



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

---

475-14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574  
[www.acera.org](http://www.acera.org)

Date: September 14, 2016  
To: Members of the Board of Retirement  
From: George Wood - Chair  
**Subject: Summary of September 14, 2016 Investment Committee Meeting**

The Investment Committee met on Wednesday, September 14, 2016 at 9:37 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, 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 David Nelsen – Chief Executive Officer, Kathy Foster – Asst. Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Betty Tse – Chief Investment Officer, and Susan Weiss – Associate Counsel.

**ACTION ITEMS**

1. Discussion of and Possible Motion to Recommend to the Board to Adopt the Proposed timeline, search criteria, and evaluation matrix for ACERA's Passive Indices (U.S. and International Equities) Manager Search
  - Based on feedback provided by the Trustees from the previous Investment Committee Meeting (8/10/2016), Staff updated the Committee on the changes made to revise the proposed evaluation matrix as follows: Investment Management weighting from 20 to 25 points, Performance and Risk from 25 to 30 points, and Fees from 25 to 15 points, while Organization and Compliance weights remained at 20 points and 10 points, respectively. Staff has also revised the proposed search criteria to be consistent with the General Investment Guidelines, Policies, and Procedures.
  - Staff also made a correction to the proposed Timeline with the corrected dates for the Board Meeting which will be held on September 15 and not on September 22 and the November ICM meeting which will be held on November 16, not November 9.
  - After discussion, Mr. Keith Carson moved, seconded by Ms. Elizabeth Rogers, to recommend to the Board to adopt the Proposed timeline, search criteria, and evaluation matrix for ACERA's Passive Indices (U.S. and International Equities) Manager Search.
  - The motion carried with 7 yes (Amaral, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, and Wood), 0 no, and 0 abstention.

## **INFORMATION ITEM**

1. Quarterly Performance Review for the Second Quarter of 2016 – Equities and Fixed Income
  - For 2Q2016, ACERA's Total Fund returned 1.3% (gross) compared to the policy index return of 1.8%. For the year ending 6/30/2016, the Total Fund returned -1.6% (gross) compared to the Policy Index of 0.7%. The Total Fund's results ranked in the 85<sup>th</sup> and 91<sup>st</sup> percentiles for the quarter and one year periods, respectively.
  - For 2Q2016, ACERA's U.S. Equity, International Equity, and Fixed Income asset classes returned 2.3%, -0.8%, and 2.8% (gross) compared to their benchmarks 2.6%, -0.5%, and 2.8%, respectively. On a 1-year basis, these asset classes returned -2.5%, -8.5%, and 5.2%, respectively.
  - As of 6/30/16, U.S. Equity accounted for 32.5% of the Total Fund, International Equity 27.6%, Fixed Income 17.1%, Real Estate 7.5%, PEARLS 11.4%, and Real Assets 3.8%. As of 3/31/2016, the market value of the Total Fund was \$6,655,450,073.
2. Quarterly Performance Review for the Second Quarter of 2016 – Real Estate
  - ACERA's real estate portfolio returned 2.1% (net) for 2Q 2016 and 12.7% (net) for the 1-year period ending 06/30/2016 compared to the NCREIF-ODCE benchmark of 1.9% (net) and 10.8% (net), respectively.
  - The total market value of ACERA's real estate portfolio was \$497.8 million, approximately 7.5% of ACERA's total Fund.
3. Report on the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's General Investment Consultant Search
  - Staff presented its proposed Timeline, Search Criteria, and Evaluation Matrix to the Committee for its consideration and possible input. Staff pointed out the following elements for emphasis:
    - The proposed Timeline indicates a search period of nine months, ending in May of 2017.
    - In the Search Criteria, any responding consultant: (i) must agree to act as a fiduciary to ACERA and (ii) separates discretionary and non-discretionary practices, if available.

- In the evaluation matrix, staff highlighted the importance of Firm Independence which represents 20% of the total score, and the absence of conflicts (ability to provide objective advice).
- Staff plans to present this item for formal action at the next ICM.

### **Recommendations**

- The Committee recommends, and I move, that the Board Adopt the Proposed timeline, search criteria, and evaluation matrix for ACERA's Passive Indices (U.S. and International Equities) Manager Search

### **TRUSTEE/PUBLIC INPUT**

Staff informed Trustees regarding the robust Investment Products Services Introductions (IPSI) program and Trustee Gamble's interest in attending one of these events for educational purposes. Trustees are welcomed to participate in the IPSI meetings for the same purposes.

### **FUTURE DISCUSSION ITEMS**

None

### **ESTABLISHMENT OF NEXT MEETING DATE**

October 12, 2016 at 9:30 a.m.

### **ADJOURNMENT**

The meeting adjourned at 11:07 a.m.