

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, JANUARY 8, 2014, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member)
- III. APPROVAL OF THE MINUTES
 - A. Approval of the Minutes of the December 11, 2013 meeting of the Board of Investments.
- IV. PUBLIC COMMENT
- V. REPORT ON CLOSED SESSION ITEMS
- VI. ACTION ITEMS
 - A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve salary adjustments for LACERA's Non-Represented and Management Appraisal and Performance Plan (MAPP) classes to mirror those salary adjustments granted to LACERA represented employees. (Memo dated December 31, 2013.)
 - B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board direct management to join the represented employees in signing the Memorandums of Understanding incorporating the Tentative Agreements. The Memorandums of Understanding will be effective upon LACERA's Boards approval through December 31, 2016. (Memo dated December 31, 2013.)

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VI. ACTION ITEMS (Continued)

- C. Recommendation as submitted by David E. Kushner, Chief Investment Officer: That your Board (1) Cancel the May 14, 2014 meeting; and (2) Reschedule the May 14, 2014, Board of Investments meeting to May 21, 2014, 9:00 a.m. (Memo dated December 14, 2013.)
- D. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That your Board adopt the Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust. (Memo dated December 23, 2013.)
- E. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate: That your Board approve the process for buying assets from a commingled real estate fund. (Memo dated December 27, 2013.)
- F. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board approve the 2014 Private Equity Annual Investment Plan. (Memo dated December 30, 2013.)
- G. 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 Palladium Equity Partners IV. L.P. (Memo dated December 30, 2013.)

VII. REPORTS

- A. Roles and Responsibilities of Consultants
David Kushner, CFA, Chief Investment Officer
(Memo dated December 27, 2013.)

Diligence Review Corp.
Jennifer Cooper, Managing Director

VII. REPORTS (Continued)

- B. Private Equity Performance Review
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated December 30, 2013.)

Credit Suisse Customized Fund Investment Group
David Almodovar, Principal

- C. Hedge Fund Performance Report, 2013 Third Quarter
James Rice, CFA, Senior Investment Officer
(Memo dated December 20, 2013.)

Grosvenor Capital Management
Andrew T. Preda, Vice President, Investments
Sean J. Conroy, Vice President,

- D. 2013 Mid-Year Private Equity Portfolio Update
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated December 30, 2013.) (For information only.)

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

X. 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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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, JANUARY 8, 2014, 9:00 A.M.

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Shawn Kehoe, Secretary

Joseph Kelly (Sitting in for Mark J. Saladino)

Diane Sandoval

Herman B. Santos

Michael Schneider

Leonard Unger

Estevan Valenzuela

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

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

Robert S. Van Der Volgen, Chief Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

John Harrington, Staff Counsel

John Nogales, Director, Human Resources

Wilshire Associates

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

Credit Suisse Customized Fund Investment Group (CFIG)

David Almodovar, Vice President

STAFF, ADVISORS, PARTICIPANTS (Continued)

The Townsend Group
Micolyn Magee, Principal

Diligence Review Corp.
Jennifer Cooper, Managing Director

Grosvenor Capital Management
Andrew T. Preda, Vice President, Investments
Sean J. Conroy, Vice President,

I. PLEDGE OF ALLEGIANCE

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

II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member)

The Election of officers was conducted by Chair Santos.

A. Chair of the Board

Mr. Barger was nominated to the position of Chair of the Board of Investments by Mr. Schneider.

Mr. Unger was nominated to the position of Chair of the Board of Investments by Mr. Valenzuela.

Hearing no other nominated, the nominated were closed.

II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member) (Continued)

A roll call vote was taken for the position of Chair of the Board of

Investments with the following results:

A. Chair of the Board

Votes cast for Mr. Barger:	Mr. Kelly
	Mr. Green
	Mr. Kehoe
	Mr. Schneider
	Mr. Barger
	Ms. Sandoval
Votes cast for Mr. Unger:	Mr. Unger
	Mr. Valenzuela
	Mr. Santos

Mr. Santos announced that Mr. Barger was elected to the position of Chair of the Board of Investments.

B. Vice Chair of the Board

Mr. Green was nominated to the position of Vice Chair by Mr. Unger.

Mr. Saladino was nominated to the position of Vice Chair by Mr. Kehoe.

II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member) (Continued)

B. Vice Chair of the Board

Votes cast for Mr. Green:	Mr. Green
	Mr. Unger
	Mr. Barger
	Mr. Valenzuela
	Mr. Santos

Votes cast for Mr. Saladino:	Mr. Kelly
	Mr. Kehoe
	Mr. Schneider
	Ms. Sandoval

Mr. Santos announced that Mr. Green was elected to the position of Vice Chair of the Board of Investments.

