



**INSTITUTIONAL INVESTOR INSTITUTE
HEDGE FUND INSTITUTIONAL FORUM**

ROUNDTABLE FOR PUBLIC & TAFT HARTLY PLANS

Rancho Bernardo Inn ♦ San Diego, CA
April 6-8, 2011

PLAN EXECUTIVE ADVISORY BOARD

ROUNDTABLE CHAIR

Bruce H. Cundick
Chief Investment Officer
Utah Retirement System

ADVISORY BOARD

Ali Amiry
Investment Officer
City of San Jose Department of Retirement Services

Keith Bozarth
Executive Director
State of Wisconsin Investment Board

Shanta Chary
Chief Investment Officer
Orange County Employees Retirement System

Gary R. Dokes
Chief Investment Officer
Arizona State Retirement System

Lorrie Tingle, CFA
Chief Investment Officer
Public Employees' Retirement System of Mississippi

Ron Lind
President/International Vice-President
UFCW Local 5

Trent May
Chief Investment Officer
Wyoming Retirement System

Bob Maynard
Chief Investment Officer
Public Employee Retirement System of Idaho

R. Stanley Rupnik, CFA
Acting Executive Director and CIO
Teachers' Retirement System of the State of Illinois

HEDGE FUND INSTITUTIONAL FORUM

Hedge Funds and Other Alternatives: The Holy Grail for Public Pension Plans?

Longer amortization schedules, caps on the employer contribution rate, increases in retirement age and, at the extreme, bankruptcy are some of the strategies public plans are pursuing to overcome the funding crisis. Meanwhile, on the investment side, some public funds are beefing up their allocations to hedge funds and other alternative investments to tackle state and local pension plan funding shortfalls.

This year's Forum will address the ongoing reconfiguration of the hedge fund industry as well as the changing attitudes of plan sponsors amidst funding concerns. These topics will be explored through a combination of workshops, discussion groups, and plenary sessions. The day will conclude with an informal dinner allowing participants to continue to share thoughts with peers.

WEDNESDAY, APRIL 6TH

7:30 - **CONTINENTAL BREAKFAST AND REGISTRATION**
8:30 AM

8:30 - **WELCOME AND INTRODUCTORY REMARKS**
8:45 AM

Barbara Munder
Executive Director
Institutional Investor Memberships
New York, NY

8:45 - **THE STATE OF THE PUBLIC FUNDS INDUSTRY**
9:15 AM

Many public pensions at the state and local level are underfunded. State legislatures in some cases are taking significant steps to contain the problem including increasing the retirement age and the vesting schedule. Will these steps be enough? This keynote will look at the state of the public funds industry and its likely outcome.

9:15 - **THE CHANGING CONTOURS OF THE HEDGE FUND INDUSTRY**
10:15 AM

Major structural shifts in the hedge fund industry continue to occur in the aftermath of the financial crisis. A growing proportion of new hedge fund investments are going to bigger, more institutional funds, for example, while funds-of-funds have lost market share among new hedge fund investments. Moreover, the relative standing of various hedge fund strategies has changed in several ways. Will these trends continue? What other changes are affecting the hedge fund landscape? This session will explore the rapidly evolving configuration of the hedge fund industry.

Alan Van Noord
Chief Investment Officer
Pennsylvania Public School Employees' Retirement System
Harrisburg, PA

10:15 - **COFFEE BREAK**

10:45 ^{AM}

10:45 - **THE STANDARDIZATION OF HEDGE FUND RISK INFORMATION: A WORKING
11:15 ^{AM} GROUP'S PROGRESS REPORT**

A group representing key constituencies of the hedge fund industry is working towards standardizing procedures for collecting, collating and disseminating information about hedge fund risks. Members of the Open Protocol Enabling Risk Aggregation (OPERA) working group will explain the committee's objectives, structure, and activities.

Bruce H. Cundick

Chief Investment Officer
Utah Retirement Systems
Salt Lake City, UT

Gaurav Amin

Co-Chair of OPERA, Global Head of Risk
Albourne Partners
Norwalk, CT

11:15 - **PORTFOLIO CONSTRUCTION: DISCUSSION GROUPS**

12:15 ^{PM}

These discussion groups – co-led by a fund executive and a hedge fund manager – will explore the opportunities in constructing a public plan hedge fund portfolio in today's environment.

12:15 - **SEATED LUNCH AND FEATURED SPEAKER**

2:15 ^{PM}

HEDGE FUNDS AND THE FUTURE OF FINANCE

In the aftermath of the financial crisis, global regulators have focused on reining in the risks taken by financial institutions. Sebastian Mallaby will draw on colorful case studies from his best-selling history of hedge funds, "*More Money than God: Hedge Funds and the Making of a New Elite*" to argue that the steps being taken are not adequate. A columnist and former editorial board member at the *Washington Post*, Sebastian Mallaby directs the Center for Geoeconomic Studies at the Council on Foreign Relations.

