.

IV. REPORT ON CLOSED SESSION ITEMS

None.

V. ACTION ITEMS

- A. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That your Board approve retention of State Street Bank and Trust as Master Custodian for the OPEB Investment Trust.

Mr. Kushner presented a brief summary on the recommendation of approving the retention of State Street Bank and Trust as Master Custodian for the OPEB Investment Trust.

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

- B. 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 a commitment of up to \$100 million to MBK Partners III, L.P. (Memo dated August 7, 2013.)

Mr. Simpson presented a brief summary and the background on the proposed commitment of up to \$100 million to MBK Partners III, L.P.

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

V. ACTION ITEMS (Continued)

- C. Recommendation that your Board approve attendance of Board members to attend the Managed Funds Association 2013 Outlook Conference at The Pierre Hotel in New York City on October 17 and 18, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 14, 2013. (Placed on the Agenda at the request of Mr. Barger.)

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

VI. REPORTS

- A. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated August 7, 2013)

Mr. Wagner reported that David Almodovar of Credit Suisse Customized Fund Investment Group (CFIG) would present the Private Equity Educational session, which covered the processes for sourcing fund opportunities and deal flow evaluation. The objective of the sourcing process is for Staff and CFIG to independently and collaboratively source/review as many investment opportunities as possible, prior to conducting an initial evaluation. Staff and CFIG source

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VI. REPORTS (Continued)

opportunities through databases that contain manager names, cold calls, existing relationships, referrals from other general partners and limited partners, unsolicited calls, industry conferences, placement agents, and industry publications. The objective of deal flow evaluation is to review each manager's performance and whether the investment strategy fits into the LACERA portfolio. After both Staff and CFG assess each manager independently, either can decide whether to continue with their more comprehensive due diligence process. A brief discussion followed and the Report was received and filed.

B. 2013 First Quarter Hedge Fund Performance Report
James Rice, Senior Investment Officer
(Memo dated July 31, 2013.)

Mr. Rice provided a brief overview on the Hedge Fund Performance for the first quarter of 2013. He reported that the total portfolio exhibited very strong performance in the first quarter of 2013, returning 4.97%. The total portfolio exceeded by 373 basis points ("bps") the 1.24% return of LACERA's primary hedge fund benchmark, the 90-Day U.S. T-Bills Index plus 500 bps ("primary benchmark"). LACERA's secondary benchmark is the HFRX Global Hedge Fund

VI. REPORTS (Continued)

Index (“secondary benchmark”), which is comprised of open hedge funds that are representative of the overall composition of the industry. LACERA’s Total portfolio outperformed by 184 bps the 3.13% return of the secondary benchmark. In the six quarters since the inception of LACERA’s program, the 7.12% annualized return outperformed both of its benchmarks; it exceeded the primary benchmark by 206 bps and the secondary benchmark by 300 bps. A brief discussion followed on the status of the RFP, which is out for a second fund-of-fund manager, as well as issues relating to fees on the hedge fund-of-fund portfolio. The Report was received and filed.

C. LACERA Fund Performance Review as of June 30, 2012
June Kim, Principal Investment Officer, Equities

Wilshire Associates
William (Bill) G. Bensur, Jr., CFA, Managing Director

It was reported that LACERA’s Total Fund returned -0.1% in the second quarter of 2013 compared to its Policy Benchmark return of -0.2%, resulting in excess return of 10 basis points (bps). Underperformance in Real Estate and a slight shortfall in U.S. equity were offset by relative gains in the remaining asset classes. LACERA’s U.S. Equity composite rose 2.6% and slightly trailed its benchmark by 10 bps. A significant increase in market volatility at the end of

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VI. REPORTS (Continued)

June was a difficult challenge for most active managers to overcome. LACERA's non-U.S. Equity composite declined 2.1%, but beat its benchmark return of -2.4% by 30 bps. This was attributable to outperformance from the active EAFE and Europe managers as well as two emerging markets managers. The Fixed Income Composite outperformed its benchmark by 20 bps which was attributable mainly to the opportunistic allocation and the overweight in High Yield. LACERA's Real Estate portfolio gained 1.8%, but underperformed its benchmark return of 2.5% by 70 bps. The Private Equity Portfolio returned 4.3% and beat the 3.5% return of its benchmark by 80 bps. LACERA's Hedge Fund portfolio rose 4.7% versus its benchmark return of 1.3%, generating a relative gain of 340 bps.

Mr. Bensur also provided a brief summary on the current market environment. A discussion followed and the Report was received and filed.

- D. Sale of Credit Suisse Customized Fund Investment Group
Christopher J. Wagner, Principal Investment Officer, Private Equity
James Rice, Senior Investment Officer
(Memo dated August 7, 2013.) (For information only.)

Mr. Almodovar addressed the sale of Credit Suisse Customized Fund Investment Group at the end of his presentation under VI. Reports Item A.

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VI. REPORTS (Continued)

- E. OPEB Trust Fund Quarterly Report as of June 30, 2013
Vache Mahseredjian, CFA, CAIA, FRM, ASA
(Memo dated July 30, 2013.) (For information only.)

The OPEB Trust Fund Quarterly Report as of June 30, 2013 is for information only and was received and filed.

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

Mr. Rademacher commended the Board in embarking on discussions relating to the Private Equity program's roles and responsibilities. He is looking forward to further discussions in this area.

Ms. Sandoval attended the SACRS Investment Management Program at UC Berkeley HAAS School of Business and reported that it was a very accelerated and informational educational program and highly recommends the session.

Green Folder Items

1. Chief Executive Officer report dated August 7, 2013.
2. Memo dated August 4, 2013, from Beulah S. Auten, Chief Financial Officer, regarding the Semi-Annual Interest Crediting for Reserves as of June 30, 2013 (Unaudited).

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VIII. ADJOURNMENT

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

Diane Sandoval, Secretary

Herman B. Santos, Chair