



**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, September 6, 2023  
9:30 a.m.**

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
<p>ACERA C.G. "BUD" QUIST BOARD ROOM 475 14<sup>TH</sup> STREET, 10<sup>TH</sup> 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: <a href="https://zoom.us/join">https://zoom.us/join</a> Call-In: 1 (669) 900-6833 US <b>Webinar ID: 879 6337 8479</b> <b>Passcode: 699406</b></p> <p>For help joining a Zoom meeting, see: <a href="https://support.zoom.us/hc/en-us/articles/201362193">https://support.zoom.us/hc/en-us/articles/201362193</a></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 <sup>1</sup>
KEVIN BRYANT	ALTERNATE SAFETY <sup>2</sup>	

<sup>1</sup> 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.

<sup>2</sup> 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](mailto: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](http://www.acera.org) and also may be inspected at 475 14<sup>th</sup> Street, 10<sup>th</sup> Floor, Oakland, CA 94612-1900.

# ***INVESTMENT COMMITTEE/BOARD MEETING***

**NOTICE and AGENDA Wednesday, September 6, 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 Item: Matters for discussion and possible motion by the committee**

1. Interview of ACERA's General Investment Consultant Finalists and Possible Motion to Recommend a Finalist or multiple Finalists to the Board

9:30 – 9:40

Clint Kuboyama, ACERA  
Julius Cuaresma, ACERA  
Serafin Lim, ACERA  
Noe Reynoso, ACERA  
John Ta, ACERA  
Betty Tse, ACERA

Valter Viola, Cortex Consulting Inc.

9:40 – 10:25

Joe Abdou, Verus Advisory, Inc.  
Samantha Grant, Verus Advisory, Inc.  
Shelly Heier, Verus Advisory, Inc.  
Jeff MacLean, Verus Advisory, Inc.  
Eileen Neill, Verus Advisory, Inc.  
John Nicolini, Verus Advisory, Inc.  
Faraz Shooshani, Verus Advisory, Inc.

10:30 – 11:15

Sarah Bernstein, Meketa Investment Group  
Stephen McCourt, Meketa Investment Group  
Maya Ortiz de Montellano, Meketa Investment Group  
David Sancewich, Meketa Investment Group  
Eric White, Meketa, Investment Group

11:25 – 12:10

Sam Austin, NEPC, LLC  
Rose Dean, NEPC LLC  
Dan Hennessy, NEPC, LLC  
Michael Manning, NEPC LLC

12:15 – 1:00

James Callahan, Callan Inc.  
Pete Keliuotis, Callan Inc.  
Christopher Park, Callan Inc.  
Claire Telleen, Callan Inc.

***INVESTMENT COMMITTEE/BOARD MEETING***

**NOTICE and AGENDA Wednesday, September 6, 2023**

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

None

**Trustee Remarks**

None


**Future Discussion Items**

None

**Establishment of Next Meeting Date**

October 4, 2023 at 10:30 a.m.



TO: Members of the Investment Committee  
FROM: Betty Tse, Chief Investment Officer   
DATE: September 6, 2023  
SUBJECT: Interview of ACERA's General Investment Consultant Finalists and Possible Motion to Recommend a Finalist or Multiple Finalists to the Board

**Recommendation:**

Staff recommends that the Investment Committee (IC) select the top scorer (NEPC) in the Staff Score Summary below and recommend the top scorer to the Board as ACERA's next General Investment Consultant (GIC). Staff also recommends that the IC select the second ranking scorer (Meketa), or any of the other firms listed below (Finalists), as an alternative GIC to recommend to the Board if any investment and/or legal due diligence issues arise in our next due diligence steps that would lead Staff to conclude that the top scorer should be disqualified from further consideration.

**Staff Score Summary and History:**

On June 15<sup>th</sup>, 2023, the ACERA Board approved the following short-listed candidates (in alphabetical order) as Finalists to continue with our GIC RFP Search process:

- Callan LLC;
- Meketa Investment Group;
- NEPC, LLC; and
- Verus Advisory, Inc.

During the months of July and August 2023, Staff and Cortex continued with our evaluations of the Finalists, which included participating in four different hybrid (in person and on-line) site visits to the four Finalists' headquarters (i.e., Callan in San Francisco, Meketa and NEPC in Boston and Verus in Seattle). Staff has gained more clarity on our understandings of these four Finalists as a result of these visits and have adjusted our scores (see the score chart below) of these firms accordingly.

The final scores\* for the Finalists, based on the average scores\*\* of Staff, are below. The final scores include scores from the “References” scoring matrix section (5 points possible; 4.5-point average score across Finalists). References were checked between scoring rounds and were therefore included in the final round of scoring. Also shown is the prior score, from the July 2023 IC meeting, which included updated 2022 performance data.

Rank	Firm	Final Score ***	Prior Score (July 12, 2023)
1	NEPC	86.7	81.2
2	MEKETA	84.9	79.1
3	CALLAN	84.3	78.1
4	VERUS	79.8	73.8

\* Staff who participated in the scoring were: Betty Tse, Serafin Lim, Clint Kuboyama, John Ta, Julius Cuaresma, Noe Reynoso, and Agnes Ducanes. Each individual had one vote.

\*\* Prepared by Staff. (See Attachment #3 for detailed scores by each Evaluation Criterion.)

\*\*\* Scores follow the approved Evaluation Criteria and includes OCIO category as requested in the RFP. There was no change in ranking of Finalists between July 12, 2023 ICM and September 6, 2023 ICM.

**Background:**

2022 Sep	Board authorized a Request for Proposal (RFP) for a GIC.
Oct	Board adopted Search Criteria for the RFP, including Minimum Qualifications and Evaluation Matrix.
Dec	Staff provided an update regarding the RFP submission deadline.
2023 Mar	Board authorized a two-month extended timeline for Staff to complete due diligence arising from constraints on human resources that were not present when the RFP was issued.
May	Staff provided an update, disclosing the names of the five Bidders (below): <ol style="list-style-type: none"> <li>1. Aon Investments USA, Inc. (“AON”);</li> <li>2. Callan;</li> <li>3. Meketa;</li> <li>4. NEPC; and</li> <li>5. Verus.</li> </ol>
Jun	Staff presented its scoring of the five Bidders to the IC, based on the approved search and evaluation criteria, and the IC: <ol style="list-style-type: none"> <li>1. eliminated one firm (Aon) from further consideration due to concerns such as Aon’s multiple litigations, leaving four Finalists; and</li> <li>2. asked staff to:</li> </ol>

	<ol style="list-style-type: none"> <li>a. rescore the four Finalists’ investment performance to include 2022 performance data, which was now available; and</li> <li>b. provide the IC with Relative Strengths and Weaknesses of all four Finalists, including Callan and Verus.</li> </ol>
Jul	Staff provided the IC with the information requested by the IC in June.
Jul/Aug	Staff continued its due diligence of the Finalists, including conducting on-site visits to each Finalists’ head office.

**Discussion:**

Staff<sup>1</sup> completed on-site visits<sup>2</sup> to the head office of all four Finalists to validate the information provided by the prospective Consultants (RFP responses) and to conduct further due diligence. While taking into consideration many different factors, Staff focused on the Board-approved evaluation criteria (Attachment #2) and weights as the important characteristics for each firm while conducting its visits. The evaluation criteria and weights are listed below.

1. Organization (20%)
2. Investment Team (20%)
3. Investment Process (20%)
4. Performance (15%)
5. Fee Proposal (10%)
6. Performance Measurement & Reporting (5%)
7. Environmental, Social, and Governance (ESG) Risk (5%)
8. References (5%)

Based upon the information Staff gathered from the visits, reference checks, and responses to ACERA’s RFP and follow-on questions, Staff believes the four Finalists are well qualified, experienced and capable of serving the needs of an institutional public fund such as ACERA. The information below illustrates some of the differences between the Finalists and provides additional information to allow the Trustees to make an informed decision.

At the on-site visits, Staff was able to validate the information submitted by the Finalists in their responses to the RFP; while no material new information (other than some revised proposed fees) was gleaned regarding the Finalists based on the Board-approved Search and Evaluation criteria, the relative strengths and weaknesses of the Finalists have been updated, if warranted, on the following pages to reflect certain facts that had not been summarized in the July 2023 memo to the IC. (Please refer to Attachment #5 for the “Relative Strengths and Weaknesses of the Four Finalists” section in the previously distributed ICM memo dated July 12<sup>th</sup>, 2023.)

<sup>1</sup> David Nelsen, John Ta, Clint Kuboyama, and Serafin Lim attended each on-site visit in person. Betty Tse, Julius Cuaresma, Noe Reynoso, Daniel Morales, and Valter Viola (Cortex) participated by video.

<sup>2</sup> On-site visits were made to Meketa on 07/18/2023 (Westwood, MA), NEPC on 07/19/2023 (Boston, MA), Callan 08/08/2023 (San Francisco, CA), and Verus on 08/09/2023 (Seattle, WA).

When it comes to advising their institutional clients', such as ACERA, on how best to manage their investment portfolios, these four Finalists have similar investment philosophies of advising their client to aim to maximize risk-adjusted returns under their clients' approved Board governance. Each Finalist is well capable of and is resourced in providing advices on investment ideas, strategies, processes, and risk managements. Each consultant can also provide customized performance measurement reporting, and, more importantly, each Finalist has agreed to hold itself to ACERA's required fiduciary standard. Although all Finalists also generate revenue (relatively small percentage in each case) from their discretionary (OCIO) practices, they have demonstrated that their documented internal policies can safeguard the fair treatments of their non-discretionary clients such as ACERA. Finally, it is important to note that whichever Consultant is selected, given the comfort and preference of the Board, the selected Consultant will be well qualified to advise ACERA in managing its investment portfolio. Therefore, the rest of the memo will primarily focus on relative Strengths and Weaknesses comparisons of the four Finalists.

**Relative Strengths and Weaknesses of all four Finalists:**

***Callan LLC***

**Strengths:**

1. 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).
2. 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. In both non-discretionary and OCIO, Callan had either the first or second-best scores for risk-adjusted returns and return over benchmark.
3. GIC Fee Proposal - Second lowest 5-year aggregate fees (without RE) after reducing its proposed fees at the on-site visit. (This was previously reported as a weakness, noting that Callan initially proposed the highest fee amongst all five candidates.)
4. Performance Measurement and Reporting - 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.

**Weaknesses:**

1. Organization - It manages and/or sponsor investment funds.
2. Organization - Proposed Lead Consultant in Alternatives Consulting is based in New York.

### ***Meketa Investment Group***

#### **Strengths:**

1. Organization - It does not manage and/or sponsor investment funds.
2. Investment Team – It has highest scores for public- and private-markets teams, due to having the most research resources and strong committee members who review and approve public and private markets strategies. These scores helped Meketa score second best for the aggregate Investment Team section.
3. GIC Fee Proposal - Lowest GIC-only annual and 5-year aggregate fees (without RE) after reducing its proposed fees at the on-site visit. (This was previously reported as a weakness, noting that Meketa initially proposed the second highest fee amongst all five candidates.)
4. Performance Measurement and Reporting - It offers a polished and robust proprietary client portal allowing access to client portfolio information, investment research and data.

#### **Weaknesses:**

1. Organization - Proposed Consulting team for ACERA, except for the proposed Lead Consultant, was quiet and appeared passive at the site-visit with ACERA.

### ***NEPC, LLC***

#### **Strengths:**

1. Organization – Proposed Lead Consultant demonstrated strong leadership in managing the meeting agenda and participants at the on-site visit with ACERA.
2. Investment Team – It has the highest Investment Team score of the Finalists by having the strongest proposed team (lead consultant, secondary consultant, and other consultants who will interact with the Board) and the second best public and private markets teams.
3. ESG Risks - NEPC has solid experience with public pension plans, as 31% of its public pension plans have an ESG Policy (Callan 20%, Meketa 20%, Verus 8%) and its proposed lead consultant is the lead founding member of the Investment Diversity Advisory Council, which involves members across the investment industry, i.e., in addition to consultants, members also include asset managers, allocators, and academics.
4. References – Scored the highest out of the Finalists.

#### **Weaknesses:**

1. Organization - It manages and/or sponsors investment funds.



*Verus Advisory, INC*

**Strengths:**

1. Organization - It does not manage and/or sponsor investment funds.
2. Organization - ACERA has a long and well-established working relationship with the proposed Co-Lead Consultant, Head of Private Markets Team.

**Weaknesses:**

1. Investment Team – It has the lowest score for investment team section of the four Finalists. This was a culmination of the lowest scores across three subsections (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 Board).
2. Investment Process - Lowest breadth of coverage across asset classes among candidates.
3. Performance Measurement and Reporting - On-line client portal demonstration at our site-visit appeared to be in an early stage of development, less likely to accommodate the management of a complex portfolio such as ACERA.
4. References – Scored the lowest out of the Finalists.

**Fee Proposal:**

At the on-site visits, each Finalists was asked if their fee proposal in the RFP was the firm’s best and final offer. The table below shows that the range in GIC fees is small, with Meketa having the lowest fee and Verus having the highest fee.

Firm	GIC Only (Without Real Estate)					5-year Sum
	Year 1	Year 2	Year 3	Year 4	Year 5	
Callan *	\$750,000	\$750,000	\$750,000	\$800,000	\$825,000	<b>\$3,875,000</b>
Meketa **	\$725,000	\$725,000	\$745,000	\$765,000	\$790,000	<b>\$3,750,000</b>
NEPC	\$750,000	\$750,000	\$775,000	\$800,000	\$825,000	<b>\$3,900,000</b>
Verus	\$775,000	\$775,000	\$775,000	\$795,000	\$810,000	<b>\$3,930,000</b>

Compared to the original fee proposal (from RFP responses):

\* Callan reduced its fee proposal by \$210,000 over the five-year contract period; and

\*\* Meketa reduced its fee proposal by \$325,000 over the five-year contract period.

**Next Steps:**

Upon approval of this recommendation, Staff will proceed to the next steps with the Board's selected candidate, which would include:

1. Background investigations and legal and investment due diligence; and
2. Contract negotiations.

**Conclusion:**

All four Finalists, Callan, Meketa, NEPC, and Verus, are viable and competitive in many respects. At the conclusion of Staff's due diligence and on-site visits to the four Finalists' head offices, Staff validated the accuracy of the information provided by the prospective Consultants in their RFP responses and has contacted the references provided by the Finalists. Each Consultant's platform offers varying strengths and weaknesses, but given Board preferences, Staff believes that any one of the four Finalists would satisfy the needs of ACERA. However, after our extensive due diligence and evaluations, in compliance with the Board-approved Search and Evaluation Criteria, Staff believes that NEPC would be the best fit to guide the ACERA's portfolio going forward as reflected in our recommendation on p.1 of this memo. Additionally, Staff has evaluated these Finalists' real estate (RE) consulting capabilities and found them to be in-line with the Finalists' respective ranking noted in the Staff Score Summary. We have thus included the four Finalists' proposed RE consulting fees as Attachment #4.

Staff concludes that the four Finalists represent some of the top Consultants in the institutional investment industry serving public funds similar to ACERA, and that our thorough implementations of the Board-approved Search and Evaluation Criteria and the resultant rankings have offered you the information that you need to make your best decision.

**Attachments:**

1. Executive Summary/Firm Profiles of each of the four Finalists
2. Approved Search Criteria (Minimum Qualifications) and Approved Search Criteria (Evaluation Criteria) as stated in a previously distributed Cortex memo dated October 5, 2022
3. Staffs' Final Evaluation Matrix Scoring Spreadsheet
  - a. With OCIO
  - b. Without OCIO
4. Final fee proposals for all candidates (GIC, RE, and bundled)
5. General Investment Consultant (GIC) Search RFP Follow-up ICM memo, dated July 12, 2023
6. Finalists presentations for the September 6, 2023 ICM (in alphabetical order)

**Executive Summary/Firm Profiles of all four Finalists (listed below in alphabetical order)****CALLAN**

<b>1. ORGANIZATION (20%)</b>
a) Callan has the resources and capabilities to service ACERA's investment needs.
b) 195 employees   100% employee owned, 137 shareholders
c) Alternative assets consulting practice seems to have been built up recently, and the firm is still building out the team (excluding real estate and real assets).
d) Callan (and NEPC) offer funds to clients, while Meketa and Verus do not. Staff understands that Callan earns some revenue by offering such funds.
e) Lead Consultant: James Callahan (San Francisco, CA) - 30 years with Callan, 26 as a lead consultant. Other Consultants: Claire Telleen (San Francisco, CA) - 14 years of institutional and consulting experience (all at Callan), including 11 years as a lead or secondary consultant. Chris Park (San Francisco, CA) - joined Callan in 2018 and has 5 years consulting experience, including 2 years as a lead or secondary consultant. Peter Keliuotis (New York, NY) - 30 years industry experience, including the last four with Callan.
<b>2. INVESTMENT TEAM (20%)</b>
a) Staff ranked Callan third best in investment team, which is a combination of having a strong lead consultant, and slightly below average (amongst the four finalists) supporting consulting team and Public and Private Markets teams, and an average score on its asset-allocation and risk committees. Callan's Investment Team score is up 0.1 points from its previous score due to the elimination of Aon from scoring that generally resulted in higher scores for the remaining finalists. In the prior scoring round, Aon had the most public and private markets research resources that were no longer included in the evaluation of the finalists.
<b>3. INVESTMENT PROCESS (20%)</b>
a) Relies on Monte Carlo simulations, scenario analyses, and stress tests (like other firms) for risk/asset allocation.
b) Scoring reflects comparing/contrasting of capabilities, resources, experience, and suitability within the investment process. Score for asset allocation was increased from 6 to 7 after clarifying the frequency of updates and revisions to Capital Market expectations.
c) Callan has several internal committees to formulate and review the "Investment Process" services that Callan provides to its clients. These committees consist of members across the various business groups within Callan, which include capital markets research, public markets, private markets, implementation solutions, and general consulting. There are separate committees for asset allocation (includes investment policy), alternative managers, public manager, and ESG.
<b>4. PERFORMANCE (15%)</b>
a) Highest score, distinguishing itself from other Finalists in both non-discretionary and OCIO categories (e.g., across both categories, clients' performance was, on average, ranked 1 <sup>st</sup> or 2 <sup>nd</sup> across all risk-adjusted-return and return-over-benchmark measures).
<b>5. FEE PROPOSAL (10%)</b>
a) Lowered its average annual fee to \$775,000, becoming the 2 <sup>nd</sup> lowest among Finalists.
<b>6. PERFORMANCE MEASUREMENT &amp; REPORTING (5%)</b>
a) Meets requirements (per RFP) and after the onsite visit there are no additional comments or score changes.

**7. ESG FACTORS (5%)**

- a) Meets requirements (per RFP) and after the onsite visit there are no additional comments or score changes.

**8. REFERENCES (5%)**

- a) Score of 4.38 (out of 5) reflects feedback from all 4 requested references (2 current clients and 2 former clients), the most respondents out of all Finalists.
- b) Received feedback from all 4 requested references (2 current clients and 2 former clients), the most respondents out of all Finalists.
- c) All 4 references recommended Callan as a consultant with notable comments regarding Callan's knowledge in public markets, asset allocation, and asset liability studies.

## MEKETA

<b>1. ORGANIZATION (20%)</b>
a) Meketa has the resources and capabilities to service ACERA’s investment needs.
b) 250 employees   100% employee owned, 72 shareholders (senior professionals)
c) Proposed consulting team appears capable to guide ACERA’s Total Fund while leaning heavily on the proposed lead consultant.
d) Staff has reservations with organizations that have dual leads (co-CEO), but Meketa emphasized their collaborative culture.
e) Lead Consultant: David Sancewich (Portland, OR) – joined Meketa in 2019 (previously with PCA since 2004) and has 18 years of experience as a lead consultant. Other Consultants: Eric White (Sacramento, CA) - joined Meketa in 2019 (previously with PCA since 2009) and has 14 years of consulting experience, including 13 years as lead or secondary consultant. Sarah Bernstein (Sacramento, CA) - joined Meketa in 2019 (previously with PCA since 2002) and has focused on sustainability and ESG issues for the last two decades; non-consulting investment experience includes roles as an equity analyst at various firms.
<b>2. INVESTMENT TEAM (20%)</b>
a) Meketa’s final score for Investment Team is in-line with its previous score for this section and the second-best score amongst the finalists. Meketa’s score reflects a lower-than-average score for proposed team, the highest scores for Public and Private Markets teams, and average scores (relative to the other finalists) for asset allocation committee and risk committee
<b>3. INVESTMENT PROCESS (20%)</b>
a) Relies on Monte Carlo simulations, scenario analyses, and stress tests (like other firms) for risk/asset allocation.
b) Scoring reflects comparing/contrasting of capabilities, resources, experience, and suitability within the investment process.
c) Meketa has several internal committees to formulate and review the "Investment Process” services that Meketa provides to its clients. These committees consist of members across the various business groups within Meketa, which include general consulting, public markets research, private markets research, defined contribution, and support staff. There are separate committees for many investment process functions, such as investment policy, asset allocation, ESG, operational due diligence, public markets, and private markets.
<b>4. PERFORMANCE (15%)</b>
a) Lowest score (10.6 points) among Finalists but close to scores for NEPC (10.9) and Verus (11.0).
b) Lowest score for non-discretionary clients and 2 <sup>nd</sup> highest score for OCIO client performance.
c) Strongest in risk-adjusted returns, where it had the highest Sharpe Ratio for OCIO clients and 3 <sup>rd</sup> best Sharpe Ratio for non-discretionary clients.
d) Lowest score for both non-discretionary and OCIO client performance over benchmark.
<b>5. FEE PROPOSAL (10%)</b>
a) Lowered its average annual fee to \$750,000, becoming the lowest among Finalists.
<b>6. PERFORMANCE MEASUREMENT &amp; REPORTING (5%)</b>
a) Online portal stood out from other Finalists, resulting in a higher score that now ties for highest.
<b>7. ESG FACTORS (5%)</b>
a) Meets requirements (per RFP) and after the onsite visit there are no additional comments or score changes.

**8. REFERENCES (5%)**

- a) Score of 4.47 (out of 5) reflects feedback from 2 (of 4) requested references (2 current clients and 0 former clients), the fewest respondents out of all Finalists.
- b) One former client did not respond to our inquiries, and one declined to participate.

## NEPC

<b>1. ORGANIZATION (20%)</b>
a) NEPC has the resources and capabilities to service ACERA's investment needs.
b) 356 employees   100% employee owned, 50 shareholders (partners)
c) While both Callan and NEPC offer funds to clients, NEPC's revenue model is unique because all fees charged by NEPC's funds accrue to non-NEPC entities (i.e., underlying money managers, fund administrator, accountants, etc.); neither NEPC nor any partners or employees of NEPC receive any revenue from these funds.
d) Lead Consultant: Sam Austin (San Francisco, CA) - 35 years of institutional investment experience and has been with NEPC for 5 years. Other Consultants: Dan Hennessey (San Francisco, CA) - 22 years of consulting and asset-management experience, including 8 years as a lead or secondary consultant with NEPC. Rose Dean (Los Angeles, CA) - joined NEPC in April 2023 after spending eight years as Managing Director and senior consultant at Wilshire Advisors.
<b>2. INVESTMENT TEAM (20%)</b>
a) NEPC has the highest Investment Team score across the four finalists, which reflects the best proposed consulting team, second best private and public markets teams, and an average (among the finalists) asset allocation and risk teams with the average score in these areas reflecting strong capabilities in asset allocation and risk management across the finalists. NEPC's Investment Team scoring is up 0.6 points from its previous score due primarily to the exclusion of Aon in the final round of scoring.
<b>3. INVESTMENT PROCESS (20%)</b>
a) Relies on Monte Carlo simulations, scenario analyses, and stress tests (like other firms) for risk/asset allocation; only firm that seems to believe tactical allocation* across markets can add a unique source of alpha.
b) Scoring reflects comparing/contrasting of capabilities, resources, experience, and suitability within the investment process.
c) NEPC has a combination of internal committees and business groups to formulate and review the "Investment Process" services that NEPC provides to its clients. The separate committees include public markets, private markets, and ESG. NEPC has separate groups that lead the development of various parts of the "Investment Process." The groups are divided into asset allocation, portfolio construction, global research, research operations, operational due diligence, portfolio strategy, and investment manager research.
<i>* Firms define tactical asset allocation somewhat differently, so it is difficult to make more specific conclusions.</i>
<b>4. PERFORMANCE (15%)</b>
a) 3 <sup>rd</sup> highest score (10.9 points) that was tightly grouped with Meketa (10.6) and Verus (11.0).
b) 2 <sup>nd</sup> highest non-discretionary client performance score and 3 <sup>rd</sup> highest OCIO client performance score.
c) Strength was non-discretionary client risk-adjusted returns, with the highest score. (Its OCIO client risk-adjusted return score ranked 3 <sup>rd</sup> .) For return over benchmark, NEPC scored 3 <sup>rd</sup> in both non-discretionary and OCIO client performance.
<b>5. FEE PROPOSAL (10%)</b>
a) Did not offer a revised fee; original GIC fee proposal is now 3 <sup>rd</sup> lowest (average annual fee of \$780,000).

**6. PERFORMANCE MEASUREMENT & REPORTING (5%)**

- a) Meets requirements (per RFP) and after the onsite visit there are no additional comments or score changes.

**7. ESG FACTORS (5%)**

- a) Meets requirements (per RFP) and after the onsite visit there are no additional comments or score changes.

**8. REFERENCES (5%)**

- a) Score of 4.78 (out of 5) was the highest among Finalists and reflects feedback from 3 (of 4) requested references (2 current clients and 1 former client).
- b) All 3 references recommend NEPC with notable comments regarding their resources, research, capital market assumptions and culture. Sam Austin received high praise (lead consultant being proposed to ACERA) and confirmation on the accessibility of the entire organization, not just the proposed team.



## VERUS

<b>1. ORGANIZATION (20%)</b>
a) Verus has the resources and capabilities to service ACERA’s investment needs.
b) 82 employees   100% employee owned, 35 shareholders, concentrated with the CEO (58%+)
c) Lead Consultant: Eileen Neil (El Segundo, CA) - 35 years of institutional investments experience and investment consulting experience and 5 years serving as lead consultant at Verus. Other Consultants: Joseph Abdou (San Francisco, CA) - 14 years of institutional and consulting experience, including 7 years serving at Verus as a lead or secondary consultant. Samantha Grant (Chicago, IL) - 10 years of consulting experience, including 5 years as a lead or secondary consultant. Staff’s research found that Samantha joined Verus in April 2022. Faraz Shooshani (San Francisco, CA) - 23 years investment and consulting experience and joined Verus upon Verus’ merger with SIS in 2016.
<b>2. INVESTMENT TEAM (20%)</b>
a) Verus had the lowest Investment Team score across the four finalists reflecting a below average (relative to the other finalists) proposed consulting team and Public and Private Markets teams, as well as asset allocation and risk management teams comprised of high-quality professionals in these areas, similar to the other finalists. Verus’ Investment Team score moved higher by 0.6 points versus the previous scoring round due to the exclusion of Aon from the final round of scoring and slight upticks in scores for its proposed team and the committee that manages risk.
<b>3. INVESTMENT PROCESS (20%)</b>
a) Relies on Monte Carlo simulations, scenario analyses, and stress tests (like other firms) for risk/asset allocation.
b) Scoring reflects comparing/contrasting of capabilities, resources, experience, and suitability within the investment process. Score for asset allocation was increased from 6 to 7 after clarification about the frequency of updates and revisions to its Capital Market expectations.
c) Verus has three committees that formulate and review the "Investment Process" services that Verus provides to its clients. The three committees are the investment committee, alternative investment committee, and the OCIO investment committee. These committees consist of members from across the various business groups within Verus. These groups include consulting services, public markets, private markets, performance and analytics, investments, and business operations.
<b>4. PERFORMANCE (15%)</b>
a) Score was 2 <sup>nd</sup> best (11.0 points), close to Meketa (10.6) and NEPC (10.9).
b) Strength in clients’ performance was in the return over benchmark where Verus had the highest non-discretionary client score and 2 <sup>nd</sup> highest OCIO client score. (One non-discretionary client had an outsized impact on Verus’ non-discretionary performance score; without this client, and after eliminating each Finalist’s best relative performing account, Verus’ non-discretionary performance over benchmark would be 3 <sup>rd</sup> best.) For risk-adjusted returns, Verus had the lowest client performance scores in both non-discretionary and OCIO.
<b>5. FEE PROPOSAL (10%)</b>
a) Did not offer a revised fee; original GIC fee proposal is now highest (average annual fee of \$786,000).
<b>6. PERFORMANCE MEASUREMENT &amp; REPORTING (5%)</b>
a) While Verus has met ACERA’s standard and customized reporting needs in the past, the RFP process and onsite meetings allowed Staff to compare other Finalists’ offerings therefore concluding that Verus’ capabilities and offerings are not as competitive as other Finalists.

**7. ESG FACTORS (5%)**

- a) Meets requirements (per RFP) and after the onsite visit there are no additional comments or score changes.

**8. REFERENCES (5%)**

- a) Score of 4.20 (out of 5) reflects feedback from 3 requested references (2 current clients and 1 former client); one former client did not respond to our inquiries.
- b) All 3 references recommended Verus with notable comments on Verus' professionalism, integrity, and benefit plan administration.




---

**MEMORANDUM**


---

**TO:** INVESTMENT COMMITTEE OF ACERA

**FROM:** VALTER VIOLA (CORTEX)

**SUBJECT:** SEARCH CRITERIA FOR ACERA'S GENERAL INVESTMENT CONSULTANT (GIC) SEARCH

**DATE:** OCTOBER 5, 2022

**CC:** BETTY TSE (ACERA)

---

Cortex is delighted to begin working with ACERA's Staff on the GIC Search. One of the first tasks in the Search is to establish the **criteria for evaluating firms**, including the **minimum qualifications** that firms must have in order to be considered by ACERA.

The table below summarizes the broad evaluation criteria that both Cortex and Staff recommend.

<b>Evaluation Criteria</b>	<b>Weight (%)</b>
1. Organization*	25
2. Investment Team	20
3. Investment Process*	20
4. Performance	15
5. Fee Proposal	10
6. Performance Measurement & Reporting	5
7. References	5
Total	100

The **25% weight to Organization\*** would cover such areas as a firm's history and ownership, organizational structure, and the nature of its business lines (e.g., non-discretionary vs discretionary/OCIO and other services). This would involve assessing any inherent conflicts of interest, and firms' policies for managing those conflicts. The **20% weight to Investment Team** would cover both public and private markets, any committees, as well as the proposed team for the account.

The **20% weight to Investment Process\*** would cover asset allocation, manager research, risk management, and other such considerations.

The **15% weight to Performance** would take into consideration the returns of firms' clients, including performance versus benchmarks, over a reasonable period of time. The risks taken to generate this performance would also be considered.

The remaining **20% would consider the Fee Proposal (10%), Performance Measurement & Reporting (5%), and References (5%).**

---

\* *Environmental, social, and governance ("ESG") factors will also be considered in these evaluation criteria.*

The **minimum qualifications** that both Cortex and Staff recommend are below.

<b>Minimum Qualifications</b>
<p>a) <b>Fiduciary:</b> The Firm must agree to act as a fiduciary to ACERA.</p> <p>b) <b>Customized Services:</b> The Firm must be willing to customize services as instructed by ACERA.</p> <p>c) <b>Registered:</b> The Firm must be registered as an investment adviser under the Investment Advisers Act of 1940.</p> <p>d) <b>&gt; 10 Years of GIC Operations:</b> At the time of submission, the Firm must have been in continuous operation in the United States for at least ten (10) years providing general investment consulting services for institutional pension plans similar in asset size to ACERA. Alternatively, if the Firm has undergone a merger or acquisition, at least one of the predecessor firms must have been in continuous operation in the United States for at least ten (10) years providing general investment consulting services to institutional investment funds, at the time of submission.</p> <p>e) <b>Client Size and Number:</b> The Firm must currently provide investment advisory services to a minimum of five (5) institutional clients, each with total assets of at least \$1 billion.</p> <p>f) <b>Public Fund Experience:</b> The Firm currently has at least three (3) public fund clients, each with total assets of at least \$2 billion.</p> <p>g) <b>Lead Consultant's Experience:</b> At the time of submission, the lead Investment Consultant to be assigned to ACERA's account must have a minimum of ten (10) years' experience in the institutional asset management industry, including at least five (5) years of experience providing investment consulting services directly to institutional fund clients such as ACERA.</p> <p>h) <b>Employees:</b> The Firms must be directly responsible for the management of the account, and all personnel responsible for working on the account must be employees of the Firm.</p> <p>i) <b>US Location:</b> The Firm must have its principal place of business within the United States and be subject to service or process in the United States.</p> <p>j) <b>No Conflict of Interest:</b> The Firm must not have, nor potentially have, a material conflict of interest involving ACERA including, but not limited to, the ACERA's Board, staff, actuary, investment managers, or other consultants.</p> <p>k) <b>Conflicts of Interest Disclosure:</b> The Firm must agree to disclose all potential, current conflicts of interest as well as potential conflicts that might occur, and annually disclose all sources of revenue from sources and affiliations other than investment consulting. The Firm must agree to abide by ACERA's <i>Conflict of Interest Policy</i> and <i>Conflict of Interest Code</i>. This policy and code can be found on ACERA's website at <a href="https://www.acera.org/board-retirement">https://www.acera.org/board-retirement</a>.</p> <p>l) <b>Adequate Insurance:</b> The Firm must carry the following types of insurance or must have applied for it by contract execution:<sup>1</sup></p> <ul style="list-style-type: none"><li>i) Commercial General Liability (combined single limit of \$1 million per occurrence and \$5 million in aggregate);</li><li>ii) Auto Liability Insurance (combined single limit of \$1 million);</li><li>iii) Workers' Compensation (Employer's Liability with \$1 million limit);</li><li>iv) Professional Liability (includes professional liability, fiduciary indemnity, and errors &amp; omissions with \$5 million minimum); and</li><li>v) Data Breach (covering privacy liability, regulatory action, breach response expenses) of at least \$1 million.</li></ul> <p>m) <b>Experience, Skills, and Resources:</b> The Firm must possess the experience, skills, and resources necessary to provide general investment consulting services in relation to the asset classes identified in the ACERA</p>

<sup>1</sup> Subject to change upon final contract negotiation.

### Minimum Qualifications

*General Investment Guidelines, Policies, and Procedures* and other investment policies (see ACERA website at <http://www.acera.org/investment-policies>).

- n) **Clear Business Lines:** Distinguish between Discretionary versus Non-Discretionary Practices, if applicable.
- o) **Financial Stability:** As part of ACERA's due diligence, the Firm must be willing to provide ACERA the ability to review the latest 3-5 years of the Firm's audited financial statements. In-office reviews are acceptable.
- p) **Consultant Background Checks:** Once selected by ACERA as the finalist Firm, the proposed Lead and Secondary Consultants as well as the key officers of the firm must consent to a background investigation. Award of a contract to the finalist Firm will be contingent on the results of such background investigations and successful contract negotiations.

I look forward to discussing the above at the Meeting on October 12, 2022.

Valter Viola

Evaluation Criteria (RFP Approved by Board on 9/22/2022 and Scoring Matrix approved on 10/20/2022)		Includes OCIO			
	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	15.44	16.20	17.33	13.77
3. Investment Process	20.00	17.75	18.01	17.84	15.11
4. Performance/Includes 2022 Performance (Includes OCIO)	15.00	13.57	10.59	10.91	11.01
5. Performance Measurement & Reporting	5.00	4.38	5.00	5.00	4.73
6. Fee Proposal	10.00	8.22	8.76	9.74	9.13
7. References	5.00	4.38	4.47	4.78	4.20
8. ESG	5.00	3.40	3.40	3.63	3.51
<b>--&gt; TOTAL SCORE</b>	<b>100</b>	<b>84.3</b>	<b>84.9</b>	<b>86.7</b>	<b>79.8</b>
<b>Ranking</b>		<b>3</b>	<b>2</b>	<b>1</b>	<b>4</b>

Evaluation Criteria (RFP Approved by Board on 9/22/2022 and Scoring Matrix approved on 10/20/2022)		Excluding OCIO			
	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	15.44	16.20	17.33	13.77
3. Investment Process	20.00	17.75	18.01	17.84	15.11
4. Performance/Includes 2022 Performance <i>(Excludes OCIO)</i>	15.00	14.13	11.62	13.82	13.37
5. Performance Measurement & Reporting	5.00	4.38	5.00	5.00	4.73
6. Fee Proposal	10.00	8.22	8.76	9.74	9.13
7. References	5.00	4.38	4.47	4.78	4.20
8. ESG	5.00	3.40	3.40	3.63	3.51
<b>--&gt; TOTAL SCORE</b>	<b>100</b>	<b>84.9</b>	<b>86.0</b>	<b>89.6</b>	<b>82.2</b>
<b>Ranking</b>		<b>3</b>	<b>2</b>	<b>1</b>	<b>4</b>

**GIC Only**

<b>Firm</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>5-year Sum (new)</b>	<b>5-year Sum (original)</b>
Callan*	\$750,000	\$750,000	\$750,000	\$800,000	\$825,000	\$3,875,000	\$4,085,000
Meketa**	\$725,000	\$725,000	\$745,000	\$765,000	\$790,000	\$3,750,000	\$4,075,000
NEPC	\$750,000	\$750,000	\$775,000	\$800,000	\$825,000	\$3,900,000	\$3,900,000
Verus	\$775,000	\$775,000	\$775,000	\$795,000	\$810,000	\$3,930,000	\$3,930,000

\* Callan reduced their proposal by \$210,000 over the five-year contract period from their original RFP response

\*\* Meketa reduced their proposal by \$325,000 over the five-year contract period from their original RFP response

**Real Estate Only\***

<b>Firm</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>5-year Sum</b>
Callan	\$180,000	\$180,000	\$185,000	\$190,000	\$190,000	\$925,000
Meketa**	\$250,000	\$250,000	\$250,000	\$265,000	\$280,000	\$1,295,000
NEPC	\$75,000	\$75,000	\$80,000	\$82,500	\$85,000	\$397,500
Verus	\$200,000	\$200,000	\$200,000	\$205,000	\$209,000	\$1,014,000

\* Assumes that ACERA uses real estate and GIC consulting services together

\*\* Meketa did not provide updated real estate consulting fees; data is from the RFP response

**All Services (Bundled Discount Included)**

<b>Firm</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>5-year Sum (new)</b>	<b>5-year Sum (original)</b>
Callan	\$930,000	\$930,000	\$935,000	\$990,000	\$1,015,000	\$4,800,000	\$5,010,000
Meketa*	\$975,000	\$975,000	\$995,000	\$1,030,000	\$1,070,000	\$5,045,000	\$5,370,000
NEPC	\$825,000	\$825,000	\$855,000	\$882,500	\$910,000	\$4,297,500	\$4,297,500
Verus**	\$900,000	\$900,000	\$900,000	\$923,000	\$941,000	\$4,564,000	\$4,944,000

\* Meketa can provide an updated "All Service" Bundled Total which includes real estate consulting services


\*\* Verus offers a discount if both general consulting and real estate services are provided, resulting in a total fees reduction of \$380,000 over the 5-years





**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

475 14th Street, Suite 1000, Oakland, CA 94612 | Phone: 510-628-3000 | Fax: 510-268-9574 | [www.acera.org](http://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 results<sup>1</sup>:**

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
<b>--&gt; TOTAL SCORE</b>	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
<b>--&gt; TOTAL SCORE</b>	100	75.9	76.9	81.4	72.8

<sup>1</sup> 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 13<sup>th</sup>, instead of August 9<sup>th</sup>.

**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

	<b>Action Items</b>	<b>Information Items</b>
January 11	<p><b><u>Board Action Item:</u></b></p> <ol style="list-style-type: none"> <li>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.</li> </ol>	<ol style="list-style-type: none"> <li>Semiannual Performance Review for the Period Ending June 30, 2022 – Real Estate</li> <li>Semiannual Performance Review for the Period Ending June 30, 2022 – Private Equity</li> <li>Semiannual Performance Review for the Period Ending June 30, 2022 – Private Credit</li> <li>Semiannual Performance Review for the Period Ending June 30, 2022 – Real Assets</li> <li>Proposed Investment Committee Work Plan for 2023</li> </ol>
February 8	<ol style="list-style-type: none"> <li>Discussion of and Possible Motion to Recommend that the Board Approve the Proposed New Manager Structure for the International Equity Asset Class</li> <li>Discussion of and Possible Motion to Recommend that the Board Adopt the 2023 – 2029 Investment Plan for ACERA's Real Assets Asset Class</li> <li>Discussion of and Possible Motion to Recommend that the Board Adopt the 2023 - 2026 Updated Private Equity Investment Plan</li> </ol>	<ol style="list-style-type: none"> <li>2023 Capital Market Assumptions</li> <li>Investment Committee Work Plan 2023</li> </ol>
March 8	<ol style="list-style-type: none"> <li>Discussion of and Possible Motion to Recommend to the Board to Approve an up to \$50 million Investment in Clayton, Dubilier, and Rice (CD&amp;R) XII as part of ACERA's Private Equity Portfolio – Buyouts, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations</li> </ol>	<ol style="list-style-type: none"> <li>Discussion of an up to \$10 Million Investment in Eclipse Fund V as part of ACERA's Private Equity Portfolio – Venture Capital</li> <li>Status Update on the General Investment Consultant (GIC) RFP Search</li> </ol>

### Notes:

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

**Notes:**

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.



## Investment Committee Workplan for 2023

July 12, 2023

	<b>Action Items</b>	<b>Information Items</b>
	<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>

**Notes:**

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.





## 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"> <li>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</li> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. Emerging Markets Equity Evaluation Criteria Detail Follow-Up</li> <li>2. General Investment Consultant (GIC) Search RFP Follow-up/additional information (Tentative Title)</li> </ol>
August 9	<p><del>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)</del></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"> <li>1. Education Session: Private Equity Fund-of-Funds</li> </ol>

**Notes:**

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.



## 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><del>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)</del></p> <p><del>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)</del></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>	

### Notes:

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.



## Investment Committee Workplan for 2023

July 12, 2023

	<b>Action Items</b>	<b>Information Items</b>
	<ol style="list-style-type: none"> <li>2. Discussion of and Possible motion to Recommend that the Board Adopt the Amended ACERA Placement Agent Disclosure Policy (Placeholder)</li> <li>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)</li> <li>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)</li> </ol>	
<p>November TBD (regular meeting will be moved to SACRS Conference)</p>	<ol style="list-style-type: none"> <li>1. Discussion of and Possible Motion to Recommend that the Board Adopt Amendments to ACERA’s Directed Brokerage (DB) Policy (Placeholder)</li> <li>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)</li> <li>3. Discussion of and Possible Motion to Recommend to The Board to Approve Updated Private Equity Policy</li> <li>4. Discussion of and Possible Motion to Adopt Search Criteria for Private Equity Fund-of-Funds</li> </ol>	

**Notes:**

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.



## Investment Committee Workplan for 2023

July 12, 2023

	<b>Action Items</b>	<b>Information Items</b>
December 13	<ol style="list-style-type: none"> <li>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)</li> <li>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)</li> <li>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)</li> </ol>	<ol style="list-style-type: none"> <li>1. Semiannual Performance Review for the Period Ending September 30, 2023 – Total Fund and Public Markets including Absolute Return</li> <li>2. Semiannual Performance Review for the Period Ending June 30, 2023 – Private Equity</li> <li>3. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Assets</li> <li>4. Semiannual Performance Review for the Period Ending June 30, 2023 – Private Credit</li> <li>5. Semiannual Performance Review for the Period Ending June 30, 2023 – Real Estate</li> <li>6. CA Gov. Code § 7514.7 Information Report</li> <li>7. Annual Update – ESG Implementation Plan</li> <li>8. <i>Quarterly report of ACERA’s investment manager, consultant, and custodian bank fees for the third quarter of 2023</i></li> <li>9. <i>Quarterly report on ACERA’s rebalancing activities for the third quarter 2023</i></li> <li>10. <i>Quarterly report on ACERA’s securities lending activities for the third quarter of 2023</i></li> <li>11. <i>Quarterly report on ACERA’s Directed Brokerage (DB) Program for the third quarter of 2023</i></li> <li>12. <i>Quarterly report on Investment Products and Services Introductions (IPSI) for the third quarter of 2023</i></li> <li>13. <i>Updated Investment Committee Work Plan 2023</i></li> </ol>

**Notes:**

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.

Finalists Presentations for the  
September 6, 2023 ICM  
(in alphabetical order)

# Callan



September 6, 2023

## **Alameda County Employees' Retirement Association**

Investment Consulting  
Presentation

---

### **James Callahan, CFA**

President

### **Claire Telleen, CFA**

SVP - West Coast Consulting Group

### **Chris Park, CFA**

VP - West Coast Consulting Group

### **Pete Keliuotis, CFA**

EVP - Head of Alternatives Consulting

# Introductions and Roles

## ACERA's Primary Team Members

### Core Values

- Keep client interests #1
- Honor every commitment
- Demand quality and integrity
- Pursue innovation that matters
- Lead through research & education



#### James Callahan, CFA

- President, Shareholder
- Investment Consultant
- 32nd year in the industry, 30 years with Callan
- BA, Boston College
- Chair of Client Policy Review Committee
- Member of Callan Board and Management Committees



#### Claire Telleen, CFA

- Senior Vice President, Shareholder
- Investment Consultant
- 15 Years with Callan and Industry
- BA, Boston College



#### Chris Park, CFA

- Vice President, Shareholder
- Investment Consultant
- 18th year in the industry, 5 years with Callan
- BS, University of California, Davis



#### Pete Keliuotis, CFA

- Executive Vice President, Shareholder
- Head of Alternatives Consulting
- 30th year in the industry, 4 years with Callan
- MBA, University of Chicago Booth School of Business
- Member of Callan's Alternatives Review, Client Policy Review, Management, and Editorial Committees

# Why Callan?

Callan would be honored to partner with ACERA

## 1 Culture

Callan combines the best attributes of a large and small firm. We love working here and it shows – our professionals have an average tenure of 12 years at the firm, and over 70% of our employees are shareholders.

## 2 Collaboration

Our culture is built around collaboration. We work one-on-one with you, serving as an extension of your staff, and our teams work closely together to share ideas, which allows us to generate better research and advice.

