



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

INVESTMENT COMMITTEE/BOARD MEETING

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

ACERA MISSION:

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

**Wednesday, October 12, 2022
9:30 a.m.**

ZOOM INSTRUCTIONS	COMMITTEE MEMBERS	
<p>The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. https://zoom.us/join Webinar ID: 879 6337 8479 Passcode: 699406 1 (669) 900-6833 US For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193</p>	TARRELL GAMBLE	APPOINTED
	CHAIR	
	GEORGE WOOD	ELECTED GENERAL
	VICE CHAIR	
	DALE AMARAL	ELECTED SAFETY
	OPHELIA BASGAL	APPOINTED
	KEITH CARSON	APPOINTED
	JAIME GODFREY	APPOINTED
LIZ KOPPENHAVER	ELECTED RETIRED	
HENRY LEVY	TREASURER	
KELLIE SIMON	ELECTED GENERAL	
NANCY REILLY	ALTERNATE RETIRED¹	
VACANT	ALTERNATE SAFETY²	

¹ The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

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

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

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

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes, and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure), are available online at www.acera.org.

INVESTMENT COMMITTEE/BOARD MEETING

NOTICE and AGENDA October 12, 2022

Call to Order: 9:30 a.m.

Roll Call

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

Board Action Item:

1. 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.

Dave Nelsen, ACERA
Jeff Rieger, ACERA

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

1. Discussion of and Possible Motion to Recommend that the Board Adopt Amendments to ACERA's Emerging Investment Manager (EIM) Policy

9:30 – 10:00

Eileen Neill, Verus Advisory
Avery Robinson, Callan LLC
Thomas Taylor, ACERA
Betty Tse, ACERA

2. Discussion of and Possible Motion to Recommend that the Board Adopt Search Criteria for ACERA's General Investment Consultant (GIC) Search, including Proposed Minimum Qualifications and Evaluation Matrix

10:00 – 10:30

Valter Viola, Cortex Consulting Inc.
Betty Tse, ACERA

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

None

Trustee Remarks

Future Discussion Items

Establishment of Next Meeting Date

November 2, 2022 at 9:30 a.m.



TO: Members of the Investment Committee
FROM: Thomas Taylor, Investment Officer *Thomas Taylor*
DATE: October 12, 2022
SUBJECT: Discussion of and Possible Motion to Recommend to the Board to Adopt Amendments on ACERA's Emerging Investment Manager Policy

Recommendation

Staff recommends amending ACERA's September 19, 2019 EIM Policy, as proposed.

Background

The strategic objective of the EIM program is to add incremental value to the Total Fund through the hiring of talented emerging investment managers to manage a portion of ACERA's assets. From the initial policy adopted by the Board in March 2007 through September 2019, the EIM Policy focused only on the traditional asset classes (public equities and fixed income) with an emphasis on public equities (currently managed by Bivium). ACERA last amended the EIM Policy in September of 2019 to expand and include private equity, real assets, and the real estate asset classes. As part of this proposal, Staff and Verus now seek to add absolute return and private credit, which were newly created asset classes at that time. Additionally, the proposed amendments incorporates updated language and definitions to the EIM Policy.

Discussion

Staff and Verus believe it is prudent to expand the program to include all asset classes. The recommendation is to amend the policy to expand the scope of the EIM program to include the absolute return and private credit asset classes, as well as, update certain ranges and definitions set forth in the current policy. The proposed amendments can be summarized as follows:

- Staff and Verus expand on the language defining an EIM manager to include all private market managers with total assets less than \$5 billion in committed capital, including co-investments, in any prior funds. For private real estate, to consider those managers with committed capital up to \$3 billion to qualify for the EIM program. (See Section IV. Definitions of Emerging Investment Managers, page 2.)
- For private equity, private real assets, and private credit, expand the number of funds to include up to fund III in addition to funds II and I. For private real estate, there is no fund-offering limits. (See Section IV. Definitions of Emerging Investment Managers, page 2.)
- Staff and Verus recommends increasing the size or allocation of the Emerging Investment Manager program to "up to 10%" over the next 10 years from the current "up to 5%" of the Total Fund. Currently, approximately 5.4% of the Total Fund is considered to be in the EIM program (see Attachment #3). This includes traditional managers and private market funds since the program started in 2007 that have less than \$5 billion in NAV plus unfunded

commitments and/or less than \$3 billion for private real estates. (See Section V. Emerging Investment Manager Program, B. Size, page 3.)

- Staff and Verus recommend incorporating an additional risk metric by limiting the committed amount to no more than 25% of a manager's total assets under management for traditional assets and no more than 15% of the private markets commingled fund's total commitments. (See Section VII, Standards for Emerging Investment Managers, page 4.)
- Staff and Verus recommended adding language regarding 'graduation' of private markets by defining appropriate thresholds. An initial private market EIM will graduate as the fund is liquidated. (See Section XII Emerging Investment Manager Graduation, C. Private Markets, page 9.)
- The Section E., named "Fiduciary Counsel," has been removed. It is no longer relevant per consultation with ACERA's Legal Department.

Conclusion

There is no change in the strategic goals and objectives of the EIM program. Institutional emerging investment managers exist in all asset classes of investments. Accordingly, Staff and Verus would like to update the EIM Policy and incorporate all asset classes. Investment managers selected for the EIM program will continue to be subject to all relevant ACERA investment policies, including but not limited to, the General Investment Guidelines Policies and Procedures.

Attachment

1. ACERA's Proposed Amended Emerging Investment Manager Program Policy (redline).
2. ACERA's Proposed Amended Emerging Investment Manager Program Policy (blackline).
3. List of investment funds and associated values in the EIM program.

