



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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Date: January 14, 2015  
To: Members of the Board of Retirement  
From: Annette Cain-Darnes – Chair  
**Subject: Summary of the January 14, 2015 Investment Committee Meeting**

The Investment Committee met on Wednesday, January 14, 2015 at 9:30 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, Liz Koppenhaver, 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, Joseph Fletcher – Chief Counsel, Lori Schnall – Associate Counsel, and Betty Tse – Chief Investment Officer.

**ACTION ITEM**

1. Discussion of and Possible Motion to Recommend to the Board the Approval for a Short List of Real Estate Consultant Candidates
  - Based upon the Trustees review of information distributed regarding ACERA's Real Estate Consultant Search, the Committee was prepared to act on Staff's recommendation early on in this meeting. Staff's recommendation includes the following Real Estate Consultants for further review and evaluation by Investment Staff and SIS:
    - (1) Callan Associates, Inc.
    - (2) Courtland Partners, Ltd.
    - (3) The Townsend Group
  - Ms. Liz Koppenhaver moved, seconded by Mr. George Wood, to recommend to the Board the three Real Estate Consultant candidates for the short list.
  - The motion carried 5 yes (Amaral, Cain-Darnes, Koppenhaver, Walker, and Wood), 0 no, and 0 abstention.

**INFORMATION ITEMS**

1. Review of Franklin Templeton Investments (FTI)
  - Representatives from FTI provided updates on its organization, its investment process, philosophy, and performance. FTI has not changed its investment strategy or style, and has been in compliance with ACERA's reporting requirements.
  - FTI manages approximately \$194.2 million, representing about 2.9% of ACERA's total assets. FTI's Templeton International Smaller Companies Fund gross return for the one-year period ending 9/30/14 was 4.2%, underperforming its account benchmark (MSCI

ACWI Ex U.S. Small Cap) by -0.7%. The gross return for the trailing 3-year period, however, was 16.1% vs. 12.9% benchmark return.

2. Quarterly Performance Review for the Third Quarter of 2014 – Equities, Fixed Income, and Real Return Pool
  - ACERA’s Total Fund returned -2.2% (gross) compared to the policy index of -1.3% in the third quarter of 2014 and 9.4% (gross) compared to the policy index of 11.3% for the latest one year period.
  - As of 9/30/14, the market value of the total Fund was \$6,730,813,434.
  - For the quarter, ACERA’s U.S. equity, international equity, fixed income, and Real Return Pool asset classes returned -1.1%, -5.9%, -0.4%, and -9.9% (gross) compared to their benchmarks 0.0% (Russell 3000 index), -5.4% (MSCI ACWI ex USA IMI), -0.9% (75% Barclays Aggregate 10% Barclays High Yield and 15% Citigroup WGBI ex US), and 0.8% (CPI-U Core+3%), respectively.
3. Quarterly Performance Review for the Third Quarter of 2014 – Real Estate
  - ACERA’s real estate portfolio returned 3.1% (gross) for Q3 2014 and 13.8% (gross) for the latest one year period compared to the NCREIF-ODCE benchmark of 3.2% and 12.4%, respectively.
  - As of 09/30/14, the total market value of ACERA’s real estate portfolio was about \$441 million; approximately 6.6% of ACERA’s total Fund.
4. Semi – Annual Performance Review for the Period Ending June 30, 2014 – PEARLS
  - As of June 30, 2014 the Private Equity and Alternatives Return Leading Strategies Portfolio (“PEARLS”) had a total market value of \$531.9 million, with \$333.0 million in Private Equity and \$198.9 million in Alternatives.
  - During the first half of 2014, ACERA made commitments to Sycamore Partners II (\$42.5 million) and Warburg Pincus Energy (\$15.0 million).

### **Recommendation**

- The Committee recommends, and I move, the approval of Callan Associates, Inc., Courtland Partners, Ltd, and The Townsend Group as the short-listed candidates for ACERA’s Real Estate Consultant Search.

### **TRUSTEE/PUBLIC INPUT**

As a follow-up, Investment Staff updated the Committee regarding the Department of Justice and the U.S. Securities and Exchange Commission investigations into State Street Corp.’s methods of generating asset servicing business from public retirement plans. There is no new information.

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Staff will continue to monitor the situation closely. This issue was first reported to the Investment Committee in the November 19, 2014 Monthly Managers Report.

Dennis Bozanich, Administrative Analyst from the County Administrator's Office, asked when the Committee will review ACERA's Manager Structure. Betty Tse, Chief Investment Officer, informed the public that a review of capital market conditions and ACERA's portfolio asset allocation is scheduled as an information item at the next Investment Committee meeting. This will be the first step to discussing the manager structure implementing the asset allocation classes of the portfolio.

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

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

**ADJOURNMENT**

The meeting adjourned at 11:11 a.m.