

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

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

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. Approval of the Minutes of the November 20, 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 the Board of Investments adopt recommendations to revise LACERA's actuarial assumptions as presented by LACERA's actuary, Milliman, based on the 2013 Investigation of Experience report. (Memo dated December 2, 2013.)
 - B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments clarify its direction to the plan actuary that the member contribution rates calculated for employees participating in General Plan G and Safety Plan C shall be one half the Plan's total normal cost for the respective plan tiers and were appropriately rounded to the nearest ¼ percent in performing the initial member contribution rate in the June 30, 2012 actuarial valuation and such member rates shall not be rounded to the nearest ¼ percent in performing the June 30, 2013 and future actuarial valuations. (Memo dated November 27, 2013.)

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V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate, Amit Aggarwal, Investment Officer, Real Estate, and Trina Sanders, Investment Officer, Real Estate: That your Board authorize an investment of up to €100 million in Prologis Targeted Europe Logistics Fund. (Memo dated November 26, 2013.)
- D. Recommendation as submitted by David Kushner, Chief Investment Officer: That your Board approves an OPEB Trust Asset Allocation consisting of:
- A “Strategic Reserve” Portfolio of \$100 million invested in the J.P. Morgan Enhanced Cash Portfolio, and
 - The remaining assets invested in indexed global equities, based on the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI). (Memo dated December 2, 2013.)
- E. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, and Ronald Senkandwa, Senior Investment Analyst, Equities: That your Board authorize Staff to terminate Batterymarch Financial Management, Inc. (Memo dated December 2, 2013.)
- F. 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 authorize staff to retain two firms for Direct Lending mandates: Crescent and Tennenbaum. The recommended funding amount is \$200 million per manager. (Memo dated December 3, 2013.)

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V. ACTION ITEMS (Continued)

- G. 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 \$150 million to Onex Partners IV, L.P. (Memo dated December 4, 2013.)
- H. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board approve the 2014 Private Equity Objectives, Policies, and Procedures. (Memo dated December 4, 2013.)
- I. Recommendation as submitted by the Travel Policy Committee: That your Board approve the changes shown on the attached draft Education and Travel Policy, with the changes to become effective upon adoption. (Memo dated November 21, 2013.)

VI. REPORTS

- A. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated November 13, 2013.)

Credit Suisse Customized Fund Investment Group (CFIG)
David Almodovar, Vice President

- B. Chief Investment Officer Personnel Evaluation
Gregg Rademacher, Chief Executive Officer
(Memo dated December 11, 2013.)

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VII. EXECUTIVE SESSION

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

Agency designated representatives:
John Nogales, Director, Human Resources

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

Title: Chief Executive Officer

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

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, DECEMBER 11, 2013, 9:00 A.M.

PRESENT: Herman B. Santos, Chair (Left at 2:20 p.m.)

Leonard Unger, Vice Chair

Diane Sandoval, Secretary

John M. Barger

David Green

Will Pryor (Left at 1:45 p.m.)

Mark J. Saladino (Left at 2:20 p.m.)

Michael Schneider (Left at 2:20 p.m.)

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

James Rice, CFA, Senior Investment Officer

Robert Z. Santos, Investment Officer, Fixed Income

Juan Almaguer, Senior Investment Analyst

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

Esmeralda Vita del Bosque, Senior Investment Analyst, Equities

Dale Johnson, Senior Investment Analyst, Equities

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

John Harrington, Staff Counsel

John Nogales, Director, Human Resources

Milliman

Nick Collier, ASA, EA, MAAA

Mark Olleman, FSA, EA, MAAA

Credit Suisse Customized Fund Investment Group (CFIG)

David Almodovar, Vice President

The Townsend Group

Micolyn Magee, Principal

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STAFF, ADVISORS, PARTICIPANTS (Continued)

Wilshire Associates

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

I. PLEDGE OF ALLEGIANCE

Mr. Green led the Board members and staff in reciting the Pledge of Allegiance.

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the November 20, 2013 meeting of the Board of Investments.

A motion to approve the Minutes of the November 20, 2013 meeting of the Board of Investments was made by Ms. Sandoval, seconded by Mr. Pryor. The motion carried by unanimous vote.

III. PUBLIC COMMENT

Chair Santos indicated requests for Public Comment would be taken with each respective Agenda item.

IV. REPORT ON CLOSED SESSION ITEMS

None.

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III. PUBLIC COMMENT

Ramon Rubalcava of SEIU, Local 721, expressed his support of the PEPRA Plan G rates and going forward, rates not be rounded.