**Alameda County Employees'
Retirement Association**

ACERA

EMERGING INVESTMENT MANAGER POLICY

Amended

~~September 11, 2019~~

October 12, 2022

ACERA EMERGING INVESTMENT MANAGER POLICY

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I. SCOPE

This Emerging Investment Manager Policy (“EIM Policy”) governs the Emerging Investment Manager Program (“EIM Program”) of Alameda County Employees’ Retirement Association (“ACERA”) and shall apply to any and all asset classes of ACERA’s Pension Fund (“Fund”) ~~other than private credit and absolute return~~. The EIM Policy is subject to all provisions of applicable law and the applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this EIM Policy at any time.

II. PURPOSE

The purpose of this EIM Policy is to establish a framework for the ongoing development and administration of ACERA’s EIM Program, consistent with the Board’s fiduciary responsibilities in investment of the Fund.

III. LEGAL AUTHORITY

This EIM Policy is established in accordance with Article XVI, Section 17 of the California Constitution and California Government Code sections 31594 and 31595, which establish the exclusive authority and fiduciary responsibility of the Board for the investment and administration of the Fund.

IV. DEFINITION OF EMERGING INVESTMENT MANAGERS

For the purpose of this EIM Policy, ACERA defines emerging investment managers (“EIMs”) in traditional asset classes (public equities, public fixed income) as investment managers who have total assets under management (“AUM”) of less than \$5.0 billion, and, in addition, may have more limited time in business and/or a more limited track record in the specific products under consideration than would ordinarily be required in ACERA’s standard institutional investment manager search process. Absolute return EIM funds, which are a marketable alternative asset class, are defined as investment managers that have total AUM of less than \$5 billion. Private markets EIM funds (private equity, private credit, and private real assets) are defined as first-, ~~or~~ second-, or third- time institutional funds raised by the GP firm and with less than \$5 billion in firm committed capital¹ AUM, including co-investments. ~~For real estate, EIM funds are defined as first-, or, second-time institutional funds or those with less than \$5.0 billion in firm AUM.~~

The committed capital threshold will be applied to prior private equity, private credit and private real assets funds –including co-investments, and will not include the current recommended fund under consideration by ACERA.

For private real estate, EIMs are defined as firms that have invested less than \$3 billion of capital received from investors. This includes all active vehicles, historical vehicles

¹ Committed capital means the- total dollar amount committed by all LPs to a particular fund.

[& co-investments.](#)

While total assets and length of track record are often more limited in the EIM universe, eligible EIM managers for the ACERA portfolio must have established institutional experience as demonstrated through the prior experience of the firm's key investment professionals and/or track record from a prior organization.

V. EMERGING INVESTMENT MANAGER PROGRAM

ACERA's EIM Program is an investment program, developed and managed in accordance with this EIM Policy. The EIM Program is designed to identify investment firms with the potential to add value to ACERA's portfolio [and](#) that may not be identified in ACERA's standard institutional investment manager search process. Based on market studies, ACERA believes that some ~~smaller~~ investment firms may be able to generate superior performance due to increased market flexibility associated with smaller asset bases.

A. Investment Vehicles

ACERA can utilize Individual Mandates (~~directly hired~~ [directly hired](#) EIMs) and/or Manager-of-Managers ("MOMs"), ~~and~~ [otherwise known as Fund-of-Funds \("FOFs"\) in absolute return and private markets](#) mandates for the EIM Program. ~~Both~~ investment vehicle types will [be](#) considered based on ~~the~~ suitability [for the of the](#) specific characteristics of ACERA's portfolio needs [for both public and private markets mandates. MOMs/FOFs can be utilized to gain exposure to EIMs subject to diligence justifying their potential net-of-fee performance on par with direct, competitive alternatives and consideration of cost.](#)

B. Size

During the initial stage of the EIM Program implementation at ACERA, 1.0% of the Total Fund was allocated to the EIM Program. ~~The~~ [is](#) total allocation percentage ~~will be~~ [is](#) measured on an annual basis by total EIM exposure and by asset class. 1.0% will be a minimum goal for Total Fund allocation with the intent that EIM allocation will grow incrementally over time. The targeted goal for future investments, which will be revisited periodically, is up to ~~105~~ [10](#)% of Total Fund allocation to be achieved within 10 years. [As of June 30, 2022, the EIM exposure across the asset classes in which ACERA invests was 5.43% \(on a NAV plus unfunded commitments basis for private markets and real estate exposures and market value basis for all public markets and Absolute Return assets\).](#) Allocation to EIM managers is a function of the identification of compelling opportunities across asset classes. The Board will [periodically](#) review the EIM Program size and will consider recommendations from the Investment Committee with input from ACERA Staff ("Staff") and ACERA's investment consultants ("Consultants") in conjunction with ongoing manager due diligence.

C. Asset Class Coverage

~~The following~~ All asset classes for which the ACERA Board has established an asset allocation policy target may be included in ACERA's EIM Program in conjunction with ongoing due diligence: ~~public markets equities, public markets fixed income, absolute return, private equity, private credit, private real assets, and private real estate as defined in Section IV.~~ EIM managers and their respective asset class allocations will be determined on a case-by-case basis and are not pre-determined by the Board, but rather will be a function of highly competitive offerings in the market that coincide with ACERA's search needs.

VI. STRATEGIC OBJECTIVE AND GOALS OF THE EMERGING INVESTMENT MANAGER PROGRAM

The strategic objective of the EIM Program is to add incremental value to the Total Fund through the hiring of the most talented EIMs to manage a portion of ACERA's total assets, using the acceptable investment vehicles of directly hired/MOMs/FOFs.

The primary goals of the EIM Program are to 1) identify and gain early access to the most talented investment managers in their early business stages; 2) generate superior Fund performance through the EIM Program; 3) identify superior EIMs and/or investment opportunities that are equal to or superior to comparable available non-EIM investments; and 4) further diversify the Fund's overall investment program, to enhance the risk-adjusted returns of the Fund. As part of the program, ACERA seeks to identify competitive EIM managers in California and Alameda County for inclusion in the portfolio,

ACERA may consider an EIM investment when the assigned Consultants and staff, after due diligence and investigation, have determined that:

- 1) The risk and return characteristics of the EIM investment are no less favorable than comparable non-EIM opportunities available;
- 2) The EIM investment is in compliance with this EIM Policy; and
- 3) Administrative time (associated with typically smaller size allocations) has been considered with EIM opportunity sizing aligned with ACERA resource constraints.

