

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, JUNE 11, 2014, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. Approval of the Minutes of the May 21, 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 the Board of Investments consider the Los Angeles County Board of Supervisors' proposed "Modification No. 2 to Agreement No. 41638 Relating to a Health Insurance Program for Retired Employees and their Dependents." (Memo dated May 23, 2014.)
 - B. Recommendation as submitted by Board of Investments Real Estate Committee: That your Board Adopt the Real Estate Investment Plan for Fiscal Year 2014-2015. (Memo dated May 30, 2014.)
 - C. Recommendation as submitted by Board of Investments Real Estate Committee: That your Board (1) Approve the use of subscription financing for debt investments; and (2) Approve an additional \$250 million of allocation to the debt separate account managed by Cornerstone Real Estate Advisers, LLC. (Memo dated May 30, 2014.)

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V. ACTION ITEMS (Continued)

- D. 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 Patria – Brazilian Private Equity Fund V, L.P. (Memo dated June 3, 2014.)

- E. Recommendation as submitted by the Board of Investments Fixed Income/Hedge Funds/Commodities Committee: That your Board approve a targeted process for the next opportunistic fixed income manager search. (Memo dated May 23, 2014.)

- F. Recommendation as submitted by the Board of Investments Fixed Income/Hedge Funds/Commodities Committee: That your Board Adopt the Revised Investment Guidelines for Grosvenor Diversified Fund of Funds (San Gabriel). (Memo dated May 30, 2014.)

- G. Recommendation as submitted by James Rice, CFA Senior Investment Officer, Hedge Funds, June Kim, Principal Investment Officer, Equities and Ingrid Tang, Senior Investment Analyst, Hedge Funds: That your Board select one hedge fund of funds manager to manage a custom hedge fund portfolio; and (2) Authorize the Chief Investment Officer to execute the investment advisor agreements, subject to review and approve by the LACERA Legal Office. (Memo dated June 2, 2014.)
 - 1. Blackstone Alternative Asset Management
Eric Perlyn, Managing Director, Investor Relations
John McCormick, Senior Managing Director
& Head of Global Business Strategy
Steve Sullens, Senior Managing Director
& Head of Portfolio Management
Scott Soussa, Senior Managing Director
& Head of Due Diligence

V. ACTION ITEMS (Continued)

2. Goldman Sachs Asset Management, Alternative Investments and Manager Selection
Chris Kojima, Global Head of the AIMS Group
Kent Clark, Chief Investment Officer of AIMS Hedge Fund Strategies
Richard Quigley, Senior Portfolio Manager, Head of AIMS Advisory
Stephanie Ivy, Senior Relationship Manager, West Coast Public Funds
3. The Rock Creek Group
Sudhir Krishnamurthi, Senior Managing Director
Kathleen Kennedy Townsend, Managing Director
Stewart Luedke, Director

H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board Adopt the LACERA Fiscal Year 2014-2015 Administrative and Retiree Healthcare Benefits Budgets. (Memo dated May 29, 2014.)

VI. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Existing Litigation (Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)
 1. LACERA ex rel. FX Analytics v. The Bank of New York Mellon Corp., Case No. 12 CV 8990 (LAK)

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

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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.

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, JUNE 11, 2014, 9:00 A.M.

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Shawn Kehoe, Secretary

Joseph Kelly for Mark J. Saladino

Herman B. Santos

Michael Schneider

Leonard Unger

Estevan Valenzuela

ABSENT: Diane Sandoval

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

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

John Harrington, Staff Counsel

Wilshire Associates

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

The Townsend Group

Micolyn M. Magee, Principal

Cornerstone Real Estate Advisors

Dean A. Dulchinos, Portfolio Manager

STAFF, ADVISORS, PARTICIPANTS (Continued)

I. PLEDGE OF ALLEGIANCE

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

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the May 21, 2014 meeting of the Board of Investments.

A motion was made by Mr. Valenzuela, seconded by Mr. Santos to approve the Minutes of the May 21, 2014, meeting of the Board of Investments as corrected. The motion carried by unanimous vote.

