

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, FEBRUARY 11, 2015, 9:00 A.M.

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Joseph Kelly, Secretary

Shawn Kehoe

Diane Sandoval

Herman B. Santos

Estevan Valenzuela

Valerie Villarreal

ABSENT: Michael Schneider

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

David E. Kushner, Chief Investment Officer

Vache Mahseredjian, CFA, Principal Investment Officer

Christopher J. Wagner, Principal Investment Officer, Private Equity

Robert Z. Santos, Investment Officer, Fixed Income

Esmeralda Vita Del Bosque, Senior Investment Analyst, Fixed Income

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STAFF, ADVISORS, PARTICIPANTS (Continued)

David Chu, Investment Officer, Private Equity

David Simpson, Investment Officer, Private Equity

Elin Szymanowski, Senior Investment Analyst, Private Equity

Robb Van Der Volgen, Chief Counsel

John Nogales, Director – Human Resources

Wilshire Associates

Julia K. Bonafede, CFA, President

GCM Customized Fund Investment Group

David Almodovar, Vice President

I. PLEDGE OF ALLEGIANCE

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

II. ELECTION OF OFFICERS: (Election of Secretary and Audit Committee Member)

The election of officers was conducted by Secretary Kehoe.

A. Secretary

Mr. Kelly was nominated to the position of Secretary of the Board of Investments by Ms. Sandoval, seconded by Mr. Valenzuela. Hearing no other

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II. ELECTION OF OFFICERS: (Election of Secretary and Audit Committee Member) (Continued)

nominations, the nominations were closed on a motion by Mr. Valenzuela seconded by Ms. Sandoval and unanimously approved.

Secretary Kehoe announced Mr. Kelly was elected Secretary of the Board of Investments.

Mr. Kehoe announced he is resigning the position of the Board of Investments Audit Committee Member as he holds a seat on the Audit Committee due to his position as Board of Retirement Chair.

Ms. Villarreal was nominated to the position of Audit Committee Member of the Board of Investments by Mr. Barger, seconded by Mr. Kehoe. Hearing no other nominations, the nominations were closed on a motion by Mr. Kehoe, seconded by Mr. Valenzuela and unanimously approved.

Secretary Kehoe announced Ms. Villarreal was elected Audit Committee Member.

III. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the January 14, 2015, meeting of the Board of Investments.

A motion to approve the Minutes for the January 14, 2015 Meeting of the Board of Investments was made by Mr. Green , seconded by Mr. Valenzuela. The motion carried with Messrs. Kelly and Valenzuela abstaining.

IV. PUBLIC COMMENT

None.

V. REPORT ON CLOSED SESSION ITEMS

None.

VI. ACTION ITEMS

- A. General Consultant Transition and Consultant Search Priorities
David E. Kushner, Chief Investment Officer
(Memo dated February 4, 2015.)

Mr. Kushner presented a brief overview on LACERA's General Consultant transition, including search priorities after notification from Wilshire Associates that Bill Bensur, Lead Consultant for Wilshire Associates was leaving the

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VI. ACTION ITEMS (Continued)

organization. Mr. Kushner reported that Patrick Lighaam, Managing Director at Wilshire's Santa Monica office would be designated as LACERA's lead consultant with continued support from J.M. Ruscetti, and Nick Sefchok of Wilshire's consulting team. With the announced changes at Wilshire Associates, Mr. Kushner recommends revisiting the consultant search schedule to ensure alignment of work priorities. A brief discussion followed.

A motion was made by Mr. Barger, seconded by Mr. Valenzuela to move immediately with the general consultant search, allowing Wilshire to compete for general consultant, and to return to the Board with a projected timeline which includes the private equity, real estate, and actuary consultant search. The motion carried by unanimous vote.

VI. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Robert S. Van Der Volgen, Chief Counsel: Approve the attached ballot insert entitled “POWERS AND DUTIES OF INVESTMENT BOARD MEMBERS” to be included with the ballot materials for the election of the Third Member of the Board of Investments. (Memo dated January 28, 2015.)

Mr. Van Der Volgen provided an executive summary on the proposed revisions to the Statement of Powers and Duties of Investment Board Members.

A motion was made by Mr. Valenzuela, seconded by Mr. Kelly, to approve the ballot insert to the Statement of Powers and Duties of Investment Board Member as amended to include the approximately 16 hours of preparation for Board meetings, including the Board members’ attendance at committee meetings, which has its own time requirements. The motion carried by unanimous vote.

- C. Recommendation as submitted by David E. Kushner, Chief Investment Officer: (1) Cancel the November 11, 2015 meeting; and (2) Reschedule the November 11, 2015 Board of Investments meeting to Tuesday, November 10, 2015 at 9:00 A.M. (Memo dated January 29, 2015.)

