

**Alameda County Employees'
Retirement Association**

ACERA

ABSOLUTE RETURN POLICY

Amended September 21, 2017

ACERA ABSOLUTE RETURN POLICY

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I. SCOPE

This Absolute Return Policy (“AR Policy”) governs all investments in the Absolute Return asset class made by Alameda County Employees’ Retirement Association (“ACERA”).¹ The investments governed under this AR Policy were previously governed by the PEARLS Policy which was established on September 18, 2008, and 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 AR Policy and ACERA’s General Investment Guidelines, Policies and Procedures pertaining to investments in the Absolute Return Asset Class, the AR Policy prevails. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this AR Policy at any time.

II. PURPOSE

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

It is expected that this AR 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 AR 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 ABSOLUTE RETURN INVESTMENTS

For purpose of this AR Policy, Absolute Return strategies are defined as non-traditional investments which are intended to generate a return stream that has a low correlation to equity markets. These investments are generally expected to have a correlation to the equity markets at a level of 0.5 or less, and are expected to provide downside protection in falling equity markets. Further, these investments in aggregate should not have a correlation to the equity markets that exceeds the HFRI² Fund of Funds Composite Index.³ Eligible Absolute Return investments include alternative premia⁴

¹ See ACERA’s Private Equity Investment Policy, Real Estate Policy, and Real Assets Policy for investments in other asset classes.

² HFRI stands for Hedge Fund Research, Inc.

³ Fund of Funds invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds

strategies, hedge fund-of-funds, and other alternatives/opportunistic strategies. These investments are privately placed investments.

ACERA may consider investing in these assets if, and only if, the vehicles meet all standards pursuant to the AR Policy. Absolute Return investments may be denominated in U.S. dollars or other currencies.

V. STRATEGIC OBJECTIVE OF ABSOLUTE RETURN STRATEGIES

The Board believes the Fund's overall returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in Absolute Return strategies. The strategic objective of such investments is to: 1) generate superior returns commensurate with risk taken using strategies that have a low correlation to the equity markets; 2) enhance ACERA's long-term, risk-adjusted return and provide additional diversification to ACERA's overall investment Fund; and, 3) generate total AR Portfolio returns at or above the HFRI Fund of Funds Composite Index (net of all fees and expenses).

VI. STRATEGIC ALLOCATION TO ABSOLUTE RETURN PORTFOLIO

The long-term target allocation to the AR Portfolio, as measured by the Net Asset Value of the portfolio and not by dollars committed to the underlying Investment managers or funds, is 9% of the Total Fund. The allocation to the AR portfolio can range from 4.0% to 10.5% with exposure to the sub-asset classes as follows:

Portfolio	Long-Term Target Allocations	Min./Max. Ranges
Absolute Return Portfolio	9.0%	4.0% to 10.5%
- <i>Alternative Premia Strategies</i>	50%	20% to 70%
- <i>Funds of Hedge Funds</i>	40%	20% to 70%
- <i>Other Alternatives/ Opportunistic</i>	10%	0% to 50%
Total	9.0%	4.0% to 10.5%

manager has discretion in choosing in which strategies to invest for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The minimum investment in a Fund of Funds may be lower than an investment in an individual hedge fund or managed account. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers. Source is: www.hedgefundresearch.com/hfri-indices-index-descriptions

⁴ Alternative premia... are well-known, empirically-tested, sources of return that can be systematically harvested through dynamic strategies. They can be thought of as returns that underlie "classic" hedge fund strategies (hedge fund risk premia) or the returns from "classic" styles (style premia), such as value, momentum, and carry. From: AQR.

Portfolio construction will be designed to produce a diversified mix of total 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, it is expected that a diversified AR Portfolio will produce a positive return commensurate with risk taken through the harnessing of return sources that are generally uncorrelated to the equity markets over the long term (typically full market cycle). Risks associated with this Portfolio include, but are not limited to, leverage, shorting, frequent trading, lack of transparency, and lower liquidity compared to long-only investments in public markets. The risks associated with the AR Portfolio will be viewed within the context of the entire Fund. ACERA may take on over- and under-weights to sub-asset classes within the AR Portfolio to improve its risk/return posture based upon an assessment of the relative attractiveness of all available opportunities.

