



**Alameda County Employees' Retirement Association  
BOARD OF RETIREMENT**

**INVESTMENT COMMITTEE/BOARD MEETING**

**THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE  
[SEE GOV'T CODE § 54953(e) AND LETTER ATTACHED AT THE END OF THIS AGENDA]**

**ACERA MISSION:**

**To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.**

**Wednesday, October 13, 2021  
9:30 a.m.**

<b>ZOOM INSTRUCTIONS</b>	<b>COMMITTEE MEMBERS</b>	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. <a href="https://zoom.us/join">https://zoom.us/join</a> <b>Webinar ID:</b> 818 7108 4743 <b>Passcode:</b> 696177 For help joining a Zoom meeting, see: <a href="https://support.zoom.us/hc/en-us/articles/201362193">https://support.zoom.us/hc/en-us/articles/201362193</a> <b>Call-in Number:</b> 1 669 900 6833	<b>GEORGE WOOD, CHAIR</b>	<b>ELECTED GENERAL</b>
	<b>JAIME GODFREY, VICE-CHAIR</b>	<b>APPOINTED</b>
	<b>DALE AMARAL</b>	<b>ELECTED SAFETY</b>
	<b>OPHELIA BASGAL</b>	<b>APPOINTED</b>
	<b>KEITH CARSON</b>	<b>APPOINTED</b>
	<b>TARRELL GAMBLE</b>	<b>APPOINTED</b>
	<b>LIZ KOPPENHAVER</b>	<b>ELECTED RETIRED</b>
	<b>HENRY LEVY</b>	<b>TREASURER</b>
	<b>DARRYL L.WALKER</b>	<b>ELECTED GENERAL<sup>1</sup></b>
	<b>NANCY REILLY</b>	<b>ALTERNATE RETIRED<sup>2</sup></b>
	<b>VACANT</b>	<b>ALTERNATE SAFETY</b>

<sup>1</sup>Trustee Walker is filling the vacancy created by Trustee Rogers' retirement. See Gov't Code §§ 31524, 31520.1(b)

<sup>2</sup> The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

*Note regarding accommodations:* The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

*Note regarding public comments:* Public comments are limited to four (4) minutes per person in total.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes, and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure), are available online at [www.acera.org](http://www.acera.org).

# **INVESTMENT COMMITTEE/BOARD MEETING**

**NOTICE and AGENDA, Page 2 of 2 – October 13, 2021**

**Call to Order:** 9:30 a.m.

**Roll Call:**

**Public Input (The Chair allows public input on each agenda item at the time the item is discussed)**

**Action Items: Matters for discussion and possible motion by the Committee**

1. Discussion and Possible Motion to Recommend that the Board Adopt an up to \$36 million Investment in Angelo Gordon Credit Solutions Fund II as part of ACERA's Private Equity Portfolio – Debt-Related/Special Situations,<sup>3</sup>Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations

9:30 – 10:15 Colleen Casey, Angelo Gordon  
Ryan Mollett, Angelo Gordon  
Garrett Dinsmore, Verus Advisory Inc.  
Faraz Shooshani, Verus Advisory Inc.  
Clint Kuboyama ACERA  
Betty Tse, ACERA

2. Discussion and Possible Motion to Recommend that the Board Adopt an Amended Private Equity Investment Policy

10:15 – 10:45 Faraz Shooshani, Verus Advisory Inc.  
John Ta, ACERA  
Betty Tse, ACERA

3. Discussion and Possible Motion to Recommend that the Board Adopt an Updated Private Equity Investment Plan 2021 - 2024

10:45 – 11:00 Faraz Shooshani, Verus Advisory Inc.  
John Ta, ACERA  
Betty Tse, ACERA

**Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports**

1. Review of ACERA's Real Estate Funds – Update on Housing Sector, Eviction Moratorium, and Natural Disasters

Avery Robinson, Callan LLC  
Thomas Taylor, ACERA  
Betty Tse, ACERA

**Trustee Remarks**

**Future Discussion Items**

**Establishment of Next Meeting Date**

November 17, 2021 at 9:30 a.m.

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<sup>3</sup> Written materials and investment recommendations from the consultants, fund managers and ACERA Investment Staff relating to this alternative investment are exempt from public disclosure pursuant to CA Gov. Codes § 6254.26 and § 6255.



September 23, 2021

The Honorable Board of Supervisors  
County Administration Building  
1221 Oak Street  
Oakland, CA 94612

**SUBJECT: RECEIVE AND ACCEPT THE RECOMMENDATION OF THE HEALTH CARE SERVICES AGENCY  
DIRECTOR FOR CONTINUED SOCIAL DISTANCING AT ALL BOARD OF SUPERVISORS  
MEETINGS AND BOARD COMMITTEE MEETINGS**

Dear Board Members:

**RECOMMENDATION**

Receive and accept the recommendation of the Health Care Services Agency Director for continued social distancing at all meetings of the full Board of Supervisors and at all Board of Supervisors Committee meetings.

**DISCUSSION/SUMMARY**

In light of the continued state of emergency related to COVID-19, the Health Care Services Agency (HCSA) Director recommends that your Board continue to impose the social distancing measures that were initially adopted in March 2020 for all meetings of the Board of Supervisors and Board Committee meetings, until your Board – in consultation with the HCSA Director – concludes that such measures are no longer necessary. The HCSA Director makes this recommendation to comply with newly enacted urgency legislation establishing new requirements for teleconferenced (remote) meetings under the Ralph M. Brown Act.

This recommendation is based on the continued threat of COVID-19 to the community, the unique characteristics of public governmental meetings (such as the increased mixing associated with bringing together people from across the community, the need to enable those who are immunocompromised or unvaccinated to be able to safely continue to fully participate in public governmental meetings, and the challenges with fully ascertaining and ensuring compliance with vaccination and other safety recommendations at such meetings), and the continued increased safety protection that social distancing provides as one method to reduce the risk of COVID-19 transmission.

**BACKGROUND**

On March 4, 2020, Governor Newsom issued an Executive Order proclaiming a state of emergency in California as a result of the COVID-19 pandemic. This emergency declaration remains in effect. On March 17, 2020, Governor Newsom issued Executive Order N-29-20, which allowed local agencies subject to the Brown Act to hold their meetings remotely, without providing a physical location for

members of the public to gather and participate, so long as there were telephonic means to allow public participation and protect citizens' statutory and constitutional rights. Your Board held its first telephonic meeting with no in-person public participation on April 21, 2020 and has continued the practice since. On June 11, 2021, Governor Newsom issued Executive Order N-08-21 which similarly governed the convening of public meetings and modified the permissions of Executive Order N-29-20 to allow for continued use of teleconferenced meetings by local agencies subject to the Brown Act.

