



**MINUTES OF THE MARCH 4, 2026, INVESTMENT COMMITTEE MEETING**

To: Members of the Investment Committee

From: Tarrell Gamble, Chair

**Subject: Summary of the March 4, 2026, Investment Committee Meeting**

The Investment Committee (“Committee”) met on Wednesday, March 4, 2026, at 10:41 a.m. The Committee members present were Keith Carson, Scott Ford, Tarrell Gamble (via Zoom), Henry Levy, Kellie Simon, Elizabeth Rogers (arrived after roll call), and Steve Wilkinson. Also present was Alternate Retired Member Kathy Foster. ACERA Senior Managers and Presenting Staff were David Nelsen – Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Lisa Johnson – Assistant Chief Executive Officer – Operations, Jeff Rieger – Chief Counsel, Serafin Lim – Investment Operations Officer, Clint Kuboyama – Senior Investment Officer, Stephen Quirk – Investment Officer, John Ta – Senior Investment Officer, Betty Tse – Chief Investment Officer, and Susan Weiss – Investment Counsel.

**PUBLIC COMMENT:**

N/A

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

1. Discussion and Possible Motion regarding the term of the Custody Contract with State Street Bank and Trust Company (SSB), currently set to expire on February 8, 2027
  - Trustees discussed surveys of other custodial service providers, ACERA’s long history with SSB and whether past due diligence was conducted on SSB. Some Trustees also commented on SSB’s commitment to keeping ACERA with the Sacramento service team, and concerns with SSB’s past headline news.
  - Staff stated that only the Board has authority over the SSB Custody Contract, as such, Staff responded that past due diligence results on SSB were reported timely to the Board which has chosen not to authorize an RFP after receiving these reports.
  - Trustee Ford asked about impacts to Staff resources and costs if an RFP ran concurrent with other ACERA initiatives such as the General Ledger Accounting Software upgrade. Trustee Ford also discussed having SSB add a clause or update to the service agreements to ensure that the ACERA account would continue to be serviced from SSB’s Sacramento office.
  - Trustee Gamble made a motion to accept Option 3 with a modification extending the contract for 18 months instead of 3 years before the Board reviews the SSB contract again. This motion was later withdrawn.

- Trustee Levy shared the Treasurer's Office experience with a recent RFP for a Custodian Bank, highlighting that there were not many candidates in the market space and that they decided to go with State Street.
  - Trustee Wilkinson shared his concerns about State Street Corporation, including possible complacency and negative news reporting relative to pricing, executive wrongdoings and commitment to its clients and customers. Ellyn Charters (via zoom) of SSB apologized to Trustee Wilkinson on behalf of SSB.
  - Trustee Rodgers suggested that the Custody Contract term be extended 3 years and requiring Staff to conduct an RFI and later made a formal motion.
  - Trustee Rogers moved, seconded by Trustee Simon, to recommend that the Board adopt a modified Option 3, to authorize Staff to extend the current Custody Contract for up to three years with a requirement for Staff to conduct an RFI, and that during the extended contract term ACERA would be serviced by SSB out of the Sacramento Office.
  - The motion carried with 6 Yes (Carson, Ford, Gamble, Rogers, Simon, and Wilkinson), 1 No (Levy), and 0 Abstention.
2. Discussion and Possible Motion to Recommend that the Board Terminate the Investment Management Agreements with Aristotle, Capital Group, and TCW (Public Equity)
- Staff and NEPC stated that the Board's approval of the Public Equity restructure at the January 2026 ICM which implied the termination of three Public Equity managers: Aristotle, Capital Group, and TCW. Staff and NEPC recommended hiring an interim Transition Manager to manage approximately \$1 billion of the legacy public equity assets while Staff conducts a Global Core manager search which is expected to take approximately six months.
  - Staff explained that the interim transition portfolio would seek to align with ACERA's policy benchmarks and allocation targets while minimizing implementation costs, active management fees, and tracking error. Staff noted that full replication of the current portfolio would require substantial trading and associated costs. Thus, the transition mandate would employ an optimized approach targeting approximately 1% tracking error to the Policy benchmark.
  - NEPC stated that the recommendation is prudent, consistent with best practices, and would reduce active management fees during the interim period. NEPC noted that the transition manager recommendation would be developed in coordination with Staff.
  - Trustee Rogers moved, seconded by Trustee Ford, to recommend that the Board terminate the Investment Management Agreements with Aristotle, Capital Group, and TCW (Public Equity).
  - The motion carried with 7 Yes (Carson, Ford, Gamble, Levy, Rogers, Simon, and Wilkinson), 0 No, and 0 Abstention.

