

AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101
9:00 A.M., WEDNESDAY, AUGUST 12, 2015

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of July 8, 2015

IV. REPORT ON CLOSED SESSION ITEMS

V. PUBLIC COMMENT

VI. CHIEF INVESTMENT OFFICER'S REPORT

VII. CONSENT AGENDA

A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 21st Annual Alpha Hedge West Conference on September 27 – 29, 2015 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 17, 2015)

B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the AVCJ's 16th Annual Private Equity & Venture Forum on December 1 – 2, 2015 in Mumbai, India and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 21, 2015)

VII. CONSENT AGENDA (Continued)

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2015 Principles for Responsible Investment (PRI) in Person Conference on September 8 – 10, 2015 in London, England and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 21, 2015)
- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at The 2015 Fortune Brainstorm E: Energy, Technology, and Sustainability Conference on September 28 – 29, 2015 in Austin, Texas and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 21, 2015)

VIII. NON – CONSENT ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer. That the Board approve the following:
 - 1. Approve the Chief Executive Officer's recommendation for an Annual Merit Salary Adjustment from a minimum of zero to a maximum of 5 percent for Management Appraisal and Performance Plan Tier I participants effective October 1, 2015 in accordance with program provisions, with the exception of the Chief Executive Officer.
 - 2. Approve reassigning Legal services and Disability Litigation Division counsel positions participating in the LACERA Standardized Salary Schedule to the LACERA Management Appraisal and Performance Plan Tier II, effective October 1, 2015.
 - 3. Approve reassigning the following classified and unclassified positions participating in the Management Appraisal and Performance Plan Tier I to Tier II effective January 1, 2016: Assistant Executive Officer, Chief Counsel, Chief Counsel Disability Litigation, Chief Internal Audit, and Retiree Health Care Director.

VIII. NON – CONSENT ITEMS (Continued)

4. Clarify language in the salary ordinance section 6.127.040 to state the granting authority for Tier I merit salary adjustments.
 5. Approve an amendment to the salary ordinance to allow unclassified positions in the investment office to be eligible for the Chartered Financial Analyst certification compensation.
 6. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement these changes.
(Memo dated August 4, 2015)
- B. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board 1) Reach consensus on “Other Opportunities” category, and 2) Select LACERA’s optimal asset allocation: the new Policy Portfolio. (Memo dated August 3, 2015)
- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer – Private Equity, and David E. Simpson, Investment Officer – Private Equity: That the Board approve a commitment of up to \$125 million (or 35% of total commitments raised, whichever is less) to Australis Partners Fund, L.P.
(Memo dated August 3, 2015)

IX. REPORT

- A. Wilshire Investment Performance Review for period ending June 30, 2015

Wilshire Associates

Patrick Lighaam, Managing Director

Marlin Pease, Managing Director

- B. Fund Performance Review as of June 30, 2015
Wilshire Investment Performance Analysis as of June 30, 2015
Vache Mahseredjian, Interim Chief Investment Officer
(For Information Only)

IX. REPORT (Continued)

C. Opportunistic Fixed Income Manager Contract Negotiations
Vache Mahseredjian, Interim Chief Investment Officer
Robert Z. Santos, Investment Officer –Fixed Income
(Memo dated August 3, 2015)

D. Summer Intern Project Demonstration
(Memo dated July 22, 2015)

Real Estate Interns
Cindy Rivera
Taylor Neiman

E. Quarterly Report for the OPEB Trust Fund
Ted Wright, Principal Investment Officer
(Memo dated July 24, 2015) (For Information Only)

F. Real Estate Consultant Search Update
John McClelland, Principal Investment Officer – Real Estate
Amit Aggarwal, Investment Officer – Real Estate
(Memo dated July 23, 2015) (For Information Only)

G. Personnel Departures at TA Realty
Amit Aggarwal, Investment Officer – Real Estate
(Memo dated July 28, 2015) (For Information Only)

H. Semi-Annual Interest Crediting for Reserves as of
June 30, 2015 (Unaudited)
Beulah S. Auten, Chief Financial Officer
(Memo dated July 31, 2015) (For Information Only)

I. Chief Executive Officer's Report
(Memo dated August 4, 2015) (For Information Only)

X. EXECUTIVE SESSION

A. Conference with Legal Counsel – Pending Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of California
Government Code Section 54956.9)

1. In re Credit Default Swaps Antitrust Litigation
U.S.D.C., S.D.N.Y. No.13-MD-2476 (DLC)

B. Conference with Legal Counsel - Anticipated Litigation
Significant exposure to litigation pursuant to Paragraph
(2) of Subdivision (d) of California Government Code Section
54956.9

1. Tort Claim

XI. GOOD OF THE ORDER
(For information purposes only)

XII. 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 REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, AUGUST 12, 2015

PRESENT: John M. Barger, Chair

David Green, Vice Chair (Left at 12:20 p.m.)