On September 16, 2021, Governor Newsom signed into law Assembly Bill 361 (AB 361, Chapter 165, Statutes of 2021), which amended the Brown Act to allow for continued use of teleconferenced meetings by Brown Act bodies without providing a physical meeting location for the public through January 31, 2024, under certain conditions. The permitting conditions include factors such as a continued declaration of emergency, and a local official recommending measures for social distancing.

As HCSA and the Health Officer have reported to your Board, the highly transmissible SARS-CoV-2 B.1.617.2 (Delta) variant has been circulating in the County of Alameda since April 2021. While the risk for COVID-19 infection is highest among unvaccinated residents (and the vaccination rates in our County are relatively high) over one-third of COVID-19 infections are among fully vaccinated persons. Among vaccinated persons, older adults are at the highest risk for severe illness resulting from COVID-19 infection.

Accordingly, the HCSA Director recommends that social distancing measures adopted in the early days of the pandemic remain in place for meetings of your Board and Board Committees. This recommendation is consistent with the Division of Occupational Safety and Health of California's (Cal/OSHA) Emergency Temporary Standards, which require employers to train and instruct employees that the use of social distancing helps combat the spread of COVID-19 (8 Cal. Code Regs. 3205(c)(5)(D)). Under the requirements of AB 361, no later than 30 days after the September 28 meeting, and again every 30 days thereafter for as long as this recommendation remains in place, your Board will need to reconsider the state of emergency, and whether (a) the emergency directly impacts the ability of members to safely meet in person; or (b) social distancing measures are still recommended at Board and Board Committee meetings.

## **FINANCING**

Acceptance of this recommendation will have no impact on net County cost.

## **VISION 2026 GOAL**

Acceptance of this recommendation will prevent potential spread of COVID-19 in the Board's public meetings, and thus advances the 10X Vision 2026 Goal pathway of **Accessible Infrastructure** in support of our shared visions of a **Thriving & Resilient Population** and **Safe & Livable Communities**.

Sincerely,

DocuSigned by:  
  
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Colleen Chawla, Director  
Health Care Services Agency



TO: Members of the Investment Committee  
FROM: John Ta, Investment Officer   
DATE: October 13, 2021  
SUBJECT: Discussion and Possible Motion to Recommend that the Board Adopt an Amended Private Equity Investment Policy

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**Recommendation:**

Adopt the amended Private Equity Investment Policy (“PE Policy”) as proposed by Staff and Verus Advisory, Inc. (“Verus”).

**Background/Discussion:**

On June 17, 2021, the Board adopted a new asset allocation policy that included an increase to the Private Equity target allocation from 8% to 11% of the Total Fund. Subsequently, Staff and Verus reviewed the entire PE policy and made revisions based on the recent allocation changes as well as our experiences since the last policy update on September 21, 2017. The changes include the following:

- Updated the long-term PE target allocation from 8% to 11% to match the new allocation target (page 4 of the PE Policy).
- Updated the minimum target range from 0% to 8% of the Total Fund as the ACERA PE portfolio has matured from its inception in 2008 (page 4 of the PE Policy).
- Revised some general policy language for conciseness and consistency (throughout PE Policy).
- Removed the numerical limits for delegated authority while leaving the percentage limits intact, consistent with the other percentage limits set in the PE Policy (page 7 of the PE Policy). Further discussion of this change follows below.

The current limits for delegated authority are 1) the lesser of 5% of the total PE allocation or \$25M total commitment for new managers and 2) the lesser of 10% of the total PE allocation or \$50M total collective commitments for reoccurring managers. The majority of future PE investment recommendations would exceed this limit as future proposed investments are expected to range from \$20M to \$50M<sup>1</sup> and therefore not qualify. Using only the percentage limits<sup>2</sup> would allow Staff and Verus more flexibility for approving investments in situations where a potential investment manager has some constraints (e.g., short fundraising timeline, oversubscribed, prefers not to present in a public forum, etc.) while retaining the risk controls intended by the original language. However, it is important to note that Staff and Verus can continue to operate within the current limits without major complications.

**Attachments:**

#1 Redlined ACERA Private Equity Investment Policy, prepared by Staff

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<sup>1</sup> See ACERA Private Equity Investment Plan for 2021-2024

<sup>2</sup> With the new 11% PE allocation and an estimated \$11.5 billion Total Fund value, 5% and 10% of the total PE allocation are approximately \$63 million and \$126 million respectively.

**Alameda County Employees'  
Retirement Association**

**ACERA**

**PRIVATE EQUITY INVESTMENT POLICY**

Amended October 21, 2021~~September 21, 2017~~

# ACERA PRIVATE EQUITY INVESTMENT POLICY

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## I. SCOPE

This Private Equity Investment Policy (“PE Policy”) governs all investments in the Private Equity (“PE”) asset class made by Alameda County Employees’ Retirement Association (“ACERA”)<sup>1</sup>. The investments governed under this PE Policy ~~were previously governed by the PEARLS Policy which was established on September 18, 2008, and is~~ are subject to ~~all provisions of~~ applicable law and the applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. If there is any conflict between this PE Policy and ACERA’s General Investment Guidelines, Policies and Procedures pertaining to investments in the Private Equity asset class, the PE Policy prevails. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this PE Policy at any time.

## II. PURPOSE

The purpose of this PE Policy is to 1) set forth the private equity policies and guidelines which are deemed to be appropriate and prudent; 2) establish criteria against which private equity opportunities are to be measured; and 3) serve as a review document to guide the ongoing oversight of ACERA’s Private Equity Portfolio (“PE Portfolio”) on a consistent basis. This PE Policy also defines the roles and responsibilities of the Board, the ACERA Investment Committee (“Investment Committee”), the ACERA Staff (“Staff”), the ACERA PE Consultant (“Consultant”), and the PE Investment Managers hired by ACERA to manage its assets (“Investment Managers”).

It is expected that this PE Policy will be a living document and that changes will be made from time ~~to~~ time to reflect experience, evolving investment products, and opportunities and changes in the economic and capital market environment.

## III. LEGAL AUTHORITY

This PE Policy is established in accordance with Article XVI, Section 17 of the California Constitution and California Government Code Sections 31594 and 31595, which establish the exclusive authority and fiduciary responsibility of the Board for the investment and administration of the ACERA Trust Fund (“Fund”).

## IV. TYPES OF PRIVATE EQUITY INVESTMENTS

For purpose of this PE Policy, Private Equity may include, but not be limited to, venture capital, corporate buyouts, and debt-related/ special situations. ACERA may consider investing in these assets if and only if the fund vehicles meet all legal standards and PE Policy requirements ~~established pursuant to this PE Policy~~. Private Equity investments may be denominated in U.S. dollars or other currencies.

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<sup>1</sup> See ACERA’s Absolute Return Policy, Real Estate Policy and Real Assets Policy for investments in other asset classes.

