



**Alameda County Employees' Retirement Association
BOARD OF RETIREMENT**

INVESTMENT COMMITTEE/BOARD MEETING

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 12, 2023
9:30 a.m.**

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
<p>ACERA C.G. "BUD" QUIST BOARD ROOM 475 14TH STREET, 10TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574</p> <p>The public can observe the meeting and offer public comment by using the below Webinar ID and Passcode after clicking on the below link or calling the below call-in number.</p> <p>Link: https://zoom.us/join Call-In: 1 (669) 900-6833 US Webinar ID: 879 6337 8479 Passcode: 699406</p> <p>For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193</p>	TARRELL GAMBLE CHAIR	APPOINTED
	GEORGE WOOD VICE CHAIR	ELECTED GENERAL
	OPHELIA BASGAL	APPOINTED
	KEITH CARSON	APPOINTED
	ROSS CLIPPINGER	ELECTED SAFETY
	JAIME GODFREY	APPOINTED
	ELIZABETH ROGERS	ELECTED RETIRED
	HENRY LEVY	TREASURER
	KELLIE SIMON	ELECTED GENERAL
	CYNTHIA BARON	ALTERNATE RETIRED ¹
KEVIN BRYANT	ALTERNATE SAFETY ²	

¹ The 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 Safety Member and an Elected General member, are absent.

² The Alternate Safety Member votes in the absence of the Elected Safety, either of the two Elected General Members, or both the Retired and Alternate Retired members.

Note regarding accommodations: If you require a reasonable modification or accommodation for a disability, please contact ACERA between 9:00 a.m. and 5:00 p.m. at least 72 hours before the meeting at accommodation@acera.org or at 510-628-3000.

Public comments are limited to four (4) minutes per person in total. The order of items on the agenda is subject to change without notice.

Board and Committee agendas and minutes and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure) are posted online at www.acera.org and also may be inspected at 475 14th Street, 10th Floor, Oakland, CA 94612-1900.

INVESTMENT COMMITTEE/BOARD MEETING

NOTICE and AGENDA Wednesday, June 14, 2023

Call to Order: 9:30 a.m.

Roll Call

Public Input (The Chair allows public input on each agenda item at the time the item is discussed)

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

1. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$30 million Investment in LS Power Equity Partners V as part of ACERA's Real Assets Portfolio – Infrastructure³, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations

9:30 – 10:00

Emily Simonis, LS Power Equity Partners V
Dave Nanus, LS Power Equity Partners V
John Nicolini, Verus Advisory
Clint Kuboyama, ACERA
Betty Tse, ACERA

2. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$80 million Investment in Ares Senior Direct Lending Fund III as part of ACERA's Private Credit Portfolio³, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations

10:00 – 10:30

Kara Herskowitz, Ares Senior Direct Lending Fund III
Juliette Schainuck, Ares Senior Direct Lending Fund III
Mitch Goldstein, Ares Senior Direct Lending Fund III
Faraz Shooshani, Verus Advisory
Clint Kuboyama, ACERA
Betty Tse, ACERA

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

1. Emerging Markets Equity Search Evaluation Criteria Detail Follow-Up

10:30 – 10:45

Eileen Neill, Verus Advisory
Noe Reynoso, ACERA
Betty Tse, ACERA

2. General Investment Consultant (GIC) Search RFP Follow-up

10:45 – 11:00

Valter Viola, Cortex Consulting
Serafin Lim, ACERA
Betty Tse, ACERA

³ Written materials and investment recommendations from the consultants, fund managers and ACERA Investment Staff relating to this alternative investment are exempt from public disclosure pursuant to CA Gov. Code §7928.710 and §7922.000

INVESTMENT COMMITTEE/BOARD MEETING

NOTICE and AGENDA Wednesday, June 14, 2023

Trustee Remarks

None

Future Discussion Items

None

Establishment of Next Meeting Date

August 9, 2023 at 9:30 a.m.



To: Members of the Investment Committee
From: Noe Reynoso, Investment Analyst Noe Reynoso
Eileen Neill, CFA, Senior Consultant, Verus Eileen Neill
Date: July 12, 2023
Subject: Emerging Markets Equity Search Evaluation Criteria Detail Follow-up

Recommendation:

Not Applicable – This is an information item.

Background:

At the June Investment Committee Meeting, the Committee approved the EM RFI Minimum Qualifications and a Scoring Matrix to incorporate recent Board-approved actions and the May 2022 ACERA General Investment Guidelines, Policies, and Procedures. The Scoring Matrix, i.e., the evaluation criteria, ensures uniform and objective Staff and Consultant evaluation. The Committee approved the Scoring Matrix and requested further scoring detail be provided.

Discussion:


Below is the Scoring Matrix breakdown including the number of points assigned to each of the evaluation criteria.

Table with 2 columns: Evaluation Criteria and #Points. Rows include categories like A. Organization/Firm, B. Investment Team, C. Performance and Risk, and D. Proposed Fee Schedule/Structure (bps) with sub-totals.



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14th Street, Suite 1000, Oakland, CA 94612 | Phone: 510-628-3000 | Fax: 510-268-9574 | www.acera.org

TO: Members of the Investment Committee
FROM: Betty Tse, Chief Investment Officer 
DATE: July 12, 2023
SUBJECT: General Investment Consultant (GIC) Search RFP Follow-up

Recommendation:

Not Applicable – This is an information item.