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

1. Progress Report on Private Credit Investment Plan

- Staff and NEPC provided a progress report on the Private Credit (PC) Investment Plan (Plan), which is intended to be a guide to reach the PC asset-class and sub-asset-class long-term targets. The report covered the year 2025 and compared the Plan's projected investment activity versus actual investment activity. The actual investment activity for Opportunistic and Distressed investments was largely in-line with the Plan. However, no Direct Lending investments were made versus 2–3 commitments projected in the Plan.
- Staff and NEPC discussed why no Direct Lending investments were made in 2025, citing unattractive fundamentals and an overweight to Direct Lending in the PC Asset Class. The PC Asset Class's exposure to software companies, the media reports on Blue Owl, and ACERA's exposure to Blue Owl were also discussed. Finally, the potential Total-Fund impact of under-committing to the PC Asset Class compared to the Plan, and the actual performance of the private asset classes versus their projections were assessed with the Committee.

2. Progress Report on Private Equity Investment Plan

- Staff and NEPC discussed the progress of private equity (PE) investments made in the 2025 period, noting that allocation targets are guidelines and subject to change due to the availability of opportunities and market dynamics. The progress within each PE sub-asset class was discussed. Staff and NEPC do not expect material changes to the PE investment pacing plan for 2026.

3. Asset Allocation Update

- NEPC provided an update on ACERA's Capital Market Assumptions (CMAs) as of 12/31/2025. NEPC noted that CMAs are inherently volatile and are updated quarterly. As such, periodic changes in expected returns should not be interpreted as long-term structural shifts in the risk/return tradeoff.
- NEPC noted that longer-run expected returns for U.S. Large Cap Equity are higher than the 12/31/2025 point estimate (e.g., approximately ~6.7% over a 30-year horizon, as referenced), and that unusually strong recent Private Equity performance (near ~20% in the prior year, above long-term averages) is not assumed to persist over the long term.
- NEPC advised that ACERA is still in the process of implementing the 2024 Strategic Asset Allocation (SAA) decisions and does not recommend changes to the SAA at this time based solely on the 12/31/2025 CMA snapshot. NEPC concluded that, despite the decline in modeled expected return relative to the prior year, the portfolio's expected volatility and risk profile remain broadly consistent with ACERA's long-term objectives, and the diversification benefits across public and private markets continue to be the primary drivers supporting the current SAA.

4. Semiannual Performance Review for the Period Ending December 2025 – Total Fund Highlighting Public Markets Asset Classes

- For the six-month period ending 12/31/2025, ACERA's net return was 7.84%, ranking in the 12th percentile of US public funds. For the year, ACERA's net return was 15.86%, ranking 12th percentile of US public funds. Over three years, the net return was 12.52%, placing ACERA in the 25th percentile. Over five years, the net return was 7.89%, placing ACERA in the 27th percentile. Over ten years, ACERA's net return was 9.06%, placing it in the 15th percentile. For each time period discussed, ACERA has been outperforming the average public fund returns and exceeding the 7% assumed rate.
- NEPC stated that overall performance has been strong and consistent with the benefits of the strategic asset allocation framework. NEPC also noted that ACERA's net cash flow profile has remained comparatively constructive relative to many public funds. NEPC recommended that ACERA continue implementing the current Strategic Asset Allocation and remain on its established path.

**TRUSTEE REMARKS:**

**FUTURE DISCUSSION ITEMS**

**ESTABLISHMENT OF NEXT MEETING DATE**

April 1, 2026, at 10:30 a.m.

**ADJOURNMENT**

The meeting ended at 12:16 p.m.

To view the March 4, 2026, Investment Committee Meeting in its entirety, click on the link below.  
<https://www.youtube.com/watch?v=RzfdWot6sc>