## V. STRATEGIC OBJECTIVE OF THE PRIVATE EQUITY PORTFOLIO

The Board recognizes that when ACERA invests in new Private Equity investments, investment results may be difficult to ~~predict-evaluate~~ during the first several years of the investments<sup>2</sup>, and possibly longer. However, ~~this~~ PE Policy establishes performance expectations ~~and~~, ongoing monitoring and reporting duties for each investment and for the PE Portfolio as a whole. Such duties are designed to address these challenges and are described in detail ~~below. later in this PE Policy~~

The Board believes the Fund's overall returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in Private Equity. The strategic objective of such investments is to generate returns superior to those available in the public equity market to compensate the Fund for the long term and illiquid commitments associated with Private Equity investments. The ~~over-all~~total PE Portfolio performance shall be benchmarked against the Thomson Reuters C|A Benchmark (see Section~~§~~ VII).

## VI. STRATEGIC ALLOCATION TO PRIVATE EQUITY PORTFOLIO

The long-term target allocation to the Private Equity asset class, as measured by Net Asset Value of the portfolio and not by dollars committed to underlying Investment Managers or funds, is 911% of the Total Fund. ~~As p~~Portfolio construction shall be driven by careful manager selection, ~~and D~~due to the illiquid nature of investments, the allocation to Private Equity can range from 80% to 13%, with exposure to sub-asset classes as follows:

Portfolio	Long-Term Target Allocation	Min./Max. Ranges
<b>Private Equity</b>	<b><u>119.0%</u></b>	<b><u>08%</u> to 13%</b>
- Buyouts	60%	30% to 80%
- Venture Capital	20%	0% to 40%
- Debt-related/Special Situations	20%	0% to <u>3070%</u>
<b>Total</b>	<b><u>119%</u></b>	<b><u>08%</u> to 13%</b>

Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined under each sub-category below. As with any investment, invested capital may incur losses of all or part of the capital invested ~~but~~, it is expected that a diversified PE Portfolio will produce a positive return significantly in excess of publicly traded domestic equities. Diversifiable risks associated with this Portfolio include position in the capital structure, the timing and amounts of cash flows, the size of the individual investments, and their sensitivities to business cycles. The risks associated with Private Equity will be viewed within the context of the entire Fund. ACERA may take on over- and under-weights to sub-asset classes within

<sup>2</sup> The J-Curve ~~ca~~ffect occurs as fund expenses and management fees are high in the initial years of private equity investing. Due to this J-Curve effect, early returns both at the fund level, and potentially at the portfolio level, are not relevant to long-term results.

the PE Portfolio to improve its risk/return posture based upon an assessment of the relative attractiveness of all available opportunities. As commitments and investments are expected to be made over time, the Portfolio is expected to reach and maintain its long-term target allocation within 4-6 years (subject to availability of quality managers) from the most recent date of change in allocation targets.

## VII. SPECIFIC GUIDELINES FOR PRIVATE EQUITY PORTFOLIOS

ACERA will gain exposure to PE investments by hiring external investment managers either directly or through participation in secondary PE markets. Typically, the Fund will subscribe for interests in limited partnership or limited liability company vehicles, as applicable, sponsored by specialty external investment managers. The strategic objective of PE investments is to outperform the public equity market, with performance of the portfolio benchmarked against the Thomson Reuters C|A Benchmark (net of fees). Each sub-asset class (buyout, venture, debt-related) is to outperform the respective sub-asset class benchmark within the Thomson Reuters C|A Benchmark.

<b>Portfolio</b>	<b>Benchmark</b>
<b>Private Equity</b>	<b>Thomson Reuters C A Global All Private Equity Benchmark</b>
<i>Buyouts</i>	<i>Thomson Reuters C A Global Buyout Benchmark</i>
<i>Venture Capital</i>	<i>Thomson Reuters C A Global Venture Capital &amp; Growth Equity Benchmark</i>
<i>Debt-related/Special Situations</i>	<i>Thomson Reuters C A Global Mezzanine &amp; Distressed Benchmark</i>

The PE Portfolio ~~shallis to~~ be diversified over 43 to 65 years from the most recent date of change in allocation targets:

By sub-asset class: Among buyouts, venture capital, and debt-related / special situations investments.

By vintage year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

By Investment Manager: No more than 20% of the Total Fund's 911% target allocation to the PE Portfolio may be committed to any one investment vehicle.

By geography: Through commitments to funds located and/or investing both in and outside of the United States.

By industry: As a result fallout of the diversified commitments outlined above, it is expected that the PE Portfolio will be generally diversified by sector/industry.

### A. Buyout Investments

Description: Buyout investments typically involve the purchase of a control position (primarily majority positions, with some minority positions) in an established, privately held company.

Investments are typically made in years one through three and returns typically occur in years three through six of the limited partnership.

Investment Constraints: No more than 35% of the target value of capital invested ~~in~~ the ~~B~~uyout portfolio may be invested in a single sector of the domestic or international economy.

#### B. Venture Capital Investments

Description: Venture Capital investments are typically made in privately-held companies at varying stages of development. Investments are often made in years one through five and returns typically occur in years four through ten of the limited partnership. Depending on the stage or risk profile of investments, a large portion of such investments may result in losses, while a few should provide substantially outsized returns. Other types of Private Equity Investments with similar risk/return profiles may be considered for the Fund under this category.

Investment Constraints: No more than 50% of the target value of capital invested in the Venture Capital portfolio may be invested in a single industry within a particular sector.

#### C. Debt-Related and Special Situations Investments

Description: Debt-Related investments typically combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Investments are typically made in years one through three of the partnership with a high level of current income that is combined with capital appreciation supplied by the warrants or other "equity kickers." Special Situations investments can encompass any variety of private investments in debt or equity, typically to generate returns from the turnaround or dissolution of stressed and distressed assets, including opportunistic real estate investments.

Investment Constraints: No more than 30% of the target value of the capital invested in the Debt-Related portfolio may be invested in any single debt-related asset.

### VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's PE Portfolio. The duties and responsibilities of the Board, Investment Committee, Staff, Consultant, and Investment Managers are stated below:

#### A. Board

The Board shall be responsible for approving the PE Policy that governs the PE Portfolio and approving the investment plan of ACERA's PE Portfolio. The Board, with input from the Investment Committee, shall review this PE Policy to determine whether amendments are necessary. The Board shall also be responsible for reviewing and approving all Private Equity investments with individual commitments exceeding Staff's delegated authority as described in subparagraph C below.

