

# AGENDA

## MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, DECEMBER 10, 2014, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
  - A. Approval of the Minutes of the November 19, 2014 meeting of the Board of Investments.
- III. PUBLIC COMMENT
- IV. REPORT ON CLOSED SESSION ITEMS
- V. CONSENT
  - A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at the 4<sup>th</sup> Annual ICBI SuperInvestor U.S. 2015 Summit and Conference to be held on February 9-11, 2015, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated October 15, 2014.)
- VI. ACTION ITEMS
  - A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer, that your Board:
    1. Accept the June 30, 2014, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman;

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VI. ACTION ITEMS (Continued)

2. Adopt recommended employer and employee contribution rates; and
3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2015, with a recommendation to implement the employer and employee rates no later than September 30, 2015. (Memo dated November 25, 2014.)

Milliman

Nick Collier, ASA, EA, MAAA

Jennifer D. Senta, ASA, MAAA

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board evaluate the efficacy for the newly established standing committees to oversee designated investment portfolio asset classes and risk management. (Memo dated December 1, 2014.)
- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer-Private Equity, and David E. Simpson, CFA, Investment Officer, Private Equity: Approve a commitment of up to \$100 million to Glendon Capital Fund L.P. (Memo dated December 1, 2014.)
- D. Recommendation as submitted by Fixed Income/Hedge Funds/Commodities Committee: That your Board approve the proposed change to the Investment Policy Statement regarding Hedge Fund leverage. (Memo dated November 20, 2014.)

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## VI. ACTION ITEMS (Continued)

- E. Recommendation as submitted by the Corporate Governance Committee: That the Board of Investments authorize the Legal Office to send the attached letter to the Delaware State Legislature Expressing concern over the decision in *ATP Tour, Inc. v. Deutscher Tennis Bund*, and urging support for legislation that would preempt the adoption of bylaws that would require a shareowner to pay expenses incurred in connection with litigation initiated by the shareowner. (Memo dated December 3, 2014.)

## VII. REPORTS

- A. Private Equity Performance Review  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated December 1, 2014.)

GCM Grosvenor Private Markets  
Mina Pacheco Nazemi, Partner  
David Almodovar, Principal

- B. 2014 Third Quarter Hedge Fund Performance Report  
James Rice, CFA, Senior Investment Officer  
(Memo dated November 20, 2014.)

Grosvenor Capital Management  
Andrew Preda, Portfolio Manager  
Sean Conroy, Client Service Officer

- C. Real Estate Performance Measurement Report - 2<sup>nd</sup> Quarter 2014  
John McClelland, Principal Investment Officer, Real Estate  
(Memo dated December 1, 2014.)

- D. 2014 Mid-Year Private Equity Portfolio Update  
Christopher J. Wagner, Principal Investment, Private Equity  
(Memo dated December 1, 2014.) (For information only.)

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## VIII. EXECUTIVE SESSION

A. Pursuant to Government Code Section 54957 - Public Employee Performance Evaluation:

1. Performance Evaluation  
Title: Chief Executive Officer

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, DECEMBER 10, 2014, 9:10 A.M.

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Joseph Kelly

Diane Sandoval

Herman B. Santos

Michael Schneider

Leonard Unger

Estevan Valenzuela

ABSENT: Shawn Kehoe

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

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

David Chu, Investment Officer, Private Equity

Esmeralda Vita del Bosque, Senior Investment Analyst, Equities

Dale Johnson, Investment Officer, Equities

Ron Senkandwa, Senior Investment Analyst, Equities

David Simpson, Investment Officer, Private Equity

Ingrid Tang, Senior Investment Analyst, Hedge Funds

Elin Szymanowski, Senior Investment Analyst, Private Equity

Robb Van Der Volgan

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

STAFF, ADVISORS, PARTICIPANTS (Continued)

John Harrington, Staff Counsel

Milliman

Nick Collier, ASA, EA, MAAA  
Jennifer D. Senta ASA, MAAA

GCM Customized Fund Investment Group

Mina Pacheco Nazemi, Partner  
David Almodovar, Vice President

Grosvenor Capital Management

Andrew Preda, Portfolio Manager  
Sean Conroy, Client Service Officer

The Townsend Group

Micolyn Magee, Principal  
Christopher Cunningham, Consultant

I. PLEDGE OF ALLEGIANCE

Mr. Valenzuela led Board members and staff in reciting the pledge of Allegiance.

