



MINUTES OF THE NOVEMBER 3, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: Jaime Godfrey – Vice Chair
Subject: Summary of November 3, 2021, Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, November 3, 2021, at 9:30 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, and Darryl Walker. Also present was Alternate Retired Member Nancy Reilly. ACERA Senior Managers and Presenting Staff present were David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit, Thomas Taylor – Investment Officer, and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to Recommend to the Board the Timeline, Minimum Qualifications, and Scoring Matrix for the Emerging Markets Equity Manager Search
 - Staff, Verus and the Trustees discussed the new Emerging Markets Equity Manager search. The proposed Minimum Qualifications (MQ) and Scoring Matrix are very similar to the 2017-2018 Emerging Markets Equity Manager search, with a few exceptions. Staff and Verus have selected the focused-list approach as previously disclosed to the Board. The RFI will seek firms with AUM \$1.5 billion or more, at least \$900 million managed in the strategy, and with a minimum continuous three-year track record by the fund manager. The MQ now contains a verification regarding ESG documentation. The new Scoring Matrix has increased the scoring for “Organization” by 5 points and has reduced the scoring for “Performance” by 5 points. Verus discussed the prescreening process, *e.g.*, examining 3-year and 5-year excess returns, the information ratio, etc.
 - Staff, Verus, and the Trustees discussed how the focus-list is sourced and what consideration is being given to ACERA’s Investment Products and Service Introductions (IPSI) program. It was noted that the existing investment manager, Newton, may be considered if they meet the MQ.
 - After further discussion, Trustee Basgal moved, seconded by Trustee Koppenhaver, to recommend to the Board the Timeline, Minimum Qualifications, and Scoring Matrix for the Emerging Markets Equity Manager Search.

- The motion carried with 8 Yes (Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Reilly, and Walker) 0 No, and 0 Abstention.
2. Discussion and Possible Motion to Recommend that the Board Adopt an Amended Real Estate Investment Guidelines, Policies, and Procedures
- Staff and Callan discussed the proposed changes to ACERA's Real Estate Investment Policy as well as the reasoning for the proposed changes. As approved by the Board in its June 17, 2021 meeting, the allocation to the real estate asset class was increased from 8% to 9%. Staff and Callan recommended separating out the Core and Core-Plus sub-asset classes to better reflect ACERA's current mix of commingled real estate funds. Staff also recommended adding delegated authority of up to 5% of the asset class for new managers and up to 10% of the asset class for existing managers in good standing. This is consistent with the Private Equity policy language.
 - After further discussion, Supervisor Carson moved, seconded by Trustee Basgal, to recommend that the Board adopt an Amended Real Estate Investment Guidelines, Policies and Procedures.
 - The motion carried with 8 Yes (Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Reilly, and Walker) 0 No, and 0 Abstention.
3. Discussion and Possible Motion to Recommend that the Board Adopt a New Investment Plan for ACERA's Real Estate Asset Class
- Callan discussed the Real Estate Investment Plan for ACERA. In doing so, Callan briefly reviewed the prior commitments to real estate and the emphasis placed on Value-Add and Opportunistic fund partnerships. In 2019-2021, ACERA committed \$220 million to six real estate funds. The Investment Plan calls for net new commitments totaling approximately \$200 million in 2022 to help achieve and maintain the real estate allocation of 9%. The Investment Plan proposes to invest \$50 million per year to non-core investment opportunities in order to achieve and maintain vintage year diversification over the next couple of years.
 - After further discussion, Supervisor Carson moved, seconded by Trustee Basgal, to recommend that the Board adopt a new Investment Plan for ACERA's Real Estate Asset Class.
 - The motion carried with 7 Yes (Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, and Reilly) 0 No, and 0 Abstention. Trustee Walker was not present for the vote.

4. Discussion and Possible Motion to Recommend that the Board Direct Staff to Send Proposed Letter to ACERA's Real Estate Managers Regarding the Expiration of the Eviction Moratorium
 - Staff and Callan presented a proposed letter for the Trustees to sign or endorse, voicing their concerns relative to the expiration of the CDC eviction moratorium. Trustees suggested some changes to the letter but wanted additional time to submit their comments. Accordingly, Staff will collect all Trustees comments before amending the letter. The amended letter will be presented to the Trustees for consideration as an Action Item at the November Board Meeting.
 - After further discussion, no vote was taken. Staff will include an amended letter in the Board packet for consideration at the November 18, 2021 Board Meeting.

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

None

TRUSTEE REMARK

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, December 8, 2021, at 9:30 a.m.

ADJOURNMENT

The meeting ended at 10:24 a.m.