Background:

As an update for this ICM regarding the GIC search, the IC Chair has requested staff to provide the following two items:

1. Rescoring of the four Finalists Performance section to include 2022 Performance data.
2. Relative Strengths and Weaknesses of all four Finalists including Callan and Verus.

Updated total scores of the four Finalists, including 2022 year-end Performance results¹:

Evaluation Criteria (RFP Approved by Board on 9/22/2022 and Scoring Matrix approved on 10/20/2022)		Respondents			
	Weighting (%)	Callan	Meketa	NEPC	Verus
4. Performance - Updated with 2022 Performance Data	15.00	13.57	10.59	10.91	11.01
--> TOTAL SCORE	100	78.1	79.1	81.2	73.8

Total scores of the four Finalists (as a reference), excluding 2022 Performance results:

Evaluation Criteria (RFP Approved by Board on 9/22/2022 and Scoring Matrix approved on 10/20/2022)		Respondents			
	Weighting (%)	Callan	Meketa	NEPC	Verus
4. Performance	15.00	11.40	8.38	11.08	10.01
--> TOTAL SCORE	100	75.9	76.9	81.4	72.8

¹ Total detailed scores of the four Finalists with the OCIO subcategory, in order of ranking, can be found in Attachment #1. Total scores of the four Finalists without the OCIO subcategory are: NEPC (84.1), Meketa (80.2), Callan (78.7), Verus (76.1)

Relative Strengths and Weaknesses of all four Finalists:

Callan

Strengths:

1. Investment Process - Provides access to proprietary database application called CallanDNA. Clients can access the application online which contains detailed client portfolio information, a manager research database, and performance measurement capabilities;
2. Investment Team - Lead Consultant, Jim Callahan, is Callan's President and Chair of the Client Policy Review Committee (the committee that conducts asset allocation work), has some good non-consultant investment experience earlier in his career, has 26 years of experience as lead consultant at Callan, and a limited number of lead consultant engagements (2);
3. Investment Performance – Overall and as of 12/31/2022, it had the highest performance-section score of the four Finalists, scoring highest for non-discretionary and OCIO. Callan had the second highest score for both non-discretionary and OCIO Sharpe Ratios, and for return over benchmark for non-discretionary and OCIO, it had the second best and highest scores, respectively.

Weaknesses:

1. Organization - It manages and/or sponsor investment funds;
2. Investment Team - Number of research professionals in the private markets team (28.5 individuals, second least amongst the four Finalists). In aggregate, Callan scored the second lowest and slightly below average across the four Finalists in the Investment Team Section;
3. GIC Fee Proposal – Highest GIC-only annual average fee (\$817,000).

Meketa Investment Group

Strengths:

1. Organization – It does not manage and/or sponsor investment funds;
2. Investment Team – It has very experienced and well-credentialed consultants in its Risk Committee;
3. Performance Measurement and Reporting – It offers proprietary client portal allowing access to investment research and data.

Weaknesses:

1. Investment Performance – Lowest aggregate scores for performance over benchmark measures (i.e. batting average against benchmark plus annualized return over benchmark) for both non-discretionary and OCIO performance for the six-year period ending 12/31/22;
2. Performance Measurement and Reporting – It does not offer any monthly performance reports;
3. GIC Fee Proposal – It proposed the second highest bid amongst all five candidates;

NEPC, LLC

Strengths:

1. Investment Performance – It had the strongest risk-adjusted returns for its non-discretionary performance, for the six-year period ending 12/31/2022;
2. GIC Fee Proposal – It proposed the second lowest bid amongst all five candidates;
3. ESG Factors – It has solid experience with public pension plans and its proposed lead consultant is a founding member of the Investment Diversity Advisory Council;

Weaknesses:

1. Organization – It manages and/or sponsors investment funds;
2. Investment Performance – Aggregate (including risk-adjusted returns and performance relative to benchmark) OCIO performance for the six-year period ending 12/31/2022, it was the lowest of the four Finalists;
3. Organization – Its proposed lead consultant has been serving in his current capacity with NEPC for five years.

Verus

Strengths:

1. Organization – It does not manage and/or sponsor investment funds;
2. Investment Process - Founding member and manager of the Institutional Investing Diversity Cooperative, a group of investment consultants advocating for greater diversity within the institutional asset management industry. (NEPC, Aon, and Meketa are founding members and Callan is a member);
3. Investment Performance – It had the highest non-discretionary and second highest OCIO return over benchmark scores as of 12/31/2022.

Weaknesses:

1. Investment Process - Lowest breadth of coverage across asset classes among candidates;
2. Investment Team - In aggregate, had the lowest score for investment team section of the four finalists and well below the average score for this section. This was a culmination of the lowest scores across three sections (i.e. proposed team, private markets team, public markets team) versus the four finalists. The scores reflect the fewest number of resources in the public and private markets teams, as well as below-average scores for proposed team (primary and secondary consultants and the team that will interact with ACERA's IC);
3. Investment Performance - Risk-adjusted returns had the lowest non-discretionary and OCIO Sharpe Ratio scores as of 12/31/2022.

