Alameda County Employees' Retirement Association

BOARD OF RETIREMENT

INVESTMENT COMMITTEE/BOARD MEETING

THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE
SEE GOV'T CODE § 54953(e).

ACERA MISSION:

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

Wednesday, August 10, 2022
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 Webinar ID: 879 6337 8479 Passcode: 699406 1 (669) 900-6833 US For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193	**TARRELL GAMBLE** **CHAIR**	**APPOINTED**
	GEORGE WOOD **VICE CHAIR**	**ELECTED GENERAL**
	DALE AMARAL	**ELECTED SAFETY**
	OPHELIA BASGAL	**APPOINTED**
	KEITH CARSON	**APPOINTED**
	JAIME GODFREY	**APPOINTED**
	LIZ KOPPENHAVER	**ELECTED RETIRED**
	HENRY LEVY	**TREASURER**
	KELLIE SIMON	**ELECTED GENERAL**
	NANCY REILLY	**ALTERNATE RETIRED**[1]
	DARRYL WALKER	**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: 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.

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

The order of agendized items 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 available online at www.acera.org.

INVESTMENT COMMITTEE/BOARD MEETING

NOTICE and AGENDA August 10, 2022

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

No Action Items

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 March 31, 2022 – Real Estate

   Avery Robinson, Callan LLC
   Thomas Taylor, ACERA
   Betty Tse, ACERA

2. Semiannual Performance Review for the Period Ending March 31, 2022 – Total Fund Review Highlighting Public Markets Asset Classes and Absolute Return

   Eileen Neill, Verus Advisory
   Thomas Taylor, ACERA
   Clint Kuboyama, ACERA
   Betty Tse, ACERA

3. Status Update for the Rebalancing Consultant Services

   Eileen Neill, Verus Advisory
   Serafin Lim, ACERA
   Thomas Taylor, ACERA
   Betty Tse, ACERA

4. RFP for a General Investment Consultant

   Betty Tse, ACERA

Trustee Remarks

Future Discussion Items

Establishment of Next Meeting Date
September 14, 2022 at 9:30 a.m.

August 2022

1Q 2022 Real Estate Performance Measurement Report

Callan

Avery Robinson, CAIA
Senior Vice President

U.S. Private Real Estate Market Trends

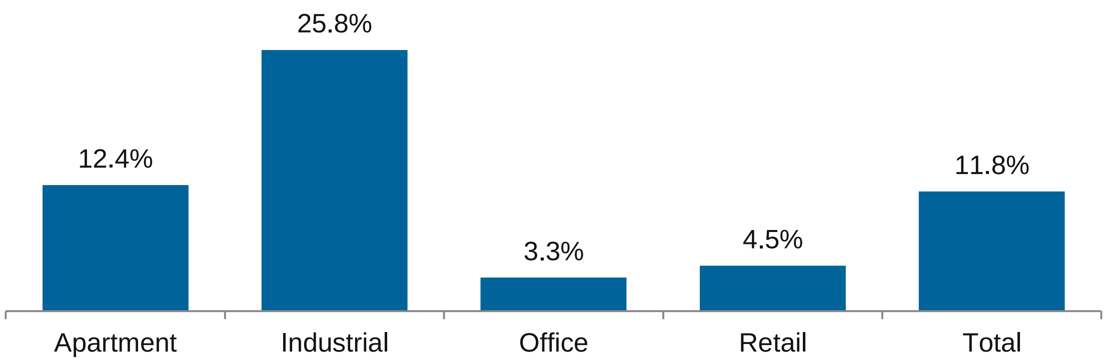
Continued strong performance across the asset class

Another strong quarter for real estate

– Income returns were positive across sectors.
– Valuations are reflective of strong fundamentals in Industrial and Apartment and continued uncertainty despite a modest recovery in Office and Retail.
– Return dispersion by manager due to the composition of underlying portfolios.
– Niche sectors such as self-storage and life sciences continued to be accretive.

	Last Half Year	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NCREIF Property Index	11.8%	21.9%	9.6%	8.5%	9.6%
Income	2.0%	4.2%	4.3%	4.4%	4.6%
Appreciation	9.7%	17.2%	5.2%	4.0%	4.8%

NCREIF Property Index Half Year Return by Property Type



Source: NCREIF,

U.S. Private Real Estate Market Trends

1Q 2022 - Vacancy rates mixed and NOI growth turns negative for Office

Mixed vacancy and NOI growth results

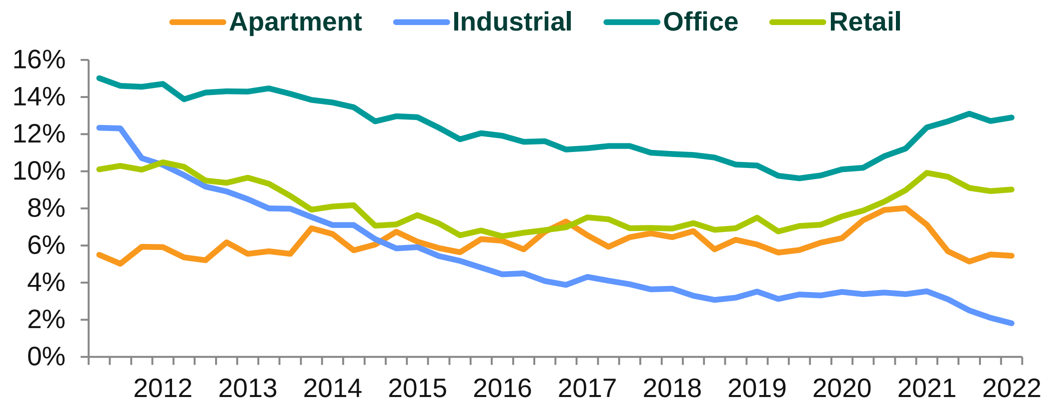
– Vacancy rates continued to compress in Industrial and Apartment.

– Office and Retail vacancy rates increased slightly during the quarter.

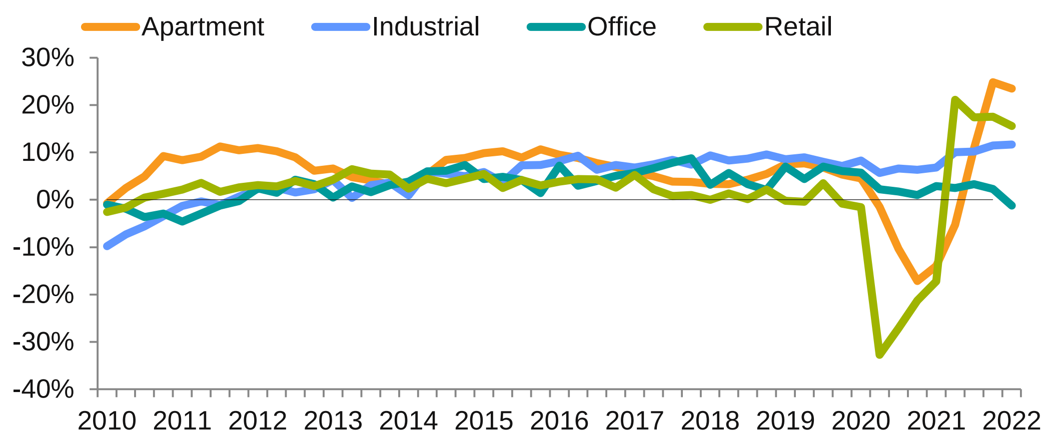
– Net operating income growth turned negative for Office as the Omicron variant delayed many return-to-office plans.

– Net operating income growth continued its gradual increase in Industrial while decreasing slightly in Apartment and Retail.

Vacancy by Property Type



Rolling 4-Quarter NOI Growth by Property Type

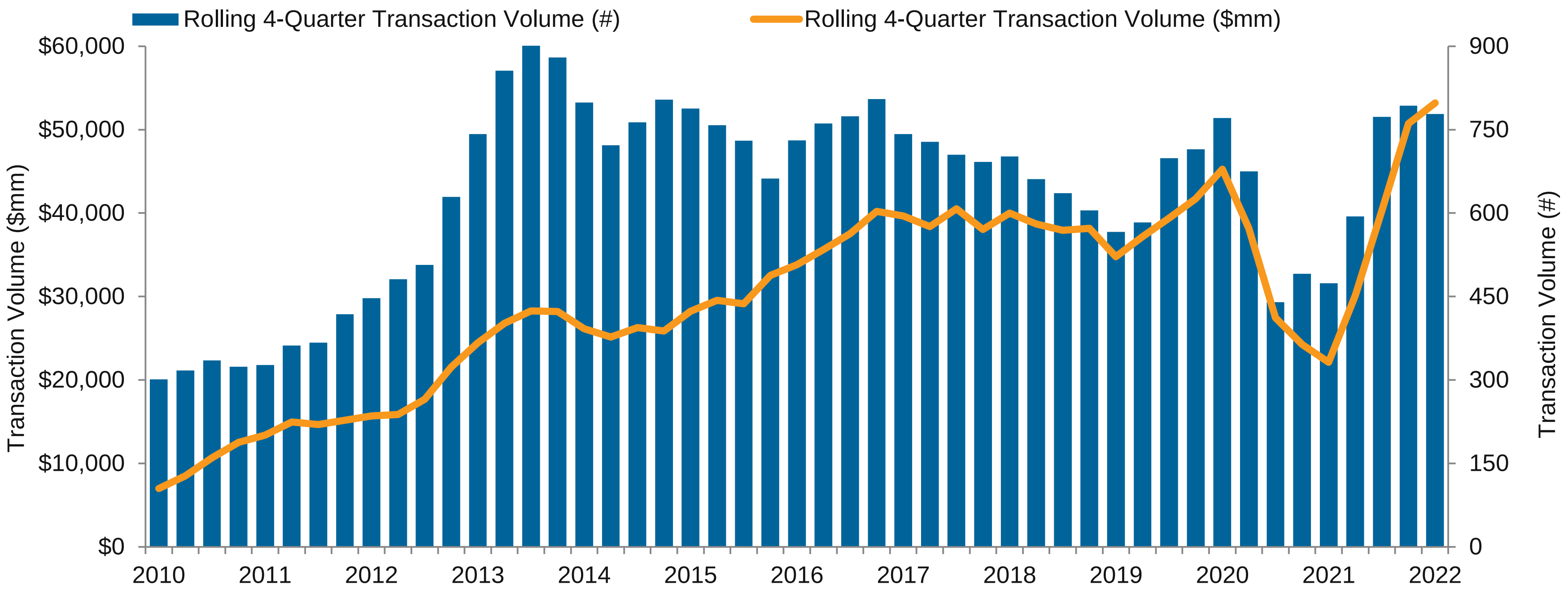


Source: NCREIF

U.S. Private Real Estate Market Trends

Pricing and transaction volumes increased in 1Q22

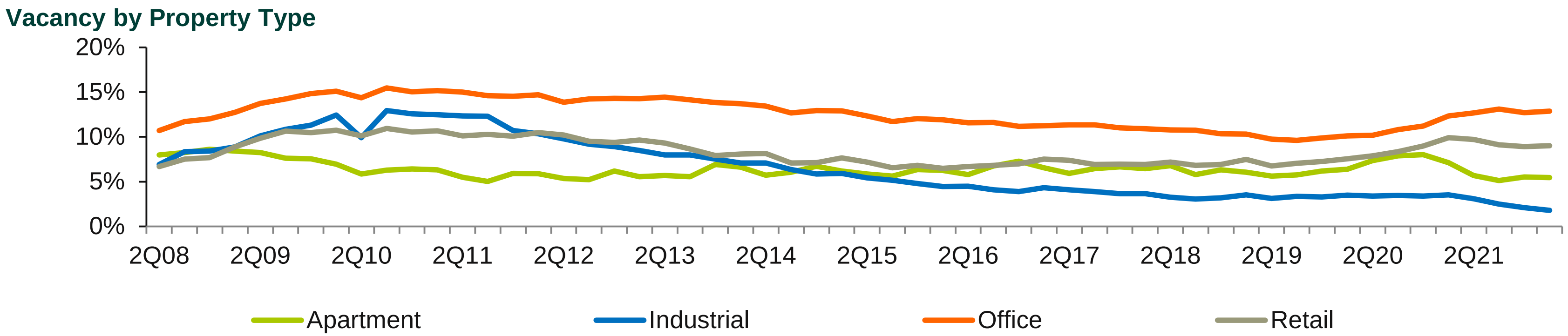
NCREIF Rolling 4-Quarter Transaction Totals