VII. STANDARDS FOR EMERGING INVESTMENT MANAGERS

All investment managers selected through the EIM Program shall comply with and be subject to any and all performance-related and other standards, requirements, and expectations set forth in ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies, ~~other than requirements regarding minimum size and length of track record criteria for inclusion in many of ACERA's standard institutional investment managers search processes.~~ In regards to EIM managers, specific consideration may be given to the following criteria: firm formation date, firm ownership structure, firm assets under management, strategy assets under management, proposed allocation as a percentage of firm and strategy concentration,

team's investment experience together, prior verifiable track record, length of track record, management of similar client accounts, etc. It is ACERA's intent that an individual manager's EIM portfolio allocation comprises no more than 25% of ~~a~~ the manager's total assets under management ~~AUM for traditional assets and no more than 15% of the manager's total fund commitments for private markets (including private real estate).~~ Any exception to this guideline will be made on a case-by-case basis, if warranted.

All investment managers selected through the EIM Program shall also comply with and be subject to any and all other ACERA Board policies, procedures and guidelines that pertain to investment managers, including without limitation, obligations regarding disclosure by investment managers of actual or potential conflicts of interest, as well as any and all other obligations imposed on ACERA's investment managers by State and Federal law.

VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's EIM Program. The duties and responsibilities of the Board, Investment Committee, Staff, Consultants, ~~ACERA's fiduciary counsel ("Fiduciary Counsel")~~ and ~~directly hired~~ directly hired EIMs/MOMs/FOFs in relation to the EIM Program are stated below:

A. Board

The Board shall be responsible for approving the EIM Policy that governs the EIM Program and approving the implementation of the EIM Program at ACERA. The Board, with input from the Investment Committee, shall review this EIM Policy annually or as needed to determine whether modifications are necessary. The Board shall also be responsible for retention and termination of ~~directly hired~~ directly hired EIMs and/or MOMs/FOFs.

B. Investment Committee

The Investment Committee shall monitor the compliance of ACERA's EIM Program with this EIM Policy. It shall evaluate proposals for EIM Policy modifications, as needed, and make recommendations for consideration by the Board. The Investment Committee shall review the EIM Policy annually or as needed and make recommendations to the Board with respect to retention and termination of ~~directly hired~~ directly hired EIMs and/or MOMs/FOFs.

C. Staff

Staff shall be responsible for oversight of the EIM Program. Staff's responsibilities shall include, but not be limited to the following:

1. Developing and maintaining specific procedures, subject to the Board's approval, to comply with the approved EIM Policy;

2. Developing and recommending changes to the EIM Policy;
3. Implementing the EIM Policy and managing the EIM Program;
4. Initiating searches for directly-hired EIMs and/or MOMs/FOFs and/or reviewing EIM candidates within other ACERA searches;
5. Monitoring ~~directly-hired~~directly hired EIMs' and/or MOMs'/FOFs' compliance with a) the investment guidelines as set forth in their respective contracts; b) the EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies;
6. Conducting comprehensive reviews of the EIM Program and/or the directly-hired EIMs and/or MOMs/FOFs;
7. Reporting to the Investment Committee any violations of the EIM Policy with explanations and recommendations;
8. Assisting ACERA's legal department in contract negotiations with ~~directly-hired~~directly hired EIMs and/or MOMs/FOFs.
9. Evaluating EIM opportunities with Consultants' input and making recommendations to the Investment Committee; and
10. Evaluating and making recommendations for retention or termination of directly-hired EIMs and/or MOMs/FOFs.

D. Consultants

1. Investment Consultants (General and Specialty Asset Class Consultants)

General and Specialty Asset Class Investment Consultants hired by the Board are fiduciaries to ACERA and its Board. These Investment Consultants shall independently and continuously monitor and analyze the effectiveness of ACERA's EIM Program and make related recommendations to serve the best interests of the plan participants. Investment Consultants shall also assist Staff in crafting the EIM Policy and implementing the EIM Program. In addition, Investment Consultants shall be responsible for:

- a. Ongoing monitoring of the performance of ACERA's ~~directly-hired~~directly hired EIMs and/or MOMs/FOFs;
- b. Monitoring ~~directly-hired~~directly hired EIMs' and/or MOMs'/FOFs' compliance with a) their respective investment guidelines as set forth in their contract; b) this EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies;
- c. Assisting Staff in ~~directly-hired~~directly hired EIM and/or MOM/FOF searches, including the due diligence of EIM candidates within other ACERA manager searches where appropriate, and contract negotiations;
- d. Submitting performance evaluation reports and conducting comprehensive reviews of the ~~directly-hired~~directly hired EIMs and/or MOMs/FOFs quarterly to the Investment Committee in conjunction with the regular quarterly performance report and review;
- e. Making recommendations for retention or termination of ~~directly-hired~~directly hired EIMs and/or MOMs/FOFs;

- f. Attending meetings as needed; and
- g. Performing other duties in accordance with the terms of its contract and applicable State and Federal law.

2. Specialty Investment Consultant

Should the Board, with input from the Investment Committee, decide to hire a Specialty Investment Consultant specializing in EIM programs, this specialty Consultant will be subject to the same expectations and bear the same responsibilities as stated in Section VIII (D) (1) above.

