

AGENDA

MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, FEBRUARY 12, 2014, 9:00 A.M.

I. PLEDGE OF ALLEGIANCE

II. APPROVAL OF THE MINUTES

- A. Approval of the Minutes of the January 8, 2014 meeting of the Board of Investments.

III. PUBLIC COMMENT

IV. REPORT ON CLOSED SESSION ITEMS

V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Staff recommends that the Board of Investments direct the plan actuary to implement a temporary valuation methodology, beginning with the June 30, 2013 valuation and ending with the June 30, 2017 valuation, to calculate the normal cost of the new General Plan G and Safety Plan C tiers based on a five year rolling active population. (Memo dated February 4, 2014.)

Milliman

Nick Collier, ASA, EA, MAAA

- B. Recommendation as submitted by Robert S. Van Der Volgen, Chief Counsel: That your Board approve the attached ballot insert entitled “POWERS AND DUTIES OF INVESTMENTS BOARD MEMBERS” to be included with the ballot materials for the election of the Second and Eighth Members of the Board of Investments. (Memo dated January 27, 2014.)

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V. ACTION ITEMS (Continued)

- C. Recommendation as submitted by the Travel Policy Committee:
That your Board approve the changes shown on the attached draft Education and Travel Policy, with the changes to become effective upon adoption. (Memo dated January 9, 2014.)
- D. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That your Board adopt the Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust. (Memo dated January 30, 2014.)
- E. Recommendation as submitted by John M. Barger, Chair, Board of Investments: That your Board establish standing committees to oversee designated investment portfolio asset classes and risk management. (Memo dated February 4, 2014.)
- F. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board ratify attendance by Board member Herman Santos at the Colombian Investors Forum held in Bogota, Colombia on February 5-6, 2014 and approve reimbursement of all conference fees and travel costs associated with conference attendance according to LACERA's Education and Travel Policy. (Memo dated January 27, 2014.) (Placed on the Agenda at the request of Mr. Santos.)
- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board ratify attendance by Board member John Barger at the SuperInvestor U.S. 2014 Summit and Conference which was held on February 3-5, 2014 in San Francisco, California, and approve reimbursement of all costs associated with the conference according to LACERA's Education and Travel Policy. (Memo dated February 5, 2014.) (Placed on the Agenda at the request of Mr. Barger.)

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V. ACTION ITEMS (Continued)

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 2014 BLG&G Seminar entitled: Protecting Securities Portfolios Against Fraud to be held in New York City on March 30 and April 1, 2014 and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated January 27, 2014.) (Placed on the Agenda at the request of Mr. Van Der Volgen.)
- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 24th Annual Southern California Public Retirement Seminar on February 27, 2014 in Lakewood, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated January 7, 2014.) (Placed on the Agenda at the request of Ms. Sandoval.)
- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 2014 Latin Markets Peruvian Investors Forum to be held on March 18-19, 2014 in Lima, Peru and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated January 27, 2014.) (Placed on the Agenda at the request of Mr. Santos.)

VI. REPORTS

- A. LACERA's Performance Review as of December 31, 2013
David Kushner, CFA, Chief Investment Officer
- B. Continuation of Board Offsite Discussion –
Commodities and Fees
David Kushner, CFA, Chief Investment Officer
(Memo dated February 4, 2014.)

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VI. REPORTS (Continued)

- C. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated February 5, 2014.)

GCM Customized Fund Investment Group (“CFIG”)
David Almodovar, Principal

- D. State Street Fined by UK Financial Conduct Authority
David Kushner, CFA, Chief Investment Officer
(Memo dated February 4, 2014.)

- E. Western Asset Management Settlement
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated February 4, 2014.)

- F. OPEB Trust Fund Quarterly Report as of December 31, 2013
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated February 5, 2014.) (For information only.)

- G. Pacific Investment Management Company (PIMCO)
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated February 4, 2014.) (For information only.)

- H. Cornerstone Real Estate Advisers Personnel Change
John D. McClelland, Principal Investment Officer, Real Estate
(Memo dated January 31, 2014.) (For information only.)

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

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XIII. 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, FEBRUARY 12, 2014, 9:00 A.M.