In addition and due to the increased number of Finalists from three to four that staff needs to conduct onsite due diligence visits for, staff with, Cortex's input, is amending our ICM Workplan (see Attachment #2) to schedule the IC's interview of the four Finalists to September 13th, instead of August 9th.

Conclusion:

Staff continues to work towards completion of the GIC RFP search process as indicated in the ICM Workplan, and will continue to update the IC of any changes, if warranted.

Attachments:

1. Staffs' Updated Evaluation Matrix Total Scoring Spreadsheet (includes 2022 Performance data)
2. Revised ICM Workplan

Evaluation Criteria (RFP Approved by Board on 9/22/2022 and Scoring Matrix approved on 10/20/2022)		FINALISTS			
	Weighting (%)	Callan	Meketa	NEPC	Verus
1. Organization	20.00	17.18	18.53	17.50	18.40
2. Investment Team (Experience of individuals, Resources)	20.00	14.80	16.20	16.66	13.18
3. Investment Process	20.00	16.82	18.01	17.84	14.17
4. Performance - Updated with 2022 Performance Data	15.00	13.57	10.59	10.91	11.01
5. Performance Measurement & Reporting	5.00	4.38	4.38	5.00	4.63
6. Fee Proposal	10.00	7.97	8.04	9.67	8.87
7. References	5.00	TBD	TBD	TBD	TBD
8. ESG	5.00	3.40	3.40	3.63	3.51
--> TOTAL SCORE	100	78.1	79.1	81.2	73.8
Ranking		3	2	1	4



Investment Committee Workplan for 2023

July 12, 2023

	Action Items	Information Items
January 11	<p><u>Board Action Item:</u></p> <ol style="list-style-type: none"> Proposed Findings Regarding State of Emergency Pursuant to Gov't Code §54953(e)(3): Staff Recommendation: The Board finds that it has reconsidered the circumstances of the state of emergency and (1) the state of emergency continues to directly impact the ability of the members to meet safely in person, and (2) state or local officials continue to impose or recommend measures to promote social distancing. 	<ol style="list-style-type: none"> Semiannual Performance Review for the Period Ending June 30, 2022 – Real Estate Semiannual Performance Review for the Period Ending June 30, 2022 – Private Equity Semiannual Performance Review for the Period Ending June 30, 2022 – Private Credit Semiannual Performance Review for the Period Ending June 30, 2022 – Real Assets Proposed Investment Committee Work Plan for 2023
February 8	<ol style="list-style-type: none"> Discussion of and Possible Motion to Recommend that the Board Approve the Proposed New Manager Structure for the International Equity Asset Class Discussion of and Possible Motion to Recommend that the Board Adopt the 2023 – 2029 Investment Plan for ACERA's Real Assets Asset Class Discussion of and Possible Motion to Recommend that the Board Adopt the 2023 - 2026 Updated Private Equity Investment Plan 	<ol style="list-style-type: none"> 2023 Capital Market Assumptions Investment Committee Work Plan 2023
March 8	<ol style="list-style-type: none"> Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$50 million Investment in Clayton, Dubilier, and Rice (CD&R) XII as part of ACERA's Private Equity Portfolio – Buyouts, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations 	<ol style="list-style-type: none"> Discussion of an up to \$10 Million Investment in Eclipse Fund V as part of ACERA's Private Equity Portfolio – Venture Capital Status Update on the General Investment Consultant (GIC) RFP Search

Notes:

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- Meeting date is assumed to be the second Wednesday of each month.
- Educational sessions may be added to the Agenda from time-to-time e.g., Portable Alpha, Market and Currency Overlay, Equity Overlay, and Emerging Managers in Private Equity investments. Recommendations and reports on ACERA's Real Estate, Private Equity, Absolute Return, Private Credit, and Real Assets investments will be added to the Agenda from time-to-time.
- The schedule of the Action/Information Items pertaining to the GIC RFP Search may be subject to change.



Investment Committee Workplan for 2023

July 12, 2023

Action Items

Information Items

	Action Items	Information Items
		<ol style="list-style-type: none"> 3. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the fourth quarter of 2022</i> 4. <i>Quarterly report on ACERA’s rebalancing activities for the fourth quarter 2022</i> 5. <i>Quarterly report on ACERA’s securities lending activities for the fourth quarter of 2022</i> 6. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the fourth quarter of 2022</i> 7. <i>Quarterly report on Investment Products and Services Introductions (IPSI) for the fourth quarter of 2020</i> 8. <i>Updated Investment Committee Work Plan 2023</i>
April 12	<ol style="list-style-type: none"> 1. Discussion and Possible Motion to Recommend that the Board Adopt a New Investment Plan for ACERA’s Real Estate Asset Class 2. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$38 Million Investment in Crestline Opportunity Fund V as part of ACERA’s Private Equity Portfolio – Debt-Related/Special Situations, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations 3. Discussion and Possible Motion to Recommend that the Board Approve a Revised International Equity Asset Class Structure and Phased Implementation Transition Plan 	<ol style="list-style-type: none"> 1. Report on Investment Made Under Delegated Authority – Genstar Capital Partners XI³ (\$40 Million) 2. The Current State of ESG
May 17	<ol style="list-style-type: none"> 1. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$38 Million Investment in Davidson 	<ol style="list-style-type: none"> 1. Review of Trust Company of the West (TCW)

