

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, DECEMBER 9, 2015

PRESENT: John M. Barger, Chair

David Green, Vice Chair

Joseph Kelly, Secretary

Shawn Kehoe

Diane Sandoval (Left at 1:46 p.m.)

Herman B. Santos

Kenneth Simril

Estevan Valenzuela (Left at 1:15 p.m.)

Valerie Villarreal

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Vache Mahseredjian, Interim Chief Investment Officer

Steven Rice, Chief Counsel

Richard Bendall, Chief Audit Executive

Christopher J. Wagner, Principal Investment Officer – Private Equity

John D. McClelland, Principal Investment Officer – Real Estate

Amit Aggarwal, Investment Officer – Real Estate

James Rice, Senior Investment Officer – Hedge Funds

STAFF ADVISORS AND PARTICIPANTS (Continued)

Chad Timko, Senior Investment Analyst – Hedge Funds

SEIU Local 721

Ramón Rubalcava, Director of Member Benefits and Employer Relations

Los Angeles County

Sachi A. Hamai, Chief Executive Officer

Wilshire Associates

Patrick Lighaam, Managing Director

Milliman

Nick Collier, Consulting Actuary

Pension Consulting Alliance

John Linder, Principal

Mike Moy, Managing Director

Grosvenor Capital Management

Andrew Preda, Portfolio Manager

Sean Conroy, Client Service Officer

I. CALL TO ORDER

The meeting was called to order by Chair Barger at 9:16 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Ms. Sandoval led the Board Members and staff in reciting the Pledge of Allegiance followed by a moment of silence for the victims of the San Bernardino shooting.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of November 10, 2015

Mr. Kelly made a motion, Mr. Green seconded, to approve the minutes of the special meeting of November 10, 2015.

IV. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

V. PUBLIC COMMENT

Mr. Rubalcava and Ms. Hamai addressed the Board regarding item VII.B.

VI. CHIEF INVESTMENT OFFICER'S REPORT

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

VII. NON - CONSENT AGENDA

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board evaluate the Retirement Benefit Funding Policy provision for including STAR reserve amounts within valuation assets. (Memo dated November 25, 2015)

Mr. Green made a motion, Mr. Santos seconded, to receive and file this item. 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 and Addendum prepared by the plan's consulting actuary, Milliman; 2) Adopt recommended employer and employee contribution rates with specific direction as to the proposed rates with or without including the STAR reserve in the valuation assets; and 3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefit Actuarial Valuation to the Board of Supervisors by

VII. NON - CONSENT AGENDA (Continued)

May 15, 2016, with a recommendation to implement the employer and employee rates no later than September 30, 2016. (Memo dated November 25, 2015)

Mr. Kelly made a motion, Mr. Green seconded, to approve staff's recommendation to: (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 with the STAR reserve in the valuation assets; (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. The motion passed unanimously.

- C. Recommendation as submitted by James Rice, Senior Investment Officer – Hedge Funds: That the Board approve the Hedge Fund Allocation Plan which includes to 1) Move forward on the 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 November 20, 2015)

Mr. Green made a motion, Mr. Kehoe seconded, to reject items (1) Move forward on the path to invest in hedge funds directly beginning in fiscal year 2016-2017; and 3) Add additional staff resources for direct hedge fund investing in upcoming fiscal year budget processes; and to approve item (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.

VII. NON - CONSENT AGENDA (Continued)

Mr. Kelly made a substitute motion, Mr. Kehoe seconded to reject item VII. C. After a brief discussion Mr. Kelly withdrew his substitute motion.

Mr. Green made a substitute motion, Ms. Sandoval seconded to receive and file this item. The motion passed (roll call) with Messrs. Kehoe, Kelly, Green, Simril, Barger, Ms. Sandoval, and Ms. Villarreal voting yes and Messrs. Santos and Valenzuela voting no.

- D. Recommendation as submitted by James Rice, Senior Investment Officer – Hedge Funds: That the Board approve replacing the asset allocation table in LACERA's Investment Policy Statement. (Memo dated November 30, 2015)

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

- E. Recommendation as submitted by Vache Mahseredjian, Interim Chief Investment Officer, and Steven P. Rice, Chief Counsel: That the Board adopt the proposed Policy Governing the Use of Open and Closed Sessions to Consider the Purchase or Sale of Particular, Specific Investments. (Memo dated November 30, 2015)

Mr. Green made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Kehoe, Kelly, Green, Barger, Ms. Sandoval and Ms. Villarreal voting yes; and Messrs. Santos, Simril and Valenzuela voting no.

