

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, August 13, 2014, 9:00 A.M.

- I. PLEDGE OF ALLEGIANCE
- II. APPROVAL OF THE MINUTES
 - A. Approval of the Minutes of the July 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 John McClelland, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Authorize Staff to terminate the investment management agreement with EII Capital Management, Inc. and liquidate the portfolio through the use of a transition manager. (Memo dated August 4, 2014.)
 - B. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Authorize an increase of \$34.1 million in the commitment of City View Bay Area II. (Memo dated July 25, 2014.)

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V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by the Corporate Governance Committee: Adopt the attached process to address issues arising from environmental, social, and geopolitical causes. (Memo dated July 28, 2014.)
- D. Recommendation as submitted by the Corporate Governance Committee: That your Board adopt LACERA's revised Corporate Governance Committee Policy. (Memo dated July 28, 2014.)
- E. Recommendation as submitted by the CEO Performance Committee: That the Board of Investments approve the CEO Performance Committee's salary recommendation for LACERA's Chief Executive Officer. (Memo dated 4, 2014.)
- F. Recommendation as submitted by the Travel Policy Committee: That your Board adopt the revised "Education and Travel Policy". (Memo dated July 23, 2014.)
- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to at The Sovereign Investor Institute's 2014 North America Government Funds Roundtable on September 22-23, 2014 in Toronto, Canada and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 31, 2014.)
- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at GCM Grosvenor's 2014 SEM Conference on September 22-23, 2014, in Chicago, Illinois and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 31, 2014.)

V. ACTION ITEMS (Continued)

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to at the GSAM Symposium on October 22 and 23, 2014, in New York City, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 5, 2014.)
- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to at Pacific Pension Institute's 2014 Executive Seminar and Roundtable which will be held in Singapore from November 9 through November 11, 2014 and November 12 through November 14, 2014, respectively and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 1, 2014.)
- K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to at SuperReturn Africa's 5th Annual 2014 Conference in Cape Town, South Africa on December 2-4, 2014, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 18, 2014.)

VI. REPORTS

- A. LACERA's Performance Review as of June 30, 2014

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

- B. Relational Investors
Dale Johnson, Investment Officer, Equities
(Memo dated August 5, 2014.) (For information only.)

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VI. REPORTS (Continued)

C. OBEB Trust Fund Quarterly Report
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated July 29, 2014.) (For information only.)

D. Effect of U.S. Sanctions on LACERA Holdings
David E. Kushner, CFA, Chief Investment Officer
(Memo dated August 5, 2014.) (For information only.)

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

VIII. EXECUTIVE SESSION

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

1. Performance Evaluation
Title: Chief Executive Officer

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, August 13, 2014, 9:00 A.M.

PRESENT: David Green, Vice Chair

Shawn Kehoe, Secretary

Mark J. Saladino

Diane Sandoval

Herman B. Santos

Michael Schneider

ABSENT: John M. Barger, Chair

Leonard Unger

Estevan Valenzuela

STAFF, ADVISORS, PARTICIPANTS

Robert Hill, Assistant Executive Officer

JJ Popovich, Assistant Executive Officer

David E. Kushner, Chief Investment Officer

John D. McClelland, Principal Investment Officer, Real Estate

Vache Mahseredjian, CFA, Principal Investment Officer

Christopher J. Wagner, Principal Investment Officer, Private Equity

STAFF, ADVISORS, PARTICIPANTS (Continued)

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, Investment Officer, Equities

Robert Van Der Volgen, Jr., Chief Counsel

Christine Roseland, Senior Staff Counsel

John Harrington, Staff Counsel

The Townsend Group

Micolyn M. Magee, Principal

GCM Customized Fund Investment Group

David Almodovar, Vice President

Wilshire Associates

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

Nicholas F. Sefchok, CFA, Senior Associate

I. PLEDGE OF ALLEGIANCE

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

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the July 9, 2014 meeting of the Board of Investments.

A motion to approve the Minutes of the July 9, 2014 meeting of the Board of Investments was made by Mr. Santos, seconded by Ms. Sandoval. The motion carried by unanimous vote.

III. PUBLIC COMMENT

None.

IV. REPORT ON CLOSED SESSION ITEMS

None.

- A. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Authorize Staff to terminate the investment management agreement with EII Capital Management, Inc. and liquidate the portfolio through the use of a transition manager. (Memo dated August 4, 2014.)

Ms. Sanders reported on the proposed termination of EII Capital Management, Inc. and the liquidation of the portfolio through the use of a transition manager.

V. ACTION ITEMS

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

- B. Recommendation as submitted by John McClelland, Principal Investment Officer, Real Estate and Trina Sanders, Investment Officer, Real Estate: Authorize an increase of \$34.1 million in the commitment of City View Bay Area II. (Memo dated July 25, 2014.)

Mr. McClelland provided a brief overview on the proposed commitment increase to City View Bay Area II. 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.

- C. Recommendation as submitted by the Corporate Governance Committee: Adopt the attached process to address issues arising from environmental, social, and geopolitical causes. (Memo dated July 28, 2014.)

Mr. Johnson provided a brief summary on the environmental, social, and geopolitical risks (ESG) review process. A brief discussion followed on the how to manage and identify risks.

V. ACTION ITEMS (Continued)

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

- D. Recommendation as submitted by the Corporate Governance Committee: That your Board adopt LACERA's revised Corporate Governance Committee Policy. (Memo dated July 28, 2014.)

A motion was made by Mr. Santos, seconded by Mr. Kehoe to adopt LACERA's revised Corporate Governance Committee Policy. The motion carried by unanimous vote.

