

January 13, 2010

To: Members of the Board of Retirement

From: Annette Cain-Darnes - Chair

Subject: Summary of the January 13, 2010 Investment Committee Meeting

The Investment Committee met on Wednesday, January 13, 2010 at 9:02 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, Liz Koppenhaver, Elizabeth Rogers, Donald White and George Wood. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were Charles F. Conrad – Chief Executive Officer, Kathy Foster – Assistant Chief Executive Officer, Robert Gaumer – Chief Counsel, J.P. Singh – Chief Financial Officer, Catherine Walker – Assistant Chief Executive Officer, and Belinda Zhu – Investment Officer.

ACTION ITEMS

1. Discussion of ACERA's International Equity Manager Structure and Possible Motion to Adopt a New International Equity Manager Structure
 - Upon completion of ACERA's international equity manager structure study, SIS concluded among others that 1) ACERA's current international structure is simple, efficient and risk controlled; and 2) Addition of a dedicated small cap international equity manager will increase alpha and further diversify the portfolio.
 - After discussion, Mr. Dale Amaral moved, seconded by Ms. Liz Koppenhaver to adopt ACERA's new International Equity manager structure, specifically, 20% to International Quantitative, 40% to International Growth, 30% to International Value and 10% to International Small Cap.

INFORMATION ITEMS

1. Review of capital market conditions and ACERA's portfolio asset allocation
 - SIS reviewed the challenges that all large plan sponsors are facing in the recent investment environment. SIS also explained the methodology behind their capital markets expectations process. SIS further presented the new projected ACERA portfolio expectations. As of January 2010, the long-term expected total return of ACERA's target portfolio would be 8.1%, down from last year's 8.9%. The long-term expected total risk would be 12.6%, up from last year's 11.5%.
2. Update on TCW's organizational change
 - Staff and SIS have prepared a memo separately to provide an update on TCW's recent organizational changes. Staff and SIS believe that it is prudent that ACERA continue to

monitor TCW rigorously. Staff and SIS will recommend to the Committee actions to be taken if there is any significant deterioration in TCW's organization.

3. Update on ACERA's U.S. small cap value equity manager search

- Applying the search criteria, Staff and SIS independently generated a long list of qualified candidates. After extensive discussions on every candidate that appeared on either Staff's or SIS' long list, Staff and SIS agreed on a short list of ten candidates who would receive a Request For Proposal (RFP) from ACERA for the search. In accordance with the timeline, the RFP was sent out to these ten candidates on January 4, 2010 and the RFP responses will be due on January 22, 2010.

4. Proposed Investment Committee Workplan for 2010

- Staff proposed a draft Investment Committee Workplan for 2010 (Workplan). The finalized Workplan will be included in the February Investment Committee meeting package.

RECOMMENDATION

- The Committee recommends, and I move, that the Board adopt ACERA's new International Equity manager structure, specifically, 20% to International Quantitative, 40% to International Growth, 30% to International Value and 10% to International Small Cap.

FUTURE DISCUSSION ITEMS

None

TRUSTEE/PUBLIC INPUT

None

ESTABLISHMENT OF NEXT MEETING DATE

February 10, 2010, 9:00 a.m.

ADJOURNMENT

The meeting adjourned at 10:43 a.m.