



Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

INVESTMENT COMMITTEE/BOARD MEETING

THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE [SEE EXECUTIVE ORDER N-29-20 ATTACHED AT THE END OF THIS AGENDA.]

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

Wednesday, July 8, 2020
 9:30 a.m.

ZOOM INSTRUCTIONS	COMMITTEE MEMBERS	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. https://zoom.us/join Meeting ID: 841-6798-2387 Password: 308154 For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193	ELIZABETH ROGERS, CHAIR	ELECTED GENERAL
	TARRELL GAMBLE, VICE CHAIR	APPOINTED
	DALE AMARAL	ELECTED SAFETY
	OPHELIA BASGAL	APPOINTED
	KEITH CARSON	APPOINTED
	JAIME GODFREY	APPOINTED
	LIZ KOPPENHAVER	ELECTED RETIRED
	HENRY LEVY	TREASURER
	GEORGE WOOD	ELECTED GENERAL
	NANCY REILLY	ALTERNATE RETIRED¹
DARRYL L. WALKER	ALTERNATE SAFETY²	

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes are available online at www.acera.org.

Note regarding public comments: Public comments are limited to four (4) minutes per person in total.

Note regarding accommodations: The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

¹ Alternate Retired Member (Votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General Members, or the Elected Safety Member and an Elected General Member, are absent).

² Alternate Safety Member (Votes in the absence of (1) the Elected Safety, (2) either of the two Elected General Members, or (3) both the Retired and Alternate Retired Members).

INVESTMENT COMMITTEE/BOARD MEETING

NOTICE and AGENDA, Page 2 of 2 – Wednesday, July 8, 2020

Call to Order: 9:30 a.m.

Public Input (Time Limit: 4 minutes per speaker)

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

1. Discussion of and Possible Motion to Recommend to the Board to Adopt a \$40 million Investment in Brookfield Super-Core Infrastructure Partners, as part of ACERA's Real Assets Portfolio – Infrastructure³

9:30 – 10:15

Michael Botha, Managing Director, Brookfield Asset Management
Eduardo Salgado, Managing Partner, Brookfield Asset Management
John Nicolini, Verus Advisory Inc.
Clint Kuboyama, ACERA

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

1. Semiannual Performance Review for the Period Ending December 31, 2019 – Real Assets

John Nicolini, Verus Advisory Inc.
Clint Kuboyama, ACERA

2. Review of Cash Overlay and Rebalancing

Margaret Jadallah, Verus Advisory Inc.
Julius Cuaresma, ACERA

Adjournment into Closed Session

Consider the Purchase or Sale of a Particular, Specific Pension Fund Investment (CA Gov. Code section § 54956.81)

Reconvene into Open Session to Report on Action Taken in Closed Session

Trustee Remarks

Future Discussion Items

Establishment of Next Meeting Date

August 12, 2020 at 9:30 a.m.

³ In connection with their consideration of this investment, the trustees have received materials that are confidential and exempt from disclosure under California Government Code sections 6254.26 and 6255. Those materials have not been included in the public agenda packet.

**EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA**

EXECUTIVE ORDER N-29-20

WHEREAS on March 4, 2020, I proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19; and

WHEREAS despite sustained efforts, the virus continues to spread and is impacting nearly all sectors of California; and

WHEREAS the threat of COVID-19 has resulted in serious and ongoing economic harms, in particular to some of the most vulnerable Californians; and

WHEREAS time bound eligibility redeterminations are required for Medi-Cal, CalFresh, CalWORKs, Cash Assistance Program for Immigrants, California Food Assistance Program, and In Home Supportive Services beneficiaries to continue their benefits, in accordance with processes established by the Department of Social Services, the Department of Health Care Services, and the Federal Government; and

WHEREAS social distancing recommendations or Orders as well as a statewide imperative for critical employees to focus on health needs may prevent Medi-Cal, CalFresh, CalWORKs, Cash Assistance Program for Immigrants, California Food Assistance Program, and In Home Supportive Services beneficiaries from obtaining in-person eligibility redeterminations; and

WHEREAS under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay appropriate actions to prevent and mitigate the effects of the COVID-19 pandemic.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes of the State of California, and in particular, Government Code sections 8567 and 8571, do hereby issue the following order to become effective immediately:

IT IS HEREBY ORDERED THAT:

1. As to individuals currently eligible for benefits under Medi-Cal, CalFresh, CalWORKs, the Cash Assistance Program for Immigrants, the California Food Assistance Program, or In Home Supportive Services benefits, and to the extent necessary to allow such individuals to maintain eligibility for such benefits, any state law, including but not limited to California Code of Regulations, Title 22, section 50189(a) and Welfare and Institutions Code sections 18940 and 11265, that would require redetermination of such benefits is suspended for a period of 90 days from the date of this Order. This Order shall be construed to be consistent with applicable federal laws, including but not limited to Code of Federal Regulations, Title 42, section 435.912, subdivision (e), as interpreted by the Centers for Medicare and Medicaid Services (in guidance issued on January 30, 2018) to permit the extension of

otherwise-applicable Medicaid time limits in emergency situations.

2. Through June 17, 2020, any month or partial month in which California Work Opportunity and Responsibility to Kids (CalWORKs) aid or services are received pursuant to Welfare and Institutions Code Section 11200 et seq. shall not be counted for purposes of the 48-month time limit set forth in Welfare and Institutions Code Section 11454. Any waiver of this time limit shall not be applied if it will exceed the federal time limits set forth in Code of Federal Regulations, Title 45, section 264.1.
3. Paragraph 11 of Executive Order N-25-20 (March 12, 2020) is withdrawn and superseded by the following text:

Notwithstanding any other provision of state or local law (including, but not limited to, the Bagley-Keene Act or the Brown Act), and subject to the notice and accessibility requirements set forth below, a local legislative body or state body is authorized to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body or state body. All requirements in both the Bagley-Keene Act and the Brown Act expressly or impliedly requiring the physical presence of members, the clerk or other personnel of the body, or of the public as a condition of participation in or quorum for a public meeting are hereby waived.

In particular, any otherwise-applicable requirements that

- (i) state and local bodies notice each teleconference location from which a member will be participating in a public meeting;
- (ii) each teleconference location be accessible to the public;
- (iii) members of the public may address the body at each teleconference conference location;
- (iv) state and local bodies post agendas at all teleconference locations;
- (v) at least one member of the state body be physically present at the location specified in the notice of the meeting; and
- (vi) during teleconference meetings, a least a quorum of the members of the local body participate from locations within the boundaries of the territory over which the local body exercises jurisdiction

are hereby suspended.

A local legislative body or state body that holds a meeting via teleconferencing and allows members of the public to observe and address the meeting telephonically or otherwise electronically, consistent with the notice and accessibility requirements set forth below, shall have satisfied any requirement that the body allow

members of the public to attend the meeting and offer public comment. Such a body need not make available any physical location from which members of the public may observe the meeting and offer public comment.

Accessibility Requirements: If a local legislative body or state body holds a meeting via teleconferencing and allows members of the public to observe and address the meeting telephonically or otherwise electronically, the body shall also:

- (i) Implement a procedure for receiving and swiftly resolving requests for reasonable modification or accommodation from individuals with disabilities, consistent with the Americans with Disabilities Act and resolving any doubt whatsoever in favor of accessibility; and
- (ii) Advertise that procedure each time notice is given of the means by which members of the public may observe the meeting and offer public comment, pursuant to subparagraph (ii) of the Notice Requirements below.

Notice Requirements: Except to the extent this Order expressly provides otherwise, each local legislative body and state body shall:

- (i) Give advance notice of the time of, and post the agenda for, each public meeting according to the timeframes otherwise prescribed by the Bagley-Keene Act or the Brown Act, and using the means otherwise prescribed by the Bagley-Keene Act or the Brown Act, as applicable; and
- (ii) In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, also give notice of the means by which members of the public may observe the meeting and offer public comment. As to any instance in which there is a change in such means of public observation and comment, or any instance prior to the issuance of this Order in which the time of the meeting has been noticed or the agenda for the meeting has been posted without also including notice of such means, a body may satisfy this requirement by advertising such means using "the most rapid means of communication available at the time" within the meaning of Government Code, section 54954, subdivision (e); this shall include, but need not be limited to, posting such means on the body's Internet website.