~~E. Fiduciary Counsel~~

~~Fiduciary Counsel hired by the Board through ACERA's Chief Counsel in accordance with ACERA's Fiduciary Counsel Retention Policy is a fiduciary to ACERA and its Board. Fiduciary Counsel shall provide legal, but not investment, advice to the Board, Investment Committee and Staff regarding all aspects of ACERA's EIM Policy, as requested. Fiduciary Counsel shall also provide legal, but not investment, advice on ACERA's EIM Program upon request.~~

~~F.E.~~ Emerging Investment Managers

EIMs are fiduciaries to ACERA and shall prudently manage ACERA's assets in the best interest of ACERA and its members. EIMs shall abide by all of ACERA's policies and procedures and comply fully with applicable law. EIMs shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies. EIMs shall be responsible for all aspects of portfolio management as set forth in their respective contracts with ACERA. EIMs shall also:

1. Communicate with Staff and/or MOMs/FOFs as needed regarding investment strategy and investment results;
2. Cooperate fully with Staff, Consultants, ACERA's custodian, and/or MOMs/FOFs concerning requests for information;
3. Submit reports to MOMs/FOFs, Staff, and Consultants in accordance with their contract terms; and
4. Attend meetings as needed.

~~G.F.~~ Manager-of-Managers/Fund-of-Funds

MOMs/FOFs are fiduciaries to ACERA and shall prudently manage ACERA's assets in the best interest of ACERA and its members. MOMs/FOFs shall abide by all of ACERA's policies and procedures, and fully comply with applicable law. MOMs/FOFs are responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies. It is expected that MOMs/FOFs shall also:

1. Maintain a comprehensive and current database of emerging investment managers and continuously conduct due diligence evaluation of prospective EIMs;
2. Construct a diversified portfolio of EIMs based on the objectives and benchmarks established by the MOM/FOF;
3. Retain or terminate EIMs based on the evaluation criteria established by the MOM/FOF;
4. Graduate EIMs based on the criteria established by Section XII (B) of this EIM Policy.
5. Monitor and report on the performance of each underlying EIM manager in the MOM/FOF portfolio and the MOM/FOF itself in accordance with the terms of its contract with ACERA; and
6. Attend meetings as needed.

These expectations are subject to the underlying strategy of the MOM/FOF and may not always be applicable. Any exceptions to these criteria will be fully vetted for appropriateness by Consultant and Staff.

IX. PERFORMANCE EVALUATION CRITERIA

The specific performance evaluation criteria for ~~directly hired~~directly hired EIMs, and/or MOMs/FOFs will be established in the investment agreements between ACERA and individual ~~directly hired~~directly hired EIMs and/or MOMs/FOFs.

The Board, Investment Committee, Staff, and Consultants will evaluate MOMs/FOFs based on the performance of the total MOM/FOF itself and not based on the performance of each underlying EIM manager in the MOM/FOF portfolio.

X. MONITORING AND REPORTING

Consultants and Staff will closely monitor and analyze the EIM Program to ensure compliance with the EIM Program's strategic objective and goals. In addition to compliance monitoring, ACERA's EIM managers will be asked to complete an annual questionnaire focused on ownership structure, firm and strategy AUM, and LP concentration. Consultants and Staff will measure EIM exposure in total and by asset class annually and provide a report to ACERA's Investment Committee.

~~Directly hired~~Directly hired EIMs and/or, MOMs/FOFs are required to submit all reports to Staff in accordance with their respective contracts and applicable requirements set forth in the Schedule V of ACERA General Investment Guidelines, Policies and Procedures and other applicable asset class policies.

Consultants are required to submit all reports to Staff in accordance with their contract terms.

Staff, in conjunction with Consultants will perform comprehensive evaluations of ACERA's EIM Program, the ~~directly hired~~directly hired EIMs and/or MOMs/FOFs annually, or as needed, and will report the findings to the Investment Committee.

XI. QUALIFICATIONS OF EMERGING INVESTMENT MANAGERS AND MANAGER-OF-MANAGERS

ACERA seeks to retain the most talented EIMs to manage ACERA's assets. The specific qualifications of ~~directly hired~~directly hired EIMs and/or, MOMs/FOFs, consistent with the Strategic Objective and Goals of the EIM Program, will be determined by the Board at the time of the search for ~~directly hired~~directly hired EIMs and/or MOMs/FOFs with input and recommendations from Staff and Consultants. In addition, EIMs, as defined by ACERA's EIM Policy, may be included in ongoing ACERA searches subject to the criteria for said searches.

Staff and Consultants will conduct a comprehensive due diligence review process for each ~~directly hired~~directly hired EIM and/or MOM/FOF. The specific search criteria and due diligence procedures for ~~directly hired~~directly hired EIMs and MOMs/FOF will be established by the Board, consistent with the Strategic Objective and Goals of the EIM Program and each applicable asset class, at the time of the search with input and recommendations from Staff and Consultants.

XII. EMERGING INVESTMENT MANAGER GRADUATION

A. ~~Directly Hired~~ Directly Hired EIM Mandates (traditional assets and Absolute Return)

If a ~~directly hired~~ directly hired, traditional-assets EIM's firm-wide total assets under management have exceeded \$10.0 billion dollars, and, in addition, the ~~directly hired~~ directly hired EIM has been in business and/or has a track record in the specific product under consideration for more than five years, a comprehensive evaluation of the EIM shall be conducted by Staff and Consultants. Based on the evaluation, Staff and Consultants shall determine if the ~~directly hired~~ directly hired EIM should or should not be graduated from the EIM Program in accordance with ACERA's EIM Policy. The Investment Committee, with recommendations from Staff and Consultants, may recommend to the Board to graduate the EIM into a larger mandate -in conjunction with ACERA's search needs, terminate the ~~directly hired~~ directly hired EIM, or continue to retain the ~~directly hired~~ directly hired EIM in ACERA's EIM Program. Absolute Return assets will be evaluated similar to directly hired traditional-asset mandates mentioned above.

