

Board of Retirement

March 16, 2017

Trustee's Board Meeting:

Retirees Committee:

Health Care Reform Update

The Board heard a summary of the update that was provided by Keenan and Associates on the recent developments regarding health care reform and the political environment surrounding the Affordable Care Act (ACA). These are my comments: What is more current is the ongoing developments we continue to hear about regarding the disagreements among different factions in the party in power in the House of Representatives, the Senate and the Administration. House Speaker Paul Ryan continues to try to get his bill out of committee voted on and out of the house and on to the Senate. Ryan and the White House are working on revisions to the bill to try to get it to a vote without major defections. It has also become more difficult now that the Congressional Budget Office (CBO) has come out with its analysis which estimates large losses of coverage, short-term cost increases and negative impacts on seniors. The result is still unknown.

Investment Committee:

PEARLS Investment – Venture Capital

Verus recommended and staff approved a commitment of up to \$15.0 million to New Enterprise Associates (NEA) 16 as part of the Venture Capital allocation in ACERA's PEARLS portfolio, pending completion of legal due diligence, background checks and successful contract negotiation. NEA is an existing manager in good standing.

Performance Review 2016 – Equities and Fixed Income

Staff reported that for 2016 the total fund returned 7.4% (gross) compared to the Policy Index return of 9.1%. The total fund ranked in the 73rd percentile for the one-year period. Betty Tse reported at the Trustees' meeting that the total fund earned 7.1% net of fees.

Performance Review 2016 – Real Estate

Staff reported that for 2016 ACERA's real estate portfolio returned 8.4% (gross) compared to its benchmark of 8.8%. Callan Associates reported to the Investment Committee that while returns have been driven by appreciation over the last few years, recent returns have been driven more by income. Annette Cain-Darnes (Investment Committee Chair) indicated that it was to the benefit of the fund that returns are based more by income.

Budget:

Margo Allen, ACERA Fiscal Services Officer, reported that as of January 31, 2017 operating expenses are \$289k under budget for the year.

CEO:

Dave Nelsen reported on the slate of candidates running for election for the SACRS Board. He asked the Board to give him any input on how they wanted him to vote on their behalf. He also reminded the Board of his regular bi-monthly meetings with the CAO. He also indicated that he is scheduling the annual check-in meeting with the participating employers who are part of the retirement system. Finally, he stated that the search for the Chief Counsel is on-going.

Jon Orellana, Acting President