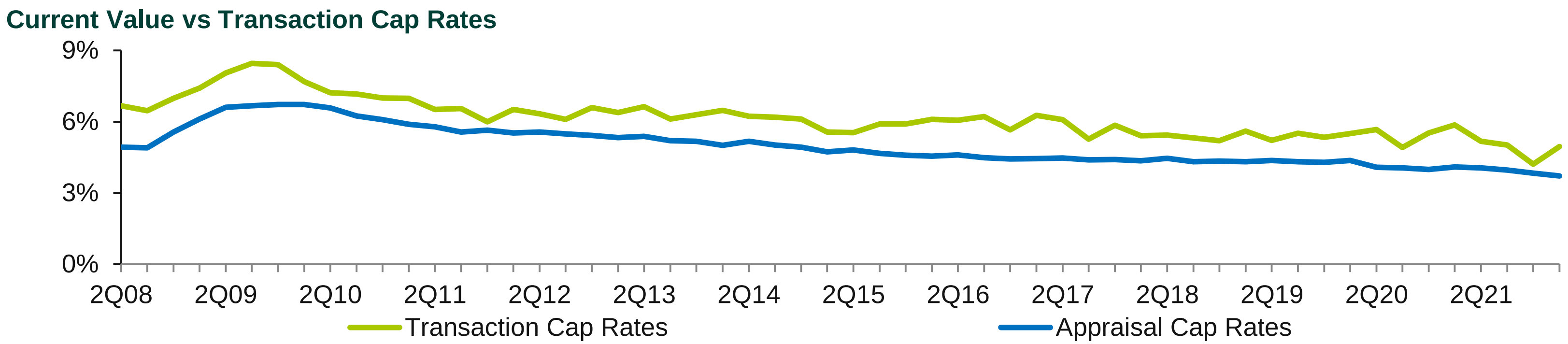


– Transaction volume increased quarter over quarter and continues to be led by Multifamily and Industrial assets with strong credit tenants, which are trading at well above pre-COVID-19 levels.
– Property types with more reliable cash flows are experiencing cap rate compression due to the demand for logistics facilities coupled with the housing shortage.
– Rise in interest rates may create repricing in sectors with weaker overall fundamentals (Office, Retail, Hotel).

Source: NCREIF

Real Estate Market





- Supply and demand fundamentals are balanced but peaking. Supply is in check and aided by strict commercial real estate lending standards. Demand continues on the back of synchronized domestic growth. Transaction volumes have begun to take a step back in recent quarters from current cycle peak levels but have yet to substantially affect pricing, as property remains expensive.
- The industrial sector is performing the strongest, benefitting as structural shifts in the economy, property markets, and consumer habits continue to dampen demand for traditional retail space. Office is performing as expected late in the cycle and tenant improvements and other capital expenditures are increasingly eroding cash flow. Multifamily remains strong due to positive demographic trends, except for the Class A luxury segment in prime markets such as New York.

- Source: NCREIF.

Alameda County Employees' Retirement Association
Performance Measurement Report Summary

Portfolio Measurement Presentation

This is the Performance Measurement Report presentation for the Alameda County Employees' Retirement Association ("ACERA") Real Estate Portfolio ("Portfolio") Quarter ending March 31, 2022 ("Quarter").

Funding Status as of March 31, 2022	($) Millions	(%)
ACERA Plan Assets	11,432.804	100.00%
Real Estate Target[(1)]	1,028.952	9.00%
Plan's Real Estate Market Value	800.037	7.00%
Net Unfunded Commitments	49.783	0.44%
RE Market Value & Unfunded Commitments	849.820	7.16%
Remaining Allocation	228.915	2.00%

Portfolio Composition	Target	Funded	Funded & Committed
Core	>60%	53.06%	44.59%
Core-Plus	0-30%	21.31%	17.91%
Value-Add	0-30%	18.52%	22.69%
Opportunistic	0-15%	7.11%	14.81%
International	0-15%	0.62%	-
Debt	0-15%	0.70%	-

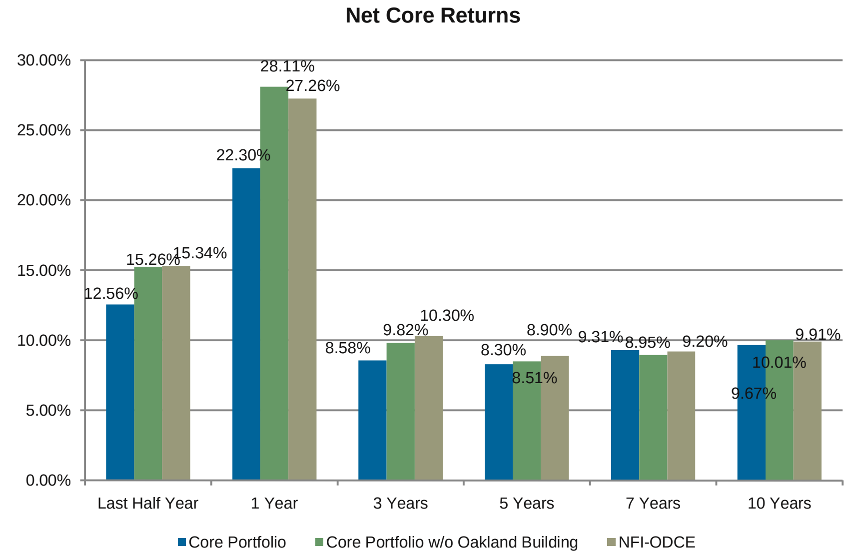
(1) The real estate target changed from 8% to 9% effective 6/30/2021.

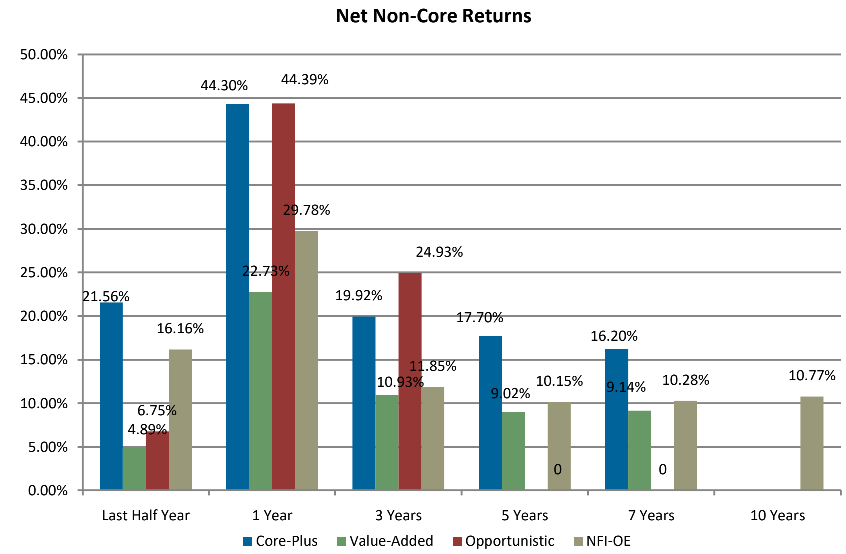
Portfolio Net Returns

For Period Ended March 31, 2022

Portfolio Returns by Style

For Period Ended March 31, 2022





Net Portfolio w/o Oakland Building	Last Half Year	1 Year	3 Years	5 Years	7 Years	10 Years
Core Portfolio	12.56%	22.30%	8.58%	8.30%	9.31%	9.67%
Core Portfolio w/o Oakland Building	15.26%	28.11%	9.82%	8.51%	8.95%	10.01%
Core-Plus	21.56%	44.30%	19.92%	17.70%	16.20%	-
Value-Add	4.89%	22.73%	10.93%	9.02%	9.14%	-
Opportunistic	6.75%	44.39%	24.93%	-	-	-
Total Portfolio	**14.46%**	**27.54%**	**11.62%**	**10.37%**	**10.64%**	**10.99%**

Performance Drivers and Detractors by Style

Core Portfolio (Excluding Oakland Building)

- The ACERA Core Portfolio underperformed the NFI-ODCE Value Weight Index (Net) by 8 bps for the half-year ending 03/31/2022. Heitman Hart was the strongest performer while UBS and PRISA trailed.