## B. Investment Committee

The Investment Committee shall be responsible for the following:

1. Establishing the PE Policy to govern all investments in the Private Equity asset class;
2. Reviewing the PE Policy, evaluating proposals for ~~the~~ PE Policy amendments, if any, and making recommendations for approval by the Board;
3. Reviewing and approving the ACERA PE Investment Plan ~~of ACERA's PE Portfolio~~ every 1 to 3 years;
4. Reviewing Private Equity investments recommended by Staff and/or Consultant and making recommendations to the Board for adoption; and
5. Delegation<sup>3</sup>:
  - a. Delegating to Staff the authority to make final decisions on new proposed Private Equity investments with an individual commitment up to 5% of the target allocation to the total PE Portfolio ~~or \$25 million (whichever is lesser)~~.
  - b. Delegating to Staff the authority to make final decisions on proposed “re-up” Private Equity investments with existing managers in good standing, an individual commitment in addition to the existing commitments, up to 10% of the target allocation to the total PE Portfolio ~~or \$50 million (whichever is lesser)~~.

## C. Staff

Staff shall be responsible for oversight of ACERA's PE Portfolio. Staff's responsibilities shall include, but not be limited to the following:

1. Developing and recommending all necessary changes to the PE Policy with input from Consultant;
2. Developing and maintaining specific procedures, if necessary, to comply with the approved PE Policy with input from Consultant;
3. Developing the investment plan of ACERA's PE Portfolio and making recommendations to the Committee for adoption with input from Consultant;
4. Delegation:
  - a. Approving Consultant's Private Equity investment proposals (new proposals) with each individual commitment up to 5% of the target allocation to the total PE Portfolio ~~or \$25 million (whichever is lesser)~~ upon completion of a thorough review and due diligence process with satisfactory results. Staff and Consultant shall provide the Investment Committee all required reports (please see Appendices I through III).
  - b. Approving Consultant's Private Equity investment proposals for “re-ups” with existing managers with each individual commitment in addition to the existing commitments, up to 10% of the target allocation to the total PE Portfolio ~~or \$50 million (whichever is lesser)~~ to managers in good standing<sup>4</sup> upon completion of a

<sup>3</sup> Investment managers may not appear before the Investment Committee ~~when in circumstance when~~ staff has exercised its delegated authority.

<sup>4</sup> An investment manager may be considered to be in good standing if there is sufficient comfort with factors including, but not limited to, its organization, strategy, performance, and compliance.

thorough review and due diligence process with satisfactory results. Staff and Consultant shall provide the Investment Committee all required reports (please see Appendices I through III).

5. Through the ACERA Investment Products and Services Introduction (IPSI) program ~~of ACERA~~, and with the concurrence of the Consultant, recommend highly qualified Private Equity fund investments to the Investment Committee upon completion of a thorough review ~~and due diligence process~~, ~~and providing the required Appendix I reports listed in the Appendix I of this PE Policy~~ to Staff and/or the Investment Committee. (~~Please See~~ Appendices I through III);
6. Monitoring the PE Portfolio for performance and compliance with this PE Policy;
7. Monitoring the performance of the underlying Investment Managers and their compliance with a) the investment guidelines ~~as~~ set forth in their respective contracts; b) this PE Policy; and c) the applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Conducting comprehensive annual reviews of ACERA's PE Portfolio and the individual investments in the PE Portfolio;
9. Reporting ~~to the Investment Committee~~ any manager violations of this PE Policy to the Investment Committee, with appropriate recommendations;
10. Assisting ACERA's Legal Department in contract negotiations ~~for with~~ the selected Private Equity investments~~Investment Managers~~;
11. Evaluating Private Equity investment opportunities with Consultant's input on an on-going basis; and
12. Evaluating and making recommendations for retention, addition to, and/or termination of Investment Managers.

#### D. Consultant

The Consultant hired by the Board is a fiduciary to ACERA and its Board. Consultant shall independently and continuously monitor and analyze the performance of ACERA's PE Portfolio and make related recommendations to serve the best interests of the plan participants. Consultant shall assist Staff in developing this PE Policy and recommending all necessary changes to the PE Policy. In addition, Consultant shall be responsible for:

1. Analyzing the asset allocation of the PE Portfolio by type, implementation vehicle, geography, industry, and vintage year, and making recommendations for reallocation of assets, as appropriate;
2. Developing an investment plan for ACERA's PE Portfolio every 1 to 3 years;
3. Developing a search strategy for highly qualified Private Equity investments and maintaining a robust database containing information on Investment Managers;
4. Recommending highly qualified Private Equity fund investments to Staff and/or the Investment Committee upon completion of a thorough due diligence process and providing the required reports listed in the Appendix I of this PE Policy to Staff and/or the Investment Committee;
5. Ongoing monitoring of the investment performance of ACERA's PE Portfolio and individual investments in the PE Portfolio;

6. Conducting ongoing due diligence on Investment Managers, notifying ACERA of any significant developments and adverse events and providing analysis and advice on such issues;
7. Ongoing monitoring of Investment Managers' compliance with a) their respective investment guidelines as set forth in their contract; b) this PE Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Assisting Staff in contract negotiations for the selected Private Equity investments, as needed with the selected Investment Managers;
9. Submitting performance evaluation reports and conducting comprehensive reviews of the PE Portfolio and individual Investment Managers semi-annually, and when appropriate, quarterly to the Investment Committee;
10. Making recommendations for retention or termination of Investment Managers;
11. Attending meetings as needed; and
12. Performing other duties in accordance with the terms of its contract and applicable ~~State and Federal~~ law.

#### E. Investment Managers

Investment Managers are fiduciaries and shall prudently manage ACERA's assets in the best interest of ACERA and its members. Investment Managers shall abide by all applicable ACERA policies and procedures ~~established by ACERA~~, and fully comply with applicable law. Investment Managers shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) this PE Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures. Investment Managers shall be responsible for all aspects of portfolio management as set forth in their respective contracts with ACERA. They shall also:

1. Communicate with Staff and/or Consultant promptly regarding investment strategy, investment results, and any non-conforming issues that may have significant and/or negative -impact on the portfolio;
2. Cooperate fully with Staff, Consultant, ACERA's custodian, and other ACERA vendors concerning requests for information;
3. Submit reports to Staff and Consultant in accordance with their contract terms; and
4. Attend meetings as needed.

### IX. DUE DILIGENCE PROCESS FOR PRIVATE EQUITY INVESTMENT SELECTION

ACERA recognizes that a proper due diligence process is essential to control the risks associated with Private Equity investments and, therefore, hereby establishes the following due diligence processes for both its Consultant and Staff:

#### A. Consultant

Consultant shall conduct extensive, documented due diligence before making any Private Equity investment recommendations to Staff and the Investment Committee. Consultant shall involve

Staff in the due diligence process, as necessary. When appropriate, Consultant shall, but not be limited to:

1. Assessing the reputation of the individuals who manage the Private Equity investments, consider background checks, internet searches, and in-person meetings or conference calls with these individuals, etc.;
2. Conducting on-site visits to the offices of the Investment Managers;
3. Checking references from other investors that have invested in these Private Equity investments, and, when advisable, from competitors;
4. Determining that the Private Equity investment funds are audited, at least annually, by a reputable and recognized external independent auditing firm;
5. Reviewing Investment Managers investment strategies, policies, operating procedures, and historical performance;
6. Reviewing and understanding the valuation procedures employed by the Investment Managers;
7. Reviewing business terms of all legal agreements and other related documents for the Private Equity investments under consideration, such as offering memorandum, legal agreements, and Forms ADV, if and as available;
8. Review the investments for potential exposure to Unrelated Business Taxable Income (UBTI); and assessing what exit strategies exist to liquidate existing investments owing to poor performance and, if necessary, to avoid future investments in similar funds.