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the November 19, 2014 meeting of the Board of Investments.

A motion to approve the Minutes for the November 19, 2014 meeting of the Board of Investments was made by

II. APPROVAL OF THE MINUTES (Continued)

Mr. Green, seconded by Mr. Santos. The motion carried, with Mr. Unger and Mr. Kelly abstaining.

III. PUBLIC COMMENT

None.

IV. REPORT ON CLOSED SESSION ITEMS

None to report.

V. CONSENT

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at the 4<sup>th</sup> Annual ICBI SuperInvestor U.S. 2015 Summit and Conference to be held on February 9-11, 2015, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated October 15, 2014.)

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

## VI. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer, that your Board:
1. Accept the June 30, 2014, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman;
  2. Adopt recommended employer and employee contribution rates; and
  3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2015, with a recommendation to implement the employer and employee rates no later than September 30, 2015. (Memo dated November 25, 2014.)

Milliman

Nick Collier, ASA, EA, MAAA  
Jennifer D. Senta, ASA, MAAA

Mr. Rademacher pointed out that the LACERA Board of Investments adopted the Retirement Benefit Funding Policy to require the employer rates to be adjusted annually based on the LACERA actuary's annual valuation. The Plan actuary, Milliman, performed the actuarial valuation and recommend changes to the employer and employee contributions rates. California State Law requires LACERA to transmit the contribution rate recommendations to the Board of Supervisors prior to May 15 and for the Board of Supervisors to implement the recommended rates no later than September 30.

VI. ACTION ITEMS (Continued)

Mr. Rademacher introduced Nick Collier and Jennifer Senta of Milliman, who followed with a presentation on the proposed Retirement Benefit Actuarial Valuation for June 30, 2014. A brief discussion followed on concerns relating to the inclusion of STAR COLA Reserves as part of the actuarial assets.

A motion was made by Mr. Santos, seconded by Mr. Valenzuela to: (1) Accept the June 30, 2014, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman; (2) Adopt recommended employer and employee contribution rates; and (3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2015, with a recommendation to implement the employer and employee rates no later than September 30, 2015. The motion carried with Ms. Sandoval voting no.

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## VI. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board evaluate the efficacy for the newly established standing committees to oversee designated investment portfolio asset classes and risk management. (Memo dated December 1, 2014.)

A brief discussion was had on the effectiveness of the newly formed standing committees. The Board concluded the committee meetings would continue to be held on the same day as the monthly Board of Investments meeting. This item was for discussion purposes only and no action was taken.

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer-Private Equity, and David E. Simpson, CFA, Investment Officer, Private Equity: Approve a commitment of up to \$100 million to Glendon Capital Fund L.P. (Memo dated December 1, 2014.)

Mr. Simpson reported on Glendon Capital Fund L.P.'s merits and why LACERA should make a commitment of \$100 million. A brief discussion followed and the Board commended staff on their report.

- D. Recommendation as submitted by Fixed Income/Hedge Funds/Commodities Committee: That your Board approve the proposed change to the Investment Policy Statement regarding Hedge Fund leverage. (Memo dated November 20, 2014.)

Mr. Rice presented a brief overview on the proposed changes to the Investment Policy Statement regarding Hedge Fund leverage, which is to remove

VI. ACTION ITEMS (Continued)

the portfolio level leverage constraint of 3.0x, and add in strategy level leverage constraints.

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

- E. Recommendation as submitted by the Corporate Governance Committee: That the Board of Investments authorize the Legal Office to send the attached letter to the Delaware State Legislature Expressing concern over the decision in *ATP Tour, Inc. v. Deutscher Tennis Bund*, and urging support for legislation that would preempt the adoption of bylaws that would require a shareowner to pay expenses incurred in connection with litigation initiated by the shareowner. (Memo dated December 3, 2014.)

