



MINUTES OF THE JULY 14, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: George Wood - Chair
Subject: Summary of July 14, 2021 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, July 14, 2021 at 9:31 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Darryl Walker, and George Wood. Also present was Alternate Retired Member, Nancy Reilly. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit, Clint Kuboyama – Investment Officer, Thomas Taylor – Investment Officer, and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to recommend that the Board approve an Updated Absolute Return Policy
 - Staff and Verus provided background information on the recommended updates to the Absolute Return (AR) Policy, including the need to update the AR Policy to reflect the Board-approved changes in the AR Asset Class structure and in the Asset Allocation for the Total Fund.
 - Trustee Levy inquired about the investment rationale for the AR Asset Class considering its low 3-year annualized return of 0.99% (as of May 2021). Staff and Verus responded, noting the diversification and risk-reduction benefits of the AR Asset Class, the reasons behind its low return over the last three years, the changes underway that are expected to improve its returns going forward, and the importance of being forward-looking when setting expectations about future returns of the AR Asset Class. Staff added that other ACERA investment policies will be amended as needed to reflect the approved Asset Allocation changes, including the General Investment Policy.
 - The Trustees discussed with Staff and Verus the range of fees and the importance of being prudent about fees in the AR Portfolio.
 - After further discussion, Trustee Basgal moved, seconded by Trustee Godfrey, to recommend that the Board approve an Updated Absolute Return Policy.
 - The motion carried with 7 Yes (Basgal, Carson, Gamble, Godfrey, Koppenhaver, Walker, and Wood) 1 No (Levy), and 0 Abstention.

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

1. Report on the Proposed Timeline, Search Criteria, and Evaluation Matrix for ACERA's Absolute Return (Custom Fund of Hedge Funds) Manager Search
 - Verus, Staff and Trustees discussed the rationale for the Absolute Return (Custom Fund of Hedge Funds) Manager search, provided an overview of the planned process, and explained the differences between this search relative to prior ACERA Public/Private Markets searches.
 - The customization aspect of the targeted Custom Fund of Hedge Funds, the creation and composition of the search's proposed initial manager universe, and the number of finalists that will be presented to the Committee at the end of the search process were also discussed. Trustees discussed the reasonable number of finalists and agreed with the Chair that 2-3 managers would be presented to the Investment Committee for interviews and final selection.
 - Verus, Staff and Trustees discussed the importance of performance stability within this mandate and how the return stability of managers will be evaluated during the search process.
2. Oral Status Update on Implementing the Following:
 - a. The newly approved Asset Allocation
 - b. The pre-fundings from Alameda County and LARPD
 - Staff reported that the \$800 million and \$12.6 million pre-fundings from Alameda County and Livermore Area Recreation and Parks District, respectively, were received on June 29, 2021. Incorporating the newly approved Asset Allocation model, Staff conferred with ACERA's consultants (McCalla and Verus) and timely rebalanced the portfolio within the week. The contributions are now fully invested and the Total Fund is currently at \$11.6 billion (preliminary) as of yesterday. Investment Committee Chair Wood thanked the County and LARPD for their contributions.

PUBLIC INPUT

Margaret Jadallah (Verus Consultant) announced that Stuart Odell is no longer with Verus Advisory Inc.

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, August 11, 2021 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 10.22 a.m.