C. Secretary of the Board

Mr. Kehoe was nominated to the position of Secretary of the Board of Investments by Mr. Schneider.

II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member) (Continued)

C. Secretary of the Board

Hearing no other nominations Mr. Santos announced the Mr. Kehoe was elected to the position of Secretary of the Board of Investments.

D. Audit Committee Member

Mr. Schneider was nominated to the position of Audit Committee Member by Mr. Barger.

Hearing no other nominations Mr. Santos announced that Mr. Schneider was elected to the position of Audit Committee Member.

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the December 11, 2013 meeting of the Board of Investments.

A motion to approve the Minutes of the December 11, 2013 meeting of the Board of Investments was made by Ms. Sandoval, seconded by Mr. Valenzuela. The motion carried by unanimous vote.

III. PUBLIC COMMENT

Norice R. Rice, President of the National Association of Security Professionals- Southern California (“NASP”) extended an invitation to Board Trustees and Staff to attend the “One Day of Education in Private Equity Forum” to be held in Los Angeles at the Radisson Hotel Mid-Town at USC.

IV. REPORT ON CLOSED SESSION ITEMS

None.

Chair Barger indicated that Action Item D would be pulled and handled at a later date and Action Item B would be handled Before Action Item A.

VI. ACTION ITEMS

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board direct management to join the represented employees in signing the Memorandums of Understanding incorporating the Tentative Agreements. The Memorandums of Understanding will be effective upon LACERA’s Boards approval through December 31, 2016. (Memo dated December 31, 2013.)

Mr. Nogales LACERA’s Director of Human Resources provided a brief overview on the proposed Memorandums of Understanding incorporating the Tentative Agreements.

VI. ACTION ITEMS (Continued)

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

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve salary adjustments for LACERA's Non-Represented and Management Appraisal and Performance Plan (MAPP) classes to mirror those salary adjustments granted to LACERA represented employees. (Memo dated December 31, 2013.)

Mr. Nogales provided a brief overview on the proposed salary adjustments for LACERA's Non-Represented and Management Appraisal and Performance Plan (MAPP) classes. A brief discussion followed on concerns relating to Investment Staff salary concerns.

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

VI. ACTION ITEMS (Continued)

- C. Recommendation as submitted by David E. Kushner, Chief Investment Officer: That your Board (1) Cancel the May 14, 2014 meeting; and (2) Reschedule the May 14, 2014, Board of Investments meeting to May 21, 2014, 9:00 a.m. (Memo dated December 14, 2013.)

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

- D. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That your Board adopt the Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust. (Memo dated December 23, 2013.)

(VI. Action Item D. was pulled and will be handled at a later date.)

- E. Recommendation as submitted by John D. McClelland, Principal Investment Officer, Real Estate: That your Board approve the process for buying assets from a commingled real estate fund. (Memo dated December 27, 2013.)

Mr. McClelland provided an executive summary on the process for buying assets from a commingled real estate fund. Micolyn McGee of Townsend Group, LACERA's Real Estate Portfolio's consultant reported that they concur with the proposed process.

VI. ACTION ITEMS (Continued)

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

- F. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board approve the 2014 Private Equity Annual Investment Plan. (Memo dated December 30, 2013.)

Mr. Wagner reported that the Grosvenor Capital Management transaction to acquire Credit Suisse's Customized Fund Investment Group (LACERA's private equity consultant) concluded on Thursday January 2, 2014. The new firm will be called Grosvenor Capital Management Customized Fund Investment Group going forward. Mr. Wagner then provided an executive summary on the proposed 2014 Private Equity Annual Investment Plan. He reported that staff and the consultant develop an Investment Plan ("Plan") each year for the Private Equity Program. The Plan identifies key investment strategies going forward and also reviews and ensures the portfolio's diversification. Most importantly, it creates a commitment pace for the coming year. In December of 2013, staff worked with the Grosvenor Capital Management Customized Fund Investment Group and using their

VI. ACTION ITEMS (Continued)

investment pacing model, determined that the commitment pace in 2014 should be \$1.8 billion dollars. In establishing this pace, several assumptions were made including the total Fund's growth rate, return expectations of the various investment strategies within private equity, how fast cash would be returned to LACERA from previous investments, and how fast the general partners would call capital down. Mr. Wagner stressed that it is important to keep in mind that this investment pacing model is just a model. It has assumptions and those assumptions could be wrong and the markets can change very quickly. It is LACERA's goal to reach the 11% target allocation over a period of time and very cautiously recommend commitments to the Board. Throughout 2014, staff and the consultant will look at strategies that are additive to the portfolio, which include small buyout, venture capital, and special situation funds. This would also include recommending commitments outside of the United States, in both developed and emerging markets. A brief discussion followed.