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Kenneth Simril

Estevan Valenzuela

Valerie Villarreal

ABSENT: Shawn Kehoe

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

Michael Herrera, Senior Staff Counsel

Johanna Fontenot, Senior Staff Counsel

John McClelland, Principal Investment Officer - Real Estate

STAFF ADVISORS AND PARTICIPANTS (Continued)

Amit Aggarwal, Investment Officer - Real Estate

Christopher J. Wagner, Principal Investment Officer - Private Equity

Robert Z. Santos, Investment Officer- Fixed Income

Ted Wright, Principal Investment Officer - Equities

Wilshire Associates

Patrick Lighaam, Managing Director

Stephen M. Marshall, Managing Director

Marlin Pease, Managing Director

GCM Customized Fund Investment Group

David Almodovar, Vice President

Mina Pacheco, Partner

LACERA Real Estate Interns

Cindy Rivera

Taylor Neiman

I. CALL TO ORDER

The meeting was called to order by Chair Barger at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Kelly led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of July 8, 2015

III. APPROVAL OF MINUTES (Continued)

Ms. Sandoval made a motion, Mr. Green seconded, to approve the minutes of the regular meeting of July 8, 2015. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Mahseredjian provided a brief update on staff's objectives and thoughts on the meeting's agenda items. The Board recommended Mr. Mahseredjian include thoughts on economic, political, and global markets, current events in the pension industry, and contract negotiations/status.

VII. CONSENT AGENDA

Ms. Sandoval made a motion, Mr. Green seconded, to approve the following agenda items. The motion passed unanimously.

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 21st Annual Alpha Hedge West Conference on September 27 – 29, 2015 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 17, 2015)

VII. CONSENT AGENDA (Continued)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the AVCJ's 16th Annual Private Equity & Venture Forum on December 1 – 2, 2015 in Mumbai, India and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 21, 2015)
- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2015 Principles for Responsible Investment (PRI) in Person Conference on September 8 – 10, 2015 in London, England and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated July 21, 2015)
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VIII. NON – CONSENT ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer, that the Board approve the following:
 - 1. Approve the Chief Executive Officer's recommendation for an Annual Merit Salary Adjustment from a minimum of zero to a maximum of 5 percent for Management Appraisal and Performance Plan Tier I participants effective October 1, 2015 in accordance with program provisions, with the exception of the Chief Executive Officer.
 - 2. Approve reassigning Legal services and Disability Litigation Division counsel positions participating in the LACERA Standardized Salary Schedule to the LACERA Management Appraisal and Performance Plan Tier II, effective October 1, 2015.

VIII. NON – CONSENT ITEMS (Continued)

3. Approve reassigning the following classified and unclassified positions participating in the Management Appraisal and Performance Plan Tier I to Tier II effective January 1, 2016: Assistant Executive Officer, Chief Counsel, Chief Counsel Disability Litigation, Chief Internal Audit, and Retiree Health Care Director.
4. Clarify language in the salary ordinance section 6.127.040 to state the granting authority for Tier I merit salary adjustments.
5. Approve an amendment to the salary ordinance to allow unclassified positions in the investment office to be eligible for the Chartered Financial Analyst Certification compensation.
6. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement these changes.
(Memo dated August 4, 2015)

Mr. Kelly made a motion, Ms. Villarreal seconded, to approve the recommendation with the revision to clarify the language in the salary ordinance to state the granting authority for Tier 1 merit salary adjustments be the Retirement Administrator by changing the ordinance language 6.127.40 Section O. to say “Annually, the Retirement Administrator shall ~~recommend~~ grant a Merit Salary Adjustment, ranging from a minimum of zero to a maximum of 5%.” The motion passed unanimously.

- B. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board 1) Reach consensus on “Other Opportunities” category, and 2) Select LACERA’s optimal asset allocation: the new Policy Portfolio. (Memo dated August 3, 2015)

VIII. NON – CONSENT ITEMS (Continued)

Mr. Mahseredjian and consultants from Wilshire Associates presented an educational session on LACERA's Asset Liability Valuation and answered questions from the Board.

Chair Barger made a motion, Mr. Green seconded, to keep the "Other Opportunities" category. The motion passed unanimously.

Mr. Santos made a motion, Mr. Valenzuela seconded, to select the Match Current Return as LACERA's optimal asset allocation. Mr. Valenzuela withdrew his second.

Chair Barger made a motion, Ms. Villarreal seconded, to select the Current Standard Deviation – 100bps as LACERA's optimal asset allocation. The motion passed with Messrs. Green and Santos voting no.