## 3 Customization

Our advice and partnerships are built to fit individual client needs. This allows us to deliver tailored, peer-reviewed recommendations unconstrained by generic buy lists, ratings, or firm wide client recommendations.

## 4 Committee Oversight

Callan introduced oversight committees in the 1980s to leverage our collective client experience. This ensures our best thinking is consistently and objectively delivered to each client.

## 5 Client Experience

We have 50 years of experience, working with an array of institutional investors including large Public DB Plans. Our retainer clients have an average tenure of 12 years.

## 6 Consulting Focus

Callan is 100% independent and 100% focused on consulting. As we celebrate our 50th anniversary, we are proud to be a consulting firm built by individuals who love working with clients and each other.



# Callan's Unique Culture is Differentiator

Our Mission is to advance each client's investment goals

- 100% broad employee ownership and singular business focus provides highest alignment of interest with ACERA
- Allows us to attract and retain the highest quality professionals in the industry
  - Consultant tenure averages 12 years (Callan); 22 years (Industry)
- Large firm capabilities but boutique feel (~200 associates)
- Serve as Fiduciaries – integrity is paramount
- Proprietary research and databases supported by dedicated specialists
- Comprehensive client service approach to foster collaboration and fully customized client solutions
- Strive to be affable, collegial, and humble
- Commitment to Diversity, Equity & Belonging (55% of shareholders are women or minorities; 50% of employees are diverse or female)



# Building Successful Client Partnerships Since 1973

- Callan has been providing research and consulting services to tax-exempt organizations, including public defined benefit plans, since our incorporation in 1973.
- During this time, we have established significant expertise in servicing defined benefit plans and currently have **157 public retainer and project clients**, collectively responsible for investing approximately **\$3.6 trillion in assets\***.

## Representative Public Defined Benefit Plan Clients

### **Alameda County Employees' Retirement Association** (inception July 2015)

Alaska Retirement Management Board

Arkansas Judicial Retirement System

Arkansas Public Employees' Retirement System

Charlotte Firefighters' Retirement System

City of Norwalk Pension Board

City of Tulsa Municipal Employees' Retirement Plan

Cook County

Firemen's Annuity and Benefit Fund of Chicago

Florida State Board of Administration

Georgia Municipal Association

Lexington-Fayette Urban County Government

### **Marin County Employees Retirement Association** (inception July 2000)

### **Mendocino County Employees' Retirement Association** (inception October 2009)

Milwaukee Employees' Retirement System

Milwaukee Public Schools

Nevada Public Employees' Retirement System

New Hampshire Retirement System

New York State Common Retirement Fund

New York State Teachers' Retirement System

North Dakota State Investment Board

North Dakota Teachers' Fund for Retirement

Pennsylvania State Employees' Retirement System

Public Employee Retirement System of Idaho

Public School Teachers' Pension and Retirement Fund of Chicago

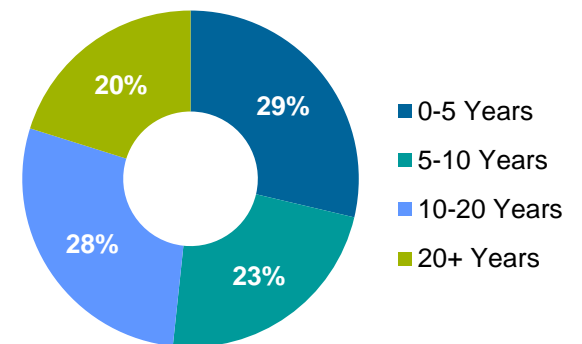
State Teachers Retirement System of Ohio

The North Carolina Department of State Treasurer

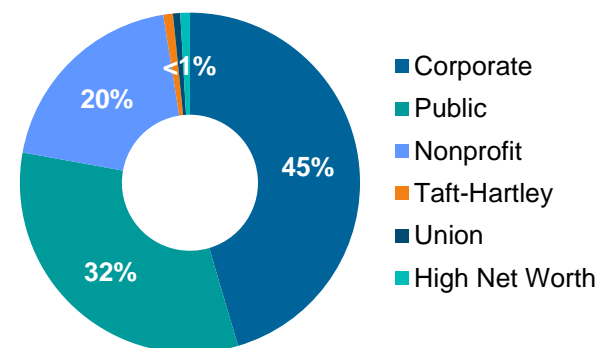
### **Utah Retirement Systems**

Wichita Police & Fire Retirement Board

## Callan Client Tenure



## Callan Retainer Client Types



\*As of 6/30/23

*Bold clients are serviced by proposed ACERA team.*

# Client-Focused Consulting Model

## Comprehensive Servicing Model for ACERA



### Callan Consulting Team

Jim Callahan   Claire Telleen   Chris Park   Pete Keliuotis

Responsible for day-to-day contact with ACERA

### Callan Public Fund Focus Group

Responsible for driving public fund trends and specific research

Client Policy Review Committee  
12 Senior Professionals

Alternatives Review Committee  
12 Senior Professionals

Manager Search Committee  
8 Senior Professionals

#### Strategic Planning

#### Capital Markets Research

8 professionals

*Also significantly contributes to our global manager research efforts*

*Asset Liability Analysis  
Portfolio structure analysis  
Investment policy development  
Risk analysis*

#### Plan Implementation

#### Traditional and Alternative Manager Research

53 professionals

#### Implementation Solutions Group

3 professionals

*Manager reviews and searches  
Alternatives sourcing & forward calendar  
Trust and Custody review  
Transition Management  
Fee/cost analysis*

#### Monitoring & Evaluation

#### Client Report Services Proprietary Database

28 professionals

*Supported by over 20 database, programming and systems professionals.*

*Customized reporting  
Total Fund, asset class, and manager analysis  
Custom benchmarking  
Performance attribution*

#### Education & Research

#### Callan Institute and "Callan College"

8 professionals

*Most Callan professionals participate as instructors and research writers*

*Client conferences  
Research papers and surveys  
Fiduciary education  
Custom education sessions*

As of June 30, 2023

# Callan's Investment Consulting Philosophy and Process

Sound Fiduciary Practice leads to Success

Since every large investor has a distinct set of circumstances, we approach each client uniquely.

We strive to build off the strengths already embedded in a client's program without taking a "one-size-fits-all" position.

## Strategic Planning

- Asset / Liability Analysis
- Asset class structure
- Investment policy development
- Risk analysis
- Alternatives planning

## Plan Implementation

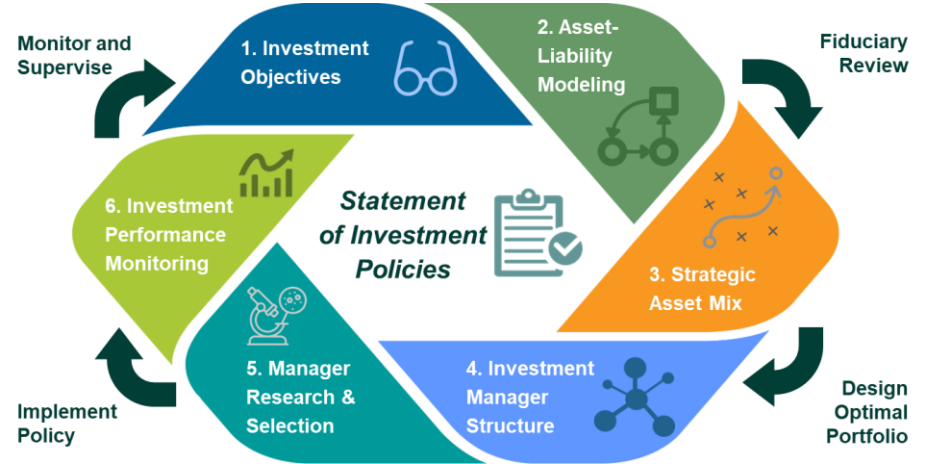
- Manager Review/Search
- Dedicated Alternatives Consulting
- Trust & Custody Review/Search
- Transition Management
- Fee / cost analysis

## Research & Education

- Callan Institute
- Conferences
- Research papers and Surveys
- Market trends
- "Callan College" Fiduciary Training

## Monitoring & Evaluation

- Customized reporting
- Total fund analysis
- Asset class and manager analysis
- Pure proprietary style groups
- Attribution



# ACERA's Target Asset Allocation

## Observations:

- Portfolio is well diversified including significant exposures alternatives.
- Fixed Income exposure is low (14%). Consider a higher allocation given current yields. Re-consider role of global unhedged fixed income within structure.
- ACERA's public equity exposure is targeted at 50% US/50% Non-US, reflecting a bias toward non-US stock relative to the neutral position to the global equity opportunity set. Consider moving to neutral position.
- The portfolio is expected to return 7.4% over the next ten years using Callan's 2023-2032 Capital Market Assumptions, exceeding the discount rate of 7.0%.
- Liquidity needs appear to be manageable. Despite manageable cash flows, ACERA may not want to further increase illiquid investment exposure. Liquidity stress testing should be conducted to examine potential worse-case outcomes.

ACERA Strategic Target	
<b>Public Equity</b>	<b>48%</b>
US Equity	24%
International Equity	24%
<b>Fixed Income</b>	<b>14%</b>
US Fixed Income	12%
Global Fixed Income	2%
<b>Real Estate</b>	<b>9%</b>
<b>Absolute Return</b>	<b>8%</b>
<b>Private Equity</b>	<b>11%</b>
<b>Real Assets</b>	<b>6%</b>
<b>Private Credit</b>	<b>4%</b>
	<b>100.0%</b>

<b>10 Year Geometric Mean Return Projection*</b>	<b>7.4%</b>
<b>Projected Standard Deviation*</b>	<b>14.0%</b>

Financial Position as of December 31, 2022**	
Market Value of Assets	\$9.2 Billion
Actuarial Accrued Liability	\$11.4 Billion
Market Funded Status	80.7%

\* Based on Callan 2023 Capital Market Assumptions; Real assets modeled as 50% private infrastructure / 35% natural resources / 10% global listed infrastructure / 5% commodities; Global Fixed Income modeled as 60% Global ex-US Fixed (unhedged) / 40% core US fixed

\*\*Source: ACERA Actuarial Valuation and Review as of December 31, 2022 prepared by Segal

# Callan's Research Resources

Deep team of career manager research professionals

## Commitment to dedicated resources

- Sole focus is research
- Highly valued, high-profile, career positions
- Original research, in-depth due diligence

## Proprietary database and analytics

- Full control over data collection and due diligence
- Clean, detailed, and continuous data

## Searches are client-driven and customized

- No buy-list
- Emphasis on both quantitative and qualitative analysis
- Thorough documentation of entire process

## Oversight committee for all Client Projects

- Best thinking across the firm
- Ensures quality control and adherence to well-defined and robust process

## Research Team by the Numbers\*

- 56** Specialty consultants
- 80%** Callan shareholders
- 29** CFA and/or CAIA charterholders
- 23** Advanced degrees

## Searches and Database by the Numbers\*\*

- 1,115** Manager searches completed over the last five years
- \$222bn** Assets represented by these searches
- 2,000+** Average number of manager meetings per year
- 2,400+** Organizations tracked in proprietary database
- 16,000+** Strategies tracked in proprietary database

\*As of June 30, 2023

\*\*As of December 31, 2022

# Callan's Experience with Diverse and Emerging Managers

## Education and outreach

### Callan Connects

*Launched in 2010, first-of-its-kind program developed by an investment consulting firm*



#### Open to:

- Firms >50% owned by a minority, woman, or disabled-person; no AUM limit
- Emerging firms (<\$3bn in AUM or raising Funds I, II, or III <\$1bn)

#### Dedicated meetings with Callan professionals

- Held quarterly in major U.S. cities (virtual as of March 2020)

**518** meetings since inception

**247** diverse-owned, **271** emerging

- Representing public equity, fixed income, private equity/debt, hedge funds, real assets and multi-asset class strategies
- Formal research notes maintained for all Callan Connects meetings

### Open-door policy for diverse managers



Promoting diverse-, women, and disabled-owned (DWDO) managers is a key tenet of the firm

- Callan has dedicated resources in each asset class to cover diverse and emerging firms
- We actively identify and encourage managers to participate in our database
- Callan includes a DWDO manager in every client search, where available

**182** meetings with diverse managers in 2022

**30** diverse firms advanced as semifinalists in our manager search process in 2022

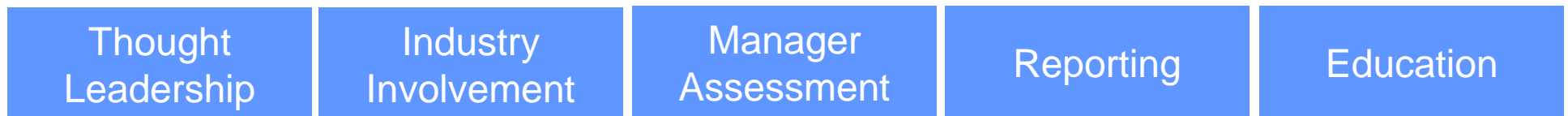
DWDO-focused, free annual workshops on industry best practices

Callan-sponsored attendees at “Callan College”

# Callan's ESG Methodology

Our ESG philosophy and framework to support our clients' needs

- Callan believes that ESG criteria may have a material impact on investments, and that these factors provide an important lens by which to assess potential financial outcomes.
- **Customized:** understand that each client has a unique mission, values and regulatory framework
- **Goal and objective-oriented:** help clients develop custom plan to integrate ESG into investment process (if desired)
- **Ongoing monitoring:** review ESG practices and update as necessary on regular basis
- Callan leverages our internal experts and available research to identify impactful solutions that align with our clients' values and desired outcomes.





# Alternative Investment Consulting at a Glance

Why clients partner with Callan

<p><b>Customized Design</b> </p> <p>Client's unique objectives, needs and constraints form the starting point of all that we do</p>	<p><b>Rigorous Process</b> </p> <p>Investment merits and client fit are scrutinized within an exacting review process</p>	<p><b>Tailored Delivery</b> </p> <p>Client collaboration emphasizes ease-of-use, staff education and client-specific needs</p>
--	--	---

**1985** Callan began providing customized alternatives research & consulting services

**\$113bn** Aggregate alternative investment commitments advised in the past 5 years

**82** Alternatives research and consulting clients served

**25** Specialists providing customized alternatives and real asset consulting services

**56** Dedicated database, operations, systems and performance reporting specialists

As of December 31, 2022

# ACERA Alternatives Portfolio Observations

## Private Equity

- ACERA's Private Equity portfolio is mature and well-diversified by strategy, with a tilt towards large buyouts and growth equity compared to Callan's base case. The buyouts portfolio is focused on sector specialists vs. generalists.
- The portfolio is primarily focused on North America, with a handful of non-US funds.

Callan recommends ACERA seek to further diversify the portfolio, particularly within Small Buyouts, Growth Equity and Venture Capital.

## Private Credit

- ACERA's Private Credit portfolio is new and focused exclusively on North America direct lending strategies, with all but one commitment.
- The portfolio is less diversified than Callan's base case portfolio, though some private credit exposure is included in the Debt-Related portion of the Private Equity portfolio.

Depending on the desired role of the Private Credit portfolio Callan recommends ACERA consider further diversification, including multi-strategy and specialty finance.

## Hedge Funds

- ACERA's Absolute Return portfolio is mature and concentrated, with a tilt towards illiquid credit.
- The long/short equity portfolio is focused on delivering lower beta to international equity markets.

Depending on the desired size and role of the Absolute Return portfolio Callan recommends reducing illiquid exposure and improving diversification, including relative value, event driven, equity market neutral and global macro strategies.

## Customized Performance Measurement & Reporting

- 45+** Year commitment to performance measurement
- 25** Dedicated performance analysts
- 3** Analytical solutions experts
- 6** Investment database specialists
- 10** Programmers/system analysts

Empowers clients with performance measurement, database, and investment analytics

- Proprietary data
- Innovative analytical tools
- Customized, flexible, accurate reporting

**Callan's Proprietary Research and Performance Technology:** We invest heavily in proprietary tools to support client portfolios

### DNA

Integrated platform of analytical tools and manager database. Over 40 years of live client, manager, peer group, alternative investment, and index data. Contains ESG and DEI statistics.

### Performance Evaluation Program (PEP)

Callan's performance evaluation software, powered by our proprietary manager database and 3<sup>rd</sup> party index, peer group, and alternative investment subscriptions. Portfolio construction tool for evaluating / monitoring portfolio exposures.

### AssetMax

Callan's mean variance optimization and Monte Carlo simulation software, powered by our proprietary Capital Market Expectations.

# Clear, Customized Reporting to ACERA

## US Equity Managers

- Positive status; no issues
- Notable status; noteworthy item with no concerns
- Cautionary status; noteworthy item & monitoring closely
- Under Review status; noteworthy item with concerns

	Manager Overall	Product People	Philosophy/Process	Short Term Performance	Long Term Performance	Product Dynamics	Product Overall	OVERALL STATUS	LAST CALLAN MEETING DATE	NOTES
<b>US EQUITY MANAGERS</b>										
Aristotle Value Equity	●	●	●	●	●	●	●	Within Expectations	4/18/23	<ul style="list-style-type: none"> <li>• Consistent overweight to Technology vs. the Russell 1000 Value Index. Portfolio consistently positioned in the core value area given philosophy and approach.</li> <li>• Performance pattern will diverge from value index and large value peers. Significantly underperformed in calendar year 2022 and performed very well when growth was in favor. Long-term record is competitive vs. value peers.</li> </ul>
TCW Concentrated Core	●	●	●	●	●	●	●	Cautionary	2/24/23	<ul style="list-style-type: none"> <li>• Monitoring the CEO leadership transition which occurred at year-end 2022.</li> <li>• Craig Blum transitioned to a "strategic advisor" role in July 2023. Long-time analyst Brandon Bond took over PM responsibilities.</li> <li>• Poor returns during 2022 have weighed on trailing returns.</li> </ul>
Kennedy Small Cap Value	●	●	●	●	●	●	●	Within Expectations	6/8/23	<ul style="list-style-type: none"> <li>• Azimut Group, an Italy-based asset management firm, completed a strategic partnership with Kennedy in February 2023. Azimut now owns 35% of Kennedy Capital with an option to maximize its ownership stake at 80% over 10 years and also holds two board seats. While Kennedy remains autonomous from a day-to-day business and investment standpoint, we will continue to monitor the impact of this partnership on future product development, asset growth, and investment team continuity.</li> </ul>
William Blair Small Cap Growth	●	●	●	●	●	●	●	Within Expectations	6/6/23	<ul style="list-style-type: none"> <li>• The strategy has experienced some notable PM transitions in recent years due to retirements; PM Karl Brewer retired in 2017 and PM Mike Balkin retired in 2020. Despite these retirements, the strategy continues to benefit from philosophical and process continuity as PMs Ward Sexton and Mark Thompson have been affiliated with the strategy since 1999 and 2006, respectively.</li> <li>• The strategy is open to new investors, though capacity remains constrained. The investment team has limited new separate accounts to \$25 million and under.</li> </ul>

## Formalized Education and Research

Focus on assisting clients employ best fiduciary practices

### Callan Institute

**The Callan Institute aims to improve the best practices of the institutional investment community through research, education, and dialogue.**

**Live Events (conferences and workshops):**

Opportunities to share research and thought leadership while also facilitating the exchange of ideas between Callan and Institute clients

**Research:** White papers, surveys/studies, charticles, videos, newsletters

**Blogs:** Timely, brief insights

**Webinars:** Opportunities for ongoing education on specific investment areas (e.g., securities lending, ESG, infrastructure, etc.) throughout the year that are easily accessible

### Center for Fiduciary Training (“Callan College”)

**Callan College is an introduction to institutional investment plan management and oversight for fiduciaries.**

**Course Curriculum**

The Role of the Fiduciary

Investment Policy Statements

Capital Market Theory and Asset Allocation

Asset Class Structure and Implementation

Investment Manager Searches

Performance Measurement

## Callan's Best and Final Fee Proposal to ACERA

Callan proposes the below GIC retainer fee for a five-year relationship with ACERA. All travel and administrative costs are included.

Service	Fee for Year					
	1	2	3	4	5	Total
<b>General Investment Consulting (excluding Specialized Real Estate Consulting)</b>	\$750,000	\$750,000	\$750,000	\$800,000	\$825,000	\$3,875,000
<b>Specialized Real Estate Consulting</b>	\$180,000	\$180,000	\$185,000	\$190,000	\$190,000	\$925,000
<b>All Services (total of above)</b>	\$930,000	\$930,000	\$935,000	\$990,000	\$1,015,000	\$4,800,000

- The best and final fee proposal reflects a discount of \$210,000 over the 5-years from the fees initially proposed in our RFP response.
- If Callan is hired for both the GIC and Specialized Real Estate consultant roles, we propose the Specialized Real Estate Consulting fee stated below, reflecting a 20% discount from the current contract fee with ACERA starting in year 1.
- Our revenue from working with ACERA is entirely derived from our retainer.
- Callan will not charge additional fees unless an out-of-scope project is agreed upon in writing.
- There is no additional fee for occasional ad hoc meetings that may be required by ACERA. As a California Bay Area headquartered firm, Callan is easily accessible to ACERA for in person meetings.

# Thank you! Callan would be honored to partner with ACERA

As a Bay Area based company, we care deeply about the success of the California county retirement programs and would be honored to serve the ACERA Investment Committee, Board, Staff and beneficiaries as the investment consultant to the ACERA investment program.

## Culture

Callan combines the best attributes of a large and small firm. We love working here and it shows – our professionals have an average tenure of 12 years at the firm, and over 70% of our employees are shareholders.

## Collaboration

Our culture is built around collaboration. We work one-on-one with you, serving as an extension of your staff, and our teams work closely together to share ideas, which allows us to generate better research and advice.

## Customization

Our advice and partnerships are built to fit individual client needs. This allows us to deliver tailored, peer-reviewed recommendations unconstrained by generic buy lists, ratings, or firm wide client recommendations.

## Committee Oversight

Callan introduced oversight committees in the 1980s to leverage our collective client experience. This ensures our best thinking is consistently and objectively delivered to each client.

## Client Experience

We have 50 years of experience, working with an array of institutional investors including large Public DB Plans. Our retainer clients have an average tenure of 12 years.

## Consulting Focus

Callan is 100% independent and 100% focused on consulting. As we celebrate our 50th anniversary, we are proud to be a consulting firm built by individuals who love working with clients and each other.

Callan

---

**Appendix**



## Callan Biographies



**James A. Callahan, CFA**, is Callan's president, overseeing defined contribution consulting, alternatives consulting, real assets consulting, independent investment adviser consulting, as well as trust, custody, and securities lending consulting. In addition to being a member of Callan's Management Committee and Editorial Committee, Jim serves as the chair of Callan's Client Policy Review Committee, which provides oversight and direction on the firm's strategic planning work for clients. He is a shareholder of the firm.

Prior to his role as president, Jim served as the head of Fund Sponsor Consulting, overseeing the firm's consulting offices. Jim's prior roles at Callan include management of the San Francisco, Atlanta, and Chicago offices. He joined Callan in 1993 as an analyst in the firm's Client Report Services group, and was previously an analyst and trader within the money market securities team at Bankers Trust Company in New York.

Jim earned a BA in economics from Boston College and is a holder of the right to use the Chartered Financial Analyst® designation.



**Claire Telleen, CFA**, is a senior vice president and investment consultant on Callan's West Coast consulting team. Based in the San Francisco office, she works with a variety of clients, including public defined benefit plans, corporate defined benefit plans and defined contribution plans. Claire provides client service and support in the areas of investment manager monitoring and reviews, performance measurement, strategic planning and implementation, and additional client projects. Claire is a member of Callan's Defined Contribution Committee and is a shareholder of the firm.

Claire joined Callan in 2008. Prior to becoming a consultant in 2011, she was a senior analyst Callan's Client Report Services group, where she was responsible for calculating investment returns, preparing monthly and quarterly performance measurement reports, training new analysts, and handling special client requests.

Claire earned a BA in mathematics with a minor in economics from Boston College. Claire is a holder of the right to use the Chartered Financial Analyst® designation, and is a member of CFA Institute and CFA Society San Francisco.

## Callan Biographies



**Chris Park, CFA**, is a vice president on Callan’s West Coast consulting team. Based in the San Francisco office, he provides support to clients in the areas of performance evaluation, strategic planning and implementation, investment manager review, and the coordination of special client proposals and requests. Chris is a shareholder of the firm.

Prior to joining Callan in 2018, Chris was a senior analyst with Franklin Templeton in the alternative investments group where his responsibilities included corporate strategy and product development. He has also held analyst positions in the global product strategy, marketing, and research development groups. Chris began his career as a financial adviser with Waddell and Reed.

Chris earned a BS in managerial economics and a BA in psychology from the University of California, Davis in 2005. Chris is a holder of the right to use the Chartered Financial Analyst® designation, and is a member of CFA Institute and CFA Society San Francisco.



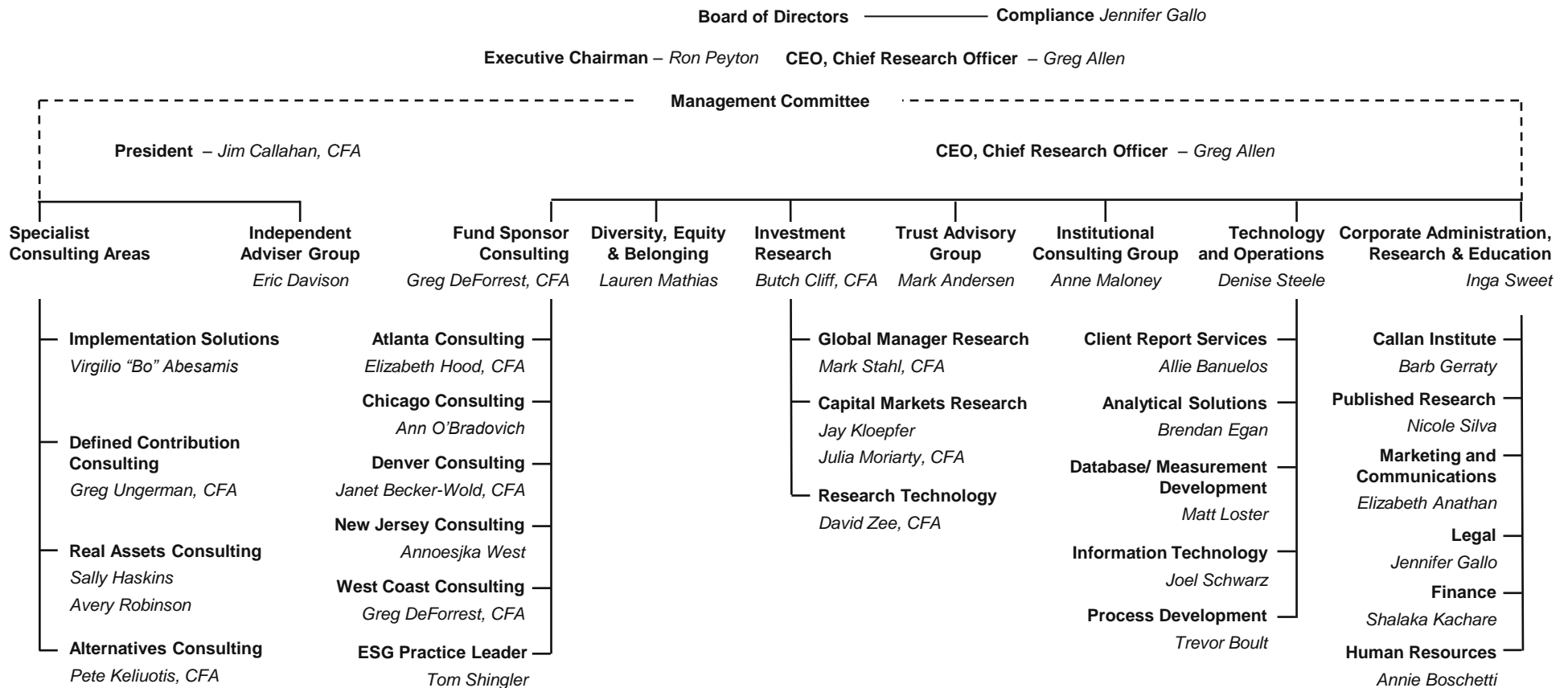
**Pete Keliuotis, CFA**, is an executive vice president and the head of Callan’s Alternatives Consulting group. He joined Callan in 2019 to lead the private equity, private credit, and hedge fund consulting teams, in addition to advising clients’ alternatives investment portfolios. Pete is a member of Callan’s Alternatives Review, Client Policy Review, Management, and Editorial committees. He is a shareholder of the firm.

Prior to joining Callan, Pete was a senior managing director of Cliffwater LLC and a senior member of their portfolio advisory team, specializing in alternative investing for institutional clients. Prior to Cliffwater, Pete was a managing director and the CEO of Strategic Investment Solutions, where he led the general and private markets consulting teams and advised several large institutional investors. Previous experience also includes Mercer Investment Consulting, where he was a principal and senior consultant, Hotchkis and Wiley in Los Angeles, and Northern Trust Company in Chicago.

Pete earned an MBA in analytic finance from the University of Chicago Booth School of Business and a BS in economics from the University of Illinois at Urbana-Champaign. He is a holder of the right to use the Chartered Financial Analyst® designation.

# Organization Chart

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional clients with creative, customized investment solutions that are uniquely backed by proprietary research, exclusive data, ongoing education and decision support. Today, Callan advises on over \$4 trillion in total assets, which makes us among the largest independently owned investment consulting firms in the U.S. We use a client-focused consulting model to serve public and private pension plan sponsors, nonprofits, operating funds, smaller investment consulting firms, investment managers, and financial intermediaries. For more information, please visit [www.callan.com](http://www.callan.com).



As of April 2023

# Callan's Business Model

A diversified revenue stream has been critical to our ability to continue to reinvest in our people and our proprietary systems. It is what allows us to deliver greater capability to our clients at more competitive fees.

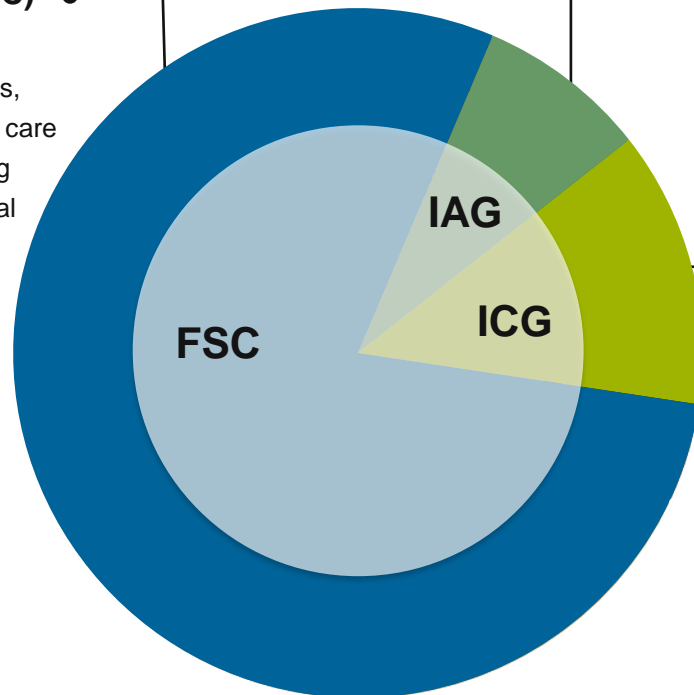
## Fund Sponsor Consulting (FSC)

Clients include defined benefit and defined contribution plans, endowments, foundations, insurers, hospitals, health care systems, and nuclear decommissioning trusts, as well as other large institutional asset pools

529 funds

\$4.7 trillion in assets

79% of Callan's revenues



## Independent Adviser Group (IAG)

Clients include "middle market" consulting firms and financial intermediaries

27 members

8% of Callan's revenues

## Institutional Consulting Group (ICG)

Clients are investment management organizations

163 clients

\$49.3 trillion in assets

13% of Callan's revenues

FSC & IAG client counts as of 6/30/23 – ICG as of 3/31/23. All revenue as of 12/31/22.

---

## Managing Conflicts of Interest

The success of our business depends on maintaining our unblemished record for providing clients with objective advice. Callan's approach has always been to acknowledge and then aggressively manage possible conflicts to ensure they never manifest in the advice we give clients. Our firm is vigilant about employing a highly systematized process that vets potential conflicts, maintains separation of business units, and ensures that we are being entirely transparent in all our relationships. We mitigate conflicts of interest by adhering to the following:

**Code of ethical responsibility:** Callan adheres to a firm-wide ethical code which each associate must review and acknowledge in writing every year. This code affirms for Callan employees that they must uphold their duty to our clients by adhering to specific policies and procedures. Any breach of this code can result in immediate termination.

**Compliance:** Our in-house compliance officer makes sure Callan is adhering to all industry standards and regulations, while also identifying risks and putting procedures in place to mitigate them. This officer reports directly to the board of directors to ensure that any employee and all compliance oversight have a separate and distinct line of reporting away from the internal manager and report structures.

**Separation of business units:** Each of Callan's business units maintains its own personnel, as well as its own profit-and-loss accounting system. Employee compensation is contained within each separate business unit. Clients from one business unit do not receive preferential treatment in another. This statement of fact is communicated to each client at the start of any relationship with Callan and reiterated in writing on an annual basis.

**Peer Review:** Every manager search or strategic planning project undertaken for a client is a collective effort involving the client, general consultant, a team of specialists, and ultimately a peer review committee. Callan's Manager Search Committee, composed of approximately a dozen senior consultants, verifies the accuracy, completeness and objectivity of all methods used in the manager screening process. For strategic planning services, the Client Policy Review Committee, which is comprised of approximately a dozen senior consultants, evaluates all reports before they are submitted to the client. This environment of complete transparency requires a thoroughly documented process that is free of unsupported personal opinions and biases.

**Disclosure:** Callan believes in being proactively transparent with respect to all business activities and relationships. We routinely furnish our fund sponsor clients with a complete list of all investment managers who have professional relationships with Callan. New clients receive this information at the outset of our relationship.

# Callan's Commitment to Diversity, Equity & Belonging (DEB)

- Our approach to DEB reflects Callan's core values and has been a cornerstone of our business since the firm's founding in 1973.
- Callan's DEB Executive Sponsor, Champion, and Council are responsible for implementing the DEB strategy.
- Our goal is to engage, innovate, and grow by building a diverse workforce, pursuing equitable outcomes, and creating a sense of belonging.



Greg Allen  
Executive Sponsor

Lauren Mathias  
Champion

**DEB Council**

Annie Boschetti, Paola Cardenales, Citlali Cuevas, Laura Dawson, Mike Joecken, Lindsay Jones, Juan Pablo Piz, Erik Partida, Avery Robinson, Jeff Salyer, Álvaro Vega, Nicole Wubbena

# Diversity, Equity & Belonging (DEB)

Actionable roadmap for meaningful change now and in the future

## Education



- ▶ Continue inclusive leadership training and improve DEB proficiency of all employees
- ▶ Support industry organizations that advocate for DEB to further our knowledge and teach others

## Recruitment



- ▶ Expand recruitment opportunities to make our pipeline of diverse candidates more robust
- ▶ Build on Callan's Student Educational Summit to enhance our recruitment opportunities and encourage broader representation across our industry
- ▶ Utilize the improved, equitable interview process across all departments and offices

## Mentoring & Training



- ▶ Design a more equitable onboarding program for new employees
- ▶ Create a formal mentorship program

## Retention



- ▶ Create employee resource groups to facilitate open dialogue, enhance engagement, and foster learning opportunities
- ▶ Measure the effect of established equitable policies for promotion and partnership
- ▶ Continue employee engagement surveys to monitor our progress on DEB

## Community Engagement



- ▶ Develop guidelines for community engagement programs for all employees
- ▶ Utilize Callan's DEB Awareness Calendar to provide opportunities to engage on important cultural events
- ▶ Expand outreach to diverse asset managers through our research, education, and client engagement, including our longstanding program Callan Connects

# Sample Work Plan

	4Q23		1Q24			2Q24			3Q24			
<b>Strategic Planning</b>												
Planning Meetings – Board, Staff and Provider												
Develop, Review and Approve Work Plan												
Review Investment Policy Statement												
Investment Structure Evaluation Review												
Recordkeeping and Administrative Fee Review												
Investment Manager Fee Review												
Review Manager Line-Up												
Pacing Studies												
<b>Plan Implementation</b>												
Investment Structure Recommendations												
Manager Searches and Underwritings (as needed)												
Revise Investment Policy Statement												
Mapping and implementation assistance (as needed)												
<b>Monitoring &amp; Evaluation</b>												
Monthly Performance Reporting												
Quarterly Performance Reviews												
Quarterly Meeting Attendance												
Ongoing Monitoring and Qualitative Review												
GP requests for financial statements												
<b>Research &amp; Education</b>												
Callan Research, Papers & Education												
“Callan College”												
Regional Workshops												
National Client Conference												

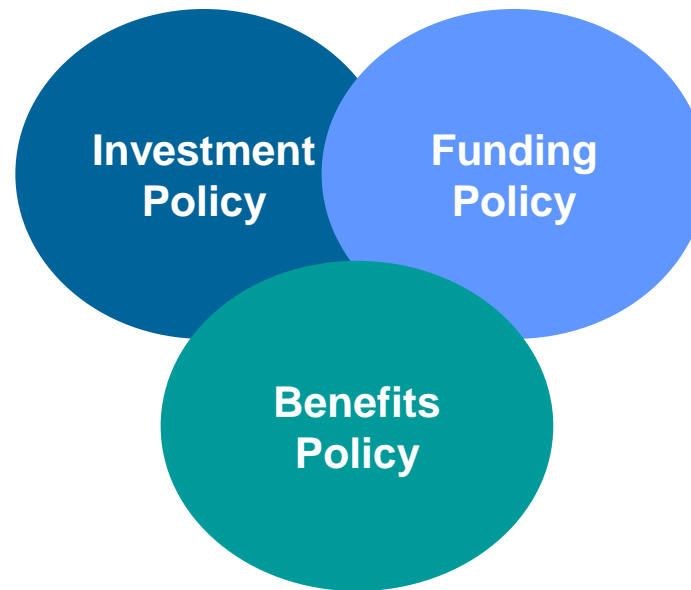


# ACERA's Current Condition

7.0% Discount Rate

## Investment Policy

- 48% Public Equity
- 14% Fixed Income
- 38% Alternatives
  - 9% Real Estate
  - 6% Public Real Assets
  - 8% Absolute Return
  - 11% Private Equity
  - 4% Private Credit



## Funding Policy

- Normal Cost plus Amortization of unfunded liability
- Employees pay about half the normal cost of the plan
- FY22 contributions = \$402 m
  - Employer contribution = \$282 m
  - Employees contribution = \$120 m

## Benefits Policy

- Multiple employee classifications and tiers
- Benefits are currently ~\$640m per year (~6% of assets)
- All Tiers have COLA up to 2-3% per year

- The ACERA Plan is complex with multiple employee classifications and Tiers.
- At age 65, miscellaneous accrual rate > 2.3% and safety accrual rate > 2.7% across all Tiers.
- Employees pay about half the normal cost of the Plan. Employee contributions are complex as they vary by entry age and cohort. Employee rates have a wide range from 9 - 18% of payroll.
- The ACERA Plan is fairly mature: 35% of total liability is active (\$4B of \$11.4B), and benefit payments represent ~6% of assets.

Source: ACERA Actuarial Valuation and Review as of December 31, 2022 prepared by Segal

## 2023 vs. 2022

### ACERA Target Asset Allocation

Higher risk and return improves nominal return by ~100 bps and increases risk by ~10 bps.

Projected real portfolio returns are higher in 2023.

Early action by some public retirement plans indicates a renewed appreciation for fixed income with modest increases to bond asset classes.

Asset Class	ACERA Target Allocation	2022 Returns	2023 Returns	2022 Change
Broad U.S. Equity	24%	6.60%	7.35%	0.75%
Global ex-U.S. Equity	24%	6.80%	7.45%	0.65%
Fixed Income (Agg)	12%	1.75%	4.25%	2.50%
Global Fixed Income	2%	1.25%	3.15%	1.50%
Private Equity	11%	8.00%	8.50%	0.50%
Real Estate	9%	5.75%	5.75%	0.00%
Private Credit	4%	5.50%	7.00%	1.50%
Absolute Return	8%	4.10%	5.60%	1.50%
Real Assets	6%	6.50%	7.00%	0.50%
Inflation (CPI-U)		2.25%	2.50%	0.25%
<b>Total Fund</b>		<b>2022</b>	<b>2023</b>	<b>2022 Change</b>
Expected Return (Nominal)		6.4%	7.4%	1.0%
Expected Return (Real)		4.1%	4.9%	0.8%
Standard Deviation		14.0%	14.0%	0%
Sharpe Ratio		0.36	0.32	-0.04

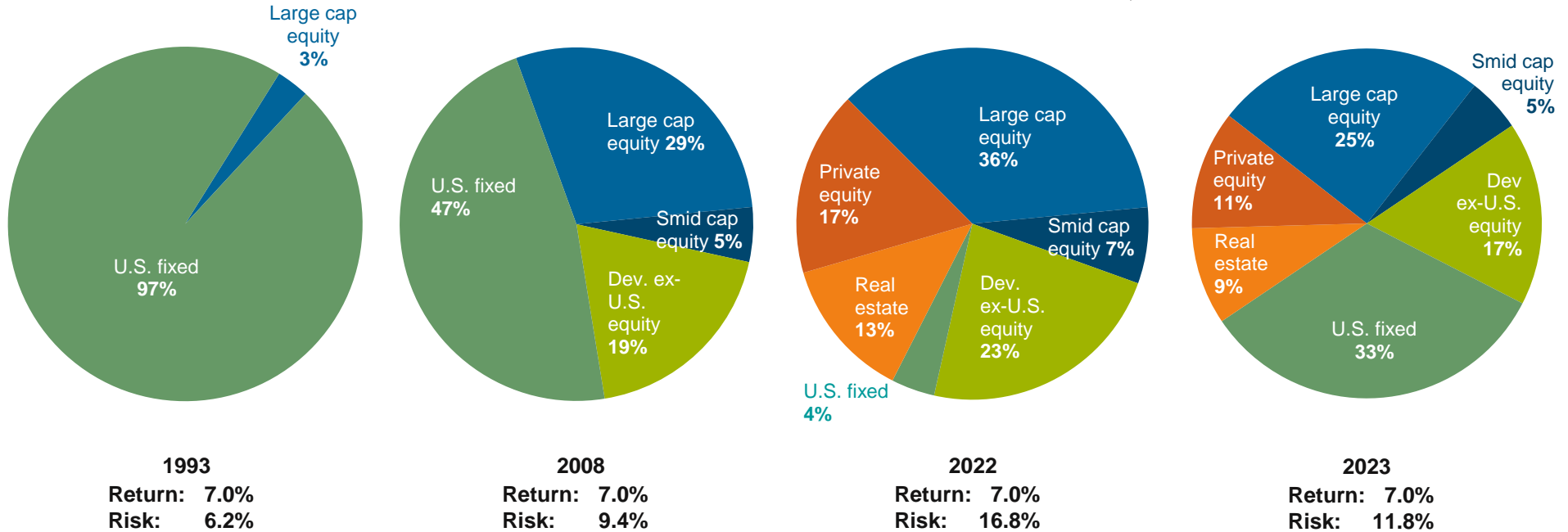
Source: Callan

Real assets modeled as 50% private infrastructure / 35% natural resources / 10% global listed infrastructure / 5% commodities.

Global Fixed Income modeled as 60% Global ex-US Fixed (unhedged) / 40% core US fixed

# 7% Expected Returns Over Past 30 Years

## Increasing Complexity



## Increasing Risk

In 1993, our return expectation for broad U.S. fixed income was 6.85%.

Just 3% in return-seeking assets was required to earn a 7% projected return.

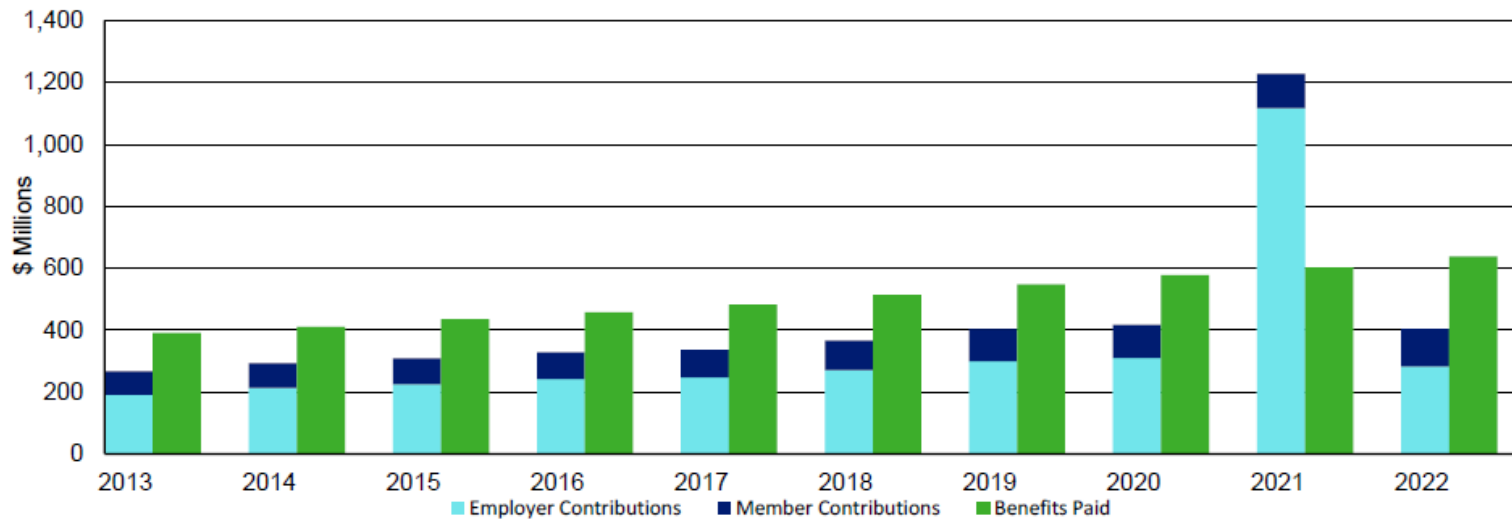
15 years later, an investor would have needed over half of the portfolio in public equities to achieve a 7% projected return.