#### B. Staff

Staff shall ensure that Consultant has conducted extensive, documented due diligence on all Private Equity investment proposals recommended to Staff and the Investment Committee. Staff shall participate in Consultant's due diligence process when appropriate, shall conduct its own independent due diligence, and shall also be responsible for:

1. Reviewing the comprehensive analysis report prepared by Consultant on its recommended Private Equity investments;
2. Verifying the compliance of each recommended Private Equity investment with the PE Policy, the investment plan for ACERA's PE Portfolio and other applicable investment policies;
3. Discussing all issues related to the recommended Private Equity investments with Consultant and with Investment Managers to gain a thorough understanding of each strategy's primary return drivers, key terms, investment guidelines, and determine the investments suitability for ACERA's PE Portfolio; and
4. Performing independent due diligence regarding the business, economic, and legal aspects of the proposed PE investment and in accordance with the Executive Summary (Appendix II) and the Compliance Checklist (Appendix III).
5. Completing Appendices II and III of this document for each proposal.
6. Conducting an on-site due diligence visit to each manager's headquarters office whenever possible; and
7. Arranging presentations of select investment opportunities to the Investment Committee as described under Section VIII.C.4.

X. SPECIFIC PERFORMANCE EVALUATION CRITERIA

When appropriate, specific performance evaluation criteria, including but not limited to benchmarks, will be established for the Investment Managers in their respective contracts with ACERA.

XI. MONITORING AND REPORTING

Consultant and Staff will closely monitor and analyze the PE Portfolio so that the strategic objective of the Portfolio can be met.

Investment Managers shall submit ~~all~~ reports to Staff, Consultant, ACERA's custodian, and other ACERA vendors as required in ~~in accordance with~~ their respective contracts.

Consultant shall submit all reports to Staff in accordance with its contract terms and the PE Policy.

Consultant, in conjunction with Staff, shall perform evaluations of ACERA's PE Portfolio and the underlying Investment Managers semi-annually and when appropriate, quarterly. Consultant shall report the findings to Staff and the Investment Committee.

XII. PRIVATE EQUITY INVESTMENT INFORMATION DISCLOSURE POLICY

ACERA is a public agency subject to state laws, including, without limitation, (a) the California Public Records Act (Cal. Govt. Code §6250, *et seq.*)(the "Public Records Act"), which provides generally that all records relating to a public agency's business are open to public inspection and copying unless exempted under the Public Records Act, (b) the Ralph M. Brown Act (Cal. Govt. Code § 54950 *et. seq.*)(the "Brown Act"), which provides generally for open meetings for local legislative bodies, and (c) the California Government Code Section 7514.7 ("Cal. Govt. Code § 7514.7") which provides generally that public pension systems in California obtain and publicly disclose certain information regarding fees, expenses and returns from the alternative investment vehicles in which they invest. See Appendix IV for details of the ACERA disclosure policy regarding its Private Equity investments:

XIII. TABLE OF AMENDMENT DATES

September 18, 2008\*  
March 19, 2009\*  
August 18, 2011\*  
December 20, 2012\*  
October 14, 2015\*  
September 21, 2017  
October 21, 2021

\*PEARLS Policy, and Amended PEARLS Policies

## **Appendix I**

### **List of Reports Required for Each Investment Recommendation/Approval**

<b>Name of Report</b>	<b>Source</b>
Recommendation/Approval memo	Staff
Recommendation/Approval memo	Consultant
Executive Summary of the Fund	Consultant/Staff
Compliance Checklist	Staff
Comprehensive Due Diligence Report (Available to Trustees upon request)	Consultant
Manager Pitchbook	Investment Manager

**Note: Staff will provide an abbreviated Executive Summary Report that is available for review upon request by the Trustees.**

# Appendix II

## Executive Summary Report Template

Fund Name

### Section I: General Information

Fund Name; Total AUM of the Firm; Current Target Fund Size; Previous Fund Size; Fund Focus; etc.

### Section II: Investment Management

Organization Structure; Management Group; Experience; Personnel Turnover; etc.

### Section III: Investment Strategy

Investment Philosophy; Investment Strategy; Investment Process; Investment Objective; etc.

### Section IV: Risk Management

Risk Control Methodology; Exit Strategy; etc.

### Section V: Investment Rationale

### Section VI: Investment Concerns

### Section VII: Performance (example)

Benchmark:

Net Returns (%):

Periods Ending Date	YTD	1Year	3Years	5Years	Since Inception
Fund					
Benchmark (see § VII)					
Relative Performance: Account – Benchmark					

### Section VIII: Key Terms

Fund Term; Preferred Return; Investment Period; Management Fee; Other Fees; General Partner Carry; GP Commitment; Advisory Board; Clawback; No-Fault Divorce; Key-Person Events; Closing Schedule; Drawdown Schedule; etc.

\* List of items to be addressed as appropriate.  
Data provided by Name as of Date; ICM Date

## Appendix III

### Compliance Checklist Template for Private Equity Investment Selection

Target allocation to Private Equity (PE) Portfolio: ~~119.0%~~ of the total Fund

<u>A. PE Policy for PE Portfolio</u>	<u>Fund Name</u>	<u>In Compliance</u>
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#### 1. Permissible Legal Structures

Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, and limited liability corporations.	<i>Specific legal structure.</i>	<i>Yes, No or N/A</i>
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#### 2. Investment Methods

Individual limited partnership funds Primary and/or Secondary Separate accounts Discretionary Fund-of-funds Direct investments/Co-Investments Combination of the above	<i>Specific investment methods.</i>	<i>Yes, No or N/A</i>
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#### 3. Investment Characteristics

PE may include, but not be limited to, buyouts, venture capital, debt-related / special situations.	<i>Specific investment type.</i>	<i>Yes, No or N/A</i>
<u>Buyouts</u> : typically purchase of a control position in an established, privately held company, <u>Venture Capital</u> : typically purchase in privately-held companies at varying stages of formation, and <u>Debt-related / special situations</u> : typically combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Special situations investments can encompass any variety of private investments in debt or equity.	<i>Specific investment characteristics.</i>	<i>Yes, No or N/A</i>
PE may be denominated in U.S. dollars or other currencies.	<i>Specific currency denomination.</i>	<i>Yes, No or N/A</i>

