



MINUTES OF THE AUGUST 11, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: George Wood - Chair
Subject: Summary of August 11, 2021 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, August 11, 2021 at 9:31 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, and George Wood. Also present was Alternate Retired Member, Nancy Reilly. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit, Clint Kuboyama – Investment Officer, John Ta – Investment Officer, and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to Recommend that the Board Approve the Proposed Timeline, Minimum Qualifications, and Evaluation Matrix for ACERA's Absolute Return (Custom Fund of Hedge Funds) Manager Search
 - Staff provided a brief summary of the action item, including the reasons a search was being conducted and a timeline of what has been completed thus far. Staff also noted that the Trustees' desire to evaluate and select from 2-3 finalist managers at the end of the search had been integrated into the search process and Timeline.
 - Verus further indicated that their memo included background information on the search process and Minimum Qualifications.
 - Staff stated that their goal would be to adhere to the dates set forth in the proposed Timeline, while also expressing the potential need for timing flexibility, given resource constraints and unforeseen, relatively more urgent Investment Committee items.
 - Trustees, Staff and Verus discussed the proposed Minimum Qualifications and Evaluation Matrix, with Trustee Levy requesting that the phrase, "but does not require", be removed from the #9 Minimum Qualification. The named Minimum Qualification was presented originally as, "ACERA prefers, but does not require, firms that have the ability to include compelling emerging (smaller and newer) hedge funds as part of the custom, hedge-fund-of-one portfolio." The removal of the phrase was supported by the Committee and Staff. The search candidates' access to and use of emerging managers and how such capabilities would be scored in the Evaluation Matrix were also discussed.

- The creation of the search's initial manager universe and the formation of the focused list were discussed.
- After further discussion, Trustee Godfrey moved, seconded by Trustee Koppenhaver, to recommend that the Board approve the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Absolute Return (Custom Fund of Hedge Funds) Manager Search with the wording of Minimum Qualification #9 adjusted for the removal of the phrase, "but does not require".
- The motion carried with 6 Yes (Amaral, Basgal, Godfrey, Koppenhaver, Levy, and Wood) 0 No, and 0 Abstention. Supervisor Carson and Trustee Gamble were not present for the vote.

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

1. Proxy Voting Education and Discussion of ACERA's Proxy Voting Policy

- Staff briefly provided the objectives of the presentation: refresh the Investment Committee on ISS' (Institutional Shareholder Services) current roles and responsibilities as it relates to proxy voting and highlight ISS' potential capabilities in terms of ESG.
- ISS discussed ACERA's current Proxy Voting Policy, the ISS Benchmark Policy. ISS then compared its Benchmark Policy to its other, more thematic Policies, including the Public Fund, Sustainability, and Climate Policies.
- The Investment Committee opined on the need for ACERA Trustees to state and prioritize their ESG objectives and come to a consensus. Verus added that they could continue to facilitate the Trustees' prioritization efforts by surveying them. The Committee discussed with ISS how such objectives could be reflected in ACERA's Proxy Voting Policy. In addition, ISS discussed the various levels of involvement within the proxy voting process available to ACERA.
- ISS reported that regardless of any potential changes to ACERA's current Proxy Voting Policy, Trustees continue to meet their fiduciary duties under all ISS policy options.
- The Investment Committee acknowledged the importance of ISS having research to demonstrate that any new/proposed Proxy Voting Policy meets the Trustees' fiduciary duties.
- Staff stated that they would continue to explore options to potentially expand ACERA's relationship with ISS, especially in the initial implementation of ACERA's ESG Policy.

TRUSTEE REMARK

Trustee Basgal raised the issue of the looming housing evictions and how certain private equity firms are poised to take advantage of the situation. Ms. Basgal referenced ACERA's recent commitment to

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Starwood and asked if we can obtain an interim report to learn more about their housing strategy and any possible related eviction/foreclosure headline risk. CIO Betty Tse stated that Staff would obtain an interim report.

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, September 8, 2021 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 11:23 a.m.