Core-Plus Portfolio

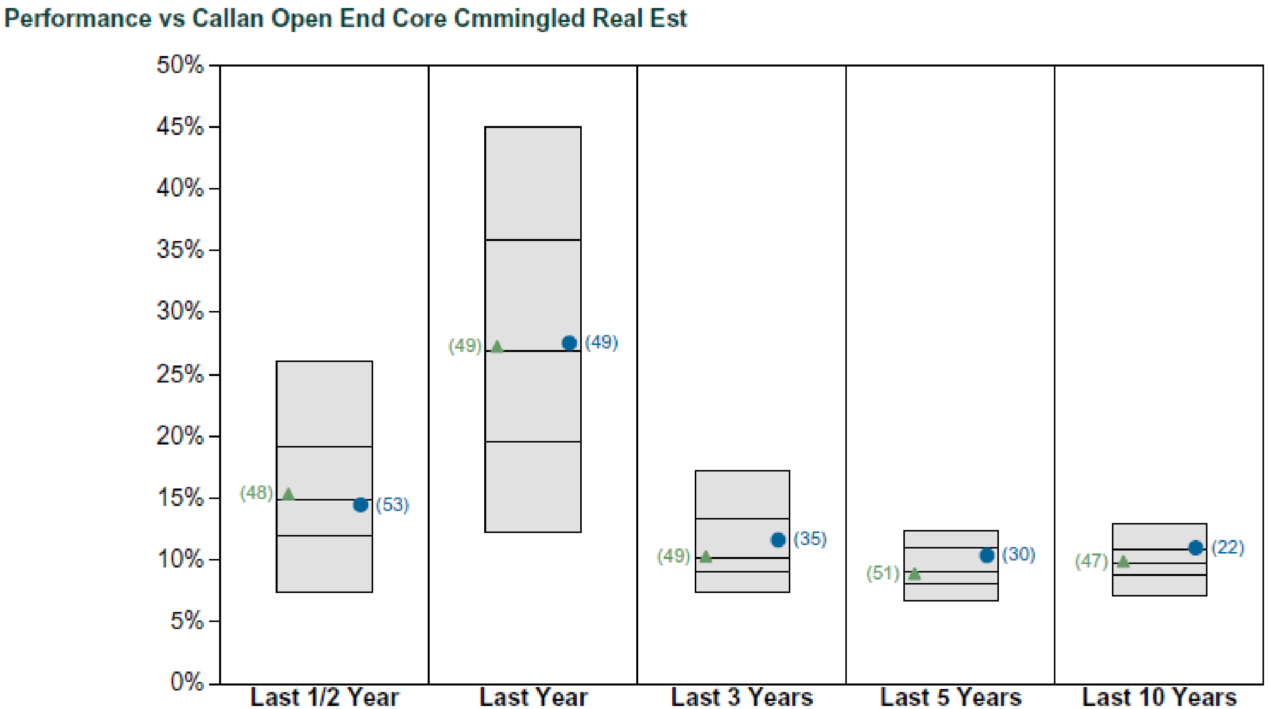
- The Lion Industrial Trust was once again the strongest performer.
- Jamestown Premier Property Fund was the largest detractor .

Non-Core Portfolio

- The Non-Core Portfolio underperformed the NFI-OE Value Weight Index (Net) by 317 bps for the period.
- The AEW Partners VIII was the primary driver of performance. The CIM VI lagged.

Performance vs. Peer Group

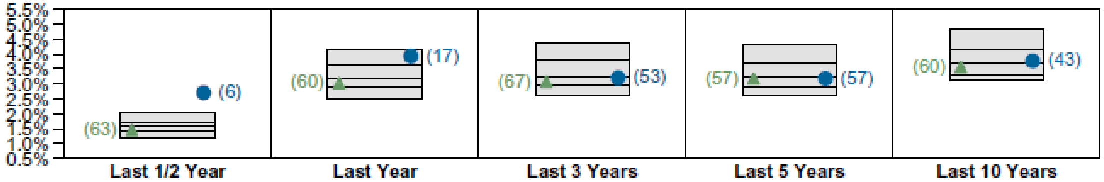
For Period Ended March 31, 2022



	Last 1/2 Year	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	26.01	44.96	17.21	12.39	12.96
25th Percentile	19.18	35.86	13.40	11.00	10.91
Median	14.81	26.92	10.19	9.07	9.79
75th Percentile	11.92	19.60	9.00	8.06	8.83
90th Percentile	7.42	12.28	7.34	6.73	7.19
ACERA Total RE Portfolio ●	14.46	27.54	11.62	10.37	10.99
NCREIF NFI-ODCE Val Wt Nt ▲	15.34	27.26	10.30	8.90	9.91

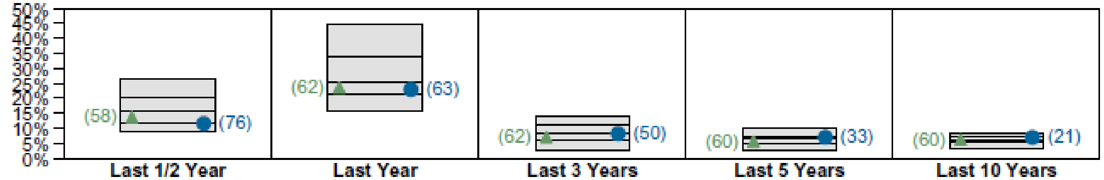
Performance vs. Peer Group

Income Rankings vs Callan OE Core Cmngld RE
Periods ended March 31, 2022



	Last 1/2 Year	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	2.05	4.15	4.37	4.35	4.83
25th Percentile	1.73	3.64	3.79	3.70	4.12
Median	1.60	3.20	3.22	3.24	3.67
75th Percentile	1.41	2.91	2.94	2.88	3.29
90th Percentile	1.19	2.53	2.63	2.61	3.10
ACERA Total RE Portfolio ●	2.70	3.93	3.21	3.18	3.77
NCREIF NFI-ODCE Val Wt Nt ▲	1.46	3.03	3.08	3.18	3.57

Appreciation Rankings vs Callan OE Core Cmngld RE
Periods ended March 31, 2022

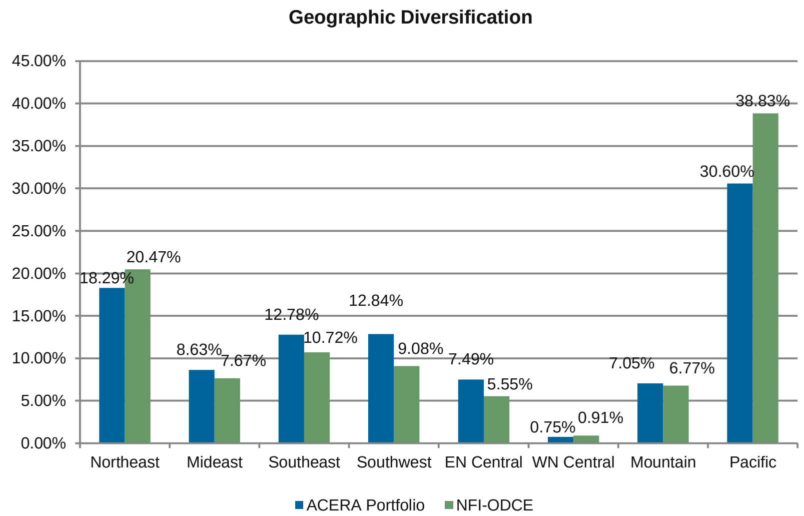


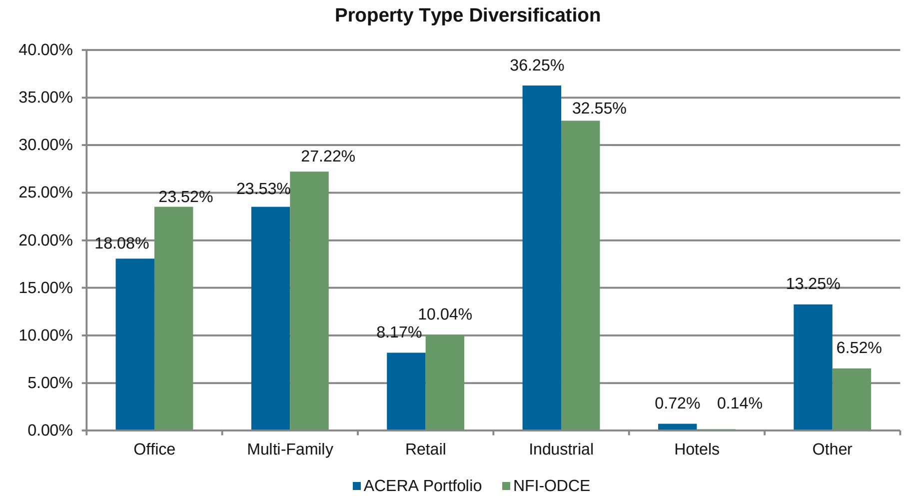
	Last 1/2 Year	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	26.34	44.75	14.09	9.83	8.30
25th Percentile	20.30	33.68	11.38	7.10	6.94
Median	15.75	25.43	8.21	6.38	6.31
75th Percentile	11.66	21.60	6.29	4.98	5.63
90th Percentile	9.16	15.74	2.52	2.50	3.23
ACERA Total RE Portfolio ●	11.61	22.96	8.24	7.03	7.00
NCREIF NFI-ODCE Val Wt Nt ▲	13.77	23.68	7.06	5.59	6.18

Diversification & Debt

Diversification – Total Portfolio (excluding Oakland Building)

– The ACERA Portfolio is well diversified by both property type and region.





Debt Compliance

– The ACERA Strategic Plan limits leverage to 40.0% at the Portfolio level. As of March 31, 2022, the loan-to-value ("LTV") ratio of the Portfolio was 26.58%.

Definitions

Performance

Capitalization rate: Commonly known as cap rate, is a rate that helps in evaluating a real estate investment. Cap rate = Net operating income / Current market value (Sale price) of the asset.

Net operating income: Commonly known as NOI, is the annual income generated by an income-producing property, taking into account all income collected from operations, and deducting all expenses incurred from operations.

Real Estate Appraisal: The act of estimating the value of a property. A real estate appraisal may take into account the quality of the property, values of surrounding properties, and market conditions in the area.

Income Return ("INC"): Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.)

Appreciation Return ("APP"): Increase or decrease in an investment's value based on internal or third party appraisal, recognition of capital expenditures which did not add value, uncollectible accrued income, or realized gain or loss from sales.

Total Gross Return ("TGRS"): The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager.

Total Net Return ("TNET"): Total gross return less Advisor fees reported. All fees are requested (asset management, accrued incentives, paid incentives). No fee data is verified. May not include any fees paid directly by the investor as opposed to those paid from cash flows.

Inception Returns: The total net return for an investment or portfolio over the period of time the client has had funds invested. Total portfolio Inception Returns may include returns from investments no longer held in the current portfolio.

Net IRR: IRR after advisory fees, incentive, and promote. This includes actual cash flows and a reversion representing the LP Net Assets at market value as of the period end reporting date.

Equity Multiple: The ratio of Total Value to Paid-in-Capital (TVPIC). It represents the Total Return of the investment to the original investment not taking into consideration the time invested. Total Value is computed by adding the Residual Value and Distributions. It is calculated net of all investment advisory and incentive fees and promote.

Definitions

Style Groups

The Style Groups consist of returns from commingled funds with similar risk/return investment strategies. Investor portfolios/investments are compared to comparable style groupings.

Core: Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).

Value-Added: Core returning investments that take on moderate additional risk from one or more of the following sources: leasing, re-development, exposure to non-traditional property types, the use of leverage.

Opportunistic: Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage, distressed properties.

Definitions

Indices

Stylized Index: Weights the various style group participants so as to be comparable to the investor's portfolio holdings for each period.

Open-End Diversified Core Equity Index ("ODCE"): A core index that includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets. The ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis (24 active vehicles). The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage.

NCREIF Fund Index Open-End Index ("OE"): NFI-OE is an aggregate of open-end, commingled equity real estate funds with diverse investment strategies. Funds comprising NFI-OE have varied concentrations of sector and region, core and non-core, leverage, and life cycle.

NAREIT Equity Index: This is an index of Equity Real Estate Investment Trust returns reflecting the stock value changes of REIT issues as determined through public market transactions.

Definitions

Cash Flow Statements

Beginning Market Value: Value of real estate, cash, and other holdings from prior period end.

Contributions: Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements).

Distributions: Actual cash returned from the investment, representing distributions of income from operations.