#### 4. Portfolio Diversification

<p><u>By sub-asset class</u>: among buyouts, venture capital, and debt-related/special situations.</p>	<i>Specific investment type.</i>	<i>Yes, No or N/A</i>
<p><u>By vintage year</u>: roughly equal amounts of new funding will be committed in each calendar year with deviations permitted.</p>	<i>Specific vintage year.</i>	<i>Yes, No or N/A</i>
<p><u>By Investment Manager</u>: ≤20% of the target allocation to total PE Portfolio may be committed to any one partnership.</p>	<i>Specific commitments to the Investment Manager.</i>	<i>Yes, No or N/A</i>
<p><u>By geography</u>: commitments to funds located and/or investing in both in and outside of the U.S.</p>	<i>Specific location.</i>	<i>Yes, No or N/A</i>
<p><u>By industry</u>: PE Portfolio is generally diversified by sector/industry.</p>	<i>Specific sector/industry.</i>	<i>Yes, No or N/A</i>

#### 5. Return Expectation

<p>Thompson Reuters C A Benchmark (net of all fees) in aggregate.</p>	<i>Specific return target.</i>	<i>Yes, No, or N/A</i>
<p>Each sub-asset class:</p> <ul style="list-style-type: none"> <li>• Thomson Reuters C A Global Buyout Equity Benchmark</li> <li>• Thomson Reuters C A Global Venture Capital &amp; Growth Equity Benchmark</li> <li>• Thomson Reuters C A Global Mezzanine &amp; Distressed Benchmark</li> </ul>		<i>Yes, No, or N/A</i>
		<i>Yes, No, or N/A</i>
		<i>Yes, No, or N/A</i>

#### 6. Investment Allocations

<p><u>PE Portfolio</u>: range <del>80</del>%-13% of the total Fund.</p> <p><u>Buyouts</u>: target 60%; range 30%-80%.</p> <p><u>Venture Capital</u>: target 20%; range 0%-40%.</p> <p><u>Debt-related / Special Situations</u>: target 20%; range 0%-<del>37</del>%.</p>	<i>Expected allocations to the PE Portfolio and the underlying portfolios including specific commitment to the Investment Manager.</i>	<i>Yes, No, or N/A</i>
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#### 7. Investment Constraints

<p><u>Buyouts</u>: ≤35% of the target value of the buyout portfolio may be invested in a single sector of the domestic or</p>	<i>Specific commitment to the Investment Manager.</i>	<i>Yes, No or N/A</i>
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<p>international economy.</p> <p><u>Venture Capital</u>: ≤50% of the target value of the venture capital portfolio may be invested in a single industry within a particular sector.</p> <p><u>Debt-related / Special Situations</u>: ≤30% of the target value of the debt-related portfolio may be invested in any single debt-related asset.</p>		
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**B. PE Investment Plan for YEAR**

**Approved: DATE**

**Fund Name**

**In Compliance**

Specific Investment Plan.	<i>Specific commitment to the Investment Manager.</i>	<i>Yes, No or N/A</i>
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## APPENDIX IV

### Details of Disclosure Policy For Private Equity Investments (“PE Funds”)

1. Upon request, ACERA shall disclose : (i) the name, address and vintage year of each PE Fund; (ii) the dollar amount of capital committed to each PE Fund by ACERA since inception; (iii) the dollar amount of cash contributions made to each PE Fund by ACERA since inception; (iv) the dollar amount of distributions received by ACERA from each PE Fund on a fiscal yearend basis; (v) the market value of ACERA’s investment in each PE Fund on a fiscal yearend basis; (vi) each PE Fund’s net internal rate of return (“IRR”) since inception; (vii) the investment multiple of each PE Fund since inception; (viii) the dollar amount of total management fees and expenses paid on an annual fiscal yearend basis, by ACERA to each PE Fund; and (ix) the dollar amount of cash profit received by ACERA from ~~each~~ PE Fund on a fiscal yearend basis. (See Cal. Govt. Code § 6254.26(b).)

2. ACERA shall disclose at least once annually in a report presented at a meeting open to the public : (i) the fees and expenses that ACERA pays directly to ~~each~~ PE Fund ~~and~~, the PE Fund manager or related parties; (ii) ACERA’s pro rata share of fees and expenses not included in (i) that are paid from ~~each~~ PE Fund to the PE Fund manager or related parties; (iii) ACERA’s pro rata share of carried interest distributed by ~~each~~ PE Fund to the PE Fund manager or related parties; (iv) ACERA’s pro rata share of aggregate fees and expenses paid by all of the portfolio companies held by ~~each~~ PE Fund to the PE Fund manager or related parties; (v) the information outlined in Section 1, above, and (vi) the gross and net IRR of ~~each~~ PE Fund, since inception. (See Cal. Govt. Code § 7514.7)

All other records regarding ~~such~~ Private Equity investments shall be exempt from disclosure to the fullest extent permitted under applicable law.

Notwithstanding the preceding, or anything else in this PE Policy, ACERA reserves the right to withhold any record when “on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record.” (See, Cal. Govt. Code §6255(a)). This weighing process contemplates a case-by-case balancing test between competing public interests based on the facts presented as the statute has been interpreted by the courts.<sup>5</sup>

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<sup>5</sup> *Michaelis, Montanari & Johnson v Superior Court*, 38 Cal.4th 1065, 1071 (2006).



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**OCTOBER 2021**

Private Equity Investment Plan: 2021-2024

**ACERA**

# Private Equity Investment Plan Overview

— Plan update per new asset allocation (approved 2021)

— Proposed Updates:

- Plan value: \$11.44 billion (June 30, 2021)
- Long-term investment return assumption: 5.8% per year
- Plan Contributions / Distributions (source: Verus ALM study through 2029, 1.84% net outflow thereafter)
- Cash flows and valuations of existing funds

— Achieve target allocation:

- Private Equity: 11% by 2027
- Neutral weight to each sub-asset class:
  - Buyout: 60%
  - Venture Capital: 20%
  - Debt/Special Situations: 20%

