



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 20, 2013

To: Members of the Board of Retirement

From: Annette Cain-Darnes – Chair

Subject: Summary of the November 20, 2013 Investment Committee Meeting

The Investment Committee met on Wednesday, November 20, 2013 at 9:12 a.m. The Committee members present were Dale Amaral, Annette Cain-Darnes, George Dewey, Liz Koppenhaver, and Elizabeth Rogers. Also present was Alternate Safety member Darryl Walker. Members of the Staff present were Vincent Brown – Chief Executive Officer, Harsh Jadhav – Chief Internal Auditor, Betty Tse – Chief Investment Officer, and Susan Weiss – Associate Counsel.

ACTION ITEM

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an Investment in ACERA's Real Estate Portfolio
 - The representatives from MetLife Real Estate Investors outlined its organization, investment philosophy, strategy, process, performance objectives, and other key characteristics for the new \$1.4 billion open-end core fund.
 - They explained that they selected 23 of the top assets from over 100 assets on MetLife's balance sheet based on some of the following criteria: (1) property type diversification, (2) high quality assets, (3) expected strong net operating income (NOI) growth going forward, and (4) expected price appreciation.
 - Townsend indicated that its recommendation to invest in the fund was solidified owing to the favorable negotiation of terms, including the reduction in the lock up period to 2 years from 3 years and a fee break below 50 basis points for Townsend clients.
 - After discussion, Mr. George Dewey moved, seconded by Mr. Dale Amaral, to recommend to the Board the adoption of a \$50.0 million commitment to the MetLife Core Property Fund, LP.

INFORMATION ITEMS

1. Review of Strategic Investment Solutions, Inc. (SIS)
 - Staff explained that the review of SIS covered the following areas: (1) the independent status of SIS, (2) ACERA's fund performance for the past 10 years under SIS, (3) summary of SIS and its consulting services, and (4) examination of ACERA's ongoing relationship with SIS.
 - The representatives from SIS described recent client and staffing changes and explained the philosophy of its organization to serve its clients' needs and treat its staff members well.
 - SIS has fulfilled its contractual co-fiduciary responsibilities as ACERA's general investment consultant.

- In conclusion, ACERA is very satisfied with services provided by SIS.

2. Review of Trust Company of the West

- Representatives from TCW provided updates on its organization investment process, philosophy and performance. TCW has not changed its investment strategy or style, and has been in compliance with ACERA's reporting requirements.
- TCW's gross return for the one-year period ending 9/30/13 was 20.25%, underperforming its account benchmark (Russell 1000 Growth Index + 200 bps) by 1.37%. TCW was placed on ACERA's Watchlist status effective 12/06/12 due to both underperformance and organizational change. As of 9/30/13, TCW managed approximately \$427.8 million, representing about 6.8% of ACERA's total assets.

RECOMMENDATIONS

- The Committee recommends, and I move, that the Board adopt the recommendation of a \$50.0 million commitment to the MetLife Core Property Fund, LP, pending completion of legal due diligence and successful contract negotiation.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

December 11, 2013 at 9:00 a.m.

ADJOURNMENT

The meeting adjourned at 11:14 a.m.