VII. SPECIFIC GUIDELINES FOR ABSOLUTE RETURN PORTFOLIO

ACERA will gain exposure to Absolute Return investments by hiring external investment managers either directly or through a fund-of-funds vehicle. Overall it is expected that the AR Portfolio will produce returns approximately equal to or greater than the HFRI Fund of Funds Composite Index over a market cycle, net of all fees and expenses. It is furthermore expected that the pattern of the returns generated across the AR Portfolio will provide additional diversification, i.e., exhibit a low correlation to the equity markets, the Private Equity Portfolio and the rest of the ACERA investment portfolio.

At the AR Portfolio level, the maximum that can be invested in an individual strategy (fund) is 30% of the target allocation to the AR Portfolio, and the maximum that can be invested with a given manager is 40% of the target allocation to the AR portfolio. Descriptions of subcategories of the AR Portfolio and their guideline constraints are listed below:

1. Alternative Premia (AP) Strategies

Description: For purposes of this AR Policy, Alternative Premia (AP) strategies are those which seek to replicate or harness the return sources and risk exposures typical of hedge fund (and hedge funds of funds) strategies at a lower cost than investing directly in hedge funds and in a more liquid, transparent fashion. These may include, but are not limited to: long/short equity, event driven, convertible arbitrage, equity market neutral, fixed income arbitrage, macro, value, momentum, and quality.

Investment Constraints: Individual AP investments have a target allocation of 25% of the target value of the AR Portfolio but can range in size between 10% and 30%.

2. Funds-of-Hedge Funds (FOF) Strategies

Description: Investment in a diversified portfolio of hedge funds, with oversight and asset allocation determined by a hedge fund-of-funds manager. The focus of this AR Policy's FOF strategies is on maximizing alpha across different asset classes and investment strategies. These portfolios are not typically constrained to an individual asset class, but are intended to augment total return to the plan by utilizing proprietary strategies. These may include, but are not limited to: long/short equity, event driven, convertible arbitrage, equity market neutral, fixed income arbitrage, macro, and other hedge fund strategies.

ACERA's AR Portfolio will utilize hedge fund-of-funds whose fees are better aligned with investor interests (lower fee options).

Investment Constraints: Individual FOF investments have a target allocation of 20% of the target value of the AR Portfolio but can range in size between 10% and 40%.

3. Other Alternative Investments/Oppportunistic

Description: Other Alternative Investments/Oppportunistic include a wide range of innovative, uncorrelated, and/or non-traditional investments that fall outside of ACERA's previously identified asset classes (i.e. domestic equities, international equities, fixed income, real estate, real assets, and cash). The unique attributes of these investments should contribute to the achievement of the overall return and diversification objectives of the AR Portfolio. Because the AR Portfolio is intended to respond opportunistically to attractive prospects as they arise, not all potential investments can be identified at present. The investment categories of Other Alternative Investments/Oppportunistic include, but are not limited to, currency, interests in equity or revenues of investment managers, and other "best ideas" uncorrelated approaches, etc.

Investment Constraints: Investment constraints are subject to the specific investment selected. Maximum strategy/manager positions are targeted to be smaller than for the other two sub-asset classes within the AR Portfolio, but can individually range up to 25% of the target value of the AR Portfolio.

VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's AR 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 AR Policy that governs the AR Portfolio and approving the investment plans of ACERA's AR Portfolio. The Board, with input from the Investment Committee, shall review this AR Policy to determine whether amendments are necessary. The Board shall also be responsible for reviewing and approving all AR 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 AR Policy to govern all investments in the Absolute Return asset class;
2. Reviewing the AR Policy, evaluating proposals for the AR Policy amendments, if any, and making recommendations for approval by the Board;
3. Reviewing and approving the investment plan of ACERA's AR Portfolio every 1 to 3 years;

4. Reviewing Absolute Return investments recommended by Staff and/or Consultant and making recommendations to the Board for adoption; and
5. Delegation⁵:
 - a. Delegating to Staff the authority to make final decisions on new proposed Absolute Return investments with an individual commitment up to 5% of the target allocation to the total AR Portfolio or \$25 million (whichever is lesser).
 - b. Delegating to Staff the authority to make final decisions on proposed “re-up” Absolute Return 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 AR Portfolio or \$50 million (whichever is lesser).

