

August 11, 2010

To: Members of the Board of Retirement

From: George Dewey - Vice Chair

Subject: Summary of the August 11, 2010 Investment Committee Meeting

The Investment Committee met on Wednesday, August 11, 2010 at 9:06 a.m. The Committee members present were Dale Amaral, George Dewey, Liz Koppenhaver, and Elizabeth Rogers. Also present were Alternate Retired member Dave Safer and Alternate Safety member Darryl Walker. Members of the Staff present were Kathy Foster – Assistant Chief Executive Officer, Robert Gaumer – Chief Counsel, J.P. Singh – Chief Financial Officer, Betty Tse – Chief Investment Officer and Catherine Walker – Acting Chief Executive Officer.

ACTION ITEMS

There are no action items for discussion.

INFORMATION ITEMS

1. Report on ACERA's PEARLS investment – debt-related/special situations

- Upon completion of all due diligence procedures, in accordance with ACERA's Private Equity and Alternatives Return Leading Strategy (PEARLS) Policy and the 2010 Investment Plan for ACERA's PEARLS Portfolio, SIS has officially recommended and Staff has approved a \$24.0 million commitment¹ to Sheridan Production Partners II-B, L.P. (the "Fund"), as part of the Debt-Related/Special Situations allocation within ACERA's PEARLS Portfolio, pending completion of legal due diligence and background checks. This commitment would be the first Debt-Related/Special Situations allocation in 2010 and the fourth Debt-Related/Special Situations investment in ACERA's PEARLS Portfolio.
- The Chief Operating Officer from Sheridan Production Partners II-B, L.P. presented an overview of its organization, investment strategy, process, and relevant updates of its funds to the Committee.
- The above-mentioned representative of Sheridan answered several questions regarding Trustees' concerns over potential conflicts of interest between the Fund's two General Partners, Sheridan and Warburg Pincus. Any potential conflicts of interest that may arise between the two General Partners are addressed in the Fund's Advisory Committee which is comprised of LP representatives. Sheridan also confirmed that the only fees earned by Warburg Pincus are its share of the General Partner carry and management fees.

Investment Committee Meeting
August 11, 2010
Page 2 of 2

FUTURE DISCUSSION ITEMS

Please refer to the updated Investment Committee Workplan for Year 2010 for future discussion items.

TRUSTEE/PUBLIC INPUT

None

ESTABLISHMENT OF NEXT MEETING DATE

September 8, 2010 at 9:00 a.m.

ADJOURNMENT

The meeting adjourned at 10:29 a.m.

¹ Subsequent to the August 11, 2010 Investment Committee Meeting (ICM), Staff discovered, during its ICM recap meeting, that there was an error in the commitment amount of \$25.0 million approved by Staff. The accurate commitment amount that Staff is authorized to approve in accordance with the PEARLS Policy should have been \$24.0 million not \$25.0 million. The Staff's decision of not securing Board's approval is in accordance with Section VIII (C) - Roles and Responsibilities (Staff) of the ACERA Private Equities and Alternative Returns Leading Strategies (PEARLS) Policy "with individual commitment up to 5% of the target allocation to the total PEARLS Portfolio or \$25 million (whichever is less) upon completion of a thorough review and due diligence process with satisfactory results".