All of the foregoing provisions concerning the conduct of public meetings shall apply only during the period in which state or local public health officials have imposed or recommended social distancing measures.

All state and local bodies are urged to use sound discretion and to make reasonable efforts to adhere as closely as reasonably possible to the provisions of the Bagley-Keene Act and the Brown Act, and other applicable local laws regulating the conduct of public meetings, in order to maximize transparency and provide the public access to their meetings.

IT IS FURTHER ORDERED that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 17th day of March 2020.



GAVIN NEWSOM
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



PERIOD ENDING: DECEMBER 31, 2019

Real Assets Review

Alameda County Employees' Retirement Association

Table of Contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

Real Assets Portfolio Performance	3
--------------------------------------	---

Real Assets Portfolio Diversification	5
--	---

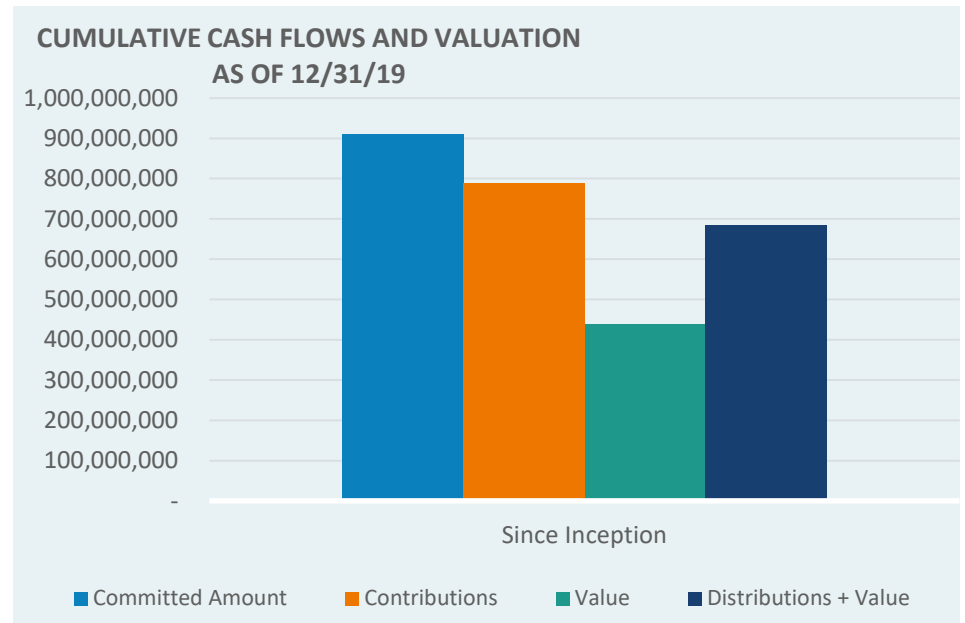
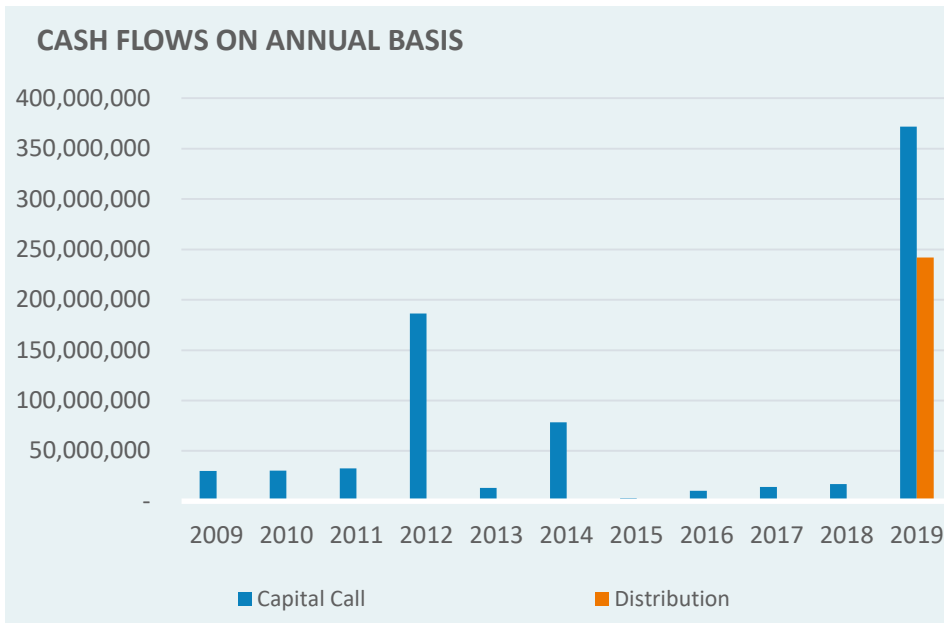
- RA Portfolio Diversification by Strategy
- RA Portfolio Diversification by Geography
- RA Portfolio Diversification by Vintage Year