V. ACTION ITEMS

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments clarify its direction to the plan actuary that the member contribution rates calculated for employees participating in General Plan G and Safety Plan C shall be one half the Plan's total normal cost for the respective plan tiers and were appropriately rounded to the nearest $\frac{1}{4}$ percent in performing the initial member contribution rate in the June 30, 2012 actuarial valuation and such member rates shall not be rounded to the nearest $\frac{1}{4}$ percent in performing the June 30, 2013 and future actuarial valuations. (Memo dated November 27, 2013.)

Mr. Rademacher provided a brief summary on the proposed recommendation. He reported that the California Public Employees' Pension Reform Act of 2013 (PEPRA) was enacted and required LACERA to create two new pension tiers, General Plan G and Safety Plan C. When PEPRA was enacted, it was very specific on how LACERA should calculate the member contribution rates by rounding the rate to the nearest $\frac{1}{4}$ of one percent. Subsequent legislation made this optional. In speaking with LACERA's Plan Actuary, Milliman, LACERA wanted to make sure it did a good job documenting its business rules.

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V. ACTION ITEMS (Continued)

Mr. Rademacher asked the Board to clarify that the initial member rate calculation is in accordance with California state law and that the member contribution rate for General Plan G and Safety Plan G was rounded to the nearest $\frac{1}{4}$ of one percent and that member rates in future valuations would not be rounded to the nearest $\frac{1}{4}$ of one percent.

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

V. ACTION ITEMS

- C. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate, Amit Aggarwal, Investment Officer, Real Estate, and Trina Sanders, Investment Officer, Real Estate: That your Board authorize an investment of up to €100 million in Prologis Targeted Europe Logistics Fund. (Memo dated November 26, 2013.)

Ms. Sanders presented a brief overview on the proposed investment of up to €100 million in Prologis Targeted Europe Logistics Fund (“PTELF”) and also reported on PTELF’s historical background and investment strategy. She also reported that this proposed investment presents an attractive opportunity in which

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V. ACTION ITEMS (Continued)

LACERA may investment in core real estate located in Western Europe. The projected returns are attractive given the relatively low risk nature of the investments.

A motion to approve the recommendation was made by Mr. Pryor, seconded by Mr. Unger. The motion carried with Mr. Barger abstaining.

D. Recommendation as submitted by David Kushner, Chief Investment Officer: That your Board approve an OPEB Trust Asset Allocation consisting of:

- A “Strategic Reserve” Portfolio of \$100 million invested in the J.P. Morgan Enhanced Cash Portfolio, and
- The remaining assets invested in indexed global equities, based on the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI). (Memo dated December 2, 2013.)

Mr. Kushner provided a brief overview on the proposed investments relating to the OPEB Trust Asset Allocation. A brief discussion followed on risk and disclosure concerns.

A motion to approve the recommendation was made by Mr. Barger, seconded by Mr. Santos. The motion carried with Ms. Sandoval abstaining.

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V. ACTION ITEMS (Continued)

Chair Santos indicated requests for Public Comment would be taken with each respective Agenda item.

III. PUBLIC COMMENT

William T Fujioka, Los Angeles County Chief Executive Officer expressed his support to keep the actuarial assumption at the current rate.

Ramon Rubalcava of SEIU, Local 721, expressed his support of the actuarial assumption rate of 7.5% as appropriate.

Chair Santos pointed out that the meeting would return to the regular order of business.

V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments adopt recommendations to revise LACERA's actuarial assumptions as presented by LACERA's actuary, Milliman, based on the 2013 Investigation of Experience report. (Memo dated December 2, 2013.)

Mr. Rademacher reported that for the past two months the Board was provided with an education on the investigation experience study, which takes a look at LACERA's actuarial process and challenges the assumptions used in calculating member and employer rates. He introduced Mark Olleman and

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V. ACTION ITEMS (Continued)

Nick Collier, of Milliman, LACERA's plan actuaries. They provided a brief summary on their findings in the actuarial investigation of experience study and recommended that the Board make changes to various demographic assumptions, including a material change to extend the member life expectancy. The actuary also recommended lowering the inflation assumption by one quarter percent, thus lowering the assumed rate of return to 7.25% from the scheduled rate decrease to 7.5% (previous Board action lowered the 7.6% assumed rate used in the 2012 valuation to 7.5% to be used in the upcoming 2013 valuation).

A motion was made by Mr. Green , seconded by Mr. Pryor, to maintain the actuarial assumption rate of return at 7.5% for the 2013 assumption and/or until the next triennial valuation. The motion carried with Messrs. Saladino, Green, Pryor, Ms. Widener, and Chair Santos voting yes and with Messrs. Schneider, Barger and Ms. Sandoval voting no.