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Investment Committee Workplan for 2023

July 12, 2023

	Action Items	Information Items
	<p>Kempner Opportunities Fund VI as part of ACERA’s Private Equity Portfolio – Debt-Related/Special Situations, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</p> <p>2. Discussion of and Possible Motion to Recommend that the Board Approve an up to \$50 Million Investment in Grid Iron as part of ACERA’s Private Equity Portfolio – Buyouts Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</p>	<p>2. Semiannual Performance Review for the Period Ending December 31, 2023 – Real Estate (Tentative)</p>
June 14	<p>1. Discussion of and Possible Motion to Recommend to the Board to Approve the Finalists for the ACERA’s General Investment Consultant (GIC) Search</p> <p>2. Discussion of and Possible Motion to Recommend to the Board the Minimum Qualifications and Scoring Matrix for the Emerging Markets Equity Manager Search</p>	<p>1. Semiannual Performance Review for the Period Ending March 31, 2023 – Total Fund Review Highlighting Public Markets Asset Classes and Absolute Return</p> <p>2. Semiannual Performance Review for the Period Ending December 31, 2022 – Private Equity</p> <p>3. Semiannual Performance Review for the Period Ending December 31, 2022 – Private Credit</p> <p>4. Semiannual Performance Review for the Period Ending December 31, 2022 – Real Assets</p> <p>5. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian fees for the first quarter of 2023</i></p> <p>6. <i>Quarterly report on ACERA’s rebalancing activities for the first quarter of 2023</i></p> <p>7. <i>Quarterly report on ACERA’s securities lending activities for the first quarter of 2023</i></p> <p>8. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the first quarter of 2023</i></p>

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4. The schedule of the Action/Information Items pertaining to the GIC RFP Search may be subject to change.



Investment Committee Workplan for 2023

July 12, 2023

Action Items

Information Items

	Action Items	Information Items
		<p>9. <i>Quarterly report on Investment Products and Services Introduction (IPSI) for the first quarter of 2023</i></p> <p>10. <i>Updated Investment Committee Work Plan 2023</i></p>
July 12	<ol style="list-style-type: none"> 1. Discussion of and Possible Motion to Recommend to the Board to Approve \$30 million Investment in LS Power V as part of ACERA’s Real Assets Portfolio – Infrastructure, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations 2. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$80 million Investment in Ares Senior Direct Lending Fund as part of ACERA’s Private Credit Portfolio, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations 	<ol style="list-style-type: none"> 1. Emerging Markets Equity Evaluation Criteria Detail Follow-Up 2. General Investment Consultant (GIC) Search RFP Follow-up/additional information (Tentative Title)
August 9	<p>1. Interview of ACERA’s General Investment Consultant (GIC) Finalists and Possible Motion by the Investment Committee to Recommend one Finalist to the Board (Tentative)</p> <p><u>1. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Equity Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</u></p>	<ol style="list-style-type: none"> 1. Education Session: Private Equity Fund-of-Funds

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Investment Committee Workplan for 2023

July 12, 2023

Action Items

Information Items

	Action Items	Information Items
	<p><u>2. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Credit Portfolio, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</u></p>	
September 13	<p><u>1. Interview of ACERA’s General Investment Consultant (GIC) Finalists and Possible Motion by the Investment Committee to Recommend one Finalist to the Board (Tentative)</u></p> <p>1. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Equity Portfolio—XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</p> <p>2. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Credit Portfolio, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder)</p>	<p>1. Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the second quarter of 2023</p> <p>2. Quarterly report on ACERA’s rebalancing activities for the second quarter of 2023</p> <p>3. Quarterly report on ACERA’s securities lending activities for the second quarter of 2023</p> <p>4. Quarterly report on ACERA’s Directed Brokerage (DB) Program for the second quarter of 2023</p> <p>5. Quarterly report on Investment Products and Services Introduction (IPSI) for the second quarter of 2023</p> <p>6. Updated Investment Committee Work Plan for 2023</p>
October 11	<p>1. Discussion of and Possible Motion to Recommend that the Board Approve the Qualified List of Candidates for ACERA’s Emerging Markets Equity Manager Search – International Equities (Placeholder)</p>	

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4. The schedule of the Action/Information Items pertaining to the GIC RFP Search may be subject to change.



Investment Committee Workplan for 2023

July 12, 2023

	Action Items	Information Items
	<ol style="list-style-type: none"> 2. Discussion of and Possible motion to Recommend that the Board Adopt the Amended ACERA Placement Agent Disclosure Policy (Placeholder) 3. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Real Estate Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder) 4. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Real Assets Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder) 	
<p>November TBD (regular meeting will be moved to SACRS Conference)</p>	<ol style="list-style-type: none"> 1. Discussion of and Possible Motion to Recommend that the Board Adopt Amendments to ACERA’s Directed Brokerage (DB) Policy (Placeholder) 2. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Equity Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder) 3. Discussion of and Possible Motion to Recommend to The Board to Approve Updated Private Equity Policy 4. Discussion of and Possible Motion to Adopt Search Criteria for Private Equity Fund-of-Funds 	

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4. The schedule of the Action/Information Items pertaining to the GIC RFP Search may be subject to change.