Real Assets Program Update	8
----------------------------	---

***Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. and Verus Investors, LLC (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended.*

Performance

- ACERA’s Real Asset Pool has produced a -3.94% IRR since inception. The portfolio’s poor performance has been driven primarily by the large weighting in commodity futures (Gresham and AQR) and from earlier investments in energy (Sheridan). More recent investments in CIM Infrastructure, Quantum Energy, and ISQ Global Infrastructure have emerged from their j-curve but are still too early in their fund life to gauge performance.
- The commitment to Taurus Mining Finance II is ACERA’s first mining investment. Taurus’ strategy also helps to mitigate the broader portfolio’s j-curve due to the unique cash flow structure within project finance loans.



Real Assets Performance vs. Pooled Benchmark IRR

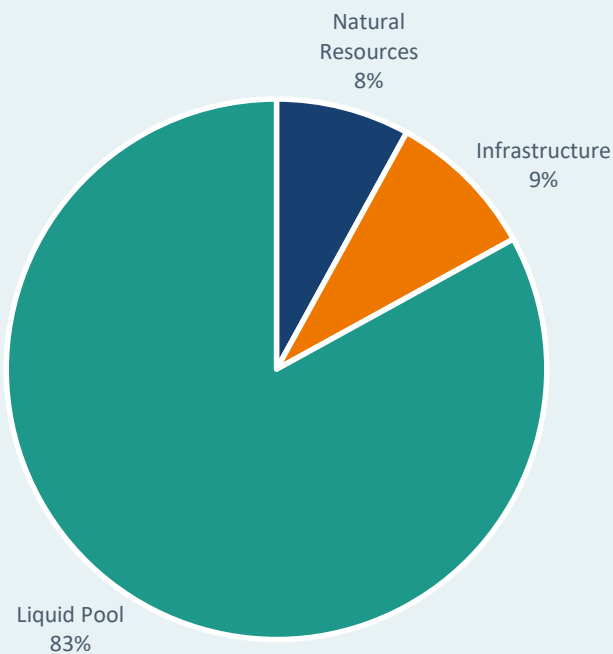
Period Ending: December 31, 2019

	1-Year	3-Year	5-Year	10-Year	Since Inception
Natural Resources Funds	-9.70%	-18.67%	-10.90%		-14.21%
<i>S&P Global Natural Resources Index¹</i>	16.17%	6.25%	5.13%	2.64%	2.64%
Infrastructure Funds	15.63%	10.52%			9.76%
<i>S&P Global Infrastructure Index¹</i>	18.68%	9.48%	7.07%	7.07%	7.07%
Liquid Pool Funds	8.00%	0.52%	-1.79%	-3.89%	-3.60%
<i>Bloomberg Commodity Index¹</i>	3.14%	-2.00%	-4.43%	-6.57%	-6.30%
Total Real Assets	6.97%	-0.76%	-1.94%	-4.20%	-3.94%

¹ Benchmarks: Identical cash flows invested in the appropriate benchmarks through the life of the portfolio up through 12/31/2019. Analysis provided by Solovis.