C. Staff

Staff shall be responsible for oversight and administration of ACERA’s AR Portfolio. Staff’s responsibilities shall include, but not be limited to the following:

1. Developing and recommending all necessary changes to the AR Policy with input from Consultant;
2. Developing and maintaining specific procedures, if necessary, to comply with the approved AR Policy with input from Consultant;
3. Developing the investment plans of ACERA’s AR Portfolio and making recommendations to the Investment Committee for adoption with input from Consultant;
4. Delegation:
 - a. Approving Consultant’s Absolute Return investment proposals (new proposals) with each individual commitment up to 5% of the target allocation to the total AR 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 Absolute Return 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 AR Portfolio or \$50 million (whichever is lesser) to managers in good standing⁶ 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).
5. Through the Investment Products and Services Introduction (IPSI) program of ACERA, and with the concurrence of the Consultant, recommend highly qualified AR investments to the Investment Committee upon completion of a thorough review and the due diligence process, and providing the required reports listed in the Appendix I of this AR Policy to Staff and/or the Investment Committee. (Please see Appendices I through III);
6. Monitoring the AR Portfolio for performance and compliance with the AR Policy;

⁵ Investment manager may not appear before the Investment Committee in circumstance when Staff has exercised its delegated authority.

⁶ 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.

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 AR Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Conducting comprehensive reviews of ACERA's AR Portfolio and the individual investments in the Portfolio;
9. Reporting to the Investment Committee any violations of the AR Policy with appropriate recommendations;
10. Assisting ACERA's legal department in contract negotiations with the selected Investment Managers;
11. Evaluating Absolute Return investment opportunities with Consultant's input on an on-going basis; and
12. Evaluating and making recommendations for retention, additions to, and 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 AR Portfolio and make related recommendations to serve the best interests of the plan participants. Consultant shall assist Staff in developing the AR Policy and recommending all necessary changes to the AR Policy. In addition, Consultant shall be responsible for:

1. Analyzing the asset allocation of the AR Portfolio by type, implementation vehicle, and underlying strategies, and making recommendations for reallocation of assets, as appropriate;
2. Developing an investment plan for ACERA's AR Portfolio every 1 to 3 years;
3. Developing a search strategy for highly qualified Absolute Return investments and maintaining a robust database containing information on Investment Managers;
4. Recommending highly qualified Absolute Return 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 AR Policy to Staff and/or the Investment Committee;
5. Ongoing monitoring of the investment performance of ACERA's AR Portfolio and individual investments in the 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 AR Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Assisting Staff in contract negotiations with the selected Investment Managers;
9. Submitting performance evaluation reports and conducting comprehensive reviews of the AR 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 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 AR 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: ABSOLUTE RETURN INVESTMENT SELECTION

ACERA recognizes that a proper due diligence process is essential to control the risks associated with AR 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 Absolute Return 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 Absolute Return investments, consider background checks, 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 when appropriate from other investors that have invested in these Absolute Return investments, and, when advisable, from competitors;
4. Determining that the Absolute Return investment funds are audited, at least annually, by a reputable and nationally recognized external independent auditing firm;
5. Reviewing Investment Managers investment strategies, policies, operating procedures, and historical performance;
6. Analyzing attribution of historical returns and main return drivers of each strategy, as well as analyze the suitability of each investment for ACERA's AR Portfolio.

7. Reviewing business terms of all legal agreements and other related documents for the Absolute Return investments under consideration, such as offering memorandum, legal agreements, and Forms ADV;
8. Reviewing the investments for potential exposure to Unrelated Business Taxable Income (UBTI); and
9. Assessing what exit strategies exist to liquidate existing investments owing to poor performance or other threat to the investment (e.g. fraud and weak fund accounting procedures) 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 Absolute Return 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 Absolute Return investments;
2. Verifying the compliance of each recommended Absolute Return investment with the AR Policy, the investment plans for ACERA's AR Portfolio and other applicable investment policies;
3. Discussing all issues related to the recommended Absolute Return investments with Consultant and with Investment Managers to gain a thorough understanding of each strategy's primary return drivers, key terms, and investment guidelines, and determine the investment's suitability for ACERA's AR Portfolio; and
4. Performing independent due diligence regarding the business, economic, and legal aspects of the proposed AR 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, the specific performance evaluation criteria, including but not limited to benchmarks, for Investment Managers will be established in the investment agreements between ACERA and individual Investment Managers.

XI. MONITORING AND REPORTING

Consultant and Staff will closely monitor and analyze the AR 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 in accordance with their respective contracts.