Investment Committee Workplan for 2023

July 12, 2023

	Action Items	Information Items
December 13	<ol style="list-style-type: none"> 1. Interview of the Finalists for ACERA’s Emerging Markets Equity Manager Search – International Equities and Possible Motion by the Investment Committee to Recommend Finalist(s) to the Board (Placeholder) 2. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Equity Portfolio – XXXX, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder) 3. Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$XX million Investment in XX as part of ACERA’s Private Credit Portfolio, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations (Placeholder) 	<ol style="list-style-type: none"> 1. Semiannual Performance Review for the Period Ending September 30, 2023 – Total Fund and Public Markets including Absolute Return 2. Semiannual Performance Review for the Period Ending June 30, 2023 – Private Equity 3. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Assets 4. Semiannual Performance Review for the Period Ending June 30, 2023 – Private Credit 5. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Estate 6. CA Gov. Code § 7514.7 Information Report 7. Annual Update – ESG Implementation Plan 8. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the third quarter of 2023</i> 9. <i>Quarterly report on ACERA’s rebalancing activities for the third quarter 2023</i> 10. <i>Quarterly report on ACERA’s securities lending activities for the third quarter of 2023</i> 11. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the third quarter of 2023</i> 12. <i>Quarterly report on Investment Products and Services Introductions (IPSI) for the third quarter of 2023</i> 13. <i>Updated Investment Committee Work Plan 2023</i>

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1. This workplan is subject to change without prior notice. Periodic rearrangements of agenda items will be made to the workplan to provide a reasonable length of time for each meeting.
2. Meeting date is assumed to be the second Wednesday of each month.
3. Educational sessions may be added to the Agenda from time-to-time e.g., Portable Alpha, Market and Currency Overlay, Equity Overlay, and Emerging Managers in Private Equity investments. Recommendations and reports on ACERA’s Real Estate, Private Equity, Absolute Return, Private Credit, and Real Assets investments will be added to the Agenda from time-to-time.
4. The schedule of the Action/Information Items pertaining to the GIC RFP Search may be subject to change.



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TO: Members of the Investment Committee
FROM: Clint Kuboyama, Investment Officer *Clint Kuboyama*
DATE: July 12, 2023
SUBJECT: Informational Report - LiUNA Public Comments Regarding Tiger Infrastructure Partners Fund III & Summit Carbon Solutions

Background:

At the December 18, 2021 Board Meeting, the Board approved a \$30 million investment commitment to Tiger Infrastructure Partners Fund III ("TIP III") as part of ACERA's private infrastructure portfolio in the Real Assets Asset Class. Summit Carbon Solutions is a portfolio company in TIP III that is a large-scale, carbon-capture and storage project.

LiUNA Public Comments at June 14, 2023 Investment Committee Meeting:

A representative from the Laborers' International Union of North America (LiUNA) spoke regarding Tiger Infrastructure Partners Fund III, and its investment in the Summit Carbon Solutions' carbon capture pipeline project. While she communicated that her organization generally supports the project, she expressed her organization's concern that, amongst other things, employment on the project was going to non-union, out-of-state workers instead of local union workers currently working in the fossil-fuels industry. She requested contact information for ACERA and was provided an email address allinvestments@acera.org to contact Staff. The IC Chair thanked her for her comments and communicated that the Board will take her comments into consideration once she provided additional material for the Board to review.

Follow-Up Materials Provided by LiUNA:

After the meeting, the LiUNA representative contacted Staff via email to provide additional information on the subject (see Attachment #1). Attached to the email was additional information related to LiUNA's concerns (see Attachment #2).

Tiger Infrastructure Partners' Response:

Following Staff's receipt of Attachments #1 and #2, the attachments were provided to Tiger Infrastructure Partners ("TIP") and Staff conducted two calls with TIP to discuss the issue and request TIP's comments. TIP's comments are shown below:

- Tiger is a minority investor in Summit Carbon Solutions and does not control the company.
- Tiger has confirmed with the company that it will be utilizing union labor in the project (60%+ of the work is currently expected to be done by union labor).
- Tiger does not believe LiUNA's letter (see Attachment #2) accurately reflects current project status, Pumpco's prior qualifications, current interpretations of 45Q or the current availability of labor in the relevant markets.

Attachments:

- #1 Email from LiUNA Representative
- #2 Attachment to Email from LiUNA Representative

Clint Kuboyama

From: Mia Friedman <mfriedman@liuna.org>
Sent: Wednesday, June 14, 2023 12:57 PM
To: allinvestments@acera.org
Subject: LiUNA - Summit Carbon Solutions Follow-up
Attachments: Summit Carbon Solutions Update 5.25.23 Final (1) (1) (1).pdf

This message is from outside ACERA's email system. Do not open links or attachments from untrusted sources.

Hello,

This is Mia Friedman. I spoke at the Investments Committee meeting today regarding Tiger Infrastructure Partners Fund III, and its investment in the Summit Carbon Solutions' carbon capture pipeline. I am reaching out with more information, and to see if I could set up a call to discuss the matter further.


Attached is a backgrounder.