PRESENT: John M. Barger, Chair

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

Shawn Kehoe, Secretary

Mark J. Saladino

Diane Sandoval

Herman B. Santos

Michael Schneider

Estevan Valenzuela

ABSENT: Leonard Unger

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

Vache Mahseredjian, CFA, Principal Investment Officer

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STAFF, ADVISORS, PARTICIPANTS (Continued)

Christopher J. Wagner, Principal Investment Officer, Private Equity

June H. Kim, Principal Investment Officer, Equities

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, Senior Investment Analyst, Equities

Robert S. Van Der Volgen, Chief Counsel

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

John Harrington, Staff Counsel

John Nogales, Director, Human Resources

Wilshire Associates

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

GCM Customized Fund Investment Group

David Almodovar, Vice President

Milliman

Nick Collier, ASA, EA, MAAA

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STAFF, ADVISORS, PARTICIPANTS (Continued)

I. PLEDGE OF ALLEGIANCE

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

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the January 8, 2014 meeting of the Board of Investments.

A motion to approve the Minutes of the January 8, 2014 meeting of the Board of Investments was made by Mr. Saladino, seconded by Mr. Green. The motion carried by unanimous vote.

III. PUBLIC COMMENT

None.

IV. REPORT ON CLOSED SESSION ITEMS

None.

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V. ACTION ITEMS

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: Staff recommends that the Board of Investments direct the plan actuary to implement a temporary valuation methodology, beginning with the June 30, 2013 valuation and ending with the June 30, 2017 valuation, to calculate the normal cost of the new General Plan G and Safety Plan C tiers based on a five year rolling active population. (Memo dated February 4, 2014.)

Milliman

Nick Collier, ASA, EA, MAAA

Mr. Rademacher noted a data anomaly was discovered by the plan actuary as they were calculating the June 30, 2013 plan liability for the newly created safety member plan tier. As the actuary would like to present the final report to the Board in March, staff and the actuary request the Board to consider a temporary solution to mitigate the data anomaly's impact on the normal cost rate. Mr. Rademacher introduced Mr. Collier of Milliman, LACERA's Actuary who provided a brief overview of the data anomaly and actuarially acceptable methods to address mitigating the normal cost rate volatility caused by the data anomaly.

In looking at the newly created plan tier, Safety Plan C, the draft June 30, 2013 valuation study resulted in a normal cost rate of 37%. This was surprisingly different than the original cost study performed in the prior year where the

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V. ACTION ITEMS (Continued)

estimated normal cost was about 26% of pay. This variance is due to the June 30, 2013 valuation study of the new safety plan tier having a very limited six month experience period and the members who joined the plan tier during the short time period under study were much older, average age 34, than the new hires from previous valuation studies of similar plan tiers where the average age at hire was 28. Looking at subsequent hiring trends after June 30, 2013 for this new tier, we see that the age at hire is reverting back to the mean. As such, it appears this small study group with an older age as of June 30, 2013 will cause an unwarranted increase in the normal cost rate, which by looking at the current age at hire trend, will decrease the normal cost rate in the next valuation. To mitigate this potential rate volatility, we propose using a hypothetical employee population to set the Safety Plan C normal cost rate. The population would include the Safety Plan C members and reach back for a total of five years to include Safety Plan B members. Each future valuation will include more Safety Plan C member data and less Safety Plan B member data. We believe this smoothing method will adequately fund the plan and avoid unwarranted rate volatility.

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V. ACTION ITEMS (Continued)

The payroll for this group is fairly small compared to the aggregate total payroll. Mitigating the rate volatility will not make a significant difference to total County contribution, but to the individual members paying this rate it is significant. Safety Plan C members pay half of the normal cost rate so their contribution rate would increase from $13\frac{1}{4}\%$ to over $18\frac{1}{2}\%$. This 5% of pay contribution increase is, in effect, is a decrease in take home pay of 5% for the employee.

For the newly created plan tier, General Plan G, the issue is not as significant, however, we recommend using the same temporary methodology for General Plan G for consistency.

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

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V. ACTION ITEMS (Continued)

- B. Recommendation as submitted by Robert S. Van Der Volgen, Chief Counsel: That your Board approve the attached ballot insert entitled “POWERS AND DUTIES OF INVESTMENTS BOARD MEMBERS” to be included with the ballot materials for the election of the Second and Eighth Members of the Board of Investments. (Memo dated January 27, 2014.)