In 2022 an investor was required to include 96% in return-seeking assets (including 30% in private market investments) to earn a 7% projected return at almost 3x the volatility compared to 1993.

Today's 7% expected return portfolio is much more reasonable than it was just a year ago. The allocation to fixed income jumps to 33%, while risk drops by 30%. Illiquid alternatives (PE and private RE) also drop by 1/3.

# ACERA's Liquidity Profile

Comparison of Contributions Made with Benefits Paid  
for Years Ended December 31, 2013 – 2022



2021 contributions include \$812,611,250 in additional voluntary Safety and LARPD General contributions to reduce their UAAL.



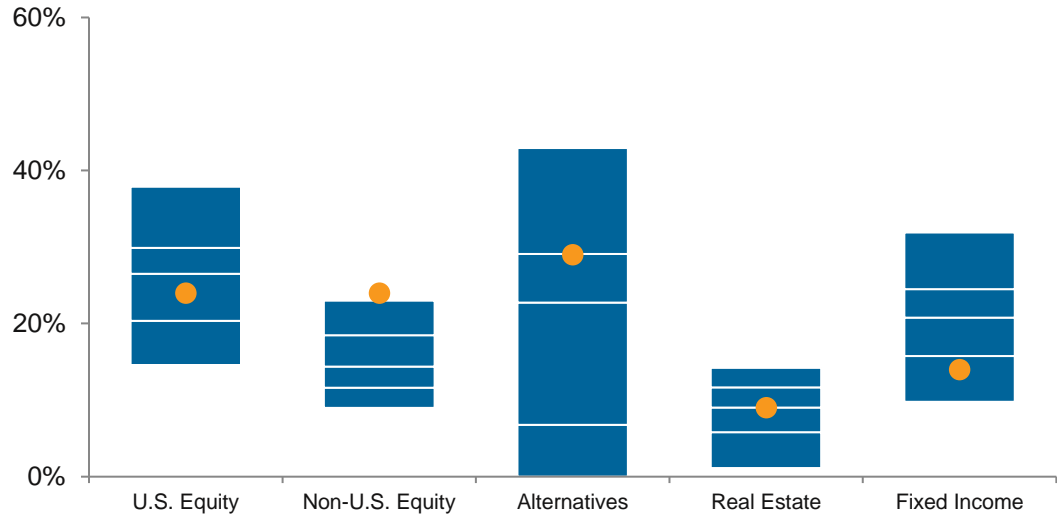
- Liquidity needs appear to be manageable without any need to change Asset Allocation.
- Plan is contributing ~\$400M now and benefits were ~\$640M last year. Net impact is only 2.1% drain on assets.
- This is positive since the portfolio has a substantial allocation (32%) to illiquid investments (Private Real Estate, Absolute Return, Private Equity, Private Credit).
- Despite manageable cash flows, ACERA may not want to further increase illiquid investment exposure. Liquidity stress testing should be conducted to examine potential worse-case outcomes.

Source: ACERA Actuarial Valuation and Review as of December 31, 2022 prepared by Segal

# What Are Other Public Funds Doing?

Public Defined Benefit Plans – Asset Allocation as of December 31, 2022

## ACERA Plan Compared to Callan’s Public Fund Sponsor Database (V Lg >10B)



Allocations for the ACERA Defined Benefit Plan are consistent with Callan’s Public Fund peer group.

Exposure to Fixed Income is low relative to peers, while ACERA policy allocations to Non-US Equity are high.

10th Percentile	38%	23%	43%	14%	32%
25th Percentile	30%	18%	29%	12%	24%
<b>Median</b>	<b>27%</b>	<b>14%</b>	<b>23%</b>	<b>9%</b>	<b>21%</b>
75th Percentile	20%	12%	7%	6%	16%
90th Percentile	15%	9%	0%	1%	10%

% Group Invested	<b>96%</b>	<b>96%</b>	<b>71%</b>	<b>92%</b>	<b>100%</b>
------------------	------------	------------	------------	------------	-------------

ACERA Target	●	24%	24%	29%	9%	14%
--------------	---	-----	-----	-----	----	-----

# Risk Management: Monitoring and Evaluation

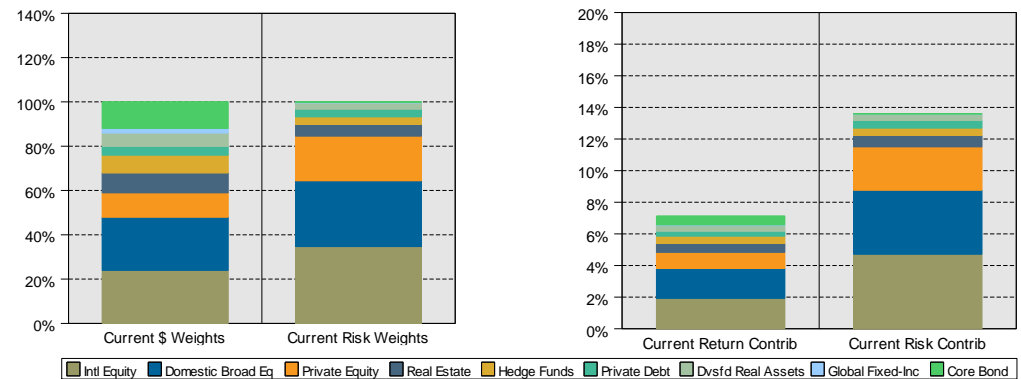
## Forward-Looking Risk Analysis of the Total Fund

- Forward-looking analysis of the projected long-term total fund risk, return, and diversification benefits (improvement in risk and Sharpe ratio) using long-term capital market assumptions.
- The top table displays the projected results and diversification benefits for the total fund using both the actual and target asset allocations.
- The middle and bottom exhibits give a detailed attribution by asset class of the sources of projected total fund risk and return. This analysis juxtaposes dollar weights with projected risk weights and examines the projected risk and return contribution by asset class.

### Total Fund Projected Risk Profile

	Projected Return	Projected Risk	Projected Sharpe	Risk w/o Diversification	Risk Diversification	Sharpe Diversification
Long-Term Target Asset Allocation	7.12%	13.61%	0.32	16.24%	<b>2.64%</b>	<b>0.05</b>

### Projected Risk and Return Sources



### Detailed Risk and Return Sources by Asset Class

	Long-Term Target Wgt	Proj Return	Proj Risk	Long-Term Target Risk Wgt	Proj Return Contrib	Proj Risk Contrib	Proj Rtn/Risk Contrib
Domestic Broad Eq	24%	7.37%	18.07%	<b>29.74%</b>	1.90%	4.05%	0.47x
Intl Equity	24%	7.47%	21.26%	<b>34.70%</b>	1.93%	4.72%	0.41x
Core US Fixed	12%	4.23%	4.10%	<b>0.16%</b>	0.55%	0.02%	24.86x
Global Fixed Inc	2%	2.25%	9.80%	<b>0.25%</b>	0.05%	0.03%	1.39x
Core Real Estate	9%	5.75%	14.20%	<b>5.18%</b>	0.56%	0.70%	0.79x
Private Equity	11%	8.55%	27.60%	<b>20.18%</b>	1.01%	2.75%	0.37x
Hedge Funds	8%	5.57%	8.45%	<b>3.53%</b>	0.48%	0.48%	1.00x
Private Credit	4%	7.03%	15.50%	<b>3.45%</b>	0.30%	0.47%	0.64x
Real Assets	6%	5.55%	8.46%	<b>2.80%</b>	0.36%	0.38%	0.94x

# Public Markets Structure Considerations

## Seek to maximize plan alpha at a palatable level of active risk relative to the plan benchmark

- Think of manager structure in an overall portfolio context
- Incorporate active managers only if they are expected to contribute sufficient alpha to compensate for the possibility of underperforming the benchmark
- This is a net-of-fees exercise

## Spend plan's active risk budget efficiently

- Spend active risk in sectors and regions where active management has high probability of succeeding
- Otherwise, rely heavily on indexes in order to control both expenses and risk
- Keep magnitude of systematic bets vs. the plan benchmark (misfit risk) under control

## Incorporate diversification

- Seek broad diversification across global equity markets
- The risk an individual active manager contributes to the overall portfolio depends on both its size and its tracking error
- Avoid excessive risk contribution from any one manager
- However, avoid over diversification or “closet indexing”

## Simplify where appropriate

- Structure should meet investment objective with the minimum level of complexity
- Benefit is lower monitoring costs as well as explicit costs
- Active manager mandate sizes must be large enough to be meaningful to the fund but not overwhelming to the manager

# Manager Research

## Callan's Manager Database

You can use Callan data with confidence – we stand behind the data because we own and control it.

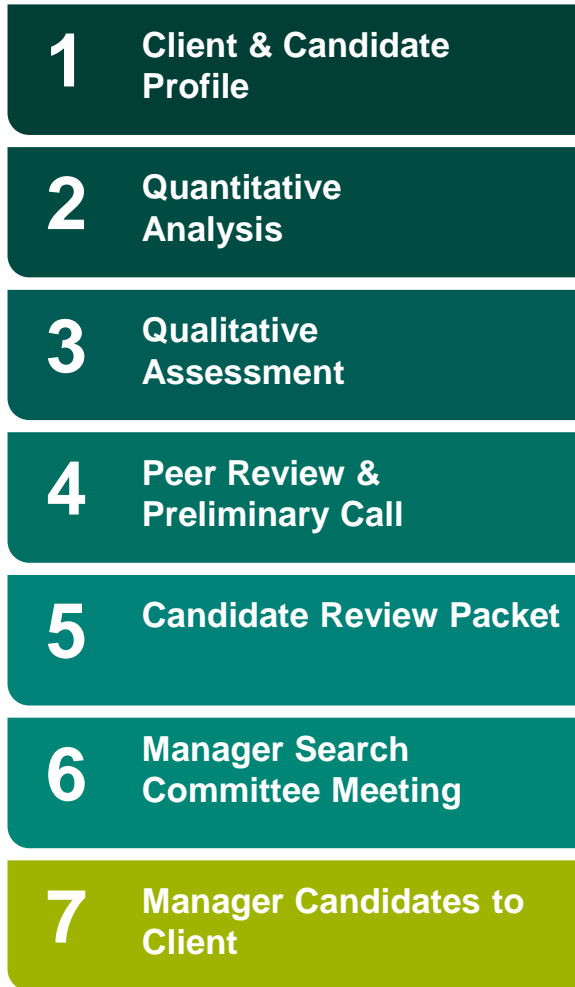
Investment Manager Database			Multiple Manager Touchpoints	
	No. Products	No. Managers		
<b>U.S.</b>			<ul style="list-style-type: none"> <li>– 443 DWDO firms in database</li> <li>– 2,000+ manager meetings / onsite annually                             <ul style="list-style-type: none"> <li>– 180 meetings with DWDO firms in 2022</li> </ul> </li> <li>– 220 manager searches per year                             <ul style="list-style-type: none"> <li>– DWDO firms included in each search</li> </ul> </li> <li>– Hundreds of managers analyzed / year via client performance measurement</li> </ul> <p>As of 12/31/22</p>	
Equity	3,962	979		
Fixed Income	2,954	487		
Balanced	269	132		
<b>Global ex-U.S. / Global / Emerging</b>				
Equity	3,320	1,255		
Fixed Income	645	261		
Balanced	135	80		
<b>Real Estate</b>				
Private	2,084	600		
Public	188	83		
<b>Real Assets</b>				
Private	380	171		
Public	121	72		
<b>Hedge Funds</b>				
	901	261		
<b>Multi Asset Class</b>				
	169	92		
<b>Other</b> (currency, derivatives, etc.)				
	192	136		
<b>Target Date Funds</b>				
	1,139	58		
<b>Total</b>	<b>16,459</b>	<b>2,626*</b>	<b>Private Equity Database</b> 4,726 products 3,710 managers  <b>Private Credit Database</b> 283 products 172 managers	

Managers are never charged a fee to be in Callan's database.  
 \*Represents Unique Organizations

As of June 30, 2023



# Manager Search Process



**110 searches**  
included diverse-  
owned firms, 2022  
plus year-to-date  
2023  
(2022 – 2Q 2023)

## Universe of managers in Callan's database

- 10,000 managers; 16,000 products
- No cost to submit data; proprietary database to maintain data integrity

## Manager knowledge

- 2400 manager meetings, onsite, and conference calls per year
- Industry coverage, research and discovery by GMR specialists
- Speaking engagements

## Key criteria considered during the search process

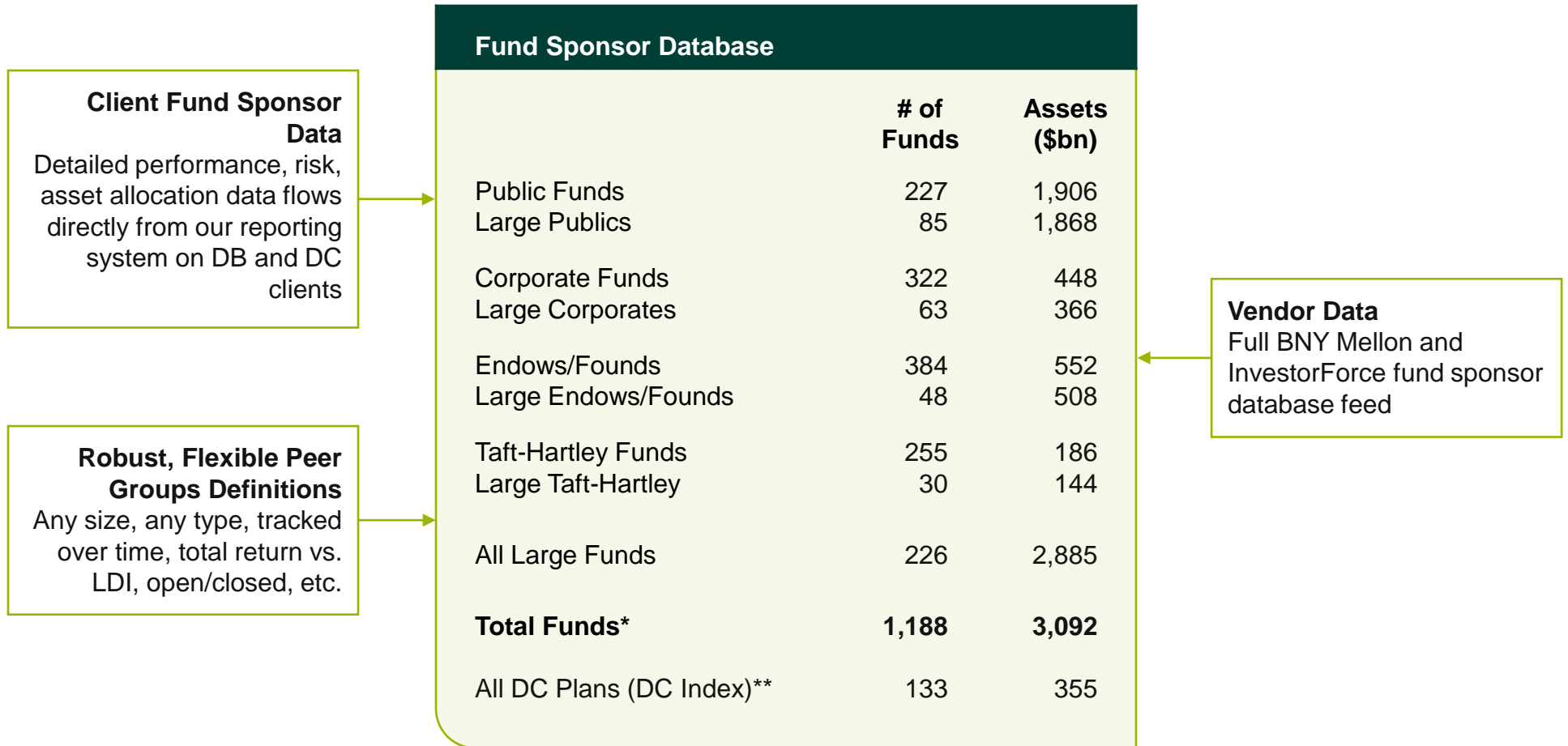
- Client considerations and rationale for the search
- The Ps
  - People, Process/Philosophy, Portfolio Characteristics, Performance, Product Dynamics
  - Peer review

## Customized approach to identify appropriate candidates

- One size doesn't fit all
- Encourages creative solutions to clients' manager structure
- Search timeframe varies depending on mandate

# Proprietary Fund Sponsor Database

Callan has a huge, detailed fund sponsor database with a long history of tracking return, risk, and asset allocation data on a vast array of fund types and sizes.



\*As of June 30, 2023

\*\*DC Index data as of March 31, 2023

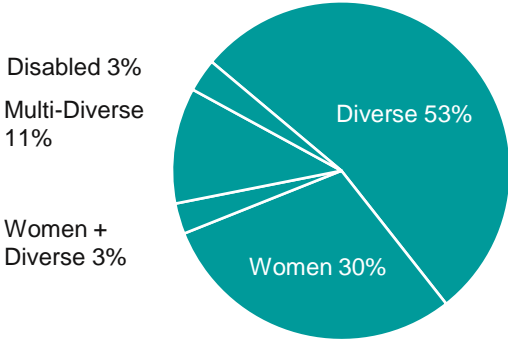
# Callan's Database of Diverse Managers

Diverse-, women-, and disabled-owned (DWDO) firms

DWDO Firms			
By the Numbers			
<b>\$41<sub>bn</sub></b>	Assets managed by DWDO firms for Callan clients	<b>518</b>	Number of Callan Connects meetings since the program's inception*
<b>55 (28%)</b>	Number of Callan clients utilizing DWDO firms	<b>1282</b>	Number of DWDO strategies within Callan's database
<b>182</b>	Number of Callan meetings with DWDO firms	<b>443**</b>	Number of firms classified as DWDO in Callan's database

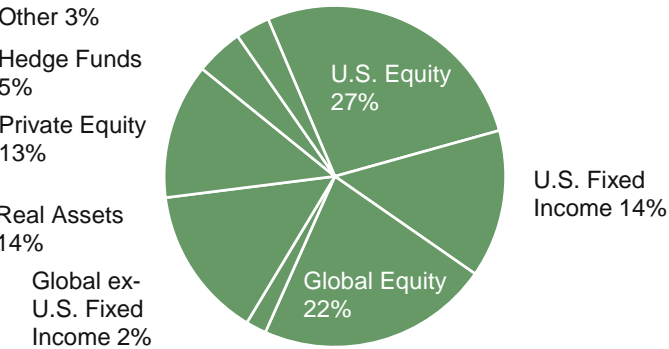
As of December 31, 2022, unless another date is indicated.  
 \*Since inception in May 2010  
 \*\*240+ firms are currently active

DWDO Firms by Ownership Type\*



Diverse	
Asian	35%
African American	29%
Hispanic or Latino	20%
Undefined	8%
Two or more races	5%
American Indian & Alaska Native	1%
Native Hawaiian & Pacific Islander	<1%

DWDO Firm Offerings by Broad Asset Class



\*Can include overlap. Numbers may not sum to 100% due to rounding.

# Callan's Proprietary DEI Scoring for Investment Managers

## Firm Level Diversity, Equity and Inclusion Policies and Procedures for ACERA's Managers

Manager	Formal Diversity, Equity and Inclusion policy	Recruitment initiatives for women and people of color	Policies to increase gender and racial diversity within leadership and investment teams	Mentoring of women, people of color and other under-represented groups	Offer firm-wide training programs on DEI and/or unconscious biases	Formal pay-parity policy	Org Level DEI Score
BlackRock	Yes	Yes	Yes	Yes	Yes	Yes	2.54
The TCW Group, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Kennedy Capital Management	Yes	Yes	Yes	No	Yes	No	1.64
William Blair & Co LLC	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Aristotle Capital Management, LLC	No	Yes	No	No	Yes	No	1.36
Baird Advisors	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Loomis Sayles & Co. L.P.	Yes	Yes	Yes	Yes	Yes	Yes	2.42
Brandywine Global Investment Management	Yes	Yes	Yes	No	Yes	No	1.96
Bivium Capital Partners, LLC	Yes	Yes	Yes	Yes	Yes	Yes	2.87
Capital Group	Yes	Yes	Yes	Yes	Yes	No	N/A
Mondrian Investment Partners Limited	Yes	Yes	yes	No	Yes	No	2.18
Franklin Templeton Investments	Yes	Yes	Yes	Yes	Yes	Yes	2.52

- Callan surveys investment managers related to firm level diversity, equity and inclusion policies and procedures. Each of ACERA's public markets manager's responses are included above.
- 598 managers representing \$84 trillion in AUM (~84% of industry AUM) have answered Callan's DEI Policies and Procedures questions.
- Callan will continue to survey investment managers on these topics and can report out to ACERA to support continued monitoring and engagement.

Manager responses as of June 30, 2023

# ESG at Callan

## Thought Leadership

- ▶ Workshops and webinars
- ▶ Research Café interview series with industry experts
- ▶ Callan ESG Insights
- ▶ Callan ESG Survey (annual)

## Education

- ▶ Customized to accommodate client type and level of prior knowledge

## Reporting

- ▶ Customized PEP template that includes responses to manager questions and MSCI scores for equity holdings and at the portfolio level
- ▶ Carbon footprinting of equity portfolios at manager, asset class and total portfolio levels as compared to peers and benchmarks



## Callan Industry Involvement

- ▶ A signatory of the United Nations-supported Principles for Responsible Investment
- ▶ A member of the Investment Consultant Sustainability Working Group-US
- ▶ Actively engaging with data providers, asset managers and academics to stay abreast of ESG developments

## Asset Manager Assessment

- ▶ Callan's proprietary methodology assesses the degree to which managers address ESG considerations as an organization as well as across investment strategies

# Callan Proprietary ESG Score for Investment Managers

## ESG Consideration by Strategy for ACERA's Managers

Manager	Product	ESG considerations are a primary objective for the product	Product is managed with ESG considerations but not as a primary objective	Strategy utilizes proprietary scoring (or metric) for ESG research	Reports provided to clients that highlight holdings' ESG metrics (impact, scorific, etc.)	Org Level ESG Score
BlackRock	Russell 1000 Index Fund	No	No	No	Yes	3.00
The TCW Group, Inc.	TCW Concentrated Core	No	Yes	No	No	2.52
Kennedy Capital Management	Small Cap Value	No	Yes	No	No	2.88
William Blair & Co LLC	Small Cap Growth	No	Yes	Yes	Yes	3.00
Aristotle Capital Management, LLC	Large Cap Value Equity	No	Yes	No	No	N/A
Baird Advisors	Aggregate Bond	No	Yes	No	No	2.19
Loomis Sayles & Co. L.P.	Multisector Full Discretion	No	-	Yes	Yes	3.00
Brandywine Global Investment Management	Global Opportunistic Fixed Income	No	Yes	-	-	2.25
Bivium Capital Partners, LLC	Bivium International	-	-	-	-	N/A
Capital Group	International All Countries Equity	No	Yes	No	Yes	3.00
Mondrian Investment Partners Limited	Focused All Countries World ex-US Equity	No	Yes	Yes	No	2.70
Franklin Templeton Investments	Templeton Non-US Small Cap Equity	No	Yes	Yes	Yes	2.82
William Blair & Co LLC	Emerging Markets Growth	No	Yes	Yes	Yes	3.00
BlackRock	MSCI World ex-US Index Fund	No	No	No	Yes	3.00

- None of the ACERA investment strategies have ESG as a primary consideration for the product.
- Of the respondents, all of the actively managed investment strategies incorporate ESG considerations into the management of the strategy.
- The mandate for the passive strategies is to track broad market indices and thus consideration of ESG factors is not applicable.
- Responses related to use of proprietary ESG scoring and holdings level ESG reporting to clients were mixed.

Manager responses as of June 30, 2023

# Alternative Investment Consulting Philosophy

Combine a long-term perspective with proven investments

We help clients...

## Achieve success

by integrating unique and compelling opportunities with a customized plan

## Improve returns

by selectively targeting high-quality investments, negotiating fees, and avoiding fads

## Control risk

through rigorous due diligence, prudent diversification and comprehensive monitoring

Through an implementation approach focusing on...

### Program Design

Design bespoke program based on each client's unique attributes and risk/return objectives

### Monitoring & Reporting

Closely monitor managers post-closing and report progress towards program goals



### Investment Planning

Budget capital consistently and build a diversified portfolio; avoid chasing a target

### Manager Selection

Select resilient and differentiated managers to successfully implement the investment plan

# Access to Alternative Investment Opportunities

## Callan Access

- ▶ Multi-year relationships with high quality alternative investment firms
- ▶ Recognizable brand name, helping us get in front of in-demand investment opportunities
- ▶ Customized solutions for clients ranging in size from **\$200 million** to over **\$600 billion**
- ▶ Focus on gaining meaningful allocations with desired managers

## Organizational Scale

- ▶ **\$4.7 trillion** in assets under advisement
- ▶ **514** institutional clients across pensions, endowments, foundations, and insurance companies
- ▶ General partners often seek Callan as a partner of choice given our blue chip client base

## Alternatives Team

- ▶ Seasoned team with direct experience allocating for pensions, endowments, trusts, and fund-of-funds
- ▶ **24** specialist resources covering alternative investments
- ▶ Senior professionals collectively have over **300** years of industry experience, with **17** years on average

**\$98.5**  
billion

Alternative commitments  
recommended 2020–2022

# of Recommendations by Alternative Asset Class

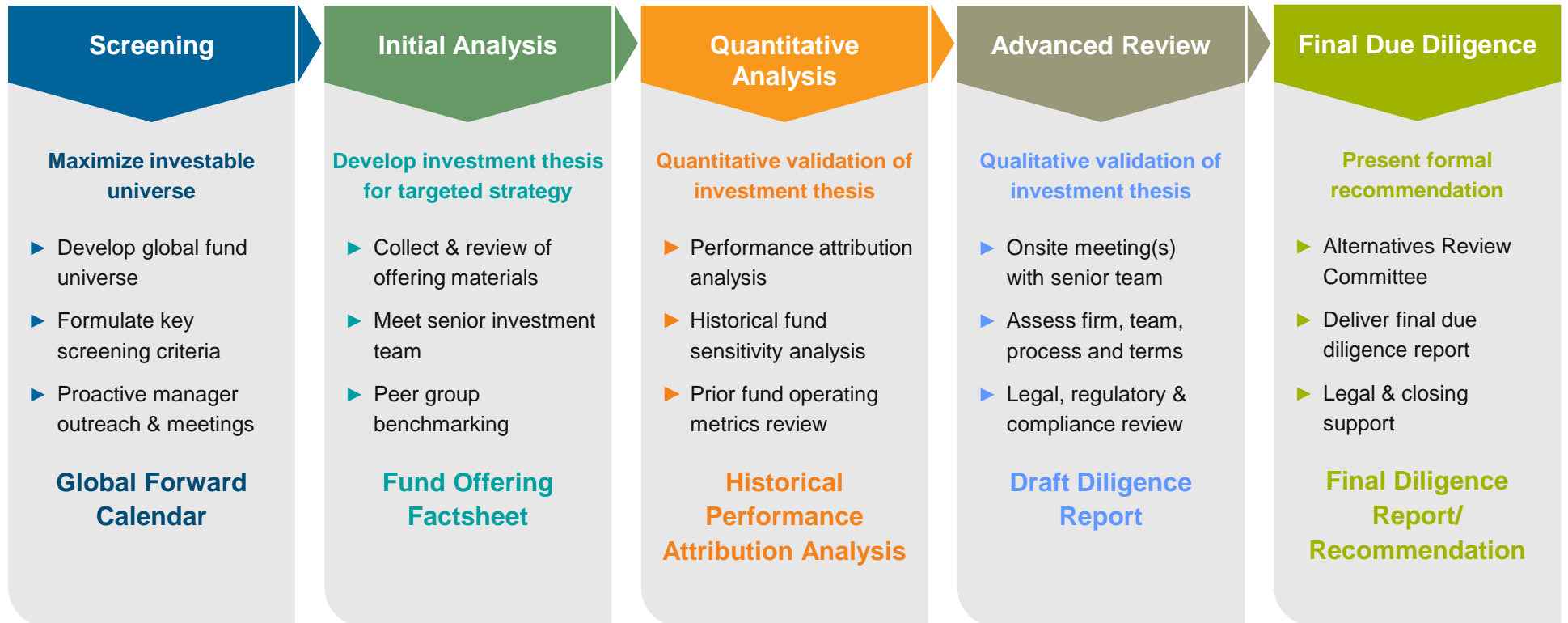


Data as of 12/31/2022



# Due Diligence Process

Callan follows a consistent and thorough due diligence process

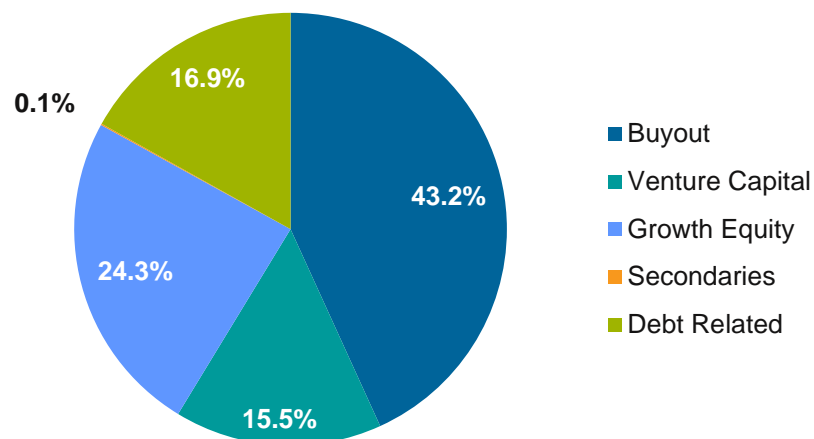


- All recommendations are reviewed by Callan's Alternatives Review Committee
- Callan is open to considering client-sourced opportunities and would utilize the same due diligence process

## Base Case Private Equity Portfolio Strategy Diversification

- ACERA's Private Equity portfolio is mature and well-diversified by strategy, with a tilt towards large buyouts and growth equity compared to Callan's base case. The buyouts portfolio is focused on sector specialists vs. generalists.
- ACERA's portfolio has outperformed its Cambridge benchmark consistently since inception, and the Russell 3000 by over 3% on a PME basis, in part due to its growth tilt.
- ACERA's commitment pacing in buyouts and growth equity has been consistent since 2015. A handful of GPs represent the growth equity portfolio (e.g., Great Hill and Warburg).
- Venture pacing has fallen in recent years with similar manager concentration (Khosla, NEA).
- Debt-related pacing has been inconsistent, as is often the case, and performance has been a drag on the overall PE portfolio.
- The portfolio is primarily focused on North America, with a handful of non-US funds.
- Callan recommends ACERA seek to further diversify the portfolio, particularly within Small Buyouts, Growth Equity and Venture Capital.
- Some Callan clients with mature portfolios have established co-investment programs to reduce management fees.

ACERA PE Portfolio Diversification by Strategy (% of NAV)



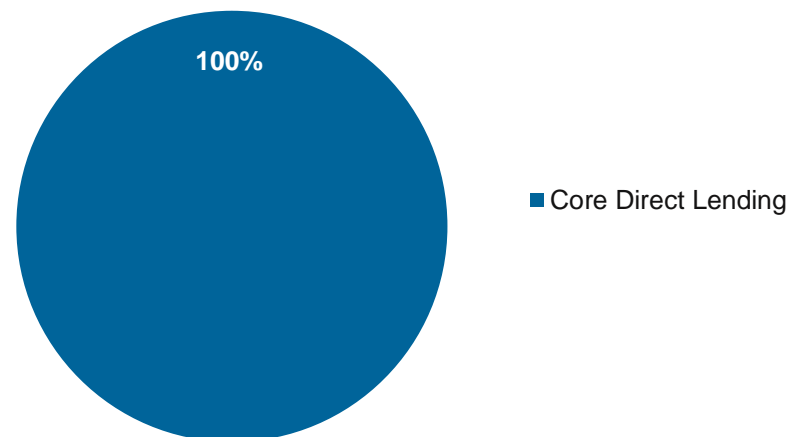
Callan "Base Case" Long-Term Strategy Targets

	Strategy	% Target
Core	Large/Global Buyouts	10 – 25%
	Small-Mid Buyouts	15 – 30%
Opportunistic	Growth Equity	10 – 25%
	Venture Capital	10 – 25%
Secondaries	Distressed/Turnaround	0 – 20%
	Diversified	0 – 20%
Co-Investments	Diversified	0 – 20%

# Base Case Private Credit Portfolio Strategy Diversification

- ACERA's Private Credit portfolio is new and focused exclusively on North America direct lending strategies, with all but one commitment occurring in 2020-21.
- Callan would like to learn more about ACERA's long-term objectives for the portfolio and its role relative to the total fund: the portfolio is less diversified than Callan's base case portfolio, though some private credit exposure is included in the Debt-Related portion of the Private Equity portfolio.
- ACERA's portfolio has underperformed the CA Global Senior Debt benchmark but is still in development.
- Depending on the desired role of the Private Credit portfolio Callan recommends ACERA consider further diversification, including multi-strategy and specialty finance.

ACERA PC Portfolio Diversification by Strategy (% of NAV)



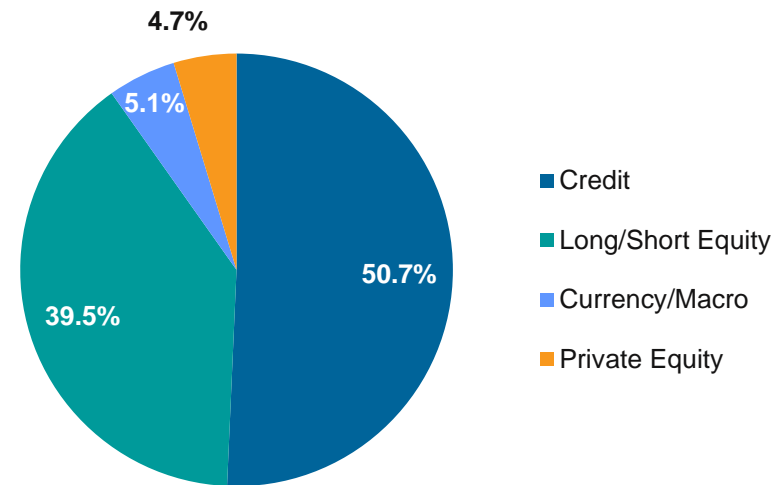
Callan "Base Case" Long-Term Strategy Targets

	Strategy	% Target
Core	Senior Debt/Direct Lending	35 – 50%
	Junior Debt/Mezzanine	0 – 15%
	Multi-Strategy	15 – 25%
Opportunistic	Distressed/Opportunistic Lending	10 – 25%
Niche	Specialty Finance/Niche	15 – 25%
Secondaries	Diversified	0 – 20%
Co-Investments	Diversified	0 – 20%

# Base Case Absolute Return Portfolio Strategy Diversification

- ACERA's Absolute Return portfolio is mature and concentrated, with a tilt towards illiquid credit. The long/short equity portfolio is focused on delivering lower beta to international equity markets.
- ACERA's portfolio has slightly outperformed its Absolute Return benchmark since inception, in part due to strong long/short equity and currency performance, and private equity exposure.
- Callan would like to learn more about ACERA's long-term objectives for the portfolio and its role relative to the total fund: the portfolio is less diversified and more illiquid than Callan's three "base case" portfolios.
- Depending on the desired size and role of the Absolute Return portfolio Callan recommends reducing illiquid exposure and improving diversification, including relative value, event driven, equity market neutral and global macro strategies.

ACERA Absolute Return Portfolio Diversification by Strategy (% of NAV)



	Event Driven	Equity Hedge	Equity Mkt Neutral	Global Macro	Relative Value
Low Volatility	15%	0%	40%	10%	35%
Beta Diversifier	45%	10%	10%	5%	30%
Return Seeking	50%	25%	0%	0%	25%

## Alternative Investment Commitment and Underwriting Activity 2019–2022

407 Total number of investments with \$102.9 billion commitment/mandate

	# of Investments	Commitment/ Mandate Amount (\$mm)
<b>Private Equity</b>	<b>122</b>	<b>\$38,815</b>
Buyout	77	21,812
Distressed	2	2,000
Growth Equity	16	3,607
Venture Capital	10	1,361
Special Situations	3	2,150
Diversified	14	3,023
Co-Investments	9	4,707
Secondaries	6	155

	# of Investments	Commitment/ Mandate Amount (\$mm)
<b>Private Debt</b>	<b>49</b>	<b>\$19,076</b>
Distressed/Special Situations	18	2,995
Direct Lending	26	13,755
Multi-strategy	9	518
Niche	3	1,708
Specialty Finance	1	100

	# of Investments	Commitment/ Mandate Amount (\$mm)
<b>Real Estate and Real Assets</b>	<b>204</b>	<b>\$40,464</b>
Core Real Estate	51	9,013
Value Added Real Estate	60	6,865
Opportunistic Real Estate	15	2,505
Global ex-U.S. Real Estate	14	2,760
Specialty Real Estate (single sector)	20	7,582
REITs	2	40
Private Infrastructure Equity & Debt	37	11,314
Timberland & Farmland	5	385

	# of Investments	Commitment/ Mandate Amount (\$mm)
<b>Hedge Funds/MACs</b>	<b>32</b>	<b>\$4,516</b>
Multi-Asset Class	12	3,636
Absolute Return	13	285
Broadly Diversified	2	250
Event-Driven	3	27
Fund-of-Funds	2	318

Asset allocation as of December 31, 2022.

# Monitoring and Reporting

## Callan DNA

### Callan DNA

- ▶ Callan developed a new online application called Callan DNA for manager research, due diligence and portfolio monitoring. DNA is available today for internal use and is expected to be available to clients through a web portal shortly.
- ▶ Callan clients will be able to analyze detailed manager-level and fund-level data.
- ▶ The exhibit to the right reflects a Fund Overview page, where clients will be able to access information on existing and prospective funds.



The screenshot displays the 'Callan Data' application interface. At the top, there is a search bar with 'ALL' and a search field containing 'Search Callan...'. Below this, the user is logged in as 'Genstar Capital >' and viewing the 'Genstar Capital Partners X, LP' fund page. The navigation menu includes 'Profile', 'Overview' (selected), 'Vehicles', 'People', 'Assets', 'Performance', 'Characteristics', 'Interactions', 'Write-ups', and 'Documents'. The 'Summary' tab is active, with sub-tabs for 'Guidelines', 'Management', 'GP Commitments', 'Process', and 'ESG'. The main content area is titled 'Product Details' and lists various attributes: Product Name (Genstar Capital Partners X, LP), Product ID (47926), Asset Class (Private Equity), Strategy Type (Buyout Large Cap), Benchmark, Active/Passive (Active management), Product Structure (Direct), Fund Focus, Capital Structure (Closed-ended fund), Vintage - First Cash Flow (06/30/2021), Vintage - Legal Inception, Control Rights (Control), Primary Investment Style(s) (Buyout), Primary Sector(s) (Health Care, Financials, Industrials, Information Technology), and Primary Geographic Region(s) (United States). Below this, the 'Fund Raising' section prompts the user to enter the date and committed amount, showing a table with one entry: Date 04/01/2021, Committed Capital \$9,500,000,000.00. The 'Projected Close Date' section shows a table with one entry: Close Round Final Close, Date 04/01/2021.

Date	Committed Capital
04/01/2021	\$9,500,000,000.00

Close Round	Date
Final Close	04/01/2021

# Callan College

## An Introduction to Institutional Investment Plan Management and Oversight for Fiduciaries and Staff

*Six-hour session over two days*

### Typical Agenda

The Role of the Fiduciary and Investment Policy Statements

Capital Market Theory and Asset Allocation

Manager Structure – Defined Benefit

Manager Structure – Defined Contribution

Investment Manager Searches

Performance Measurement

### You're Invited To Attend: *"Callan College" - Introduction to Investments*

#### Learn the fundamentals of institutional investing!

Are you relatively new to institutional asset management oversight, or maybe you're looking to sharpen your skills? In this "Callan College" session, you'll become familiar with basic investment theory, terminology, and practices. Participants will learn about different types of investment fund options and how they fit in an institutional investor's portfolio.

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management.

#### Created and led by Callan experts

Your instructors are seasoned experts in their fields and will cover a range of topics from strategic planning to implementation to measuring success.

#### Qualifies for Continuing Education Credits

The "Callan College" - Introduction to Investments qualifies for the following Continuing Education Credits:

CFA: 8 Credits

CFP: 8 Credits

CPE: 8 Credits

#### Yes, I want to attend!

Registration is now open for three different opportunities to participate! See below to register for the session you wish to attend, or [visit our website](#) to learn more.

# Callan Institute Events

Upcoming conferences, workshops, and webinars

## Callan College

### Intro to Alternatives

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with alternative investments like private equity, hedge funds, and real estate and how they can play a key role in any portfolio. You will learn about the importance of allocations to alternatives and how to consider integrating, evaluating, and monitoring them.

– August 23-24, 2023 – Virtual Session via Zoom

### Intro to Investments—Learn the Fundamentals

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with basic investment theory, terminology, and practices.

– September 26–28, 2023 – Virtual Session via Zoom

Please visit our website at [callan.com/events-education](https://www.callan.com/events-education) as we add dates to our 2023 calendar!

## Mark Your Calendar

### 2023 Regional Workshops

June 27, 2023 – Denver

June 29, 2023 – San Francisco

October 24, 2023 – New York

October 26, 2023 – Chicago

### 2024 National Conference

April 8 –10, 2024 – San Francisco

*Watch your email for further details and an invitation.*

## Webinars & Research Café Sessions

### Recent On-Demand Research Cafe: ESG Interview Session

During this interview, Aaron Quach, Callan ESG team member, interviews Jan Mende, Callan real assets specialist and author of our white paper on energy transition.

<https://www.callan.com/research/callan-esg-rc2-2023/>



---

## Important Disclosures

Information contained in this document may include confidential, trade secret and/or proprietary information of Callan and the client. It is incumbent upon the user to maintain such information in strict confidence. Neither this document nor any specific information contained herein is to be used other than by the intended recipient for its intended purpose.

The content of this document is particular to the client and should not be relied upon by any other individual or entity. There can be no assurance that the performance of any account or investment will be comparable to the performance information presented in this document.

Certain information herein has been compiled by Callan from a variety of sources believed to be reliable but for which Callan has not necessarily verified for accuracy or completeness. Information contained herein may not be current. Callan has no obligation to bring current the information contained herein.

This content of this document may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact. The opinions expressed herein may change based upon changes in economic, market, financial and political conditions and other factors. Callan has no obligation to bring current the opinions expressed herein.

The statements made herein may include forward-looking statement regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties. Actual results may vary, perhaps materially, from the future results projected in this document. Undue reliance should not be placed on forward-looking statements.

Callan disclaims any responsibility for reviewing the risks of individual securities or the compliance/non-compliance of individual security holdings with a client's investment policy guidelines.

This document should not be construed as legal or tax advice on any matter. You should consult with legal and tax advisers before applying any of this information to your particular situation.

Reference to, or inclusion in this document of, any product, service or entity should not necessarily be construed as recommendation, approval, or endorsement or such product, service or entity by Callan.

This document is provided in connection with Callan's consulting services and should not be viewed as an advertisement of Callan, or of the strategies or products discussed or referenced herein.

The issues considered and risks highlighted herein are not comprehensive and other risks may exist that the user of this document may deem material regarding the enclosed information.

Any decision you make on the basis of this document is sole responsibility of the client, as the intended recipient, and it is incumbent upon you to make an independent determination of the suitability and consequences of such a decision.

Callan undertakes no obligation to update the information contained herein except as specifically requested by the client.

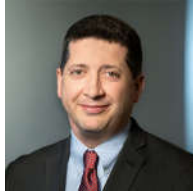
Past performance is no guarantee of future results.



## Presentation for General Investment Consultant Services – September 6, 2023

# Proposed ACERA Team

## Proposed Client Consulting Team



**David Sancewich**  
 Managing Principal  
 Lead Consultant  
 Portland, OR



**Eric White, CFA**  
 Managing Principal  
 Secondary Consultant  
 Sacramento, CA\*



**Sarah Bernstein, PhD, FSA**  
 Managing Principal  
 Head of Sustainability  
 Los Angeles, CA\*

## Experience and Representative Clients

- 23 years of industry experience
- Joined the firm in 2004; Shareholder
- Lead consultant to public funds
- Consulting work includes asset allocation, risk budgeting, investment policy and guideline development, portfolio and manager attribution analysis, asset class structural reviews, investment manager searches, and performance monitoring
- Clients include:
  - State Universities Retirement System of Illinois
  - Oakland Police and Fire Retirement System
  - San Joaquin County Employees' Retirement Association
  - Tri-County Metropolitan Transportation District of Oregon
- MBA: Washington State University; BBA: Washington State University

- 14 years of industry experience
- Joined the firm in 2009; Shareholder
- Lead consultant on public funds
- Member: Strategic Asset Allocation/Risk Management and Global Macroeconomic Investment Committees
- Clients include:
  - California State Teachers' Retirement System
  - ScholarShare Investment Board of California
  - San Joaquin County Employees' Retirement Association
  - Northern California Laborers Trust Fund
- MA: University of San Francisco; BS: University of Oregon

- Over 25 years of industry experience
- Joined the firm in 2002; Shareholder
- Chair: ESG Investing Committee
- Member: Corporate Responsibility Committee
- Member: Executive Committee, ESG-IDP, represents ICSWG-US
- Serves as a member of the Finance and Steering Committees of the Private Equity Women's Investor Network
- Clients include:
  - Vermont Pension Investment Commission
  - Minnesota State Board of Investment
  - Office of the Comptroller of the City of New York
  - Connecticut Retirement Plans and Trust Funds
- PhD: New School for Social Research; BA: University of California
- Fundamentals of Sustainability Accounting Credential (FSA) from SASB

\* Remote.

# Additional Presenters



## Stephen McCourt, CFA

Managing Principal  
Co-CEO  
San Diego, CA

- 29 years of industry experience
- Joined the firm in 1994; Shareholder
- Lead consultant on various public and private pension funds for both general and private markets consulting
- Speaker at numerous industry events
- Member: Board of Directors, Fiduciary Management (OCIO), Private Markets Policy, and Diversity Leadership Committees
- ALM: Harvard University; BS: University of Vermont



## Maya Ortiz de Montellano, CFA

Senior Vice President  
Private Markets Consultant  
San Francisco, CA\*

- 26 years of industry experience
- Joined the firm in 2022
- Private Markets Consultant focusing on private credit
- Her responsibilities include sourcing, evaluating, and monitoring private credit investment opportunities, and working with clients to build tailored private credit portfolios.
- Member: Private Markets Research Committee
- BA: Columbia University

\* Remote.