Big risks the project faces are:

- 1) It is behind in securing its permits for construction
- 2) It has selected a contractor Pumpco, to build the most controversial and sensitive parts of the project despite Pumpco's inexperience building projects in the geography where the project is located, and .
- 3) There could backlash against the project because it isn't supporting an equitable, just energy transition for local workers who previously built oil pipelines in the same geography.

Thank you,
Mia Friedman

--

 **LiUNA!**
Mia Friedman
mfriedman@liuna.org
Summer Intern - Corporate Affairs Department

Update- Summit Carbon Solutions

Investors in the TPG Climate Rise Fund and Tiger Infrastructure Fund should investigate Summit Carbon Solutions' business plan for the construction of the 2,000 mile carbon capture pipeline in Iowa, Nebraska, South Dakota, North Dakota, and Minnesota.

Specifically, investors should ask:

- 1) How much money will be lost if Summit does not receive key permits to construct the pipeline and how much would be recoverable for investors? What money has been spent to date that is unrecoverable? What coalitions has Summit formed to advocate for the project in permitting?
- 2) What potential penalties could Summit face if the project fails to meet registered apprenticeship and prevailing wage requirements tied to enhanced 45Q's tax credits for the pipeline infrastructure construction portion of the project?
- 3) Summit has stated it is worried about lack of labor to construct its project given workforce shortages—what has Summit done to lock in available labor resources?

Risks

I. Permitting Delays

Summit needs state permits to build its pipeline. At present, it has active proceedings in North Dakota, Iowa, South Dakota, and Minnesota which covers 84 percent of the total project footprint. Summit's project is facing fierce opposition from local landowners, communities, and elected officials leading to permitting delays. For example, in South Dakota, Summit is at least 18 months behind its original schedule. Summit wanted to start construction in the first quarter of 2023,ⁱ but has revised its schedule to begin construction in the third quarter of 2024.ⁱⁱ As it turns out, the South Dakota Public Utility Commission will not issue its final order and decision on Summit's permit application until November 15, 2023.ⁱⁱⁱ Compared to the Dakota Access Pipeline and the Keystone Pipeline Project, the most recent major pipelines built in South Dakota, Summit's schedule lags far behind. Moreover, Summit's schedule lags the Navigator Heartland Greenway Pipeline, another proposed carbon capture project under review by the Commission. Despite filing its application seven months after Summit's, Navigator's hearings will occur before Summit's beginning on July 25, 2023 and concluding on August 3, 2023.^{iv} Summit's hearing will begin September 11, 2023 and conclude on September 22, 2023 at the earliest.^v Table 1 below compares Summit's schedule to other major pipeline projects in South Dakota.

Table 1: Summit Pipeline Compared to Major Pipelines in South Dakota

Metric	Project	Date Application Filed	Date of Metric	Total Months
Date of filing to construction start	Dakota Access Pipeline ^{vi}	12/15/2014	5/16/2016	17
Date of filing to construction start	Keystone Oil Pipeline ^{vii}	4/27/2007	5/1/2008	12

Metric	Project	Date Application Filed	Date of Metric	Total Months
Date of filing to construction start	Navigator Heartland Greenway Pipeline ^{viii}	9/27/2022	4/1/2024	18
Date of filing to construction start	Summit Carbon Pipeline ^{ix}	2/7/2022	7/1/2024	28
Date of filing to decision date	Dakota Access Pipeline ^x	12/15/2014	12/14/2015	12
Date of filing to decision date	Keystone Oil Pipeline ^{xi}	4/27/2007	4/25/2008	12
Date of filing to decision date	Summit Carbon Pipeline	2/7/2022	11/15/2023	21
Date of filing to hearing date	Navigator Heartland Greenway Pipeline	9/27/2022	7/25/2023	9
Date of filing to hearing date	Summit Carbon Pipeline	2/7/2022	9/11/2023	19

In Iowa, Summit’s schedule is even more challenged. Despite the fact that Iowa was the first state where Summit filed its application on January 28, 2022, the Iowa Utilities Board has not scheduled hearings.^{xii} Indeed, assuming Summit’s revised goal in South Dakota to start construction on the project in the third quarter of 2024 also applies to Iowa, construction would commence over two and a half years after its application was filed.^{xiii} Permitting for the Dakota Access Pipeline, a pipeline project of similar size, scope, and geographic footprint as Summit, on the other hand, took 13 months to complete.^{xiv} Construction commenced on the Dakota Access pipeline 16 months after its application was filed.^{xv} It has been 15 months since Summit filed in Iowa.