Investment Type	Commitment	Current Exposure	Current Exposure as % of Portfolio
Natural Resources	104,000,000	34,878,344	8.0%
Infrastructure	115,000,000	40,810,448	9.3%
Liquid Pool	689,235,893	362,495,593	82.7%
Total Portfolio	908,235,893	438,184,385	100.0%

REAL ASSETS PORTFOLIO: CURRENT EXPOSURE

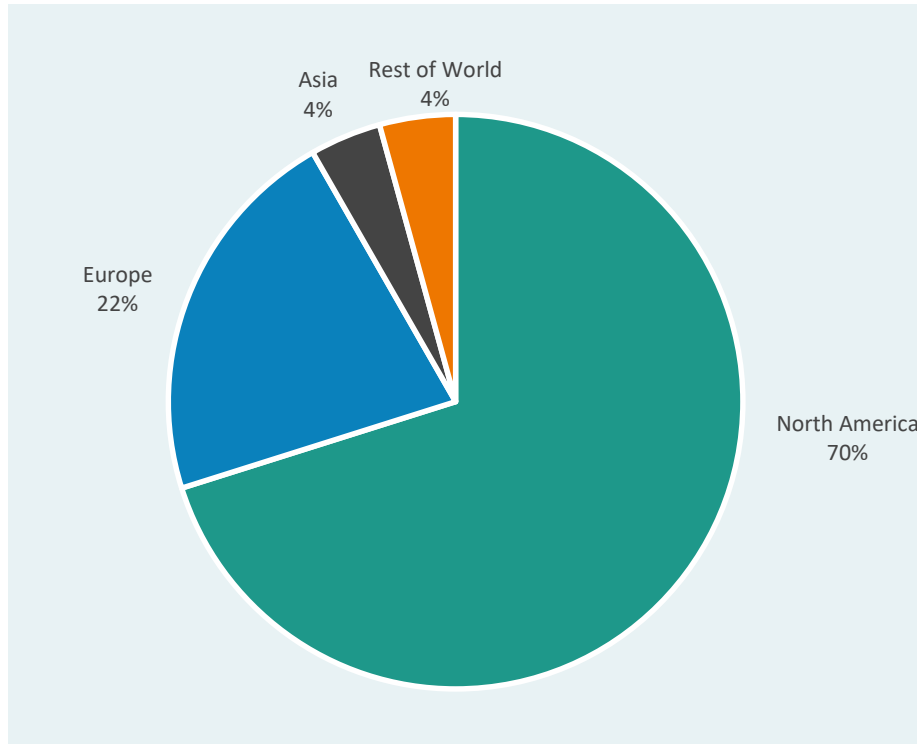


Geography Portfolio Diversification

Period Ending: December 31, 2019

Geography	Reported Fair Value
North America	53,084,296
Europe	16,331,855
Asia	3,040,729
Rest of World	3,231,912
Total Portfolio*	75,688,792

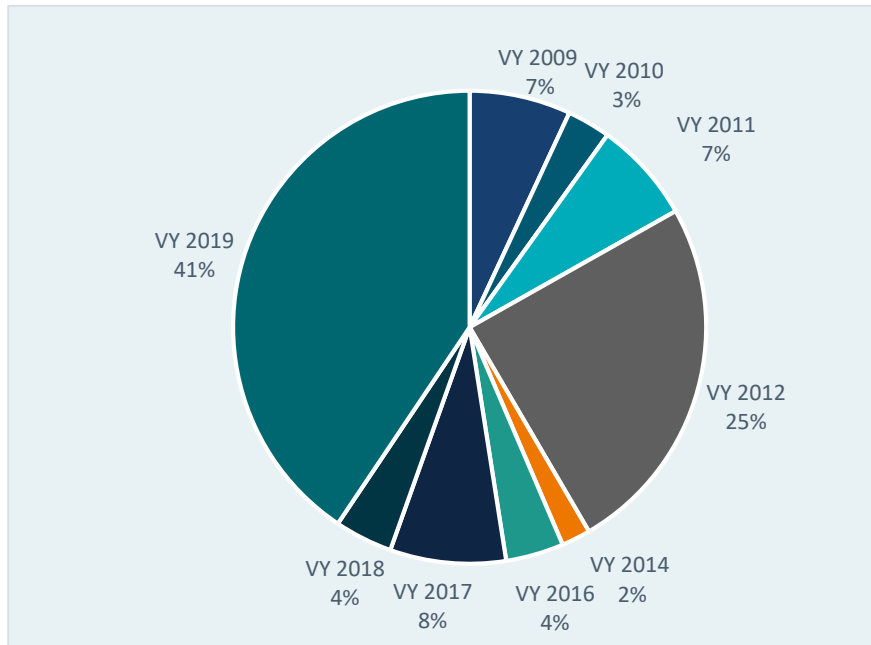
* Excludes Liquid assets.