Sebastian Mallaby

Paul A. Volcker Senior Fellow in International Economics, Council on Foreign Relations
Acclaimed Author, Economic Expert and Two-Time Pulitzer Prize Finalist

2:15 - **CO-INVESTMENT/DIRECT INVESTMENT STRATEGIES**

3:00 ^{PM}

Direct co-investing alongside private equity managers has become an increasingly relevant strategy for institutional investors looking to reduce their investment fees, more precisely modulate their capital deployment rate, access specific investment opportunities from their best managers, and increase the leverage and productivity of their staff. This panel will provide a broad overview of how to establish a co-investment program while taking a closer look at the spectrum of co-investment programs, the benefits and drawbacks of each, best practices, and share some of their valuable lessons learned.

Francie Heller
Managing Director
Houlihan Lokey
New York, NY

3:00 - **COFFEE BREAK**
3:30 ^{PM}

3:30 - **INVESTMENT WORKSHOPS:**
4:30 ^{PM}

INVESTMENT WORKSHOP I: HEDGE FUND RISK MANAGEMENT: A HOLISTIC APPROACH

Risk has superseded performance as the #1 concern among pension funds, according to some consultants. How should investors assess their hedge fund portfolios through this new, enhanced risk lens? Speakers in this session will examine the hedge fund investing process from initial strategy development to implementation from this perspective.

Karyn L. Williams, Ph.D.
Managing Director
Wilshire Associates
Santa Monica, CA

David Blitzstein
Special Assistant for Multiemployer Funds, Collective Bargaining Department
UFCW International Union
Washington, DC

INVESTMENT WORKSHOP II: WHAT'S NEXT FOR REAL ESTATE?

After months of predicting a disaster in the U.S. commercial real estate sector, some analysts now see attractive opportunities. Has the all clear signal sounded? Is it onward and upward? Or is there another shoe to drop? Even if the news is good, where are the best opportunities in commercial properties? And how attractive are the opportunities in real estate compared to other asset classes?

4:30 - **OPPORTUNISTIC INVESTING: HOW SUCCESSFUL HAS IT BEEN?**
5:30 ^{PM}

In an effort to improve performance, some institutions have carved out opportunistic allocations, a small, broadly-defined category designed to facilitate capitalizing on opportunities that don't fit neatly into an existing asset allocation. How successful has this strategy been? What skills does a manager need to discern and respond to opportunities? What policies should investors put in place in order to allow their asset managers enhanced flexibility without abdicating oversight responsibilities?

James-Keith Brown
Executive Managing Director and Head of Global Investor Relations
Och-Ziff Capital Management Group
New York, NY

Shawn Wischmeier
Chief Investment Officer
North Carolina Department of State Treasurer
Raleigh, NC

6:00 - **RECEPTION & DINNER**

8:00 PM

ALTERNATIVES ROUNDTABLE CONCLUDES

INSTITUTIONAL INVESTOR INSTITUTE

Getting out of the Red

Many of the nation's public employee retirement systems are caught in a vise: State and local governments have responded to their sizable budget gaps by seeking to minimize pension contributions even as the market meltdown has created large funding gaps at these plans. And in contrast to corporate employers, few governmental bodies are prepared to rein in their defined benefit plans. Some plans are pinning their hopes on achieving attractive investment returns. But there is growing conviction that the "new normal" in investment markets will be modest returns on many asset classes. How can public funds resolve the critical issues they face? What are the best investment strategies for limiting risk while also generating meaningful returns? How can the public fund governance structure get their constituencies to understand the new realities facing public employee retirement plans?

The 2010 Public Funds Roundtable will focus on these and other critical issues facing public plans, as plan sponsors, consultants, and asset managers share their perspectives.

THURSDAY, APRIL 7TH

7:45 - **CONTINENTAL BREAKFAST AND REGISTRATION**

8:30 AM

8:30 - **WELCOME AND INTRODUCTORY REMARKS**

8:45 AM

Barbara Munder

Executive Director

Institutional Investor Memberships

New York, NY

8:45 - **WILL DEFINED BENEFIT PLANS SURVIVE?**

9:45 AM

Several recent studies predict that in the foreseeable future some state pension funds will run out of assets and have to rely on state general revenues to pay pension benefits. Are state systems sustainable as now configured? What needs to be changed and how likely is it that it will happen? What are the implications for public plans? This panel of thought leaders will share their views.