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V. ACTION ITEMS (Continued)

A second motion was made by Mr. Saladino, seconded by Mr. Schneider, to adopt all the other recommendations as presented in Appendix A of the proposed actuarial procedures and assumptions of the June 30, 2013 actuarial valuation. The motion carried by unanimous vote.

- E. Recommendation as submitted by June Kim, Principal Investment Officer, Equities, and Ronald Senkandwa, Senior Investment Analyst, Equities: That your Board authorize Staff to terminate Batterymarch Financial Management, Inc. (Memo dated December 2, 2013.)

Mr. Senkandwa expressed staff's concerns with this mandate and their expectation that Batterymarch would not be able to recoup its losses given its positioning. He also raised concerns with the departure of their Senior Portfolio Manager, Claudio Brocado. A brief discussion followed.

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

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V. ACTION ITEMS (Continued)

- F. 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 authorize staff to retain two firms for Direct Lending mandates: Crescent and Tennenbaum. The recommended funding amount is \$200 million per manager. (Memo dated December 3, 2013.)

Mr. Mahseredjian reported on the proposed retention of two firms, Crescent and Tennenbaum, to handle Direct Lending mandates. He also provided a brief overview on the results of the search and evaluation process in retaining Crescent and Tennenbaum, which were the highest-ranked firms specializing in direct lending and reported on their investment background and strategy. A brief discussion followed.

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

- G. 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 \$150 million to Onex Partners IV, L.P. (Memo dated December 4, 2013.)

Ms. Tilaye provided a brief overview on the proposed commitment to Onex Partners IV, L.P. (“Onex”) and reported that Onex is an attractive investment

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V. ACTION ITEMS (Continued)

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

LACERA’s Private Equity consultant, conducted an independent due diligence on the general partner and provided their assessment of the opportunity and concur with staff’s conclusion.

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

- H. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board approve the 2014 Private Equity Objectives, Policies, and Procedures. (Memo dated December 4, 2013.)

Mr. Wagner provided an executive summary on the proposed 2014 Private Equity Objective, Policies and Procedures (“OPP”) which defines and describes the strategy for investment in private equity assets. It is policy-oriented with a long-term focus on risk minimization. The OPP describes the strategy for investing in private equity assets by outlining investment objectives and guidelines, and delineating the responsibilities of the Board, staff, private equity advisors(s) and LACERA’s general consultant.

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V. ACTION ITEMS (Continued)

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

- I. Recommendation as submitted by the Travel Policy Committee: That your Board approve the changes shown on the attached draft Education and Travel Policy, with the changes to become effective upon adoption. (Memo dated November 21, 2013.)

A discussion ensued regarding the lack of guidance within the Education and Travel Policy concerning international conferences where attendance is limited. The Board referred the Policy back to the Travel Policy Committee.

VI. REPORTS

- A. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated November 13, 2013.)

Credit Suisse Customized Fund Investment Group (CFIG)
David Almodovar, Vice President

Mr. Wagner introduced David Almodovar of Credit Suisse Customized Fund Investment Group who followed with an education session which covered secondary fund investments. The main objective of this session was to familiarize the Board with secondary fund investments, the secondary market and why

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VI. REPORTS (Continued)

investors purchase and sell existing interests in private equity funds. A brief discussion followed and the Report was received and filed.

B. Chief Investment Officer Personnel Evaluation Gregg Rademacher, Chief Executive Officer (Memo dated December 11, 2013.)

Mr. Rademacher presented to the Board David Kushner's self evaluation for the fiscal year ending June 30, 2013, along with the respective Board approved investment staff goals. Due to the State of California's Brown Act prohibiting a discussion from taking place in executive session, Mr. Kushner was available for an open session discussion to review his self evaluation.

Mr. Kushner's self evaluation for the fiscal year ending June 30, 2013 was received and filed.

VII. EXECUTIVE SESSION

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

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.

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VII. EXECUTIVE SESSION (Continued)

B. 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 and there is nothing to report at this time.

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

Mr. Rademacher commended Ms. Widener and Mr. Pryor for their dedicated service and contribution to the Board of Investments and wished everyone a happy holiday. The Board also commended and thanked Ms. Widener and Mr. Pryor for their service and contribution to the Board of Investments. The Board also commended staff on their reports and presentations and wished everyone a happy holiday.

IX. ADJOURNMENT

There being no further business the meeting adjourned at 3:35 p.m.

Diane Sandoval, Secretary

Herman B. Santos, Chair