Vintage Year Portfolio Diversification

Period Ending: December 31, 2019

Vintage Year	Commitment as of 12/31/19	% of Portfolio Commitment	Reported Value as of 12/31/19
2009	62,900,000	6.9%	0
2010	24,000,000	2.6%	0
2011	60,800,000	6.7%	0
2012	223,979,858	24.7%	0
2014	15,000,000	1.7%	12,059,205
2016	35,000,000	3.9%	14,729,784
2017	75,000,000	8.3%	34,229,655
2018	40,000,000	4.4%	7,795,070
2019	371,556,035	40.9%	369,370,671
Total Portfolio	908,235,893	100%	438,184,385



Real Assets Program Update

- With ongoing ESG Policy discussions at ACERA, we are holding off on new commitments until we have direction from the Board around any investment restrictions.
- We have a number of potential re-ups with existing ACERA real asset managers in 2020 so we are prioritizing those opportunities. We also have a Core Infrastructure Fund which we may present to ACERA depending on its fit within the new ESG framework.
- As mentioned previously, we plan to increase the allocation to infrastructure investments at the expense of natural resource strategies as we move away from investments in the oil & gas industry.



Date: July 8, 2020
To: Members of Investment Committee
From: Julius Cuaresma, Investment Analyst; John Ta, Investment Officer
Subject: ^{JCC} Review of Cash Overlay and Rebalancing

Recommendation:

This is an Information Item.

Background:

At the January 8, 2020 Investment Committee meeting, Staff and Verus introduced Cash Overlay and Rebalancing operational services to the Committee. The educational presentation assessed the Committee's interest in operational services that could efficiently implement Board-approved strategic asset allocation targets (relative to the current rebalancing process). After a discussion on the potential benefits (e.g., automated rebalancing) and the associated risks (e.g., basis risk or increased equity exposure via derivatives intended to replicate the Total Fund's private markets exposure), the Committee guided Staff and Verus to further explore these operational services.

Discussion:

Since the January Investment Committee meeting, Staff and Verus sent an RFI to a shortlist of six candidates, including the incumbent rebalancing consultant, Doug McCalla, and his Optimal Portfolio Rebalancing program. Staff and Verus has subsequently analyzed the candidates' respective proposals, particularly noting capabilities that could improve ACERA's operational efforts. Staff's and Verus' early findings suggest that the Cash Overlay and Rebalancing services offered by the institutional managers would improve ACERA's current investment operations in terms of efficiency (speed and automation), albeit at a higher cost. Further cost/benefit analysis will be conducted to determine the appropriateness of these institutional Cash Overlay and Rebalancing services for ACERA.

At this meeting, Staff and Verus will present continued insight into Cash Overlay and Rebalancing services and the due diligence surrounding the RFI. Further, given that this is effectively the half-year point in a challenging year, Staff and Verus will provide important but not urgent steps on how such services could improve ACERA's operational efforts. One such step perhaps is to ask the candidates to run a "paper" portfolio of the Total Fund through their proposed services for the next X-determined months; this "paper" portfolio exercise could then help us understand better how such operational services improves ACERA in volatile conditions.

Conclusion:

Staff and Verus will continue research on the Cash Overlay and Rebalancing operational services offered by the short list of managers and report back by the end of the year.

Memorandum

To: ACERA
From: Verus
Date: July 8, 2020
RE: Update on rebalance and cash overlay research

Executive Summary

ACERA has used Optimal Portfolio Rebalancing (OPR) consulting services, run by sole proprietor Doug McCalla, since 1999 to provide guidance to ACERA on portfolio rebalancing. OPR uses a volatility-based rebalancing approach which is implemented by ACERA staff with updated rebalancing spreadsheets provided by Doug McCalla and data feeds provided by custodian State Street. This means of rebalancing has been functional and cost effective.

