

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, SEPTEMBER 11, 2013, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. Approval of the Minutes of the August 14, 2013, meeting of the Board of Investments.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. ACTION ITEMS
 - A. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, FRM, ASA, Principal Investment Officer, Robert Z. Santos, Investment Officer, Fixed Income, and Esmeralda Del Bosque, Senior Investment Analyst, Fixed Income: that your Board (1) Authorize staff to retain four firms for opportunistic multi-strategy mandates: Ares, Beach Point, Oak Hill, and Sankaty. The recommended funding amount is \$200 million per manager; and (2) Place KKR on a “bench” for ongoing monitoring. Potential future hiring would require a separate recommendation and Board approval. (Memo dated September 4, 2013.)
 - B. Recommendation as submitted by Dale Johnson, Investment Officer: That your Board approve Staff’s voting recommendations for the Council of Institutional Investors General Members Business meeting Ballot. (Memo dated September 4, 2013.)

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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 an additional \$100 million to LACERA's Private Equity Emerging Manager-of-Managers Program. (Memo dated September 4, 2013.)
- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the Goldman Sachs 2013 Alternative Investments Symposium, at the Goldman Sachs Headquarters in New York City on October 23 and 24, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 29, 2013.)
- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the RFK Compass 2013 Sustainable Investing Education Program, Columbia University at the Kellogg Conference Center, New York City, October 18-20 and December 6-8, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 28, 2013.)

VI. REPORTS

- A. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated September 4, 2013)
- B. 2013 First Quarter Hedge Fund Performance Report
James Rice, Senior Investment Officer
(Memo dated July 31, 2013.) (For information only.)

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VI. REPORTS (Continued)

- C. Post Advisory Group
Vache Mahseredjian, CFRA, CAIA, FRM, ASA, Principal
Investment Officer. (Memo August 23, 2013.)
- D. Evaluation and Selection of Alternative Assets Counsel
Christine Roseland, Senior Staff Counsel
(Memo dated September 4, 2013.) (For information only.)

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

VIII. EXECUTIVE SESSION

- A. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED
LITIGATION (Initiation of litigation pursuant to paragraph (4)
of subdivision (d) of Section 54956.9):
 - 1. One case.
 - 2. Starr International Co., Inc. v. United States
Case No. 11-00779(C) (Fed. Ct.)
- B. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)
 - 1. Agency designated representatives:
John Nogales, Director, Human Resources

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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, SEPTEMBER 11, 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

Vache Mahseredjian, CFA, Principal Investment Officer

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

Marlin Pease, 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 and a moment of silence was held in memory of the fallen heroes of September 11, 2001.

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the August 14, 2013 meeting of the Board of Investments.

A motion was made by Ms. Sandoval, seconded by Mr. Green to approve the August 14, 2013 Minutes of the meeting of the Board of Investments as corrected. The motion carried with Mr. Barger abstaining.

III. PUBLIC COMMENT

Rachele Smith of Unite Here, Local 11, expressed her 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.

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V. ACTION ITEMS

- A. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, FRM, ASA, Principal Investment Officer, Robert Z. Santos, Investment Officer, Fixed Income, and Esmeralda Del Bosque, Senior Investment Analyst, Fixed Income: that your Board (1) Authorize staff to retain four firms for opportunistic multi-strategy mandates: Ares, Beach Point, Oak Hill, and Sankaty. The recommended funding amount is \$200 million per manager; and (2) Place KKR on a “bench” for ongoing monitoring. Potential future hiring would require a separate recommendation and Board approval. (Memo dated September 4, 2013.)

Staff provided a brief overview on the proposed recommendation and reported on the outcome on the search for the opportunistic multi-strategy mandates and the funding amount. In October of 2012, the Investment Board had approved a plan to implement the new structure it had adopted for the Fixed Income Composite at the September 2012 Board meeting. The key element of the new structure was an increase in the target allocation to opportunistic fixed income from 5% to 25% of the Composite. Staff has recommended that four managers be hired and place a fifth manager on a bench for additional monitoring. Staff reported on the background for the search and how it was conducted.

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V. ACTION ITEMS (Continued)

The four highest scoring candidates are: Beach Point; Sankaty Advisors; Oakhill Advisors; and Ares. The suggested initial funding amount is \$200 million per manager. The second recommendation is to put KKR on a bench because of recent turnover at the senior executive level. Staff will monitor KKR over the next 18 months to keep an eye on organizational developments. A brief discussion followed on concerns relating to Ares' fees, which are higher than the fees of the other three managers. The Board commended staff on their presentation and memo.

A motion was made by Mr. Green, seconded by Mr. Santos to amend the motion as follows: Retain Beach Point, Oak Hill, and Sankaty for the opportunistic multi-strategy mandates. Negotiate with Ares to reduce their fees to a level comparable to the three other managers. If Ares agrees to reduce their fees, move forward with all four managers; if not, then allocate Ares' allotment to the other three managers. Keep KKR on the bench until their current organizational situation is stabilized. The motion carried by unanimous vote.