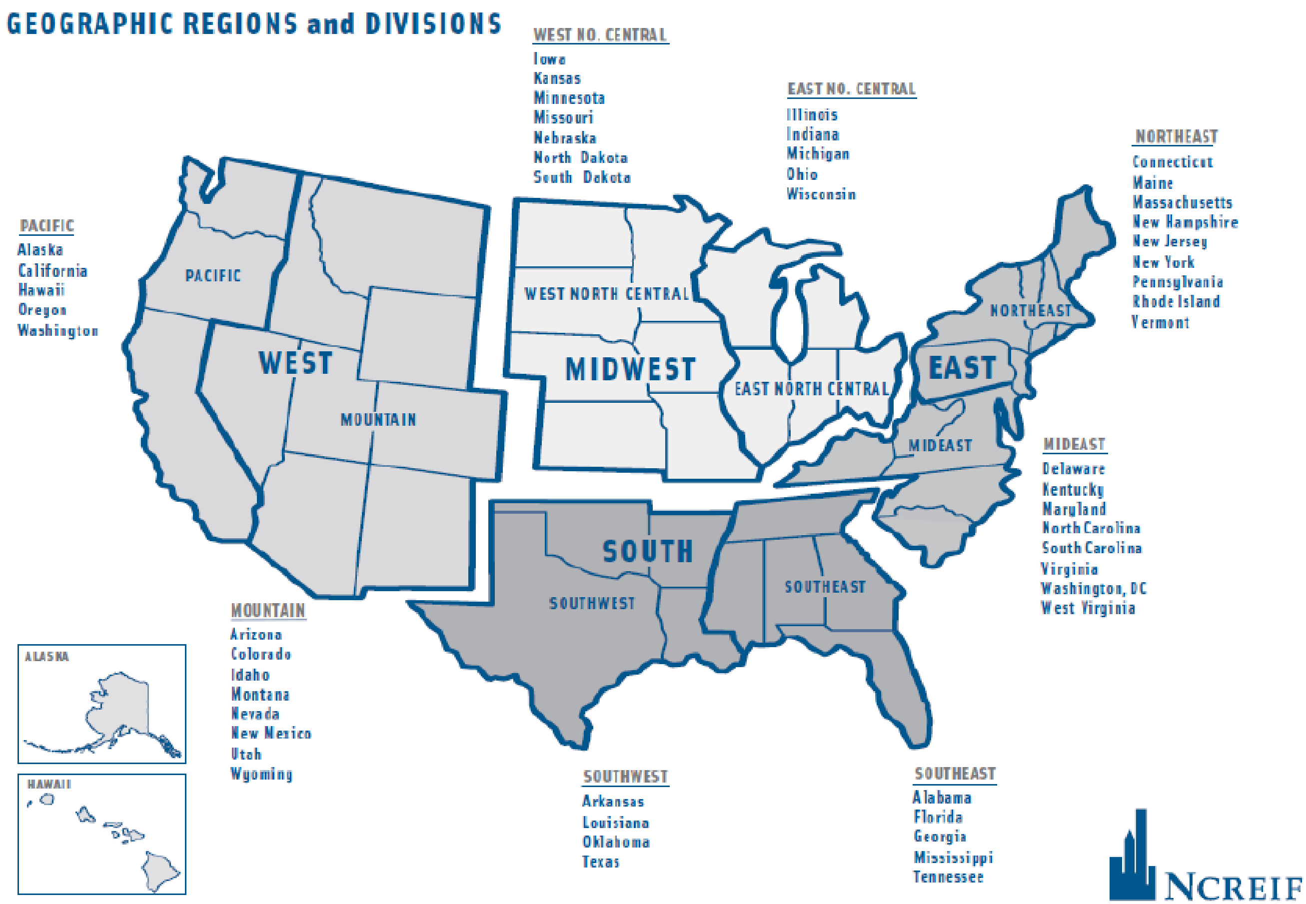
Withdrawals: Cash returned from the investment, representing returns of capital or net sales proceeds.

Ending Market Value: The value of an investment as determined by actual sales dollars invested and withdrawn plus the effects of appreciation and reinvestment; market value is equal to the ending cumulative balance of the cash flow statement (NAV).

Unfunded Commitments: Capital allocated to managers which has not yet been called for investment. Amounts are as reported by managers.

Remaining Allocation: The difference between the ending market value + the unfunded commitments and the target allocation. This figure represents dollars available for allocation.

NCREIF Region Map



Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

PERIOD ENDING: MARCH 31,2022

Total Fund Review

Alameda County Employees’ Retirement Association

Table of Contents

Verus

VERUSINVESTMENTS.COM

SEATTLE 206-622-3700
LOS ANGELES 310-297-1777
SAN FRANCISCO 415-362-3484
PITTSBURGH 412-784-6678

U.S. economics summary

— Real GDP grew at a 5.5% rate year-over-year in the fourth quarter (+6.9% quarterly annualized rate). Strong expenditures into new inventory boosted the economy during the quarter, as many businesses had struggled to replenish inventory levels in the face of global supply chain issues. Business investment and rising exports also contributed to the strong Q4 pace of growth.

— In economic terms, the effects of COVID-19 seem to be in the rearview mirror. Travel volumes have risen closer to prior levels, credit card transactions are extremely strong, and Americans are once again dining out and spending on entertainment.

— U.S. core CPI, which excludes food & energy prices, rose by 6.5% year-over-year in March. Headline inflation, which is being closely watched at the moment as this includes many of the goods that exhibited the largest prices gains (energy & food), reached 8.5%. Price rises have become more broad-based in recent months, with many goods and services experiencing increases.

— U.S. unemployment continued to fall, improving from 3.9% to 3.6%. The labor force participation rate has gradually increased, rising from 61.6% to 62.4%. The historic shortage of workers may remain a sticky issue, as 11.3 million job openings are currently posted, but only 6.0 million Americans are seeking work.

— The fast rise of 30-year fixed mortgage rates to near 5.0%, along with skyrocketing home prices, has made homeownership a nearly impossible goal for some Americans, and is squeezing the budgets of many (though at the same time generating much wealth for homeowners). This effect is captured in the Housing Affordability Index, which further deteriorated during Q1.

	Most Recent	**12 Months Prior**
Real GDP *(YoY)*	5.5% *12/31/21*	(2.3%) *12/31/21*
Inflation *(CPI YoY, Core)*	6.5% *3/31/22*	1.6% *3/31/21*
Expected Inflation *(5yr-5yr forward)*	2.4% *3/31/22*	2.3% *3/31/21*
Fed Funds Target Range	0.25% – 0.50% *3/31/22*	0.00% – 0.25% *3/31/21*
10-Year Rate	2.34% *3/31/22*	1.74% *3/31/21*
U-3 Unemployment	3.6% *3/31/22*	6.0% *3/31/21*
U-6 Unemployment	6.9% *3/31/22*	10.7% *3/31/21*

International economics summary

— The pace of economic growth has moved further back toward average levels in most economies. In January, the International Monetary Fund cut their 2021 advanced economy growth projections from 5.2% to 4.3%. Growth in 2022 is expected to slow to 3.1%.

— Unemployment continued to fall to, or below, pre-pandemic levels. However, in countries such as the United States these data do not tell the whole story, since the total size of the labor pool has shrunk substantially.

— Inflation trends have been surprisingly bifurcated by region. While the United States and Europe are generally contending with a spike in prices and inflation not seen in decades, Japan and China are experiencing very low inflation and muted price pressures.

— In late February, Russian forces invaded Ukraine—a move which was anticipated by major Western intelligence communities. Ukraine has put together a remarkable defense thus far, as many citizens have taken up arms to defend their country.

— Russia's invasion of Ukraine led to substantial spikes in energy and agricultural prices as concerns grew of a potential supply shock. Eurozone producer prices grew 31.4% over the 12 months ending February, reflecting the impact of surging natural gas prices (+58.4%).

— COVID-19 case growth rose to record levels in China, which led CCP officials to reinstate lockdowns in some of the largest provinces in the country. Continued commitment to the "zero-Covid" policy in China could weigh on the outlook for global growth, as well as elongate the process of supply chain normalization, particularly within the freight shipping industry.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	5.5% *12/31/21*	8.5% *3/31/22*	3.6% *3/31/22*
Eurozone	4.6% *12/31/21*	7.5% *3/31/22*	6.8% *2/28/22*
Japan	0.4% *12/31/21*	1.3% *3/31/22*	2.6% *2/28/22*
BRICS Nations	4.0% *12/31/21*	3.2% *3/31/22*	5.2% *12/31/21*
Brazil	1.6% *12/31/21*	10.5% *2/28/22*	11.2% *2/28/22*
Russia	5.0% *12/31/21*	9.2% *2/28/22*	4.1% *2/28/22*
India	5.4% *12/31/21*	6.1% *2/28/22*	7.6% *3/31/22*
China	4.8% *3/31/22*	0.9% *2/28/22*	5.8% *3/31/22*

NOTE: India lacks reliable government unemployment data. Unemployment rate shown above is estimated from the Centre for Monitoring Indian Economy. The Chinese unemployment rate represents the monthly surveyed urban unemployment rate in China.

Equity environment

— U.S. equities held up marginally better during the first quarter (S&P 500 -4.6%), followed by international developed equities (MSCI EAFE -5.9%) and emerging market equities (MSCI Emerging Markets -7.0%), on an unhedged currency basis.

— Currency movement during the quarter detracted from the performance of investors who do not hedge foreign currency exposure. Currency movements in international developed markets generated losses of -2.4% (MSCI EAFE).

— Value stocks outperformed Growth stocks by a substantial margin during Q1 (Russell 1000 Value -0.7% vs Russell 1000 Growth -9.0%) as Growth stocks fell sharply, reversing the gains delivered in the second half of 2021. Large capitalization stocks beat small capitalization stocks by a narrower margin (Russell 1000 -5.1%, Russell 2000 -7.5%).

— The Cboe VIX Index spiked mid-quarter during Russia's invasion of Ukraine, as fears of potential broader global conflict, food shortages, and higher inflation roiled markets. The index fell to 20 to end the quarter, moderately above the longer-term average. Realized volatility over the past year was more muted as the pandemic has moved into the rearview mirror.

— Emerging market equities appear attractively priced, as EM equities are in the 8th percentile of cheapness relative to U.S. equities, looking back to 2003. Much of this valuation difference is due to Chinese markets, which have sold off massively over concerns around possible sanctions due to relations with Russia, regulatory crackdowns on the real estate and internet sectors, and major city lockdowns due to COVID-19.

	QTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)
U.S. Large Cap (S&P 500)	(4.6%)		15.6%	
U.S. Small Cap (Russell 2000)	(7.5%)		(5.8%)	
U.S. Equity (Russell 3000)	(5.3%)		11.9%	
U.S. Large Value (Russell 1000 Value)	(0.7%)		11.7%	
US Large Growth (Russell 1000 Growth)	(9.0%)		15.0%	
Global Equity (MSCI ACWI)	(5.4%)	(4.8%)	7.3%	8.8%
International Large (MSCI EAFE)	(5.9%)	(3.5%)	1.2%	7.1%
Emerging Markets (MSCI Emerging Markets)	(7.0%)	(7.0%)	(11.4%)	(11.5%)

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 3/31/22

Fixed income environment

— The 10-year U.S. Treasury yield jumped during Q1, from 1.51% to 2.34%, as the Federal Reserve signaled that more aggressive tightening is ahead.

