



SEPTEMBER 9, 2020 INVESTMENT COMMITTEE MEETING MINUTES

(This meeting was conducted via teleconference with video)

To: Members of the Board of Retirement
From: Tarrell Gamble – Vice Chair
Subject: Summary of September 9, 2020 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, September 9, 2020 at 9:33 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Elizabeth Rogers, and George Wood. Also present was Alternate Safety Member Darryl Walker. 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

1. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$35 million Investment in Clayton, Dubilier & Rice (“CD&R”) Fund XI as part of ACERA’s Private Equity Portfolio – Buyouts
 - Staff and Verus Advisory Inc. (“Verus”) provided a brief background on CD&R, a private equity buyout firm, and how the firm’s strategy fits into ACERA’s Private Equity Portfolio – Buyouts.
 - Representatives from CD&R discussed the firm’s long history as an operationally focused buyout manager with a high performing track record. The representatives provided further background on the investment strategy, process, existing investments, and the investment pipeline.
 - After further discussion, Trustee Elizabeth Rogers moved, seconded by Commander Dale Amaral, to recommend that the Board approve an up to \$35 million Investment in Clayton, Dubilier & Rice Fund XI as part of ACERA’s Private Equity Portfolio – Buyouts pending completion of legal and investment due diligence and successful contract negotiation.
 - The motion carried with 9 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Rogers, and Wood) 0 No, and 0 Abstention.
2. Discussion of and Possible Motion to Recommend to the Board to Adopt an up to \$75 million Investment in BlackRock Direct Lending Fund IX as part of ACERA’s Private Credit Portfolio

- Before any discussion occurred on this item, Trustee Basgal explained that she was recusing herself from this item because she has investments in ETFs managed by BlackRock (BlackRock Muni Holdings California Quality Fund and the BlackRock New Yield California Fund). She then left the meeting before any discussion of this item and did not return to the meeting after that.
- Staff and Verus discussed the differences between the BlackRock Direct Lending Fund IX (“Fund”) and the existing investment in ACERA’s Private Credit Portfolio, as well as the rationale behind recommending the Fund.
- BlackRock representatives discussed the Fund’s investment-valuation process, strategy, investment process, market opportunity, and existing portfolio. In addition, BlackRock’s long-term track record, the benefits gained from BlackRock’s acquisition of Tennenbaum Capital Partners, and the team’s diversity were reviewed.
- After further discussion, Ms. Elizabeth Rogers moved, seconded by Mr. Dale Amaral, to recommend that the Board approve an up to \$75 million Investment in BlackRock Direct Lending Fund IX as part of ACERA’s Private Credit Portfolio pending completion of legal and investment due diligence and successful contract negotiation.
- The motion carried with 8 Yes (Amaral, Carson, Gamble, Godfrey, Koppenhaver, Levy, Rogers, 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. Review and Discussion of International Equity Manager Structure

- Staff and Verus representatives provided trustees with an informal presentation to possibly make changes (incremental) to the international equity asset class. Similar to the U.S. Equity Asset Class, and the recent review of the factor-based core international equity manager, Staff and Verus are reviewing the manager structure. Verus provided three alternatives for discussion which the trustees provided some input. Upon further review, Staff and Verus will make a formal presentation at an investment committee meeting in the future.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, October 14, 2020 at 9:30 a.m.

Investment Committee Meeting Minutes
September 9, 2020

ADJOURNMENT

The meeting ended at 12:42 p.m.