



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

Date: July 13, 2016
To: Members of the Board of Retirement
From: Keith Carson–Vice Chair
Subject: Summary of July 13, 2016 Investment Committee Meeting

The Investment Committee met on Wednesday, July 13, 2016 at 9:32 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Annette Cain-Darnes, Keith Carson, and Tarrell Gamble. 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 Associate Counsel Susan Weiss.

ACTION ITEMS

There were no action items for discussion.

INFORMATION ITEM

1. Status Update on ACERA's Traditional Fixed Income Manager Structure
 - Representatives of Verus and Staff reported that ACERA's Fixed Income Asset Class (a) includes all traditional fixed income strategies/instruments, (b) captures returns globally, (c) employs alpha-seeking, top-quartile performing, investment managers, (d) costs very little (approximately 20 bps. per year annualized), and (e) provides high diversity value to the rest of ACERA's Total Fund (i.e., lowers the risk (volatility)). It was noted that the three managers in the class have substantially exceeded their performance benchmarks and peer medians for the last 3-, 5-, 7-, and 10-year periods. Additionally, Verus and Staff reported that a bond laddering strategy as a means of meeting retiree member payroll monthly is not recommended as it would add unnecessary complexity to the fixed income class, reduce the class's current yield, and would not enhance the class's already ample liquidity. Both Verus and Staff recommended maintaining the current Fixed Income Asset Class manager structure and the active management style.

2. Review of ACERA's Custodian Bank – State Street Bank and Trust Company (SSB)
 - Representatives from SSB provided updates on its organization, recent performance, and took responsibility for the need to improve the level of service provided. Trustees inquired and discussed the need for SSB to improve on communicating organizational and staffing changes, as well as, certain operational efficiencies. SSB concurred with the up to 6 month probation period to improve its level of service by thoroughly reviewing its operational processes, as well as the dedicated service team itself and will make whatever

changes necessary to improve the service. Trustees agreed to give Staff and SSB up to 6 months to work through these issues.

3. Review of AQR Capital Management (Traditional Manager – Non U.S. Equity – Quantitative)

- Representatives from AQR provided updates on its organization, its investment process, philosophy, and performance. AQR has not changed its investment strategy or style, and has been in compliance with ACERA's reporting requirements.
- AQR manages approximately \$370.1 million, representing about 5.6% of ACERA's total assets. The net return for the account managed by AQR for ACERA over the one-year period ending 3/31/16 was -6.8%, outperforming its account benchmark (MSCI ACWI ex US Net) by 2.3%. The net return for the trailing 3-year period was 1.9% vs. 0.3% for the benchmark.

4. Review of Jamestown Premier Property Fund – (Real Estate)

- Representatives from Jamestown provided an overview of Jamestown's organization and performance for trailing 12 months and since inception. Accordingly, there have been no significant changes to Jamestown organization. Jamestown is a research-driven, top-quartile manager for its vintage year 2012. As of 3/31/2016 ACERA's investment in Jamestown has returned a net 16.2% IRR since inception and the current value as of 3/31/16 is \$28.2 million. The net return for the one – year period ending 3/31/16 was 15.1% outperforming its account benchmark (NFI – ODCE) by 1.4%.

Recommendations

None

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

August 10, 2016 at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 11: 28 a.m.