— Fixed income broadly delivered losses during the first quarter, as interest rates headed higher and credit spreads expanded. Higher duration exposures (Bloomberg U.S. Aggregate -5.9%) underperformed lower duration exposures (Bloomberg U.S. Corporate High Yield -4.8%). This theme was also visible over the past year.

— The U.S. yield curve has flattened, or even inverted, depending on the measure. The 10-year minus 2-year yield spread ended the quarter at exactly +0.00%. Yield curve inversion is generally believed to be a sign of nearing recession, as in most cases recession occurs within 1 to 2 years following the initial inversion.

— History suggests that interest rate rises have been more of an effect of Federal Reserve action rather than solely due to spiking inflation. This likely means that the Fed's plans for moderate tightening will translate to only moderate rate rises. This statement is of course not intended to minimalize the pain of interest rate rises on bond portfolios, which has been notable.

— Credit spreads expanded during the quarter, with U.S. high yield spreads moving from 2.8% to 3.3% and U.S. investment grade spreads heading from 0.9% to 1.2%. Spread movement often occurs alongside broader market risk-off environments, which implies that investors should not necessarily assume that these moves were specific to the credit outlook.

— Write-downs of Russian (-100%) and Ukrainian (-51.4%) bonds weighed heavily on hard-currency emerging market debt (JPM EMBI Global Diversified -10.0%).

	QTD Total Return	1 Year Total Return
Core Fixed Income (Bloomberg U.S. Aggregate)	(5.9%)	(4.2%)
Core Plus Fixed Income (Bloomberg U.S. Universal)	(6.1%)	(4.2%)
U.S. Treasuries (Bloomberg U.S. Treasury)	(5.6%)	(3.7%)
U.S. High Yield (Bloomberg U.S. Corporate HY)	(4.8%)	(0.7%)
Bank Loans (S&P/LSTA Leveraged Loan)	(0.1%)	3.3%
Emerging Market Debt Local (JPM GBI-EM Global Diversified)	(6.5%)	(8.5%)
Emerging Market Debt Hard (JPM EMBI Global Diversified)	(10.0%)	(7.4%)
Mortgage-Backed Securities (Bloomberg MBS)	(5.0%)	(4.9%)

Source: Bloomberg, as of 3/31/22

Public real assets environment

- REITs - REITs declined 3.6% in the Q1, although real estate markets overall remain strong with most property types still seeing higher rates of occupancy. Real estate performance continues to be primarily driven by multifamily and industrial property types. Overall, the continued solid fundamentals reflect a solid level of demand for commercial real estate across sectors.

- Listed Infrastructure – Infrastructure strongly outperformed global equities against a backdrop of rising rates, contracting balance sheets, and a fiscal response which is limited at this point in the cycle. At the same time, geopolitical risk has been elevated and the world is facing potentially slowing global growth. Even in this volatile environment, infrastructure has been stable and exhibited resilient cash flows, strong dividend growth, and the ability to pass through inflation.

- Commodities – Commodity prices rose dramatically over the course of Q1-2022 across the spectrum. Drivers of these price increases included the war in Ukraine, supply chain disruption, and a shift in consumption from services to goods, with the prospect of slowing global growth providing a modest headwind.

- TIPS - The Bloomberg U.S. TIPS index returned -3.0% year-to-date. This is in contrast to the Bloomberg U.S. Treasury index, which returned -5.6% year-to-date and the. During the first quarter of 2022, intermediate rates underperformed relative to the short and longer end of the curve, as bond markets reacted to inflationary pressures and generally-hawkish monetary policy developments.

	QTD Total Return	1 Year Total Return
REITs (FTSE EPRA/NAREIT Global)	-3.4%	4.3%
Listed Infrastructure (S&P Global Infrastructure)	7.5%	16.7%
Commodities (Bloomberg Commodity Index)	25.6%	49.3%
TIPS (Bloomberg US TIPS)	-3.0%	4.3%

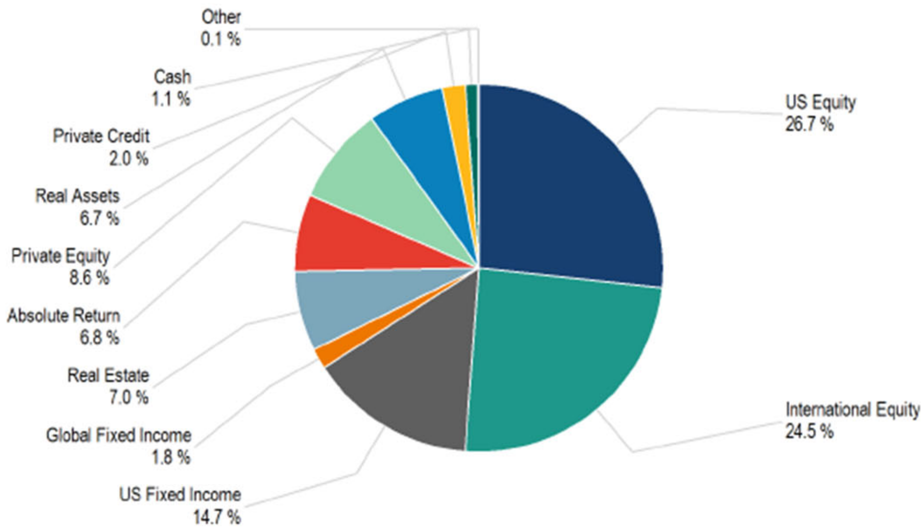
Economic environment updated (Q2-2022)

ECONOMIC INDICATOR	QTD TOTAL RETURN	1 YEAR TOTAL RETURN
Real GDP	(0.9)%[1]	(1.6)%[2]
Inflation	5.9%	4.4%
Fed Funds Target Range	1.50% – 1.75%	0.00% – 0.25%
10-Year Rate	2.89%	1.45%
Unemployment	3.6%	5.9%
MARKETS	**YTD TOTAL RETURN**	
S&P 500	(19.6%)	
Russell 3000	(21.1%)	
MSCI ACWI ex-US	(18.4%)	
Bloomberg US Aggregate	(10.4%)	
REITS	(19.6%)	
Commodities	24.7%	

1 – Annualized, Advance Estimate for Q2-2022
2 – Annualized, Estimate for Q1-2022

Total Fund review

Asset allocation

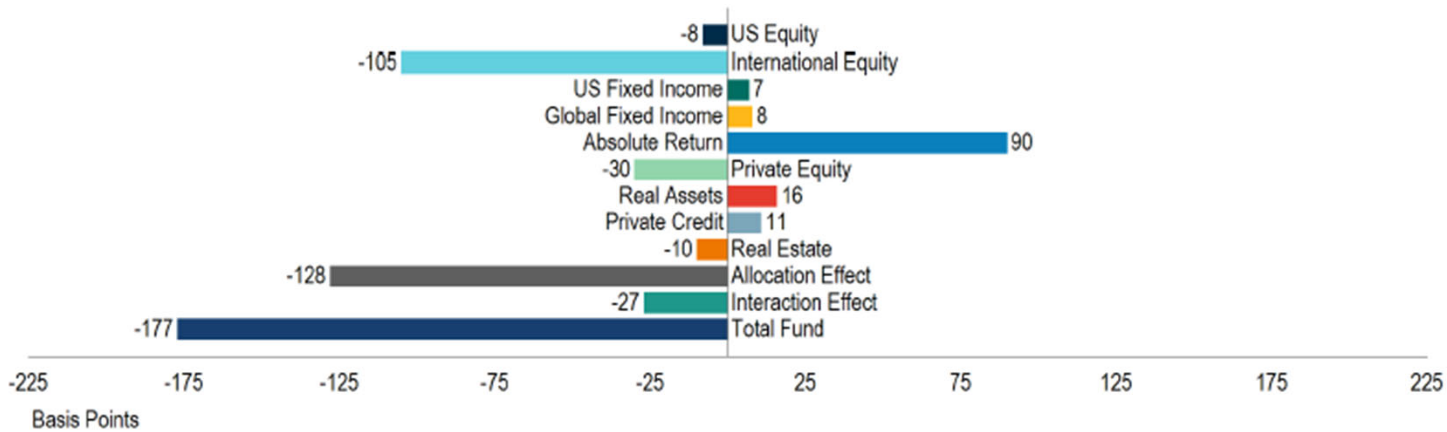


	Current	Current	Policy Allocation	Difference*
US Equity	$3,049,253,271	26.7%	24.0%	2.7%
International Equity	$2,805,791,377	24.5%	24.0%	0.5%
US Fixed Income	$1,680,582,782	14.7%	12.0%	2.7%
Global Fixed Income	$210,427,817	1.8%	2.0%	-0.2%
Real Estate	$800,036,985	7.0%	9.0%	-2.0%
Absolute Return	$782,519,904	6.8%	8.0%	-1.2%
Private Equity	$981,255,949	8.6%	11.0%	-2.4%
Real Assets	$765,269,187	6.7%	6.0%	0.7%
Private Credit	$223,585,960	2.0%	4.0%	-2.0%
Cash	$126,977,536	1.1%	0.0%	1.1%
Other	$11,501,527	0.1%	0.0%	0.1%
Total	**$11,437,202,296**	**100.0%**	**100.0%**	

- Public markets comprise 78% of ACERA's assets
- Majority of public markets assets are invested in equities (54%)

Total Fund attribution

One Year as of 3/31/22



	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
US Equity	11.57%	11.92%	-0.35%	-0.08%	0.05%	-0.01%	-0.04%
International Equity	-4.84%	-0.84%	-4.01%	-1.05%	-0.28%	-0.07%	-1.40%
US Fixed Income	-3.70%	-4.15%	0.45%	0.07%	-0.40%	0.00%	-0.33%
Global Fixed Income	-5.06%	-7.74%	2.68%	0.08%	0.00%	-0.04%	0.04%
Absolute Return	12.03%	1.20%	10.82%	0.90%	0.13%	-0.17%	0.86%
Private Equity	34.80%	36.69%	-1.89%	-0.30%	-0.48%	0.04%	-0.74%
Real Assets	24.76%	21.24%	3.52%	0.16%	0.08%	0.01%	0.25%
Private Credit	7.68%	5.06%	2.63%	0.11%	0.13%	-0.07%	0.17%
Real Estate	27.52%	28.47%	-0.96%	-0.10%	-0.52%	0.03%	-0.59%
Total	**7.84%**	**9.60%**	**-1.77%**	**-0.22%**	**-1.28%**	**-0.27%**	**-1.77%**

- Main source of value-add was Absolute Return and Private Equities
- Absolute Return also source of value-added
- Selection effect in International Equity was material detractor