II. Construction Quality

Despite safety concerns, land owner opposition to eminent domain, and concerns around drain tile damage and soil compaction, Summit Carbon Solutions has hired Texas-based pipeline contractor, Pumpco Inc., for key portions of its transmission pipeline construction in North Dakota and South Dakota. Transmission lines, also known as trunk lines at 24 inches, comprise the largest diameter pipeline on the project. Summit’s contractor Pumpco Inc. appears to have little if any experience working outside of Texas on large diameter pipeline construction projects.^{xvi} Indeed, according to Summit itself, Pumpco has never installed pipelines in South Dakota, and only about 1.6% of all pipelines Pumpco has installed in the United States are in states “similar in climate, terrain, etc.” as South Dakota.^{xvii}

III. Application of 45Q Tax Credit

The 45Q tax credit is driving the economics of Summit’s project.^{xviii} At present, since passage of the Inflation Reduction Act (IRA), Treasury has not issued guidance on whether or not all carbon dioxide pipelines are covered as carbon capture equipment and therefore subject to the requisite prevailing wage and registered apprenticeship standards for bonus credits under 45Q. IRA’s labor-related bonus credits are critical for commercial success of the project (\$85/per metric ton with labor standards vs. \$17/metric ton without labor standards). Past guidance by Treasury

included gathering pipelines in the definition of a carbon capture project.^{xix} Multiple parties have also urged that carbon capture networks like Summit’s be treated as a single covered project in comments filed with Treasury based on factors the agency uses to define projects.

Pumpco does not, to our knowledge, hire workers that have been referred by or that otherwise participate in registered apprenticeship programs in the project footprint. It is unclear why Summit is gambling that the Treasury Department will limit coverage of pipeline infrastructure under the 45Q program.

IV. Access to Qualified Construction Labor

Summit Carbon Solutions has stated they are concerned about access to qualified construction labor in South Dakota in what is anticipated to be a tight construction labor market in 2024 and 2025.^{xx} Summit has also stated its project could employ up to 17,000 people during construction.^{xxi} Indeed, there is already a shortage of skilled construction labor. According to a 2022 workforce survey by the Associated General Contractors of America, the leading trade association for the construction industry, nearly all, 93%, of construction firms have open positions they are trying to fill. And the craft position that is the hardest to fill is pipelayers.^{xxii}

It is notable that Summit’s main competitors have locked in a labor supply from area trade unions through a Project Labor Agreement in the same markets where Summit will be competing for qualified pipeline craft labor. For example, the 1,300 mile carbon capture pipeline proposed by Navigator Heartland Greenway is anticipated to be under construction during the same general window (Q2 2024 – Q1 2025) and across the same geographic footprint as Summit, and will require approximately 1,000 construction personnel in South Dakota alone.^{xxiii} Moreover, despite filing its permit application in South Dakota seven months after Summit, Navigator’s application is further along and will be heard by South Dakota regulators months before Summit’s,^{xxiv} potentially putting Summit at an even greater competitive disadvantage. Table 2 shows how Summit compares to other carbon capture pipeline projects proposed in the Midwest region from the critically important standpoint of labor commitments in hand.

Table 2: Proposed Carbon Capture Pipelines: Labor Commitments

Project Name	Investor/Owner	States	Description	Status with Labor
Wolf /ADM Carbon Capture	CPP Investments	Iowa and Illinois	300 miles	Has committed to a project labor agreement with union labor and will pay wages and benefits consistent with the Dakota Access Oil Pipeline.
Navigator Heartland Greenway	Navigator/ Black Rock’s Global Energy & Power Infrastructure Fund III	South Dakota, Nebraska, Minnesota, Iowa, and Illinois	1,300 miles	Navigator executed a Letter of Intent in February 2022 with constructions unions to use union labor to install the pipeline in five Midwest states.
Midwest Carbon Express-	Tiger Infrastructure	South Dakota, North Dakota, Nebraska,	2,000 miles	Has indicated plan to use union contractors in Iowa and Minnesota, and for certain

Project Name	Investor/Owner	States	Description	Status with Labor
Summit Carbon Solutions	TPG Climate Rise Green Plains	Minnesota, and Iowa		additional gathering lines, and a non-union contractor for mainline construction and remaining facilities in North Dakota, South Dakota, and Nebraska.

ⁱ Summit Carbon Solutions, South Dakota Public Utilities Commission, Public Input Meeting, p. 11, March 2022, <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-001/Presentation032422.pdf>.

ⁱⁱ In responses to interrogatories by the Laborers Union, Summit states construction on the project will not commence until the third quarter of 2024. Before the Public Utilities Commission of the State of South Dakota, SCS Answers to Third Set of Interrogatories of the Laborers’ District Council to Summit Carbon Transport LLC, HP22-001, Interrogatory 10, May 5, 2023.

ⁱⁱⁱ Before the Public Utilities Commission of the State of South Dakota, Order Denying Motion to Reconsider Procedural Schedule; Order Setting Date for Final Decision and Order, HP22-001, February, 15, 2023, <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-001/HP22-001DenyReconsidProSchedSetDecDate.pdf>.

^{iv} Before the Public Utilities Commission of the State of South Dakota, Order Granting Request to Withdraw Party Status; Order Amending Procedural Schedule; Order Granting Motion for Protective Order, HP22-002, March 2, 2023, <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-002/HP22-002PartyWdrawAmProSchProtOrder.pdf>.

^v Before the Public Utilities Commission of the State of South Dakota, Order Granting Procedural Schedule; Order Granting Withdrawal of Party Status, HP22-001, January 11, 2023, <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-001/HP22-001ProSch.pdf>.

^{vi} The Dakota Access Pipeline commenced construction on May 16, 2016, see: <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2014/HP14-002/ltr042916.pdf>

^{vii} The Keystone Pipeline began construction in May of 2008. See Keystone Oil Pipeline Project Quarterly Report for the Quarter Ending June 30, 2008, at pg.4, <https://puc.sd.gov/commission/dockets/hydrocarbonpipeline/2007/hp07-001/073108.pdf>.