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

- C. Recommendation as submitted by the Travel Policy Committee: That your Board approve the changes shown on the attached draft Education and Travel Policy, with the changes to become effective upon adoption. (Memo dated January 9, 2014.)

Mr. Van Der Volgen, LACERA’s chief counsel, provided a brief summary on the proposed amendments to the Education and Travel Policy. A discussion followed on the selection of Board Members authorized to attend international conferences.

V. ACTION ITEMS (Continued)

A motion was made by Mr. Santos, seconded by Mr. Schneider to adopt the recommendation as submitted and approve the proposed changes except for Section 2 of Exhibit A on page 18, where it references the Selection of Board Member Authorized to Attend and that the Travel Policy Committee re-evaluate the Board of Retirement's position on Section 2 of Exhibit A. The motion carried with Messrs. Saladino and Valenzuela voting no.

Mr. Rademacher expressed his concern relating to the motion approving the proposed changes and requested that the Board reconsider the previous motion for clarification.

V. ACTION ITEMS (Continued)

A motion to reconsider the previous motion for clarification was made by Mr. Schneider, seconded by Mr. Valenzuela, that the Board approve all proposed amendments to the Education and Travel Policy except for Section 2 of Exhibit A on page 18, including part 1 and part 2 and that the Travel Policy Committee provide clarification. The motion carried with Ms. Sandoval voting no.

- D. Recommendation as submitted by David E. Kushner, CFA, Chief Investment Officer: That your Board adopt the Investment Policy Statement for the Other Post Employment Benefits (OPEB) Investment Trust. (Memo dated January 30, 2014.)

Mr. Kushner provided a brief overview on the proposed Investment Policy Statement for the Other Post Employment Benefits (OPEB).

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

V. ACTION ITEMS (Continued)

- E. Recommendation as submitted by John M. Barger, Chair, Board of Investments: That your Board establish standing committees to oversee designated investment portfolio asset classes and risk management. (Memo dated February 4, 2014.)

The Board had a brief discussion on establishing standing committees to oversee designated investment portfolio asset classes and risk management. It was determined that the committee meetings would be held on the same day, prior to and/or following, the Investment Board meetings as needed. It was also established that each committee Chair and or designated staff will bring matters to be discussed to the Board Chair's attention.

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

- F. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board ratify attendance by Board member Herman Santos at the Colombian Investors Forum held in Bogota, Colombia on February 5-6, 2014 and approve reimbursement of all conference fees and travel costs associated with conference attendance according to LACERA's Education and Travel Policy. (Memo dated January 27, 2014.) (Placed on the Agenda at the request of Mr. Santos.)

V. ACTION ITEMS (Continued)

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

- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board ratify attendance by Board member John Barger at the SuperInvestor U.S. 2014 Summit and Conference which was held on February 3-5, 2014 in San Francisco, California, and approve reimbursement of all costs associated with the conference according to LACERA's Education and Travel Policy. (Memo dated February 5, 2014.) (Placed on the Agenda at the request of Mr. Barger.)

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

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 2014 BLG&G Seminar entitled: Protecting Securities Portfolios Against Fraud to be held in New York City on March 30 and April 1, 2014 and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated January 27, 2014.) (Placed on the Agenda at the request of Mr. Van Der Volgen.)

V. ACTION ITEMS (Continued)

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

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 24th Annual Southern California Public Retirement Seminar on February 27, 2014 in Lakewood, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated January 7, 2014.) (Placed on the Agenda at the request of Ms. Sandoval.)

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

- J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That your Board approve attendance of Board members at the 2014 Latin Markets Peruvian Investors Forum to be held on March 18-19, 2014 in Lima, Peru and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated January 27, 2014.) (Placed on the Agenda at the request of Mr. Santos.)

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.

VI. REPORTS

A. LACERA's Performance Review as of December 31, 2013
David Kushner, CFA, Chief Investment Officer

Staff provided an executive summary on the Fund's performance and reported that the fourth quarter of 2013 LACERA's Total Fund returned 4.8% and outperformed its policy benchmark return of 4.4% by 40 basis points (bps.). The result being attributed to outperformance from Non-U.S. equity, Fixed Income, and Private Equity, as well as a modest overweight to global equities.