Mark Olleman

Principal & Consulting Actuary

Milliman

Seattle, WA

Anne M. Wagner

Chief Executive Officer

Michigan Municipal Employees Retirement System (MERS)

Lansing, MI

9:45 - **PUBLIC PLAN MANAGEMENT: A GLOBAL PERSPECTIVE**

10:45 AM

A panel of public plan sponsors from across the globe will explore the evolution of asset allocation and risk management. Some of the issues they will address include: Is this a time to go back to basics, or should plan sponsors loosen the constraints on their managers? Will there be a renewed emphasis on diversification and, if so, where will funds find those assets and strategies capable of insulating their participants from the markets' convolutions? Will increasingly esoteric investment opportunities and sophisticated strategies offer the best hope for better performance?

Michael C. Schlachter

Managing Director

Wilshire Associates

Broomfield, CO

10:45 - **COFFEE BREAK**

11:15 AM

11:15 - **ASSET ALLOCATION AND ASSET CLASSES: DISCUSSION GROUPS**

12:15 PM

As public funds seek to absorb the lessons of the financial crisis, many are undertaking asset-liability studies and rethinking their commitment to various asset classes—and to the asset allocation process. What ideas are flowing out of these reassessments, and how are plan sponsors changing their strategies – and portfolios. These discussion groups, each co-led by a plan sponsor and an asset manager, will explore these issues.

12:15 - **LUNCH & FEATURED SPEAKER**

2:00 PM

2:00 - **INVESTORS ACTIVISM: WHY DO SOME JUST DO IT AND OTHERS JUST SAY NO?**

2:45 PM

Activist investors are a burgeoning breed. Proxy voting, proxy resolutions, direct engagement, shareholder litigation and other forms of agitation for change have recently received more attention during these turbulent financial times. Having said this, however, they are not like the so-called corporate raiders of the past who often wanted to break up a business or simply be paid off to go away. Today some of the most prominent and well respected investors in the world are taking actions that could be considered activist. What are they up to and is it working in the current environment? Why are some funds consistently active, while others choose to sit on the sidelines?

2:45 - **REGULATION AND LEGISLATION: WHAT IS IN THE OFFING?**

3:45 PM

A panel of Washington insiders will look at the implications for pension plans of past legislation/regulation including Dodd-Frank and ERISA, as well what changes might be forthcoming. What can we expect to see from the Congress, the DOL and GASB? How should plan sponsors prepare for them?

Randy DeFrehn

Executive Director

National Coordinating Committee for Multiemployer Plans (NCCMP)

Washington, DC

3:45 - **COFFEE BREAK & NETWORKING**

4:15 PM

5:00 - **DEPART FOR MARINE CORPS AIR STATION (MCAS) MIRAMAR**

6:00 - **TOUR, COCKTAILS & DINNER AT MCAS MIRAMAR**

Roundtable participants will visit MCAS Miramar, home to the 3rd Marine Aircraft Wing and the TOPGUN training program. You will have a unique opportunity to explore behind the gates with a tour of the grounds including a stop on the flight line of the F-18s. The tour will terminate at the Officer's Club where cocktails and dinner will be served.

FRIDAY, APRIL 8TH

7:30 - **CONTINENTAL BREAKFAST**

8:00 AM

8:00 - **WILL EMERGING MARKETS STAY ON THE FAST TRACK?**

9:00 AM

Money has been pouring into emerging market investments because of a growing conviction that these markets offer attractive prospects for economic growth, more positive demographic trends, and increasingly positive political and economic institutions. But where are the best investment opportunities among the dozens of emerging markets? How deep and enduring is the increased political maturity and fiscal probity many see in developing countries? Will the mounting enthusiasm for these markets turn into a bubble?

Cynthia Steer

Managing Director

Russell Investments

New York, NY

Mahmoud Mohieldin

Managing Director

The World Bank Group

Washington, DC

Andrew Ness

Investment Manager, Global Emerging Markets

Martin Currie

New York, NY

9:00 - **COFFEE BREAK**

9:30 AM

9:30 - **RESTRUCTURING THE CONSULTING INDUSTRY**

10:30 AM

Public pension plans have historically relied heavily upon their consultants for advice and counsel on a wide range of issues. Now the consulting industry is in transition. One major player, Mercer, has exited the U.S. public defined benefit investment consulting industry. Meanwhile, several other major firms have merged: Towers Perrin and Watson Wyatt and Ennis Knupp, Hewitt Associates and Aon. Where is the

consulting industry headed? What will determine the configuration of the industry going forward? And what does all this mean for investors and asset managers?

Richard M. Charlton
Chairman & Chief Executive Officer
NEPC
Cambridge, MA

10:30 - **KEYNOTE ADDRESS**
11:00 AM

11:00 - **BUFFET LUNCHEON**
12:00 PM

ROUNDTABLE CONCLUDES