# Table of Contents

---

1. Firm Overview
2. Working with ACERA
3. Manager Research
4. Summary
5. Appendix

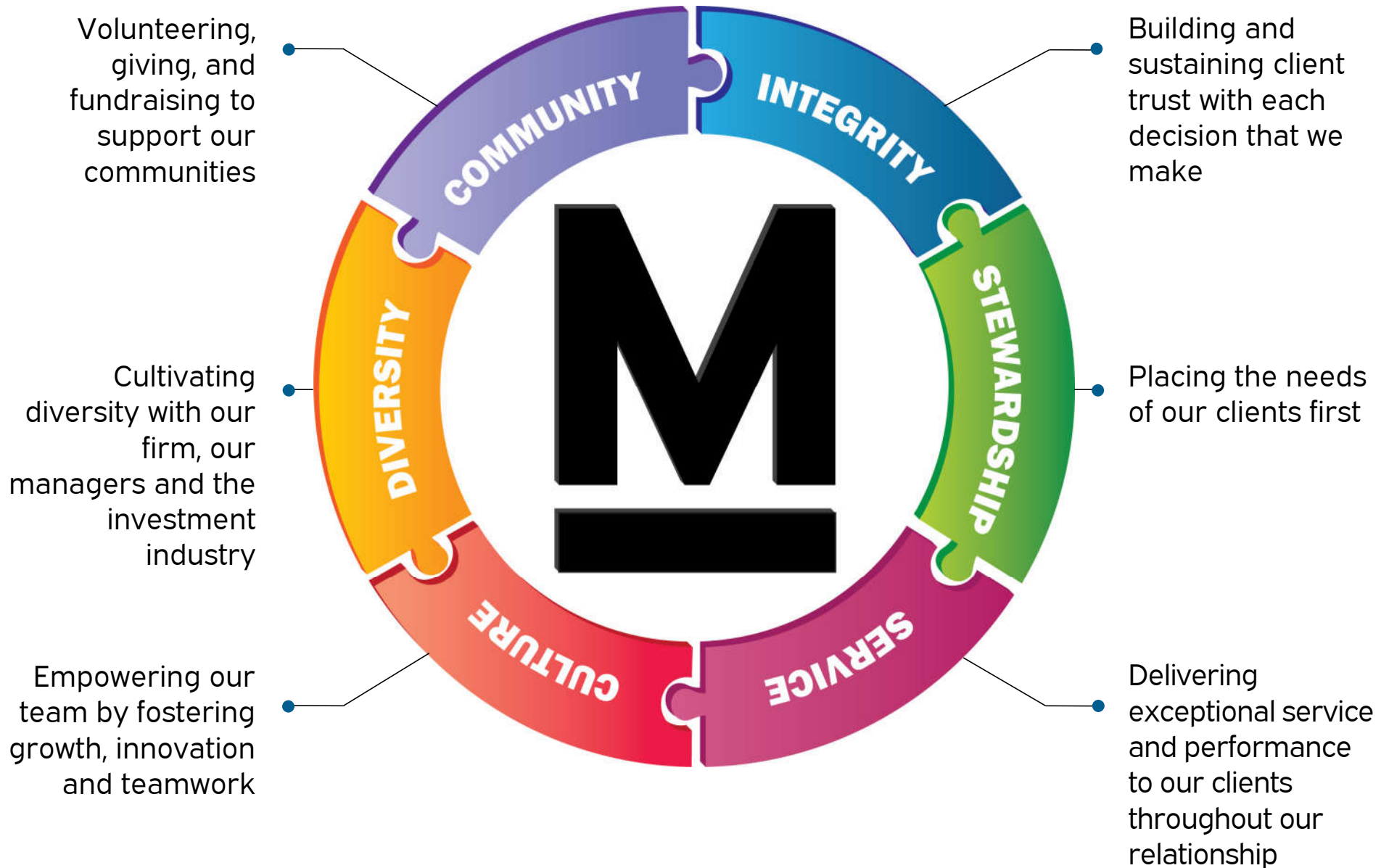
# Why Meketa?

## How Can Meketa Partner With and Help ACERA?

Considerations	Solutions
Partnership with ACERA	<ul style="list-style-type: none"><li>→ Regular meetings with Staff and Trustees to work collaboratively together.</li><li>→ We are client advocates.</li><li>→ We will leverage our broader firm and resources to help ACERA operate more efficiently and deliver better results for the system.</li></ul>
Available, Experienced, and Committed Team	<ul style="list-style-type: none"><li>→ We recognize that our clients have entrusted Meketa to provide portfolio advice through all market cycles (up and down) and we are proposing a consulting team with vast experience.</li></ul>
Solving Client needs via Customized Investment Advice	<ul style="list-style-type: none"><li>→ With deep resources, a research focus, and intellectual curiosity, we are able to customize our work to the needs of each client, including ACERA.</li></ul>
Significant Public Fund Experience	<ul style="list-style-type: none"><li>→ Significant experience working with government funds (of various sizes).</li><li>→ We consult on over \$1.5 trillion in assets for public fund clients located throughout the country.</li><li>→ Meketa is an industry leader and can share best practices.</li></ul>
Focus on Education and Clear/Transparent advice	<ul style="list-style-type: none"><li>→ We recognize that our clients may not be investment experts and look to us for advice and education.</li><li>→ Meketa provides clients with transparent information to help decision-makers meet their fund's goals and objectives.</li></ul>

## Firm Overview

# Our Values





# Meketa Overview

45

Years of Experience

243

Clients

\$1.7 T

In Assets under Advisement

\$1.5 T

In Public Fund Assets

- Four decades of investment advisory experience
  - Advising Defined Benefit and Defined Contribution plans, and Endowment/Foundations
  - Working with public funds for over 20 years
- Over 240 clients\*
  - Over 180 General Consulting clients
  - Over 90 Public Fund Clients with an average size of over \$16 billion
  - Over 100 Private Market clients
- Staff of 247, including 165 investment professionals
  - 69 consultants and 45 analysts
  - 56 manager research professionals
  - 12 dedicated capital markets and ESG specialists
- One Line of Business
  - 100% of our revenue comes from our clients
  - No proprietary products

\* Overlap may occur as some clients have multiple mandates.  
Client and employee counts as of June 30, 2023; assets as of March 31, 2023.

# Diversity, Equity, and Inclusion

We deeply believe that diversity across many different attributes drives better outcomes for all of us, especially our clients.

We use a mosaic of committees to integrate DEI practices into all aspects of our business model and investment processes.



## Organizational Initiatives

- Diverse representation on all internal committees
- Employee inclusivity training
- Formal networking and mentoring programs
- DEI learning library
- Hiring practices and diversity-focused internship program



## Community Outreach

- Support of women, veteran, and diverse-owned businesses
- Support of organizations that promote social justice and/or underserved communities
- Employee volunteerism and charitable giving



## Industry Involvement

- Semi-annual Emerging & Diverse Manager Research Day
- Evaluate investment management firms' DEI efforts, including benchmarking
- Annually publish results of DEI Questionnaire
- Active participation in organizations seeking to improve DEI in institutional investment

57%

total employees are female or racially diverse<sup>1</sup>

51%

investment professionals are female or racially diverse<sup>1</sup>

46%

firm shareholders are female or racially diverse<sup>1</sup>

<sup>1</sup> As of June 30, 2023.

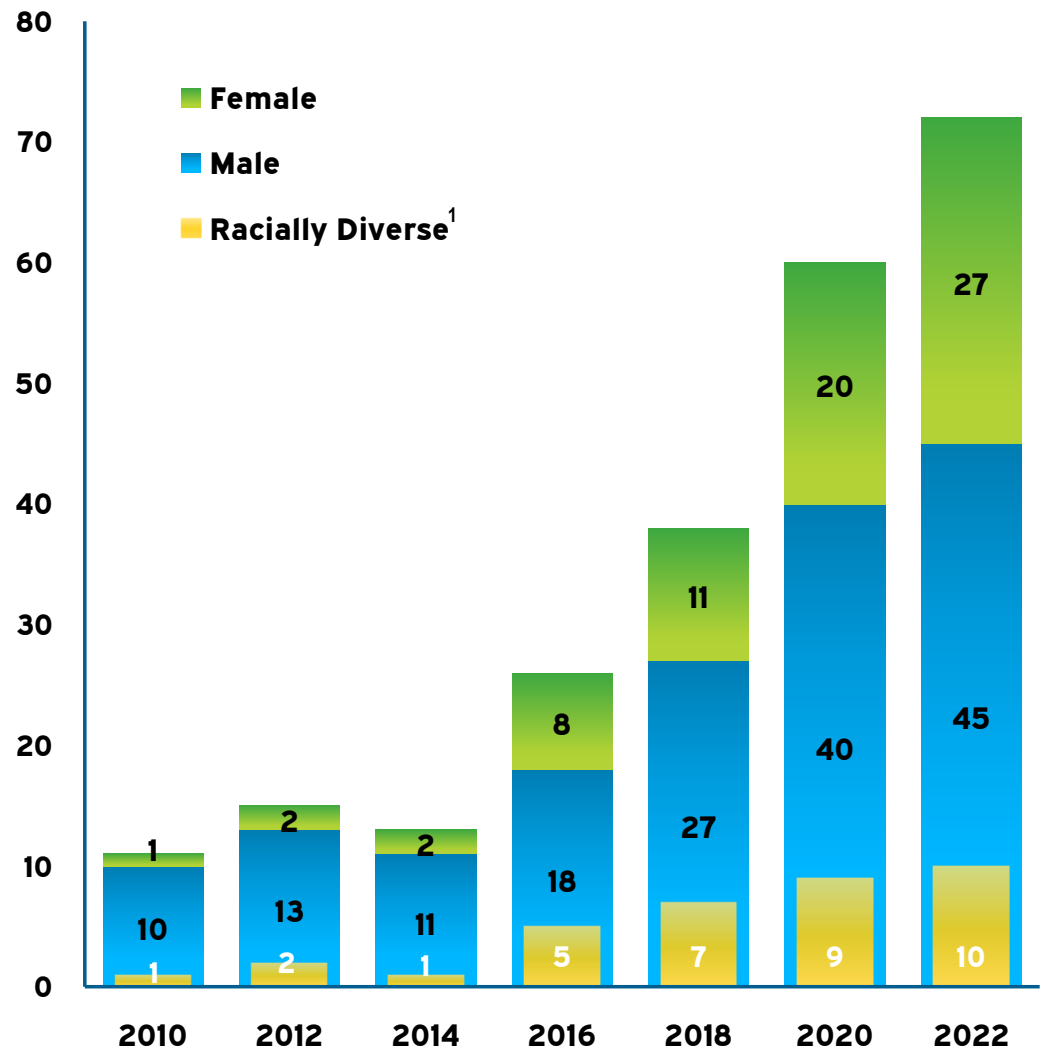
# Employee-Owned

We empower individuals to become owners of the firm, with no shareholder owning more than 25%.

Our Co-CEO structure and team orientation across business groups enhances and secures our collaborative culture.

Our collegial atmosphere is exemplified by an open-door policy with approachable management as well as a formal process of continual feedback.

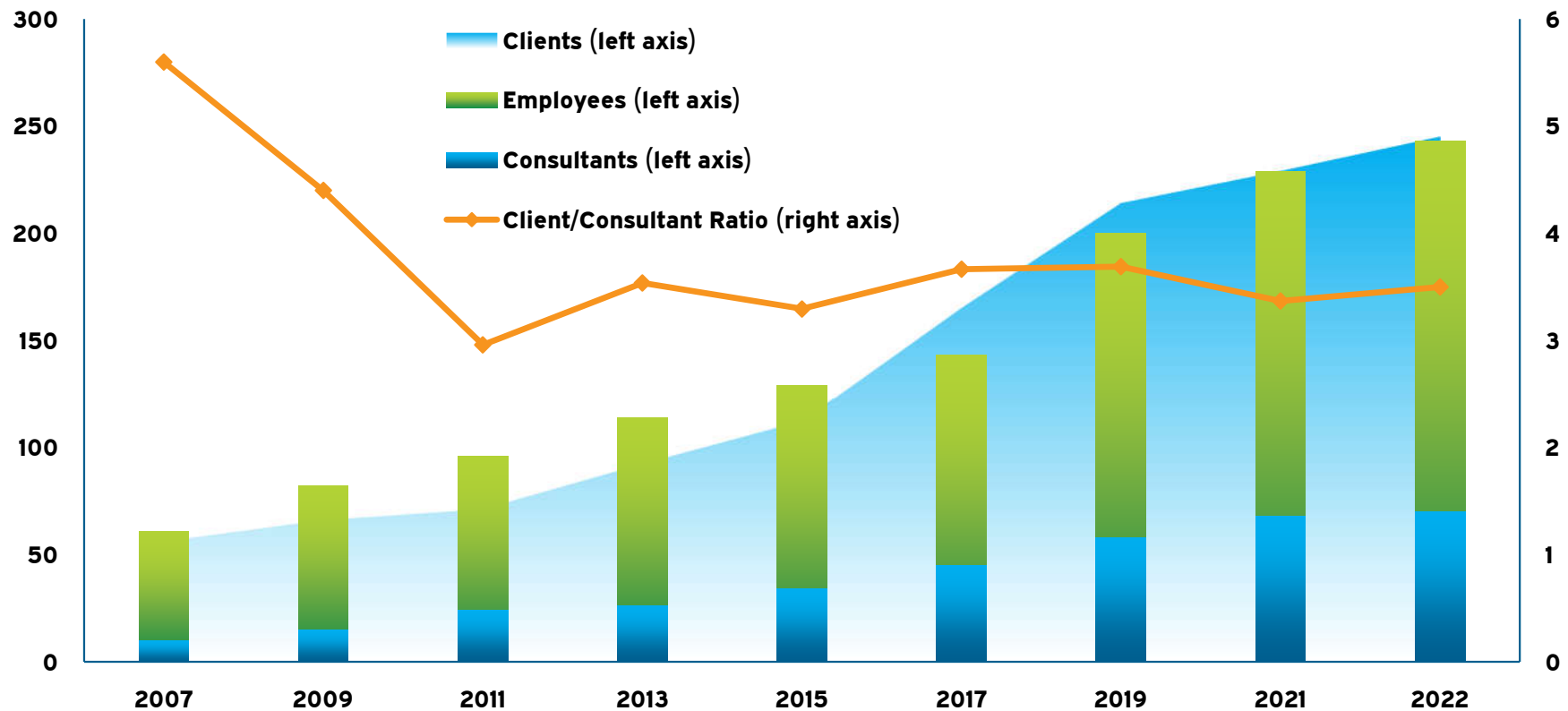
## Shareholders



<sup>1</sup> Racially Diverse includes shareholders counted in the male and female categories.

# Committed to Client Service

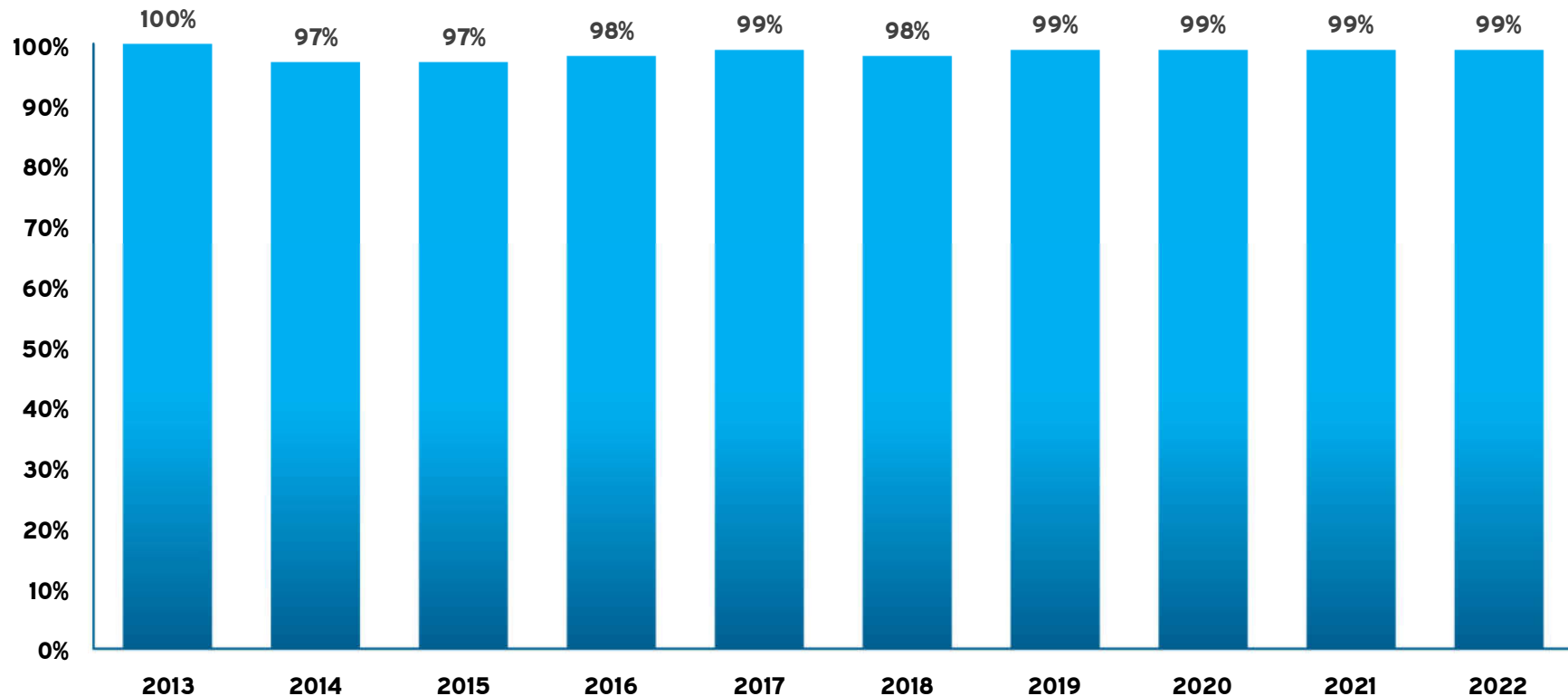
- We work directly with each client to meet their unique objectives.
- Low client to consultant ratio means we know our clients and their portfolios well.
- Timely and proactive advice has resulted in strong client retention.



# Client Satisfaction

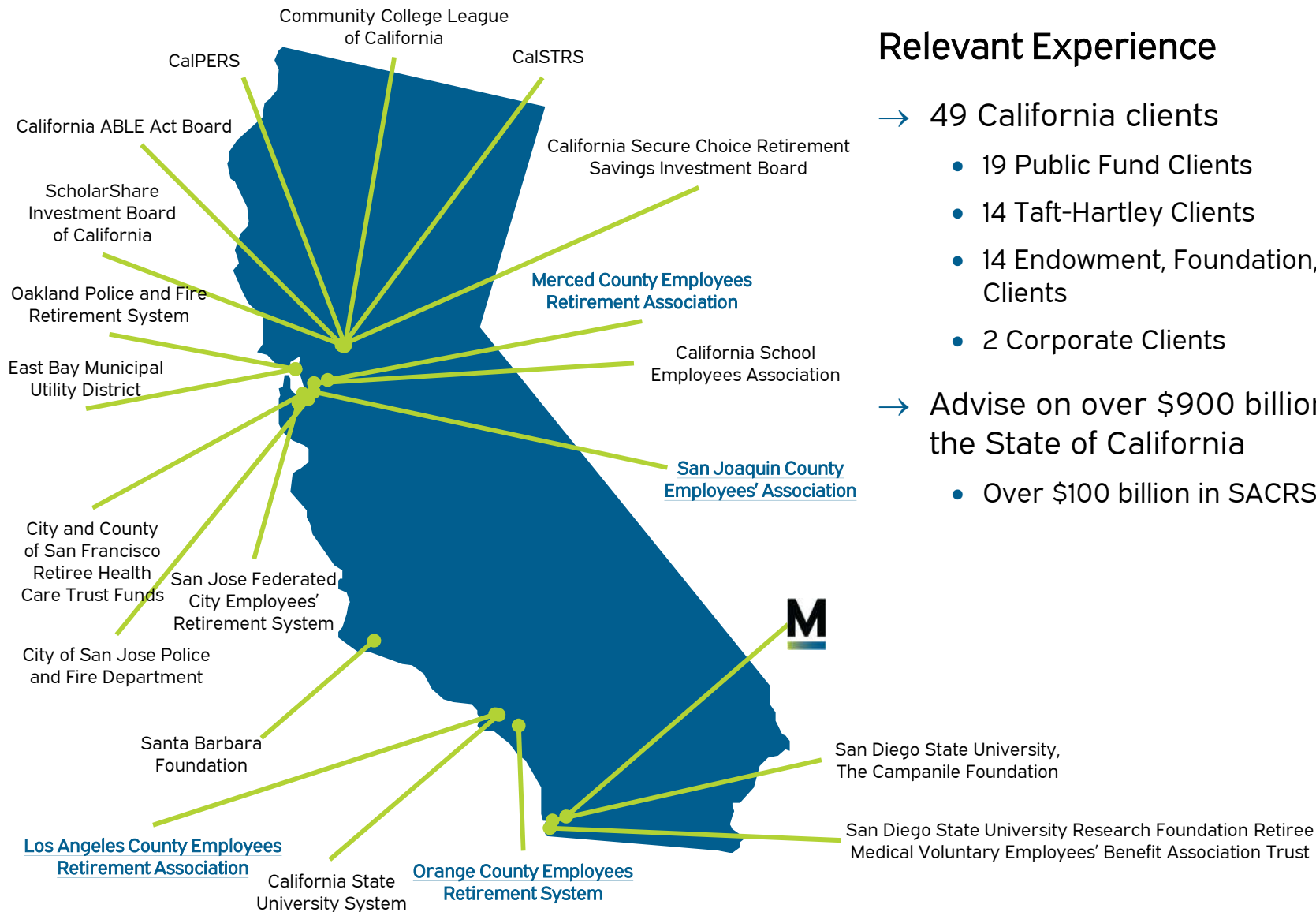
- Consistent and controlled growth has resulted in strong retention.
- Nearly 100% client retention rate<sup>1</sup> shows we have been able to keep our clients happy.

## Annual Client Retention Rate



<sup>1</sup> Average over the previous five years. Client Retention Rate is one minus the number of clients lost divided by the number of clients at prior year end.

# California Clients



## Relevant Experience

- 49 California clients
  - 19 Public Fund Clients
  - 14 Taft-Hartley Clients
  - 14 Endowment, Foundation, and Non-Profit Clients
  - 2 Corporate Clients
- Advise on over \$900 billion in assets within the State of California
  - Over \$100 billion in SACRS System members

Client counts as of June 30, 2023; assets as of March 31, 2023.

The above clients are representative only and not an endorsement by any client listed. It is not known whether the clients listed approve of Meketa or the services we provide.

**Blue font** indicates Meketa clients who are SACRS System members.

Alameda County Employees' Retirement Association

# Diversity, Equity, and Inclusion

Meketa partners with the following Industry Organizations:

- CEO Act!on for Diversity & Inclusion
- Institutional Investing Diversity Cooperative
- Toigo Foundation
- SEO – Seizing Every Opportunity
- United Nations Principals for Responsible Investment (UNPRI)
- National Association of Securities Professionals (NASP)
- Heartland
- Women in Institutional Investments Network (WIIN)
- Boston Women in Finance (BWIF)
- 100 Women in Finance

# Diversity and Inclusion Initiatives

- Experience assisting numerous clients in establishing emerging and diverse manager programs as well as targeted investment programs across asset classes.
- Meketa regularly holds Emerging and Diverse Manager Days across our various offices to ensure broadest coverage of emerging and diverse managers across asset classes.
- Below are samples of clients with whom we have worked to initiate new, emerging, and diverse manager initiatives:
  - California Public Employees' Retirement System
  - California State Teachers' Retirement System
  - City of Baltimore Employees' & Elected Officials' Retirement Systems
  - City of Hartford Municipal Employees' Retirement Fund
  - District of Columbia Retirement Board
  - New York State Common Retirement Fund
- Meketa proactively encourages MWDBE manager participation in RFIs/RFPs.
- We participate in leading industry organizations such as AAAIM, NAA, NAIC, NASP, and the Toigo Foundation.



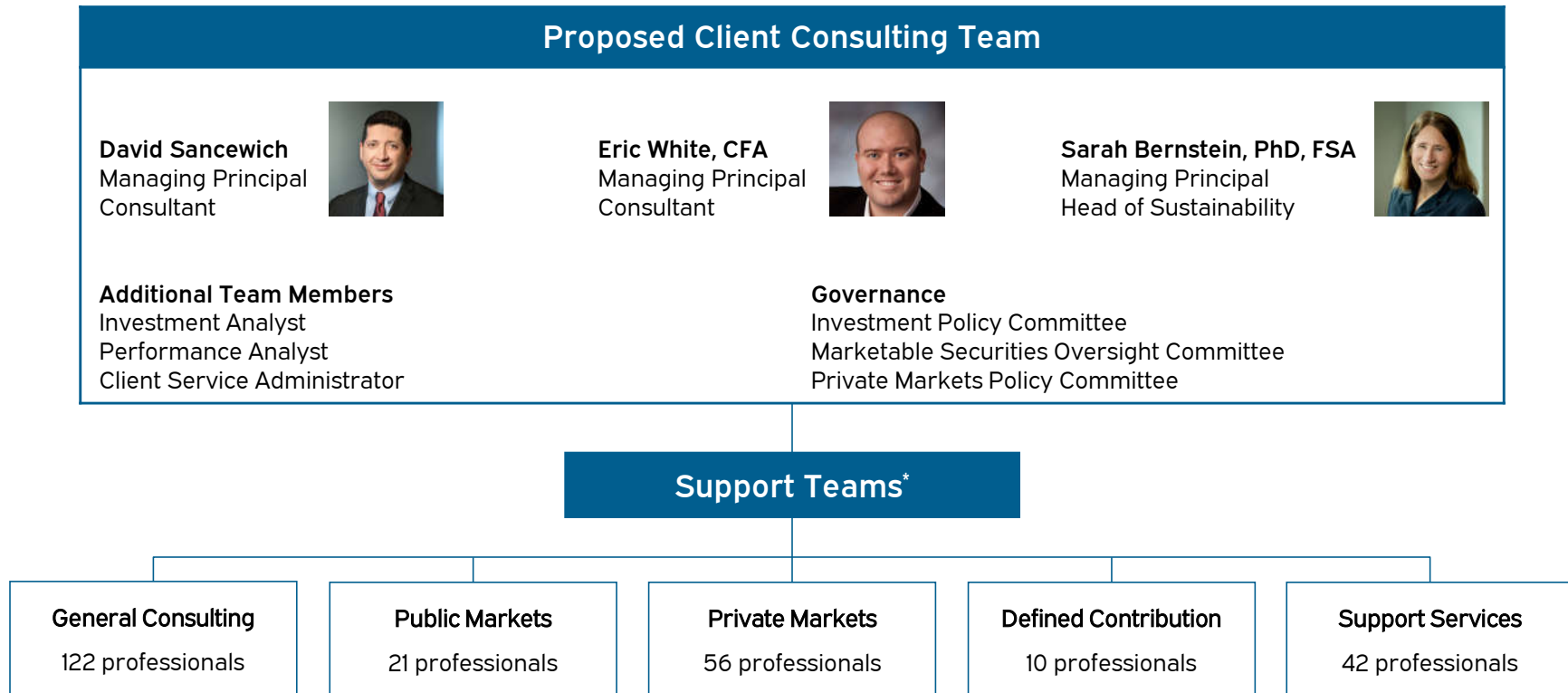
# Diversity Leadership



- Prioritizes efforts to hire, retain, and grow the careers of diverse employees.
- Reviews the composition of internal committees to ensure diversity and inclusion.
- Supports important industry organizations such as Toigo, NASP, AAAIM, PEWIN, WIIN, WIP, and PWIM, and expands our support to others that facilitate the advancement of diversity and inclusion goals.
- Expands training to include annual Unconscious Bias Diversity and Inclusion training for all employees.

## **Working with ACERA**

# We are Staffed to Provide an Intensive Level of Client Service



- Each of our clients is serviced by a team of consultants, analysts, and support staff.
- We strive to provide timely and detailed responses to all inquiries from our clients.

\* General Consulting, Public Markets, Private Markets, and Defined Contribution counts include overlap of professionals and includes support staff.  
Employee counts as of June 30, 2023.

# Partnerships

We are strategic partners to the Boards, Committees, and Staff we serve. We view our relationship with each client as a partnership, working together across the firm to meet the needs of our clients.



# Internal Investment Committee Structure



→ Meketa utilizes internal committees to formulate investment advice, support practice groups, and to share best ideas with our clients.

# Our Philosophy

## Consulting Philosophy

- Create customized investment solutions to assist your organization in achieving its goals.
- Build deep and lasting relationships based on trust and open communication.
- Act with fiduciary integrity.
- Continually strive to innovate and improve in all we do.

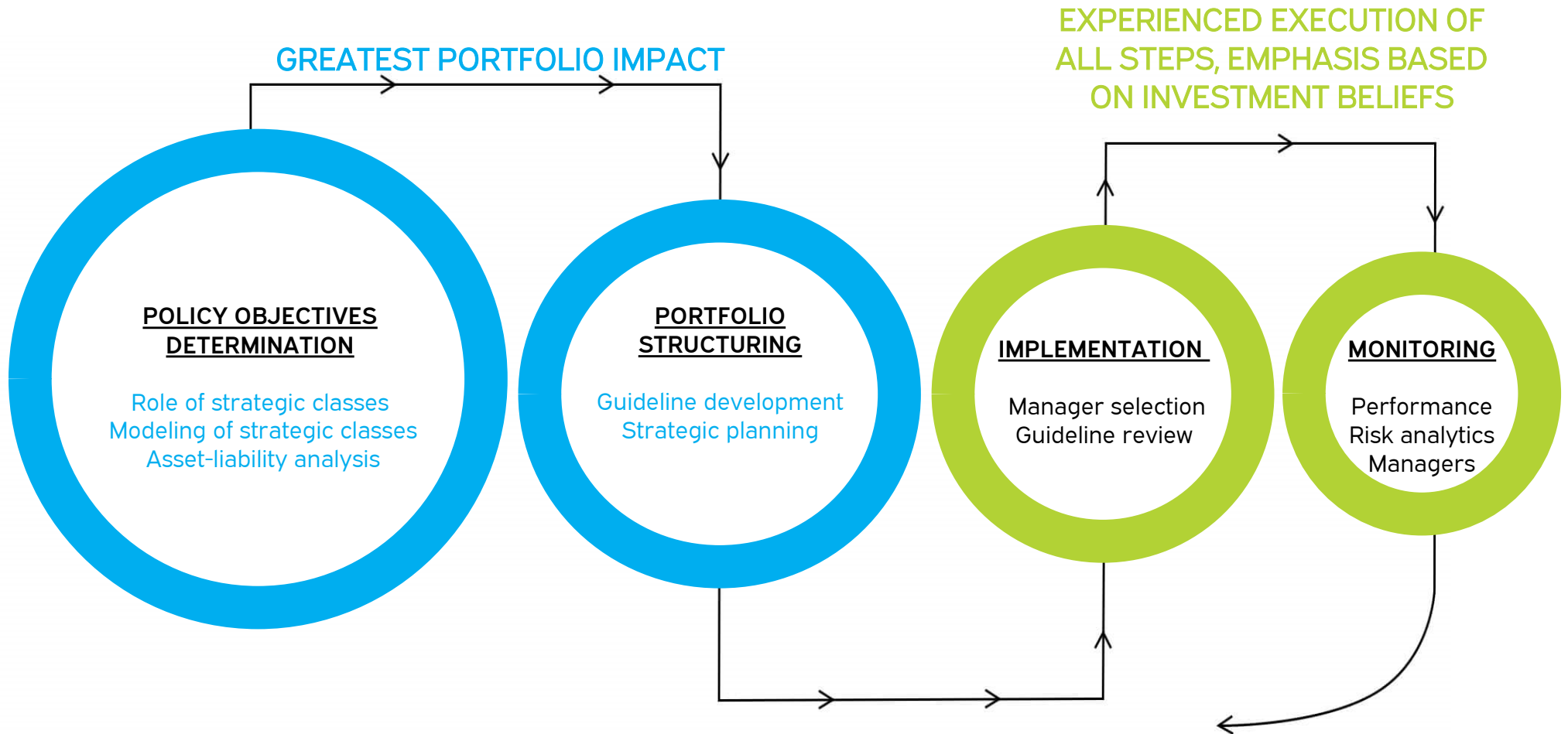
## Investment Philosophy

- Asset allocation is the primary driver of performance.
- Active and passive managers should be balanced by risk, return, and fees.
- Risk control is implemented through diversification.
- Maintain a long-term focus while aware of short-term opportunities.
- Thoroughly evaluate both established and emerging investment strategies without inherent bias.
- Be skeptical regarding new investment strategies or fads.
- Minimize fees and other expenses.

## Client Service Philosophy

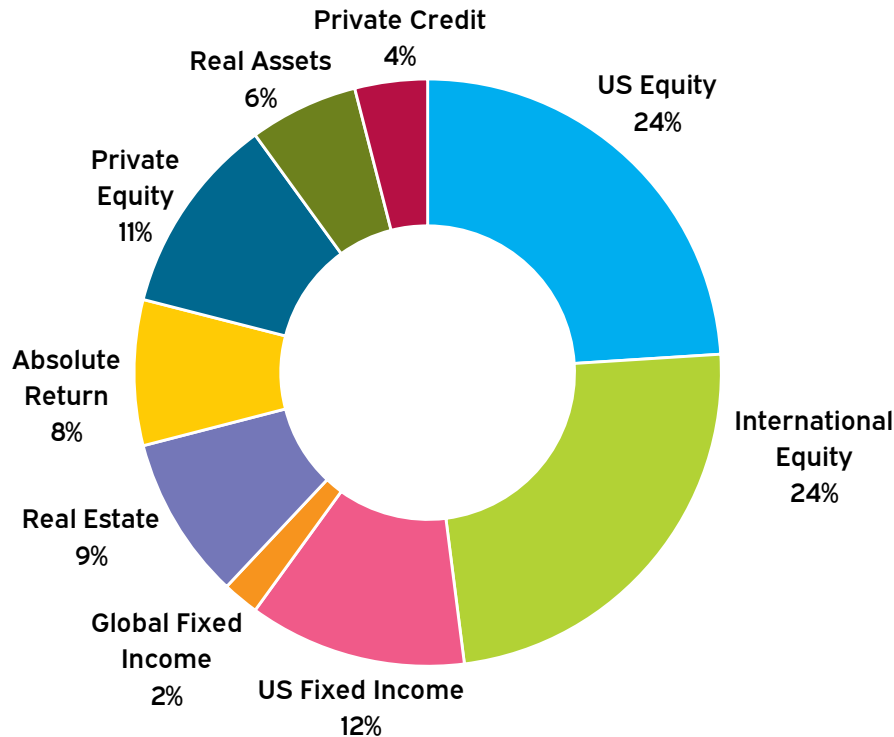
- Take an active role in the funds we serve – always fiduciaries.
- Be proactive in bringing our best ideas to clients.
- Provide continuing education on investment topics.
- Clients should only invest in strategies they understand.
- Provide reports, analysis, and advice that are of the highest quality.
- Maintain open dialogue and communication with our clients.

# Meketa's Approach Emphasizes Major Decisions



# Strategic Asset Allocation – Portfolio Observations

## ACERA Strategic Allocation Policy<sup>1</sup>



Basic Financial Metrics <sup>1</sup>	
Assumed Rate of Return	7.0%
Funded Ratio	87%
AUM	\$10,652 (M)

- Similar to other mature public funds, ACERA faces challenging headwinds.
- Meketa has a plan to help the Trustees meet its 7.0% return objective and navigate the current/future landscape.

<sup>1</sup> Source: March 2023 targets based on various ACERA reports, and most recent actuarial report available on ACERA's website.

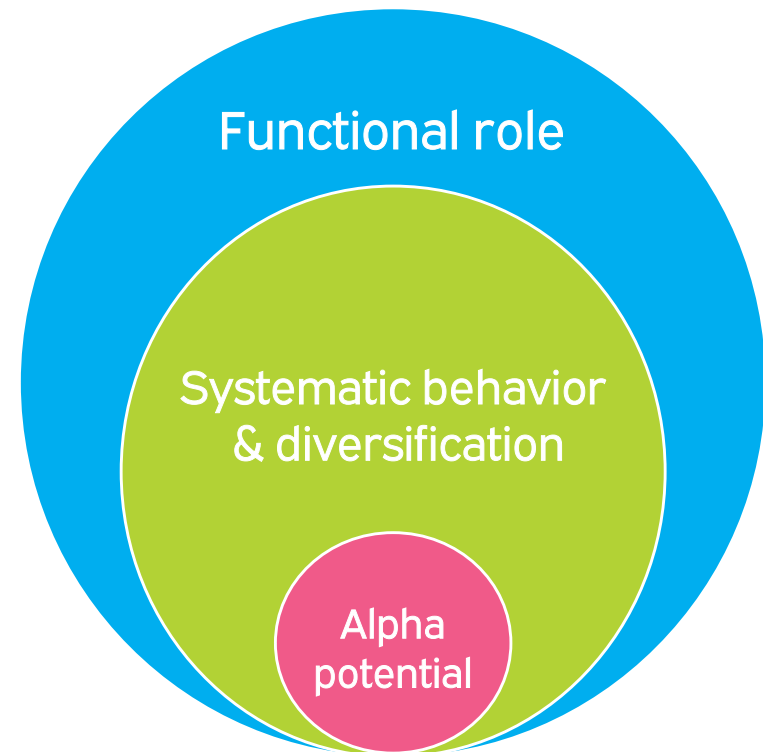


# Strategic Asset Allocation – Portfolio Observations

## Structural Considerations

- Key first step: establishing the purpose of a strategic class.
- Assets underwritten (expected) to meet a specified function.
- Strategic classes modeled to reflect custom characteristics.
- Managers: meet class or segment functional requirements first.

## Functional Paradigm



# Working Together

→ We provide options that are intended to encourage a dialogue.

Asset Group	Alameda Target (%)	60/40 Portfolio (%)	2023 Large Public Plans (%)
Rate Sensitive	14	40	15
Global Credit	0	0	9.2
Growth/Equity	63	60	55.9
Global Real Assets	15	0	14.3
Other	8	0	5.6
Expected Return	8.7	7.4	8.8
Standard Deviation	14.0	11.1	13.6
Sharpe Ratio	41	41	43

<sup>1</sup> Expected return, standard deviation, and correlation data based on Meketa's 2023 Annual Asset Study. Numbers may not sum due to rounding.

# Working Together

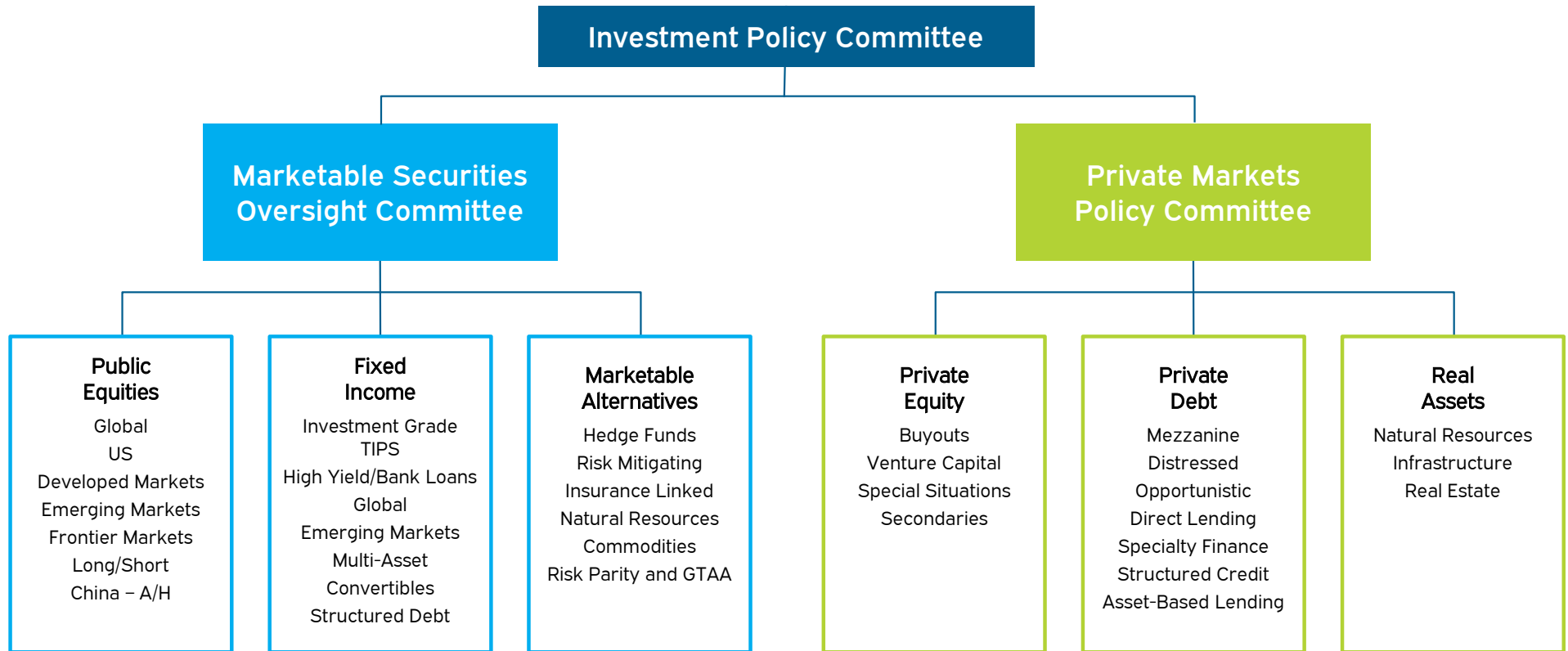
→ This dialogue includes ESG/Climate change scenario analysis.

Asset Group	Alameda Target (%)	60/40 Portfolio (%)	2023 Large Public Plans (%)
1.5 Degrees	8.16	7.24	8.23
3 Degrees	8.46	7.40	7.40
Technology Scenario	8.29	7.23	7.23
Policy Scenario	7.82	6.49	6.49

<sup>1</sup> Expected return, standard deviation, and correlation data based on Meketa's 2023 Annual Asset Study. Numbers may not sum due to rounding.

# Manager Research

# Broad Manager Research Coverage



## Investment Committee Structure

- We maintain dedicated resources across public and private markets asset classes.
- Our due diligence teams report to the firm’s Marketable Securities Oversight and Private Markets Policy Committees.
- Investment Committee structure draws on the expertise of the firm’s senior professionals.

# Public Markets Manager Research Team



**Amy Hsiang, CFA, CAIA**  
Director of Public Markets Manager Research

## Equities



**Josh Brough, CFA**  
Co-Head of Equities  
*US Value*



**Hayley Tran, CFA, CAIA**  
Co-Head of Equities  
*Non-US Equities*



**Matt Curran, CFA, CAIA**  
Research Consultant  
*US Core*



**Dennis Rafferty, CFA**  
Research Analyst  
*US Growth Equity*



**Orianna Grillo**  
Research Associate  
*Domestic Equities*



**Merav Kaufman, CFA**  
Research Associate  
*Non-US Equities*



**Griffin O'Riley**  
Research Associate  
*Non-US Equities*



**Beckett Cummings**  
Research Data Analyst  
*Non-US Equities*

## Fixed Income



**Mark McKeown, CFA**  
Head of Fixed Income  
*Generalist*



**Tracy Gage**  
Research Consultant  
*Generalist*



**Ricky Pamensky, CFA**  
Research Analyst  
*Generalist*



**Connor Collins**  
Research Analyst  
*Generalist*

## Marketable Alternatives



**W. Brian Dana, CAIA**  
Director of MALTs  
*Generalist*



**Zachary Driscoll, CFA**  
Research Consultant  
*Generalist*



**Jason Josephiac, CFA, CAIA**  
Research Consultant  
*Generalist*



**Ryan Lobdell, CFA, CAIA**  
Research Consultant  
*Generalist*



**Clara Etchegaray**  
Research Associate  
*Generalist*

## Sustainable Investing / Diverse Manager Engagement



**Josh Brough, CFA**  
Co-Head of Equities



**Hayley Tran, CFA, CAIA**  
Co-Head of Equities



**Zachary Driscoll, CFA**  
Research Consultant



**Yvette Elizalde, CSRIC**  
Research Analyst



**Ricky Pamensky, CFA**  
Research Analyst



**Orianna Grillo**  
Research Associate

## Passive Management



**Stephen MacLellan, CFA**  
Consultant



**Beckett Cummings**  
Research Data Analyst



**Orianna Grillo**  
Research Associate

## ODD



**Louis Rodriguez, CFE**  
Head of ODD

# Private Markets Manager Research Team



**John Haggerty, CFA**  
Director of Private Markets Investments

## Private Equity



**Steven Hartt, CAIA**  
Private Markets  
Consultant



**Tad Fergusson, CFA**  
Private Markets  
Consultant



**John Haggerty, CFA**  
Director of Private  
Market Investments



**Ethan Samson, JD**  
Private Markets  
Consultant



**Luke Riela, CFA**  
Macro Research  
& Data Analytics



**Bradley Dumais**  
Private Markets  
Analyst



**Harrison Page**  
Private Markets  
Analyst



**Balaj Singh, CFA, CAIA**  
Private Markets  
Analyst



**Judy Chambers**  
Private Markets  
Consultant



**Molly LeStage**  
Private Markets  
Consultant



**Jess Downer, CFA**  
Private Markets  
Consultant



**Jed Constantino, CAIA**  
Sr. Private Markets  
Analyst



**Andrew Gilboard**  
Sr. Private Markets  
Analyst



**John McCarthy**  
Private Markets  
Analyst



**Michael Pellatz, CAIA**  
Private Markets  
Analyst



**Cristen Xhama, CFA**  
Private Markets  
Analyst

## Private Debt



**Mary Bates**  
Private Markets  
Consultant



**Maya Ortiz de Montellano, CFA**  
Private Markets  
Consultant



**Jed Constantino, CAIA**  
Sr. Private Markets  
Analyst



**Amy Hsiang, CFA, CAIA**  
Director of  
Public Markets



**John Haggerty, CFA**  
Director of Private  
Market Investments



**Tad Fergusson, CFA**  
Private Markets  
Consultant



**Luke Riela, CFA**  
Macro Research  
& Data Analytics



**Andrew Gilboard**  
Sr. Private Markets  
Analyst



**John McCarthy**  
Private Market  
Analyst



**Michael Pellatz, CAIA**  
Private Markets  
Analyst

## Real Assets



**Lisa Bacon, CAIA**  
Private Markets  
Consultant



**Judy Chambers**  
Private Markets  
Consultant



**Steven Hartt, CAIA**  
Private Markets  
Consultant



**Jed Constantino, CAIA**  
Sr. Private Markets  
Analyst



**Bradley Dumais**  
Private Markets  
Analyst



**Gerald Chew, CAIA**  
Private Markets  
Consultant



**Adam Toczykowski, CFA**  
Private Markets  
Consultant



**John Haggerty, CFA**  
Private Markets  
Analyst



**Luke Riela, CFA**  
Macro Research  
& Data Analytics



**Harrison Page**  
Private Markets  
Analyst

## Real Estate



**Christy Fields**  
Head of  
Real Estate



**Scott Maynard**  
Real Estate  
Consultant



**Reggie Ross**  
Real Estate  
Consultant



**Sarah Christo**  
Real Estate  
Analyst



**Karen Reeves**  
Real Estate  
Analyst



**Colin Hill**  
Real Estate  
Consultant



**Derek Proctor**  
Real Estate  
Consultant



**Chris Andrusis**  
Real Estate  
Analyst



**Abigail Fischer**  
Real Estate  
Analyst



**Paige Junker**  
Sr. Performance  
Analyst

## ODD



**Louis Rodriguez, CFE**  
Head of ODD

# Meketa's Competitive Advantages and Differentiators

- Experience and size of team
- Culture of collaboration with staff
- Thoroughness of analysis/Robust vetting process
- Incorporate ESG and DEI into evaluation of investment strategies
- Integration with Private Markets research (where appropriate)
- Provide clients with access to capacity constrained and “closed” strategies
- Leverage size and manager relationships to negotiate fee discounts
- Open architecture/flexibility
- Research emerging, minority and women-owned managers
- Favorable manager selection adds value



# Emerging and Diverse Manager Initiatives

Meketa values diversity within the investment management and consulting industry.

