

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, JUNE 8, 2016

*The Board may take action on any item on the agenda,
and agenda items may be taken out of order.*

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Special Meeting of May 10, 2016
- IV. REPORT ON CLOSED SESSION ITEMS
- V. PUBLIC COMMENT
- VI. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated May 27, 2016)
- VII. CONSENT ITEMS
 - A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the Private Equity Exclusive Conference on July 25 – 26, 2016 in Chicago, IL and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 20, 2016) (Placed on the agenda at the request of Mr. Green)

VII. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the SuperReturn Middle East Conference and Summit on October 17 – 19, 2016 in Dubai and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 20, 2016) (Placed on the agenda at the request of Mr. Santos)

- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2016 Public Funds Forum in Park City, UT on September 6 – 8, 2016, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 26, 2016) (Placed on the agenda at the request of Ms. Sandoval)

VIII. NON – CONSENT ITEMS

- A. Recommendation as submitted by Herman Santos, Chair, Equity Committee: That the Board adopt the table of private equity preferred terms as Board-approved guidance for use by staff. (Memo dated May 31, 2016)

- B. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Board:
 - 1. Approve the proposed Real Estate Investment Plan for Fiscal Year 2016 –2017.
 - 2. Allocate up to \$800 million for investment by Fund's equity real estate managers.(Memo dated May 27, 2016)

- C. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Board advance Capri Capital Partners to full investment manager status. (Memo dated May 27, 2016)

VIII. NON – CONSENT ITEMS (Continued)

- D. Recommendation as submitted by Trina Sanders, Investment Officer and Amit Aggarwal, Investment Officer: That the Board authorize an investment of up to \$150 million in CityView Multifamily Fund III. (Memo dated May 27, 2016)
- E. Recommendation as submitted by Ted Wright, Principal Investment Officer and Ronald Senkandwa, Senior Investment Analyst: That the Board authorize staff to terminate Capital Group's Emerging Markets equity mandate. (Memo dated May 27, 2016)
- F. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board adopt the Los Angeles County Superior Court Investment Policy Statement. (Memo dated June 1, 2016)
- G. Recommendation as submitted by Steven P. Rice, Chief Counsel, and Robert Hill, Assistant Executive Officer: That the Board:
 - 1. Direct LACERA staff to pursue the preparation of a Master Trust, for the Board of Investments' consideration, to facilitate the commingling and investment of funds in the County and Superior Court OPEB Trusts.
 - 2. Direct LACERA staff to pursue and prepare to implement, subject to Board approval of the Master Trust, a unitized fund structure for investment of OPEB Trust assets as an approach that achieves administrative efficiency and potential cost savings and permits flexibility in asset allocation.(Memo dated May 27, 2016)
- H. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve an additional \$25,000 in funding to Stroz Freidberg, LLC for the data mapping phase of the Privacy Audit. (Memo dated May 25, 2016)

VIII. NON – CONSENT ITEMS (Continued)

I. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board of Investments adopt a "Watch" position on Assembly Bill 2833, which requires the disclosure of fees and expenses related to alternative investment vehicles.
(Memo dated May 26, 2016)

J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Tables – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

(Memo dated May 30, 2016)

K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt the LACERA Fiscal Year 2016-2017 Administrative and Retiree Healthcare Benefits Budgets.
(Memo dated May 25, 2016)

IX. REPORTS

A. Improving Committee Effectiveness
Rick Funston – Funston Advisory Services LLC
Gina Eubanks – Funston Advisory Services LLC
(Presentation dated June 8, 2016)

B. Asset Allocation and Investment Policy Statement Reviews
Stephen McCourt, Managing Principal
Laura Wirick, Principal
(Presentation dated June 8, 2016)

IX. REPORTS (Continued)

- C. Role of Commodities
Stephen McCourt, Managing Principal
Laura Wirick, Principal
(Presentation dated June 8, 2016)
- D. Hedge Fund Performance Report – 1st Quarter 2016
James Rice, Senior Investment Office
(Memo dated May 24, 2016)
- E. Real Estate Performance Measurement Report – 4th Quarter 2015
John McClelland, Principal Investment Officer
Micolyn M. Magee, Principal – The Townsend Group
(Memo dated May 26, 2016)
- F. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(Memo dated May 27, 2016) (For Information Only)
- G. Assembly Bill 1853 – County Employees Retirement Districts
Barry W. Lew, Legislative Affairs Officer
(Memo dated May 30, 2016) (For Information Only)
- H. Legislative Analysis Memorandum Format and Legislative Policy Review
Barry W. Lew, Legislative Affairs Officer
(Memo dated May 30, 2016) (For Information Only)
- I. Chief Executive Officer's Report
(Memo dated May 31, 2016) (For Information Only)

X. REPORT ON STAFF ACTION ITEMS

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

XII. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

1. BRV Aster Fund II, L.P.
2. Binary Capital Fund II, L.P.

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.

