



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Date: February 11, 2015
To: Members of the Board of Retirement
From: George Wood – Chair
Subject: Summary of the February 11, 2015 Investment Committee Meeting

The Investment Committee met on Wednesday, February 11, 2015 at 9:30 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, Tarrell Gamble, Liz Koppenhaver, Elizabeth Rogers, Donald White and George Wood. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were Vincent Brown – Chief Executive Officer, Kathy Foster – Assistant Chief Executive Officer, Margo Allen – Fiscal Services Officer, and Betty Tse – Chief Investment Officer.

ACTION ITEM

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS - Buyouts
 - Representatives from JLL Partners presented to the Committee the goals and objectives of the Fund. They also presented the investment sourcing, strategy, process and the key employees of the Fund.
 - After discussion, Mr. Donald White moved, seconded by Ms. Elizabeth Rogers, to recommend to the Board to adopt an up to \$47.25 million commitment to JLL Partners Fund VII, L.P. pending completion of legal due diligence, background investigations, and successful contract negotiation.
 - The motion carried 8 yes (Amaral, Cain-Darnes, Carson, Koppenhaver, Rogers, Walker, White and Wood), 1 no (Gamble), and 0 abstention.

INFORMATION ITEMS

1. Report on ACERA's PEARLS Investment – Venture Capital
 - Upon completion of all due diligence procedures and in accordance with ACERA's Private Equity and Alternatives Return Leading Strategy (PEARLS) Policy and the 2014 - 2015 Investment Plan for ACERA's PEARLS Portfolio, SIS recommended and Staff approved an up to \$15.0 million commitment to New Enterprise Associates 15,L.P. ("NEA 15" or "Fund") as part of the Venture Capital allocation in ACERA's PEARLS portfolio, pending completion of legal due diligence, background checks, and successful contract negotiations. New Enterprise Associates (NEA) is an existing manager and in good standing. According to the Policy, a commitment of up to \$25 million is within Staff's delegated authority.

- Representatives from NEA presented to the Committee the goals and objectives of the Fund. They also presented the investment sourcing, strategy, process and the key employees of the Fund. Strategic Investment Solutions (SIS) suggested that a lower commitment of \$5 million be made to NEA, due to the relatively higher valuations being paid by NEA 14 for new investments in comparison to earlier vintage NEA funds.
2. Report on Management Fees for the Domestic Equity Asset Class (Active vs. Passive)
- SIS and ACERA conducted a preliminary review of two different styles of Domestic Equity Management, namely Active Management vs. Passive Management, based on a question that was raised at the Actuarial Committee meeting on December 18, 2014. One thing to note is that a large component of the domestic equity asset class (44.5%) is targeted to a Passive Management investment style, which is invested in a Mellon Capital fund that mirrors the S&P 500 index.
 - ACERA reported that for all rolling twenty-five year periods, Active Management has been positive and beat out Passive Management by more than the fee differential of 32 basis points.
 - It was suggested that this subject be brought back to the ICM at a later date to discuss further.

Recommendation

- The Committee recommends, and I move, that the Board adopt up to \$47.25 million commitment to JLL Partners Fund VII, L.P. pending completion of legal due diligence, background investigations and successful contract negotiation.

TRUSTEE/PUBLIC INPUT

Trustee Liz Koppenhaver congratulated Trustee Dale Amaral on his promotion as the new Division Commander of the Sheriff's Office.

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

March 11, 2015 at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 11:42 a.m.