- Speak regularly at conferences, attend industry events, and meet with managers at their offices and ours to expand our knowledge of the manager universe.
  - Meketa has spoken at several events, including AAAIM, NAA, NAIC, NASP, GCM Grosvenor, PEWIN, and the Toigo Foundation, to enhance the firm's exposure to emerging and diverse managers.
- In our proprietary database we specifically identify emerging, minority, women, and disadvantaged business enterprises.
  - Within our database we currently have over 300 minority, women, and disadvantaged business enterprises (MWDBE) firms.
  - To be identified as an MWDBE firm, the manager must be majority employee owned and at least 51% owned by a minority, women, and/or disadvantaged person.
- Established an Emerging and Diverse Manager Committee to expand our clients' exposure to both small and diverse firms.

# Emerging and Diverse Manager Initiatives



# Emerging & Diverse Manager Research Day

- Host two hybrid Emerging & Diverse Manager Research days annually.
- Emerging & Diverse managers of all investment strategies are encouraged to register.
- Target 50 manager meetings at each event.
- April 2023 meeting was highly successful. Met with 62 unique managers.



## Meketa Investment Group's Public and Private Markets Emerging & Diverse Manager Research Day & Roundtable Discussion

**October 25, 2023**

Hybrid, in-person and virtual,  
one-on-one interviews held all day

Virtual Roundtable Discussion  
from 12 pm to 1 pm EDT

To register for the event please go to  
<https://app.diligencevault.com/#/login?redirectid=56F6A289-A93A-451E-80F0-2D2C94FF410E>

Registration closes September 20th

**MEKETA** | 45  
CELEBRATING A MILESTONE | YEARS

# Manager Research Approach to ESG Strategies

- Meketa assigns all public market managers (traditional and ESG-oriented) an ESG score.
- Going forward, we will assign a score to the overall firm and rate each strategy separately.



# ESG Investing

## Environmental Social and Governance Issues in Investing

→ Material environmental, social, and corporate governance (ESG) criteria can be considered to assist in generating long-term value creation and reducing financial risk.



### Environment

- Climate change
- Environmental policy
- Sustainability best practice
- Environmental management
- Water supply
- Sustainable transport
- Waste management

### Social

- Consumer rights
- Health and safety
- Product safety
- Labor relations
- Community / stakeholder relations

### Governance

- Board structure
- Board diversity
- Independent directors
- Chairman / CEO split
- Executive pay
- Shareowner rights
- Accounting / audit

# Summary

# Why Meketa?

## How Can Meketa Partner With and Help ACERA?

Considerations	Solutions
Partnership with ACERA	<ul style="list-style-type: none"><li>→ Regular meetings with Staff and Trustees to work collaboratively together.</li><li>→ We are client advocates.</li><li>→ We will leverage our broader firm and resources to help ACERA operate more efficiently and deliver better results for the system.</li></ul>
Available, Experienced, and Committed Team	<ul style="list-style-type: none"><li>→ We recognize that our clients have entrusted Meketa to provide portfolio advice through all market cycles (up and down) and we are proposing a consulting team with vast experience.</li></ul>
Solving Client needs via Customized Investment Advice	<ul style="list-style-type: none"><li>→ With deep resources, a research focus, and intellectual curiosity, we are able to customize our work to the needs of each client, including ACERA.</li></ul>
Significant Public Fund Experience	<ul style="list-style-type: none"><li>→ Significant experience working with government funds (of various sizes).</li><li>→ We consult on over \$1.5 trillion in assets for public fund clients located throughout the country.</li><li>→ Meketa is an industry leader and can share best practices.</li></ul>
Focus on Education and Clear/Transparent advice	<ul style="list-style-type: none"><li>→ We recognize that our clients may not be investment experts and look to us for advice and education.</li><li>→ Meketa provides clients with transparent information to help decision-makers meet their fund's goals and objectives.</li></ul>

## Thank You

*Thank you for the opportunity to meet with you and present our capabilities.*

*We are excited about the prospect of serving*



*and believe we would be a great fit for your organization.*

*It would be an honor and a privilege to serve as your investment consultant.*



# Appendix

# Proactive Communication

**MEKETA**  
INVESTMENT GROUP

Today's Low Interest Rate Environment—Zero Bound and Down

**GLOBAL MACROECONOMIC RESEARCH**  
NOVEMBER 2020  
GLOBAL THEORY

**Artificial Intelligence**

Artificial Intelligence, or more simply, A.I., has captured our collective imagination since the 1950s when the idea was first introduced in the modern sense. It was popularized in media even earlier by Isaac Asimov who introduced the three laws of robotics, and later more famously in the film series The Terminator. A discussion of the topic causes some to envisage some extreme scenarios, while others can feel that something that has been so long in coming cannot truly be real?

The purpose of this paper is to illustrate that not only has A.I. become a reality in our day to day lives, but that it is already impacting investment portfolios as well as the investment process in many cases. While A.I. looks nothing like the doomsday scenarios portrayed in blockbusters, it can come in many different forms. Understanding the best opportunities to make use of this quickly expanding technology can be a challenge, but keeping a focus on the 'how' and the 'why' it is valuable is the clearer path to a successful implementation. In the vast majority of cases, A.I. either expands or improves upon processes that are already in use. While the mathematics and technical details behind an A.I. algorithm can be very complex, the fundamentals of A.I.'s value-add should be clear and interpretable.

**What A.I. is and what it is not**

**What A.I. is not**

In popular media, A.I. is sometimes portrayed as a seemingly "all-knowing" machine with super human powers that is continually self-upgrading. This idea is called the technological singularity. In truth, not only is this not representative of A.I. today, but such an outcome is nowhere in sight. Worrying about the technological singularity (while entertaining) is about as productive as concerning oneself with the fact that in billions of years the Sun will engulf the Earth.

**Successful A.I.—a combination of tools**

A.I. as it exists today can still be exciting, but it can also sometimes be quite mundane. This is true because any successful A.I. implementation will comprise a set of solutions and tools that combine complexity and elegance with rote task automation. Those seeking to incorporate A.I. solutions are faced with a significant problem, since many different components exist but not all may be a truly valuable addition on a standalone basis.

**MEKETA essentials**

- Timely, actionable research topics
- Flexible formats and delivery
- Customized client education materials on the topics of interest to your organization
- Direct access to subject matter experts throughout the organization to answer your questions
- Training on topics that impact your investment goals
- MEKETA essentials (client portal)
- Meketa Investment Perspectives

Welcome to your personal source for in-depth analysis, insights, and customized reporting

- Research Engine | Public Markets**  
Extensive library of research on Public Market investment firms and strategies.
- Research Engine | Private Markets**  
Rich analysis of hundreds of Private Market investment opportunities launched each year.
- Portfolio Dashboard | Private Markets**  
Customizable performance and diversification analysis for Private Market portfolios.

Copyright © 2020, Ventage Software. All Rights Reserved.

**MEKETA**

WHO WE SERVE + WHAT WE OFFER + ABOUT US + THOUGHT LEADERSHIP | NEWS & EVENTS

**Thought Leadership**  
Providing in-depth analysis, research, and insights to increase understanding and success

ALL | MACROECONOMIC NEWSLETTER | QUARTERLY MARKET ANALYSIS | WEBINAR | WHITE PAPER

- QUARTERLY MARKET ANALYSIS**  
MAY 14, 2020  
First quarter 2020 global macroeconomic outlook
- WEBINAR**  
MAY 14, 2020  
Meketa's Christy Fields participates in a REFI Radio: Innovations in Real Estate podcast

# Client Education

Transparency and communication are critical.

- Investment research papers on industry topics
- Economic and market updates via webinars and newsletters
- Client Conference
- Customized educational retreats
- Formal presentations on pertinent investment topics
- Ongoing education at client meetings
- Interim memos on significant market and portfolio-related events
- MEKETA essentials (client portal)

## White Papers & Newsletters



## Updates & Webinars



## Online Thought Leadership



## Investment Education




# Timeline of Transition

→ Once a contract is executed, we would propose the following transition timeline:

Week 1 to Week 3	Week 4 to Week 6	Week 7 to Week 9	Week 10 & Beyond
<ul style="list-style-type: none"><li>☑ Gather all critical data for the Fund from current providers (managers, custodian, actuary, etc.)</li><li>☑ Schedule due diligence meetings with each of the Fund's managers</li><li>☑ Begin review of investment policy, asset allocation, manager roster and other critical Fund components</li></ul>	<ul style="list-style-type: none"><li>☑ Complete initial investment policy review</li><li>☑ Complete initial asset allocation review</li><li>☑ Complete initial manager due diligence meetings</li><li>☑ Finalize Initial Fund Review</li></ul>	<ul style="list-style-type: none"><li>☑ Present Initial Fund Review to Committee</li><li>☑ Review investment policy with Committee</li><li>☑ Review asset allocation policy with Committee</li><li>☑ Review manager roster analysis with Committee</li></ul>	<ul style="list-style-type: none"><li>☑ Begin to implement Committee decisions</li><li>☑ Continue dialogue with Committee regarding other components critical to running a successful investment program</li></ul>

# Comprehensive Initial Fund Review

- Examines existing Investment Policy Statement, asset allocation policy, and structure.
- Results in a useful guide for discussions and decision-making.
- Provides current status of the Fund, recommendations, and priorities.
- Use an iterative process and dialogue among our clients' Board members, Staff, and consultants.



**Initial Fund Review**  
Sample Client Fund

---

Summary Initial Fund Review

The table below summarizes Meketa Investment Group's initial review of the Sample Client Fund, including recommendations for action and priorities. Each recommendation is described in detail in the following pages.

Fund Governance	Priority
<b>Investment Policy Statement</b>	
• Review and update Investment Policy Statement	One
<b>Investment Manager Guidelines</b>	
• Review and update Investment Manager Guidelines	One
<b>Crisis Response Plan</b>	
• Establish a Crisis Response Plan	One
Fund Asset Allocation & Portfolio Construction	Priority
<b>Asset Allocation Policy &amp; Portfolio Construction</b>	
• Adopt a new asset allocation and target ranges; revise definitions of asset classes; establish rebalancing policy	One
• Meet with the Fund's investment managers on a regular basis	One
• Replace lower conviction, redundant portfolios	Two
• Consider passive investments for large cap equities (domestic and international)	Two
• Diversify broadly across and within asset classes to reduce idiosyncratic risks	Two
<b>Equity</b>	
• Remain market cap neutral relative to the broad domestic equity index	One
• Eliminate value/growth biases in the domestic and international equity portfolio	One
• Consider adding a dedicated emerging market equity portfolio	Two
• Consider redeeming investments in dedicated long-short equities (Manager)	Two
<b>Fixed Income</b>	
• Consider adding an explicit target allocation to TIPS	One
• Consider adding an allocation to emerging markets debt	Two
• Consider adding a dedicated high yield bond mandate	Three

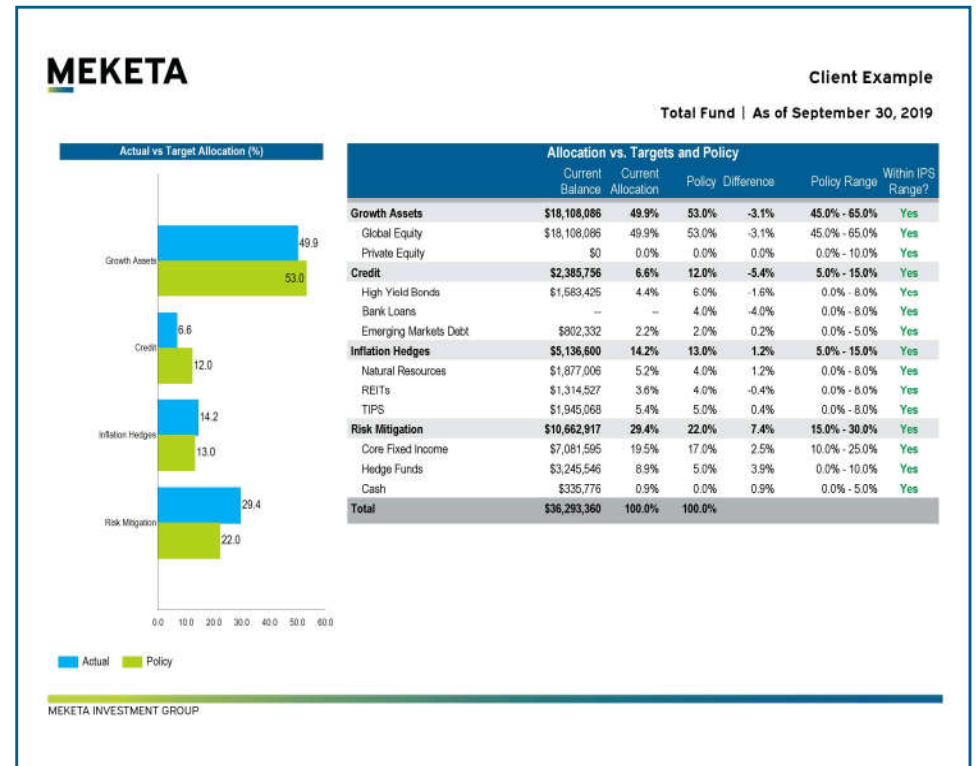
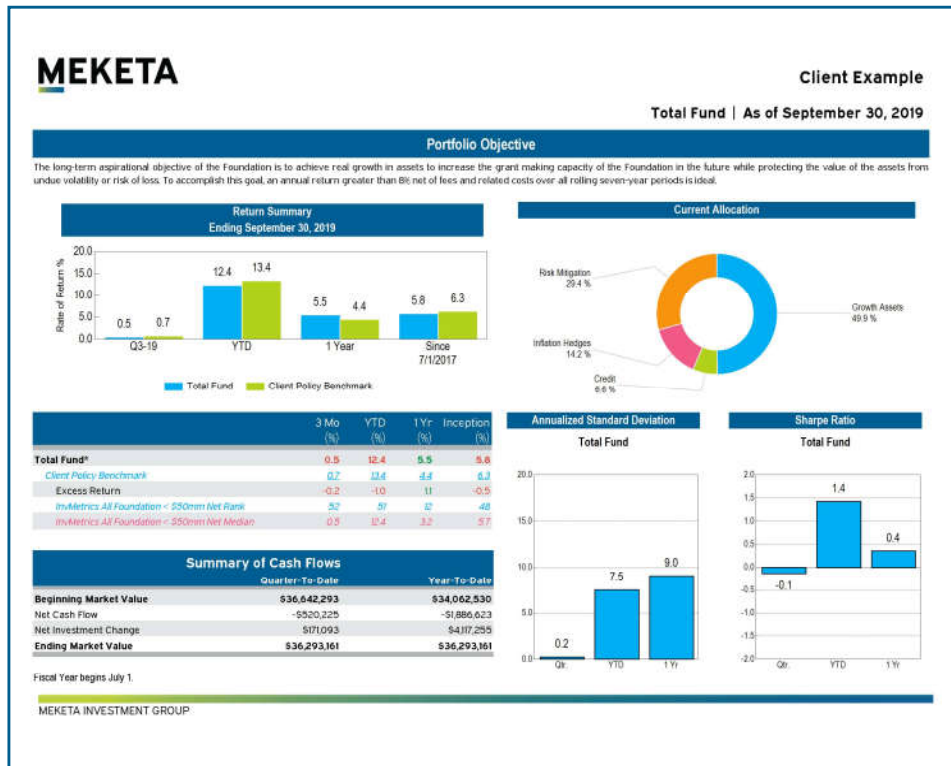
Priority one areas will be addressed by the Trustees and Meketa Investment Group, and any recommendations implemented by Meketa Investment Group within the next nine months. Priority two areas will be addressed over the next six to eighteen months, and any recommended actions implemented within that timeframe. Priority three areas will be addressed over the next twelve to thirty-six months, and any recommended actions implemented within that timeframe.

---

BOSTON CHICAGO LONDON MIAMI NEW YORK PORTLAND SAN DIEGO

# Reporting & Analysis

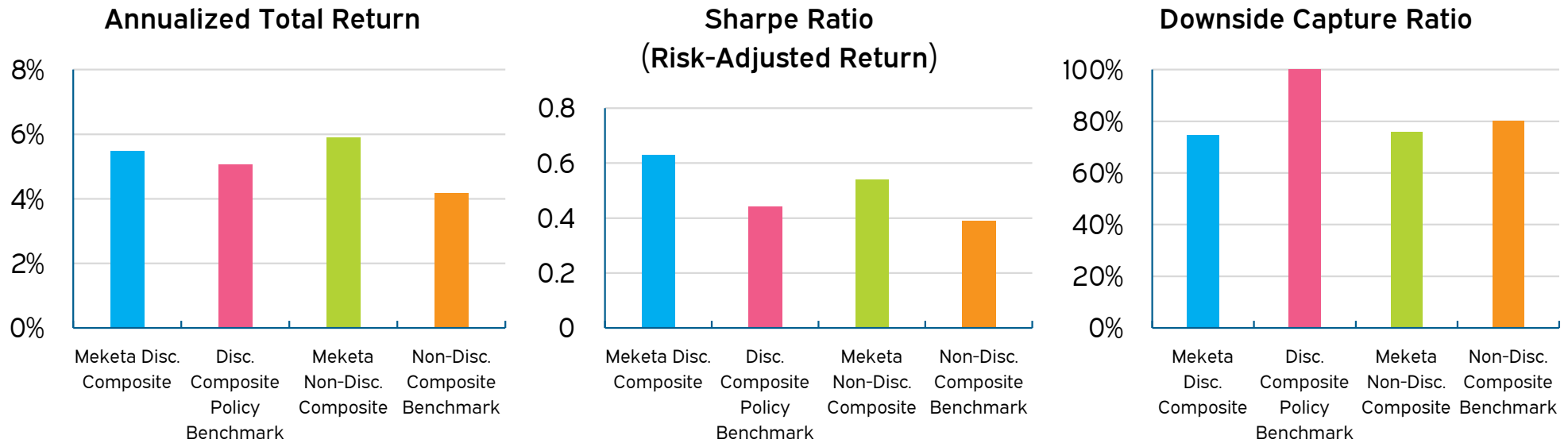
- Thorough, transparent analysis and summary of all key information for each client delivered quarterly.
- Client reports address the following areas:
  - Aggregate Fund Performance, Asset Allocation, Fund Structure, Individual Manager Reviews, Current Topics.



Performance

# Trailing 5-Year Performance of Meketa Clients

## Discretionary vs. Non-Discretionary Performance as of December 31, 2022



→ Our discretionary composite has similarly superior risk-adjusted return characteristics as the non-discretionary composite.

→ These results reflect our focus on risk control and long-term planning with our clients.

Composites are comprised of Meketa's 5 largest discretionary/OCIO and 5 largest non-discretionary/advisory clients who have been clients of Meketa for 5 years or longer. Discretionary Composite data is the asset weighted average of discretionary client total fund performance and policy benchmark performance. Non-Discretionary Composite data is the equal weighted average of non-discretionary client total fund performance and policy benchmark performance.



# Asset Allocation

# Capital Markets Research Team



Mr. Benham serves as Chairman of the IPC and the Strategic Asset Allocation/Risk Management Committee.  
(Years industry experience)

# The Mosaic Approach

- The real world risks and objectives faced by investors are complex and often conflicting.
  - These cannot be summarized in a single statistic.
  - Rather, we use a variety of tools to build a more complete picture.
- Our staff has access to the best tools used in the industry, and specialized, proprietary tools developed by our internal team.

Mean-Variance Optimization	Tracking Error vs. Peers
Risk Budgeting	Historical Scenario Analysis
Alpha Assumptions	Factor Stress Tests
Sequence of Returns Impact	Liquidity Stress Tests
Big Data Simulations	Economic Regime Analysis
High Dimension Optimization	Simulation-Based Optimization

- This approach provides a better understanding of how the plan might behave.

# Asset Allocation Portal – MEKETA essentials

→ Online access for our clients and their staff. Our asset allocation tools are fully customizable and allow users to create various asset mixes, return assumptions, funded statuses, beginning market values, correlations, target returns, return percentiles, and peer comparisons. One can model the following data:

- Portfolio Statistics
- Risk Decomposition
- Tracking Error Contribution
- Probability of Achieving Target Return
- Expected Return Percentiles
- Value at Risk
- Historical Scenarios
- Stress Test
- Economic Regime Management
- Liquidity Analysis
- Sequence of Returns
- Asset Growth
- Alpha Estimate
- Monte Carlo Simulation

**MEKETA**  
INVESTMENT GROUP

Asset Allocation / Asset Allocation Tool Example / Asset Study 2021

**Portfolio Statistics**

Asset Group	Policy A	Policy B	Benchmark
State Sensitive	20.00%	21.50%	17.50%
Cash Equivalents	2.5%	3%	1%
Investment Grade Bonds	2.5%	3%	13%
Long-term Government Bonds	10%	10%	2.5%
TIPS	5%	5.5%	1%
Global Credit	9.00%	8.00%	7.50%
High Yield Bonds	2%	2%	12%
Bank Loans	1%	1%	0.8%
	4%	3%	
	0.5%	1.25%	
	7.00%	6.80%	
	12.93%	13.30%	
	0.46	0.43	

**MEKETA**  
INVESTMENT GROUP

Asset Allocation / Asset Allocation Tool Example / Asset Study 2021

Select Asset Classes

Asset Class	Expected Return	Standard Deviation
Cash Equivalents	11	10
Short-term Investment Gr...	12	10
Investment Grade Bonds	18	43
Intermediate Investment...	20	50
Investment Grade Corpor...	23	70
Long-term Corporate Bon...	32	85
Multi-Sector Global Secur...	18	35
Intermediate Government...	14	30
Long-term Government B...	25	60
Long-term Strips	33	20

Asset Class

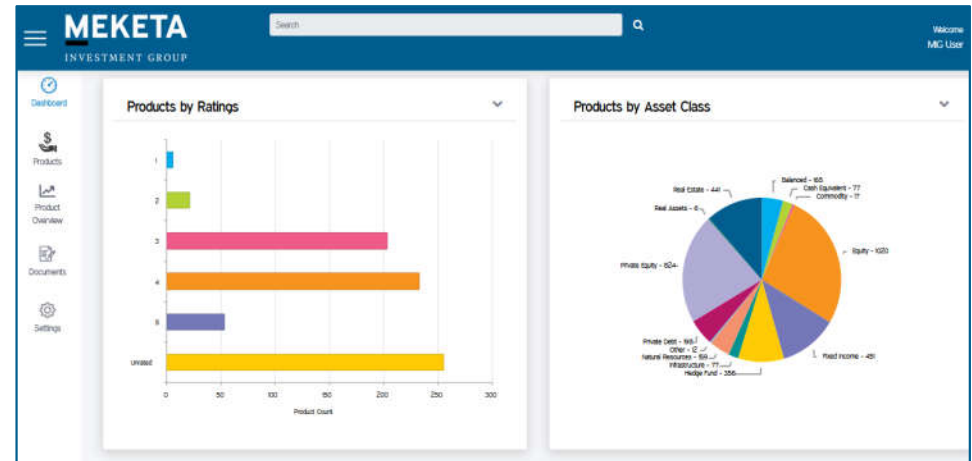
Asset Class	Policy A	Policy B	Benchmark
Cash Equivalents	2.5	3	1
Investment Grade Bonds	2.5	3	13
Long-term Government Bonds	10	10	2.5
TIPS	5	5.5	1
High Yield Bonds	2	2	12
Bank Loans	1	1	0.8
Private Debt	4	4	3
Emerging Market Bonds (Local)	1	0.5	1.25
Emerging Market Bonds (Global)	1	0.5	1.25
Total	100	100	100

# Public Markets Research Engine

Meketa offers clients direct access to research produced by our manager research team in an easy-to-navigate environment.

## Fund Details

- Summary investment products by asset class and strategy.
- Full research summaries, including investment ratings, ESG ratings, ownership status, benchmarking, and performance.

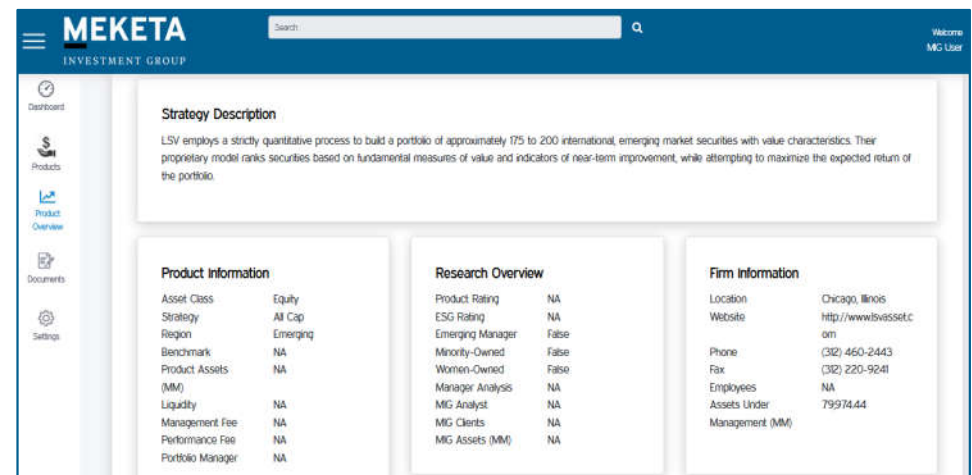


## Proprietary Research

- Meketa-produced investment analyses including full manager due diligence reports.
- Meeting notes written by our research analysts for each meeting taken (when available).
- Operational due diligence, summarizing middle and back-office functions and risks (when available).

## Deep Environment

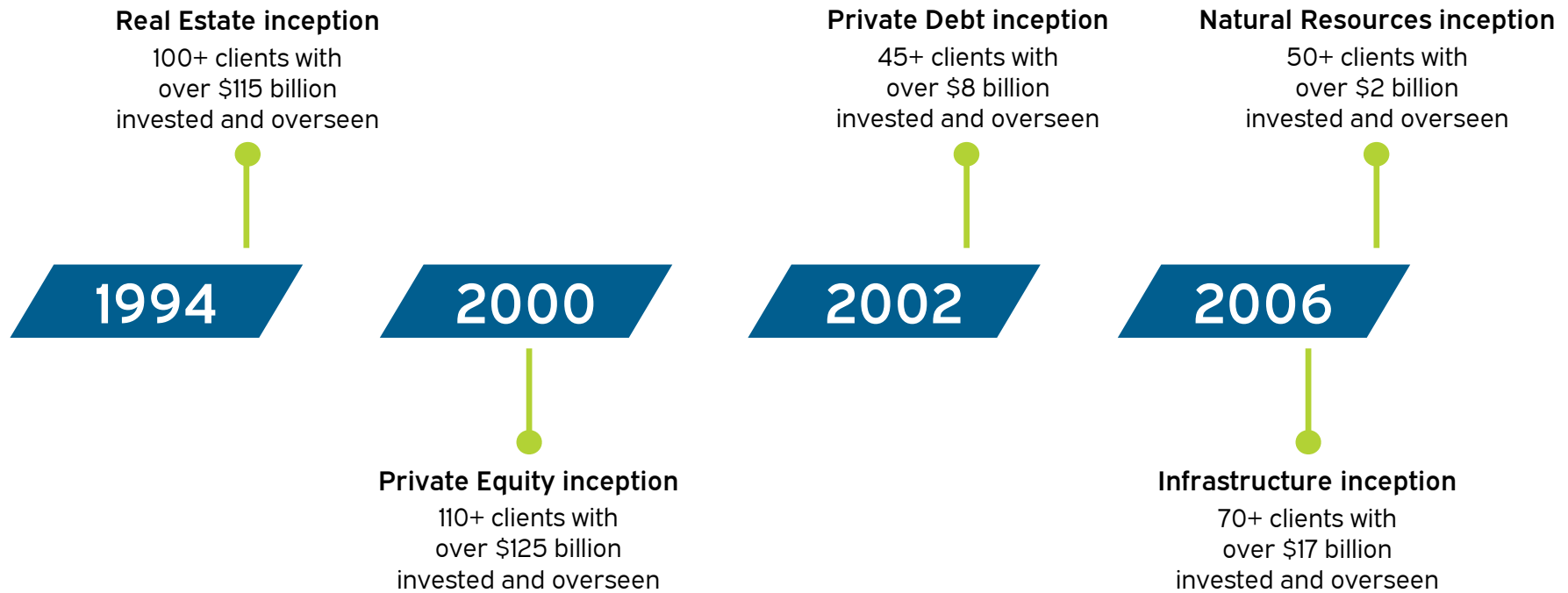
- Notes from over 600 meetings taken each year with investment managers.



# Private Markets Manager Research

# Significant Private Markets Expertise

We have been evaluating Private Markets strategies since 2000. We serve as a specialized Private Markets Advisor on many client relationships and are long-tenured in the space.



Denotes both discretionary and non-discretionary assets under advisement.  
Client counts as of March 31, 2023; assets as of December 31, 2022.

# Meketa Private Markets Overview

## Heritage

- Over 20 years of investing in private markets. Reviewed or recommended over \$37 billion in commitments since 2000, including more than \$13 billion on a discretionary basis since 2006.
- Advisory and asset management services; no products or other conflicts of interest.
- Team of 56 professionals in seven offices across North America and Europe.
- Diverse client base; public and private pensions, endowments, foundations, and others. Client assets range from \$100 million to \$300 billion.

## Approach

- Cover the full private markets opportunity: Private Equity, Private Debt, Real Estate, Infrastructure, and Natural Resources.
- Broad range of services: discretionary management, strategic & tactical advice, project due diligence, monitoring & reporting, and cash flow coordination.
- Proven philosophy: select top-quartile funds; emphasize value creation, market inefficiencies, and demonstrated manager skill.

## Performance<sup>1</sup>

- Strong performance over multiple market cycles:

VINTAGES	COMMITTED (\$ M) <sup>2</sup>	GROSS DPI <sup>3</sup>	GROSS TVPI <sup>3</sup>	GROSS IRR <sup>3</sup>	NET IRR <sup>4</sup>	MSCI ACWI TWR
2005 - 2022	\$13,018.6	0.7x	1.6x	14.7%	14.3%	5.9%

<sup>1</sup> Meketa performance includes active Discretionary private equity, private debt, real estate, infrastructure, and natural resources investments since inception as of 9/30/22.

<sup>2</sup> Committed capital includes all active and former Meketa clients in which Meketa had discretionary control at the time of commitment execution.

<sup>3</sup> Gross performance figures are net of manager fees and gross of Meketa fees.

<sup>4</sup> Net performance is net of manager fees and Meketa fees. Meketa fees are estimated to decrease gross returns by 40 basis points, which is reflected in the net IRRs.

Past performance is not indicative of future results.





# **LABOR PRINCIPLES IN PRIVATE EQUITY**

## **The Next Frontier in Capital Stewardship**

# WELCOME



The above clients are representative only and not an endorsement by any client listed. It is not known whether the clients listed approve of Meketa or the services we provide.

Alameda County Employees' Retirement Association

# Speakers



**Steve McCourt**

Co-CEO, Meketa



**Terry O'Sullivan**

General President, LIUNA



**John Haggerty**

Director of Private Market  
Investments, Meketa



**Erin Hutson**

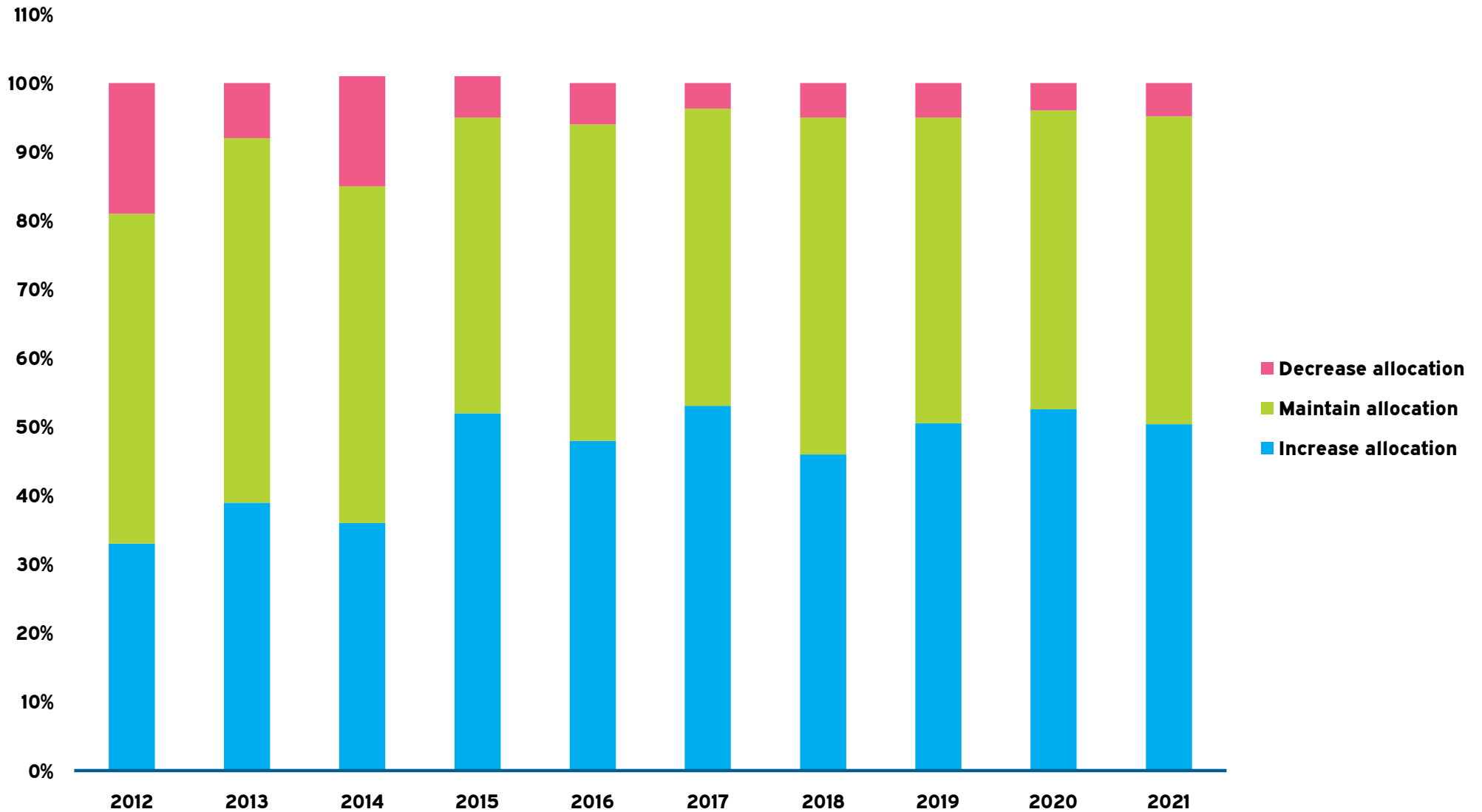
Director Dept. of  
Corporate Affairs, LIUNA



**Jennifer O'Dell**

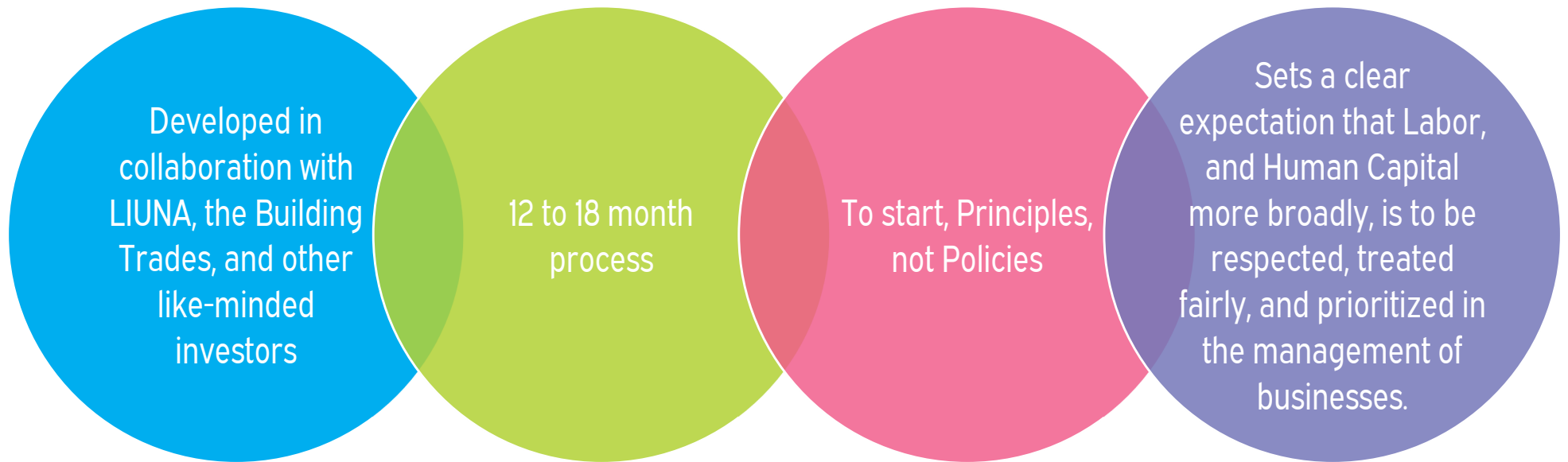
Asst. Director Dept. of  
Corporate Affairs, LIUNA

# Increasing Allocations to Private Equity Over Time



Source: Preqin, Alternative Assets Report H1 2022. 'Investors Plans for Private Equity allocation in the Longer Term.'

# What are the Labor Principles?



# Private Equity Backed Construction Companies



All trademarks are the property of their respective owners.

# An Example of LIUNA's Capital Stewardship Efforts – Midship Pipeline

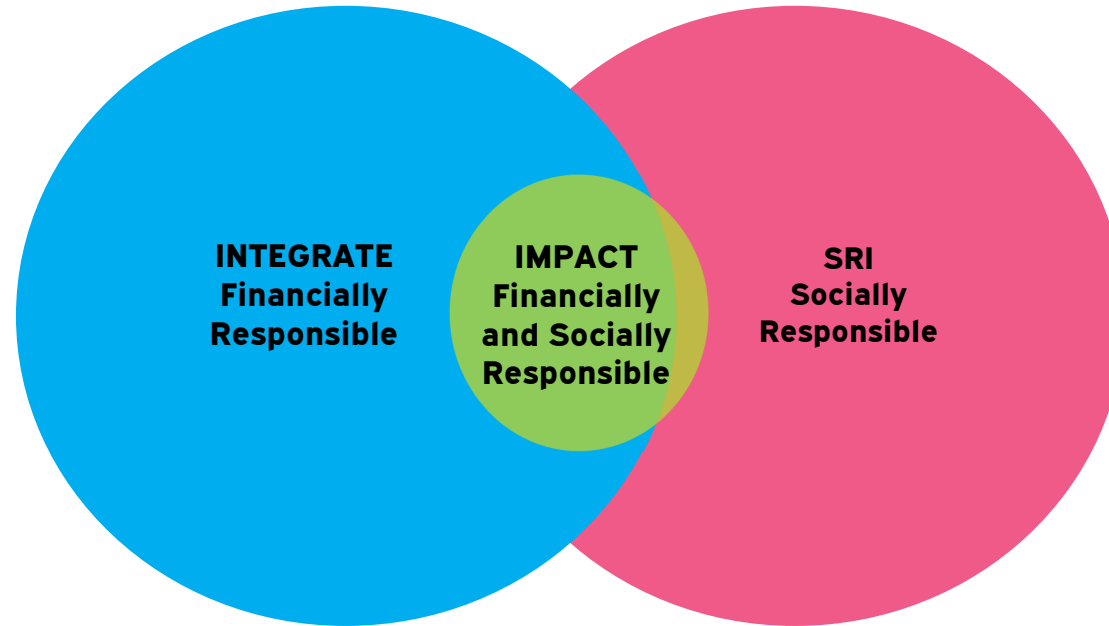
- **2017** | EIG Private Equity Funds invests \$500 million to construct Midship.
- **2018** | Hire Contractor Strike and MG. Dyess. Strike owned by private equity fund Sentinel & OEP.
- **2020-2021** | Pipeline receives stop work order from FERC. Cheniere announces \$130 million loss related to pipeline.
- **2022** | Midship sues FERC for trying to enforce remediation of landowners' properties and Strike announces bankruptcy.
- **EIG Private Equity funds** listed in 4<sup>th</sup> Quartile.



# ESG Investing



# Investment Strategy Approaches and ESG



Objective	Description
<b>Integrate</b> (Financially Responsible)	Evaluate and integrate material ESG factors to improve the long-term risk-adjusted return of a portfolio, with no explicit, quantifiable, social and or environmental impact goals.
<b>Impact</b> (Financially & Socially Responsible)	Identify specific ESG factors to adjust an investment portfolio to generate meaningful, preferably quantifiable ESG impacts and meet or exceed market risk-adjusted return benchmarks.
<b>SRI</b> (Socially Responsible)	Identify specific ESG factors, typically through positive and/or negative screens, to generate or influence a specific ESG, ethical, or social value, with no explicit regard for the financial returns to the portfolio, or for explicit below market expected returns.