III. PUBLIC COMMENT

Jim Adams, Assistant Chief Executive Officer, for Los Angeles County, Keenan Sheedy for Local SEIU 721, and Tris Carpenter for AFSCME and the Coalition of County Unions expressed their support of the Board of Supervisor's proposed modification to the agreement relating to the Retiree Health Care Program.

IV. REPORT ON CLOSED SESSION ITEMS

None.

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V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments consider the Los Angeles County Board of Supervisors' proposed "Modification No. 2 to Agreement No. 41638 Relating to a Health Insurance Program for Retired Employees and their Dependents." (Memo dated May 23, 2014.)

Mr. Rademacher provided an executive summary on the proposed modification to the Agreement relating to the Health Insurance Program for retired employees and their dependents. He pointed out that the Los Angeles County Board of Supervisors is seeking to lower its Retiree Healthcare Program costs by offering its future employees a different retiree healthcare benefits package than it is currently offering its employees and retirees. This approach will create a new retiree healthcare benefit plan. A brief discussion followed.

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

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V. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Board of Investments Real Estate Committee: That your Board Adopt the Real Estate Investment Plan for Fiscal Year 2014-2015. (Memo dated May 30, 2014.)

Mr. McClelland provided a brief overview on the proposed Real Estate Investment Plan for Fiscal Year 2014-2015.

A motion was made by Mr. Unger, seconded by Mr. Kehoe to approve the adoption of the proposed Real Estate Investment Plan for Fiscal Year 2014-2015. The motion carried by unanimous vote.

- C. Recommendation as submitted by Board of Investments Real Estate Committee: That your Board (1) Approve the use of subscription financing for debt investments; and (2) Approve an additional \$250 million of allocation to the debt separate account managed by Cornerstone Real Estate Advisors, LLC. (Memo dated May 30, 2014.)

Cornerstone Real Estate Advisors
Dean A. Dulchinos, Portfolio Manager (Debt Mandate)

Mr. McClelland introduced Mr. Dulchinos of Cornerstone. Mr. McClelland followed with a presentation on the proposed recommendation. It was reported that LACERA's real estate debt investment program is largely comprised of levered whole loans. The Fund's managers originate new whole loans and then

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V. ACTION ITEMS (Continued)

pledge the loans as collateral to borrow a portion of the funds being loaned to property owners (LACERA's borrowers). This loan-on-loan financing is time consuming and Cornerstone is pursuing shorter terms, floating-rate loans on transitional properties and has been more successful putting LACERA's funds to work. A brief discussion followed on the plans structure.

A motion to approve the recommendation was made by Mr. Unger, seconded by Mr. Valenzuela. The motion carried with Mr. Green voting no.

- D. 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 Patria – Brazilian Private Equity Fund V, L.P. (Memo dated June 3, 2014.)

David Simpson reported on the proposed commitment to Patria – Brazilian Private Equity Fund V, L.P. He pointed out that Patria possesses an established multi-disciplined team building platform companies into market leaders. Their proven strategy and applied operational capabilities have generated sustained outperformance in the marketplace. LACERA's private equity consultant, CFGI,

V. ACTION ITEMS (Continued)

concurs with Staff's conclusion that Patria is an attractive investment opportunity.

A brief discussion followed on disclosure concerns.

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

- E. Recommendation as submitted by the Board of Investments Fixed Income/Hedge Funds/Commodities Committee: That your Board approve a targeted process for the next opportunistic fixed income manager search. (Memo dated May 23, 2014.)

Mr. Mahseredjian reported on the proposed approval of the targeted process for the next opportunistic fixed income manager search and pointed out that staff and Wilshire (LACERA's Portfolio consultant) had assembled a list of eligible managers, with input from Grosvenor as well as a screening of the eVestment database. A brief discussion followed.

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

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V. ACTION ITEMS (Continued)

- F. Recommendation as submitted by the Board of Investments Fixed Income/Hedge Funds/Commodities Committee: That your Board Adopt the Revised Investment Guidelines for Grosvenor Diversified Fund of Funds (San Gabriel). (Memo dated May 30, 2014.)

