



MINUTES OF THE SEPTEMBER 14, 2022, INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: Tarrell Gamble – Chair
Subject: Summary of September 14, 2022, Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, September 14, at 9:33 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, and Liz Koppenhaver. Also present was Alternate Safety Member Darryl Walker. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Investment Officer, Betty Tse – Chief Investment Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit, John Ta – Investment Officer, and Thomas Taylor – Investment Officer

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

1. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$55 Million Investment in Audax Private Equity Fund VII, L.P. as part of ACERA’s Private Equity Portfolio – Buyout, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - Staff and Verus discussed its due diligence findings and investment rationale for a follow-on investment in Audax Private Equity Fund VII. ACERA is currently invested in Audax Private Equity Fund VI (2018 vintage and \$25 million commitment). Audax Group is a manager in good standing within ACERA’s Private Equity portfolio.
 - Representatives from Audax provided an overview of their organization, investment team, investment strategy, and decision-making process. The performance of Audax VI was discussed as well as the expectations from Audax VII. The manager also went into detail regarding Audax’s ESG and DEI efforts.
 - After further discussion, Trustee Basgal moved, seconded by Supervisor Carson to recommend that the Board approve an up to \$55 million investment in Audax Private Equity Fund VII, L.P. as part of ACERA’s Private Equity Portfolio – Buyout, pending completion of legal and investment due diligence and successful contract negotiations
 - The motion carried with 7 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, and Walker) 0 No, and 0 Abstention.

2. Discussion of and Possible Motion to Authorize Staff to Issue a Request For Proposal (RFP) for a General Investment Consultant following the Proposed Search Timeline
 - At its August 10, 2022 ICM Staff informed the Committee that the initial 5-year term of the Verus Investment Consulting Services Agreement would end on May 31, 2023, and that Staff was contemplating a potential RFP. The goal of the RFP is to identify the best General Investment Consultant (GIC) capable of serving the growing needs of ACERA's Total Fund.
 - At today's ICM Staff presented a proposed timeline (workplan) for the GIC search. Staff will be working with an independent consultant, Cortex Applied Research, Inc., for this search to ensure efficiency and transparency in the RFP process.
 - Staff made clear that there are no concerns over ACERA's relationship with Verus. Secondly, Staff is planning to design this RFP to look for a full-service consultant who also has a real estate practice, capabilities and experience so that we may potentially expand our relationship to include real estate coverage should there be a need in the future.
 - After further discussion, Trustee Basgal moved, seconded by Trustee Godfrey, to recommend that the Board Authorize Staff to Issue a Request For Proposal (RFP) for a General Investment Consultant following the Proposed Search Timeline
 - The motion carried with 6 Yes (Amaral, Basgal, Gamble, Godfrey, Koppenhaver, and Walker) 0 No, and 0 Abstention. Supervisor Carson was not present for the vote.

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

1. Review of the Emerging Investment Manager (EIM) Policy
 - Staff and Verus presented a proposed amended EIM Policy for review and discussion. Though the intent and objective of the policy are the same (not changing), Staff and Verus are proposing to expand the program to include all asset classes, increase the size of the program "up to 10%" of the Total Fund, and better define EIM by asset class. These definitions include what would qualify as EIM managers since the first EIM policy was adopted in 2007.
 - Trustees discussed ways to define an EIM manager, including language focused on newly established investment managers and the number of funds and committed capital, e.g., Fund I, II, and III and less than \$5 billion for Private Markets. For the real estate asset class, the threshold for the EIM Program is less than \$2 billion in historical capital committed with no limit on the number of funds. The private real estate market is different from other private markets which raise substantially more capital.

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- Trustees discussed the topic of graduating from the EIM program. Traditional assets and private markets have different structures and, therefore, different metrics are used in each asset class for “graduation.” Trustees also discussed including diversity and inclusion for new managers.
 - Staff, Callan, and Verus thanked the trustees for their questions and input, which will be incorporated into the proposed amended EIM Policy that will be brought as an Action Item at the October 12, ICM.
2. Report on the Meeting Date of the November 2022 Investment Committee Meeting
- Staff informed the Committee that the second Wednesday in November (November 9, 2022) coincides with the SACRS Fall Conference.
 - Staff proposed two possible dates to schedule the meeting; November 2, 2022 (first Wednesday) or November 16, 2022 (third Wednesday) at 9:30 a.m.
 - Staff will prepare an email to survey the Trustees availabilities on the two proposed dates.

TRUSTEE REMARKS:

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, October 12, 2022

ADJOURNMENT

The meeting ended at 11:27 a.m.