

October 12, 2011

To: Members of the Board of Retirement

From: Dale Amaral – Chair

**Subject: Summary of the October 12, 2011 Investment Committee Meeting**

The Investment Committee met on Wednesday, October 12, 2011 at 9:09 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 Vincent Brown – Chief Executive Officer, Kathy Foster – Assistant Chief Executive Officer, Robert Gaumer – Chief Counsel, J.P. Singh – Chief Financial Officer, Betty Tse – Chief Investment Officer, and Catherine Walker – Assistant Chief Executive Officer.

### **ACTION ITEMS**

#### **Action Items: Matters for discussion and possible motion by the Committee**

1. Review of The Townsend Group and its Organizational Changes and Possible Motion to Recommend to the Board to Continue Townsend's Contract with ACERA
  - The Investment Committee conducted an extensive due diligence discussion with Townsend Group's representatives, including its co-founder Terrance Ahern, regarding its sale to Aligned Asset Managers, LLC.
  - After discussion, Ms. Liz Koppenhaver moved, seconded by Mr. George Wood, to recommend to the Board to continue Townsend's contract with ACERA. The motion passed unanimously.
2. Discussion of and Possible Motion to Recommend to the Board to Adopt the Proposed Finalists for ACERA's Hedge Fund of Funds Manager Search
  - ACERA's general consultant, Strategic Investment Solutions (SIS), summarized its Hedge Fund of Funds search process for the Investment Committee. SIS recommended proceeding with three finalists to identify the best Hedge Fund of Funds manager for ACERA.
  - After discussion, Mr. Donald White moved, seconded by Ms. Annette Cain-Darnes, to recommend to the Board to adopt the proposed finalists for ACERA's Hedge Fund of Funds Manager search. The motion passed unanimously.
3. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in Private Equity Fund – Debt – Related Fund
  - Cerberus Capital Management, LP's representatives presented and discussed with the Investment Committee the fund's organization, its investment strategy and process, as well as the outlook for its investment opportunities.

- After discussion, Ms. Annette Cain-Darnes moved, seconded by Mr. Keith Carson, to recommend to the Board to adopt a \$35.0 million commitment to Cerberus Offshore Levered Loan Opportunities Fund I, Ltd. pending completion of legal due diligence and successful contract negotiation. The motion passed unanimously.

**Information Items:**

1. Memo regarding Directed Brokerage Annual Review Process
2. Oral status Report on Real Return Policy Implementation
3. Report on ACERA's rebalancing activities – September 2011

**RECOMMENDATIONS**

- The Committee recommends, and I move that the Board continue Townsend's contract with ACERA.
- The Committee recommends, and I move that the Board adopt the proposed finalists for ACERA's Hedge Fund of Funds Manager search.
- The Committee recommends, and I move that the Board adopt the recommendation of a \$35.0 million commitment to Cerberus Offshore Levered Loan Opportunities Fund I, Ltd. pending completion of legal due diligence and successful contract negotiation.

**FUTURE DISCUSSION ITEMS**

None

**TRUSTEE/PUBLIC INPUT**

- Trustee Liz Koppenhaver thanked ACERA CEO, Vincent Brown, for his remarks at the October 10, 2011 REAC Luncheon.
- Staff reported that ACERA had resumed the Investment Products and Services Introduction Program (IPSI) with managers/vendors in September 2011. The program had been temporarily suspended for three months.

**ESTABLISHMENT OF NEXT MEETING DATE**

November 9, 2011 at 9:00 a.m.

**ADJOURNMENT**

The meeting adjourned at 11:19 a.m.