- E. Recommendation as submitted by the CEO Performance Committee: That the Board of Investments approve the CEO Performance Committee's salary recommendation for LACERA's Chief Executive Officer. (Memo dated 4, 2014.)

A motion to approve the recommendation was made by Ms. Sandoval seconded by Mr. Kehoe. The motion failed with Messrs. Schneider, Kehoe and Ms. Sandoval voting yes, Mr. Saladino voting no, and with Mr. Santos and Vice Chair Green abstaining.

V. ACTION ITEMS (Continued)

A motion was made by Mr. Santos, seconded by Mr. Green to amend the motion to substitute a 2% increase effective July 1, 2014, January 1, 2015, and July 1, 2015 for a total of 6%. The motion failed with Messrs. Santos, Saladino, and Vice Chair Green voting yes and Messrs. Schneider, Kehoe and Ms. Sandoval voting no.

A motion was made by Mr. Kehoe, seconded by Ms. Sandoval to approve the CEO Performance Committee's salary recommendation for LACERA's Chief Executive Officer with a 5% pay increase effective August 1, 2014, August 1, 2015 and August 1, 2016, which represents an overall pay increase of 15% over three years. The motion carried with Mr. Saladino voting no.

V. ACTION ITEMS (Continued)

- F. Recommendation as submitted by the Travel Policy Committee:
That your Board adopt the revised “Education and Travel Policy”.
(Memo dated July 23, 2014.)

Mr. Van Der Volgen reported on the proposed revisions to the Education and Travel Policy. A brief discussion followed on clarification relating to exceeding the 8 conferences, or 12 conferences, if on both Boards. Also, further clarification was discussed relating to local conferences not exceeding the cost of \$1,000 and the revision to the red-eye provision from 12 midnight to 10 p.m.

A motion to adopt the revised Education and Travel Policy was made by Mr. Kehoe, seconded by Mr. Santos. The motion carried with Ms. Sandoval voting no.

- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to The Sovereign Investor Institute’s 2014 North America Government Funds Roundtable on September 22-23, 2014 in Toronto, Canada and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated July 31, 2014.)

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

V. ACTION ITEMS (Continued)

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to the GCM Grosvenor's 2014 SEM Conference on September 22-23, 2014, in Chicago, Illinois and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 31, 2014.)

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

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members to the GSAM Symposium on October 22 and 23, 2014, in New York City, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 5, 2014.)

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

V. ACTION ITEMS (Continued)

- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at Pacific Pension Institute's 2014 Executive Seminar and Roundtable which will be held in Singapore from November 9 through November 11, 2014 and November 12 through November 14, 2014, respectively and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated August 1, 2014.)

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

- K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at SuperReturn Africa's 5th Annual 2014 Conference in Cape Town, South Africa on December 2-4, 2014, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 18, 2014.)

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

VI. REPORTS

A. LACERA's Performance Review as of June 30, 2014

Wilshire Associates
William (Bill) Bensur, Jr., CFA, Managing Director
Nicholas F. Sefchok, CFA, Senior Associate

Messrs. Bensur and Sefchok provided a brief overview on LACERA's Portfolio review as of June 30, 2014 and reported that the capital market GDP growth remains below expectations. Investors continue to move out of the risk curve in the equity markets and the EPS growth remains solid and US stocks have outperformed non-US Stocks. In the fixed income market there continues to be a low interest rate environment and credit spreads are below long-term average. Investors are looking for alternative to traditional fixed income investments i.e. opportunistic strategies. In the alternative markets the commodities were weak performers in 2013, but did rebound the first half of 2014. Private equity pricing continues to increase and commitment overhand remained elevated. The hedge fund market expected risk adjusted returns, and they look attractive in the current capital market environment. Real estate shows a strong housing market which is supporting the US economy. US REITS were top performers in 2014.

VI. REPORTS (Continued)

LACERA's total Fund rose 3.8% and exceeded its policy benchmark return of 3.4% by 40 basis points. Non U.S. Equities, Fixed Income, Private Equity, Commodities and Cash outperformed their respective benchmarks. U.S. Equities and Hedge Funds matched their benchmark performance while Real Estate performed below its benchmark.

A brief overview was also presented on LACERA's Investment Structure and Investment Performance Analysis. A brief discussion followed and the Reports were received and filed.

- B. Relational Investors
Dale Johnson, Investment Officer, Equities
(Memo dated August 5, 2014.) (For information only.)

The Relational Investors report is for information only and was received and filed.

- C. OBEB Trust Fund Quarterly Report
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated July 29, 2014.) (For information only.)

The OBEB Trust Fund Quarterly Report is for information only and was received and filed.

VI. REPORTS (Continued)

- D. Effect of U.S. Sanctions on LACERA Holdings
David E. Kushner, CFA, Chief Investment Officer
(Memo dated August 5, 2014.) (For information only.)

Mr. Kushner's memo on the Effect of U.S. Sanctions on LACERA Holdings is for information only and was received and filed.

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

Mr. Hill, Mr. Kushner, and the Board, congratulated Mr. Green and Ms. Sandoval, on being re-elected to the Board of Investments. The Board also commended staff on their reports and presentations. Mr. Kehoe commended Mr. Hill for putting together an excellent presentation on proposed mergers of retirement systems, such as CalPERS, fire, and police departments, and how it would impact LACERA.

VIII. EXECUTIVE SESSION

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

1. Performance Evaluation
Title: Chief Executive Officer

The Board met in Execution Session pursuant to Government Code Section 54957 and there is nothing to report at this time.

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Green Folder Items

1. Chief Executive Officer's Report dated August 5, 2014.

IX. ADJOURNMENT

There being no further business the meeting was adjourned at 11:40 a.m.

Shawn Kehoe, Secretary

David Green, Vice Chair