



MINUTES OF THE SEPTEMBER 3, 2025, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: George Wood, Chair

Subject: Summary of the September 3, 2025 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, September 3, 2025, at 10:30 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Ross Clippinger, Tarrell Gamble, Kellie Simon, 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, Carlos Barrios – Assistant Chief Executive Officer (via Zoom), Lisa Johnson – Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Julius Cuaresma – Investment Analyst, Stephen Quirk – Investment Officer, John Ta – Senior Investment Officer, Betty Tse – Chief Investment Officer, and Susan Weiss – Investment Counsel.

PUBLIC COMMENT:

Alameda County Retired Employees ("ACRE") President Pete Albert asked whether ACERA engages in positive screening or direct engagement with portfolio companies under its ESG/EIM Policies. Staff clarified that ACERA does not currently engage in either practice, and noted that company-level engagement is the responsibility of external managers.

Action Item: 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. Education Session: ESG & EIM

- NEPC provided educational information first on Environmental, Social, and Governance ("ESG") then on Emerging Investment Manager ("EIM"). NEPC described multiple types of ESG investing, including negative screening, thematic investing, and impact investing, and then distinguished them from "Integration", ACERA's Board-approved framework.
- Trustee Wood asked whether each of the three ESG components (Environmental, Social and Governance) are weighted equally. NEPC explained that a holistic approach and balanced integration is preferred vs. overemphasis on one component.

- Trustee Simon and Trustee Basgal raised concerns about political volatility, shifting Department of Labor (“DOL”) guidance and ESG backlash. Trustee Simon also asked if ESG considerations could limit the manager universe. NEPC responded, stating that ESG integration is evidence-based and used as supplemental analysis; managers with weak ESG ratings can still be recommended based on investment merits. Chief Counsel described ACERA’s policy as anchored in risk mitigation and return enhancement, not social change.
- Trustee Clippinger asked about empirical data showing that greater diversity measurably reduces groupthink and improves performance. NEPC cited academic research from McKinsey and Knight Foundation; NEPC also shared that there is forthcoming research from Investment Diversity Advisory Council (IDAC) and NEPC will report back with such research when it is available. Chief Counsel distinguished between taking account of diversity (low risk) as compared to giving priority to a particular race or gender (high risk).

2. Review of the Environmental, Social, and Governance (ESG) Investment Policy

- Staff discussed the proposed amendments to ACERA’s existing ESG Policy: (i) streamline the ESG Policy’s language and formatting to improve clarity and consistency; and (ii) enhance the current ACERA ESG questionnaire with NEPC’s additional questions, which are intended to capture current market practices and risk factors.
- Trustee Simon asked whether new questions were legally vetted and Chief Counsel confirmed they were.
- Trustee Simon, Trustee Gamble, Trustee Clippinger, Staff and NEPC further discussed ACERA’s ESG Questionnaire. This discussion included the topic of whether a more detailed questionnaire could inadvertently increase risk. NEPC noted that Questionnaire responses are supplemental and not determinative.

3. Review of the Emerging Investment Manager (EIM) Policy

- Staff discussed the proposed amendments to the EIM Policy. Staff specified one key amendment, requiring ACERA’s EIM managers to complete an annual EIM questionnaire. The results from the questionnaire will be included in ACERA’s Annual ESG Risk Disclosure Report.
- Trustee Basgal asked about one of the proposed Policy amendments that replaces ‘quarterly’ with ‘periodically’ for performance reviews. Staff responded, clarifying that EIM reporting is included as part of the periodic semi-annual Total Fund Report, rather than as a separate standalone report. Staff and NEPC further confirmed that there would be no delay in critical issue reporting and that any breaches would be promptly escalated to the Board.

- Trustee Wood and Trustee Clippinger asked about EIM performance post-graduation, i.e., when an EIM exceeds the AUM thresholds set forth in the ACERA EIM Policy. Staff discussed Arga, which graduated out of ACERA's EIM Fund-of-Fund allocation with Bivium Capital. NEPC further responded, noting that ultimately it is situation specific.
 - Trustee Gamble discussed ACERA's Investment Products and Services Introductions ("IPSI") process and inquired as to the number of EIM prospects ACERA and NEPC staff have met within the last year. Staff responded that each staff typically would meet with a couple of Emerging Investment Manager per year.
4. Semiannual Performance Review for the Period Ending June 30, 2025 – Total Fund Highlighting Public Market Asset Classes
- For the six-month period ending 06/30/2025, ACERA's net return was 7.43%, ranking in the 10th percentile of US public funds. For the trailing 1-year, ACERA's net return was 11.03%, well above the assumed rate of return of 7.00%.
 - Over three years, the net return was 9.79%, placing ACERA in the 29th percentile. Over five years, the net return was 10.07%, above the assumed rate and in the 16th percentile. Over ten years, ACERA's net return was 7.88%, placing it in the 19th percentile and outperforming the average public fund return of 7.16% and exceeding the 7.0% assumed rate as well.
 - As of 06/30/2025, the market value of the Total Fund was \$13,162,909,220.

TRUSTEE REMARKS:

FUTURE DISCUSSION ITEMS

ESTABLISHMENT OF NEXT MEETING DATE

October 1, 2025, at 10:30 a.m.

ADJOURNMENT

The meeting ended at 12:06 p.m.

To view the September 3, 2025 Investment Committee Meeting in its entirety, click on the link below.

<https://www.youtube.com/watch?v=kv8jQQSvhkU>