^{viii} Assuming Navigator commences construction in the second quarter of 2024 per its Application. The construction start date reflects the first day of quarter. See the Application at p. 67, <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-002/Application.pdf>

^{ix} This date presumes Summit will start construction in the third quarter of 2024. The construction start date reflects the first date of the third quarter.

^x The Dakota Access Pipeline’s application was filed on December 15, 2014, and Commission issued its final decision on December 14, 2015. See the decision at: <https://puc.sd.gov/commission/orders/hydrocarbonpipeline/2015/hp14-002decision.pdf>

^{xi} Before the Public Utilities Commission of the State of South Dakota, Final Decision and Order; Notice of Entry, HP07-001, April 25, 2008, <https://puc.sd.gov/commission/orders/HydrocarbonPipeline/2008/hp07-001.pdf>.

^{xii} State of Iowa, Department of Commerce Utilities Board, Order Setting Partial Procedural Schedule, Requiring Filing, and Granting Interventions, Docket No. HLP-2021-0001, pg. 13, May 19, 2023, https://wcc.efs.iowa.gov/cs/idcplg?IdcService=GET_FILE&RevisionSelectionMethod=latest&allowInterrupt=1&dDocName=2119760&noSaveAs=1&utm_medium=email&utm_source=govdelivery

^{xiii} Summit’s application in Iowa was filed on January 28, 2022. In responses to interrogatories by the Laborers Union, Summit states construction in South Dakota will not commence until the third quarter of 2024. Before the Public Utilities Commission of the State of South Dakota, SCS Answers to Third Set of Interrogatories of the Laborers’ District Council to Summit Carbon Transport LLC, HP22-001, Interrogatory 10, May 5, 2023.

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- ^{xiv} The Dakota Access Pipeline application was submitted to the Iowa Utilities Board on January 20, 2015. The IUB approved the application on March 10, 2016. State of Iowa, Department of Commerce Utilities Board, Final Decision and Order, Docket No. HLP-2014-0001, March 10, 2016, https://wcc.efs.iowa.gov/cs/idcplg?IdcService=GET_FILE&allowInterrupt=1&RevisionSelectionMethod=latest&dDocName=1508021&noSaveAs=1.
- ^{xv} State of Iowa, Department of Commerce Utilities Board, Order Granting Motion, Docket No. HLP-2014-0001, June 7, 2016, https://wcc.efs.iowa.gov/cs/idcplg?IdcService=GET_FILE&allowInterrupt=1&RevisionSelectionMethod=latest&dDocName=1573362&noSaveAs=1
- ^{xvi} All of the major projects featured on Pumpco’s website are located in Texas, <https://www.pumpco.cc/>, accessed May 2023.
- ^{xvii} Before the Public Utilities Commission of the State of South Dakota, Summit Carbon Solution’s Response to Second Set of Interrogatories of the Great Plains Laborers’ District Council, Interrogatory 7b, HP22-001, March 2023.
- ^{xviii} Before the Public Utilities Commission of the State of South Dakota, Summit Carbon Solution’s Response to First Set of Interrogatories of the Great Plains Laborers’ District Council, Interrogatory 17, HP22-001, October 2022.
- ^{xix} Department of the Treasury, Internal Revenue Service, 26 CFR Part 1, RIN 1545-bp42, Credit for Carbon Oxide Sequestration, p. 39, January 2021, <https://www.govinfo.gov/content/pkg/FR-2021-01-15/pdf/2021-00302.pdf>.
- ^{xx} In responses to interrogatories by Summit to the Laborers’ Union, Summit states that demand for construction workers in 2024-2025 will exceed availability. Summit Carbon Solution’s Response to Second Set of Interrogatories of the Great Plains Laborers’ District Council, Interrogatory 3d, HP22-001, March 2023.
- ^{xxi} The Des Moines Register, “Billionaire oil driller invests in Ames-based Summit’s carbon-capture pipeline,” March 2, 2022, <https://www.desmoinesregister.com/story/news/2022/03/02/carbon-capture-pipeline-planned-summit-gets-250-million-harold-hamm/9341140002/>.
- ^{xxii} The Associated General Contractors of America, 2022 Workforce Survey Analysis Summary, accessed May 2023, https://www.agc.org/sites/default/files/users/user22633/2022_AG_C_Workforce_Survey_Analysis.pdf
- ^{xxiii} Before the Public Utilities Commission of the State of South Dakota, Direct Testimony of Stephen Lee, p. 23, HP22-002, September 2022, <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-002/SLee.pdf>
- ^{xxiv} Navigator Heartland Greenway, LLC, filed its application on September 27, 2022. The evidentiary hearings are scheduled to begin on July 25, 2023. Before the Public Utilities Commission of the State of South Dakota, Order Granting Request to Withdraw Party Status; Order Amending Procedural Schedule; Order Granting Motion for Protective Order, HP22-002, March 2, 2023, See: <https://puc.sd.gov/commission/dockets/HydrocarbonPipeline/2022/HP22-002/HP22-002PartyWdrawAmProSchProtOrder.pdf> .