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

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VI. ACTION ITEMS (Continued)

- D. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That your Board adopt the attached OPEB Trust Investment Policy Statement with the proposed revisions. (Memo dated February 3, 2015.)

Mr. Kushner presented a brief overview on the proposed revisions to the OPEB Trust Investment Policy Statement. A discussion followed on issues relating to the analysis on risk profile.

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

Chair Barger pointed out that Action Item VI. H. would be handled at this time.

- H. Recommendation as submitted by Vache Mahseredjian, CFA, CAIA, FRM, ASA, Principal Investment Officer: That your Board (1) Hire Brookfield Investment Management and DoubleLine Capital, for Securitized Credit mandates and allocate \$200 million to each manager; and (2) Place Trust Company of the West (TCW) on a bench for the same mandate. (Memo dated February 2, 2015.)

Mr. Mahseredjian provided a brief overview on the proposed finalist interviews for the securitized credit mandate and opportunistic fixed income manager search. He introduced the three finalists, Brookfield Investment

VI. ACTION ITEMS (Continued)

Management Inc., DoubleLine Capital and Trust Company of the West (TCW) who followed with their respective presentations. Each firm pointed out their historical background, investment strategy and perspective.

The Board commended Vache Mahseredjian, Robert Santos and Esmeralda Del Bosque on their reports and presentation. A discussion followed.

A motion was made by Mr. Santos, seconded by Ms. Sandoval to hire Trust Company of the West (TCW) and DoubleLine Capital for the Securitized Credit mandates, allocating \$200 million to each manager and place Brookfield Investment Management on the bench for the same mandate. The motion carried with Ms. Sandoval, Messrs. Green, Kehoe, Santos, and Valenzuela voting yes and Ms. Villarreal, Mr. Kelly and Chair Barger voting no.

Chair Barger indicated the meeting would return to its regular order of business in open session.

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VI. ACTION ITEMS (Continued)

- E. 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 \$75 million to GGV Capital Select L.P. (Memo dated February 4, 2015.)

Mr. Simpson presented a brief overview on the proposed commitment to GGV Capital Select L.P., its merits and why LACERA should make a commitment of up to \$75 million. A brief discussion followed.

A motion to approve the recommendation was made by Mr. Santos, seconded by Mr. Green. The motion failed with Mr. Santos and Mr. Green voting yes and Messrs. Kelly, Kehoe, Valenzuela Mmes. Sandoval, Villarreal and Chair Barger voting no.

- F. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer-Private Equity, and Elin Szymanowski, Senior Investment Analyst, Private Equity: Approve a commitment of up to \$200 million to Carlyle U.S. Equity Opportunity Fund II, L.P. (Memo dated February 4, 2015.)

Ms. Szymanowski presented a brief overview on the proposed commitment to Carlyle U.S. Equity Opportunity Fund II, L.P. its merits and why LACERA should make a commitment of up to \$200 million. A brief discussion followed on valuation concerns.

VI. ACTION ITEMS (Continued)

A motion to approve the recommendation was made by Mr. Valenzuela, seconded by Mr. Kelly. The motion carried with Mr. Green, Chair Barger and Ms. Villarreal voting no.

- G. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer-Private Equity, and David Chu, Investment Officer, Private Equity: Approve a commitment of up to \$50 million to Storm Ventures Fund V, L.P. (Memo dated February 3, 2015.)

Mr. Chu gave a brief presentation on the proposed commitment of up to \$50 million to Storm Ventures Fund V, L.P. its merits and why LACERA should make a commitment of up to \$50 million. A brief discussion followed on fee concerns.

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

VII. REPORTS

- A. Fund Performance Review as of December 31, 2014
Wilshire Investment Performance Analysis as of December 31, 2014
David Kushner, Chief Investment Officer

The Fund Performance Review is rescheduled to be held at the March 11, 2015 Board of Investments meeting.

VII. REPORTS (Continued)

- B. Quarterly Report for the OPEB Trust Fund as of December 31, 2014
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated January 23, 2015.) (For information only.)

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

- C. Semi-Annual Interest Crediting for Reserves as of
December 31, 2014
Beulah S. Auten, Chief Financial Officer
(Memo dated January 30, 2015.) (For information only.)

The Semi-Annual Interest Crediting for Reserves as of December 31, 2014 is for information only and was received and filed.

VIII. 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 and decided to retain outside counsel to advise the Board on employment matters.

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IX. GOOD OF THE ORDER

(For discussion purposes only.)

Green Folder Items

1. Chief Executive Officer's Report dated February 3, 2015.
2. Real Estate Committee Update dated February 9, 2015.

X. ADJOURNMENT

There being no further business the meeting adjourned at 2:15 p.m.

Joseph Kelly, Secretary

John M. Barger, Chair