



Date: July 10, 2019
To: Members of the Board of Retirement
From: Elizabeth Rogers – Chair
Subject: Summary of July 10, 2019 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, July 10, 2019 at 9:33 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, and Elizabeth Rogers. 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, Harsh Jadhav – Chief of Internal Audit, Betty Tse – Chief Investment Officer, and Susan Weiss – Investment Counsel.

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

1. Discussion of and Possible Motion to Recommend to the Board to Adopt Private Credit Investment Policy
 - Staff, Verus, and Trustees discussed the attributes of the newly adopted Private Credit Asset Class (4% target in asset allocation) and the proposed Private Credit Investment Policy (“Policy”).
 - On the topic of delegation of authority to Staff, contained at Section VIII.C. of the Proposed Policy. After much discussion, Trustees agreed to match the delegated authority in Staff to the proposed investment commitment size in the Private Credit Investment Plan. Therefore, limit for new managers set forth in Policy, Section VIII.C.4.a. was revised to up to \$65 million and limit for existing managers (re-ups) was revised to up to \$130 million in Section VIII.C.4.b., with the corresponding manager concentration limits adjusted accordingly.
 - After discussion, Trustee Koppenhaver moved, seconded by Trustee Godfrey, to recommend that the Board Adopt the Proposed Private Credit Investment Policy, with revised delegated authority to Staff as discussed in the meeting.
 - The motion carried with 5 Yes (Basgal, Godfrey, Koppenhaver, Levy, and Rogers), 0 No, and 1 Abstention (Walker).
2. Discussion of and Possible Motion to Recommend to the Board to Adopt Private Credit Investment Plan
 - Representatives from Verus presented the proposed Private Credit Investment Plan (2019 – 2022) including investment sizing and timing.
 - After discussion, Trustee Godfrey moved, seconded by Trustee Koppenhaver, to recommend that the Board Adopt the Proposed Private Credit Investment Plan

- The motion carried with 5 Yes (Basgal, Godfrey, Koppenhaver, Levy, and Rogers), 0 No, and 1 Abstention (Walker).
3. Discussion of and Possible Motion to Recommend to the Board to Adopt Private Equity Investment Plan
- Representatives from Verus discussed the 2019-2021 Private Equity Investment Plan. The Private Equity Investment Plan was updated to reflect the results of the most recent asset allocation adopted in May, when the target of the Private Equity asset class was modified to 8% from 9% previously
 - After discussion, Trustee Basgal moved, seconded by Trustee Levy, to recommend that the Board Adopt the proposed Private Equity Investment Plan
 - The motion carried with 6 Yes (Basgal, Godfrey, Koppenhaver, Levy, Rogers, and Walker), 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 of Trust Company of the West (Traditional Manager – Large Cap Growth)
- Craig Blum and Brian McNamara from TCW discussed their team, investment strategy, process, and performance. They outlined the potential performance of the strategy in prospective monetary environments and commented on diversity within their organization. Staff's review found TCW to be in compliance with ACERA's reporting requirements.
 - As of 3/31/2019, TCW's 5-year annualized net return was 12.84%, underperforming its account benchmark (Russell 1000 Growth) by 0.66%. The manager's 1- and 3-year annualized net returns were 17.12% and 17.58% beating the benchmark by 4.37% and 1.05%, respectively. As of 3/31/2019, the value of ACERA's U.S. equity large cap growth account managed by TCW was \$173.9 million.
 - After discussion, the Committee was comfortable in retaining the 10% active large cap (5% value and 5% growth) allocation within the U.S. Equity Asset Class.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, August 14, 2019 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 11:54 a.m.