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V. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Dale Johnson, Investment Officer: That your Board approve Staff's voting recommendations for the Council of Institutional Investors General Members Business meeting Ballot. (Memo dated September 4, 2013.)

Dale Johnson provided a brief overview of the voting recommendations for the Council of Institutional Investors General Members Business Meeting Ballot which will take place at the upcoming Council of Institutional Investors Fall Conference on September 25-17, 2013.

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

- 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 an additional \$100 million to LACERA's Private Equity Emerging Manager-of-Managers Program. (Memo dated September 4, 2013.)

Mr. Wagner provided d an executive summary on the proposed allocation to LACERA's Private Equity Emerging Manager-of-Managers Program. A brief discussion followed on incurred legal expenses which incurred an extra 10 basis

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V. ACTION ITEMS (Continued)

points to the fees. Mr. Wagner pointed out that the management fee reduces at a rate of 10% each year after year eight of the commitment.

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

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the Goldman Sachs 2013 Alternative Investments Symposium, at the Goldman Sachs Headquarters in New York City on October 23 and 24, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 29, 2013.)

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

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the RFK Compass 2013 Sustainable Investing Education Program, Columbia University at the Kellogg Conference Center, New York City, October 18-20 and December 6-8, 2013, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 28, 2013.)

V. ACTION ITEMS (Continued)

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

VI. REPORTS

- A. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated September 4, 2013)

Mr. Wagner introduced David Almodovar, Vice President of Credit Suisse Customized Fund Investment Group (CFIG) who presented an educational session which covered the preliminary due diligence process and the due diligence process for evaluating private equity fund opportunities. The objective of preliminary due diligence is to determine if a fund opportunity has enough merits to warrant the resources necessary to conduct full due diligence. The objective of full due diligence is to thoroughly analyze the merits and risks of a potential fund opportunity so that an informed decision can be made on whether to proceed to the Board of Investments with an investment recommendation. A brief discussion followed on concerns relating to emerging markets and suitable investment opportunities. The Report was received and filed.

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VI. REPORTS (Continued)

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

The 2013 First Quarter Hedge Fund Performance Report is for information only and was received and filed.

- C. Post Advisory Group
Vache Mahseredjian, CFRA, CAIA, FRM, ASA, Principal
Investment Officer. (Memo August 23, 2013.) (For information only.)

The Post Advisory Group memo dated August 23, 2013 is for information only and was received and filed.

- D. Evaluation and Selection of Alternative Assets Counsel
Christine Roseland, Senior Staff Counsel
(Memo dated September 4, 2013.) (For information only.)

The September 4, 2013 memo on the evaluation and selection of alternative assets counsel is for information only and was received and filed.

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

Ms. Sandoval attended the World Pension Forum's Risk Summit and reported that the educational sessions were very informative.

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

Mr. Santos asked that staff consider conducting an RFP to hire a firm to provide an analysis on investment manager fees LACERA pays in comparison to other funds across the nation.

Mr. Rademacher reported that effective October 1, 2013 the contribution rates for represented members in General Plan G and Safety Plan C will be adjusted to meet the required 50 percent of normal cost per The Public Employees Pension Reform Act of 2013 (PEPRA). PEPRA requires represented members in these plans to switch over to the flat-rate contributions, which is 7.75 percent for members in General Plan G and 13.25 percent for members in Safety Plan C, when the Memorandum of Understanding expires on September 30th.

Mr. Kushner reported on the Public Pension Portfolio Procurement (P4) initiative. This initiative will try and combine the purchasing power of California Public Pension Plans as it relates to investment management fees. There will be a presentation made to the CALAPRS administration in two weeks. It appears that the first component going forward will be in the private equity space with a California only fund-of-funds, which would not be appropriate, given its current

VII. GOOD OF THE ORDER (Continued)

(For informational purposes only.)

structure for LACERA to participate, primarily because LACERA already has direct investments in the asset class. Mr. Kushner will remain involved and keep the Board apprised. Mr. Kushner was also asked to speak on a panel at the upcoming SACRS Fall Conference in November.

VIII. EXECUTIVE SESSION

A. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION (Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9):

1. Starr International Co., Inc. v. United States
Case No. 11-00779(C) (Fed. Ct.)

The Board met in Executive Session pursuant to paragraph (4) of subdivision (d) of the California Government Code Section 54956.9. The Board provided staff direction and there is nothing further to report at this time.

B. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

1. Agency designated representatives:
John Nogales, Director, Human Resources

The Board met with labor negotiators pursuant to Government Code Section 54957.6 and there is nothing to report at this time.

Green Folder Items

1. Chief Executive Officer's Report dated September 3, 2013.
2. Memo dated September 10, 2013, from Dale Johnson Investment Officer, regarding the Corporate Governance Quarterly Review Volume 9, Issue #2: April 1, 2013 – June 30, 2013.

IX. ADJOURNMENT

There being no further business the meeting adjourned at 11:45 a.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair