

MINUTES OF THE SPECIAL 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., TUESDAY, NOVEMBER 10, 2015

PRESENT: John M. Barger, Chair

David Green, Vice Chair (Left at 12:32 p.m.)

Joseph Kelly, Secretary

Diane Sandoval

Herman B. Santos

Kenneth Simril

Estevan Valenzuela (Left at 1:40 p.m.)

Valerie Villarreal (Left at 1:02 p.m.)

ABSENT: Shawn Kehoe

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Office

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

Christopher J. Wagner, Principal Investment Officer – Private Equity

Elin Szymanowski, Senior Investment Analyst – Private Equity

John D. McClelland, Principal Investment Officer – Real Estate

Amit Aggarwal, Investment Office – Real Estate

STAFF ADVISORS AND PARTICIPANTS (Continued)

James Rice, Senior Investment Officer – Hedge Funds

Chad Timko, Senior Investment Analyst – Hedge Funds

Johanna Fontenot, Senior Staff Counsel

David Almodovar
GCM Grosvenor, Vice President

Patrick Lighaam
Wilshire Associates, Managing Director

Nick Collier
Milliman, Consulting Actuary

Craig Glyde
Milliman, Consulting Actuary

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

Ms. Villarreal 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 October 14, 2015

Mr. Green made a motion, Mr. Valenzuela seconded, to approve the minutes of the regular meeting of October 14, 2015 with the revision to the recommendation for item IX.B. The motion passed with Ms. Sandoval 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. SERVICE AWARD

Mr. Rademacher recognized Ms. Sandoval for her 10 years of service on LACERA's Board of Investments.

VII. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Mahseredjian provided a brief discussion on the Chief Investment Officer's Report.

VIII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board delegate authority to the Chief Executive Officer to set the Chief Investment Officer's initial salary in the fourth quartile of the salary range. (Memo dated October 23, 2015)

Mr. Kelly made a motion, Mr. Valenzuela seconded, to approve staff's recommendation. The motion passed unanimously.

- B. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board 1) Accept the June 30, 2015, Retirement Benefit Actuarial Valuation prepared by the plan's consulting actuary, Milliman, 2) Adopt recommended employer and employee contribution rates; and 3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by May 15, 2016, with a recommendation to implement the employer and employee rates no later than September 30, 2016. (Memo dated November 2, 2015)

VIII. NON - CONSENT AGENDA (Continued)

Ms. Sandoval made a motion, Chair Barger seconded, to accept staff's recommendation with the exclusion of the STAR Reserves. After a brief discussion, Chair Barger withdrew his second to the motion.

Mr. Santos made a motion, Mr. Green seconded, to table the motion to the next meeting and refer the matter back to staff for additional information concerning the impact of excluding the STAR Reserve. The motion passed (roll call) with Messrs. Green, Santos, Simril, Barger, Ms. Sandoval and Ms. Villarreal voting yes; and Messrs. Valenzuela and Kelly voting no.

Mr. Rademacher requested clarification from the Board for direction. After a brief discussion, Mr. Santos made a motion, Ms. Sandoval seconded, instructing staff to include the impact of including or not including the STAR reserves in the actuarial valuation, as well as possibly amending the Board funding policy. The motion passed (roll call) with Messrs. Green, Santos, Simril, Barger, Ms. Sandoval and Ms. Villarreal voting yes; and Messrs. Valenzuela and Kelly voting no.

- C. Recommendation as submitted by John McClelland, Principal Investment Officer – Real Estate, Amit Aggarwal, Investment Officer – Real Estate, and Trina Sanders, Investment Officer – Real Estate: That the Board invite Callan Associates and The Townsend Group to interview with the Board for possible selection as the Real Estate Consultant to the Board of Investments. (Memo dated September 28, 2015) (Supplemental Memo dated October 23, 2015)

Mr. McClelland and Mr. Aggarwal were present to answer questions from the Board. This Item was held out of order, after item VIII.I.

VIII. NON - CONSENT AGENDA (Continued)

Mr. Kelly made a motion, Mr. Green seconded, to approve staff's recommendation. The motion passed unanimously.

- D. Recommendation as submitted by James Rice, Senior Investment Officer – Hedge Funds: That the Board invest \$300 million in a customized Opportunistic Credit hedge fund of funds portfolio managed by Grosvenor Capital Management. (Memo dated October 27, 2015)

Mr. James Rice was present to answer questions from the Board. This

Item was held out of order, after item VIII.G.

Mr. Valenzuela made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed unanimously.

- E. Recommendation as submitted by James Rice, Senior Investment Officer – Hedge Funds: That the approve the Hedge Fund Allocation Plan which includes to 1) Move forward on path to invest in hedge funds directly beginning in fiscal year 2016-2017, 2) Use the two existing hedge fund of funds managers as advisors for manager selection and termination decisions rather than hiring a separate independent hedge fund consultant; and 3) Add additional staff resources for direct hedge fund investing in upcoming fiscal year budget processes. (Memo dated October 27, 2015)

Mr. James Rice was present to answer questions from the Board.

Mr. Simril made a motion, Mr. Kelly seconded, to postpone this item to the next Board of Investments meeting. The motion passed (roll call) with Messrs. Kelly, Santos, Simril, Barger and Ms. Sandoval voting yes; and Mr. Valenzuela voting no.

(Mr. Knox arrived at 11:00 a.m.)

VIII. NON - CONSENT AGENDA (Continued)

- F. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer – Private Equity, and Elin Szymanowski, Senior Investment Analyst – Private Equity: That the Board approve a commitment of up to \$125 million to Harvest Partners VII, L.P. (Memo dated October 30, 2015)

Christopher J. Wagner, Elin Szymanowski and GCM Grosvenor

Consultant, David Almodovar, provided an overview and answered

questions from the Board. This Item was held out of order, after item

X.C.

Mr. Valenzuela made a motion, Mr. Barger seconded, to approve staff's recommendation. The motion passed with Mr. Barger voting no.

(Mr. Green left the Board Meeting at 12:32 p.m.)

- G. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer – Private Equity, and Elin Szymanowski, Senior Investment Analyst – Private Equity: That the Board approve a commitment of up to €75 million (approximately \$85 million) to Gilde Buy-Out Fund V. (Memo dated October 30, 2015)

Christopher J. Wagner, Elin Szymanowski and GCM Grosvenor

Consultant, David Almodovar, provided an overview and answered

questions from the Board.

Mr. Valenzuela made a motion, Mr. Santos seconded, to approve staff's recommendation. The motion passed unanimously.

(Ms. Villarreal left the Board Meeting at 1:02 p.m.)

VIII. NON - CONSENT AGENDA (Continued)

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board review the 2016 meeting schedule and consider rescheduling the Wednesday, January 13, 2016 meeting. (Memo dated October 29, 2015)

After a brief discussion, this item was withdrawn. This item was held out of order, after item VIII.B.

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 13th Annual Made in America: 2016 Taft-Hartley Benefits Summit on January 24-26, 2016 in Las Vegas, Nevada and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated October 19, 2015) (Placed on the Agenda at the Request of Chair Kehoe)

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

IX. REPORTS

- A. Use of Closed Sessions Under the Brown Act and the California Public Records Act to Discuss and Act Upon Particular, Specified Proposed Investments. (Memo dated November 2, 2015 – Vache Mahseredjian, Interim Chief Investment Officer) (Memo dated November 2, 2015 – Steven P. Rice, Chief Counsel)

Mr. Rice was present and answered questions from the Board. The Board gave staff direction to prepare a proposed policy on this issue and present it at a future Board meeting.

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

IX. REPORTS (Continued)

- C. OPEB Trust Fund – 3rd Quarter 2015
Ted Wright, Principal Investment Officer – Global Equities
(Memo dated October 28, 2015) (For Information Only)
- D. Update on New Proposed Reed DeMaio Initiatives
Steven P. Rice, Chief Counsel
(Memo dated October 27, 2015) (For Information Only)
- E. 2015 Enacted Retirement Legislation
Barry W. Lew, Legislative Affairs Officer
(Memo dated October 22, 2015) (For Information Only)
- F. Chief Executive Officer’s Report
(Memo dated October 27, 2015) (For Information Only)
- G. Semi-Annual Interest Crediting for Reserves as of June 30, 2015 –
(Audited) (Memo dated November 2, 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 the matter of Los Angeles County Employees Retirement
Association ex rel. FX Analytics v. The Bank of New York
Mellon Corp., (Case No. 12-MD-02335(LAK))

The Board met with counsel in Executive Session pursuant to Paragraph 1 of
Subdivision (d) of Government Code Section 54956.9 and there is nothing to
report at this time. This Item was held out of order, after Item VIII.C.

X. EXECUTIVE SESSION (Continued)

B. Conference with Legal Counsel - Anticipated Litigation
(Initiation of Litigation Pursuant to Paragraph (4) of Subdivision (d) of
California Government Code Section 54956.9)

1. Number of Potential Cases: 1

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

C. 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. Employment Claim of David Kushner

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

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

Ms. Sandoval shared her experience in attending the CRCEA conference in
Stockton, CA and highly recommended for others to attend.

Mr. Kelly shared his experience in attending the Pacific Pension Institute
Executive Seminar and Asia Roundtable in Tokyo, Japan.

Mr. Santos shares his experience in attending the 15th Annual GSAM
Symposium in New York and suggested that the conference be added to LACERA's

XI. GOOD OF THE ORDER (Continued)

pre-approved conference list.

Mr. Simril shared his experience in attending GGV's 15th Annual Summit in Beijing, China and suggested having others attend.

Mr. Barger shared his experience in attending the Pacific Pension Institute Executive Seminar and Asia Roundtable in Tokyo, Japan and the 15th Annual GSAM Symposium in New York.

Lastly, Mr. Rademacher shared his experience and thanked the Board for the opportunity to attend the Wharton Executive Education's Investment Strategies and Portfolio Management.

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:06 p.m.

JOSEPH KELLY, SECRETARY

JOHN M. BARGER, CHAIR