- C. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer – Private Equity, and David E. Simpson, Investment Officer – Private Equity: That the Board approve a commitment of up to \$125 million (or 35% of total commitments raised, whichever is less) to Australis Partners Fund, L.P. (Memo dated August 3, 2015)

Christopher J. Wagner, David E. Simpson and Grosvenor consultant,

Mina Pacheco, provided an overview of the investment and were present to answer questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to approve the recommendation. The motion passed with Mr. Valenzuela, Chair Barger, and Ms. Sandoval voting no.

IX. REPORT

A. Wilshire Investment Performance Review for period ending June 30, 2015

Wilshire Associates

Patrick Lighaam, Managing Director

Stephen M. Marshall, Managing Director

Marlin Pease, Managing Director

(Mr. Green left the Board meeting at 12:20 p.m.)

Wilshire consultants provided the Board with an overview of investment performance ending June 30, 2015.

B. Fund Performance Review as of June 30, 2015

Wilshire Investment Performance Analysis as of June 30, 2015

Vache Mahseredjian, Interim Chief Investment Officer

(For Information Only)

The report was received and filed.

C. Opportunistic Fixed Income Manager Contract Negotiations

Vache Mahseredjian, Interim Chief Investment Officer

Robert Z. Santos, Investment Officer –Fixed Income

(Memo dated August 3, 2015)

Vache Mahseredjian and Robert Z. Santos were present to answer

questions from the Board.

D. Summer Intern Project Demonstration

(Memo dated July 22, 2015)

Real Estate Interns

Cindy Rivera

Taylor Neiman

The Real Estate Interns shared with the Board the project they completed for

IX. REPORT (Continued)

the Real Estate group and provided a live demonstration.

- E. Quarterly Report for the OPEB Trust Fund
Ted Wright, Principal Investment Officer
(Memo dated July 24, 2015) (For Information Only)

The Item was received and filed.

- F. Real Estate Consultant Search Update
John McClelland, Principal Investment Officer – Real Estate
Amit Aggarwal, Investment Officer – Real Estate
(Memo dated July 23, 2015) (For Information Only)

The Item was received and filed.

- G. Personnel Departures at TA Realty
Amit Aggarwal, Investment Officer – Real Estate
(Memo dated July 28, 2015) (For Information Only)

The Item was received and filed.

- H. Semi-Annual Interest Crediting for Reserves as of
June 30, 2015 (Unaudited)
Beulah S. Auten, Chief Financial Officer
(Memo dated July 31, 2015) (For Information Only)

The Item was received and filed.

- I. Chief Executive Officer's Report
(Memo dated August 4, 2015) (For Information Only)

The Item was received and filed.

X. EXECUTIVE SESSION

This Item was handled out of order, after Item VIII.A.

X. EXECUTIVE SESSION (Continued)

A. Conference with Legal Counsel – Pending Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)

1. In re Credit Default Swaps Antitrust Litigation
U.S.D.C., S.D.N.Y. No.13-MD-2476 (DLC)

The Board met in Executive Session pursuant to Paragraph 1 of Subdivision (d) of California Government Code Section 54956.9 and there is nothing to report at this time.

B. Conference with Legal Counsel - Anticipated Litigation
Significant exposure to litigation pursuant to Paragraph
(2) of Subdivision (d) of California Government Code Section 54956.9

1. Tort Claim

The Board met in Executive Session pursuant to Paragraph 2 of Subdivision (d) of Government Code Section 54956.9 in which the Board unanimously voted to deny the claim and to place LACERA's insurance company on notice of the claim.

XI. GOOD OF THE ORDER
(For information purposes only)

Mr. Kelly shared that Moody's increased the County's rating outlook from stable to positive largely due to the Board of Supervisors decision to prefund OPEB. In addition, Mr. Kelly shared that his department won an award for Los Angeles County's Bond Refunding Program, which was also the best in category, from the National Association of Counties (NACo). Lastly, Mr. Kelly shared with the Board his experience

XI. GOOD OF THE ORDER (Continued)

in taking his staff to the Special Olympics at USC.

Mr. Santos requested an educational session be agendaized to cover the implications of the proposed ballot initiative “Voter Empowerment Act of 2016.”

Mr. Barger shared his experience of attending the Brainstorm Tech Conference and highly recommended it for others to attend.

Lastly, Mr. Rademacher shared his experience of attending the SACRS Public Pension Investment Management Program in Berkeley, CA. In addition, he provided an update about the CIO search announcing that Egon Zehnder has been hired as the executive recruiter. Lastly, Mr. Rademacher shared the standard Board agenda format has been changed replacing “Action Items” with “Non-Consent Items”.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting)

1. Update Private Equity Audit Report (For Information Only)
(Memo dated August 4, 2015)
2. Litigation Status Report (Confidential Attorney – Client Communication)
(For Information Only) (Memo dated August 3, 2015)

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:55 p.m.

JOSEPH KELLY, SECRETARY

JOHN M. BARGER, CHAIR