Mr. Rice reported on the proposed two revisions to the Investment Guidelines for Grosvenor Diversified Fund of Funds: (1) Permit investment in a “self-liquidating” type of fund, limited to 5% of capital; and (2) Increase the maximum leverage for the equities exposure category from 3.0x to 4.0x and the Portfolio level leverage remaining unchanged at 3.0x.

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

- G. Recommendation as submitted by James Rice, CFA Senior Investment Officer, Hedge Funds, June Kim, Principal Investment Officer, Equities and Ingrid Tang, Senior Investment Analyst, Hedge Funds: That your Board select one hedge fund of funds manager to manage a custom hedge fund portfolio; and (2) Authorize the Chief Investment Officer to execute the investment advisor agreements, subject to review and approve by the LACERA Legal Office. (Memo dated June 2, 2014.)

Mr. Rice reported on the proposed selection of one hedge fund of funds manager to manage a custom hedge fund portfolio, pointing out the various scores

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V. ACTION ITEMS (Continued)

for each candidate. He introduced the principals of the first presenter, Blackstone Alternative Asset Management who followed with their presentation.

1. Blackstone Alternative Asset Management
Eric Perlyn, Managing Director, Investor Relations
John McCormick, Senior Managing Director
& Head of Global Business Strategy
Steve Sullens, Senior Managing Director
& Head of Portfolio Management
Scott Soussa, Senior Managing Director
& Head of Due Diligence

Blackstone gave a presentation on their investment approach and qualifications in managing LACERA's custom hedge fund portfolio with a brief synopsis on Blackstone's historical background, investment strategy and philosophy. They are headquartered in New York City and founded in 1985. They have two international offices located in London and Hong Kong. In 1990 Blackstone founded Blackstone Alternative Asset Management L.P. (BAAM) to create a diversified portfolio of hedge funds initially, for managing the internal assets of the firm and its partners. BAAM has developed into the largest institutional hedge fund of funds manager and began managing customized portfolios in 2002, to help clients realize specific objectives. As of March 2014

V. ACTION ITEMS (Continued)

BAAM's total assets under management was \$58 billion, 50% of which was in 64 customized funds. BAAM also pointed out that they are a strong candidate for LACERA's mandate due to their strong risk management and robust technology capabilities. A brief discussion followed.

2. Goldman Sachs Asset Management, Alternative Investments and Manager Selection
Chris Kojima, Global Head of the AIMS Group
Kent Clark, Chief Investment Officer of AIMS Hedge Fund Strategies
Richard Quigley, Senior Portfolio Manager, Head of AIMS Advisory
Stephanie Ivy, Senior Relationship Manager, West Coast Public Funds

Goldman Sachs Group Ins. (Goldman) runs its Hedge Fund Strategies LLC(HFS) business with the Goldman Sachs Assets Management (GSAM) group of the Investment Management Division (IMD). Goldman Sachs Hedge Fund Strategies (HFS) is part of their Alternative Investments & Manager Section (AIMS). Goldman is headquartered in New York City and founded in 1969. They have additional locations in London, Salt Lake City, San Francisco, Geneva, Sao Paulo, Tokyo, and Hong Kong. Goldman pointed out what their investment

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V. ACTION ITEMS (Continued)

approach would be in managing LACERA's custom hedge fund portfolio, with emphasis on their strategy, philosophy, and qualifications in meeting LACERA's investment objectives. Goldman expressed their commitment to LACERA's investment program involving alternative investments and hedge funds specifically. Goldman's total assets under management are \$149 billion.

A brief discussion followed.