Total Fund and composite performance

	Market Value ($)	% of Portfolio	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	11,437,202,296	100.00	7.79	11.66	10.26	8.91	9.39	9.74	Sep-85
Policy Index			9.59	11.96	10.22	9.04	9.66	10.01	Sep-85
Total Fund w/o Overlay	11,425,700,769	99.90	7.83	11.68	10.27	8.92	9.40	9.74	Sep-85
US Equity	3,049,253,271	26.66	11.57	18.15	15.86	13.47	14.17	12.13	Sep-85
Russell 3000			11.92	18.24	15.40	13.37	14.28	11.69	Sep-85
International Equity	2,805,791,377	24.53	-4.84	8.02	7.99	6.63	7.18	8.17	Dec-90
MSCI ACWI ex USA IMI Gross			-0.84	8.36	7.40	5.94	6.26	6.40	Dec-90
Total Fixed Income	1,891,010,599	16.53	-3.88	3.50	3.57	3.31	4.08	6.97	Sep-86
Fixed Income Blend			-4.80	1.55	2.21	2.07	2.22	5.98	Sep-86
US Fixed Income	1,680,582,782	14.69	-3.70	3.38	3.54	3.33	4.29	6.87	Sep-86
Bloomberg US Aggregate TR			-4.15	1.69	2.14	1.87	2.24	5.76	Sep-86
Global Fixed Income	210,427,817	1.84	-5.06	3.34	3.28	2.96	3.26	6.69	Nov-01
FTSE WGBI TR			-7.74	-0.09	1.27	1.20	0.34	3.76	Nov-01

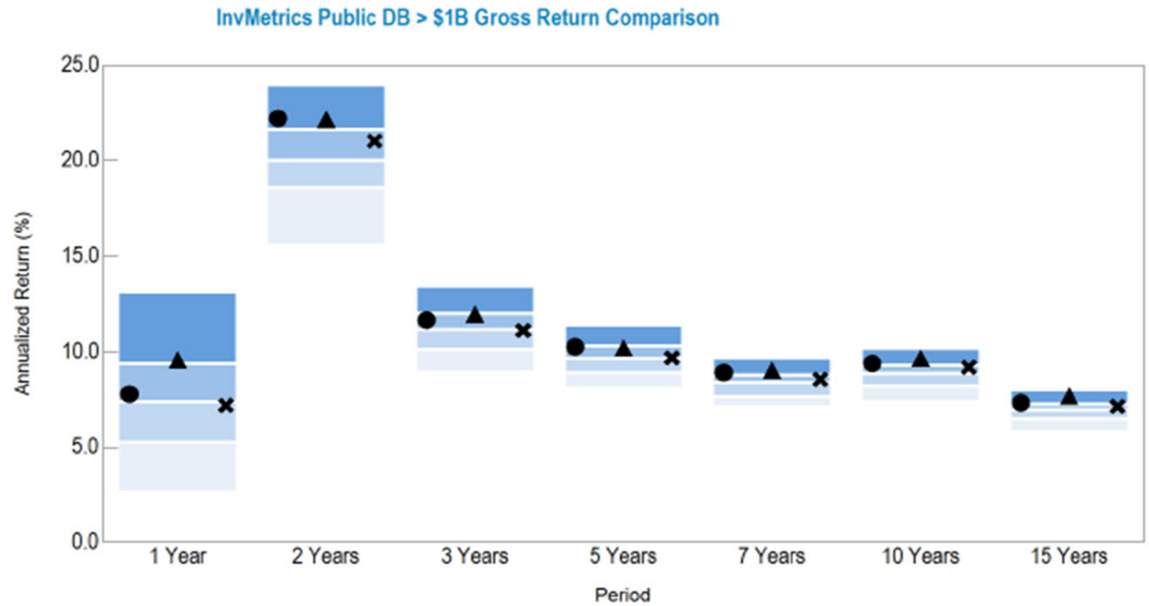
- ACERA has added value in fixed income markets over both short term (i.e., < 3yrs) and longer term periods
- In short term, public equities have lagged respective benchmarks, but compare favorably in longer term periods

Total Fund and composite performance (continued)

	Market Value ($)	% of Portfolio	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Absolute Return	782,519,904	6.84	12.03	5.44	3.59	2.92	4.47	3.88	Sep-11
HFRI Fund of Funds Composite Index			1.20	5.86	4.63	3.30	3.92	4.01	Sep-11
Private Equity	981,255,949	8.58	34.80	26.34	20.06	18.44	17.86	7.93	Nov-08
Refinitiv C|A Global All Private Equity 1Q Lagged			36.69	27.05	21.96	18.05	17.20	13.59	Nov-08
Real Assets	765,269,187	6.69	24.76	10.57	5.09	2.63	-1.51	-0.86	Sep-11
Real Asset Blend			21.24	10.47	8.95	8.46	7.17	7.07	Sep-11
Private Credit	223,585,960	1.95	7.68	--	--	--	--	5.92	Oct-19
S&P/LSTA Leveraged Loan Index +1.75%			5.06	6.04	5.83	5.85	6.11	6.14	Oct-19
Cash	126,977,536	1.11	0.39	0.76	1.10	0.87	0.63	2.97	Sep-85
91 Day T-Bills			0.06	0.66	1.06	0.82	0.59	3.05	Sep-85
Real Estate	800,036,985	7.00	27.52	11.60	10.36	10.90	11.49	7.48	Mar-86
NCREIF-ODCE			28.47	11.30	9.88	10.19	10.93	7.65	Mar-86
Overlay	11,501,527	0.10	--	--	--	--	--	-46.35	Jul-21

- ACERA has added value in all private markets and Absolute Return over last 10 years and in shorter term periods as well.

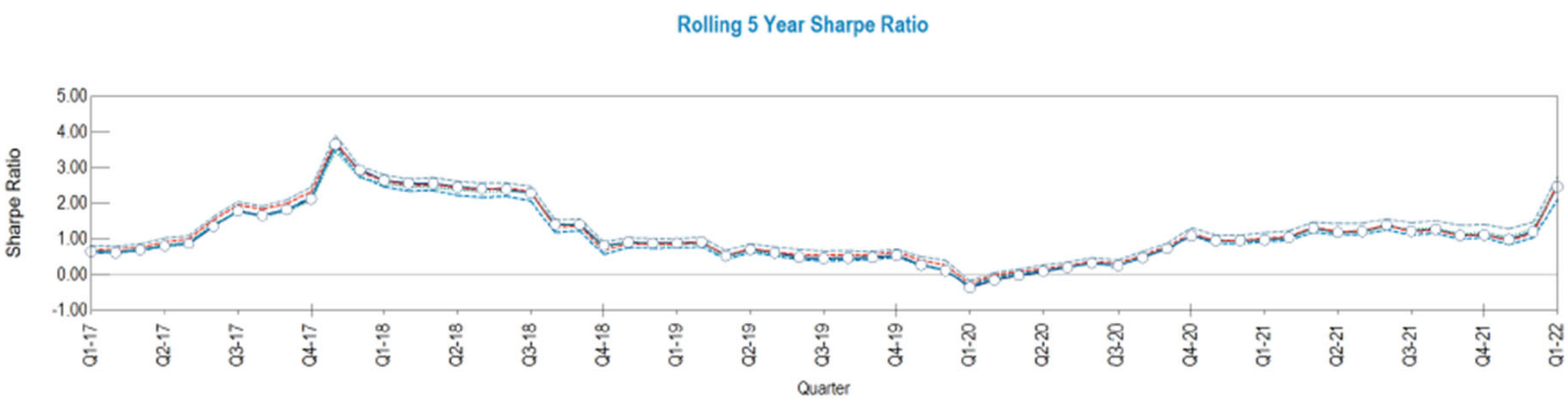
Peer universe comparison

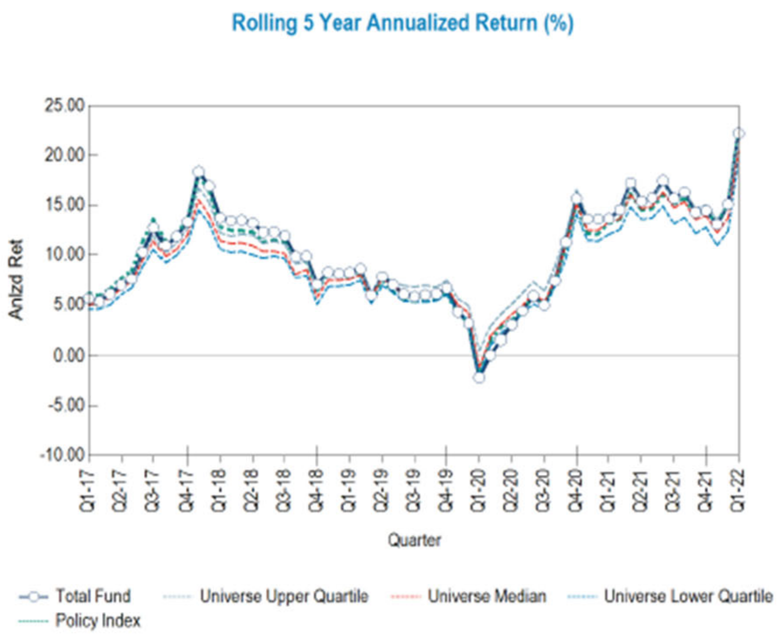


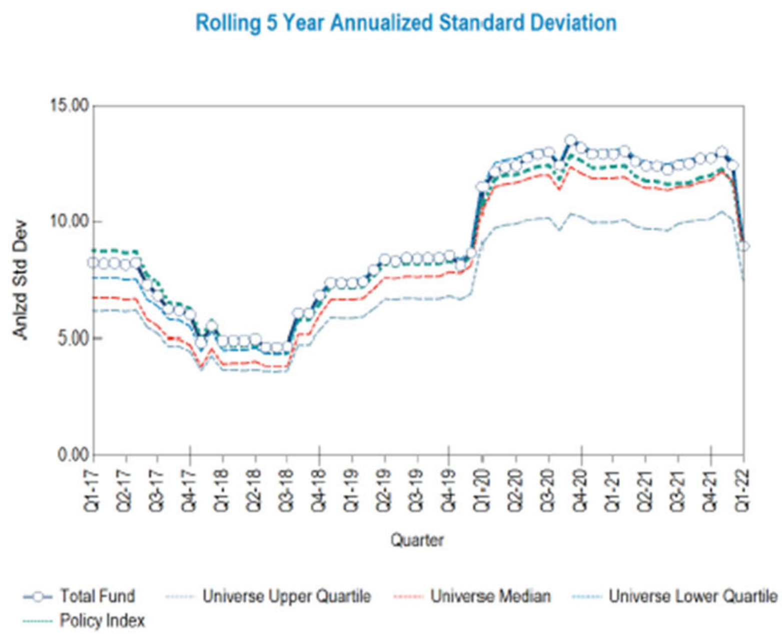
Return (Rank)	1 Year		2 Years		3 Years		5 Years		7 Years		10 Years		15 Years	
5th Percentile	13.13		23.94		13.42		11.40		9.67		10.19		7.99	
25th Percentile	9.40		21.64		12.01		10.33		8.80		9.30		7.29	
Median	7.39		20.05		11.20		9.67		8.41		8.89		6.99	
75th Percentile	5.28		18.61		10.16		8.94		7.67		8.22		6.51	
95th Percentile	2.70		15.61		8.95		8.12		7.13		7.40		5.85	
# of Portfolios	74		74		74		74		73		71		65	
● Total Fund	7.79	(46)	22.21	(15)	11.66	(33)	10.26	(30)	8.91	(23)	9.39	(23)	7.34	(21)
▲ Policy Index	9.59	(21)	22.16	(15)	11.96	(27)	10.22	(30)	9.04	(18)	9.66	(17)	7.70	(12)
✕ Allocation Index	7.20	(55)	21.03	(31)	11.12	(53)	9.69	(50)	8.57	(42)	9.19	(36)	7.15	(31)

