



Date: January 8, 2020  
To: Members of the Board of Retirement  
From: Elizabeth Rogers – Chair  
Subject: Summary of January 8, 2020 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, January 8, 2020 at 9:31 a.m. The Committee members present were Keith Carson, Tarrell Gamble, Jaime Godfrey, Henry Levy, Elizabeth Rogers, and George Wood. Also present was Alternate Retired Member, Nancy Reilly. Members of the Staff present were David Nelsen – Chief Executive Officer, Kathy Mount – Chief Counsel, and Betty Tse – Chief Investment Officer (CIO).

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

1. Discussion of and Possible Motion to Recommend to the Board to Authorize Staff to Negotiate an Extension of the Custody Contract with State Street Bank and Trust Company
  - Staff presented to the Committee the recommendation to negotiate an extension to the existing custody contract with State Street Bank. The Committee and Staff previously reviewed State Street Bank, including its service improvements, on December 11, 2019. Staff answered Trustees’ questions and confirmed their desire to continue working with SSB.
  - After discussion, Mr. Jaime Godfrey moved, seconded by Mr. Tarrell Gamble, to recommend to the Board to authorize Staff to negotiate an extension of the custody contract with State Street Bank and Trust Company for up to five years, which is standard practice for ACERA.
  - The motion carried unanimously with 7 yes (Carson, Gamble, Godfrey, Levy, Reilly, Rogers, and Wood), 0 no, and 0 abstention.
  
2. Discussion of and Possible Motion to Recommend to the Board to Approve Short List of candidates for ACERA’s Large Cap Value Manager Search
  - Staff and Verus presented to the Committee their findings among the 14 leading focused-list candidates who had responded to ACERA’s U.S. Large Cap Value Equity manager search questionnaire. The short list of candidates (in alphabetical order): Aristotle Capital Management, LLC, Eagle Capital Management, LLC, and Wellington Management LLP.
  - Staff discussed the scoring methodology, in compliance with the approved evaluation matrix, as well as the common characteristics of the top three candidates. Trustees

inquired about management fees, performance and some of the organizational differences between the candidates.

- After discussion, Mr. Henry Levy moved, seconded by Mr. Jaime Godfrey, to recommend to the Board to approve the short list of candidates for further due diligence and onsite visits.
- The motion carried unanimously with 7 yes (Carson, Gamble, Godfrey, Levy, Reilly, Rogers, and Wood), 0 no, and 0 abstention.

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

1. Education Session: Cash Overlay

- Staff and Verus provided an introductory Cash Overlay presentation in order to gauge the Committee's potential interest in using overlay services for the ACERA Total Fund. The presentation reviewed the rationale for such services, namely that overlay services can more efficiently implement Board-approved strategic asset allocation targets (relative to the current rebalancing process). Staff, Verus, and the Committee assessed the associated risks of an overlay program, during both bull and bear markets. After further discussion, the information item concluded with the Committee providing guidance for Staff to further explore the topic.

2. Proposed Investment Committee Workplan 2020

- Staff offered the proposed Investment Committee Workplan for 2020 (Workplan)
- Staff informed the Committee that the February meeting need to be rescheduled since the second Wednesday (02/12/2020, typical ICM date) falls on a County Holiday – Lincoln's Birthday. The Committee responded that Thursday, February 13 will be the next ICM date.

**TRUSTEE/PUBLIC INPUT**

None

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

Wednesday, February 13, 2020 at 9:30 a.m.

**ADJOURNMENT**

The meeting ended at 10:29 a.m.