B. Manager-of-Managers (MOMs)/Fund-of-Funds Mandates (traditional assets and Absolute Return)

MOMs/FOFs shall determine whether or not an underlying EIM should be graduated in accordance with the MOMs/FOFs own graduation policy and ACERA's EIM Policy. A report on any underlying EIM graduation shall be provided to Staff and Consultants within three months after such graduation has occurred. If Staff and the Consultant decide to retain a graduated EIM based upon the recommendation of the MOM/FOF, the MOM/FOF will embark on a search to find a new EIM. This is subject to the underlying strategy of the MOM/FOF and may not always be applicable. If not applicable, reasons for exceptions will be provided to Staff and Consultant as part of the EIM monitoring process.

C. Private Markets

Private Equity, Private Credit, Private Real Assets, Private Real Estate will be considered to have graduated and/or not eligible if the most recent fund to which ACERA made a commitment is the fourth time institutional fund raised by the GP firm and aggregate firm AUM (defined as committed capital), including co-investments is:

- More than \$5 billion for Private Equity, Private Credit, Private Real Assets funds; and
- More than \$3 billion for Private Real Estate funds

Existing EIM funds of private markets will naturally roll off the current list of EIM managers as the specific fund fully liquidates.

XIII. EFFECTIVE DATE

This Policy became effective upon its initial adoption by the Board on March 15, 2007. Any amended Policy shall become effective upon its adoption by the Board.

XIV. TABLE OF AMENDMENT DATES

March 15, 2007
November 19, 2009
December 16, 2010
January 17, 2013
September 11, 2019
[October 20, 2022](#)

**Alameda County Employees'
Retirement Association**

ACERA

EMERGING INVESTMENT MANAGER POLICY

Amended

October 12, 2022

ACERA EMERGING INVESTMENT MANAGER POLICY

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I. SCOPE

This Emerging Investment Manager Policy (“EIM Policy”) governs the Emerging Investment Manager Program (“EIM Program”) of Alameda County Employees’ Retirement Association (“ACERA”) and shall apply to any and all asset classes of ACERA’s Pension Fund (“Fund”). The EIM Policy is subject to all provisions of applicable law and the applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this EIM Policy at any time.

II. PURPOSE

The purpose of this EIM Policy is to establish a framework for the ongoing development and administration of ACERA’s EIM Program, consistent with the Board’s fiduciary responsibilities in investment of the Fund.

III. LEGAL AUTHORITY

This EIM Policy is established in accordance with Article XVI, Section 17 of the California Constitution and California Government Code sections 31594 and 31595, which establish the exclusive authority and fiduciary responsibility of the Board for the investment and administration of the Fund.

IV. DEFINITION OF EMERGING INVESTMENT MANAGERS

For the purpose of this EIM Policy, ACERA defines emerging investment managers (“EIMs”) in traditional asset classes (public equities, public fixed income) as investment managers who have total assets under management (“AUM”) of less than \$5.0 billion, and, in addition, may have more limited time in business and/or a more limited track record in the specific products under consideration than would ordinarily be required in ACERA’s standard institutional investment manager search process. Absolute return EIM funds, which are a marketable alternative asset class, are defined as investment managers that have total AUM of less than \$5 billion. Private markets EIM funds (private equity, private credit, and private real assets) are defined as first-, second-, or third time institutional funds raised by the GP firm and with less than \$5 billion in firm committed capital¹, including co-investments.

The committed capital threshold will be applied to prior private equity, private credit and private real assets funds –including co-investments, and will not include the current recommended fund under consideration by ACERA.

For private real estate, EIMs are defined as firms that have invested less than \$3 billion of capital received from investors. This includes all active vehicles, historical vehicles & co-investments.

While total assets and length of track record are often more limited in the EIM universe,

¹ Committed capital means the total dollar amount committed by all LPs to a particular fund.

eligible EIM managers for the ACERA portfolio must have established institutional experience as demonstrated through the prior experience of the firm's key investment professionals and/or track record from a prior organization.

V. EMERGING INVESTMENT MANAGER PROGRAM

ACERA's EIM Program is an investment program, developed and managed in accordance with this EIM Policy. The EIM Program is designed to identify investment firms with the potential to add value to ACERA's portfolio and that may not be identified in ACERA's standard institutional investment manager search process. Based on market studies, ACERA believes that some smaller investment firms may be able to generate superior performance due to increased market flexibility associated with smaller asset bases.

A. Investment Vehicles

ACERA can utilize Individual Mandates (directly hired EIMs) and/or Manager-of-Managers ("MOMs"), and Fund-of-Funds ("FOFs") in absolute return and private markets mandates for the EIM Program. Investment vehicle types will be considered based on suitability for the specific characteristics of ACERA's portfolio needs for both public and private markets mandates. MOMs/FOFs can be utilized to gain exposure to EIMs subject to diligence justifying their potential net-of-fee performance on par with direct, competitive alternatives and consideration of cost.

B. Size

During the initial stage of the EIM Program implementation at ACERA, 1.0% of the Total Fund was allocated to the EIM Program. The total allocation percentage is measured on an annual basis by total EIM exposure and by asset class. 1.0% will be a minimum goal for Total Fund allocation with the intent that EIM allocation will grow incrementally over time. The targeted goal for future investments, which will be revisited periodically, is up to 10% of Total Fund allocation to be achieved within 10 years. As of June 30, 2022, the EIM exposure across the asset classes in which ACERA invests was 5.4% (on a NAV plus unfunded commitments basis for private markets and real estate exposures and market value basis for all public markets and Absolute Return assets). Allocation to EIM managers is a function of the identification of compelling opportunities across asset classes. The Board will periodically review the EIM Program size and will consider recommendations from the Investment Committee with input from ACERA Staff ("Staff") and ACERA's investment consultants ("Consultants") in conjunction with ongoing manager due diligence.

C. Asset Class Coverage

All asset classes for which the ACERA Board has established an asset allocation policy target may be included in ACERA's EIM Program in conjunction with ongoing due diligence. EIM managers and their respective asset class allocations

will be determined on a case-by-case basis and are not pre-determined by the Board, but rather will be a function of highly competitive offerings in the market that coincide with ACERA's search needs.