VII. NON - CONSENT AGENDA (Continued)

- F. Recommendation as submitted by Valerie Villarreal, Chair, Equity: Public/Private Committee: That the Board approve the proposed Minimum Qualifications, Evaluation Criteria, and Statement of Work for inclusion in the 2016 Private Equity Consultant Request for Proposals. (Memo dated December 1, 2015)

Mr. Valenzuela made a motion, Mr. Kelly seconded, to approve staff's recommendation with the exclusion of the following verbiage: "that the Consultant must be available to accompany Board Members to conferences and research meetings both domestically and internationally". The motion passed with Mr. Santos voting no.

- G. Recommendation as submitted by Valerie Villarreal, Chair, Equity: Public/Private Committee: That the Board approve a recommendation to carry over from calendar year 2015 to calendar year 2016 any private equity investment allocation amount that has been authorized but not yet committed. (Memo dated December 1, 2015)

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

- H. Recommendation as submitted by Amit Aggarwal, Investment Officer – Real Estate: That the Board select a real estate consultant. (Memo dated November 19, 2015)

Townsend Group and Callan Associates were present and answered

questions from the Board.

Mr. Green made a motion, Mr. Valenzuela seconded, to select Townsend Group as LACERA's Real Estate consultant. The motion passed with Messrs. Green, Simril, Barger, Ms. Sandoval and Ms. Villarreal voting yes; and Messrs. Kehoe, Kelly, Santos and Valenzuela voting no.

VII. NON - CONSENT AGENDA (Continued)

- I. Recommendation as submitted by the General Investment Consultant Evaluation Committee: That the Board invite Meketa and Wilshire to interview as finalists in LACERA's search for a general investment consultant. (Memo dated November 30, 2015)

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

(Mr. Valenzuela left the Board Meeting at 1:15 p.m.)

- J. Recommendation as submitted by Joseph Kelly, Chair, Operations Oversight Committee: That the Board adopt the LACERA OPEB Funding Policy, which would allow LACERA, as an independent entity, to begin pre-funding its share of the Retiree Healthcare Program's liability for its employees. (Memo dated November 20, 2015)

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

- K. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt a 2016 meeting schedule for the Board of Investments' standing committees. (Memo dated November 25, 2015)

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

(Ms. Sandoval left the Board Meeting at 1:46 p.m.)

VIII. REPORTS

- A. Pension Consulting Alliance (PCA) Report
Vache Mahseredjian, Interim Chief Investment Officer
Mike Moy – PCA, Managing Director
John Linder – PCA, Principal
(Memo dated November 30, 2015)

VIII. REPORTS (Continued)

Mr. Mahseredjian and PCA's consultants provided a presentation to the Board and answered questions from the Board.

- B. Hedge Fund Performance Report – 3rd Quarter 2015
James Rice – Senior Investment Officer, Hedge Funds
Andrew Preda – Grosvenor Capital Management, Portfolio Manager
Sean Conroy – Grosvenor Capital Management, Client Service Officer
(Memo dated November 20, 2015)

Mr. Rice and Grosvenor Capital Management consultants gave a review of the performance of the hedge fund program and answered questions from the Board.

- C. Real Estate Performance Measurement Report – 2nd Quarter 2015
John McClelland – Principal Investment Officer, Real Estate
(Memo dated November 25, 2015)

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

- D. Relational Investors – Dissolution Plan Update
Ted Wright – Principal Investment Officer, Equities
Ron Senkandwa – Senior Investment Analyst, Equities
(Memo dated December 1, 2015) (For Information Only)
- E. Chief Executive Officer's Report
(Memo dated November 23, 2015) (For Information Only)

IX. EXECUTIVE SESSION

- 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

This Item was pulled from the agenda.

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

Mr. Rademacher provided an update to the Board regarding the Chief Investment Officer search.

The Board and Mr. Rademacher recognized and thanked Mr. Barger and Mr. Santos for their dedicated service and contribution to the Board of Investments as their three year term expires on December 31, 2015.

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:48 p.m.

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

1. LACERA Risk Committee Meeting on 11/10/2015: Follow-Up Comments PCA (Memo dated December 9, 2015)

JOSEPH KELLY, SECRETARY

JOHN M. BARGER, CHAIR