

# AGENDA

## SPECIAL MEETING OF THE BOARD OF INVESTMENTS

### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, MAY 21, 2014, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
  - A. Approval of the Minutes of the April 9, 2014 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 provide direction to staff on the appropriate protocols for communicating manager recruitments. (Memo dated April 11, 2014.)
  - B. Recommendation as submitted by the Board of Investments Real Estate Committee: That your Board adopt the revised Real Estate Objectives, Policies and Procedures. (Memo dated May 9, 2014.)
  - C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the Trustee Leadership Forum for Retirement Security at the Harvard Kennedy School on June 9 and 10, 2014, in Cambridge, Massachusetts, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 15, 2014.) (Placed on the Agenda at the request of Mr. Green.)

V. ACTION ITEMS (Continued)

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 2014 Private Equity Exclusive in Chicago, Illinois on July 21-22, 2014, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 15, 2014) (Placed at the Agenda at the request of Mr. Barger)
- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the GMI Ratings Sixth Annual Future of Corporate Reform Public Funds Forum in San Diego, California on September 2-4, 2014, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 25, 2014.)

VI. REPORTS

- A. Real Estate Performance Measurement Report – 4<sup>th</sup> Quarter 2013  
John McClelland, Principal Investment Officer, Real Estate  
(Memo dated May 8, 2014.)

The Townsend Group  
Micolyn M. Magee, Principal

- B. Retirement Trust Performance Review as of March 31, 2014  
David Kushner, Chief Investment Officer

Wilshire Associates Investment Performance Report as of  
March 31, 2014 (For information only.)

- C. OPEB Trust Fund Performance Review as of March 31, 2014  
(Memo dated May 12, 2014.) (For information only.)

Vache Mahseredjian, CFA, CAIA, FRM, ASA  
Principal Investment Officer

May 21, 2014

Page 3

VI. REPORTS (Continued)

- D. Securities Litigation Report for Calendar Year 2013  
Michael D. Herrera, Senior Staff Counsel  
(Memo dated April 18, 2014.) (For information only.)

VII. GOOD OF THE ORDER  
(For discussion 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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MINUTES OF THE SPECIAL MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, MAY 21, 2014, 9:00 A.M.

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Shawn Kehoe, Secretary

Joseph Kelly 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

Wilshire Associates

J.M. Russetti, Senior Associate

The Townsend Group

Micolyn M. Magee, Principal

STAFF, ADVISORS, PARTICIPANTS (Continued)

I. PLEDGE OF ALLEGIANCE

Mr. 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 April 9, 2014 meeting of the Board of Investments.

A motion was made by Mr. Kehoe, seconded by Mr. Green to approve the Minutes of the April 9, 2014 meeting of the Board of Investments. The motion carried by unanimous vote.

III. PUBLIC COMMENT

None.

IV. REPORT ON CLOSED SESSION ITEMS

None.

V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board provide direction to staff on the appropriate protocols for communicating manager recruitments. (Memo dated April 11, 2014.)

A motion was made by Mr. Valenzuela, seconded by Ms. Sandoval, to table this item to the July 2014 meeting of the Board of Investments. The motion carried by unanimous vote .

- B. Recommendation as submitted by the Board of Investments Real Estate Committee: That your Board adopt the revised Real Estate Objectives, Policies and Procedures. (Memo dated May 9, 2014.)

Mr. McClelland provided an executive summary on the proposed updates to the Revised Real Estate Objective, Policies and Procedures. He reported that there were no major changes to the existing content in the document ; however there were two notable additions: 1) a Lender Leverage Policy (for use by the Fund's real estate debt managers; and 2) adding a proposed policy relating to the Environmental, Social and Governance matters (ESG) policy which said practice is already in place.

V. ACTION ITEMS (Continued)

A motion to Adopt the revised Real Estate Objectives, Policies and Procedures was made by Mr. Santos, seconded by Ms. Sandoval. The motion carried by unanimous vote.

