



MINUTES OF THE APRIL 2, 2025, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: George Wood, Chair

Subject: Summary of the APRIL 2, 2025 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, April 2, 2025, at 10:31 a.m. The Committee members present were Keith Carson, Henry Levy, Elizabeth Rogers, Steven Wilkinson, and George Wood. Also present were Alternate Retired Member Cynthia Baron and Alternate Safety Member Kevin Bryant. ACERA Senior Managers and Presenting Staff were David Nelsen – Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Lisa Johnson – Assistant Chief Executive Officer (via Zoom), Jeff Rieger – Chief Counsel, Clint Kuboyama – Senior Investment Officer, Stephen Quirk – Investment Officer, Noe Reynoso – Investment Analyst, and Betty Tse – Chief Investment Officer.

PUBLIC COMMENT: N/A

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

1. Discussion and Possible Motion to Recommend that the Board Approve the Updated Real Assets Policy
 - Staff discussed with the Committee the major groupings of proposed Real Assets Policy changes including: 1) changes related to the Board's July 2024 adoption of "Mix C" asset allocation; 2) changes related to the synching up of the Real Assets Policy with the recently updated Private Credit and Private Equity Policies; and 3) changes to include the most current information in the Real Assets Policy.
 - Staff noted one important proposed change is the inclusion, for the first time in the Real Assets Policy, of delegated authority language. Staff, NEPC and the Committee further discussed the two-step process in which Staff will follow to report to the Committee and the public that an investment has been made under delegated authority. Staff and the Trustees discussed the rationale for changing the Real Assets asset class structure from one that is a mix of private and publicly traded investments to one that is completely private investments. The performance of the asset class, relative to its publicly-traded benchmark in 2022, was also discussed.
 - Trustee Rogers moved, seconded by Trustee Wilkinson, to recommend that the Board approve the Updated Real Assets Policy.

- The motion carried unanimously with 7 Yes (Carson, Levy, Rogers, Wilkinson, Baron, Bryant, and Wood), 0 No, and 0 Abstention.
2. Discussion and Possible Motion to Recommend that the Board Approve the 2025 Real Assets Investment Plan
- NEPC discussed with the Committee the 2025 Real Assets Investment Plan. The purpose of the investment plan is to estimate the amount of capital to be committed over the next several years to achieve vintage-year diversification and a long-term expected return. According to the investment plan, it is expected that the Real Assets class will become 100% private investments (targeting 67% private infrastructure and 33% private natural resources) by 2031 with the private investments being funded, over time, by the capital from the divestment of the publicly traded investments. The investment plan will be reviewed annually for adjustments based on market conditions and portfolio performance.
 - Trustee Wilkinson moved, seconded by Trustee Carson, to recommend that the Board approve the 2025 Real Assets Investment Plan.
 - The motion carried unanimously with 7 Yes (Carson, Levy, Rogers, Wilkinson, Baron, Bryant, and Wood), 0 No, and 0 Abstention.
3. Discussion and possible motion to recommend that the Board terminate Kennedy Capital Management - Public Equities
- A recommendation was made to terminate the Kennedy Capital Management Extended Small Cap strategy within the Public Equity portfolio because of the retirement of the lead portfolio manager and the named retirement was reported to the Board previously.
 - The three options to maintain exposure in the Small Cap strategy that Staff considered were: remaining in the strategy with a new lead portfolio manager, moving to a similar strategy with a different portfolio manager, or terminating the strategy and investing the proceeds passively for the time being until further actions have been taken by the Board, if warranted. A trustee inquired about the first option but because ACERA is the last remaining investor in the strategy, there is uncertainty about the product viability. A trustee inquired about the second option but there is uncertainty about an unfamiliar portfolio manager. The third option was deemed the safest.
 - Trustee Rogers moved, seconded by Trustee Wilkinson, to recommend that the Board terminate Kennedy Capital Management - Public Equities.
 - The motion carried unanimously with 7 Yes (Carson, Levy, Rogers, Wilkinson, Baron, Bryant, and Wood), 0 No, and 0 Abstention. The cash proceeds will be invested passively via the asset overlay program for the time being.

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

1. Review of the current Public Equity Structure and Possible Restructure of the same

- A refreshed asset allocation was adopted in 2024, and the new public equity benchmark adopted as a result is the MSCI ACWI IMI. Thus, this is an appropriate time to review the public equity structure.
- Staff and NEPC will attempt to answer three questions in our review of the named structure. First, which current active managers are high conviction? If managers' historical positive excess returns are not significant, which warrants further research on each manager. Second, what is the appropriate portfolio construction? NEPC research indicates that the global equity active management opportunity has been superior to large cap regional mandates which warrants further research on a global equity structure. Finally, what is the appropriate level of active risk? The large current passive allocation limits the outperformance potential, and a higher active risk structure will be explored.
- Follow up research on each of the three questions will be conducted with findings and, if necessary, a revised structure to be presented at an ICM later in 2025.

TRUSTEE REMARKS:

Trustee Levy requested that Staff provide trustees with a pipeline of investment interests, like the WorkPlan, to help them identify key investors and asset classes to engage with at conferences. Additionally, Trustee Levy emphasized the importance of enhancing Staff access to real-time data, potentially through tools like Bloomberg, to support more informed decision-making. Betty Tse noted that Clearwater is being adopted to improve data accessibility and reporting for private assets.

FUTURE DISCUSSION ITEMS

There was a discussion about the upcoming May conferences, including SACRS and whether to reschedule the May ICM to avoid scheduling conflicts. The decision was to send out different May ICM date options to trustees and gather feedback on how to proceed.

ESTABLISHMENT OF NEXT MEETING DATE

May 21, 2025 at 10:30 a.m.

ADJOURNMENT

The meeting ended at 11:44 a.m.

Investment Committee Meeting Minutes
April 2, 2025

To view the April 2, 2025 Investment Committee Meeting in its entirety, click on the link below: https://youtu.be/IFQk3_gtrPs