Mr. Herrera provided a brief overview on the proposed recommendation submitted by the Corporate Governance Committee relating to the *ATP Tour, Inc. v. Deutscher Tennis Bund* matter.

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

## VII. REPORTS

- A. Private Equity Performance Review  
Christopher J. Wagner, Principal Investment Officer, Private Equity  
(Memo dated December 1, 2014.)

GCM Grosvenor Private Markets  
Mina Pacheco Nazemi, Partner  
David Almodovar, Principal

Mr. Wagner introduced the Principals of GCM Grosvenor Private Markets (“GCM”), Ms. Pacheco and Mr. Almodovar, who followed with a presentation on LACERA’s Private Equity Performance Review as of June 30, 2014. It was reported that LACERA’s Private Equity portfolio had steadily increased since 2009, with the U.S. continuing to represent the majority of global investment activity. As of June 30, 2014, LACERA’s 10 year net performance of 15.4% exceeded the benchmark by 216 basis points. It was also reported that LACERA had partnered with many funds, well positioned to take advantage of unique market opportunities. A brief discussion followed and the Report was received and filed.

- B. 2014 Third Quarter Hedge Fund Performance Report  
James Rice, CFA, Senior Investment Officer  
(Memo dated November 20, 2014.)

Grosvenor Capital Management  
Andrew Preda, Portfolio Manager  
Sean Conroy, Client Service Officer

VII. REPORTS (Continued)

Mr. Rice introduced Mr. Conroy and Mr. Preda of Grosvenor Capital Management. They followed with a presentation on the 2014 Third Quarter Hedge Fund Performance Report on the hedge fund program. It was reported that the hedge fund program currently consists of two fund of funds portfolios, both managed by Grosvenor. The diversified portfolio invests across major hedge fund strategies and the opportunistic credit portfolio is focused on only credit strategies. In the three years since the inception of LACERA's program, the 7.9% annualized return outperformed both of its benchmarks. It exceeded the primary benchmark by 280 bps and the secondary benchmark by 430 bps. A brief discussion followed and the Report was received and filed.

- C. Real Estate Performance Measurement Report - 2<sup>nd</sup> Quarter 2014  
John McClelland, Principal Investment Officer, Real Estate  
(Memo dated December 1, 2014.)

The Townsend Group  
Micolyn Magee, Principal  
Christopher Cunningham, Consultant

Mr. McClelland gave a presentation on the Real Estate Performance Measurement Report for the period ending June 30, 2014. He reported that core performance had improved significantly, as the real estate portfolio emerges from

## VII. REPORTS (Continued)

the impact of the Global Financial Crisis, delivering net of fee returns of 9.2%, slightly under the benchmark of 9.3%. Non-core performance continues to underperform the value-add and high-return benchmarks. The under-performance is expected to decrease as poor performing 2006 and 2007 vintage year investments are liquidated. Newer non-core investments are projected to perform well. A brief discussion followed and the Report was received and filed.

- D. 2014 Mid-Year Private Equity Portfolio Update  
Christopher J. Wagner, Principal Investment, Private Equity  
(Memo dated December 1, 2014.) (For information only.)

The 2014 Mid-Year Private Equity Portfolio Update is for information only and was received and filed.

## XIII. EXECUTIVE SESSION

- A. Pursuant to Government Code Section 54957 - Public Employee Performance Evaluation:
  - 1. Performance Evaluation  
Title: Chief Executive Officer

The Board met in executive session pursuant to Government Code Section 54957 – Public Employee Performance Evaluation and there is nothing to report at this time.

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IX. GOOD OF THE ORDER

(For discussion purposes only.)

The Board and Mr. Rademacher recognized and thanked both Mr. Unger and Mr. Schneider for their dedicated service and contribution to the Board of Investments as their three year term expires on December 31, 2014, and wished everyone a happy holiday season.

Green Folder Items

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

X. ADJOURNMENT

There being no further business the meeting adjourned at 1:40 p.m.

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Shawn Kehoe, Secretary

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John M. Barger, Chair