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.

REVISED AS OF JULY 13, 2016

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, JUNE 8, 2016

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Michael Schneider

Kenneth Simril

Estevan Valenzuela

Valerie Villarreal

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

James Rice, Senior Investment Officer

John McClelland, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Trina Sanders, Investment Officer

Amit Aggarwal, Investment Officer

Ronald Senkandwa, Senior Investment Analyst

Ted Wright, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

David Chu, Investment Officer

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Stephen McCourt, Managing Principal

Laura Wirick, Principal

Aon Hewitt

Michael Oak, Associate Partner

Funston Advisory Services LLC

Rick Funston, Consultant

Gina Eubanks, Consultant

The Townsend Group

Micolyn M. Magee, Principal

I. CALL TO ORDER

The meeting was called to order at 9:02 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of May 10, 2016

Ms. Sandoval made a motion, Mr. Kehoe seconded, to approve the minutes of the special meeting of May 10, 2016. The motion passed with Ms. Villarreal abstaining.

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 discussion on the Chief Investment Officer's report.

VII. CONSENT ITEMS

Mr. Santos made a motion, Ms. Sandoval 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 Private Equity Exclusive Conference on July 25 – 26, 2016 in Chicago, IL and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 20, 2016) (Placed on the agenda at the request of Mr. Green)

VII. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the SuperReturn Middle East Conference and Summit on October 17 – 19, 2016 in Dubai and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated May 20, 2016) (Placed on the agenda at the request of Mr. Santos)
- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2016 Public Funds Forum in Park City, UT on September 6 – 8, 2016, and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated May 26, 2016) (Placed on the agenda at the request of Ms. Sandoval)

VIII. NON – CONSENT ITEMS

- A. Recommendation as submitted by Herman Santos, Chair, Equity Committee: That the Board adopt the table of private equity preferred terms as Board-approved guidance for use by staff. (Memo dated May 31, 2016)

Ms. Roseland and Mr. Wagner were present to answer questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

- B. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Board:
 - 1. Approve the proposed Real Estate Investment Plan for Fiscal Year 2016 –2017.
 - 2. Allocate up to \$800 million for investment by Fund's equity real estate managers.

(Memo dated May 27, 2016)

VIII. NON – CONSENT ITEMS (Continued)

Mr. McClelland was present to answer questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

- C. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Board advance Capri Capital Partners to full investment manager status. (Memo dated May 27, 2016)

Mr. McClelland and Townsend Group consultant, Ms. Magee, were present to answer questions from the Board.

Mr. Santos made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

- D. Recommendation as submitted by Trina Sanders, Investment Officer and Amit Aggarwal, Investment Officer: That the Board authorize an investment of up to \$150 million in CityView Multifamily Fund III. (Memo dated May 27, 2016)

Ms. Sanders, Mr. Aggarwal and Townsend Group consultant, Ms. Magee, were present to answer questions from the Board.

Ms. Sandoval made a motion, Mr. Valenzuela seconded, to approve the agenda item. The motion passed unanimously.

- E. Recommendation as submitted by Ted Wright, Principal Investment Officer and Ronald Senkandwa, Senior Investment Analyst: That the Board authorize staff to terminate Capital Group's Emerging Markets equity mandate. (Memo dated May 27, 2016)

VIII. NON – CONSENT ITEMS (Continued)

Mr. Wright, Mr. Senkandwa and Meketa Investment Group

consultant, Ms. Wirick, were present to answer questions from the Board.

Mr. Valenzuela made a motion, Mr. Santos seconded, to approve the agenda item. The motion passed unanimously.

- F. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer: That the Board adopt the Los Angeles County Superior Court Investment Policy Statement.
(Memo dated June 1, 2016)

Mr. Mahseredjian was present and answered questions from the Board.

Mr. Valenzuela made a motion, Mr. Kehoe seconded, to approve the agenda item. The motion passed with Messrs. Kelly and Schneider voting no.