# Meketa Climate Risk and Opportunity - Examples

Meketa has provided climate investment analysis and policy recommendations since at least 2002 (includes PCA prior to merger). Examples of recent Meketa climate-related risk assessments:

- 2019: Climate risk assessment report for the Minnesota State Board of Investment (SBI)
- 2020/21: Fossil fuel divestment analysis for the Comptroller of the City of New York on behalf of three NYC Pension Plans (NYCERS, BERS, and Teachers)
- 2022: Minnesota SBI climate investment exposures and policy options
- 2022: Connecticut Retirement Plans and Trust Funds (CRPTF) Climate analysis
- 2023: VPIC decarbonization assessment and policy options
- Ongoing work for next steps with the SBI, CRPTF, and other clients
- Beginning in 2018, our climate-related assessments have included climate scenario analysis for retainer and project-based clients that requested scenario analysis including:
  - Maryland State Retirement and Pension System (MSRPS)
  - Los Angeles County Employees Retirement Association (LACERA)
  - California State Teachers' Retirement System (CalSTRS)
  - Comptroller of the City of New York (Teachers, NYCERS, BERS)
  - Minnesota State Board of Investment (SBI)
  - Connecticut Retirement Plans and Trust Funds (CRPTF)
  - Vermont Pension Investment Commission (VPIC)

# Representative Client List

## Public

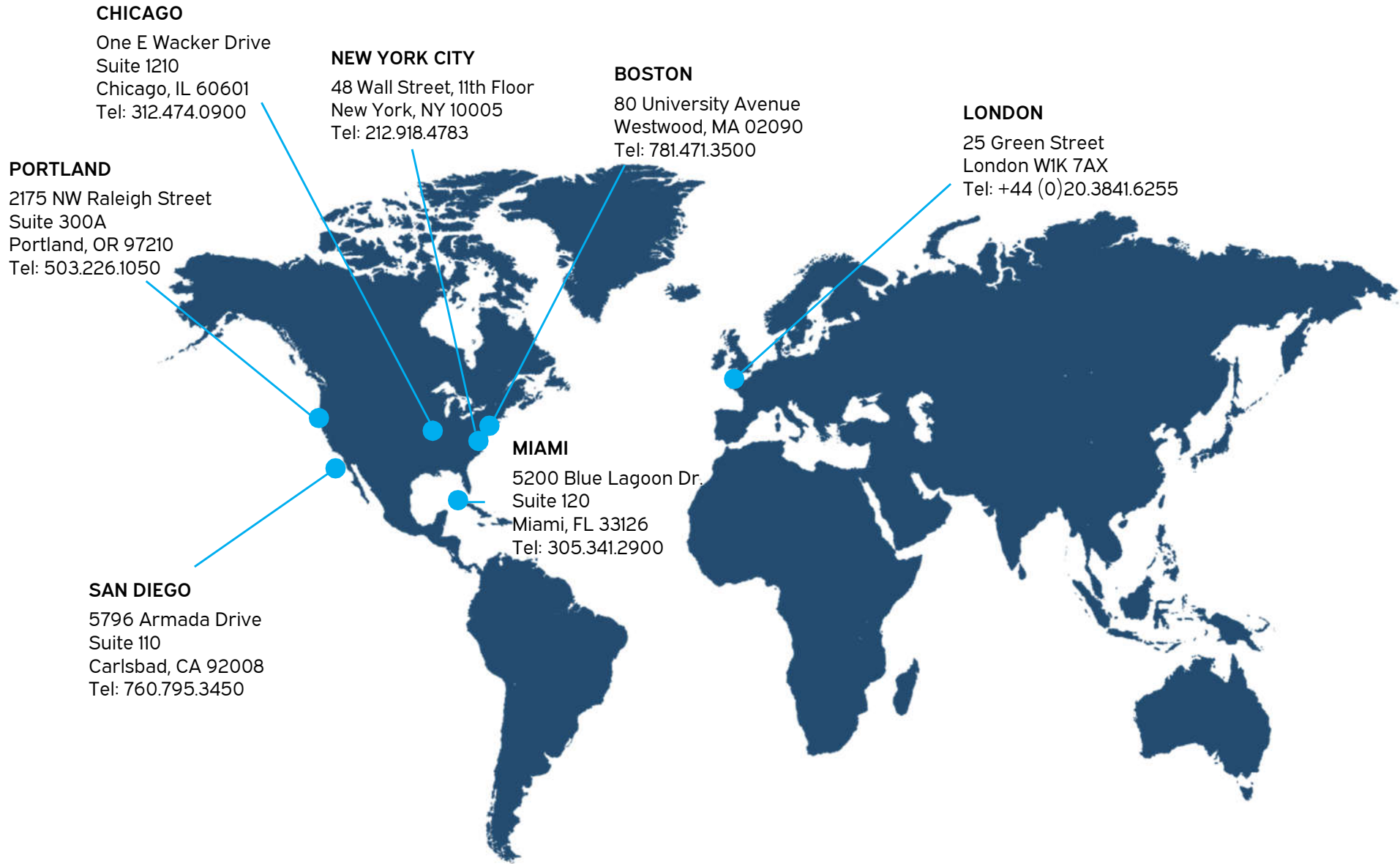
Arizona State Retirement System  
Austin Fire Fighters Relief & Retirement Fund (TX)  
Bloomington Fire Department Relief Association Pension Fund, MN  
California Public Employees' Retirement System  
California State Teachers' Retirement System  
City and County of San Francisco Retiree Health Care Trust Funds (CA)  
City of Ann Arbor Employees' Retirement System (MI)  
City of Baltimore Employees' Retirement System (MD)  
City of Hartford Municipal Employees Retirement Fund (CT)  
City of Marlborough Contributory Retirement System (MA)  
City of Miami Fire Fighters' and Police Officers' Retirement Trust (FL)  
City of Newport News (VA)  
City of Phoenix Employees' Retirement System (AZ)  
City of Quincy Retirement System (MA)  
City of San Jose Police and Fire Department (CA)  
Connecticut Retirement Plans and Trust Funds  
Dallas Police and Fire Pension System (TX)  
Denver Employees Retirement Plan (CO)  
District of Columbia Retirement Board  
East Bay Municipal Utility District (CA)  
El Paso Firemen & Policemen's Pension Fund (TX)  
Employees' Retirement System of the City of Norfolk  
Employees' Retirement System of Texas  
Employees' Retirement System of the Government of the U.S. Virgin Islands  
Fire and Police Retiree Health Care Fund, San Antonio (TX)  
Illinois State Board of Investment  
Industrial Commission of Arizona  
Irving Firemen's Relief and Retirement Fund (TX)  
Kansas Public Employees Retirement System  
Los Angeles County Employees Retirement Association (CA)  
Maine Savings Retirement Board  
Maryland State Retirement and Pension System  
Massachusetts Convention Center Authority  
Massachusetts Housing Finance Agency Employees' Retirement System

## Public

Metropolitan Government of Nashville & Davidson County (TN)  
Minnesota State Board of Investment  
Missouri State Employees Retirement System  
Montgomery County Public Schools Pension & Retirement Plan (MD)  
Municipal Employees' Retirement System of Louisiana  
New Mexico Public Employees Retirement Association's  
Deferred Compensation Plan  
Oakland Police and Fire Retirement System (CA)  
Orange County Employees Retirement System (CA)  
Oregon Growth Board  
Oregon Public Employees' Retirement System  
Park Employee's and Retirement Board Employee's Annuity  
and Benefit Fund of Chicago  
Pension Reserves Investment Management Board (MA)  
Plymouth County Retirement Association (MA)  
Regional Transportation Authority (IL)  
Rhode Island State Investment Commission  
San Joaquin County Employees' Association (CA)  
San Diego City Employees' Retirement System  
San Jose Federated City Employees' Retirement System (CA)  
Santa Clara Family Health Plan (CA)  
State Board of Administration of Florida  
State of Hawaii Employees' Retirement System  
State of Wyoming, Wyoming Retirement System  
State Universities Retirement System of Illinois  
Teachers' Retirement System of Oklahoma  
Teachers Retirement System of the State of Illinois  
Town of Lexington Contributory Retirement System (MA)  
Town of Norwood Retirement System (MA)  
Tri-County Metropolitan Transportation District of Oregon  
Washington State Investment Board  
Worcester Retirement System (MA)

As of June 30, 2023. The above clients are representative only and not an endorsement by any client listed. It is not known whether the clients listed approve of Meketa or the services we provide.

# Contact Information



# Disclaimer

---

This presentation has been prepared by Meketa Investment Group® and its affiliates (Meketa or the Firm). It is intended to describe Meketa and certain investment services Meketa provides or proposes to provide. This presentation does not constitute an offer or solicitation of an offer to sell any securities, to manage investments or a promotion of, or an invitation to make an offer for any particular investment. Clients (existing or prospective) should rely solely on their confidential client agreements provided to them by Meketa. This presentation and the information contained herein is confidential and must not be shared with any other person without the prior consent of Meketa. No reliance should be placed on the contents of this presentation in connection with any of Meketa's future investment activity. The information in this presentation represents Meketa's current business processes and operations as of the date described herein. At its sole discretion, Meketa may change its business process or operations at any time and without any notice. Meketa undertakes no obligation to update any of the information contained in this presentation.

Any case studies or investment examples provided are for illustrative purposes only and are meant to provide an example of Meketa's investment process and methodology. There can be no assurance that Meketa will be able to achieve similar results in comparable situations. This information does not constitute an exhaustive explanation of Meketa's investment process, investment allocation strategies or risk management. Information contained herein has been obtained from a range of third-party sources. While the information is believed to be reliable, Meketa has not sought to verify it independently. As such, Meketa makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential, or incidental damages) for any error, omission, or inaccuracy in the data supplied by any third party. Any estimates contained in this presentation are necessarily speculative in nature and actual results may differ. Past performance is not necessarily indicative of future results. For additional information, please contact your Meketa consultant.

Meketa merged with Pension Consulting Alliance (PCA) on March 15, 2019. Data presented in this presentation may include information related to PCA prior to the merger with Meketa. This information could include years of tenure with the firm, client inception dates, and services offered, among other items.



# NEPC PRESENTATION FOR GIC MANDATE

ALAMEDA COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION

SEPTEMBER 6, 2023



# TODAY'S PRESENTERS



**Mike Manning**

Managing Partner

- NEPC's Managing Partner who has led the firm since April 2011
- Works with broad array of clients, covering all types that NEPC works with today



**Sam Austin**

Partner

*Proposed Lead Consultant for ACERA*

- Advises SBCERA
- 35 years of investment experience
- Chair of NEPC Governance Board
- Founder and Board Chair of Investment Diversity Advisory Council (IDAC)



**Dan Hennessy**

Senior Consultant

*Proposed Secondary Consultant for ACERA*

- Advises StanCERA
- 22 years of investment experience
- Member of Impact Investing Committee
- Chartered Financial Analyst and Chartered Alternative Investment Analyst



**Rose Dean**

Principal & Senior Consultant

*Proposed Coordinator of Private Markets Research for ACERA*

- Advises VCERA
- 21 years of investment experience
- Previously Managing Director and Senior Consultant at Wilshire Advisors
- Holds a Chartered Financial Analyst Designation

# TODAY'S PRESENTATION THEMES

**RESPONSIVENESS**

**RESOURCES**

**ROBUST IDEAS**



# WHY NEPC IS AN IDEAL PARTNER FOR ACERA

Benefit to  
ACERA

## RESPONSIVENESS

- Our alignment of interests and low client-to-consultant ratio facilitate our delivery of customized solutions for ACERA
- Client-facing consultants and analysts are all local and available to quickly serve your needs

A partner that listens and delivers

## RESOURCES

- Experienced 71-person Research Team covering private market and public market strategies, portfolio construction and strategic asset allocation
- Dedicated Public Fund Practice Team that draws upon innovative, tailored solutions we have crafted for our 68 public pension clients

Manager diligence and board education capabilities directly at your fingertips

## ROBUST IDEAS

- Willing to recommend creative ideas toward goal of seeking better risk-adjusted returns over time
- Consultants and Portfolio Construction Team work together to help clients with widely varying investment philosophies achieve their goals

Fresh ideas that avoid stagnant thinking

**OUR STRUCTURE  
AND DNA  
ENCOURAGE  
RESPONSIVENESS  
TO OUR CLIENTS**



# ABOUT NEPC

- Our success as a firm is fueled by our passion for this business
- We remain independent to prioritize client interests
- We invest heavily in research and people

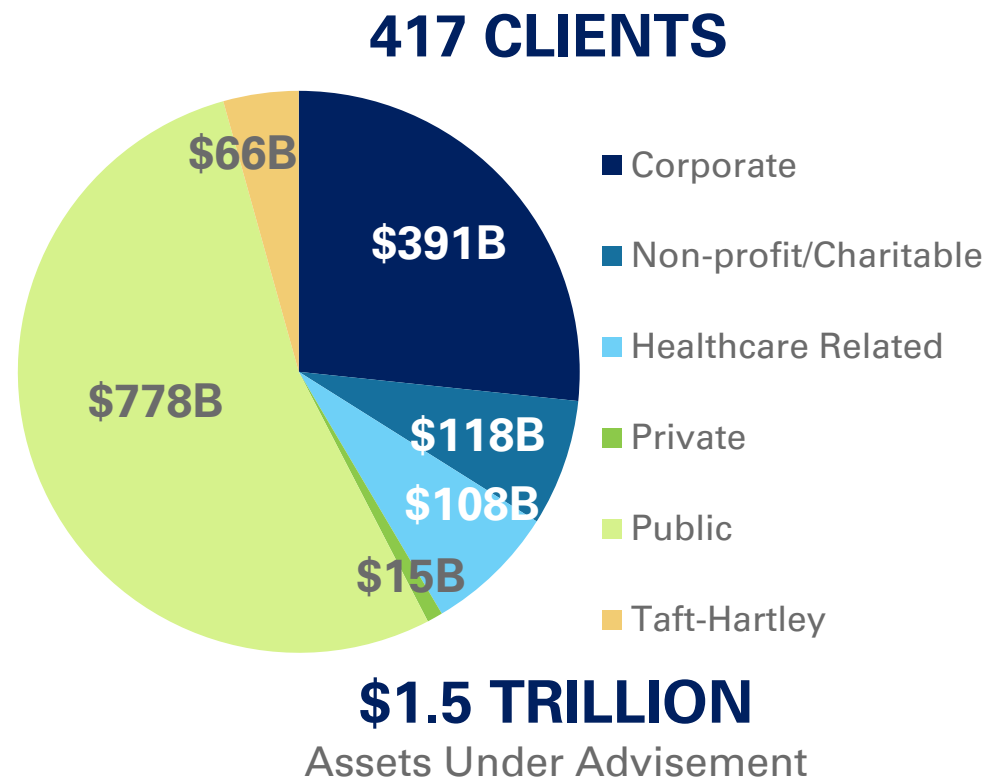
 **366 EMPLOYEES**

 **7 REGIONAL OFFICES**

 **EMPLOYEE-OWNED**  
48 Partners

 **100% OF REVENUE**  
from advisory consulting and OCIO services

 **7 PRACTICE TEAMS**  
deliver expertise by client type



*NEPC also has a practice team dedicated to supporting our clients' defined contribution plans across all client types.*



Employees as of 7/1/2023, clients as of 4/1/2023

# **WE UNDERSTAND ISSUES SPECIFIC TO '37 ACT COUNTY PLANS & PUBLIC FUNDS ACROSS U.S.**

- **The proposed NEPC team advises three 1937 Act Plans**
- **Dedicated Public Fund Team of 37 professionals<sup>1</sup>**
- **NEPC has been working with public funds since the Firm's inception in 1986**
- **Public funds account for 52% of the Firm's total assets<sup>2</sup>**
- **73 clients with \$778 billion in assets<sup>2</sup>**



<sup>1</sup>As of 7/1/2023 <sup>2</sup>As of 4/1/2023

# OUR CLIENTS ARE SERVICED FROM SF OFFICE



**VCERA**

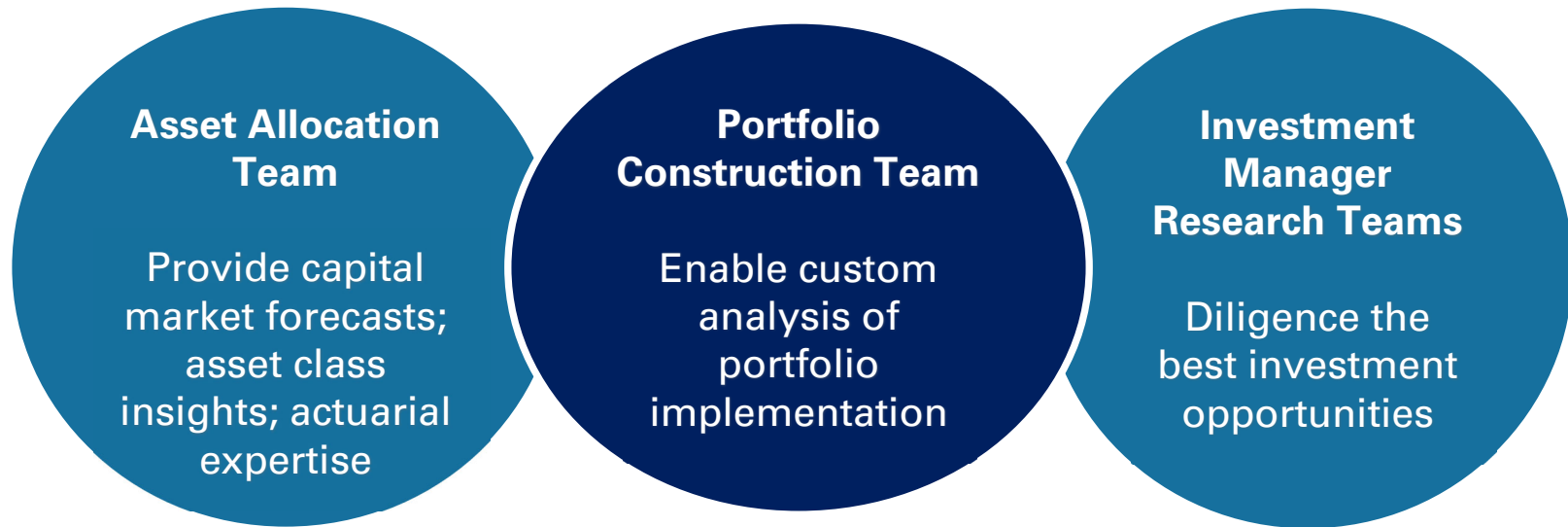


As of 4/1/2023. The above client list is only a sample. It is not known whether or not the clients approve of the services received. It should not be considered an endorsement by any individual client listed.

# INVESTMENT RESEARCH RESOURCES



# OUR RESEARCH FUNCTIONS ARE ALIGNED WITH CLIENT NEEDS



# RESEARCH TEAM OVERVIEW

**Tim McCusker, FSA, CFA, CAIA, Partner\***  
Chief Investment Officer

## ASSET ALLOCATION

**Phillip Nelson, CFA, Partner\***  
Head of Asset Allocation

## PORTFOLIO CONSTRUCTION

**Timothy Bruce, Partner\***  
Head of Portfolio Construction

## GLOBAL RESEARCH

**Neil Sheth, Partner\***  
Head of Global Research

## RESEARCH OPERATIONS

**Dawn Swift,**  
Head of Research Operations

## OPERATIONAL DUE DILIGENCE

**Kevin Lau-Hansen**  
Head of Operational Due Diligence

## PORTFOLIO STRATEGY

**Scott Perry, CAIA, Partner\***  
Head of Portfolio Strategy<sup>+</sup>

## INVESTMENT MANAGER RESEARCH

**Sarah Samuels, CFA, CAIA, Partner\*,**  
Head of Investment Manager Research

### MARKETABLE SECURITIES RESEARCH (Long-Only & Hedge Funds)

#### EQUITIES

**Will Forde, CFA, CAIA,**  
Partner\*, Head of Equity

#### CREDIT & MULTI-ASSET

**Dulari Pancholi, CFA, CAIA,**  
Partner\*, Head of Credit &  
Multi-Asset Investments,

### PRIVATE MARKETS RESEARCH

#### PRIVATE EQUITY

**Joshua Beers,**  
Partner\*, Head of Private  
Equity Investments

#### PRIVATE DEBT

**Oliver Fadly, Principal+**  
Head of Private Debt  
Investments

#### REAL ASSETS

**Matt Ritter, CAIA,**  
Partner\*, Head of Real Assets  
Investments

As of 05/17/23

\*Ownership interest in NEPC (Partner)

+Principal designation for leadership within the Firm.





# INVESTMENT MANAGER RESEARCH TEAM

## INVESTMENT MANAGER RESEARCH

Sarah Samuels, CFA, CAIA, Partner\*

### MARKETABLE SECURITIES (LONG-ONLY & HEDGE FUNDS)

#### Equities

**Will Forde**, CFA, CAIA  
Head of Marketable Equities\*

**Rosann Halleran**  
Sr. Investment Director

**Nina Petkova**  
Sr. Investment Director

**Robert Britenbach**, CFA  
Investment Director

**Lily Fayerweather**, CFA, CAIA  
Investment Director

**Alex Rickels**, CFA  
Investment Director

**Kristina Tomasik**  
Investment Director - Custody

**Daniel Schutz**  
Sr. Investment Analyst

#### Credit & Multi-Asset

**Dulari Pancholi**, CFA, CAIA  
Head of Marketable Credit & Multi-Asset Investments\*

**Alec Rapaport**  
Sr. Investment Director+

**Kadmiel Onodje**, CAIA  
Sr. Investment Director

**Kyan Nafissi**, CFA  
Investment Director

**Phillip Falk**, CFA  
Investment Director

**Conor Fitzell**, CFA  
Sr. Investment Analyst

**Raj Palekar**  
Sr. Investment Analyst

**Briana Vertucci**  
Investment Analyst

**Client Strategy Research**  
**Steve Gargano**  
Sr. Investment Director

**John Shanklin**, CFA, CAIA  
Sr. Investment Director

**Istvan Meszaros**  
Investment Director

### PRIVATE MARKETS

#### Private Equity

**Joshua Beers**  
Head of Private Equity\*

**Eric Harnish**  
Sr. Investment Director+

**Nick Mann**  
Sr. Investment Director

**Andrew Pettersen**,  
CFA, Senior  
Investment Director

**Mason Williams**  
Investment Director

**Brian Cronin**  
Sr. Investment Analyst

**Samantha Jeannotte**  
Investment Analyst

**Reema Kaakarli**  
Investment Associate

#### Real Assets

**Matt Ritter**, CAIA  
Head of Real Assets\*

**Neil Sheth**  
Partner\*

**Shelley Santulli**  
Sr. Investment Director+

**Larissa Davy**  
Sr. Investment Director

**Eli Johnson**  
Sr. Investment Analyst

**Matt Treveloni**  
Investment Analyst

**Evan Canney**  
Investment Analyst

**Andrew Fournier**  
Investment Associate

#### Private Debt

**Oliver Fadly**  
Head of Private Debt+

**Colton Lavin**, CFA  
Investment Director

**Brendan Heaney**, CFA  
Investment Director

**Lindsay Powers**  
Investment Analyst

### Manager Search & Research Associates

Jordan Battles  
Investment Associate

Luke Turo  
Investment Associate



As of 05/17/23

\*Ownership interest in NEPC (Partner)

+Principal designation for leadership within the Firm.

# MANAGER RESEARCH

## GLOBAL COVERAGE

- **Dedicated research group supplemented by consulting teams**



**13,000**

investment strategies rated  
across asset categories<sup>1</sup>



**618**

searches<sup>2</sup> in 2022



**2,806**

manager meetings in 2022



**\$40.7 billion**

total search<sup>2</sup> assets in 2022

<sup>1</sup>Includes all unique products and strategies tracked in NEPC's database on which NEPC has developed an opinion and assigned a rating of 1-5. Does not include products that are flagged as Not Rated. Private equity, real estate and real assets categories include all products/strategies tracked in NEPC's internal database (including Not Rated).

<sup>2</sup>Includes public market searches, hedge fund reviews and private markets commitments.

# NEPC INVESTMENT PROCESS – DUE DILIGENCE

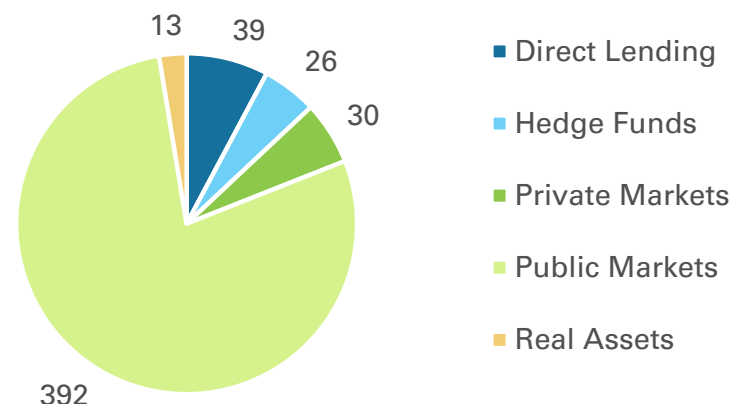
- Quantitative data analysis, and qualitative analyses of people and their incentives to identify and deliver sustainable alpha

Quantitative Analysis	Qualitative Analysis	
Proprietary Tools	Investment Process	Alignment of Incentives
<ul style="list-style-type: none"><li>• Used to facilitate Second-level Thinking<sup>1</sup>, helping us identify true skill</li></ul>	<ul style="list-style-type: none"><li>• Identifying investment edge</li><li>• Determine whether it is sustainable and repeatable</li><li>• Evaluate the team's resources</li></ul>	<ul style="list-style-type: none"><li>• Alignment of interest between the client and the manager is key</li></ul>
<ul style="list-style-type: none"><li>▪ Luck vs. skill</li><li>▪ Likelihood of success</li><li>▪ Alpha expectations</li><li>▪ Performance</li></ul>	<ul style="list-style-type: none"><li>▪ People &amp; Resources</li><li>▪ Investment Philosophy, Strategy &amp; Process</li></ul>	<ul style="list-style-type: none"><li>▪ Business strategy</li><li>▪ Viability/profitability</li><li>▪ Succession planning</li></ul>

<sup>1</sup><https://www.oaktreecapital.com/docs/default-source/memos/2015-09-09-its-not-easy.pdf>

# BENEFITS OF SCALE & LEVERAGE

- **NEPC has successfully negotiated competitive fees for clients based on:**
  - The size of our client base and volume of manager search activity
  - Our extensive databases of institutional manager fees (as a function of size of placement, size of total fund and market segment)
  - Our reputation within the industry
- **Additional examples of how our clients can benefit from a relationship with NEPC:**
  - **Lower minimums.** Clients often access investment strategies at a lower minimum than the managers' stated minimum account size
  - **Reduced fees.** NEPC clients' commitments may be viewed in aggregate such that multiple clients benefit from a lower fee breakpoint
  - **Better alignment.** We have pushed investment managers to move from asset-based fees to a structure that combines a low asset-based fee with performance-based fees with a cap, so that investors don't pay more in performance fees than the original asset-based fee.
- **NEPC has successfully negotiated lower fees with 124 investment management firms across 500 investable vehicles with active exposure by NEPC's Clients<sup>1</sup>:**



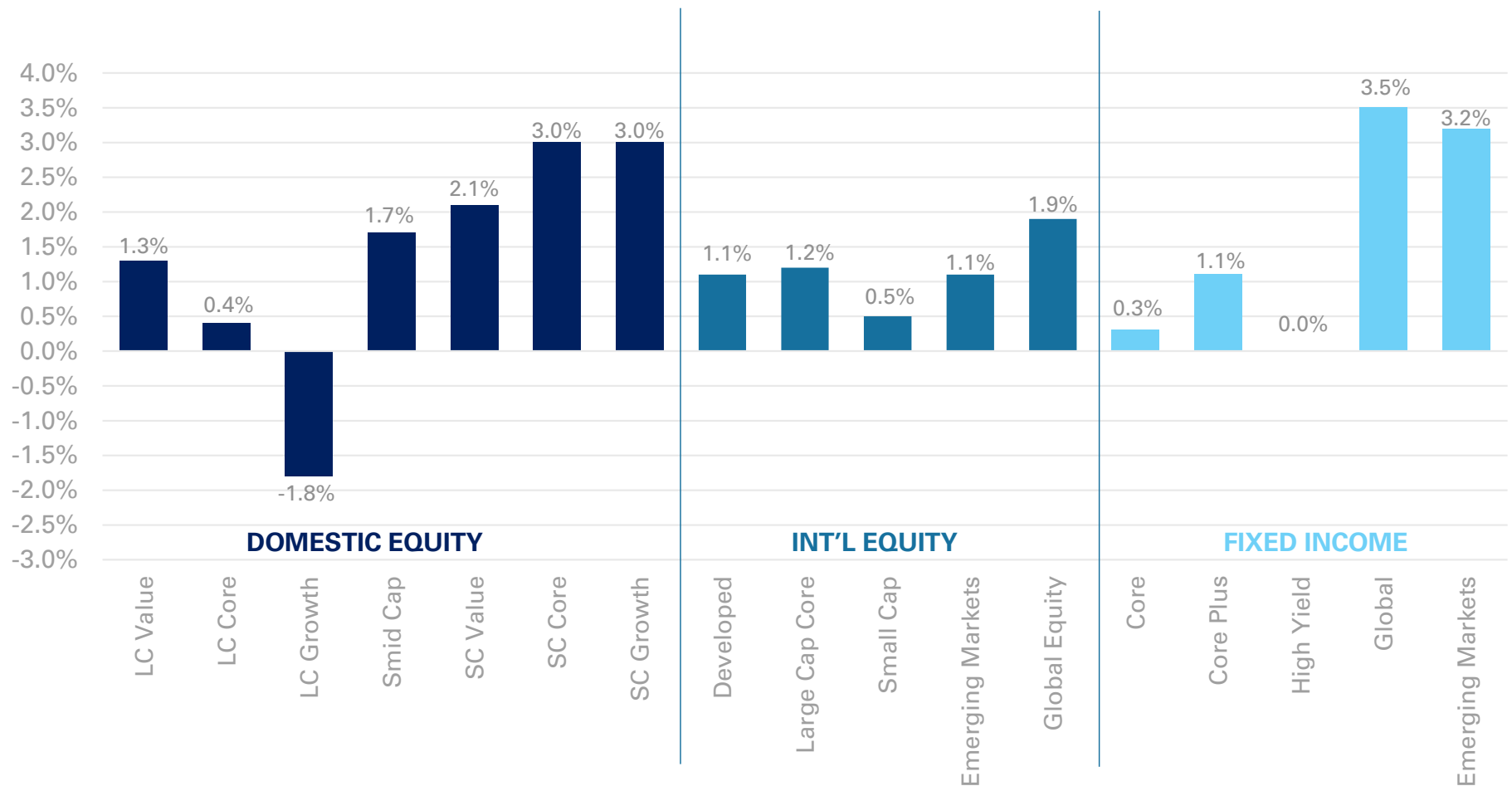
<sup>1</sup>As of 12/31/2022 reflects only asset-based management fee vehicles with active exposure by NEPC's clients; includes both OCIO and advisory client managers. Past performance is no guarantee of future results. Not all funds are suitable for all clients and some funds may be closed to new investment.

**DO  
RESEARCH  
RESOURCES  
PRODUCE  
RESULTS?**



# MANAGER RESEARCH RESULTS

## NEPC CLIENT PUBLIC MARKETS MANAGER PERFORMANCE AVERAGE EXCESS RETURNS 12/31/2012 – 12/31/2022



The data represents the average gross return of all managers with trailing performance across all current NEPC clients. Not all managers were placed by NEPC. All plan and sponsor types tracked through Investment Metrics are included. Does not include passively managed accounts (index funds), accounts NEPC does not advise on, or accounts being funded or liquidated.



# OUR CLIENTS' PERFORMANCE IS IMPORTANT TO US

RANKED 1-YR PERFORMANCE ENDING MARCH 31<sup>ST</sup>, 2023

UNIVERSE RANK	PUBLIC FUND	AUM (\$B)	1-YR PERF (%)	NEPC CLIENT?
1	-	4	-0.21	NO
2	Texas ERS	34	-0.72	YES
3	Texas Muni	36	-0.91	YES
4	Rhode Island	11	-1.12	YES
5	SBCERA	14	-1.71	YES
6	Fresno CRS	4	-2.33	YES

Source: Investment Metrics Universe of PFs > \$1B



# INITIAL PORTFOLIO THOUGHTS FOR ACERA





# CONTEXT OF OUR INITIAL THOUGHTS

- **We listen first, offer our opinions, and—only then—act in collaboration with Staff to carry out the strategic decisions articulated by the Board**
- **That said, we do have preliminary observations that have the limitation of what we can see from publicly available information**
- **These observations are made in the context of client portfolios we have advised that seek to achieve similar return /risk profile**

# PORTFOLIO STRUCTURE OBSERVATIONS

- **Your public equity allocation underweights small- and mid-cap stocks despite their higher expected returns, risk-adjusted returns, and potential for active manager outperformance**
  - Increase your U.S. Small-Cap allocation from 2.4% to 3.6%, to be funded from active U.S. Large-Cap managers
  - Add a new 2.4% allocation to active Emerging Market Small-Cap, to be funded from International Equity
  
- **Your very small private credit allocation could be expanded to take advantage of an improved opportunity set and higher interest rates**
  - Double your Private Credit allocation from 4% to 8%, funded equally from Real Estate and Private Equity

# PORTFOLIO STRUCTURE OBSERVATIONS

- **Your real estate allocation could change in recognition of dramatic industry shifts**
  - Shrink your core real estate target from 60%+ to 40%+, and increase your real estate debt limit from 15% to 25% of total.
  - Seek skilled value-add, opportunistic, and real estate debt managers to take advantage of industry usage pattern and valuation changes.
  
- **Your fixed income allocation could benefit from better structure**
  - Separate your safe haven and high quality investments from return-seeking credit
  - Increase your credit allocation, either with Loomis or by adding an additional complementary manager
  - Add indexed U.S. Treasury, TIPS, and investment grade credit allocations funded from your other fixed income managers

# GOAL: ACHIEVE BETTER FINANCIAL OUTCOMES

## IMPACT OF PORTFOLIO CHANGES

<b>EXPECTED RETURN</b>	Current: 6.4%/yr for 10 years, 7.4%/yr for 30 years Proposed: 6.7%/yr for 10 years, 7.7%/yr for 30 years		
<b>ASSET VOLATILITY</b>	Current: 13.8% Proposed: 13.8%	<b>SHARPE RATIO</b>	Current: 0.17 Proposed: 0.19
<b>RISK OF A NEGATIVE 5-YEAR RETURN</b>	Current: 15.0% Proposed: 14.0%	<b>RETURN/ASSET VOLATILITY</b>	Current: 0.46 Proposed: 0.48
<b>PUBLIC EQUITY</b>	Increased Small-Cap Allocation (both U.S. and Emerging Markets)		
<b>PRIVATE CREDIT</b>	Long-term allocation doubled due to attractive expected returns and risk-adjusted returns		
<b>REAL ESTATE</b>	Shift allocation toward value-add, opportunistic, and debt strategies		
<b>FIXED INCOME</b>	Bifurcate your return-seeking liquid credit and your high-quality safe haven exposures		



Source: Based on NEPC's 6/31/2023 asset class return and correlation assumptions



# ESG & DEI LEADERSHIP



# HIGHLIGHTS IN IMPACT INVESTING

FULLY INTEGRATED ACROSS RESEARCH PROCESS

**PRI Signatory  
Since 2014**

**70+ Clients  
Pursuing Impact  
Investing**

**2018  
Launched ESG  
Ratings System**

- **Focus on Four Pillars: Screening, ESG Integration, Thematic Investing, and Engagement**
- **Dedicated Committee Representative of Research and Practice Teams**
- **Founding Member of the Investment Consultants Sustainability Working Group - United States (ICSWG-US)**
- **White papers and blog posts on a range of topics (divestment, ESG integration, investing in healthcare)**
- **Partnerships with White House on Clean Energy, Rural Investment and ESG Roundtables**

# DIVERSE MANAGER ENGAGEMENT HIGHLIGHTS

## What's Our Client Exposure to Diverse Firms<sup>1</sup>?

**~59%**

percentage of NEPC clients who utilize Diverse manager(s)<sup>2</sup>

**\$40.4 BILLION**

amount of client assets with Diverse firms<sup>2</sup>

**182**

the number of client strategies managed by Diverse firms<sup>2</sup>

## How Are Clients Using Diverse Firms?

### LEVERAGING OUR 1- AND 2- RATINGS & DISCOVERY PLATFORM

additional flexibility for clients and consultants

### MANAGER OF MANAGERS/ FUND OF FUNDS

we have successfully rated 3 emerging MOMs / FoFs

<sup>1</sup>NEPC recognizes U.S. domiciled firms able to certify ownership by persons identifying with following under-represented groups: Black/African-American; Latinx/Hispanic; Asian/Pacific Islander; Native American/Alaskan Native; Women; Disabled Persons; Veterans

<sup>2</sup>As of 12/31/2022, includes diverse-owned and diverse-led managers.

# SUMMARY OF NEPC'S VALUE PROPOSITION FOR ACERA





# WHY NEPC IS AN IDEAL PARTNER FOR ACERA

Benefit to  
ACERA

## RESPONSIVENESS

- Our alignment of interests and low client-to-consultant ratio facilitate our delivery of customized solutions for ACERA
- Client-facing consultants and analysts are all local and available to quickly serve your needs

A partner that listens and delivers

## RESOURCES

- Experienced 71-person Research Team covering private market and public market strategies, portfolio construction and strategic asset allocation
- Dedicated Public Fund Practice Team that draws upon innovative, tailored solutions we have crafted for our 68 public pension clients

Manager diligence and board education capabilities directly at your fingertips

## ROBUST IDEAS

- Willing to recommend creative ideas toward goal of seeking better risk-adjusted returns over time
- Consultants and Portfolio Construction Team work together to help clients with widely varying investment philosophies achieve their goals

Fresh ideas that avoid stagnant thinking



# DISCLOSURES



# NEPC DISCLOSURES

- This document may contain confidential or proprietary information and is intended only for the designated recipient(s). If you are not a designated recipient, you may not copy or distribute this document.
- Certain information, including that relating to market indices, was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Investment Metrics Plan Universe - As of 12/31/2022, the Investment Metrics Universe contained actual, custodian-supplied and audited data on over 3,250 plan sponsors, representing roughly \$2.2 trillion in assets. This data is drawn from 52 independent investment consulting firms, including NEPC.
- ICC Universe - Through 2011, universe rankings were based on the ICC Universe, which was populated by 12 independent investment consulting firms, including NEPC, and supplemented by many of the performance measurement clients of State Street Bank.
- NEPC's OCIO assets of \$63.6 billion as of 7/1/2023 include clients that receive full OCIO services as well as those that receive partial OCIO services, including operational support. OCIO assets reported on Form ADV are \$63.6 billion, which includes NEPC's Access Vehicles.

## CLIENT RESULTS DISCLOSURES – ALL CLIENTS

- Past performance is no guarantee of future results.
- NEPC acts in an advisory capacity-only for many clients and does not have discretion over those client assets. As a result, a client's investment performance may not be attributable solely to NEPC's advice.
- NEPC's Overall Composite is compiled from all Pension Plans, Endowments and Foundations for which NEPC is the sole full-retainer consultant. Plans are included in the Composite provided they have exposure to equity and bonds (including alternatives) of at least 25% each, and no more than 20% to other assets such as cash and GIC's.
- New clients are added to the Overall Composite with the first full quarter of a new manager selected from an NEPC search, or after one year as an NEPC client, whichever comes first, provided that the plan is globally diversified.
- Results are reported gross of NEPC advisory fees.
- NEPC's fees for advisory clients vary considerably depending on client size and complexity.

## ALTERNATIVE INVESTMENT DISCLOSURES

- It is important that investors understand the following characteristics of non-public market investment strategies including hedge funds, real estate, real assets and private equity:
  - Performance can be volatile and investors could lose all or a substantial portion of their investment
  - Leverage and other speculative practices may increase the risk of loss
  - Past performance may be revised due to the revaluation of investments
  - These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
  - A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
  - These funds are not subject to the same regulatory requirements as registered investment vehicles
  - Managers are not required to provide periodic pricing or valuation information to investors
  - These funds may have complex tax structures and delays in distributing important tax information
  - These funds often charge high fees
  - Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy



# NEPC DISCLOSURES

## CLIENT RESULTS DISCLOSURES – OCIO CLIENTS

- Past performance is no guarantee of future results.
- All returns are net of underlying investment manager fees, but gross of NEPC's OCIO fee.
  - NEPC's fees for OCIO services vary by client but generally range from 3-50 basis points (0.03%-0.50%) of assets per year.

### Methodology and criteria

- NEPC's OCIO composites are compiled from all plans for which NEPC has discretion and is the sole OCIO manager.
- Each NEPC OCIO client is included in at least one NEPC OCIO composite.
- Clients are included in an NEPC OCIO composite after three months of NEPC OCIO hire date.

## PRIVATE EQUITY, PRIVATE DEBT, REAL ESTATE AND REAL ASSETS PERFORMANCE BENCHMARKING METHODOLOGY AND INFORMATION DISCLOSURES

- Past performance is no guarantee of future results.
- Investment results include funds that were rated "1" by the NEPC Private Investment Committee. Investment results include those clients for which NEPC has OCIO authority as well as those where NEPC acts in an advisory capacity. They include all types of clients and plans for whom NEPC serves or served as a consultant and provided advice on private markets.
- Returns are based on the client commitment that had the earliest cash flow into each recommended product. Vintage year classifications are made based upon the year of the first cash flow from this client into the Fund.
- In cases where no current NEPC client is invested in a product (due to a client changing consultants), vintage year and return data was used from either the manager, Preqin or from another limited partner in the fund who publicly discloses investment returns.
- Each internal rate of return is net of management fees and carried interest (both paid and accrued) and is computed on an annualized, dollar-weighted basis. Performance aggregates are created by equal-weighting each fund included.
- Strategy classifications are made by NEPC based on a review of the stated strategy of each investment. Funds included are primarily limited partnerships, including funds-of-funds. Private equity investments include buyouts, venture capital, growth equity, special situations/turnarounds, equity-oriented distressed buyouts, co-investment funds, primary fund-of-funds and secondary funds. Private debt investments include direct lending, distressed debt & opportunistic credit, mezzanine debt, venture lending & royalties. Real estate investments include core, core-plus value-add, debt and opportunistic funds. Real assets investments include energy, energy credit/mezz, multi-strategy, natural resources, metals & mining and infrastructure funds.
- Only funds from vintage years 2007–2018 for real assets/real estate and 2006-2018 for private equity/private debt were benchmarked, as performance for funds who have been investing for less than three years is deemed to be too young to be meaningful.
- To compute the quartile performance of each fund, funds were matched against similar strategies and geographic regions tracked by Thomson One/C|A; however, it is important to note that some funds have investment strategies that could be benchmarked against multiple categories.
- Attempts were made to match the geographic strategy of each fund. In cases where the benchmark provider did not have a large data set a global strategy benchmark was used.
- For some vintage years, the benchmark provider may have provided median but not upper and lower quartile cut-off metrics. In these cases, to estimate the upper and lower quartile cut-offs, NEPC used the average quartile-to-median differential for the vintage years preceding and following the vintage year with the missing quartile cut-offs.
- All fund and benchmark returns are as of December 31, 2021.
- The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.





