

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

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Michael Schneider

Estevan Valenzuela

Valerie Villarreal

ABSENT: Shawn Kehoe

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

John McClelland, Principal Investment Officer, Real Estate

March 11, 2015

Page 2

STAFF, ADVISORS, PARTICIPANTS (Continued)

David Chu, Investment Officer, Private Equity

Stephen Rice, Chief Counsel

Beulah Auten, Chief Financial Officer

Ted Granger, Assistant Financial Officer

John Nogales, Director – Human Resources

Milliman

Nick Collier, ASA, EA, MAAA, Consulting Actuary

Jennifer Senta, FSA, MAAA, Consulting Actuary

Brown Armstrong

Andy Paulden, CPA, Principal

Connie Perez, CPA, Principal

Wilshire Associates

Patrick Lighaam, Managing Director

Steve Foresti, Managing Director

GCM Customized Fund Investment Group

David Almodovar, Vice President

I. PLEDGE OF ALLEGIANCE

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

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

The election of Audit Committee Member was conducted by Secretary Kelly.

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

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

Secretary Kelly announced Mrs. Sandoval was elected Audit Committee Member.

III. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the February 11, 2015, meeting of the Board of Investments.

A motion to approve the Minutes for the meeting of February 11, 2015 was made by Ms. Sandoval, seconded by Mr. Green. The motion carried by unanimous vote.

IV. PUBLIC COMMENT

Ms. Winifred “Wini” Jackson, a LACERA Retiree, expressed her concerns relating to LACERA’s Retiree Health Care Coverage. Chair Barger asked that staff follow-up with the Retiree Health Care Department to address her concerns.

March 11, 2015

Page 4

V. REPORT ON CLOSED SESSION ITEMS

None.

VI. CONSENT AGENDA

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Approve attendance of Board members at The Pension Bridge Annual Conference on April 7 & 8, 2015 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated February 23, 2015.)
- B. Recommendation as submitted by Dale Johnson, Investment Officer: Approve attendance of Board members at the International Corporate Governance Network's 20th Anniversary Conference to be held June 3-5, 2015 at the Guildhall London and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy; and, grant a waivers to Section 705.07.D.1 and Section 705.07.D.2 of LACERA's Education and Travel Policy, for Board member attendance at this conference. (Memo dated February 23, 2015.)

A brief discussion followed on concerns relating to international investments and Corporate Governance. Also, the Board asked that waiver exceptions to the Educational and Travel Policy are to be to be disclosed on travel memoranda requiring approval by the Board.

A motion to approve the Consent Agenda Items A and B was made by Mr. Santos, seconded by Mr. Schneider. The motion carried with Mr. Kelly voting no.

VII. ACTION ITEMS

March 11, 2015

Page 5

- A. Discussion and possible action regarding Consultant Search Project Timelines, submitted by Gregg Rademacher, Chief Executive Officer. (Memo dated March 3, 2015.)

Mr. Rademacher presented an executive summary on the proposed project timeline relating to the search for general investment consultant, private equity consultant, real estate consultant, and actuarial services consultant. A discussion followed with emphasis on reinforcing the consultant's reporting relationship to the Board and evaluating the consultant's performance. The Board directed the CEO to report back to the Board on how the California State Teachers Retirement System structures their general investment consultant relationship.

A motion to receive and file the Report on the Consultant Search Project Timeline was made by Mr. Valenzuela, seconded by Mr. Santos. The motion carried by unanimous vote.

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board, (1) Authorize staff to issue a Request for Proposal for a general investment consultant; (2) Approve the proposed scope of work and minimum qualifications; and (3) Provide direction to staff on the proposed search methodology and timeline. (Memo dated March 2, 2015.)

Mr. Rademacher provided an executive summary on the proposed Request for Proposal ("RFP") for a general investment consultant.

VII. ACTION ITEMS (Continued)

March 11, 2015

Page 6

The Board directed staff to include in-house and on-site general consultant interviews in the evaluation process. The interviews will be conducted by a Board of Investment ad hoc evaluation committee with staff participation. The written RFP responses will be evaluated by staff. Board members are welcome to participate in the written RFP response evaluation as their calendars permit.

A motion was made by Mr. Valenzuela, seconded by Ms. Sandoval to approve the recommendation as amended per discussion, to include forming an ad hoc committee to assist in the Request for Proposal (“RFP”) search to be held for a general investment consultant. The motion carried by unanimous vote.

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board (1) Consider nominating a LACERA representative for the Council of Institutional Investors Board of Directors; (2) Determine CII Board of Director voting strategy based on nomination decision; and (3) Provide direction on voting for the CII General Members Business Meeting Ballot. (Memo dated March 3, 2015.)

Mr. Rademacher provided a brief overview on the proposed recommendation relating to CII’s nomination for the Board of Directors and General Members Business Meeting Ballot.

