



MINUTES OF THE AUGUST 6, 2025, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: George Wood, Chair

Subject: Summary of the August 6, 2025 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, August 6, 2025, at 9:39 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Tarrell Gamble, Henry Levy, 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 (via Zoom), Lisa Johnson – Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Julius Cuaresma – Investment Analyst, 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:

A representative from Franklin Templeton provided the Committee with a one-page handout of their comments for today's ICM Agenda Action Item #5.

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 Policy
 - Staff informed the Investment Committee that only one change, the addition of policy amendment date, was made to the Real Estate Policy draft since the discussion at July 2nd 2025 ICM. Staff also answered a question regarding continuation funds while Callan responded to some Trustees' questions such as RE insurance, raised at our July ICM.
 - Trustee Basgal moved, seconded by Trustee Levy, to recommend that the Board adopt the Updated Real Estate Policy
 - The motion carried with 7 Yes (Baron, Basgal, Bryant, Carson, Gamble, Levy, and Wood), 0 No, and 0 Abstention.
2. Discussion and Possible Motion to Recommend that the Board Approve the Updated Real Estate Investment Plan (2025 – 2026)
 - Callan discussed the 2025 – 2026 Real Estate (RE) Investment Plan for ACERA. Callan briefly reviewed the objectives and allocation targets of ACERA's RE portfolio. The current market environment was also discussed.

- Staff stated that they had reviewed the Real Estate Investment Plan and agreed with Callan's recommendations and assumptions.
 - Trustee Gamble requested an update on the leasing activities and performance of the ACERA office property at 475 14th Street, Oakland. Trustee Carson also asked for more information on buildings comparable to the ACERA property. Staff and Callan responded to the Trustees' questions, and will provide further update on the leasing activities of 475 – 14th street to the Committee in the near future.
 - After further discussion, Trustee Gamble moved, seconded by Trustee Carson, to recommend that the Board adopt the Updated Real Estate Investment Policy.
 - The motion carried with 7 Yes (Baron, Basgal, Bryant, Carson, Gamble, Levy, and Wood), 0 No, and 0 Abstention.
3. Discussion and Possible Motion to Recommend that the Board Approve the Updated Absolute Return Policy
- Staff and NEPC discussed the proposed changes to the Absolute Return (AR) Policy.
 - Trustee Gamble requested that the existing asset-class benchmark (HFRI Fund of Funds Composite Index) and the proposed benchmark (HFRI Fund of Funds Conservative Index) both be included in asset-class performance reports over the coming two-year period. NEPC agreed to include both benchmarks in the performance reports over this period.
 - Trustee Gamble requested that Staff notify the Trustees when it uses its delegated-authority to make decisions regarding participation in continuation vehicles of existing investments. It was agreed that Staff will provide the Trustees with notice via BoardEffect similar to what Staff has been doing to report transactions made by Staff under delegated authority.
 - Staff and NEPC discussed the absolute return asset class, the different hedge fund strategies available, the conservative nature of ACERA's AR asset class, and why the proposed asset-class benchmark was appropriate.
 - Trustee Levy moved, seconded by Trustee Basgal, to recommend that the Board adopt the Updated Absolute Return Policy.
 - The motion carried with 7 Yes (Baron, Basgal, Bryant, Carson, Gamble, Levy, and Wood), 0 No, and 0 Abstention.
4. Discussion and Possible Motion to Recommend that the Board Approve the 2025 Absolute Return Investment/Rebalancing Plan
- Staff and NEPC discussed with the Trustees the 2025 Absolute Return Investment/Rebalancing Plan. The Plan would decrease ACERA's overweight to the Absolute Return asset class, while matching the current underweight to private credit with an overweight to public fixed income.

The plan calls for a \$174 million reduction in the Absolute Return asset class with the proceeds being invested with the risk-seeking fixed income manager (Loomis Sayles) whose strategy is most closely aligned with the risk/return profile of the Private Credit asset class.

- Trustee Baron moved, seconded by Trustee Levy, to recommend that the Board adopt the 2025 Absolute Return Investment/Rebalancing Plan.
- The motion carried with 6 Yes (Baron, Basgal, Bryant, Carson, Levy, and Wood), 1 No (Gamble), and 0 Abstention.

5. Discussion and Possible Motion to Recommend that the Board Terminate Franklin Templeton – Public Equities

- Staff and NEPC recommended the termination of Investment Manager Franklin Templeton (FT). The cash redemption proceeds from the closed account will be invested via the asset overlay program according to the Asset Allocation policy targets in the immediate future until the Board has selected a replacement manager for FT.
- FT presented their rationale for investing in international small cap and why their performance sharply declined since 2020. Staff and Consultant assured the Trustees that ACERA will continue to invest in this asset class as NEPC research indicates significant active management outperformance opportunities.
- FT offered a fee concession at the ICM that moved from AUM based fees to performance-based fees. Staff informed Trustees that the fee concession did not address the primary concern of long-term underperformance vs the benchmark.
- Trustee Basgal moved, seconded by Trustee Baron, to recommend that the Board terminate Franklin Templeton.
- The motion carried with 5 Yes (Baron, Basgal, Bryant, Carson, Levy, and Wood), 2 No (Bryant and Gamble), and 0 Abstention.

6. Discussion and Possible Motion to Recommend that the Board Adopt an Investment in ACERA's Private Equity Portfolio – Great Hill Equity Partners IX (\$50 million)

- Staff and NEPC provided the investment rationale for Great Hill Equity Partners IX (GHEP IX) and discussed with the Trustees the historical performance of Great Hill funds.
- Representatives from Great Hill discussed the Firm's history, investment team, Fund's investment strategy, investment sourcing and risk management, as well as historical investments, and current opportunities.

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- After further discussion, Trustee Basgal moved, seconded by Trustee Levy, to recommend that the Board approve an up to \$50 million investment in Great Hill Equity Partners IX as part of ACERA's Private Equity Portfolio – Growth Equity, pending completion of legal and investment due diligence and successful contract negotiation.
- The motion carried with 7 Yes (Baron, Basgal, Bryant, Carson, Gamble, Levy, and Wood), 0 No, and 0 Abstention.

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

1. Oral Report on Implementing the \$400 million Pre – Funding from Alameda County
 - Staff informed the Committee that last June 26, 2025, Alameda County Treasurer's Office wired \$400 million to ACERA to reduce the County's unfunded actuarial accrued liability and Staff allocated the funds according to the Investment Policy strategic asset allocation immediately upon receipts of \$400 million.
2. Report on Private Equity Investment Made Under Delegated Authority After Distribution of the Last Investment Committee Meeting Agenda: Khosla Ventures IX, Khosla Ventures Seed G, and Khosla Ventures Opportunity III (\$35 million)
 - Staff confirmed closing a \$35 million commitment to the named Khosla Funds under delegated authority. The supporting documents, as required by the PE Policy, were posted on BoardEffect shortly after the close, and this information item serves to report publicly on Staff's delegated action.

TRUSTEE REMARKS:

FUTURE DISCUSSION ITEMS

ESTABLISHMENT OF NEXT MEETING DATE

September 3, 2025, at 10:30 a.m.

ADJOURNMENT

The meeting ended at 11:57 a.m.

To view the August 6, 2025 Investment Committee Meeting in its entirety, click on the link below.
<https://www.youtube.com/watch?v=xOMfZgQHE-0>