



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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September 10, 2014

To: Members of the Board of Retirement

From: Annette Cain-Darnes – Chair

**Subject: Summary of the September 10, 2014 Investment Committee Meeting**

The Investment Committee met on Wednesday, September 10, 2014 at 9:34 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, George Dewey, 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, Harsh Jadhav – Chief of Internal Audit, Susan Weiss – Associate Counsel, and Betty Tse – Chief Investment Officer.

**ACTION ITEM**

1. Discussion of and Possible Motion to Adopt the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Real Estate Consultant Search
  - The Investment Committee was informed of the change to the search criteria (Minimum Requirements) where the number of years of experience for the primary Investment Consultant assigned to ACERA was shortened from 10 years to 5 years.
  - After discussion, Mr. Donald White moved, seconded by Mr. Keith Carson to recommend to the Board to adopt the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Real Estate Consultant Search.
  - The motion carried 8 yes (Amaral, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, and Wood), 0 no, and 0 abstention.
2. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in PEARLS – Alternatives – Absolute Return
  - To fulfill proactively the Absolute Return Strategies subclass target of the Alternatives Portfolio, as well as the Implementation Roadmap of the 2014-15 PEARLS Investment Plan, Staff and Strategic Investment Solutions (SIS) presented a fund of accounts/funds to be managed by Lighthouse Investment Partners, LLC as a low beta/high alpha product. The proposed fund is designed to generate returns in volatile markets thereby improving the quality of the ACERA Fund returns stream. The discussion was held in two parts:
    - Staff and SIS explained the reasons for identifying and recommending a skilled fund of accounts/funds manager such as Lighthouse and the reasons for proposing a "Fund of One" to hold a concentrated portfolio of diversified, but "high alpha potential" sub-managers/strategies. SIS explained the importance of the high alpha/low beta combination (absolute return) fund as an integral component to the larger architecture of the ACERA Fund. Staff and SIS explained that the

proposed fund is expected to have low correlation to the traditional equity and bond markets. Staff and SIS explained the projected management and incentive fees as well as the quick redemption feature of the proposed fund given its highly liquid account structure.

- Representatives of Lighthouse Investment Partners, LLC described its history and philosophy, the qualifications of its staff members assigned to the proposed fund, and the scope of those staff members' portfolio management activities/experience. They explained Lighthouse's sub-manager/strategy, operational due diligence, monitoring processes, and risk management. Through real examples, they illustrated how those processes had preserved the assets of other Lighthouse-managed funds over the years.
- After discussion, Mr. George Dewey moved, seconded by Mr. Dale Amaral, to recommend to the Board to adopt a \$100.0 million investment in the proposed fund to be managed by Lighthouse Investment Partners, LLC, pending completion of legal due diligence, background investigations, and successful contract negotiation. The motion passed unanimously.
- The motion carried 8 yes (Amaral, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, and Wood), 0 no, and 0 abstention.

### **INFORMATION ITEMS**

1. Quarterly Performance Review for the Second Quarter of 2014 – Equities, Fixed Income, and Real Return Pool
  - This item was tabled to the October 8, 2014 Investment Committee Meeting.
2. Quarterly Performance Review for the Second Quarter of 2014 – Real Estate
  - This item was tabled to the October 8, 2014 Investment Committee Meeting.
3. Compliance with CA Government Code Section 6254.26
  - The Investment Committee Chair confirmed that the CA Government Code Section 6254.26 and ACERA's Template Chart for Responses related to this item were available on the side table for the public's information.

**Recommendation**

- The Committee recommends, and I move that the Board adopt the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Real Estate Consultant Search.
- The Committee recommends, and I move that the Board adopt a \$100.0 million investment in the proposed fund to be managed by Lighthouse Investment Partners, LLC pending completion of legal due diligence, background investigations, and successful contract negotiation.

**TRUSTEE/PUBLIC INPUT**

Pete Albert asked questions of the Trustees.

Betty Tse, CIO, introduced new Investment Team Member, Clint Kuboyama, to the Trustees.

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

October 8, 2014 at 9:30 a.m.

**ADJOURNMENT**

The meeting adjourned at 11:52 a.m.