March 11, 2015

Page 7

VII. ACTION ITEMS (Continued)

A motion was made by Mr. Valenzuela, seconded by Ms. Sandoval to entrust LACERA's delegates the right to vote this late for the Directors and to designate LACERA's representatives to vote for all four ballot items as recommended. The motion carried by unanimous vote.

- D. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, Private Equity: That your Board approve the 2015 Private Equity Annual Investment Plan following review of Staff's response to questions raised by the Board of Investments on January 14, 2015. (Memo dated March 3, 2015.)

Mr. Wagner provided an executive summary on the proposed 2015 Private Equity Annual Investment Plan. A brief discussion followed relating to ancillary costs concerns.

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

March 11, 2015

Page 8

VII. ACTION ITEMS (Continued)

- E. 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 \$125 million to Institutional Venture Partners Fund XV, L.P. (Memo dated March 3, 2015.)

Mr. Chu provided a brief overview on the proposed commitment to Institutional Venture Partners Fund XV, L.P., its merits, and why LACERA should make a commitment of up to \$125 million. A brief discussion followed with the Board commending staff on their report.

A motion to approve the recommendation was made by Mr. Santos, seconded by Mr. Valenzuela. The motion failed due to a tie vote, with Mr. Schneider, Mr. Barger, Ms. Sandoval, and Ms. Villarreal voting no, and Messrs. Santos, Valenzuela, Green, Kelly voting yes. A second vote was taken on a motion to reconsider the recommendation by Ms. Villarreal with Mr. Schneider, Mr. Barger and Ms. Sandoval, voting no and Messrs. Santos, Valenzuela, Green, Kelly, and Ms. Villarreal voting yes. The motion carried.

VII. ACTION ITEMS (Continued)

- F. Recommendation as submitted by the Corporate Governance Committee: That the Board Adopt LACERA's revised U.S. and Non-U.S. Proxy Voting Guidelines.
(Memo dated February 17, 2015.)

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

VIII. REPORTS

- A. Overview – Governmental Accounting Standards Board Statement Numbers 67 and 68 (GASB 67 and 68).
Beulah S. Auten, CPA, CGFM, CGMA, Chief Financial Officer,
Ted Granger, CPA, CGMA, CRMA, Assistant Financial Officer,
(Memo dated February 26, 2015)

Milliman
Nick Collier, ASA, EA, MAAA, Consulting Actuary
Jennifer Senta, FSA, MAAA, Consulting Actuary

Brown Armstrong
Andy Paulden, CPA, Principal
Connie Perez, CPA, Principal

Ted Granger, Assistant Financial Officer introduced the principals of Milliman and of Brown Armstrong, who followed with a comprehensive overview on the Governmental Accounting Standards Board Statement Number 67 and 68 (“GASB 67 and 68”) which was presented at the request of the Investment Board

VIII. REPORTS (Continued)

Chairman. GASB 67 is the financial reporting for pension plans, applicable to LACERA and its successful implementation is reflected in LACERA's financial statements as of June 30, 2014. GASB 68 is the accounting and financial reporting for pensions – plan sponsors (County and Outside Districts) effective for fiscal year ending June 30, 2015. A brief discussion followed and the Report was received and filed.

Chair Barger pointed out that IX. Executive Session, Item A. would be handled at this time.

IX. 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 and pursuant to Government Code Section 54957 and there is nothing to report at this time.

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

March 11, 2015

Page 11

VIII. REPORTS (Continued)

- B. Educational Session on the Asset Allocation Process
David Kushner, Chief Investment Officer
(Memo dated March 4, 2015.)

Wilshire Associates
Patrick Lighaam, Managing Director
Steve Foresti, Managing Director

Mr. Kushner pointed out that one of the most important decisions made relating to an investment program is Asset Allocation. He introduced both Mr. Lighaam and Mr. Foresti of Wilshire Associates, LACERA's General Consultant, who followed with an educational session on the asset allocation process. A brief discussion followed and the Report was received and filed.

- C. Fund Performance Review as of December 31, 2014
Wilshire Investment Performance Analysis as of December 31, 2014
David Kushner, Chief Investment Officer
(For information only.)

The Fund Performance Review as of December 31, 2014 is for information only and was received and filed.

- D. 2014 Fourth Quarter Hedge Fund Performance Report
Ingrid Tang, Senior Investment Analyst, Hedge Funds
(Memo dated February 25, 2015.) (For information only.)

The 2014 Fourth Quarter Hedge Fund Performance Report is for information only and was received and filed.

March 11, 2015

Page 12

VIII. REPORTS (Continued)

- E. CityView Southern California Fund II Update
Trina L. Sanders, Investment Officer, Real Estate
(Memo dated March 2, 2015.) (For information only.)

The CityView Southern California Fund II Update is for information only and was received and filed.

X. GOOD OF THE ORDER

For discussion purposes only.

XI. ADJOURNMENT

There being no further business the meeting adjourned at 1:05 p.m.

Joseph Kelly, Secretary

John M. Barger, Chair