



AUGUST 12, 2020 INVESTMENT COMMITTEE MEETING MINUTES

(This meeting was conducted via teleconference with video)

Date: August 12, 2020
To: Members of the Board of Retirement
From: Elizabeth Rogers – Chair
Subject: Summary of August 12, 2020 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, August 12, 2020 at 9:30 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Elizabeth Rogers, and George Wood. Also present were Alternate Safety Member Darryl Walker and Alternate Retired Member, Nancy Reilly. Members of the Staff present were David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, and Harsh Jadhav – Chief of Internal Audit.

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

There were no action items.

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

1. Review of AQR Capital Management – Traditional Manager – (Non U.S. Equity – Quantitative)
 - Representatives Lars N. Nielsen and Daniel Ohgi presented to the committee AQR’s organization, investment strategy, and performance. AQR has experienced asset declines and staff reductions at the firm level in recent years stemming from poor results and redemptions across multiple strategies. The representatives outlined AQR’s quantitative factor-based investing approach which emphasizes stock selection, country risk, and currency risk.
 - Trustees discussed various concerns. Staff and Verus will conduct further research and reassess AQR’s Watchlist status. Staff and Verus have also been reviewing the ACERA international equity manager structure and will bring their findings to the next ICM has an information item or an action item.
2. Education Session: Risk Management and Reporting
 - Verus Representatives Margaret Jadallah and Max Golitti walked the Committee through their presentation. Mr. Golitti discussed liquidity risk and certain related

maxims of the seven sages, *e.g.*, Know thyself (Know what you own), Nothing to excess (Diversify), and Surety brings ruin (Overconfidence). He further discussed Verus's golden rule of portfolio construction which can be thought of as the risk free rate plus beta, which can be measured in terms of absolute risk and the Sharpe ratio and further takes into account active risk and the information ratio. Mr. Golitti discussed how to put all these components together.

3. Review of JP Morgan Strategic Property Fund – Real Estate

- JPMorgan representatives Sue Kolasa, Shawn Parris, and Thomas Klugherz discussed the JPMorgan organization generally and the Strategic Property Fund (SPF) portfolio investment strategy and performance specifically. Representatives reported that SPF has been lowering its retail exposure and increasing its industrial exposure. At the end of the discussion representatives reported that JP Morgan SPF currently has a \$2.9 billion exit queue.

4. Review of UBS Trumbull Property Fund – Real Estate

- UBS representatives Paul Canning and Mia Dennis discussed the organization generally and The Trumbull Property Fund (TPF) investment strategy and recent performance specifically. TPF is a core open-ended real estate fund invested primarily in well-leased, stabilized assets and receives the majority of its return from its income component. TPF is subject to a large redemption queue. Accordingly, TPF restructured the fund into two parts. The purpose of the restructure is (i) to provide improved flexibility for dispositions while maintaining the Fund's current tax structure for investors, and (ii) to create a dedicated portfolio managers for a portion of the Fund's portfolio. Mr. Canning reflected on recent organizational changes and the performance record. In the last two years the fund has increased its industrial exposure from 16% to 19%, and reduced retail from 22% to 16%. He mentioned a proposed fee reduction for LPs as they restructure the fund.

5. Semiannual Performance Review for the Period Ending March 31, 2020 – Real Estate

- Callan Representative Avery Robinson discussed the Semiannual Real Estate Performance Measurement Report through 3/31/20. ACERA's Real Estate portfolio had a net return of 5.40% for the trailing 1-year period, outperforming the NFI-ODCE benchmark return of 3.93%. For the trailing 3-year period, ACERA's Real Estate portfolio had a net return of 7.47%, outperforming the benchmark return of 5.85%. For the year ending 3/31/2020, ACERA's Real Estate portfolio is valued at \$607.4 million, representing 8.19% of the Total Fund.
- Mr. Robinson introduced the concept of modeling ACERA's core real estate sub-asset class after the ODCE index. The concept would require reducing current core holdings and diversifying across the other core funds within the index. ACERA could hire a third-party consultant to help facilitate and monitor the process. The Committee asked several questions for Staff and Callan to consider and report back at another time.

Investment Committee Meeting Minutes
August 12, 2020

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, September 9, 2020 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 12:24 p.m.