3. The Rock Creek Group
Sudhir Krishnamurthi, Senior Managing Director
Kathleen Kennedy Townsend, Managing Director
Stewart Luedke, Director

Rock Creek Group (Rock Creek) is a Washington D.C. based hedge fund of funds (HFoF) manager with over \$10 billion in assets under management as of March 2014. Managing HFoFs is Rock Creek's only business and the senior Rock Creek team have invested in hedge funds together since the early 1990s when they worked at the World Bank. Rock Creek reported on their investment approach and qualifications in managing LACERA's custom hedge fund portfolio, including their investment outlook and philosophy. Rock Creek feels they are a strong candidate for LACERA's mandate and would construct a diversified, global hedge

V. ACTION ITEMS (Continued)

fund portfolio, to meet LACERA's specific risk-return objectives through a strategic partnership relationship. A brief discussion followed.

A motion was made to select Blackstone to manage a custom hedge fund portfolio by Mr. Santos, seconded by Mr. Valenzuela.

The Board conducted a brief discussion with emphasis on fee concerns.

A call for the question was made by Mr. Valenzuela, seconded by Mr. Santos. The motion carried unanimously.

A vote was taken to select Blackstone to manage LACERA's custom hedge fund portfolio. The motion was made by Mr. Santos, seconded by Mr. Valenzuela. A roll call vote was taken with Messrs. Green, Valenzuela, and Santos voting yes and Messrs. Kelly, Kehoe, Unger, Schneider and Barger voting no. The motion failed.

V. ACTION ITEMS (Continued)

A second motion was made by Mr. Barger, seconded by Mr. Schneider to select Goldman Sachs to manage LACERA's custom hedge fund portfolio. A roll call vote was taken with Messrs. Kelly Kehoe, Schneider, and Barger voting yes and Messrs. Green, Unger, Valenzuela and Santos voting no, resulting in a tie vote. The motion failed.

A third motion was made by Mr. Barger, seconded by Mr. Schneider to select Rock Creek to manage LACERA's custom hedge fund portfolio. A roll call vote was taken with Messrs. Kelly, Green, Unger and Barger voting yes, and Messrs. Kehoe, Schneider Valenzuela, and Mr. Santos voting no, resulting in a tie vote. The motion failed.

A motion was made by Mr. Kehoe, seconded by Mr. Schneider to continue this item to the next regularly scheduled meeting of the Board of Investments. The motion carried by unanimous vote.

V. ACTION ITEMS (Continued)

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board Adopt the LACERA Fiscal Year 2014-2015 Administrative and Retiree Healthcare Benefits Budgets. (Memo dated May 29, 2014.)

A motion to Adopt the LACERA Fiscal Year 2014-2015 Administrative and Retiree Healthcare Benefits Budgets was made by Mr. Santos, seconded by Mr. Kehoe. The motion carried by unanimous vote.

VI. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Existing Litigation
(Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)
1. LACERA ex rel. FX Analytics v. The Bank of New York Mellon Corp., Case No. 12 CV 8990 (LAK)

The Board met in executive session pursuant to Government Code Section 54956.9, paragraph (1) of subdivision (d) and there is nothing to report at this time.

VII. GOOD OF THE ORDER

(For discussion purposes only.)

The Board commended staff on their memorandums and presentations and also commended Mr. Herrera for stepping in during Chief Counsel's absence. The Board also recognized June Kim and thanked her for her contribution to LACERA's Investment Office and wished her well in her new endeavor.

Mr. Rademacher reported on the importance of saving on portfolio manager fees as it does make a measurable difference on the accrued liability, as discussed in the Equity Committee meeting. He also recognized and thanked Ms. Kim for her contribution in the Investment Office and wished her well.

Mr. Rademacher asked that the Board adjourn today's meeting in memory of Staff Sgt. Scott Studenmund, a Green Beret, of Pasadena who was deployed to Afghanistan in January and set to return home in August. He was 24 and a graduate of Flintridge Preparatory School of La Canada Flintridge.

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Green Folder Items

1. Chief Executive Officer's Report dated June 2, 2014.

VIII. ADJOURNMENT

There being no further business the meeting adjourned in memory of Staff

Sgt. Scott Studenmund at 12:45 p.m.

Shawn Kehoe, Secretary

John M. Barger, Chair