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the Trustee Leadership Forum for Retirement Security at the Harvard Kennedy School on June 9 and 10, 2014, in Cambridge, Massachusetts, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 15, 2014.) (Placed on the Agenda at the request of Mr. Green.)

A motion to approve the recommendation was made by Mr. Valenzuela, 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 2014 Private Equity Exclusive in Chicago, Illinois on July 21-22, 2014, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 15, 2014) (Placed on the Agenda at the request of Mr. Barger)

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

V. ACTION ITEMS (Continued)

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the GMI Ratings Sixth Annual Future of Corporate Reform Public Funds Forum in San Diego, California on September 2-4, 2014, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 25, 2014.)

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

VI. REPORTS

- A. Real Estate Performance Measurement Report – 4<sup>th</sup> Quarter 2013  
John McClelland, Principal Investment Officer, Real Estate  
(Memo dated May 8, 2014.)

The Townsend Group  
Micolyn M. Magee, Principal

Ms. Magee presented an executive summary on LACERA's Real Estate fourth quarter performance report. She pointed out that the long-term performance of the portfolio continues to reflect the impact of large value declines as a result of the Global Financial Crisis (GFC). The total five-year portfolio return of 0.9% net of fees remains significantly below the benchmark return of 5.7%.

VI. REPORTS (Continued)

It was also reported that the income component of return from the core portfolio continues to generate attractive returns, which for the one, three and five year periods were 6.4%, 6.4% and 6.6% respectively. A brief discussion followed on manager mandate concerns and the Report was received and filed.

B. Performance Review as of March 31, 2014 and Wilshire  
Performance Measurement Report – First Quarter  
David Kushner, Chief Investment Officer

Wilshire Associates  
Investment Performance Analysis as of March 31, 2014  
J.M. Russetti, Senior Associate (For information only.)

Mr. Kushner provided an executive summary on the Fund's total performance for the quarter ending in March 31, 2014 and reported that the first quarter of 2014, LACERA's total fund rose 2.3% and exceeded its policy benchmark return of 2.0% by 30 basis points (bps). All asset classes outperformed their respective benchmarks, except for Real Estate and Commodities. A brief discussion followed and the Reports were received and filed.

VI. REPORTS (Continued)

- C. OPEB Trust Fund as of March 31, 2014  
Vache Mahseredjian, CFA, CAIA, FRM, ASA  
Principal Investment Officer  
(Memo dated May 12, 2014.) (For information only.)

The OPEB Trust Fund Report as of March 31, 2014 is for information only and was received and filed.

- D. Securities Litigation Report for Calendar Year 2013  
Michael D. Herrera, Senior Staff Counsel  
(Memo dated April 18, 2014.) (For information only.)

The Securities Litigation Report is for information only and was received and filed.

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

The Board commended staff on their reports and presentations.

Mr. Rademacher reported that SACRS provided recognition lapel pins for trustees serving over 10 years of Board service. Michael Schneider, Herman Santos, Steve Valenzuela and Leonard Unger were recognized for serving the Board of Investments for over ten years. Mark Saladino was recognized for his 34 years combined service on both the Board of Investments and Board of Retirement. Diane Sandoval who provided over 40 years of combined service as LACERA staff and Trustee received a special recognition by the Board.

Green Folder Items

1. Memo dated May 19, 2014, from Dale Johnson, Investment Officer regarding Council of Institutional Investors Business Meeting and Public Funds Director Ballots.
2. Memo dated May 20, 2014, from Vache Mahseredjian, CFA, CAIA, FRM, ASA, Principal Investment Officer, regarding Credit Suisse Settlement.
3. Copy of Pensions & Investments article published May 12, 2014 entitled *CalPERS chopping hedge fund allocation*.

VIII. ADJOURNMENT

There being no further business the meeting adjourned at 10:45 a.m.

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Shawn Kehoe, Secretary

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John M. Barger, Chair