**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

SEPTEMBER 6, 2023

Verus Finals Presentation prepared for

**Alameda County Employees' Retirement Association**



# Agenda



---

[VERUSINVESTMENTS.COM](http://VERUSINVESTMENTS.COM)

SEATTLE 206.622.3700

CHICAGO 312.815.5228

PITTSBURGH 412.784.6678

LOS ANGELES 310.297.1777

SAN FRANCISCO 415.362.3484

---

I. Verus organization & team	2
II. Research that delivers results	7
III. Conclusion	24
IV. Appendix	28
V. Biographies	36

---

# I. Verus organization & team

# Verus by the numbers



TEAM

**22**

Years avg. consultant experience

**5.4**

Average number of clients/consultant

**84**

Investment professionals

**95**

Employees across five offices



INDEPENDENCE

**100%**

Owned by active employees

**0%**

Revenue from proprietary products or "white label" funds

**0%**

Revenue from conferences or money managers

**100%**

Revenue from client retainer relationships



OPTIMAL

**67%**

Of current clients have been with us for over 10 years

**10th**

Ranked largest consultant by P&I

**\$742**

Billion AUA\*

**153**

Client relationships



RESEARCH

**100%**

Committed to bespoke advice

**4.8**

Client-to-research professionals

**34**

Research pieces in 2022

**500+**

Manager meetings in 2022

*\*Includes Verus' total assets under advisement; preliminary as of 7/1/23*



# Proudly serve 9 of 20 '37 Act county plans



- Our dedicated client service team has over 25 years of average experience with Public plans
  - Currently representing over \$650 billion\* in Public plan assets
- Verus is proud to currently serve 60 California client relationships
- Subject matter experts cover critical issues specific to county plans
- Our proximity to ACERA supports our ability to provide a higher standard of care

*\*Includes Verus' public plan assets under advisement; preliminary as of 7/1/23. A client name has been removed, due to restrictions in marketing material usage.*

# Verus is committed to DEI

We are responsible for driving change



## IN THE INDUSTRY



## AS A FIRM



## WITHIN CLIENT PORTFOLIOS

<b>WHAT WE ARE DOING</b>	<ul style="list-style-type: none"> <li>— Founder and chair of IIDC, aligning the consulting industry around DEI data standards</li> <li>— Thought leader with and sponsor of numerous organizations, including IDAC, NASP, WAVE, WIIN, TIDE, and more</li> <li>— Publish relevant whitepapers on diversity in portfolios</li> </ul>	<ul style="list-style-type: none"> <li>— Seeking demographic balance and inclusion through recruitment, retention, and culture efforts</li> <li>— Ahead of curve on diversity measures:               <ul style="list-style-type: none"> <li>▪ <b>35%</b> of staff from underrepresented groups ( vs. 28% industry avg.)</li> <li>▪ <b>40%</b> of Managing Directors are women or BIPOC employees</li> <li>▪ <b>52%</b> of total staff are women or BIPOC employees</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>— Diversity integrated as part of everyday research</li> <li>— Host annual “Emerging &amp; Diverse Manager Diligence Days”</li> <li>— <b>75</b> meetings with diverse managers in 2022</li> <li>— <b>278</b> products in our database designated as Diverse</li> <li>— <b>\$7.5B</b> AUA in diverse-owned Public Markets products used in client portfolios</li> </ul>
<b>HOW FAR WE HAVE COME</b>	<ul style="list-style-type: none"> <li>— 13 IIDC members as of 2020; now 27 members representing over \$43 trillion</li> <li>— Established data standards for IDAC</li> </ul>	<ul style="list-style-type: none"> <li>— Overall diversity 20% as of 2018; steadily increased every year, now at <b>35%</b></li> <li>— Establishment of DEI Committee</li> </ul>	<ul style="list-style-type: none"> <li>— Private markets client commitments in diverse-owned firms was \$70M as of 2019; now <b>\$333M</b></li> <li>— Public markets client exposures in diverse-owned firms \$6.7B as of 2016; <b>\$7.5B</b> in 2023</li> </ul>
<b>THE ROAD AHEAD (OUR FUTURE COMMITMENTS)</b>	<ul style="list-style-type: none"> <li>— Continue our support of, and participation in, numerous organizations, including leadership of IIDC</li> <li>— IIDC will continue to improve DEI disclosure from asset managers and seek to further standardize data collection</li> </ul>	<ul style="list-style-type: none"> <li>— Internal DEI report to keep us accountable</li> <li>— Increase number of mentors involved with education partners</li> </ul>	<ul style="list-style-type: none"> <li>— Manager research to continue highlighting Emerging &amp; Diverse Managers with Consulting</li> <li>— Manager Research to continue tracking DEI utilization</li> </ul>

# Key members serving ACERA

## LEAD CONSULTANTS



**Eileen Neill, CFA**  
*Managing Director | Senior Consultant*  
[eneill@verusinvestments.com](mailto:eneill@verusinvestments.com)



**Faraz Shooshani**  
*Managing Director | Private Markets*  
[fshooshani@verusinvestments.com](mailto:fshooshani@verusinvestments.com)

## STRATEGIC ADVISOR



**Jeffrey MacLean**  
*Chief Executive Officer | Senior Consultant*  
[jmaclean@verusinvestments.com](mailto:jmaclean@verusinvestments.com)

## SUPPORT TEAM



**Samantha Grant, CFA, CAIA**  
*Senior Consultant*  
[sgrant@verusinvestments.com](mailto:sgrant@verusinvestments.com)



**Joseph Abdou, CFA**  
*Consultant*  
[jabdou@verusinvestments.com](mailto:jabdou@verusinvestments.com)



**Elaine Gee**  
*Senior Performance Analyst*  
[egee@verusinvestments.com](mailto:egee@verusinvestments.com)



**John Nicolini, CFA**  
*Managing Director | Senior Consultant*  
[jnicolini@verusinvestments.com](mailto:jnicolini@verusinvestments.com)



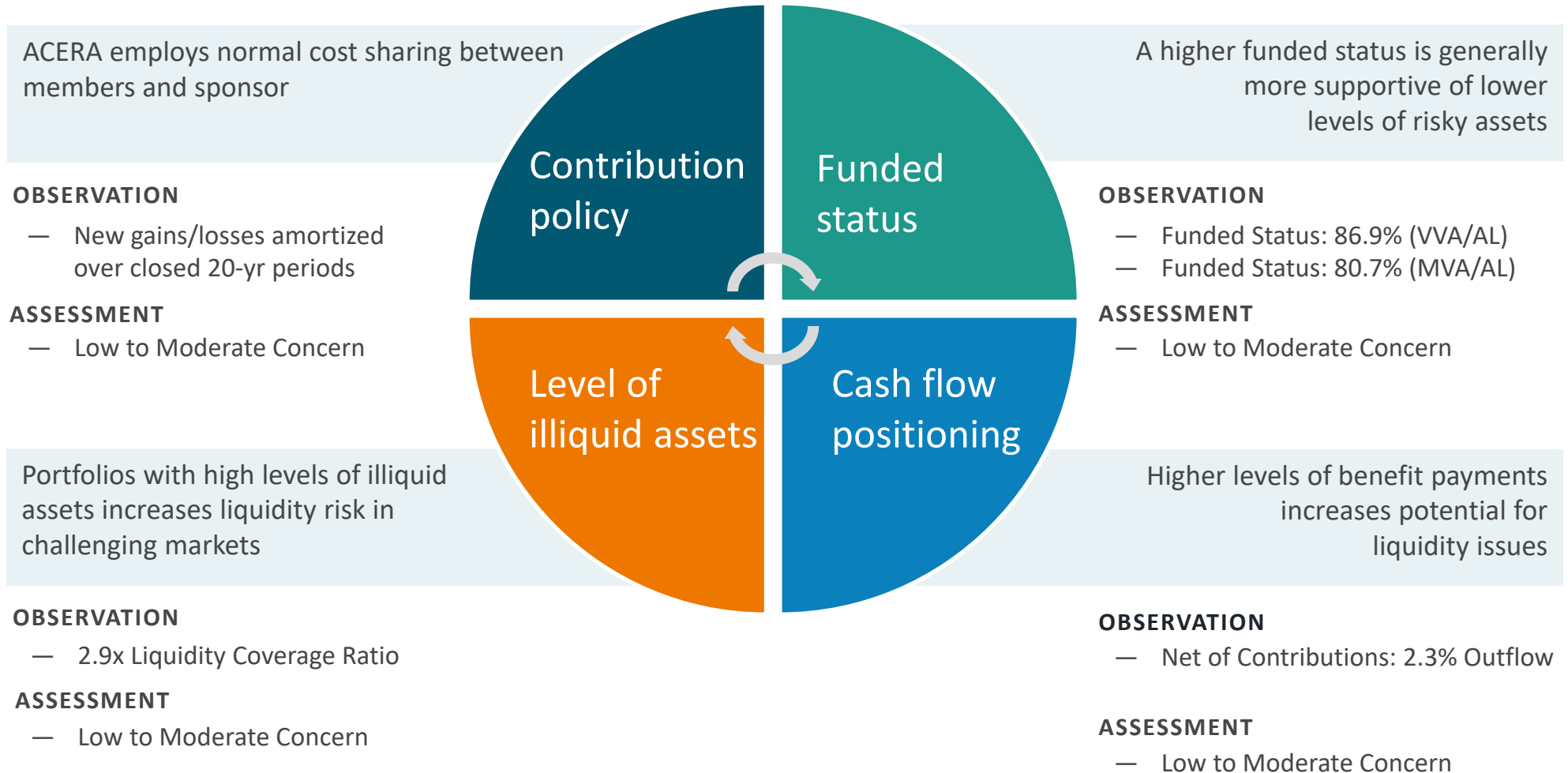
**Marcel Gesell, CFA**  
*Consultant*  
[mgesell@verusinvestments.com](mailto:mgesell@verusinvestments.com)

## ADDITIONAL SUPPORT

- 19 dedicated public and private markets research professionals
- 11 dedicated strategic research professionals (including risk advisory and actuarial professionals)

# II. Research that delivers results

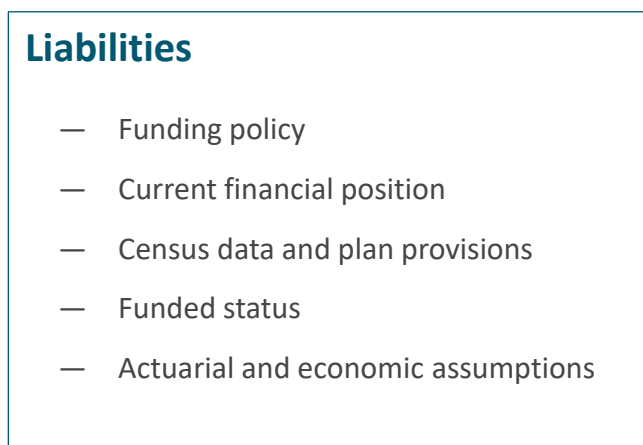
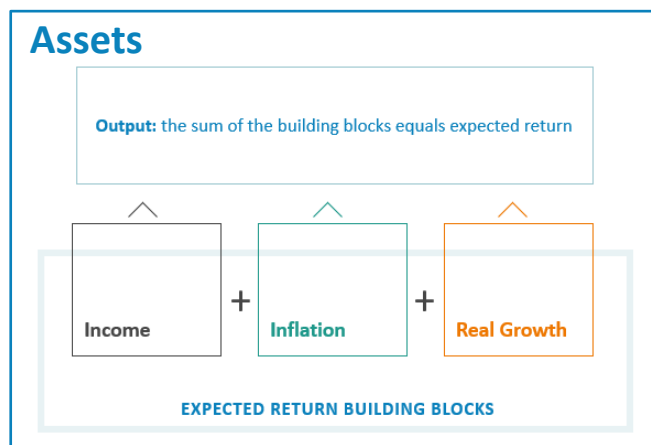
# Important considerations specific to ACERA



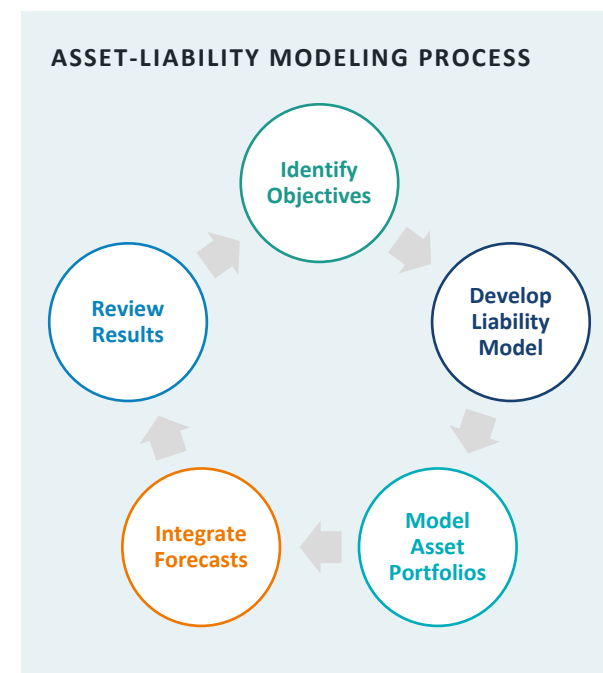
<sup>1</sup> Sources: ACERA 2022 actuarial valuation report and most recent Verus Asset Allocation Study

# Asset allocation

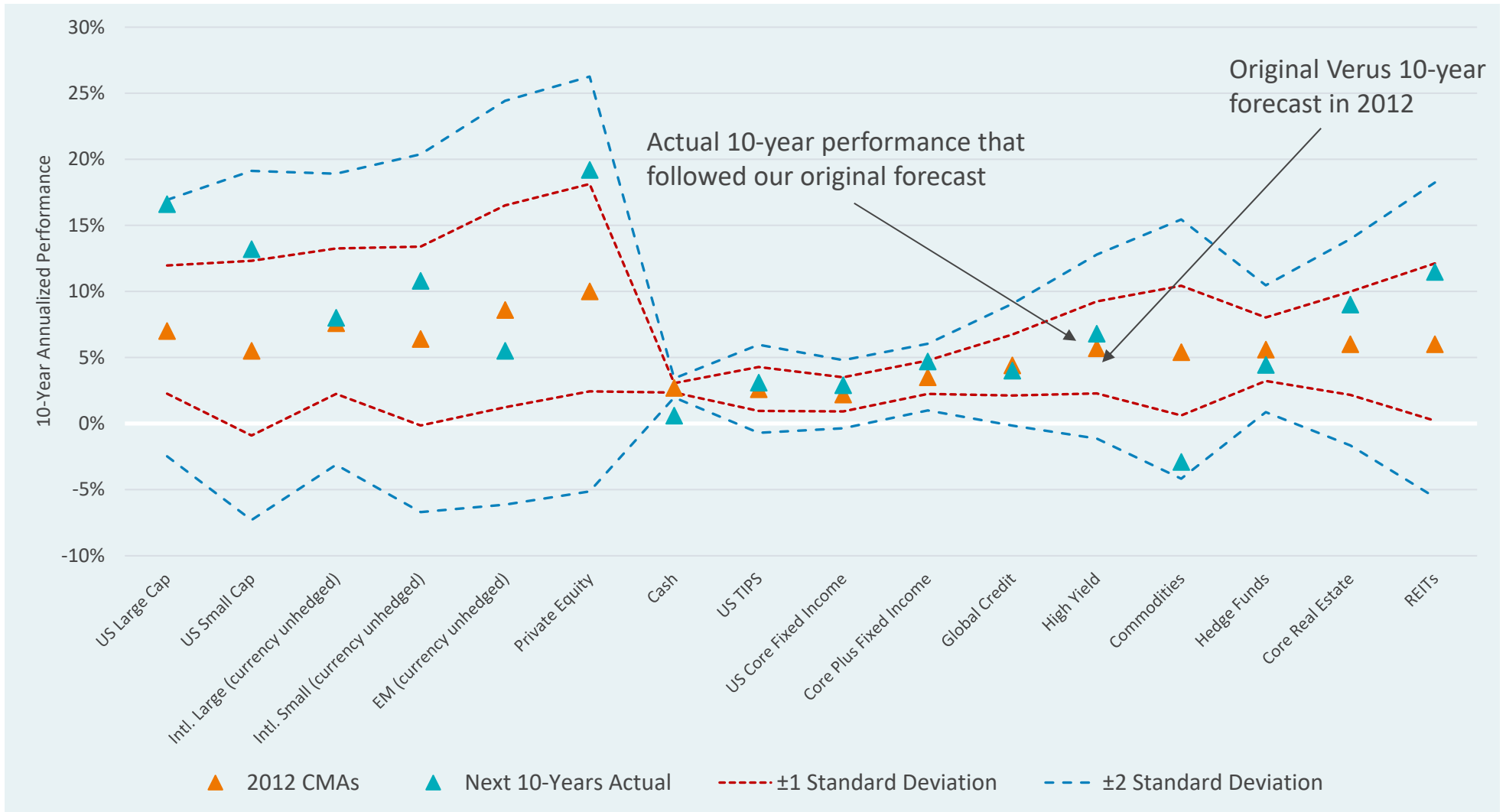
Our approach is designed to meet ACERA's enterprise objectives



Holistic approach integrates ACERA's liabilities and assets to support Board policy decision



# Testing the accuracy of our forecasts



Verus 2012 Capital Market Assumptions and next 10-year actual market performance

# Verus asset allocation approach has enabled ACERA to achieve its goals\*

## ACERA'S GOALS

1. Diversify the Fund's assets while maintaining reasonable risk exposure to meet return requirements
2. Prevent deterioration in funded status
3. Achieve risk-adjusted, returns that rank in top half of peer universe



## VERUS ACTION/RESULT

1. Increased number of asset classes and reduced contribution to risk from equities
2. Funded ratio 2012: 74%  
Funded ratio 2021: 87%
3. Policy Sharpe Ratio peer universe rank  
5-yrs ended 3/31/23: 37th  
(Total fund Sharpe Ratio rank: 52nd)


\* Sources: ACERA 2022 General Investment Guidelines, Policies and Procedures, ACERA 2022 ACFR, Verus



# Comprehensive research capabilities

Leveraging our cumulative knowledge to drive client results

**Public Markets**



Led by  
Marianne Feeley, CFA  
32 years of experience

10 professionals  
14 average years of experience

**Private Markets**



Led by  
Faraz Shooshani  
24 years of experience

11 professionals  
14 average years of experience

**Strategic Research**



Led by  
Ian Toner, CFA  
33 years of experience

11 professionals  
13 average years of experience

**Liquid Alternatives**

Aksia 

- Investment and operational due diligence
- 35+ hedge fund professionals
- 3,500+ funds reviewed
- 2,000+ funds rated

153

unique client relationships

32

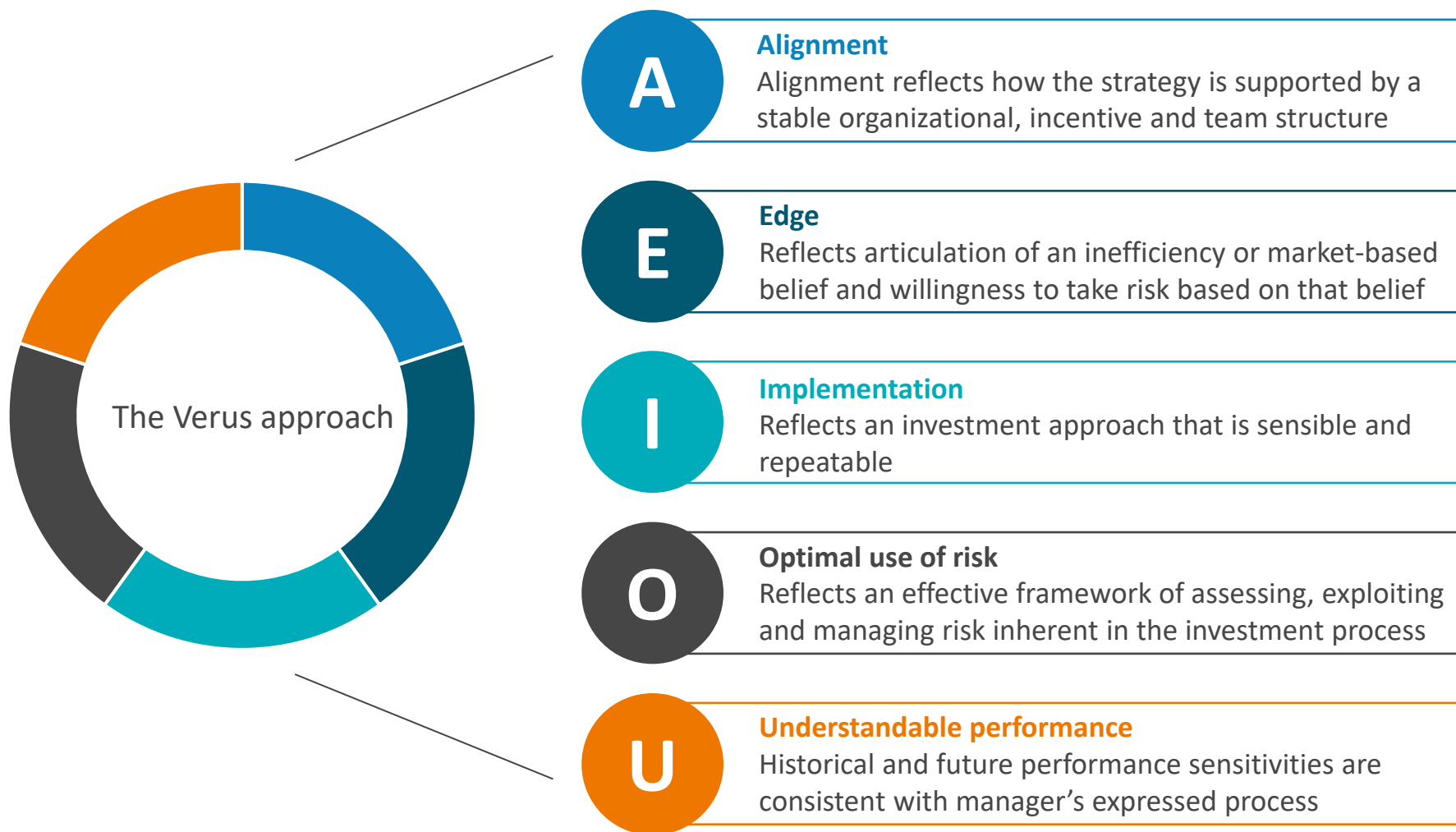
professionals dedicated full-time to Research

4.8

client-to-research professionals

Verus employs more research personnel on a per-client basis than most of our peers.

# Our guiding principles to identify alpha



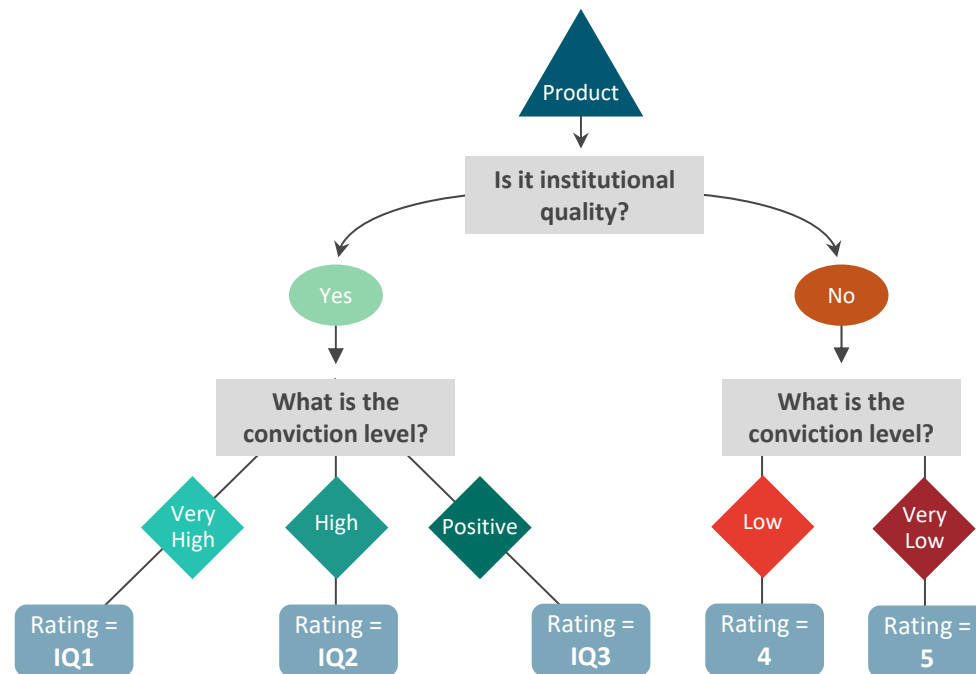
# Manager rating system

## The IQ Rating System communicates our conviction in investment products

There are two components to the rating:

- Institutional quality** – (IQ) The product meets or exceeds the standards of fiduciary care required by institutional investors and is suitable for use in clients’ portfolios.
- Conviction** – (1 to 5) Represents the conviction of our research teams in the distinguishing qualities of the product relative to its peers, with 1 as the highest rating and 5 the lowest.

### PROCESS



Rating process simplified for illustrative purposes only

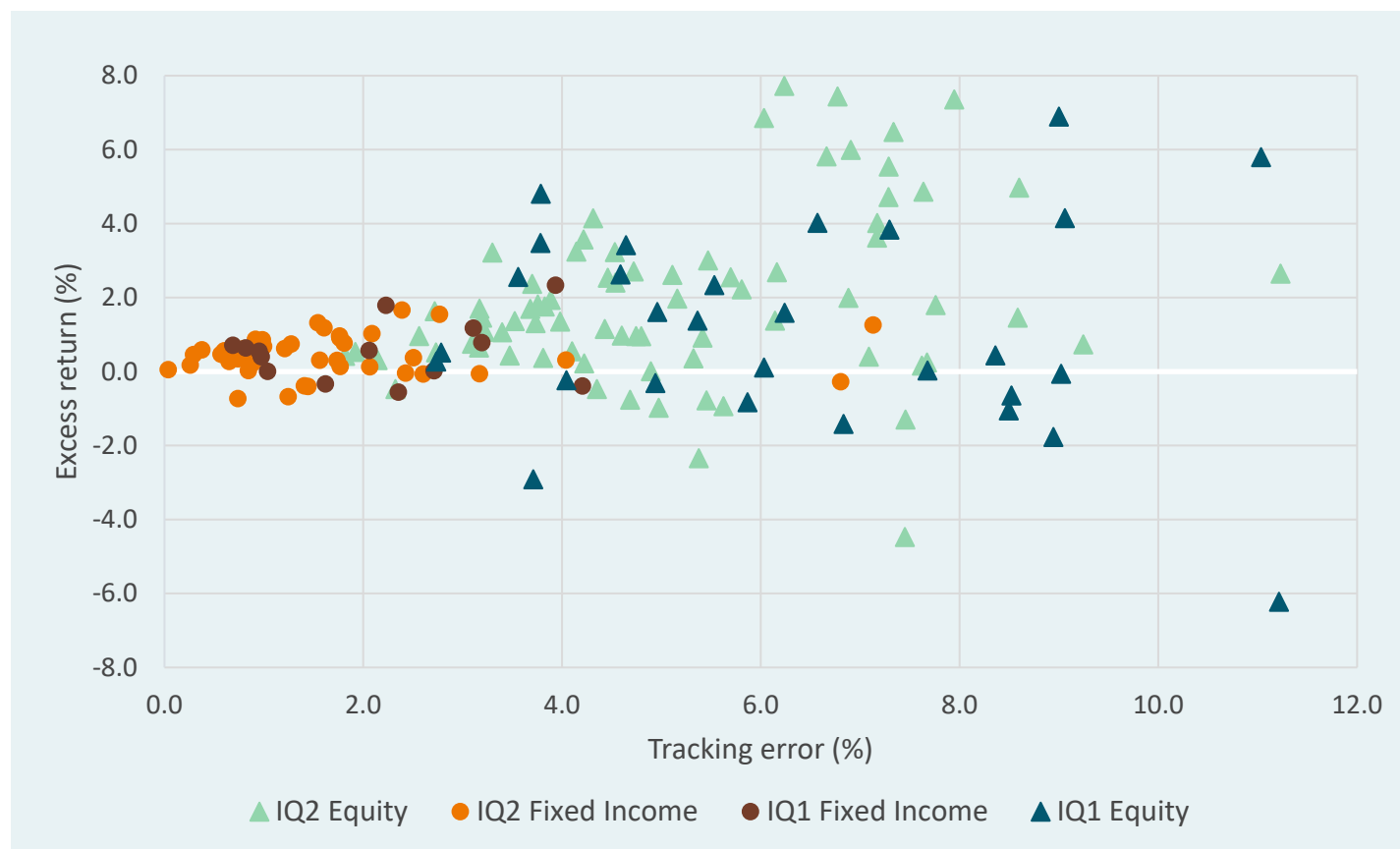
### DEFINITIONS & GUIDELINES

Rating	Institutional Quality?	Conviction Level	Defining Characteristics	Recommendations
IQ1	Yes	Very High	Earns Verus’ highest conviction. Above-average characteristics most likely to achieve the strategy’s desired investment results.	Recommended for use in client portfolios. May be used in Verus discretionary portfolios.
IQ2	Yes	High	Maintains Verus’ high conviction. Above-average characteristics most likely to achieve strategy’s desired investment results.	Recommended for use in client portfolios. May be used in Verus discretionary portfolios.
IQ3	Yes	Positive	Meets institutional quality standards that can achieve desired investment results. Strengths outweigh weaknesses.	While IQ1 or IQ2 rated products are generally preferable, certain client needs may be better addressed by a highly specialized IQ3 product.
4	No	Low	Concerns with the product’s ability to meet institutional-quality standards.	Clients should re-evaluate retention or monitor closely.
5	No	Very Low	Significant issues inhibit the product’s ability to meet institutional-quality standards.	Verus recommends termination, immediately.

# Verus manager selection edge

## IQ1 and IQ2 performance

### 5-YR EXCESS RETURN AND TRACKING ERROR - VS. MANAGER PREFERRED BENCHMARK



160 IQ1 and IQ2 products with 5-year annualized performance record.

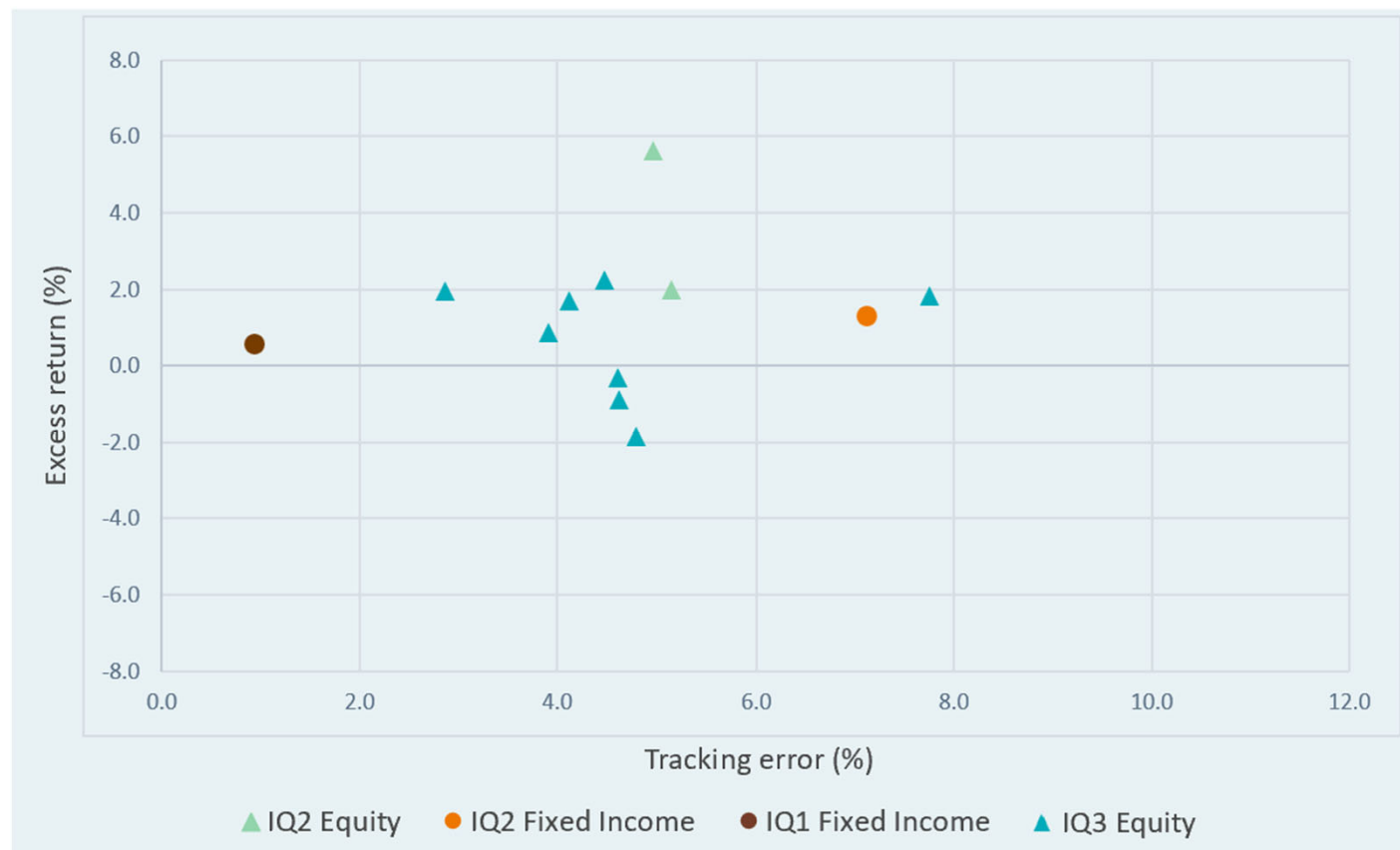
130 products have provided positive excess return versus the manager's preferred benchmark.

Chart represents IQ1 and IQ2 institutional quality recommended manager products with a five year track record (160 IQ1 and IQ2 product: 29 IQ1 Equity, 83 IQ2 Equity, 16 IQ1 Fixed Income, 46 IQ2 Fixed Income). IQ ratings represent Verus' authorized recommended products based on conviction level for long term applicability, and take into account a wide range of quantitative and qualitative factors. Excess returns and tracking error based on manager's self reported returns and preferred benchmarks in eVestment. While returns are primarily gross of fees, except for 18 products, the graphics presented would not be perceptively altered by a 100% net of fees presentation. Although benchmarks reported appear reasonable, clients may choose alternative benchmarks for assessment of excess returns.

# ACERA's public markets managers

## Edge persists for ACERA's portfolio

### 5-YR EXCESS RETURN AND TRACKING ERROR - VS. MANAGER PREFERRED BENCHMARK



Verus covers and has rated 100% of ACERA's public markets managers

9 of 12 ACERA managers have provided positive excess return versus the manager's preferred benchmark

Chart represents IQ1 and IQ2 institutional quality recommended manager products with a five year track record (160 IQ1 and IQ2 product: 29 IQ1 Equity, 83 IQ2 Equity, 16 IQ1 Fixed Income, 46 IQ2 Fixed Income). IQ ratings represent Verus' authorized recommended products based on conviction level for long term applicability, and take into account a wide range of quantitative and qualitative factors. Excess returns and tracking error based on manager's self reported returns and preferred benchmarks in eVestment. While returns are primarily gross of fees, except for 18 products, the graphics presented would not be perceptively altered by a 100% net of fees presentation. Although benchmarks reported appear reasonable, clients may choose alternative benchmarks for assessment of excess returns.

# ACERA: achieving performance objectives

Asset class	Policy objectives*						5-year results**	
		Met	Not Met		Met	Not Met	Net of fee Alpha	Rank
U.S. Equity	Exceed R3000		✓	Rank in upper 33 <sup>rd</sup> percentile of peer universe	✓		-39 bps	36 <sup>th</sup> (10-yr: 22 <sup>nd</sup> )
Non-U.S. Equity	Exceed MSCI ACWI ex-US	✓		Rank in upper 33 <sup>rd</sup> percentile of peer universe	✓		28 bps	32 <sup>nd</sup>
Fixed income	Exceed Custom benchmark	✓		Rank in upper 33 <sup>rd</sup> percentile of peer universe		✓	84 bps	54 <sup>th</sup> (10-yr: 28 <sup>th</sup> )
Absolute return	Outperform HFRI Fund of Funds Composite				✓		36 bps	
Private equity	Outperform Cambridge Global All PE benchmark				✓		205 bps	
Real assets	Outperform Custom blended benchmark				✓		59 bps	
Private credit	Outperform S&P/LSTA U.S. Lev. Loan 100				✓		526 bps***	

\*Source: ACERA 2022 General Investment Guidelines, Policies and Procedures, \*\*Source: Verus 1Q23 plan performance report – time weighted, 4Q22 private performance reports – IRR. \*\*\*Since inception: 10/2019.

# Evaluating ESG

## ESG is integrated into our assessment of managers

- **ESG analysis is a feature of an investment product – ESG ratings are distinct from Verus IQ ratings.** ESG ratings reflect the degree to which products incorporate ESG analysis and enable us to advise our clients whatever their position on ESG.
- **Our definitions**
  - ESG A – Full integration of ESG principles
  - ESG B – Some ESG elements observed
  - ESG C – No or minimal ESG integration
- **Integrated as part of our everyday research**
  - Every product with a Verus Rating is assigned an ESG rating
  - ESG Characteristics noted – E, S, G, Religious, Labor Friendly
  - ESG Methods noted – e.g., Exclusion, Impact, etc.

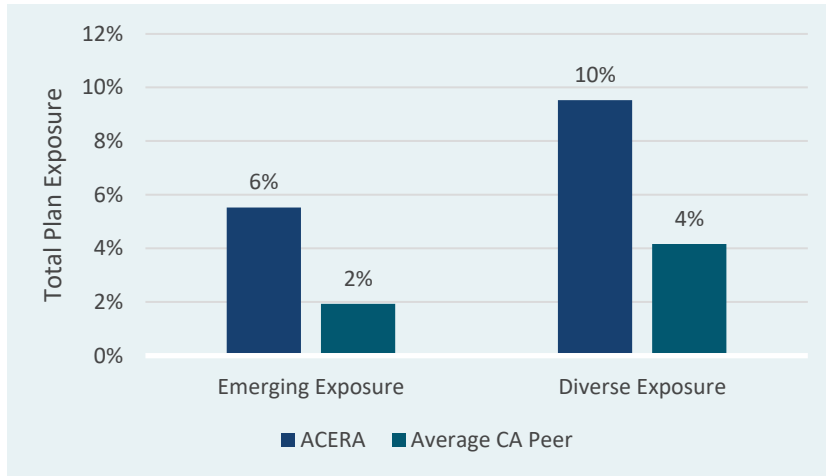
### Typical questions relating to ESG – what we ask

Does your firm have an ESG policy statement? Does your firm have an ESG team and what is their relationship to the investment team? What stewardship codes or ESG-related initiatives and pledges has your firm adopted?	<b>Alignment</b> Organizational structures linking team to management to client
Are ESG-related principles driving the primary belief that defines the investment approach for this product?	<b>Edge</b> Willingness to be different than the benchmark and peers
Does the product adhere to any exclusionary screening? On what issues does your investment team engage with company management?	<b>Implementation</b> Sensible and repeatable
If ESG characteristics are incorporated in your risk management process, how are they implemented?	<b>Optimal Use of Risk</b> Self knowledge and making active bets where there is skill
What types of market conditions favor or don't favor your approach? Do you measure the impact of ESG-related decisions on investment performance?	<b>Understandable Performance</b> Explaining performance headwinds and tailwinds

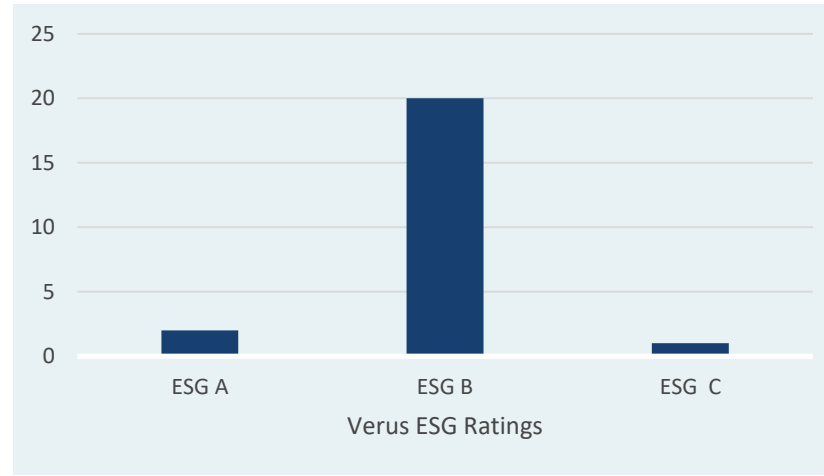
# Emerging, diverse, & ESG

ACERA is the leader among CA public plans

ACERA'S EMERGING & DIVERSE MANAGER EXPOSURE<sup>1</sup>



ACERA'S MANAGER ESG RATINGS<sup>2</sup>



Policy decisions made by ACERA's board have placed the plan into a leadership position amongst CA peers<sup>3</sup>.

The Emerging Investment Manager (EIM) and ESG exposures have contributed to ACERA's exceptional results.

EIM BEST PRACTICES

- EIM policy and implementation strategy ✓
- EIM policy provisions ✓
- EIM maximum ✓
- EIM monitoring & reporting ✓

ESG BEST PRACTICES

- ESG policy & implementation strategy ✓
- Proxy voting policy ✓
- ESG education ✓
- Manager ESG ratings ✓
- ESG monitoring & reporting ✓

Source: <sup>1</sup>ACERA data as of 12/31/2022 for the assets Verus advises and utilizes ACERA's emerging definition and Verus' diverse definition; Data sourced from the most recent publicly available information from California's largest state and county-level public plans who disclose their emerging and diverse exposures. <sup>2</sup> Includes ACERA's public and private manager/fund ESG ratings since ESG rating inception. <sup>3</sup> Supporting data contained in the Appendix of this presentation



# Verus private markets: philosophy & edge

Our size and unique methods have proven to deliver exceptional results

## PHILOSOPHY



Private markets are expensive and fund performance has high dispersion.

Fund selection, not asset allocation, is the primary driver of returns.

*Experienced teams with proven methods outperform large platforms and teams that have inherent agency issues, conflicts, and limits on commitments to best managers*

## APPROACH



Senior research personnel partner with clients to drive portfolio construction and implementation.



Highly experienced team: 63% of team with 21 years of industry experience



Team co-owns total portfolio performance on behalf of clients

## IMPLEMENTATION



Top-quartile performance alone is not repeatable. Bottom-quartile tends to repeat.



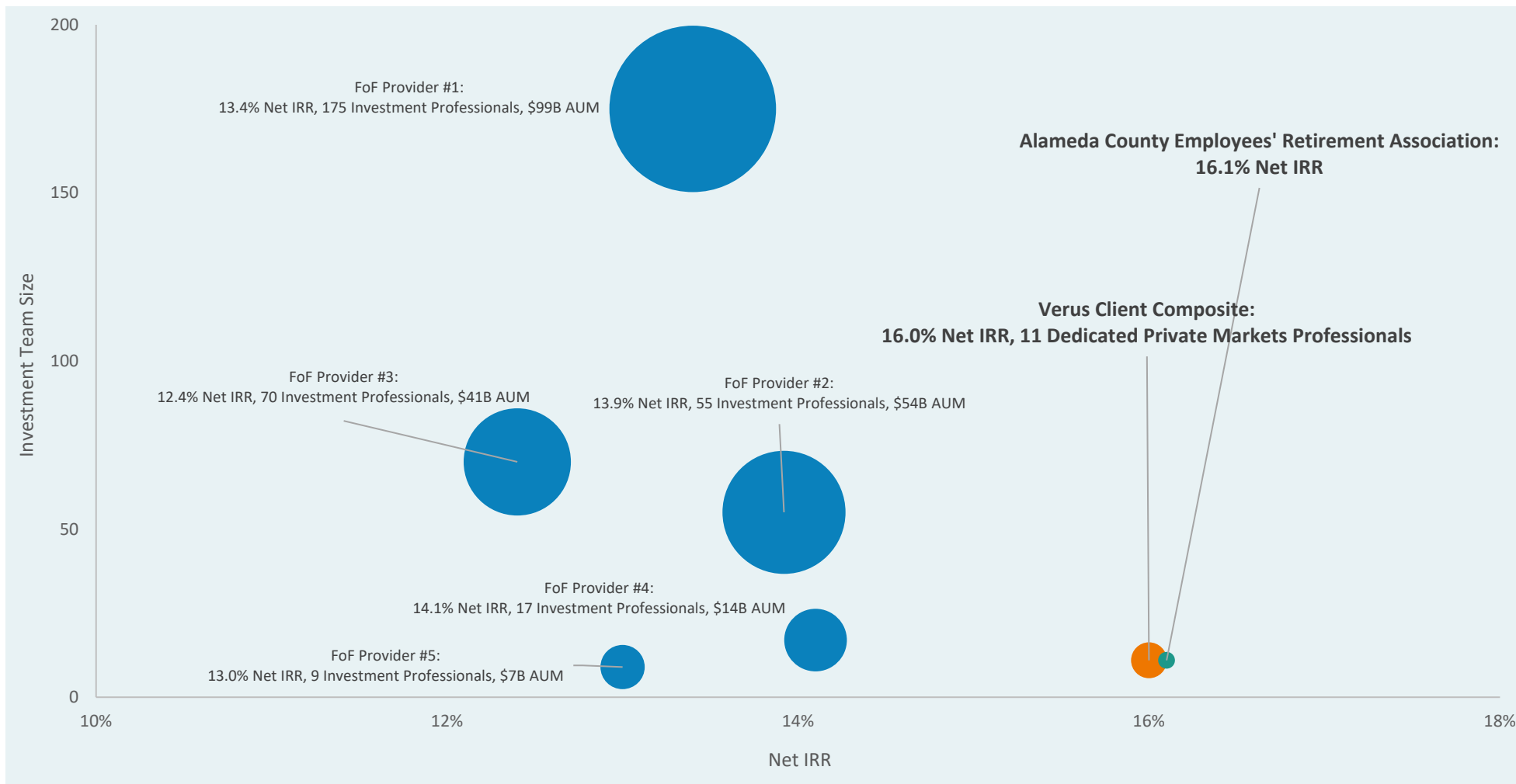
Ability to improve company-level fundamentals is more durable than leverage and market movements.



Alignment throughout the investor-value creation chain is paramount.

# PE performance: platform size can detract

## VERUS PRIVATE EQUITY VS. FUND-OF-FUNDS PROVIDER COHORT



Bubble size indicates the AUM for FoFs; Private Markets team clients private equity Net Asset Value as of 12/31/2022. Larger bubbles reflect a larger AUM/client assets.

Track record inception dates: Verus Client Composite (2006), ACERA (2008), FoFs 1-3 (2006), FoF 4 (2007), FoF 5 (2008). Net IRR as of 12/31/2022, based on inception through Vintage 2020 for Verus and ACERA, 2019 for FoFs.

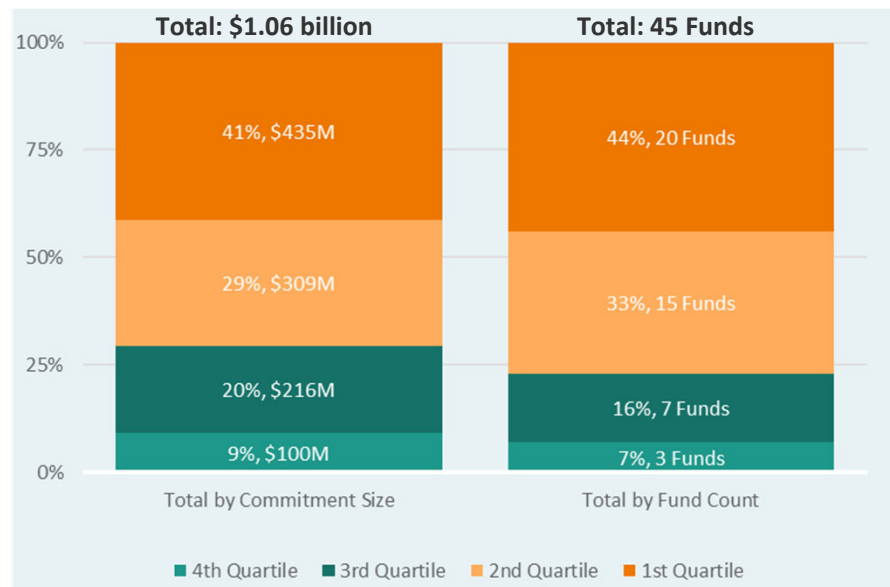
Please refer to the "End Notes to Performance Information" for important additional information.

# ACERA private equity manager selection

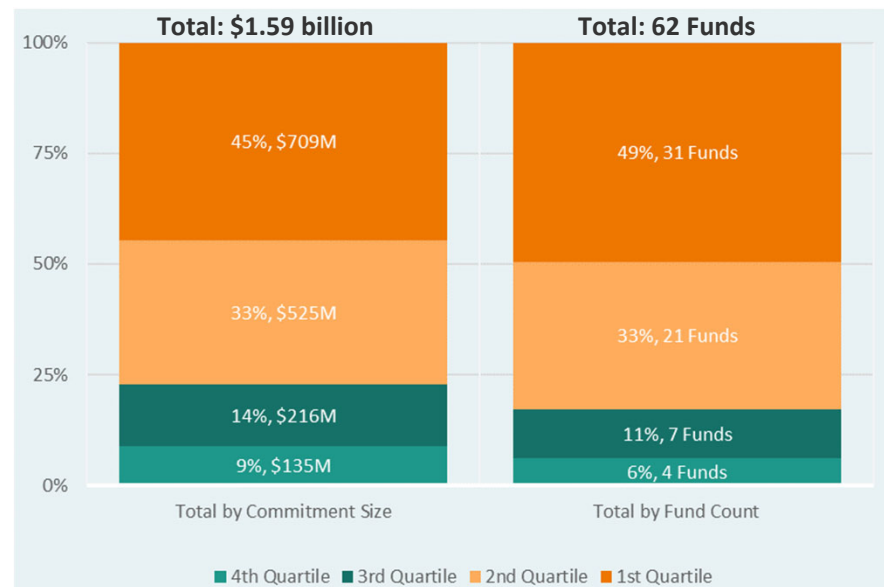
*Ex post* results of "best ideas" recommendations to invest in blind pool funds

- Overweight the better performing funds:
  - 44% of mature funds rank top-quartile
  - 33% of mature funds rank second-quartile
- Underweight the rest:
  - 23% of mature funds rank below median

## MATURE FUNDS (>70% CALLED)



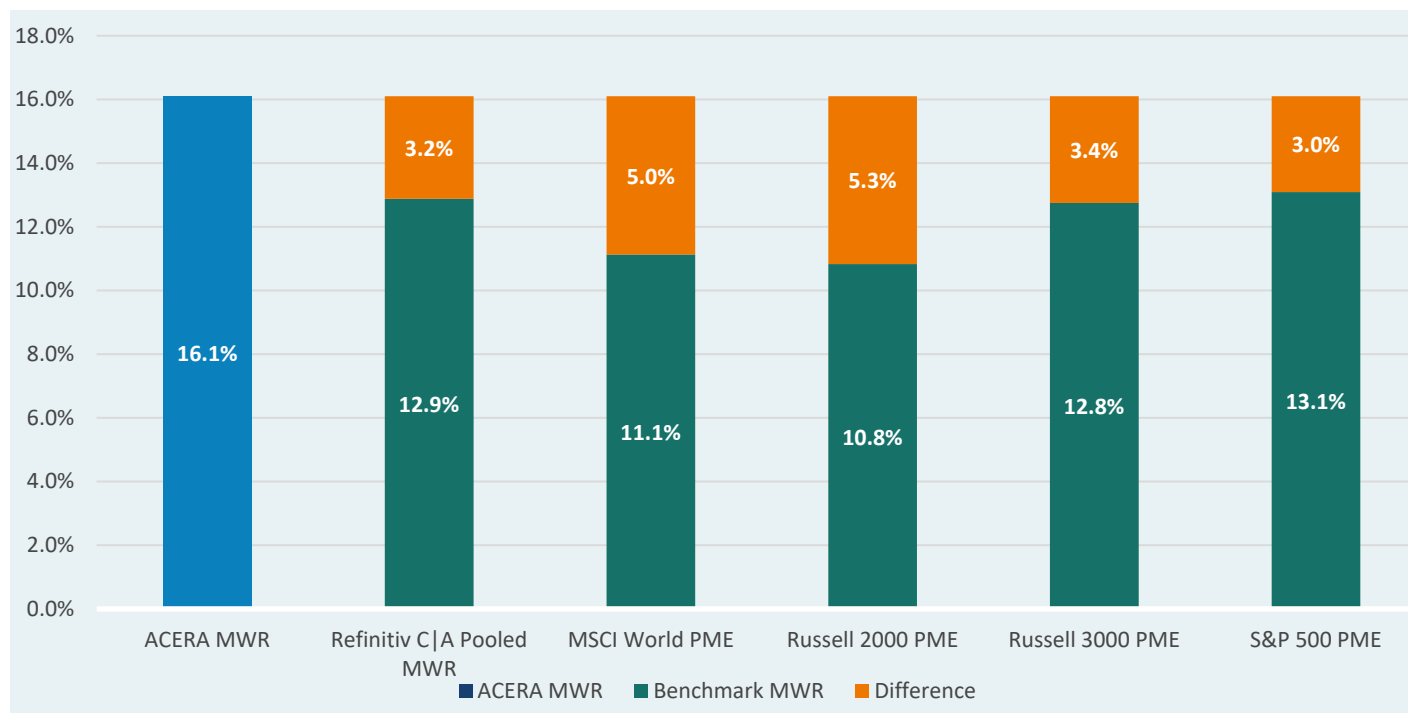
## TOTAL PORTFOLIO



Quartile ranks based on most relevant Refinitiv C/A Universe benchmark (same asset class / same vintage) as of December 31, 2022. Number of funds and capital committed categorized by highest quartile rank of funds on key performance metrics: Internal Rate of Return (IRR), Total Value to Paid-in-Capital ratio (TVPI), Distributed to Paid-in-Capital ratio (DPI). Please refer to the "End Notes to Performance Information" for important additional information.