VI. STRATEGIC OBJECTIVE AND GOALS OF THE EMERGING INVESTMENT MANAGER PROGRAM

The strategic objective of the EIM Program is to add incremental value to the Total Fund through the hiring of the most talented EIMs to manage a portion of ACERA's total assets, using the acceptable investment vehicles of directly hired/MOMs/FOFs. The primary goals of the EIM Program are to 1) identify and gain early access to the most talented investment managers in their early business stages; 2) generate superior Fund performance through the EIM Program; 3) identify superior EIMs and/or investment opportunities that are equal to or superior to comparable available non-EIM investments; and 4) further diversify the Fund's overall investment program, to enhance the risk-adjusted returns of the Fund. As part of the program, ACERA seeks to identify competitive EIM managers in California and Alameda County for inclusion in the portfolio,

ACERA may consider an EIM investment when the assigned Consultants and staff, after due diligence and investigation, have determined that:

- 1) The risk and return characteristics of the EIM investment are no less favorable than comparable non-EIM opportunities available;
- 2) The EIM investment is in compliance with this EIM Policy; and
- 3) Administrative time (associated with typically smaller size allocations) has been considered with EIM opportunity sizing aligned with ACERA resource constraints.

VII. STANDARDS FOR EMERGING INVESTMENT MANAGERS

All investment managers selected through the EIM Program shall comply with and be subject to any and all performance-related and other standards, requirements, and expectations set forth in ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies. In regards to EIM managers, specific consideration may be given to the following criteria: firm formation date, firm ownership structure, firm assets under management, strategy assets under management, proposed allocation as a percentage of firm and strategy concentration, team's investment experience together, prior verifiable track record, length of track record, management of similar client accounts, etc. It is ACERA's intent that an individual manager's EIM portfolio allocation comprises no more than 25% of the manager's total AUM for traditional assets and no more than 15% of the manager's total fund commitments for private markets (including private real estate). Any exception to this guideline will be made on a case-by-case basis, if warranted.

All investment managers selected through the EIM Program shall also comply with and be subject to any and all other ACERA Board policies, procedures and guidelines that pertain to investment managers, including without limitation, obligations regarding

disclosure by investment managers of actual or potential conflicts of interest, as well as any and all other obligations imposed on ACERA's investment managers by State and Federal law.

VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's EIM Program. The duties and responsibilities of the Board, Investment Committee, Staff, Consultants, and directly hired EIMs/MOMs/FOFs in relation to the EIM Program are stated below:

A. Board

The Board shall be responsible for approving the EIM Policy that governs the EIM Program and approving the implementation of the EIM Program at ACERA. The Board, with input from the Investment Committee, shall review this EIM Policy annually or as needed to determine whether modifications are necessary. The Board shall also be responsible for retention and termination of directly hired EIMs and/or MOMs/FOFs.

B. Investment Committee

The Investment Committee shall monitor the compliance of ACERA's EIM Program with this EIM Policy. It shall evaluate proposals for EIM Policy modifications, as needed, and make recommendations for consideration by the Board. The Investment Committee shall review the EIM Policy annually or as needed and make recommendations to the Board with respect to retention and termination of directly hired EIMs and/or MOMs/FOFs.

C. Staff

Staff shall be responsible for oversight of the EIM Program. Staff's responsibilities shall include, but not be limited to the following:

1. Developing and maintaining specific procedures, subject to the Board's approval, to comply with the approved EIM Policy;
2. Developing and recommending changes to the EIM Policy;
3. Implementing the EIM Policy and managing the EIM Program;
4. Initiating searches for directly-hired EIMs and/or MOMs/FOFs and/or reviewing EIM candidates within other ACERA searches;
5. Monitoring directly hired EIMs' and/or MOMs'/FOFs' compliance with a) the investment guidelines as set forth in their respective contracts; b) the EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies;
6. Conducting comprehensive reviews of the EIM Program and/or the directly-hired EIMs and/or MOMs/FOFs;
7. Reporting to the Investment Committee any violations of the EIM Policy

- with explanations and recommendations;
8. Assisting ACERA's legal department in contract negotiations with directly hired EIMs and/or MOMs/FOFs.
 9. Evaluating EIM opportunities with Consultants' input and making recommendations to the Investment Committee; and
 10. Evaluating and making recommendations for retention or termination of directly- hired EIMs and/or MOMs/FOFs.

D. Consultants

1. Investment Consultants (General and Specialty Asset Class Consultants)

General and Specialty Asset Class Investment Consultants hired by the Board are fiduciaries to ACERA and its Board. These Investment Consultants shall independently and continuously monitor and analyze the effectiveness of ACERA's EIM Program and make related recommendations to serve the best interests of the plan participants. Investment Consultants shall also assist Staff in crafting the EIM Policy and implementing the EIM Program. In addition, Investment Consultants shall be responsible for:

- a. Ongoing monitoring of the performance of ACERA's directly hired EIMs and/or MOMs/FOFs;
- b. Monitoring directly hired EIMs' and/or MOMs'/FOFs' compliance with a) their respective investment guidelines as set forth in their contract; b) this EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies;
- c. Assisting Staff in directly hired EIM and/or MOM/FOF searches, including the due diligence of EIM candidates within other ACERA manager searches where appropriate, and contract negotiations;
- d. Submitting performance evaluation reports and conducting comprehensive reviews of the directly hired EIMs and/or MOMs/FOFs quarterly to the Investment Committee in conjunction with the regular quarterly performance report and review;
- e. Making recommendations for retention or termination of directly hired EIMs and/or MOMs/FOFs;
- f. Attending meetings as needed; and
- g. Performing other duties in accordance with the terms of its contract and applicable State and Federal law.

2. Specialty Investment Consultant

Should the Board, with input from the Investment Committee, decide to hire a Specialty Investment Consultant specializing in EIM programs, this specialty Consultant will be subject to the same expectations and bear the same responsibilities as stated in Section VIII (D) (1) above.