- In most periods, ACERA compares well vs. peers (i.e., above median)

Risk-adjusted trend vs. peers

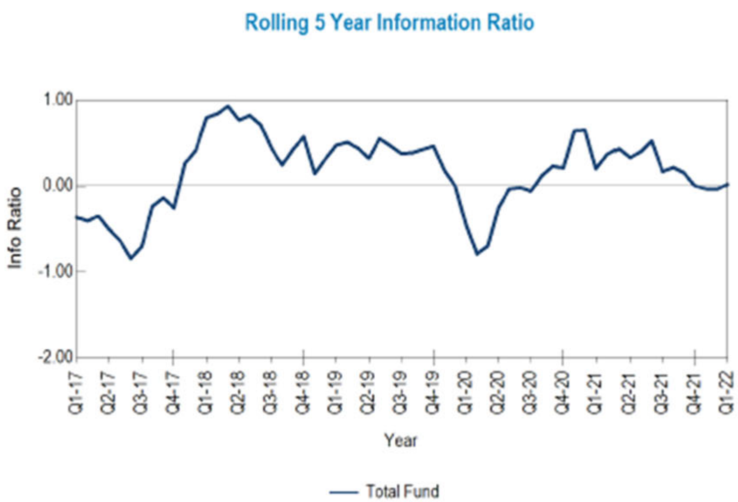


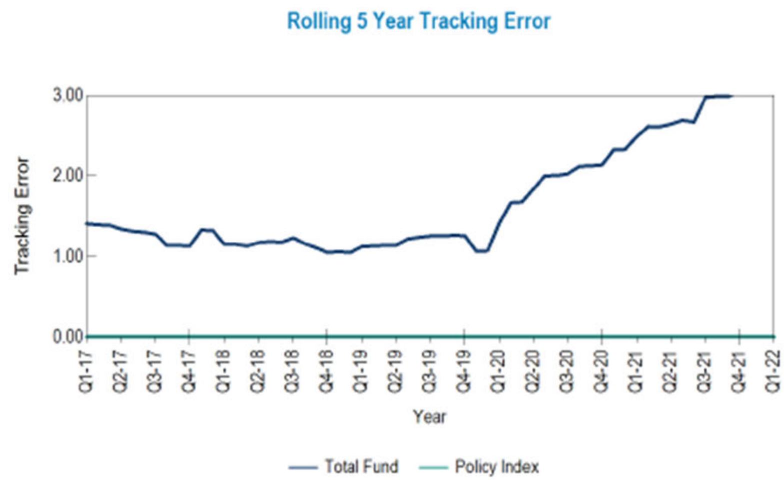


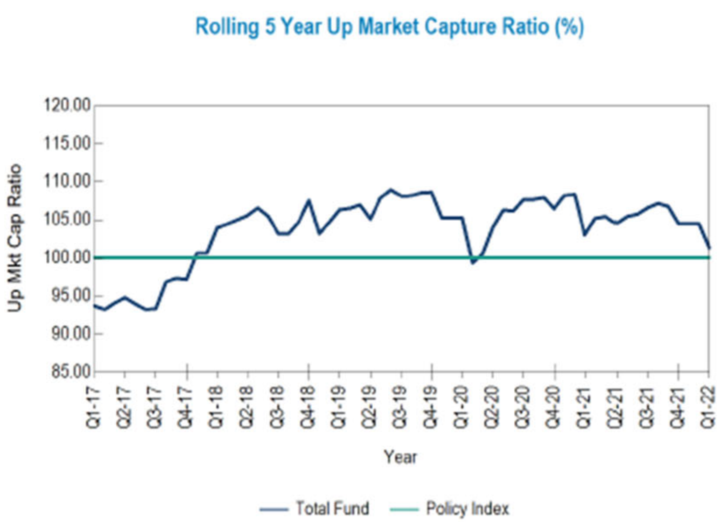


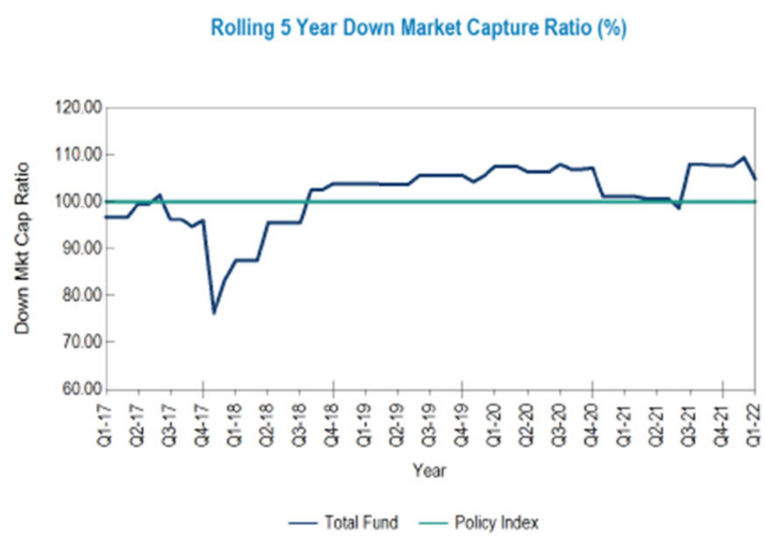
- ACERA's risk-adjusted return ratio (Sharpe) has been consistently at peer median.
- Long-term returns have ranked in top quartile
- However, total fund volatility has also been higher vs. peers

Trend in risk-adjusted metrics









- Risk-adjusted excess returns have been increasing over last several years at modestly higher levels of active risk.
- Up market capture has been consistently higher than down market capture.

Appendix

Watch List

Manager	Date on Watchlist	Reason
None	n/a	n/a

Glossary

Active Return (aka Excess Return) – The difference between the active manager's return and the return on the manager's benchmark index.

Active Risk (aka Tracking Error) – the volatility (standard deviation) of active return.

Attribution – A process by which sources of excess/active return (e.g. active decisions by investment management professionals) are decomposed into the following effects:

- **Allocation** – The amount of excess returns attributable to allocation decisions amongst various asset classes.
- **Selection** – The amount of excess return attributable to selection of individual investments/managers within asset classes.
- **Interaction** – The amount of excess return attributable to both allocation and selection decisions acting in concert with one another.

Sharpe Ratio - A measure of that explains the return of an investment compared to its risk. The Sharpe Ratio indicates excess portfolio return for each unit of risk over the risk free rate (usually short-term Treasuries or LIBOR) per unit of volatility. The higher the Sharpe Ratio, the greater its risk-adjusted return.

Standard Deviation - A measure of volatility, or risk. Measures risk by indicating how far from the average, or mean, return one is likely to fall in any given time period. The rules of statistics dictate that you will fall within 1 standard deviation of the mean 2/3 of the time and within 2 standard deviations 95% of the time. For example, if a security has an average annual rate of return of 10% and a standard deviation of 5%, then two-thirds of the time, one would expect to receive an annual rate of return between 5% and 15%.

Time Weighted Return – A measure of the compound rate of growth in a portfolio, which eliminates the distorting effects of growth rates created by inflows and outflows of money.

Glossary (cont.)

Upside Market Capture – A measure of the manager's performance in up markets relative to the market itself. A value of 110 suggests the manager performs ten percent better than the market when the market is up during the selected time period. The return for the market for each quarter is considered an up market if it is greater than or equal to zero. The Upside Capture Ratio is calculated by dividing the return of the manager during the up market periods by the return of the market for the same period. Generally, the higher the UMC Ratio, the better (If the manager's UMC Ratio is negative, it means that during that specific time period, the manager's return for that period was actually negative).[1]

Downside Market Capture - A measure of the manager's performance in down markets relative to the market itself. A value of 90 suggests the manager's loss is only nine tenths of the market's loss during the selected time period. A market is considered down if the return for the benchmark is less than zero. The Downside Capture Ratio is calculated by dividing the return of the manager during the down market periods by the return of the market during the same periods. Generally, the lower the DMC Ratio, the better (If the manager's DMC Ratio is negative, it means that during that specific time period, the manager's return for that period was actually positive). [1]

1 – Source: eVestment

Glossary (cont.)

Information Ratio – the ratio of active return to active risk, i.e., how much excess return an active manager delivers per unit of tracking error. A common basis of comparison in manager searches.

$$Active\ Return = (R_P - R_B)$$

The return difference between the portfolio return and the benchmark return

$$Active\ Risk = \sigma(R_P - R_B)$$

The volatility of the Active Return

$$Information\ Ratio = \frac{Active\ Return}{Active\ Risk}$$

Rearranging the formula…

$$(Information\ Ratio)\ x\ (Active\ Risk) = Active\ Return$$

ACERA
Preliminary
Period Ending: June 30, 2022

	Market Value ($)	% of Portfolio	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
US Equity	**2,536,280,523**	**24.54**	**-14.35**	**9.50**	**10.90**	**10.29**	**12.62**	**11.49**	**Sep-85**
Russell 3000			*-13.87*	*9.77*	*10.60*	*10.43*	*12.57*	*11.05*	*Sep-85*
International Equity	**2,441,344,222**	**23.62**	**-21.62**	**2.20**	**3.75**	**4.39**	**6.47**	**7.62**	**Dec-90**
MSCI ACWI ex USA IMI Gross			*-19.46*	*2.00*	*2.97*	*3.49*	*5.48*	*5.84*	*Dec-90*
Total Fixed Income	**1,722,060,455**	**16.66**	**-12.00**	**0.18**	**1.68**	**2.59**	**3.22**	**6.72**	**Sep-86**
Fixed Income Blend			*-12.36*	*-1.71*	*0.49*	*1.33*	*1.37*	*5.74*	*Sep-86*
US Fixed Income	**1,540,545,787**	**14.91**	**-10.93**	**0.46**	**1.99**	**2.68**	**3.53**	**6.66**	**Sep-86**
Bloomberg US Aggregate TR			*-10.29*	*-0.93*	*0.88*	*1.42*	*1.54*	*5.58*	*Sep-86*
Global Fixed Income	**181,514,668**	**1.76**	**-20.02**	**-2.83**	**-0.62**	**1.26**	**1.57**	**5.85**	**Nov-01**
FTSE WGBI TR			*-16.77*	*-4.28*	*-1.17*	*0.08*	*-0.69*	*3.25*	*Nov-01*
Absolute Return	**768,476,172**	**7.44**	**9.72**	**6.23**	**3.78**	**3.41**	**4.82**	**4.00**	**Sep-11**
HFRI Fund of Funds Composite Index			*-5.45*	*3.96*	*3.63*	*2.69*	*3.75*	*3.53*	*Sep-11*

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14TH STREET, SUITE 1000, OAKLAND, CA 94612 800/838-1932 510/628-3000 FAX: 510-268-9574 WWW.ACERA.ORG

To: Members of the Investment Committee

From: Thomas Taylor, Investment Officer -Thomas Taylor
Serafin Lim, Investment Operations Officer SL

Date: August 10, 2022

Subject: Status Update for the Transition of Rebalancing Consultant Services

Information Item:

This is not a recommendation and is for information purposes only.

