



Date: February 13, 2020
To: Members of the Board of Retirement
From: Elizabeth Rogers – Chair
Subject: Summary of February 13, 2020 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, February 13, 2020 at 9:31 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, and Elizabeth Rogers. Also present were Alternate Safety Member Daryl Walker and Alternate Retired Member, Nancy Reilly. Members of the Staff present were David Nelsen – Chief Executive Officer, Kathy Mount – Chief Counsel, Harsh Jadhav – Chief of Internal Audit, 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 Adopt ACERA’s ESG Belief Statement

- Staff and Verus Advisory, Inc. (Verus) presented the ESG Belief Statement which was intended to mitigate risks that may have a negative impact on the Fund’s long-term financial results while adhering to a diversified investment strategy designed to meet ACERA’s desired return and risk objectives.
- Staff emphasized that the named Belief Statement was drafted following the explicit instructions of the ACERA Working Group of Trustees.
- After discussion, Mr. Jaime Godfrey moved, seconded by Ms. Ophelia Basgal, to recommend to the Board to adopt ACERA’s ESG Belief Statement.
- The motion carried unanimously with 8 yes (Amaral, Basgal, Gamble, Godfrey, Levy, Koppenhaver, Rogers, and Walker), 0 no, and 0 abstention.

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

1. Review of the 2020 Capital Market Assumptions

- Representatives from Verus discussed the methodologies used and the resultant 10-year return and risk forecasts for various asset classes projected for the 2020-2029 period. Compared to the 10-year forecasts projected at the start of 2019, most asset classes’ return for the named 2020-2029 period are estimated to decline due to unusually strong performances for these asset classes in 2019.

- When applying the 2020 Capital Market Assumptions to ACERA's existing asset allocation targets, the projected 10-year return for ACERA's portfolio is approximately 6.2%, with a standard deviation of 12.2%. This Total Fund return projection is down from a 6.7% 10-year return forecast (with a standard deviation of 12.3%) derived from the previous 2019 Capital Market Assumptions.

2. Investment Committee Workplan 2020

- Staff presented the Investment Committee Workplan for 2020 which includes multiple education sessions.
- Staff also highlighted that the March, May and November Investment Committee Meetings have been rescheduled to accommodate Trustees' availability, and the SACRS Conference schedules, respectively.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, March 18, 2020 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 10:16 a.m.