E. Emerging Investment Managers

EIMs are fiduciaries to ACERA and shall prudently manage ACERA's assets in the best interest of ACERA and its members. EIMs shall abide by all of ACERA's policies and procedures and comply fully with applicable law. EIMs shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies. EIMs shall be responsible for all aspects of portfolio management as set forth in their respective contracts with ACERA. EIMs shall also:

1. Communicate with Staff and/or MOMs/FOFs as needed regarding investment strategy and investment results;
2. Cooperate fully with Staff, Consultants, ACERA's custodian, and/or MOMs/FOFs concerning requests for information;
3. Submit reports to MOMs/FOFs, Staff, and Consultants in accordance with their contract terms; and
4. Attend meetings as needed.

F. Manager-of-Managers/Fund-of-Funds

MOMs/FOFs are fiduciaries to ACERA and shall prudently manage ACERA's assets in the best interest of ACERA and its members. MOMs/FOFs shall abide by all of ACERA's policies and procedures, and fully comply with applicable law. MOMs/FOFs are responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the EIM Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures and other applicable asset class policies. It is expected that MOMs/FOFs shall also:

1. Maintain a comprehensive and current database of emerging investment managers and continuously conduct due diligence evaluation of prospective EIMs;
2. Construct a diversified portfolio of EIMs based on the objectives and benchmarks established by the MOM/FOF;
3. Retain or terminate EIMs based on the evaluation criteria established by the MOM/FOF;
4. Graduate EIMs based on the criteria established by Section XII (B) of this EIM Policy.
5. Monitor and report on the performance of each underlying EIM manager in the MOM/FOF portfolio and the MOM/FOF itself in accordance with the terms of its contract with ACERA; and
6. Attend meetings as needed.

These expectations are subject to the underlying strategy of the MOM/FOF and may not always be applicable. Any exceptions to these criteria will be fully vetted for appropriateness by Consultant and Staff.

IX. PERFORMANCE EVALUATION CRITERIA

The specific performance evaluation criteria for directly hired EIMs, and/or MOMs/FOFs will be established in the investment agreements between ACERA and individual directly hired EIMs and/or MOMs/FOFs.

The Board, Investment Committee, Staff, and Consultants will evaluate MOMs/FOFs based on the performance of the total MOM/FOF itself and not based on the performance of each underlying EIM manager in the MOM/FOF portfolio.

X. MONITORING AND REPORTING

Consultants and Staff will closely monitor and analyze the EIM Program to ensure compliance with the EIM Program's strategic objective and goals. In addition to compliance monitoring, ACERA's EIM managers will be asked to complete an annual questionnaire focused on ownership structure, firm and strategy AUM, and LP concentration. Consultants and Staff will measure EIM exposure in total and by asset class annually and provide a report to ACERA's Investment Committee.

Directly hired EIMs and/or, MOMs/FOFs are required to submit all reports to Staff in accordance with their respective contracts and applicable requirements set forth in the Schedule V of ACERA General Investment Guidelines, Policies and Procedures and other applicable asset class policies.

Consultants are required to submit all reports to Staff in accordance with their contract terms.

Staff, in conjunction with Consultants will perform comprehensive evaluations of ACERA's EIM Program, the directly hired EIMs and/or MOMs/FOFs annually, or as needed, and will report the findings to the Investment Committee.

XI. QUALIFICATIONS OF EMERGING INVESTMENT MANAGERS AND MANAGER-OF-MANAGERS

ACERA seeks to retain the most talented EIMs to manage ACERA's assets. The specific qualifications of directly hired EIMs and/or, MOMs/FOFs, consistent with the Strategic Objective and Goals of the EIM Program, will be determined by the Board at the time of the search for directly hired EIMs and/or MOMs/FOFs with input and recommendations from Staff and Consultants. In addition, EIMs, as defined by ACERA's EIM Policy, may be included in ongoing ACERA searches subject to the criteria for said searches.

Staff and Consultants will conduct a comprehensive due diligence review process for each directly hired EIM and/or MOM/FOF. The specific search criteria and due diligence procedures for directly hired EIMs and MOMs/FOF will be established by the Board, consistent with the Strategic Objective and Goals of the EIM Program and each applicable asset class, at the time of the search with input and recommendations from Staff and Consultants.

XII. EMERGING INVESTMENT MANAGER GRADUATION

A. Directly Hired EIM Mandates (traditional assets and Absolute Return)

If a directly hired, traditional-assets EIM's firm-wide total assets under management have exceeded \$10.0 billion dollars, and, in addition, the directly hired EIM has been in business and/or has a track record in the specific product under consideration for more than five years, a comprehensive evaluation of the EIM shall be conducted by Staff and Consultants. Based on the evaluation, Staff and Consultants shall determine if the directly hired EIM should or should not be graduated from the EIM Program in accordance with ACERA's EIM Policy. The Investment Committee, with recommendations from Staff and Consultants, may recommend to the Board to graduate the EIM into a larger mandate in conjunction with ACERA's search needs, terminate the directly hired EIM, or continue to retain the directly hired EIM in ACERA's EIM Program. Absolute Return assets will be evaluated similar to directly hired traditional-asset mandates mentioned above.

B. Manager-of-Managers (MOMs)/Fund-of-Funds Mandates (traditional assets and Absolute Return)

MOMs/FOFs shall determine whether or not an underlying EIM should be graduated in accordance with the MOMs/FOFs own graduation policy and ACERA's EIM Policy. A report on any underlying EIM graduation shall be provided to Staff and Consultants within three months after such graduation has occurred. If Staff and the Consultant decide to retain a graduated EIM based upon the recommendation of the MOM/FOF, the MOM/FOF will embark on a search to find a new EIM. This is subject to the underlying strategy of the MOM/FOF and may not always be applicable. If not applicable, reasons for exceptions will be provided to Staff and Consultant as part of the EIM monitoring process.