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

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

XII. ABSOLUTE RETURN 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 Absolute Return investments.*)

XIII. TABLE OF AMENDMENT DATES

September 21, 2017

Appendix I

List of Reports Required for Each Investment Recommendation/Approval

Name of Report	Source
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; Total AUM in Strategy; Strategy Vehicles available; 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; Key Investment Return Drivers; 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					
Relative Performance: Account – Benchmark					

Section VIII: Key Terms

Fund Terms; Incentive Fees; Management Fees; Other Fees; Capacity (if relevant); Lock Ups; Redemption Provisions; etc.* List of items to be addressed as appropriate. Data provided by Name as of Date; ICM Date

<p>driven, convertible arbitrage, relative value, market neutral, fixed income arbitrage, macro, and other strategies. Can also include liquid, broadly diversified direct hedge funds.</p> <p><u>Other Alternatives/Oppportunistic</u>: a wide range of innovative, uncorrelated and/or non-traditional investments that fall outside of previously identified asset classes and contribute to the overall return and diversification of the Alternatives Portfolio. Includes currency, interest in equity and revenue of managers, and other uncorrelated approaches</p> <p>Alternatives may be denominated in U.S. dollars or other currencies.</p>	<p><i>Specific currency denomination.</i></p>	<p><i>Yes, No or N/A</i></p>
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4. Return Expectation

<p>HFRI Fund of Funds Composite Index (net of all fees and expenses) over a market cycle</p>	<p><i>Specific return target.</i></p>	<p><i>Yes, No, or N/A</i></p>
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5. Investment Correlation to Equities

<p><u>Absolute Return Portfolio</u>: In aggregate, the Alternatives Portfolio is expected to have a return correlation to equities of ≤ 0.5, on average, and should not have a correlation to equities that exceeds that of the HFRI FOF Composite Index.</p>	<p><i>Does the addition of this investment cause the aggregate correlation of the Absolute Return Portfolio to have a return correlation to equities of ≤ 0.5 or a correlation to equities that exceeds that of the HFRI FOF Composite Index?</i></p>	<p><i>Yes, No, or N/A</i></p>
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6. Investment Allocations

<p><u>Absolute Return Portfolio</u>: range 4%-10.5% of the total Fund. <u>AP</u>: target 50%; range 20%-70%. <u>FOF</u>: target 40%; range 20%-70%. <u>Other Alternatives/Oppportunistic</u>: target 10%; range 0%-50%.</p>	<p><i>Actual allocations to the Absolute Return Portfolio and the underlying portfolios including specific commitment to the Investment Manager.</i></p>	<p><i>Yes, No, or N/A</i></p>
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7. Investment Constraints

<p>AP Investments: Target 25% of the target value of the AR Portfolio; range 10% - 30%.</p> <p>FOF Investments: Target 20% of the target value of the AR Portfolio; range 10%-40%.</p> <p>Other Alternative Investments/Oppportunistic Investments: Maximum 25% of the target value of the AR Portfolio.</p>	<p><i>Specific commitment to the Investment Manager.</i></p>	<p><i>Yes, No or N/A</i></p>
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B. Absolute Return Investment Plan for YEAR

Approved: DATE

Fund Name

In Compliance

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

Details of Disclosure Policy For Absolute Return Investments (“AR Funds”)

1. Upon request, ACERA shall disclose : (i) the name, address and vintage year of each AR Fund; (ii) the dollar amount of capital committed to each AR Fund by ACERA since inception; (iii) the dollar amount of cash contributions made to each AR Fund by ACERA since inception; (iv) the dollar amount of distributions received by ACERA from each AR Fund on a fiscal yearend basis; (v) the market value of ACERA’s investment in each AR Fund on a fiscal yearend basis; (vi) each AR Fund’s net internal rate of return (“IRR”) since inception; (vii) the investment multiple of each AR Fund since inception; (viii) the dollar amount of total management fees and expenses paid on an annual fiscal yearend basis, by ACERA to each AR Fund; and (ix) the dollar amount of cash profit received by ACERA from the AR 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 the AR Fund, the AR Fund manager or related parties; (ii) ACERA’s pro rata share of fees and expenses not included in (i) that are paid from the AR Fund to the AR Fund manager or related parties; (iii) ACERA’s pro rata share of carried interest distributed by the AR Fund to the AR 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 the AR Fund to the AR Fund manager or related parties; (v) the information outlined in Section 1, above, and (vi) the gross and net IRR of the AR Fund, since inception. (*See* Cal. Govt. Code § 7514.7.)

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

Notwithstanding the preceding, or anything else in this 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.⁷

⁷ *Michaelis, Montanari & Johnson v Superior Court*, 38 Cal.4th 1065, 1071 (2006).