



April 9, 2014

To: Members of the Board of Retirement

From: George Wood – Vice Chair

Subject: Summary of the April 9, 2014 Investment Committee Meeting

The Investment Committee met on Wednesday, April 9, 2014 at 9:32 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, George Dewey, Elizabeth Rogers, Donald White and George Wood. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were Margo Allen – Fiscal Services Officer, Kathy Foster – Assistant Chief Executive Officer, Lori Schnall – Associate Counsel, Susan Weiss – Associate Counsel, and Betty Tse – Chief Investment Officer.

ACTION ITEM

There were no action items for discussion.

INFORMATION ITEMS

1. Report on ACERA's PEARLS Investment – Debt Related/Special Situations Fund

- Upon completion of all due diligence procedures and in accordance with ACERA's PEARLS Policy and the 2014 - 2015 Investment Plan for ACERA's PEARLS Portfolio, SIS recommended and Staff approved an up to \$25.0 million commitment to ABRY Advanced Securities Fund III, L.P. as part of the Debt Related/Special Situations allocation in ACERA's PEARLS portfolio, pending completion of legal due diligence, background checks, and successful contract negotiations. According to the Policy, a commitment of up to \$25 million is within Staff's delegated authority and within the investment plan. ABRY is an existing manager and in good standing.

2. Report on ACERA's PEARLS Investment - Buyouts

- Upon completion of all due diligence procedures and in accordance with ACERA's PEARLS Policy and the 2014 - 2015 Investment Plan for ACERA's PEARLS Portfolio, SIS recommended and Staff approved a \$15.0 million commitment to Warburg Pincus Energy, L.P. (WPE or Fund) as part of the Buyouts allocation in ACERA's PEARLS portfolio, pending completion of legal due diligence, background checks, and successful contract negotiations. Warburg Pincus LLC is an existing manager and in good standing. According to the Policy, a commitment of \$15 million is within Staff's delegated authority.
- The representatives from Warburg Pincus (WP) explained that the principal types of WP's previous energy investments were and continues to be oil, gas, and energy services. They explained that investment in renewables is being monitored and will be undertaken as profitable opportunities emerge.

3. Review of AQR Capital Management, LLC – International Equity

- Representatives from AQR Management, LLC – Int'l Equity discussed its organizational structure, investment philosophy, investment strategy, portfolio characteristics, and performance. AQR had out performed in 2013 primarily because of their stock selections especially in the themes of valuation and momentum. AQR also reported on the growth of their assets and personnel. AQR Capital Management, LLC – Int'l. Equity is in compliance with ACERA's investment guidelines.

4. Postponement of May 2014 Investment Committee Meeting

- ACERA's monthly Investment Committee Meeting (ICM) is regularly scheduled on the second Wednesday of each month. However, the second Wednesday in May (May 14) coincides with SACRS Spring Conference which will be held from May 13 – 16, 2014. Staff proposed to postpone the May ICM to Wednesday, May 21, 2014 at 9:30 a.m.

TRUSTEE/PUBLIC INPUT

- Chief Investment Officer, Betty Tse informed the Trustees that John Badeer, Investment Analyst, has accepted a new job and his last day of work will be Friday, April 11, 2014. Betty thanked John for his services and wished him well.

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

May 21, 2014 at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 11:51 a.m.