



Meeting Date  
**11/06/13**  
Agenda Item  
**#16**

## MEMORANDUM

Date: October 30, 2013  
To: CCCERA Board of Retirement  
From: Timothy Price, Retirement CIO  
Subject: CCCERA Commitment to Aether Real Assets Fund III and Surplus Fund III

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### **Overview**

The Board approved an aggregate commitment of \$75 million to Aether (\$25 million to ARA Fund III and \$50 million to ARA Surplus Fund III) at the May 29, 2013 Board meeting as an anchor position in the CCCERA private real assets program. The commitment was made subject to the standard CCCERA on-site review and an operational due diligence review. The operational due diligence (ODD) review was completed by Kreischer Miller (KM) on October 24, 2013 and the Board on-site review was completed on October 28, 2013.

The CCCERA representatives at the on-site review included Debora Allen, Russell Watts, Marilyn Leedom, Tim Price and Marty Dirks from Milliman. We reviewed the firm's background, investment philosophy, sourcing of investment ideas, due diligence and portfolio construction processes. We came away with a confirmed and deepened understanding of the firm's investment philosophy and process.

The outstanding issue was the firm's compliance with SSAE 16 (formerly known as SAS 70). This is an independent review of internal controls and procedures. In this case, Aether's fund administrator did not have this certification, but is in the process of pursuing it. The fund administrator is pursuing this certification, but the process will likely take 18-24 months.

### **Recommendation**

The fund administrator's lack of a SSAE 16 certification was not known to the Board at the time that the commitment was made in May 2013. While the fund administrator is pursuing an SSAE 16 examination, it will not be complete by the time that CCCERA would have to commit to

Aether Fund III, and would in fact most likely not be available until the fund had completed all of its commitments (in the next two years).

The illiquid nature of these investments (capital could be committed to Aether for the next 12 years) makes it imperative the Board affirm or rescind the \$75 million commitment to Aether at this time. Aether anticipates a first close on the fund by November 22, 2013. We will need to inform Aether of our intent to proceed or rescind our commitment well in advance of that date.