Background:

To be proactive and to further the prior Cash Overlay and Rebalancing work started over recent years (as indicated in the April 14, 2021 ICM minutes – attached), the Investment Department is reviewing the current rebalancing consulting services of Doug McCalla's Optimal Portfolio Rebalancing (OPR), and considering the possible use of an institutional manager, Parametric, ACERA's current Cash Overlay Investment Manager. Doug McCalla is a sole proprietorship, and has served ACERA well over the past two decades.

On May 19, 1999, Mr. McCalla – the then Chief Investment Officer of the San Diego City Employees' Retirement System, made a presentation regarding optimizing the portfolio rebalancing process, which was adopted by ACERA. The model template has proven itself to be instrumental in its use to rebalance the Total Fund, and in ascertaining the optimal source of funds for capital calls and the month-end payroll. Additionally, "Rebalancing" is the process of adjusting or returning an investment portfolio back to its target policy allocations. The four major components of the investment management process under the direct control of plan Trustees (and Consultants and Staff) are: asset allocation; rebalancing; investment manager structure; and, manager selection.

Discussion:

While grateful for Mr. McCalla's Consulting services, Staff is concerned with its reliance on one individual given the size and complexity of the Total Fund. To protect the Total Fund, Staff and Verus have considered an institutional entity, like Parametric, to provide similar Total Fund rebalancing advice, e.g. daily rebalancing advice for capital raises, month-end payroll, and capital calls.

Staff has determined during ongoing discussions with Parametric that the current rebalancing process Mr. McCalla provides would be covered. These include daily monitoring of Total Fund assets and allocation, input and approval for capital raises, and ongoing modifications to account for new and terminated managers.

Parametric has confirmed that managing the rebalancing services would require an update to the Cash Overlay Investment Management Agreement Guidelines currently in place, but, importantly, there would be no update to the fees, as there would be no additional fees or cost to ACERA.

Conclusion:

Staff is looking to maintain the current rebalancing methodology, albeit with a new provider, at no additional cost to ACERA. Given Parametric's current responsibilities of Cash Overlay oversight, Parametric already performs some of OPR's services to some extent. Staff is completing due diligence, to ensure a smooth transition with no impact to services. Staff estimates that completing this operational change after further operational and legal due diligence should take approximately 2 months.

Attachments:

1. Copy of the April 14, 2021 ICM Minutes.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000, Oakland, CA 94612 (800) 838-1932 (510) 628-3000 fax: (510) 268-9574 www.acera.org

MINUTES OF THE APRIL 14, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement

From: George Wood - Chair

Subject: Summary of April 14, 2021 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, April 14, 2021 at 9:30 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Darryl Walker, and George Wood. 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 and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to Recommend that the Board Approve Certain Changes to the Absolute Return Asset Class Structure

    - The need to review the Absolute Return Asset Class structure to remove the Alternative Premia sub-class, which has not performed well due to changing market environment, was discussed by Staff, Verus, and the Trustees. In addition, the cost, net-return potential, diversification, transparency, liquidity and active management considerations of the recommended structure, as well as of other structural options were reviewed. The performance of the Absolute Return Asset Class and its sub-classes were also discussed, along with potential investment and divestment scenarios for the asset class' investments if the recommended structural change was approved. Should the structural change be approved, the use of a second customized fund of one was discussed as the recommended fund-of-hedge-funds type for investment.

    - After further discussion, Trustee Koppenhaver moved, seconded by Trustee Basgal, to recommend that the Board approve the recommended change to the Absolute Return Asset Class Structure, which is 80% Fund of Hedge Funds and 20% Other Alternatives/Opportunistic.

    - The motion carried with 7 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, and Wood) 1 No (Levy), and 0 Abstention.

- Discussion of and Possible Motion to Recommend that the Board Hire an Overlay Services Provider, Pending Completion of Legal and Operational Due Diligence and Successful Contract Negotiations

  - Staff and Verus provided background information on the Action Item, including the due diligence Staff and Verus conducted, as well as the costs and benefits of Overlay Services. Staff and Verus noted that this Overlay Services recommendation is only focused on Cash Overlay Services.

  - Trustees and Parametric representatives addressed the recent merger of Parametric's parent company, Eaton Vance, with Morgan Stanley, particularly the impact of the transaction on Parametric's organization, business practices and culture. Further, they also discussed Parametric's current and go-forward initiatives as they relate to Environmental, Social, and Governance (ESG), Diversity and Inclusion, as well as cybersecurity.

  - Trustees and Parametric representatives discussed the operational processes that Parametric would undertake in serving as an extension of ACERA Staff. Parametric representatives also described how Parametric seamlessly works with ACERA's custodian, State Street Bank – this process includes daily reports that Parametric would verify, which assists in ACERA's overall oversight and governance.

  - After further discussion, Trustee Godfrey moved, seconded by Trustee Basgal, to recommend that the Board Hire Parametric an Overlay Services Provider, Pending Completion of Legal and Operational Due Diligence and Successful Contract Negotiations

  - The motion carried with 8 Yes (Amaral, Basgal, Gamble, Godfrey, Koppenhaver, Levy, Walker, and Wood) 0 No, and 0 Abstention.

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

None

TRUSTEE/PUBLIC INPUT
None

FUTURE DISCUSSION ITEMS
None

ESTABLISHMENT OF NEXT MEETING DATE
Wednesday, May 5, 2021 at 9:30 a.m.

ADJOURNMENT
The meeting ended at 11:33 a.m.

Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

AUGUST 2022

ACERA

Rebalancing

Pensions&Investments
2021 LARGEST CONSULTANTS OF INSTITUTIONAL ASSETS
U.S. INSTITUTIONAL TAX-EXEMPT ADVISORY ASSETS
#10 RANKED VERUS

What is rebalancing?

- Setting target asset allocation policy is most important decision of the investment process and is set by Board
- To ensure asset allocation policy is appropriately implemented, Board also sets parameters for minimum and maximum deviation (i.e., "drift") for actual allocations versus target policy allocations
  - As asset prices fluctuate, Fund's exposure to each asset class also fluctuates, potentially deviating from the original intended exposure. This can be source of risk and potential underperformance
- 'Rebalancing' is the shifting (i.e., buying and selling) of assets that have drifted towards asset allocation policy parameters (i.e., minimum and maximum deviation limits) back to the Board's policy allocation targets
- Once rebalancing parameters are set by Board, implementation of rebalancing becomes operational function.
  - Best industry practice and standard is for staff to assume responsibility for rebalancing assets back to policy targets
- Typically, optimal rebalancing approach is determined through evaluation of tradeoff between (1) **trading costs** and (2) magnitude of **performance risks** which result in deviating ("i.e., drifting") away from policy

Rebalancing policy is set by Board

Rebalancing implementation is operational function and managed by Staff

What is ACERA's rebalancing approach?

- ACERA Staff retains utilization of specialized consultant to develop rebalancing direction for Staff to implement
- Rebalancing consultant is semi-retired
  - — Business model is sole proprietor – no employees and little resources
- Staff and Verus no longer consider current rebalancing consultant to be operating at institutional level
- ***Verus supports replacement of current rebalancing consultant with Parametric, ACERA's current asset allocation policy overlay manager***
- *<u>Rationale:</u>*
- Parametric is industry leading provider of overlay, rebalancing and other investment operations support services for institutional plan sponsors
- ACERA has already vetted Parametric via overlay provider hiring process and is familiar with firm's resources and capabilities, which are unparalled in this area
- Replacement of current rebalancing consultant with Parametric will not result in meaningfully increased fees or costs

ACERA has had successful relationship with current rebalancing consultant

However, that firm is in wind down mode

Replacement rebalancing consultant has largest market share of institutional fund overlay and rebalancing services

Suggested next steps

- ACERA Staff will set up rebalancing process with Parametric
  - Multiple initial conversations have already occurred
  - Verus will assist as requested or necessary
- After ACERA rebalancing approach is established and running as intended, Staff and Verus will dialogue with Parametric about further potential enhancements to ACERA's rebalancing policy and approach
  - Given Parametric's deep experience in supporting large public funds with highly diversified investment programs, they may have suggestions for ACERA to consider related to best practices in rebalancing
- In near future, Staff and Verus will come back to Committee with feedback and, potentially, rebalancing policy recommendations for Committee's consideration

After institutional quality rebalancing provider is in place, Staff and Verus will host discussions with provider to determine whether additional actions should be taken by ACERA regarding its rebalancing policy and approach

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14TH STREET, SUITE 1000, OAKLAND, CA 94612 800/838-1932 510/628-3000 FAX: 510-268-9574 WWW.ACERA.ORG

TO: Members of the Investment Committee

FROM: Betty Tse, Chief Investment Officer

DocuSigned by:
Betty Tse
DB375065B0D9446...

DATE: August 10, 2022

SUBJECT: RFP for a General Investment Consultant

Recommendation:

Not Applicable as this is an Informational Item.

Background/Discussion:

In October of 2015, ACERA consented to an assignment of its General Investment Consultant contract from Strategic Investment Solutions (SIS) to Verus, this after SIS had merged with Verus. Prior to that date, for well over a decade, SIS had served ACERA's Total Fund with distinction.

In 2017, anticipating the end of the above contract's term, ACERA conducted an RFP search for its General Investment Consultant. The search was assisted by the independent search consultant Cortex1. The RFP search concluded with three finalists: Meketa, NEPC, and Verus. The ACERA Investment Committee and Board interviewed these finalists and, at the conclusion of the RFP process in January of 2018, the Board unanimously selected Verus. Verus began work under the current contract effective June 1st, 2018. The initial 5-year term of that contract is set to expire on May 31st, 2023. The contract is subject to auto-renewal, on an annual basis, after this date.

Because there is less than one year left until the expiration of the initial 5-year contract term, Staff is now contemplating a potential new RFP process. The goal of any such RFP would be to identify the best General Investment Consultant capable of serving the growing needs of ACERA's Total Fund. To ensure efficiency and transparency, Staff again contemplates working with an independent search consultant, such as Cortex[1].

Conclusion:

Given the timing of the expiration of the initial 5-year term of the General Investment Consultant contract, set to take place on May 31, 2023, Staff plans to present this RFP topic as an Action Item for the ACERA Investment Committee to consider and/or adopt at the next ICM meeting.

---

[1] Cortex is an independent search consultant whose revenue is generated from serving pension funds and other institutional investors clients in conducting governance advisory, investment consultant search, and fiduciary education services. Cortex was also the search consultant for ACERA in its previous RFP process.