- G. Recommendation as submitted by Steven P. Rice, Chief Counsel, and Robert Hill, Assistant Executive Officer: That the Board:

1. Direct LACERA staff to pursue the preparation of a Master Trust, for the Board of Investments' consideration, to facilitate the commingling and investment of funds in the County and Superior Court OPEB Trusts.
2. Direct LACERA staff to pursue and prepare to implement, subject to Board approval of the Master Trust, a unitized fund structure for investment of OPEB Trust assets as an approach that achieves administrative efficiency and potential cost savings and permits flexibility in asset allocation.

(Memo dated May 27, 2016)

VIII. NON – CONSENT ITEMS (Continued)

Mr. Steven Rice and Mr. Hill were present to answer questions from the Board.

Mr. Kehoe made a motion, Ms. Sandoval seconded, to approve the agenda item. The motion passed unanimously.

- H. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve an additional \$25,000 in funding to Stroz Freidberg, LLC for the data mapping phase of the Privacy Audit. (Memo dated May 25, 2016)

Mr. Steven Rice was present to answer question from the Board.

Ms. Sandoval made a motion, Mr. Valenzuela seconded, to approve the agenda item. The motion failed with Messrs. Green, Kehoe, Kelly, Santos, and Schneider voting no.

- I. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board of Investments adopt a "Watch" position on Assembly Bill 2833, which requires the disclosure of fees and expenses related to alternative investment vehicles. (Memo dated May 26, 2016)

Mr. Steven Rice and Mr. Lew were present to answer questions from the Board.

Mr. Kelly made a motion, Mr. Kehoe seconded, to approve the agenda item. The motion passed with Messrs. Santos, Schneider, and Valenzuela voting no.

VIII. NON – CONSENT ITEMS (Continued)

J. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Investments:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Tables – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

(Memo dated May 30, 2016)

Mr. Rademacher was present and answered questions from the Board.

Aon Hewitt consultant, Mr. Oak, joined the meeting via conference call and answered questions from the Board.

Mr. Kelly made a motion, Mr. Valenzuela seconded to approve:
(1) The Board of Investments reclassification of the LACERA Chief Investment Officer (CIO) position to a yet-to-be-created Management Performance and Appraisal Plan (MAPP) classification range of LR26 from its current classification designation of LR25; (2) the creation of a LR27 MAPP classification range; (3) Direct the LACERA Chief Executive Officer to: a.) Work with the Los Angeles County Chief Executive Office; the Department of Human

VIII. NON – CONSENT ITEMS (Continued)

Resources; County Counsel and the Auditor-Controller; to create two new MAPP classification ranges, specifically LR26 and LR27; b.) Work with the aforementioned departments, to revise the Los Angeles County Code to reflect the creation of these two new MAPP classifications, LR26 and LR 27; and to reflect the re-classification of the LACERA Chief Investment Officer position to the MAPP classification range of LR26; c.) Submit the revised Los Angeles County Code to this Board for this Board's consideration for submission to the Los Angeles County Board of Supervisors for approval; and (4) that the Board of Investments and the Board of Retirement jointly recommend the revisions in 3. C to the Los Angeles County Board of Supervisors.

Mr. Kehoe made a substitute motion, Mr. Santos seconded, to approve staff's recommendation, with the addition that, as proposed in Item 4 of Mr. Kelly's motion, revisions will not be presented to the Board of Supervisors without a joint recommendation from this Board and the Board of Retirement The motion passed with Messrs. Kelly and Valenzuela voting no.

- K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt the LACERA Fiscal Year 2016-2017 Administrative and Retiree Healthcare Benefits Budgets. (Memo dated May 25, 2016)

Mr. Rademacher was present to answer questions from the Board.

VIII. NON – CONSENT ITEMS (Continued)

Mr. Kehoe made a motion, Ms. Villarreal seconded, to approve the agenda item. The motion passed unanimously.

IX. REPORTS

- A. Improving Committee Effectiveness
Rick Funston – Funston Advisory Services LLC
Gina Eubanks – Funston Advisory Services LLC
(Presentation dated June 8, 2016)

Mr. Funston and Ms. Eubanks of Funston Advisory Services provided a presentation and answered questions from the Board.

(This Item was handled out of order, after Item XII. 1.)

- B. Asset Allocation and Investment Policy Statement Reviews
Stephen McCourt, Managing Principal
Laura Wirick, Principal
(Presentation dated June 8, 2016)

This item was postponed to the next Board of Investments meeting on July 13, 2016.