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

VI. ACTION ITEMS (Continued)

- G. 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 Palladium Equity Partners IV. L.P. (Memo dated December 30, 2013.)

Mr. Simpson gave a presentation on the proposed commitment of up to \$100 million to Palladium Equity Partners IV. L.P. (“Palladium”). He reported that Palladium’s proven strategy and investment process has consistently generated superior performance. Palladium’s team has cultivated a deep and longstanding network amongst Hispanic industry leaders, resulting in sustainable competitive advantages in the marketplace.

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

VII. REPORTS

- A. Roles and Responsibilities of Consultants
David Kushner, CFA, Chief Investment Officer
(Memo dated December 27, 2013.)

Diligence Review Corp.
Jennifer Cooper, Managing Director

Mr. Kushner reported that it has been many years since LACERA issued a Request for Proposal (“RFP”) for its investment consultants. The objective of the discussion is to prepare for LACERA’s issuing of consultant RFP documents by identifying and documenting the existing roles and responsibilities and to determine and document the qualities and qualifications required of the investment consultant. A brief discussion followed and the Board requested that each Board member be engaged in individual conversations, with a report back to the full Board with the findings.

- B. Private Equity Performance Review
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated December 30, 2013.)

Credit Suisse Customized Fund Investment Group
David Almodovar, Principal

Mr. Wagner introduced David Almodovar, Principal at Grosvenor Capital Management Customized Fund Investment Group, LACERA's Private Equity

VII. REPORTS (Continued)

Consultant. Mr. Almodovar followed with a presentation on the annual performance of the private equity portfolio. It was reported that LACERA's private equity portfolio continues to be accretive to the performance of the overall pension fund. LACERA's portfolio is performing well; 67% of the portfolio's funds that have at least five years of performance are 1st and 2nd quartile funds. LACERA has built a well-diversified private equity program that continues to produce strong long-term performance and over the past 10 years has performed well, with a net IRR of 15.6%, which exceeds LACERA's benchmark by 279 basis points. While the global macro-economic environment continues to present significant challenges, LACERA has partnered with many funds that are well positioned to take advantage of unique market opportunities. In 2013 LACERA made commitments to 11 high quality funds and two separate accounts managers with a history of strong performance. A brief discussion followed and the Report was received and filed.

VII. REPORTS (Continued)

- C. Hedge Fund Performance Report, 2013 Third Quarter
James Rice, CFA, Senior Investment Officer
(Memo dated December 20, 2013.)

Grosvenor Capital Management
Andrew T. Preda, Vice President, Investments
Sean J. Conroy, Vice President

Mr. Rice introduced Messrs Conroy and Preda of Grosvenor Capital Management (“Grosvenor”) who provided an overview on their Third Quarter Hedge Fund Performance for 2013. Grosvenor’s 2013 3Q strategy performance was generally positive. Long-biased portfolio funds benefitted from security selection, generally advancing markets, and idiosyncratic events. Equity portfolio funds were generally positive for the quarter.

U.S., Europe and Asia focused portfolio funds benefitted from favorable macroeconomic news and select idiosyncratic developments. Macro portfolio funds were negative on average for the quarter and challenged by the depreciation of the U.S. dollar and volatility in fixed income markets. The commodity portfolio funds were strongly positive for the quarter. Grosvenor also provided a summary on their investment strategy and market outlook. A brief discussion followed and the Report was received and filed.

VII. REPORTS (Continued)

- D. 2013 Mid-Year Private Equity Portfolio Update
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated December 30, 2013.) (For information only.)

The 2013 Mid-Year Private Equity Portfolio Update is for information only and was received and filed.

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

Mr. Rademacher congratulated the newly elected officers and welcomed both Messrs. Kehoe and Valenzuela to the Board of Investments. He pointed out and commended Mr. Valenzuela for returning to serve a fifth term. He also reminded the Board of the Off-Site to be held January 21, 22 and 23 at the Sheraton Universal.

IX. GOOD OF THE ORDER

(For discussion purposes only.)

The Board also congratulated the newly elected officers and welcomed both Messrs. Kehoe and Valenzuela to the Board of Investments, and commended staff on their reports and presentations.

Green Folder Items

1. Chief Executive officer's Report dated December 4, 2013.
2. Memo from David Kushner, Chief Investment Officer, regarding Marlin Pease's resignation from Wilshire Associates and will pursue his interest in academia. (Memo dated January 7, 2014.)
3. Memo from Christopher J. Wagner, Principal Investment Officer, Private Equity, and James Rice Senior Investment Officer regarding the sale of Credit Suisse Customized Fund Investment Group to Grosvenor Capital Management. (Memo dated January 3, 2014.)

X. ADJOURNMENT

There being no further business the meeting adjourned at 12:50 p.m.

Shawn Kehoe, Secretary

John M. Barger, Chair