



MINUTES OF THE JULY 2, 2025, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: George Wood, Chair

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

The Investment Committee ("Committee") met on Wednesday, July 2, 2025, at 10:30 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Tarrell Gamble, Henry Levy, Elizabeth Rogers, Kellie Simon, Steven Wilkinson, and George Wood. Also present was Alternate Retired Member Cynthia Baron. ACERA Senior Managers and Presenting Staff were David Nelsen – Chief Executive Officer, Harsh Jadhav – Chief of Internal Audit, Jeff Rieger – Chief Counsel, Julius Cuaresma – Investment Analyst (via zoom), Clint Kuboyama – Senior Investment Officer, Stephen Quirk – Investment Officer, Noe Reynoso – Investment Analyst, John Ta – Senior Investment Officer, Betty Tse – Chief Investment Officer, and Susan Weiss – Investment Counsel.

PUBLIC COMMENT:

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 Estate Investment Plan

- This action item was moved to the August Investment Committee Meeting. The Committee would like to discuss the proposed changes to the RE Policy before approving the updated RE Investment Plan. Staff confirmed that there will be no impact if we delay the RE Investment Plan until next month.

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

1. Review of ACERA's Real Estate Policy

- Staff and Callan discussed with the Committee the proposed changes to the Real Estate (RE) Policy, as follows: 1) reorganization and rewording of RE Policy language; 2) total fund target to RE changed from 9% to 8.2%; 3) slight change to Core Strategy Weighting from at least 60% of the portfolio to at least 50% of the portfolio, and the change to CorePlus weighting from 0-30% to 10-40%; 4) removal of watch list language to match that of the other alternative asset class policies while 5) portfolio benchmarks, risk limits and delegated authority limits remain unchanged. These proposed RE Policy language changes

are made to align the RE Policy structure to that of other Private Assets' Policies and to reflect the lower RE target adopted in the Asset Allocation "Mix C".

Investment Committee Meeting Minutes

July 2, 2025

2. Review of the current Public Equity Structure and Possible Restructure of the same - Part 3

- Based on three criteria determined in the first two parts of the review, Staff/Consultant designed portfolio options and generated back test results. Three distinct portfolio options were constructed by staff, and a fourth was created by NEPC. All four options demonstrated improved outcomes compared to the current equity portfolio. Option 3 offered the highest potential alpha, lower risk, and greater downside protection. Based on this analysis, the staff's idea was to proceed with restructuring the equity portfolio in a manner similar to Option 3. However, because Option 3 would require a significant transition from the current portfolio, further in-depth analysis is needed before making a final recommendation to the Committee at a future ICM.
- Trustee Simon asked why ACERA should increase the active management allocation in the face of performance struggles. Staff/Consultant explained that the active management environment, per a NEPC study, favors global mandates over the dedicated US Large Cap and International Large Cap mandates that are currently employed. However, there may still be justification for retaining certain managers due to their specialized expertise within their respective areas.
- Trustee Wood inquired about the potential risks of moving to option 3. Staff/Consultant acknowledged the increased risk of underperformance, which would be mitigated by exhaustive risk management, including rigorous manager selection and disciplined portfolio construction. Ensuring that managers stick to their style/philosophy is critical.
- Trustee Gamble expressed concerns that Option 3 introduces unnecessary complexity. Staff/Consultant acknowledged that the transition would be complicated but that the resulting portfolio would be simplified: fewer managers, less rebalancing burden, and the US v International weighting decision outsourced to the global managers. He also inquired if the MSCI ACWI IMI Policy benchmark is appropriate and Staff/Consultant confirmed that the benchmark is industry standard.
- Trustee Wilkinson inquired about who was producing the review work. Staff/Consultant responded that it was a combined team approach. He also inquired about US v International relative market view and Staff/Consultant responded that global mandates are consistent with the Policy and that they are maintaining strategic allocations.
- Staff provided an update on \$400 million prefunding and stated that two fixed income managers were funded and that equity allocations went to BlackRock International Passive and a US small cap manager but not to all public equity managers. This is to avoid potentially expensive round trip transition costs as a result of the possible restructure of the

Public Equity portfolio, and a rebalancing summary will be provided at the August ICM.

Investment Committee Meeting Minutes July
2, 2025

3. Review of the Absolute Return Policy

- Staff and NEPC discussed with the Committee the major proposed changes to the Absolute Return (AR) Policy, as follows: 1) a change in the asset-class benchmark from the HFRI Fund of Funds Composite Index to the HFRI Fund of Funds Conservative Index; 2) changes in the AR asset class target weighting and allowable range from an 8% target weighting with a 4%-10% allowable range to a 6% target weighting with a 3%-9% allowable range; 3) delegated authority limits for commitments to new managers to the AR asset class (5% of the target value of the AR asset class) as well as for aggregate commitments related to re-ups with existing managers in good standing (10% of the target value of the AR asset class); and 4) delegated authority related to continuation funds associated with existing funds.

TRUSTEE REMARKS:

FUTURE DISCUSSION ITEMS

ESTABLISHMENT OF NEXT MEETING DATE

August 6, 2025 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 12:10 p.m.

To view the July 2, 2025 Investment Committee Meeting in its entirety, click on the link below: [HTTPS://www.youtube.com/watch?v=V7TY6KTNGOo](https://www.youtube.com/watch?v=V7TY6KTNGOo)