- C. Role of Commodities
Stephen McCourt, Managing Principal
Laura Wirick, Principal
(Presentation dated June 8, 2016)

This item was postponed to the next Board of Investments meeting on July 13, 2016.

- D. Hedge Fund Performance Report – 1st Quarter 2016
James Rice, Senior Investment Office
(Memo dated May 24, 2016)

IX. REPORTS (Continued)

This item was postponed to the next Board of Investments meeting on

July 13, 2016.

- E. Real Estate Performance Measurement Report – 4th Quarter 2015
John McClelland, Principal Investment Officer
Micolyn M. Magee, Principal – The Townsend Group
(Memo dated May 26, 2016)

This item was postponed to the next Board of Investments meeting on

July 13, 2016.

The following items were received and filed:

- F. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(Memo dated May 27, 2016) (For Information Only)
- G. Assembly Bill 1853 – County Employees Retirement Districts
Barry W. Lew, Legislative Affairs Officer
(Memo dated May 30, 2016) (For Information Only)
- H. Legislative Analysis Memorandum Format and Legislative Policy Review
Barry W. Lew, Legislative Affairs Officer

(Memo dated May 30, 2016) (For Information Only)
- I. Chief Executive Officer's Report
(Memo dated May 31, 2016) (For Information Only)

X. REPORT ON STAFF ACTION ITEMS

In regards to Item VIII. C., Mr. Kelly requested that staff review the Investment Policy Statement to ensure that there is consistency in the emerging manager requirements in the various asset classes. In, addition, the Board requested

X. REPORT ON STAFF ACTION ITEMS (Continued)

future recommendations to the Board include information outlining how the graduating managers have met the policy requirements.

In regards to Item VIII. C., Mr. Simril requested the history of graduating managers for all asset classes.

In regards to Item VIII. I., Mr. Kehoe requested that the CEO take a look at LACERA's internal processes and work with staff to get more involved and create stronger relationships with LACERA's lobbyist.

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

Mr. Rademacher informed the Board that the Los Angeles County Board of Supervisors at their June 8, 2016 meeting addressed LACERA's Actuarial Valuation. Mr. Rademacher thanked Ms. Fontenot Senior Staff Counsel, for representing LACERA at the meeting.

Mr. Rademacher informed the Board that LACERA's plan actuary will perform an experience study for the Retirement Benefit Valuation. The study will start with an educational session at the October 2016 meeting and will continue the discussion as needed at the November 2016 meeting. In addition, the plan actuary will present the completed experience study at the December 2016 meeting. The experience study will be used to complete the June 30, 2016 actuarial valuation which will be presented to the Board of Investments for adoption in the first quarter of calendar year 2017.

XI. GOOD OF THE ORDER (Continued)

Mr. Mahseredjian shared with the Board that LACERA's newly hired summer interns will be starting on June 13, 2016.

XII. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

(This Item was handled out of order, before Item IX.A.)

1. BRV Aster Fund II, L.P.

Mr. Wagner, Mr. Chu and Grosvenor Capital Management consultants provided a brief presentation and answered questions from the Board.

Mr. Simril made a motion, Ms. Villarreal seconded, to approve a commitment of up to \$50 million to BRV Aster Fund II, L.P., an early stage venture capital fund focusing on China. The motion passed (roll call) with Messrs. Santos, Simril, Valenzuela, Green and Ms. Sandoval and Ms. Villarreal voting yes; and Messrs. Kehoe, Kelly and Schneider voting no.

2. Binary Capital Fund II, L.P.

Mr. Wagner, Mr. Chu and Grosvenor Capital Management consultants provided a brief presentation and answered questions from the Board.

Mr. Schneider made a motion, Mr. Santos seconded, to approve a commitment of up to \$50 million to Binary Capital Fund II L.P., an early stage venture capital fund with a

XII. EXECUTIVE SESSION (Continued)

consumer technology focus. The motion passed (roll call) with Messrs. Kelly, Santos, Simril, Schneider, Valenzuela, Green and Ms. Sandoval and Ms. Villarreal voting yes; and Mr. Kehoe voting no.

All of the above information in Section XII (A) and (B) was reported out in open session at the conclusion of the Executive Session.

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

1. Summary of Real Estate Emerging Managers as of December 31, 2015
2. Passive Currency Hedge Program – Update (For Information Only)
(Memo dated June 7, 2016)

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:24 p.m.

JOSEPH KELLY, SECRETARY

DAVID GREEN, CHAIR