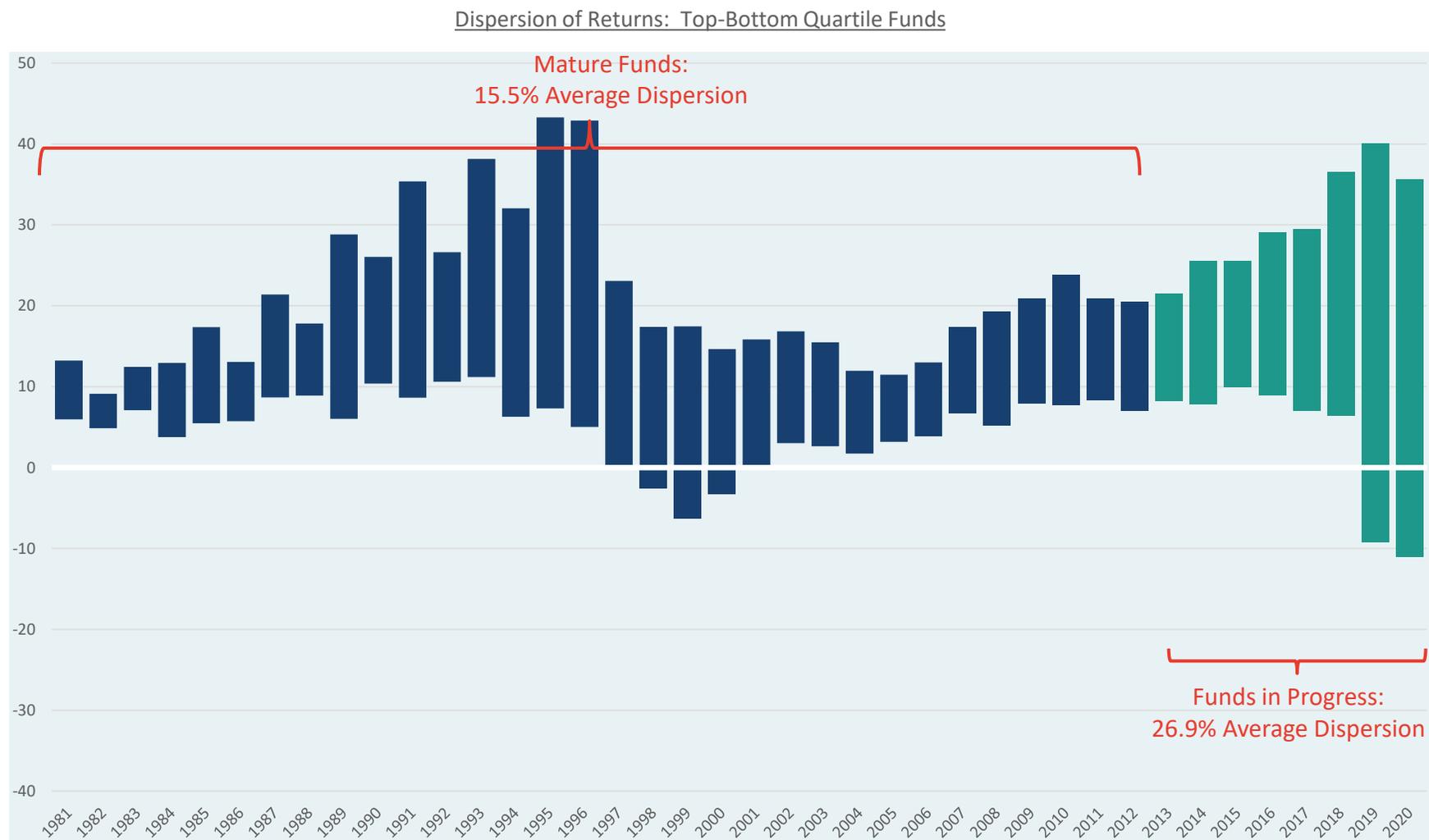
# Private Equity Investment Plan: 2021-2024

New Commitments Required to Achieve Target Allocations / Diversification\*

Buyout:	9-12 new funds	\$515 million
Venture Capital:	9-12 new funds	\$202.5 million
Debt/Spec. Sits:	7 new funds	\$252 million

\*All projected commitments (number and size) subject to bottom-up evaluation of GPs and market opportunities.

# Manager selection is critical to results



Source: Thomson Reuters C|A U.S. All Private Equity returns, as of December 31, 2020. For illustrative purposes only as dispersion of returns varies by sub-asset class.

# Investment Plan – as of June 30, 2021

	2020 Actual	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected	2030 Projected	2031 Projected	2032 Projected
<b>Annual Commitments (\$M)</b>													
Venture Capital	\$ 25	\$ 35	\$ 67.5	\$ 67.5	\$ 67.5	\$ 67.5	\$ 67.5	\$ 67.5	\$ 70	\$ 70	\$ 78	\$ 78	\$ 78
Buyouts	\$ 124	\$ 85	\$ 170	\$ 170	\$ 175	\$ 175	\$ 175	\$ 184	\$ 184	\$ 196	\$ 220	\$ 220	\$ 220
Debt-Related/Special Situations	\$ 26	\$ 90	\$ 72	\$ 72	\$ 72	\$ 85	\$ 85	\$ 95	\$ 95	\$ 95	\$ 110	\$ 110	\$ 110
<b>Total Private Equity</b>	<b>\$ 175</b>	<b>\$ 210</b>	<b>\$ 309.5</b>	<b>\$ 309.5</b>	<b>\$ 314.5</b>	<b>\$ 327.5</b>	<b>\$ 327.5</b>	<b>\$ 346.5</b>	<b>\$ 349</b>	<b>\$ 361</b>	<b>\$ 408</b>	<b>\$ 408</b>	<b>\$ 408</b>

## Number of Commitments

Venture Capital	1	2	3-4	3-4	3-4	3-4	3-4	3-4	3-4	3-4	3-4	3-4	3-4
Buyouts	4	3	3-4	3-4	3-4	3-4	3-4	3-4	3-4	4	4	4	4
Debt-Related/Special Situations	1	3	2	2	2	2	2	2	2	2	2-3	2-3	2-3
<b>Total Private Equity</b>	<b>6</b>	<b>8</b>	<b>8-10</b>	<b>9-10</b>	<b>9-11</b>	<b>9-11</b>	<b>9-11</b>						

## Exposures

<b>Private Equity Exposure as a % of Plan (Target 11%; Range 8-13%)</b>	<b>8.8%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.2%</b>	<b>9.6%</b>	<b>10.0%</b>	<b>10.5%</b>	<b>11.0%</b>	<b>11.2%</b>	<b>11.2%</b>	<b>11.3%</b>	<b>11.2%</b>	<b>11.0%</b>
VC % of Total Private Equity (Target 20% / Range 0-40%)	32.9%	28.7%	26.3%	24.1%	20.9%	18.8%	18.9%	19.6%	19.7%	20.4%	20.7%	20.8%	20.7%
Buyouts % of Total Private Equity (Target 60% / Range 30-80%)	48.6%	53.3%	55.4%	56.3%	59.0%	60.6%	60.6%	60.6%	60.8%	60.5%	60.0%	59.7%	59.4%
Debt/Special Situations % of Total Private Equity (Target 20% / Range 0-30%)	18.5%	18.0%	18.3%	19.5%	20.1%	20.6%	20.5%	19.8%	19.5%	19.1%	19.2%	19.5%	19.9%



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

475-14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

TO: Members of the Investment Committee  
FROM: Thomas Taylor, Investment Officer *Thomas Taylor*  
DATE: October 13, 2021  
SUBJECT: Review of ACERA's Real Estate Funds – Update on Housing Sector, Eviction Moratorium, and Natural Disasters

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**Recommendation:**

Not Applicable – This is an information item.