In recent months, Verus and ACERA staff started researching rebalancing/cash overlay managers and methodologies to consider the cost/benefit analysis of adding cash overlay services to the Plan and to compare rebalancing approaches. The addition of cash overlay should increase returns incrementally over time since risk assets outperform cash over the long run. Synthetic rebalancing used by overlay managers is more efficient and typically cheaper than physical rebalancing for larger institutional plans. The addition of an overlay manager would also provide additional breadth and depth of resources to ACERA's staff. Not surprisingly, these combined services would cost more than ACERA's current approach.

The rest of the memo outlines the due diligence Verus and staff has conducted so far. At this point, we are providing an update on this operational research and plan to report back with a recommendation a proposed course of action, if any, by year-end. Verus' view is that this is a worthwhile but not urgent initiative due to the number of projects already on ACERA's workplan.

Initial Research Process

Verus and Staff sent summary questionnaires to six rebalancing managers, including ACERA's rebalancing consultant Optimal Portfolio Rebalancing (OPR) run by Doug McCalla. The list of managers included all institutional rebalancing and cash overlay managers that we could identify. (This is specialized service with a relatively small number of institutional providers.) The questionnaire asked about their organizations, cash overlay and rebalancing capabilities and teams, methodologies and means of implementation, fee schedules and reporting capabilities. A summary comparison of the firms is shown on page 3.

Of the six respondents, two are much smaller in size and do not offer cash overlay services. One of these is OPR. While outside the asset classes outlined in ACERA's EIM Policy, both could reasonably be considered emerging by virtue of size and client depth. Both also use sophisticated approaches to rebalancing.

The remaining four are much larger in size and client breadth and use a variety of approaches to their investment philosophy (active, passive, custom) and implementation methods (futures, options, swaps). These firms have established teams dedicated to overlay services, and robust infrastructure and reporting. Fees for these managers are in the range of 2-3.5 bps (versus less than 1 bp for OPR's rebalancing consulting fee).

Verus and staff believe that further research is warranted to vet the following topics and decision points:

- Cost/benefit analysis of cash overlay to net performance;
- Comparison of rebalancing methodologies and their appropriateness for ACERA;
- Resourcing help for ACERA staff (extension of staff);
- Reporting and online capabilities;
- Overall cost/benefit analysis for the Plan

Verus and ACERA staff will answer questions about the six respondents at the ICM. We plan to continue research on a short list of managers and finish this operational due diligence before year-end.

Past performance is no guarantee of future results. This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other "forward-looking statements." No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal.

Verus – also known as Verus Advisory™.

Firm name	Location	Website	Year founded	# clients	AUM (\$MM)	# public fund clients	public fund AUM (\$MM)	Strategy	Hedging instruments	Reports
AlphaEngine Global Investments Solutions (AEGIS)	Plano, TX	www.alphaengine.net	2002	6	2,360	1 (a)	900 (a)	active/dynamic hedging	No cash overlay at this time. For rebalancing, liquid, exchange traded futures. Options on futures where permitted.	Monthly plus daily web-based
NISA	St. Louis, MO	www.nisa.com	1993	120	155,000	15	34,272	Custom. Active, passive, liability hedging, currency, risk premia.	Futures, forwards, swaps, options, repurchase agreements	Monthly
Optimal Portfolio Rebalancing (Doug McCalla)	Kalaheo, HI	None	1998	1	8,300	1 (b)	8,300 (b)	volatility-based	None; not an overlay manager	Daily monitoring report (spreadsheet).
Parametric	Minneapolis, MN	www.parametricportfolio.com	1987	331	97,971	53	16,524	active/dynamic rebalancing	Futures	Daily web-based plus monthly and quarterly reports
Russell	Seattle, WA	www.russellinvestments.com	1953	219	267,051	54	79,895	active/dynamic/custom	Futures/forwards/swaps	Monthly. More frequent updates available by email.
SSGA	Boston, MA	www.ssga.com	1978	685	330,038	79	64,627	active/dynamic/passive/custom	Futures, forwards, swaps, TBAs, ETFs	Monthly and quarterly
<i>Data as of 12/31/19</i>										
(a) This public fund client temporarily paused its dynamic overlay program. AlphaEngine has been shortlisted for a 1B overlay search.										
(b) Another 9B public fund uses "legacy components" of Optimized Portfolio Relancing's processes.										