



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 13, 2014

To: Members of the Board of Retirement

From: George Wood – Vice Chair

Subject: Summary of the February 13, 2014 Investment Committee Meeting

The Investment Committee met on Thursday, February 13, 2014 at 9:32 a.m. The Committee members present were Dale Amaral, Keith Carson, Elizabeth Rogers, Donald White and George Wood. Also present were Alternate Retired member David Safer and 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, Victoria Arruda – Human Resources Officer, Harsh Jadhav – Chief of Internal Audit, Associate Counsel – Marguerite Malloy, Betty Tse – Chief Investment Officer, and Associate Counsel – Susan Weiss.

ACTION ITEM

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS – Other Alternative Investment
 - The representatives from Angelo, Gordon & Co., L.P. presented to the Committee the goals and objectives of the A.G. OWL Fund which will take advantage of current market condition to purchase different types of loan at a discount. Angelo Gordon also presented the investment strategy and process including their risk management process.
 - After discussion, Mr. Dale Amaral moved, seconded by Ms. Elizabeth Rogers, to recommend to the Board to adopt the recommended \$35.0 million commitment to the AG Opportunistic Whole Loan Fund, L.P. pending completion of legal due diligence and successful contract negotiation. The motion passed unanimously.

INFORMATION ITEMS

1. Review and discussion 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 its capital markets review process. SIS further presented the new projected ACERA portfolio expectations. As of January 2014, the long-term expected total return of ACERA's target portfolio would be 7.55%, up slightly from last year's 7.50%. The long-term expected total risk is 14.4% up from last year's 14.0%. SIS announced that it conducts its study twice yearly.
2. Comprehensive Investment Department Workflow Analysis, Compensation Survey and Turnover Analysis, and Outsourcing Analysis Project – Conclusion
 - CEO Vincent Brown discussed the conclusion of the work load study of the Investment Department; the Human Resources' study update on turnover and CALAPRS CIO Total

Compensation survey, which will require until March to complete; and the conclusion of the Outsourcing report.

- Based on the SIS memo and Townsend memo, ACERA will not make any recommendations to outsource any Investment Department functions at this time. However, staff will enhance SIS services as appropriate
- The CIO and Investment Department staff will continue their efforts to improve efficiencies and effectiveness of the department operations.

RECOMMENDATIONS

- The Committee recommends, and I move that the Board adopt a \$35.0 million commitment to the AG Opportunistic Whole Loan Fund, L.P. pending completion of legal due diligence and successful contract negotiation. The motion passed unanimously.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

March 12, 2014 at 9:30 a.m.

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION

Conference with Legal Counsel – Anticipated Litigation

Significant exposure to litigation pursuant to Government Code §54956.9 (1 case)

RECONVENE INTO OPEN SESSION TO REPORT ANY ACTION TAKEN IN CLOSED EXECUTIVE SESSION

The Committee reconvened into Open Session and announced that no action had been taken during closed session.

ADJOURNMENT

The meeting adjourned at 12:30 p.m.