# ACERA performance: Private Equity

ACERA PRIVATE EQUITY MONEY WEIGHTED RETURNS VS. BENCHMARKS



ACERA recommended PE funds across vintage years 2008-2020 have returned 16.1%; outperforming the relative benchmarks.

MONEY-WEIGHTED RETURNS (“MWR”) ARE FOR THE PERIOD FROM 2008 TO 2022 YEAR-END

Vintage Years	Number of discrete fund investments	Cumulative Commitments (\$M)	Cumulative Paid-In (\$M)	Cumulative Distributions (\$M)	Unrealized Value (\$M)	Total Value (\$M)	DPI	TVPI	RVPI	PIC
2008-2020	57	\$1,419.3	\$1,289.5	\$1,245.2	\$939.8	\$2,185.0	0.97x	1.69x	0.73x	0.91x

Please refer to the “End Notes to Performance Information” for important additional information.

# III. Conclusion

# Two decades of exemplary service

## Asset Allocation

Independent and objective advice focused on risk management

- ✓ Customized approach has delivered ACERA's policy objectives given ACERA's risk tolerance
- ✓ Helped achieve ACERA's goal of fulfilling liabilities through improved funded status
- ✓ **ACERA ranks 26<sup>th</sup> and 8<sup>th</sup> percentiles, respectively, versus public funds >\$1 billion over 10 and 20 years**

## Public Markets Research

Consistent success in identifying and accessing skilled managers

- ✓ International Equity and Absolute Return portfolio re-structures
- ✓ Timely manager termination recommendations
- ✓ Assisted in multiple successful RFP/RFI processes
- ✓ Manager guidelines negotiation
- ✓ **75% of ACERA active managers exceed benchmarks**
- ✓ Built well-diversified portfolio structured across private equity sub-asset classes, sectors, and vintage years
- ✓ VC exposure built during Down market
- ✓ Selection of value-adding GPs
- ✓ Built dedicated real asset portfolio
- ✓ **Top quartile ranking performance since inception**
- ✓ **Ahead of PE benchmark since inception**

## Private Markets Research

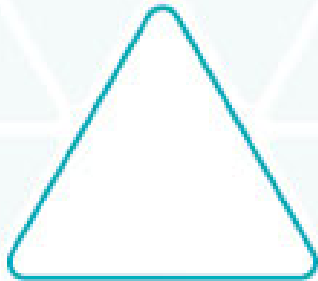
## Policy & Strategy Design and Implementation

Supported board and staff in establishing multiple investment and broader policies

- ✓ Extensive Board education
- ✓ ESG Board survey
- ✓ ESG policy development and implementation strategy design
- ✓ Proxy voting policy evaluation and recommendation
- ✓ Emerging manager of manager selection
- ✓ EIM policy development and refinement
- ✓ **EIM exposure at approximately 9% is higher relative to CA public fund peers**

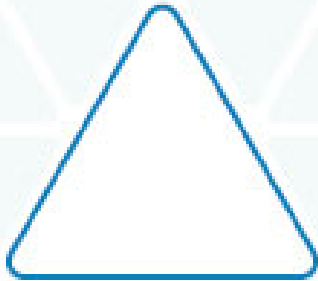
# Verus: a proven partner for ACERA

ACERA participants have been well-served by our partnership together



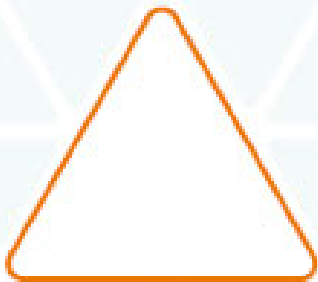
## Independence

- No funds or products
- 100% of revenue from client retainers
- Zero conflicts, dedicated to sole and exclusive interests of plan participants



## Differentiated manager research

- Verus' optimal size and market position is a competitive advantage
- More research personnel **on a per client basis** than most peers
- Experienced team and proven methods have led to exceptional results



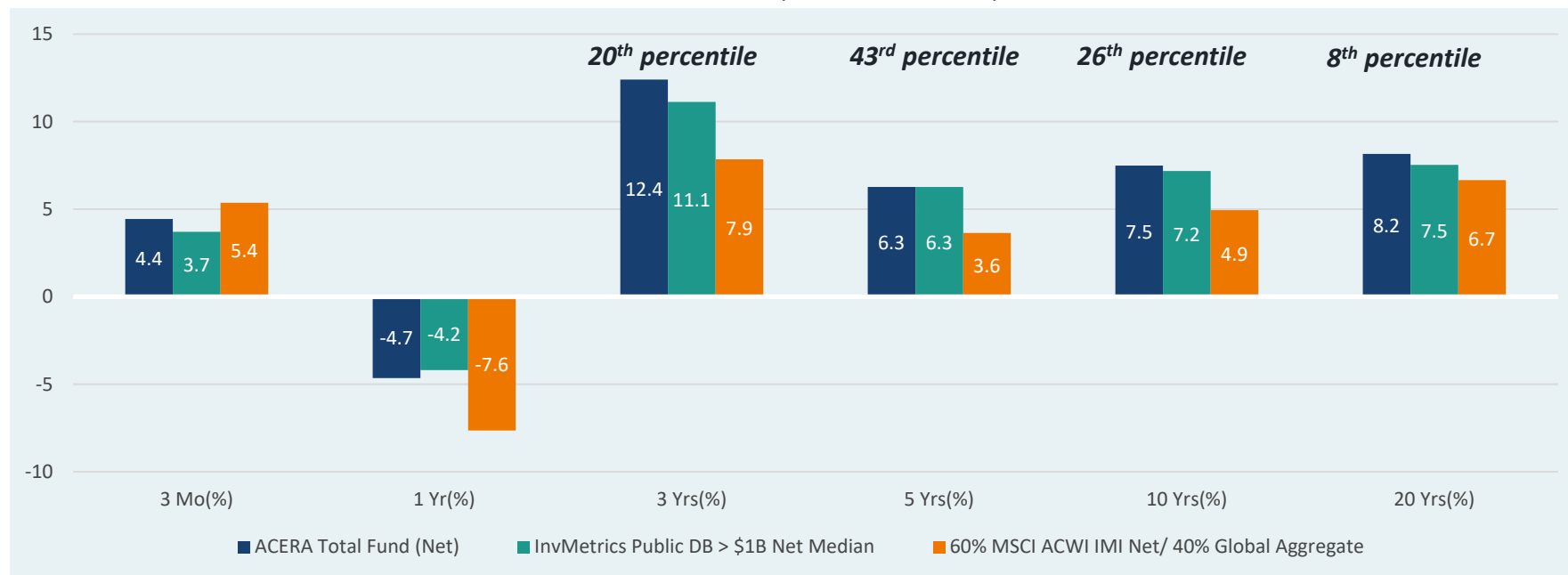
## Exceptional Results

- History of Innovative and proactive advice; a proven partner for ACERA
- Record of staffing ACERA with highly experienced investment professionals
- Exceptional long-term total fund performance, 8<sup>th</sup> percentile over 20 years

# The bottom line

ACERA has achieved exceptional results with our advice

ACERA TOTAL FUND COMPOSITE PERFORMANCE – NET OF ALL FEES, AS OF MARCH 31, 2023



Calendar Year Returns (%)	2022	2021	2020	2019	2018
ACERA Total Fund (Net)	-11.6%	16.1%	12.5%	18.4%	-4.3%
60/40 Policy Index	-17.4%	8.6%	14.1%	18.4%	-6.4%
Peer Group Average	-11.2%	14.9%	10.8%	17.0%	-4.0%
Percentile Rank*	59 <sup>th</sup>	37 <sup>th</sup>	28 <sup>th</sup>	22 <sup>nd</sup>	59 <sup>th</sup>

\* All peer rankings shown are based on Gross of Fees returns because InvestmentMetrics Public Fund > \$1B total fund peer universe is reported gross of fees.



# IV. Appendix

# Verus resources

## CONSULTING SERVICES



**Shelly Heier, CFA, CAIA**  
President

Joseph Abdou, CFA  
Mark Brubaker, CFA  
Zeca Cardoso, CFA, FRM, CAIA  
John Crosbie, CFA  
Eric Crowder, CFA  
Marc Gesell, CFA  
Samantha Grant, CFA, CAIA  
Brian Kwan, CFA, CAIA  
Victor Lee  
Jeffrey MacLean  
Kiran Malik, CFA  
Timothy McEnery, CFA  
Eileen Neill, CFA  
Brent Nelson  
John Nicolini, CFA  
Mike Patafsky, CFA  
Dan Quilico, CFA  
Claudia Schloss, CFA  
Danny Sullivan, FRM, CAIA  
Jason Taylor  
Annie Taylor, CFA  
John Teramana, CAIA  
Anne Westreich, CFA  
Scott Whalen, CFA, CAIA  
Evan Benedict  
JC Faubion, CFA  
Tim Joo  
Alex Russo  
Zarif Urozaliyev  
Linda Wu, CFA

## PUBLIC MARKETS



**Marianne Feeley, CFA**  
Managing Director

Colleen Flannery, CFA  
Vincent Francom, CFA, CAIA  
Kyle Jangard, CFA  
Paul Kreiselmaier, CFA  
Chibueze Odoh  
Trevor Parmelee, CFA, CAIA  
Sneha Pendyala  
Stephen Reller  
Philip Schmitt  
Samantha Grant, CFA, CAIA  
Jeffrey MacLean  
Ian Toner, CFA  
Anne Westreich, CFA

## PRIVATE MARKETS



**Faraz Shooshani**  
Managing Director

Jing Chen  
Tony Flores  
Matt Foppiano  
Steve Hempler  
Kin Lam  
John Nicolini, CFA  
Vincent Phan  
Christian Reed  
Chris Shelby, CFA  
John Wasnock  
Shelly Heier, CFA, CAIA  
Brian Kwan, CFA, CAIA  
Eileen Neill, CFA  
Brent Nelson  
Michael Patafsky, CFA  
Ian Toner, CFA

## INVESTMENT ANALYTICS & PERFORMANCE



**Justin Hatley**  
Director

Kelli Barkov  
Demitri Castaneda  
Augienette Castillo  
Jonah Coffee  
Jason Fajardo  
Elaine Gee  
Lamine Kaba  
Crystal Nicholls  
Madison Martin  
Nicholas Pecache  
Palmer Pederson  
Jonathan Powell  
Lukas Seeley  
Ian Schirato  
Phillip Thomas  
James Wadner  
Cholo Villanueva

## INVESTMENTS



**Ian Toner, CFA**  
Chief Investment Officer



**Thomas Garrett, CFA, FRM, CAIA**  
Managing Director | Strategic Research



**John Santopadre, CFA**  
Director | Portfolio Management

**Sam Geschickter**  
**Dan Hougard, FSA**  
**Michael Parnell**  
**Kyle Schmit**  
Mark Brubaker, CFA  
Shelly Heier, CFA, CAIA  
Kraig McCoy, CFA  
Annie Taylor, CFA  
Scott Whalen, CFA, CAIA

## BUSINESS DEVELOPMENT & MARKETING



**Ted Hermann**  
Business Development



**Amanda Schroeder**  
Director of Marketing

Emmanuel Canteras  
Ashley Moore  
Heather Robison  
Alex Russo

## BUSINESS OPERATIONS



**Kraig McCoy, CFA**  
Chief Financial Officer



**Warren Spencer, JD, LLM**  
Chief Legal Counsel,  
Chief Compliance Officer

Jonathan Henderson  
Thomas Lam  
Lauren Thompson  
Joe Wilson  
Harold Wu

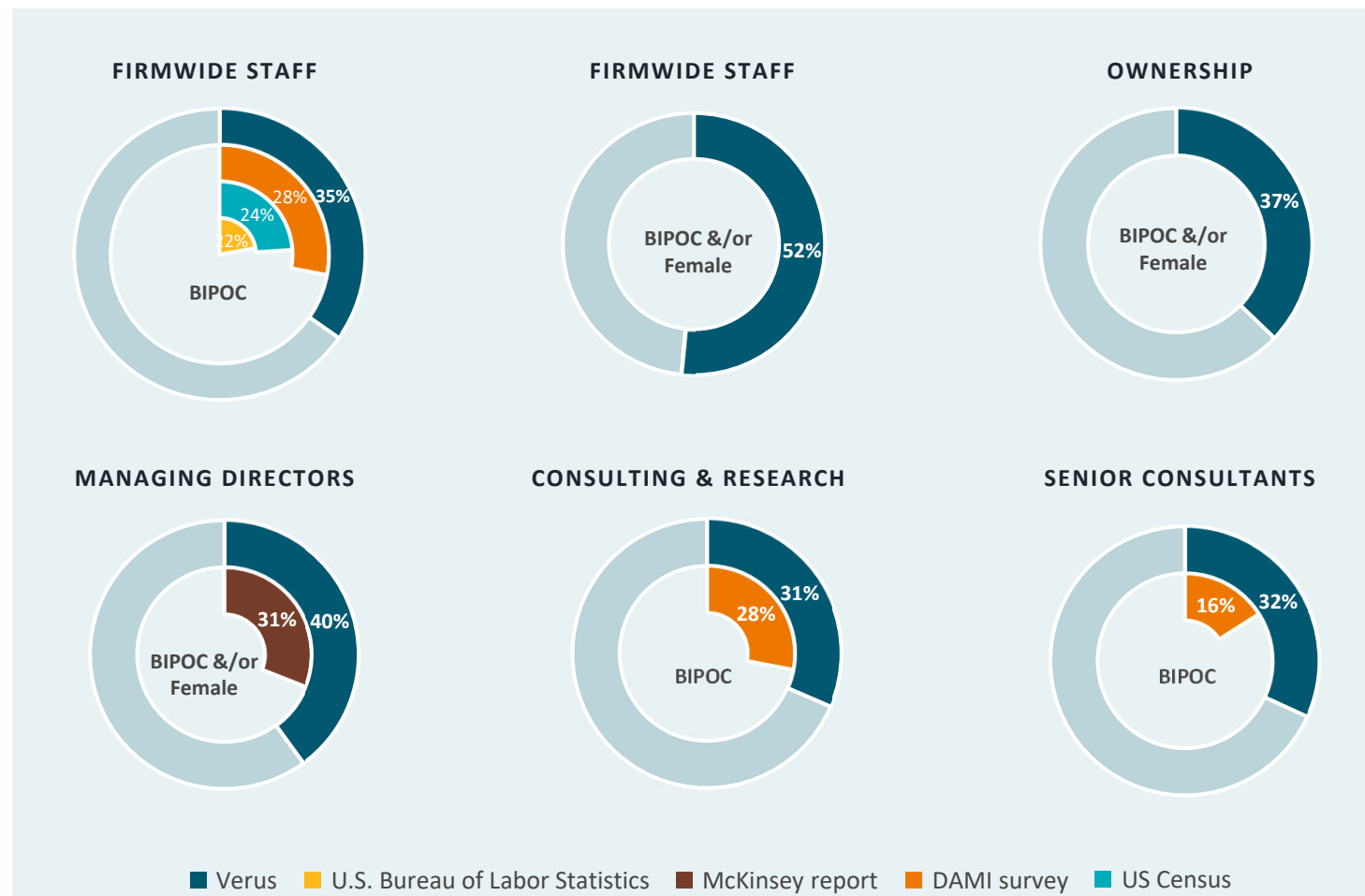
Sonia Banks  
Jennie Elliott  
Caroline Honour  
Mellisa Ingraham, SHRM  
Dana Larkin  
Anneke Meulblok  
Katie Vierig  
Ashley Moore

These Verus investment professionals are trusted to support some of the most sophisticated investment programs in the United States.

*Bold signifies primary responsibilities. Others indicate secondary responsibilities.*

# Verus diversity measurement

## VERUS FIRM PROFILE



Verus is ahead of the curve on employee diversity measures.

We are committed to further promoting diversity through our recruitment, retention, and inclusion efforts.

*Employee profiles are self-identified. Results from 2021 DAMI (Diverse Asset Managers Initiative) Investment Consultant Survey. McKinsey & Co Report: Racial equity in financial services. 2020 U.S. Bureau of Labor Statistics: Securities, commodities, funds, trusts, and other financial investments. US Census 2019 data, population 25 years or older. Verus data as of March 2023. Ownership by number of shareholders.*

# Industry engagement

## INDUSTRY PARTICIPATION

- Chicago's Treasury Office Financial Services Career Fair
- eVestment D&I Summit
- Grosvenor Consortium - Diverse + Women Managers Conference
- Grosvenor Emerging and Diverse Managers
- Historically Black Colleges & Universities (HBCU)
- iConnections Women in Investment Management
- Investment Diversity Advisory Council
- NASP Women's Forum
- RVK Diversity Discussion
- Teacher's Retirement Systems of Texas (TRS/ERS) Emerging Manager Conference
- The Investment Diversity Exchange (TIDE) Spark Conference
- With Intelligence Falk Marques Group Women's Private Equity Summit
- Women's Assoc. of Venture & Equity (WAVE) Career Forum Job Fair
- Women in Institutional Investments Network (WIIN) Annual Luncheon

## RECOGNITION BY THE PRESS AS DIVERSITY THOUGHT LEADERS

- CIO Magazine
- Emerging Manager Monthly
- Financial Investment News
- FundFire
- Institutional Asset Manager
- NASDAQ
- Pension & Investments
- Top 1000 Funds

## SPONSORSHIPS



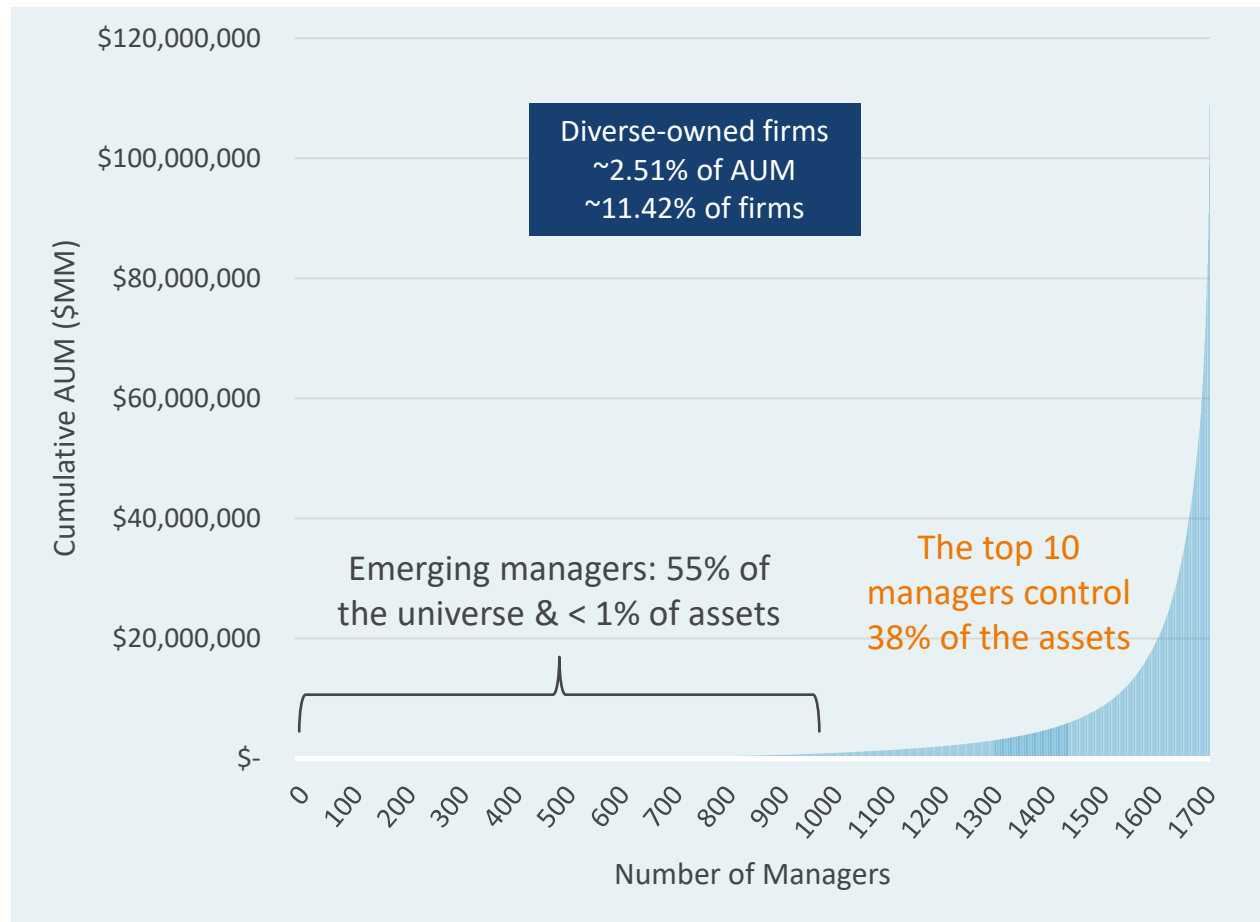
Women's Association of Venture & Equity



# Diversity within client portfolios

## BREADTH OF OPPORTUNITIES

Cumulative assets of asset management industry, December 2021



Sources: eVestment Alliance. \*Data as of June 2022.

## CURRENT RESULTS\*

- Verus database currently has 278 products designated Diverse
- 38 diverse manager products are included in client portfolios
- \$7.4 billion in diverse-owned firms used in client portfolios
- Application of Rooney Rule to meet plan requirements where appropriate
- Inclusion of emerging and diverse managers in searches where appropriate

# Diversity is baked into our process

- **Diverse & emerging managers can be and are alpha sources for our clients.** These take extra effort to source and diligence, but the work is worth it.
- **Our definitions**
  - Diverse ownership: >30% women/minority
  - Diverse characteristics: >30% of investment team\*
  - Emerging: ≤\$3 billion in AUM (traditional markets)
- **Integrated as part of our everyday research**
  - Diverse characteristics noted on all managers
  - Diversity data and practices reviewed in all manager diligence
  - Formal annual “Emerging & Diverse Diligence Days”

## Typical questions relating to diversity – what we’re looking for

Describe the interactions of your investment team. How do you incorporate views of members at various levels of experience?	<b>Implementation</b> Sensible and repeatable
Describe how your firm’s recruiting and retention policies contribute to ensuring your investment process continues to evolve?	<b>Alignment</b> Organizational structures to attract and retain talent)
How do you bring diverse points of view to your idea generation process?	<b>Edge</b> Willingness to be different than the benchmark and peers
How do members of the team challenge their own and each others’ thinking?	<b>Optimal Use of Risk</b> Self knowledge and making active bets where there is skill
What types of market conditions favor or don’t favor your approach? How do team members reinforce the ability to stick to your approach in markets that don’t favor it?	<b>Understandable Performance</b> Explaining performance headwinds and tailwinds

*\*Diverse characteristics can manifest in an investment process in many ways, and as such, we are not strict in our application of this minimum if the principle is met*

# ACERA diverse and emerging manager exposure peer comparison

	ACERA	Fund1 <sup>1</sup>	Fund2 <sup>1</sup>	Fund 3 <sup>2</sup>	Fund4 <sup>3</sup>	Fund5	Fund6	Fund7	Fund8	Fund9	Fund10
Plan Size (in billions)	\$10.3	\$444.0	\$302.1	\$70.3	\$23.0	\$10.3	\$20.5	\$13.5	\$12.1	\$33.2	\$10.2
EIM Provisions	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	No
Separate EIM Policy	Yes	N/A	N/A	Yes	Yes	No	No	No	No	Yes	No
Specific EIM Target or Goal	Yes	No	N/A	No	Yes	No	No	No	No	Not disclosed	No
EIM Asset Class Allocation Ranges	No	N/A	N/A	Yes	Yes	No	No	No	No	Not disclosed	No
Emerging Exposure (\$)	\$566.0 million	\$480.5 million	\$3.6 billion	\$1.3billion	\$925.7 million	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Emerging Exposure (%)	5.5%	0.1%	1.2%	1.8%	4.6%	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Diverse Exposure (\$)	\$1.0 billion	\$3.2 billion	Not disclosed	\$5.3 billion	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Diverse Exposure (%)	9.5%	0.7%	Not disclosed	7.6%	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Reporting	Yes, annual	Yes, annual	Yes, annual	Yes, annual	Yes, annual	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed

ACERA Public Markets Portfolio	Market Value		Emerging Exposure		Diverse Exposure	
		%		%		%
International Equity	\$130,184,487	1.3%	\$130,184,487	1.3%	\$85,374,801	0.8%
Total Fund	\$10,252,621,691		\$130,184,487		\$85,374,801	

ACERA Private Markets Portfolio	Total		Emerging		NAV+Unfunded		Diverse		NAV+Unfunded	
	Commitment	(12/31/2022)	Commitment	%	(12/31/2022)	%	Commitment	%	(12/31/2022)	%
Private Equity	\$1,620,843,361	\$1,554,000,967	\$368,939,282	22.8%	\$305,785,179	19.7%	\$549,189,282	33.9%	\$540,196,182	34.8%
Private Credit	\$375,000,000	\$379,418,699	\$0	0.0%	\$0	0.0%	\$150,000,000	40.0%	\$152,118,358	40.1%
Real Assets	\$562,979,858	\$1,080,819,442	\$79,000,000	14.0%	\$130,010,922	12.0%	\$64,000,000	11.4%	\$128,273,944	11.9%
Real Estate	\$697,636,048	\$930,124,493	\$0	0.0%	\$0	0.0%	\$85,000,000	12.2%	\$65,759,802	7.1%
Total Private Markets	\$3,256,459,267	\$3,944,363,601	\$447,939,282	13.8%	\$435,796,101	11.0%	\$848,189,282	26.0%	\$886,348,286	22.5%
Total Fund	\$10,252,621,691	\$3,944,363,601	\$447,939,282	4.4%	\$435,796,101	4.3%	\$848,189,282	8.3%	\$886,348,286	8.6%

Source: ACERA data as of 12/31/2022 for the assets Verus advises and utilizes ACERA's emerging definition and Verus's diverse definition; Data sourced from publicly available information of the largest county/city/state-level plans in California; <sup>1</sup> Fund1 and Fund2 information sourced from the most recent Diversity in the Management of Investments annual report, which may not be inclusive of their entire emerging and/or diverse exposures; <sup>2</sup> Fund3 information sourced from the most recent Fund3 TIDE Annual Review report; <sup>3</sup> Fund4 information sourced from the most recent Annual Report on Fund4 Emerging Investment Management Program; each plan's investment policy statement and/or most recent annual report or 2022 year-end investment report were utilized to compile this analysis.

# Comprehensive private markets research

## The key to manager selection

### Average Annual Commitments\*\*

	Amount (millions)	Number of funds
Buyout	\$420	7
Venture Capital / Growth Equity	\$199	6
Debt-related / Special Situation	\$558	7
Real Asset	\$154	2
Real Estate	\$508	21
Others*	\$83	3
<b>Total</b>	<b>\$1,923</b>	<b>46</b>

Success in private equity centers on manager selection. Access to great managers requires enough capital to be worthwhile to the manager but not so much as to consume all of their capacity.

### FUND FLOW: 2018-2022



\*Includes fund of funds, secondary funds, separate accounts and absolute returns.

\*\* Based on 2018-2022. Managers Reviewed – materials from placement agents, team inbox or calls. Manager Met – following material review, Zoom or in-person met with managers to further evaluate. Due Diligence Performed – based on Verus scoring and / or client interest, Verus decides to perform deep dive



# V. Biographies

# Biographical information



## Jeffrey MacLean

### Chief Executive Officer

Mr. MacLean joined Verus in 1992 and is primarily responsible for managing the firm and providing investment advice to several clients. He has over 33 years of investment and consulting experience, working with all asset classes for a range of clients including corporate defined benefit plans, public institutions, multi-employer trusts, endowments, and foundations. He chairs the firm's management committee, as well as the investment committee, which provides strategic guidance on research initiatives and vets investment manager recommendations. He is a majority shareholder of the firm.

Mr. MacLean often speaks at investment forums regarding the macro-economic environment, asset allocation, risk management, alternative investments, and industry trends. He was named a 2021 Chief Investment Officer Magazine Knowledge Broker, a prestigious award, celebrating the world's most influential investment consultants and advisers nominated by respected CIOs and allocators. Prior to joining Verus, Mr. MacLean was Vice President of Shurgard Realty Group, a real estate advisory firm, and a consultant for Arthur Andersen & Company.

Mr. MacLean currently volunteers for Children's Hospital of Los Angeles and he serves on the advisory board for the University of Washington Foster School of Business. He holds a master's degree in business administration (MBA) from the Darden School of Business and a bachelor's degree in business administration (BBA) from the University of Washington, where he served as student body president in his senior year.

#### Contact:

T: 310.297.1777

F: 310.297.0878

[jmaclean@verusinvestments.com](mailto:jmaclean@verusinvestments.com)

# Biographical information



## Shelly Heier, CFA, CAIA

**President | Senior Consultant**

A shareholder of the firm since 2007, Ms. Heier is an integral part of the firm’s leadership, serving on the Verus board of directors and management committee. In addition to overseeing the broad investment division and consulting teams, Ms. Heier provides investment consulting services to a handful of clients, including foundations, university endowments, and hospitals. She also serves as chair of the Verus alternative investments committee, which provides strategic guidance on research initiatives and vets investment manager recommendations.

Ms. Heier joined Verus in 2000 as a member of the manager research group and was responsible for investment manager and market research. She served as director of manager research from 2002 to 2005. She began providing consulting services to institutional investors in 2005. Ms. Heier is a frequent speaker at industry conferences, where she has presented on a broad range of topics such as capturing alpha from quantitative strategies and portfolio operations efficiencies.

Ms. Heier serves as a trustee on the board of her alma mater, University of Puget Sound. She is also active in numerous civic and industry groups, including the CFA Institute, CFA Society of Seattle, CAIA Association, Western Pension & Benefit Conference, and the Fred Hutchinson Cancer Research Center’s Innovators Network. In 2012, Ms. Heier was recognized as a “40 Under 40” honoree by the Puget Sound Business Journal.

Ms. Heier graduated from the University of Puget Sound with a bachelor of arts (BA) in business and public administration with an emphasis in finance and a minor in economics. She earned the Chartered Financial Analyst (CFA) designation in 2001 and the Chartered Alternative Investment Analyst (CAIA) designation in 2011.

**Contact:**

T: 206.622.3700

F: 206.622.0548

[sheier@verusinvestments.com](mailto:sheier@verusinvestments.com)

# Biographical information



## Eileen Neill, CFA

### Managing Director | Senior Consultant

For more than thirty years, Ms. Neill has provided a broad range of consulting services to a variety of institutional plan sponsors with respect to the successful development and implementation of their investment programs, including risk management, strategic asset allocation, manager structure analysis, investment policy development, manager selection, and the ongoing education of their fiduciaries. She is also a shareholder of the firm and sits on the Verus alternative investments committee, where she provides strategic direction to research staff on important issues affecting client portfolios.

Ms. Neill joined Verus in 2017 from Wilshire Associates, where she served as a senior investment consultant. At Wilshire, Ms. Neill consulted to plan sponsors of varying sizes and complexity whose assets ranged from \$100 million to \$150 billion, a collection that included public institutions, corporate defined contribution and defined benefit plans, endowments and foundations, healthcare organizations, and insurance companies.

Ms. Neill has served as a guest speaker at industry conferences on a wide range of investment topics, such as ESG investing, emerging manager programs, credit strategies, currency management, investment strategy implementation, performance-based fees, portable alpha, and many others.

She earned a bachelor of science degree (BS) in business administration from the University of Arizona, and a master's degree in business administration (MBA) with an emphasis in finance in from Chapman University. She is a CFA charterholder (Chartered Financial Analyst) and is a member of the CFA Society of Los Angeles. Ms. Neill currently serves as an advisory council member for the Women in Institutional Investments Network, as well as an investment committee member for the Chadwick School Endowment Fund, and is on the West Coast Steering Committee for WAVE (Women's Association of Venture and Equity). Ms. Neill is also a member of the CFALA ESG Member Community and is mentor for the CFALA Career Mentorship Program. Before entering the investment consulting industry, she was a corporate financial analyst at a Fortune 100 company. She also sits on Verus' alternative investments committee.

#### Contact:

T: 310.297.1777

F: 310.297.0878

[eneill@verusinvestments.com](mailto:eneill@verusinvestments.com)

# Biographical information



## Faraz Shooshani

**Managing Director | Senior Private Markets Consultant**

Mr. Shooshani has more than 23 years of investment and consulting experience, with over 10 years focused on private equity. He joined Verus in 2016 from Strategic Investment Solutions. Mr. Shooshani is a shareholder, sits on the management committee, and he oversees private markets research and consulting at Verus. Additionally, he is the lead consultant on a number client relationships, helping the firm's endowment & foundations, healthcare, and public clients build and manage their private markets and alternatives investments. Mr. Shooshani is a frequent speaker at investment industry conferences globally.

**Contact:**

T: 415.362.3484

F: 415.362.2752

[fshooshani@verusinvestments.com](mailto:fshooshani@verusinvestments.com)

Prior to becoming an investment consultant, Mr. Shooshani was part of the investment management team at the California Institute of Technology (Caltech), where he helped restructure and diversify the university's endowment, charitable income trust, operating cash, and technology transfer stock portfolios. Previously he founded Catapult Ventures, a venture catalyst practice that launched seed- and early-stage startups as venture backed concerns in Silicon Valley.

Mr. Shooshani started his professional career with Booz Allen, a global management consulting firm focused on business strategy, operations efficiency, and information systems across sectors. Additionally, he held finance and sales and marketing roles at a number of operating companies in real estate, textiles, and semiconductor industries.

Mr. Shooshani is an active member and a volunteer at Congregation Emanu-El in San Francisco. He earned his master's in business administration (MBA) from the Yale School of Management, and a bachelor of arts (BA) degree in Economics from the University of California, Berkeley.

# Biographical information



## John Nicolini, CFA

### Managing Director | Senior Consultant

Mr. Nicolini brings over 18 years of experience in capital markets and research as well as consulting services to Verus' institutional clients. Mr. Nicolini leads Verus' real assets consulting practice and provides general consulting services to a select group of institutional clients. He is also a shareholder of the firm.

Prior to joining Verus in 2016, Mr. Nicolini led the real assets consulting practice at Strategic Investment Solutions, in addition to serving as a general consultant to several public plans and foundations.

Prior to that, Mr. Nicolini worked in the manager research group at Highland Associates in Birmingham, Alabama. At Highland Associates, he was responsible for the firm's traditional asset class and real asset manager research functions. In addition, he worked closely with institutional investors in developing asset allocations and capital market projections. Prior to Highland Associates, Mr. Nicolini worked with WAKM Asset Management in manager research and client service.

He is a CFA charterholder (Chartered Financial Analyst) and is a member of the CFA Institute. John has a bachelor of science (BS) degree in finance from Auburn University.

#### Contact:

T: 415.362.3484

F: 415.362.2752

[jnicolini@verusinvestments.com](mailto:jnicolini@verusinvestments.com)

# Biographical information



## Samantha T. Grant, CFA, CAIA

### Senior Consultant

Ms. Grant is primarily responsible for providing a broad range of consulting services to a variety of institutional plan sponsors, including strategic asset allocation, manager structure analysis, manager selection, risk management and continuing education of their fiduciaries.

Prior to joining Verus, Ms. Grant served as an investment consultant at Marquette Associates where she was a member of the firm's investment committee, traditional investment manager search committee, and sustainable investing committee. In addition, Ms. Grant led U.S. equities manager due diligence at Marquette Associates and developed the manager due diligence platform for Mesirow Financial's Retirement Advisory Services group. Ms. Grant began her career at Northern Trust in a leadership development program and later transitioned to portfolio manager role on a quantitative equity team.

Ms. Grant is a frequent speaker at industry conferences on a variety of investment topics including ESG investing, emerging and diverse manager programs, and private markets investing. She serves on the board of the South Side YMCA of Metro Chicago and the board of the Investment Diversity Advisory Council (IDAC), a nonprofit organization with the goal of creating a more inclusive investment industry.

Ms. Grant holds a master's degree in business administration (MBA) and a bachelor of science (BS) from Florida A&M University. She is also a Chartered Financial Analyst (CFA) charterholder and a Chartered Alternative Investment Analyst (CAIA) charterholder.

#### Contact:

T: 312.815.5228

F: 206.622.0548

[sgrant@verusinvestments.com](mailto:sgrant@verusinvestments.com)

# Biographical information



**Contact:**

T: 415.362.3484

F: 415.362.2752

[jabdou@verusinvestments.com](mailto:jabdou@verusinvestments.com)

## Joseph Abdou, CFA

### Consultant

Mr. Abdou's primary responsibilities at Verus include providing a range of consulting services to Verus clientele. Some of which include strategic development and implementation of investment plans, asset allocation recommendations, risk management, and manager selection. He has primarily worked on public plans, private client trusts, and defined benefit plans.

Prior to joining Verus in 2016, Mr. Abdou worked as a senior performance analyst for Alan Biller & Associates, creating reports for client meetings, and supporting the consultant team.

Mr. Abdou is a CFA charterholder (Chartered Financial Analyst) and is a member of the CFA Society of San Francisco. He graduated from the University of Michigan with a bachelor's degree in business administration (BBA) in finance and accounting.



# End notes to performance information

## Money-Weighted Return Performance:

- Verus Client Composite IRR represents pooled performance of Verus recommended private equity funds (16.0%) across vintage years 2006-2020 in all advisory clients' portfolios monitored in Solovis from January 1, 2006 through December 31, 2022, as defined by the fiduciary review process. ACERA Performance represents pooled performance of ACERA private equity funds (16.1%) across vintage years 2008-2020 monitored in Solovis from January 1, 2008 through December 31, 2022.
- All fund investments are tracked and recorded by Verus using Solovis, a portfolio management system software. Returns are net of investment manager fees and net of Verus consulting fees.
- Verus consulting fees are calculated on a modeled fee basis utilizing clients' targeted PE allocations multiplied by their Total Plan market value at year end. As a component of the Total Plan private equity valuations are based on September 30, 2022 valuations and adjusted for fourth quarter cash flows.
- The Refinitiv C|A benchmark return is derived from private equity dollar-weighted IRRs, and the calculation is based on the overall market return for Global Private Equity funds as published by Refinitiv C|A.
- Public Market Equivalent ("PME") returns adapt the representative public market index into a money-weighted return metric that accounts for the irregular and fluctuating cashflows of the investments.
- The distribution to paid in ("DPI") multiple, also known as the realization multiple, is calculated by dividing cumulative distributions by cumulative paid in capital.
- The residual value to paid in capital ("RVPI") multiple measures the remaining market value of the fund's capital which has not yet been realized. It is calculated by dividing the residual value (or fair market value) by cumulative paid in capital.
- The total value to paid in capital ("TVPI") multiple, also known as the net multiple, measures the total market value credited by the fund. It is calculated by dividing the sum of cumulative distributions and residual value (or fair market value) by cumulative paid in capital.
- The paid in capital ("PIC") multiple measures how invested the fund is. This is calculated by dividing cumulative paid in capital by committed capital.

# Notices & disclosures

**Past performance is no guarantee of future results.** This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.

The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

“VERUS ADVISORY™” and any associated designs are the respective trademarks of Verus Advisory, Inc. Additional information is available upon request.



475 14th Street, Suite 1000, Oakland, CA 94612 / Telephone (800) 838-1932 (510) 628-3000 / Fax: (510) 268-9574 / www.acera.org

To: Members of the Investment Committee  
From: Julius Cuaresma, Investment Analyst *JCC*  
Date: September 6, 2023  
Subject: Summary of Rebalancing and Cash Activities Completed in 2Q23

---

**Recommendation:**

Not Applicable – this is an informational report.

**Background/Discussion:**

1. For the quarter ending June 30, 2023 (“2Q23”), there was no Board action required to rebalance the Total Fund. In accordance with ACERA’s General Investment Guidelines, Policies and Procedures, Section V: Asset Allocation and Rebalancing, Schedule IA: Asset Allocation Targets and Schedule IC: Asset Allocation Portfolio Rebalancing, no rebalancing signals were received during the period. The Summary of Rebalancing and Cash Activities are reported to the Investment Committee on a quarterly basis.
2. Regarding significant cash flows for 2Q23, Staff implemented the following changes to manage excess cash, to meet supplemental month-end retiree benefits, administrative payroll, capital calls and to provide operating funds:
  - a. **Month-end payroll and Total Fund Withdrawals:** Staff withdrew a net \$79.0 million (M) from the Total Fund SSB Cash Account (Account #HI1A) to supplement for month-end payroll for 2Q23. Staff wired out \$39.0 M in April, \$40.0 M in May, and \$28.0 M in June to ACERA’s JP Morgan Bank account. Fiscal Services wired in \$28.0 M to HI1A as subsequent employer contributions (\$15.0 M in April, \$13.0 M in May, and \$0.0 M in June). The reason for noting the incoming wires is not all employer contributions are received before the month-end and administrative payroll for that month.
  - b. **Capital Calls, Distributions:** In general, ACERA made wire payments of \$62.9 M in aggregate to meet capital calls and fund investments for ACERA’s privately placed investments. Distributions, which include cash and in-kind distributions and return of principal, totaled \$55.0 M for the 2Q23. This dollar amount does not include other incidental income from other programs<sup>1</sup>.

**Other Activity:** To meet the cash flow needs noted above (a. and b.) and to meet future cash flows for the next three months, the following transaction occurred:

- i. In May, Staff redeemed \$100.0 M from ACERA’s International Equity Mandate, Mondrian. This redemption served two purposes: (1) typical rebalancing needs (i.e., month-end payroll, capital calls) and (2) helped with the ongoing 2023 Board-approved Modified International Equity Asset Class Structure (“Structure”) and Phased Implementation Transition Plan, as Mondrian is not part of this Structure.

---

<sup>1</sup> Securities Lending Income, \$220.8 K, Securities Litigation Income, \$28.2 K, and Commission Recapture Income, \$1.2 K totaled \$250.3 K (dividend and interest income from the traditional managed accounts are re-invested and calculated separately, i.e., as part of the manager’s performance returns).



**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: Noe Reynoso – Investment Analyst *Noe Reynoso*  
DATE: September 06, 2023  
SUBJECT: Notice to Change Timing of Securities Lending, Directed Brokerage and Fees Reports  
From Quarterly to Annual

---

**Recommendation:**

Not Applicable – This is an informational report.

**Background/Discussion:**

Investment Staff has changed the reporting frequency of the following operational reports from quarterly to annual: Securities Lending, Directed Brokerage, and Investment Manager, Consultant, and Custodian Fees. The reasons for the changes are listed below.

- **Streamline Reporting Documents:** Switching from a quarterly to annual frequency will help reduce the number of documents within the ACERA Trustee packets. Given that the contents of these reports do not change much from quarter to quarter, annual reporting will maximize time efficiency without compromising oversight. Staff will continue to monitor the data in the reports on a quarterly basis.
- **More Time for Data Gathering and Verification:** With a quarterly reporting cycle, Staff often has incomplete data, given that the external parties provide the data on varying schedules. Typically, Staff would calculate estimates or ask for expedited estimates from the data providers. With an annual cycle, Staff will be able to gather, verify and report actual numbers instead of providing estimates.

All three reports will be distributed on the March 2024 Investment Committee Packet detailing the data for end of year 2023.



**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:        Agnes Ducanes – Administrative Specialist II *Aducanes*

DATE:        September 6, 2023

SUBJECT:    Notice to Change Timing of ACERA's Investment Products and Services  
                  Introductions (IPSI) Program Reporting from Quarterly to Semi-Annual

---

**Recommendation:**

Not Applicable – This is an informational report.

**Background/Discussion:**

Investment Staff has changed the reporting frequency of the Investment Product and Services Introductions (IPSI) Program from Quarterly to Semi-Annual to streamline reporting documents. This will help reduce the number of documents within the Trustees' Investment Committee Meeting packets. The IPSI meetings that will be reported on the December 2023 ICM Packet will cover the data from April 2023 to September 2023 and the June 2024 ICM Packet will cover the data from October 2023 to March 2024.