**Background/Discussion:**

The 2020-2021 COVID-19 Pandemic has tested the fortitude of the world's geopolitical and economic structures. In the U.S., employees were driven out of the office to work-from-home, if not lose our jobs. As part of the government's effort, the Center for Disease Control placed a moratorium against evicting qualified individuals effected by the COVID-19 pandemic. After being extended multiple times, the moratoriums will now have expired. As a public pension plan, ACERA is concerned how its real estate fund managers are managing the effected housing, and possible tenants that have been protected from evictions by the CDC and various State moratoriums.

To mitigate these economic and social concerns – tacit or voiced within ACERA, Staff has surveyed ACERA's real estate fund managers that have invested in multifamily, single family homes, and affordable housing. Staff sought to better understand the level of involvement with protected tenants, what the CDC mandates are<sup>1</sup>, and how the property managers have managed their situation.

Within ACERA's real estate asset class, there is exposure to properties that are subject to the eviction moratorium; however, Staff is pleased to report that -at the time of this writing, all (100%) managers have stated they are complying with the CDC requirements. The typical sentiment expressed by ACERA's managers, "...is not only to comply with all applicable state and federal laws, regulations, and prudential guidance regarding evictions but also to extend to tenants every reasonable accommodation and opportunity to work with our property management firms to conclude flexible, tailored arrangements that reflect and take account of the challenges confronting those tenants." It is Staff's belief that ACERA's real estate funds are very sensitive to this issue and are managing the situation both from a humanitarian position, as well as their fiduciary responsibilities to the partnerships.

This issue is more unescapable for tenant that do not comply with CDC guidelines, and especially with smaller real estate operations<sup>2</sup>. Most importantly, the makeup of ODCE is very different from the "broader" real estate market we read about in the news and there is no evidence to support widespread evictions within the Index given: 1) Very high-quality mix of apartments and credit tenants; and 2) High monthly collections within the ODCE Index. Rent collections within ODCE averaged 96% per month from the start of the pandemic through this year<sup>3</sup>.

As the eviction moratorium winds down, Staff will continue to monitor and report as needed on issues of substance or concern. Staff is neutral regarding Callan's proposal (bullet point #4, page 2) to consider

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<sup>1</sup> <https://www.hud.gov/coronavirus>; <https://evictionlab.org/federal-eviction-moratorium-update/>

<sup>2</sup> Joint Center for Housing of Harvard University, <https://www.jchs.harvard.edu/blog/how-has-pandemic-affected-landlords>

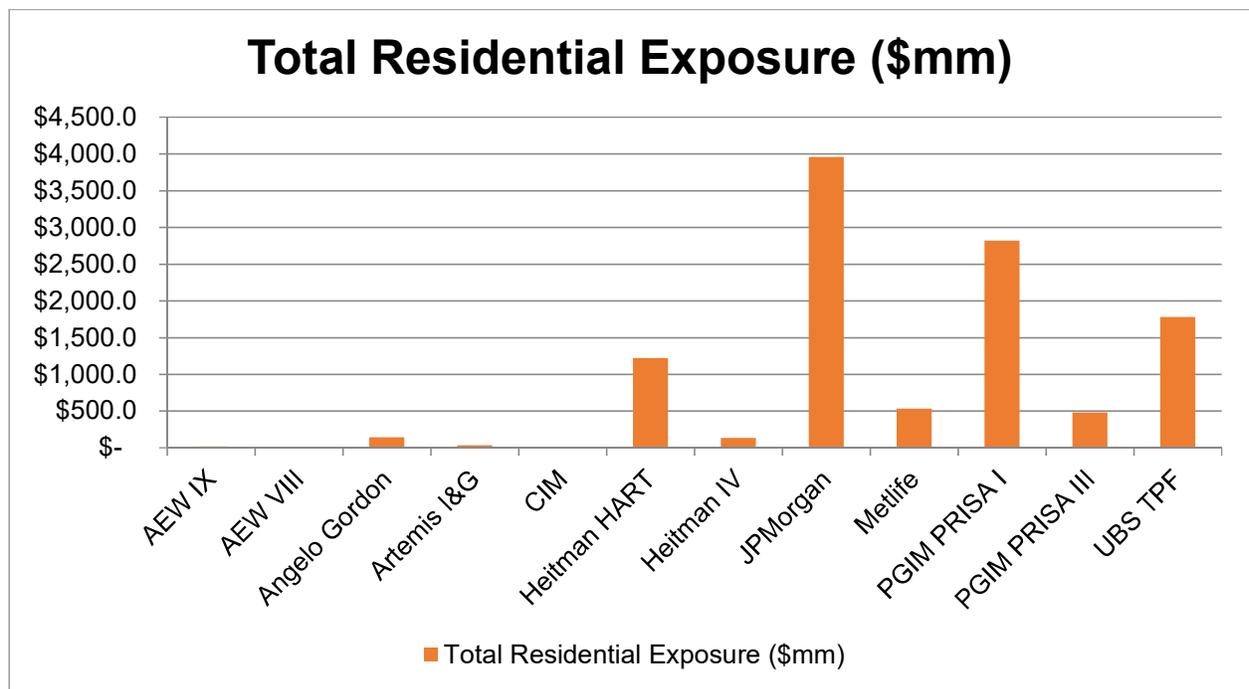
<sup>3</sup> NFI-ODCE Midyear Report, Brian Thomas, Director of Analytics, Investors Diversified Realty, LLC



writing a letter to all of the managers expressing any view and concerns around eviction practices. Staff can help draft the letter if the Board desires.

With regards to the recent natural disasters (hurricanes, fires), ACERA’s real estate funds have not suffered any significant issues. A couple of fund managers have reported a minimal amount of damage. For example, at one apartment, the flood damages were approximately \$10K or 0.0001% of the funds income. Another example, a public storage units (5) was subject to approximately \$300K loss in income or 0.003% of the fund income. The overall effect is minimal as insurance is expected to cover the cost.

**Addendum – Callan Report:**



- ACERA’s managers have approximately \$12.0 Billion residential real estate in total in their respective funds.
- ACERA currently has approximately \$120mm in value in private residential real estate exposure. The bulk of the exposure is concentrated among four managers (~\$80mm).
- All of ACERA’s managers have confirmed that they are abiding by CDC requirements and local, state and federal regulations as it relates to eviction guidelines.
- Although it’s believed that all of ACERA’s real estate managers are acting in good faith, ACERA Board may want to consider proactively sending a letter to all of the managers expressing any view and concerns around eviction practices, so that it is clear that this is an important issue for ACERA.