LACERA's U.S. Equity composite delivered the best absolute return with a gain of 10.1%, matching its benchmark. The fund's non-U.S Equity Composite gained 5.5% compared to its benchmark return of 5.1%. The 40 bps of outperformance was driven by the three EAFE and Canada managers, the active Europe manager, and three emerging markets managers.

VI. REPORTS (Continued)

LACERA's Fixed Income Composite outperformed its benchmark by 60 bps for the quarter and is attributable to outperformance by most of LACERA's active bond managers and an overweight allocation to high yield. LACERA's Private Equity portfolio returned 5.9% and outperformed its benchmark return of 3.2% by 270 bps. LACERA's Real Estate portfolio rose 0.7%, but trailed its benchmark return. LACERA's commodities composite fell 0.7% during the quarter, but outperformed its benchmark by 40 bps. A brief discussion followed and the Report was received and filed.

B. Continuation of Board Offsite Discussion –
Commodities and Fees
David Kushner, CFA, Chief Investment Officer
(Memo dated February 4, 2014.)

Chair Barger pointed out that VI. Reports Item B. would be handled at a later date.

VI. REPORTS (Continued)

- C. Private Equity Education
Christopher J. Wagner, Principal Investment Officer, Private Equity
(Memo dated February 5, 2014.)

GCM Customized Fund Investment Group (“CFIG”)
David Almodovar, Principal

Mr. Wagner introduced David Almodovar of GCM Customized Fund Investment Group (“CFIG”) who followed with an education session which covered Investment Monitoring which helps reduce the risk of the portfolio. The main objective of this session was to familiarize the Board with portfolio monitoring practices and introduce CFIG’s portfolio monitoring analytical tools. A brief discussion followed and the Report was received and filed.

- D. State Street Fined by UK Financial Conduct Authority
David Kushner, CFA, Chief Investment Officer
(Memo dated February 4, 2014.)

Mr. Kushner provided an update on State Street and the fine implemented by the UK Financial Conduct Authority. The Report was received and filed.

VI. REPORTS (Continued)

- E. Western Asset Management Settlement
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated February 4, 2014.)

Mr. Mahseredjian provided an update on Western Asset's settlement with the Securities and Exchange Commission and the Department of Labor. A discussion followed and the Board gave direction to staff to invite Western Asset to offer the Board an update on said the settlement.

- F. OPEB Trust Fund Quarterly Report as of December 31, 2013
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated February 5, 2014.) (For information only.)

The OPEB Trust Fund Quarterly Report as of December 31, 2013 is for information only and was received and filed.

- G. Pacific Investment Management Company (PIMCO)
Vache Mahseredjian, CFA, CAIA, FRM, ASA
Principal Investment Officer
(Memo dated February 4, 2014.) (For information only.)

The Pacific Investment Management Company's (PIMCO) memorandum regarding changes in leadership is for information only and was received and filed.

VI. REPORTS (Continued)

- H. Cornerstone Real Estate Advisers Personnel Change
John D. McClelland, Principal Investment Officer, Real Estate
(Memo dated January 31, 2014.) (For information only.)

Cornerstone Real Estate Advisers memorandum regarding personnel change is for information only and was received and filed.

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

Mr. Rademacher provided the Board with their new LACERA Identification Cards. He also provide the tentative schedule on the upcoming Board elections. The retired membership will be notified at the end of April. Candidate filings are scheduled to begin on May 5th and will end on June 3rd. The ballots will go out on June 20th through 26th, with the count being held on August 5. The election will be certified on September 16th.

The Board commended staff on their presentations and reports.

Green Folder Items

1. Memo dated February 11, 2014 from June Kim, Principal Investment Officer, Equities regarding OPEB Trust Fund, Global Equities Investment.
2. Memo dated February 5, 2014, from Beulah S. Auten, Chief Financial Officer, regarding the Semi-Annual Interest Crediting for Reserves as of December 31, 2013.)

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XIII. ADJOURNMENT

There being no further business the meeting adjourned at 2:05 p.m.

Shawn Kehoe, Secretary

John M. Barger, Chair