C. Private Markets

Private Equity, Private Credit, Private Real Assets, Private Real Estate will be considered to have graduated and/or not eligible if the most recent fund to which ACERA made a commitment is the fourth time institutional fund raised by the GP firm and aggregate firm AUM (defined as committed capital), including co-investments is:

- More than \$5 billion for Private Equity, Private Credit, Private Real Assets funds; and
- More than \$3 billion for Private Real Estate funds

Existing EIM funds of private markets will naturally roll off the current list of EIM managers as the specific fund fully liquidates.

XIII. EFFECTIVE DATE

This Policy became effective upon its initial adoption by the Board on March 15, 2007. Any amended Policy shall become effective upon its adoption by the Board.

XIV. TABLE OF AMENDMENT DATES

March 15, 2007

November 19, 2009

December 16, 2010
January 17, 2013
September 11, 2019
October 20, 2022

List of investment funds and associated values in the EIM program

All Private Markets EIM (as of 12/31/2021 and 6/30/2022 (Real Estate, only))					
Fund Names	VY / Recommendation Date	NAV (C)	Unfunded Commitments (D)	C + D	%
PRIVATE EQUITY		152,441,566	80,163,176	232,604,742	15.13%
Altas Partners Holdings II, L.P.	recommended on 6/12/2019	26,050,228	9,163,706	35,213,934	
Angeles Equity Partners I, L.P.	VY 2016	12,302,256	19,443,084	31,745,340	
Avista Capital Partners II, L.P.	VY 2010	2,442,798	3,911,128	6,353,926	
Bernhard Capital Partners Fund II, LP	VY 2018	20,472,103	26,944,961	47,417,064	
Centerbridge Special Credit Partners, L.P.	VY 2009	522,056	257,353	779,409	
Insight Equity II, L.P.	VY 2009	6,082,323	537,179	6,619,502	
Insight Equity Mezzanine, L.P.	VY 2009	999,609	274,199	1,273,808	
Khosla Ventures III, L.P.	VY 2009	7,042,996	72,000	7,114,996	
Khosla Ventures Seed, L.P.	VY 2009	4,979,031	0	4,979,031	
Peak Rock Capital Fund II LP	VY 2017	16,928,969	9,874,547	26,803,516	
Sycamore Partners II, L.P.	VY 2014	22,920,746	6,707,352	29,628,098	
Sycamore Partners, L.P. (Combined)	VY 2011	31,181,234	2,977,667	34,158,901	
Third Rock Ventures II, L.P.	VY 2010	517,217	0	517,217	
REAL ASSETS		88,908,571	44,975,458.00	133,884,029	16.81%
ISQ Global Infrastructure Fund II, L.P.	VY 2017	10,823,531	37,827,432	48,650,963	
Sheridan Production Partners II-B, L.P.	VY 2010	0	0	0	
Taurus Mining Finance Fund No.2	recommended on 2/13/2019	24,885,609	5,620,016	30,505,625	
Tiger Infrastructure Partners Fund III, L.P.	recommended on 12/8/2021	30,000,000	0	30,000,000	
Vision Ridge Sustainable Asset Fund III, L.P.	recommended on 3/10/2021	23,199,431	1,528,010	24,727,441	
REAL ESTATE ASSETS		37,657,504	40,623,166	78,280,670	
Artemis Healthcare Fund I		14,918,525	3,663,189	18,581,714	
Artemis Healthcare Fund II		2,901,050	21,884,304	24,785,354	
Artemis Income and Growth Fund		19,837,929	15,075,673	34,913,602	
				444,769,441	19.06%
Prior to October 2019		188,150,706	123,610,624	311,761,330	13.36%
After October 2019		53,199,431	1,528,010	54,727,441	2.35%
			Bivium (Public Equity)	130,770,533	
			Total EIM Exposure	575,539,974	
			July ACERA Total Fund Market Value per Monthly Snapshot from ACERA	10,669,400,470	
			%EIM Exposure	5.4%	



TO: Members of the Investment Committee
FROM: Betty Tse, Chief Investment Officer *Betty Tse*
DATE: October 12, 2022
SUBJECT: Discussion of and Possible Motion to Recommend that the Board Adopt Search Criteria for ACERA's General Investment Consultant (GIC) Search, including Proposed Minimum Qualifications and Evaluation Matrix

Recommendation:

Adopt Search Criteria for ACERA's General Investment Consultant (GIC) Search, including Proposed Minimum Qualifications and Evaluation Matrix

Background/Discussion:

At its meeting on September 14, 2022 the Investment Committee Authorized Staff to Issue a Request For Proposal (RFP) for a General Investment Consultant following the Proposed Search Timeline. Accordingly, Staff, along with Cortex Consulting Inc. (Cortex), independent third party search consultant, have developed RFP Meeting Materials including proposed Minimum Qualifications and Evaluation Matrix for your review.

Cortex's input regarding the named RFP Meeting Materials is based on its long history of consulting many clients, including other like-size 37 ACT pension plans, on investment consultant searches.

Conclusion:

After Staff's review of the RFP Meeting Materials, Staff concurs with the proposed Minimum Qualifications and Evaluation Matrix and recommends the same for your adoption.

Attachment:

1. Cortex Memo to ACERA Investment Committee on GIC Search Criteria



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.

Evaluation Criteria	Weight (%)
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.

Minimum Qualifications
<p>a) Fiduciary: The Firm must agree to act as a fiduciary to ACERA.</p> <p>b) Customized Services: The Firm must be willing to customize services as instructed by ACERA.</p> <p>c) Registered: The Firm must be registered as an investment adviser under the Investment Advisers Act of 1940.</p> <p>d) > 10 Years of GIC Operations: 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) Client Size and Number: 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) Public Fund Experience: The Firm currently has at least three (3) public fund clients, each with total assets of at least \$2 billion.</p> <p>g) Lead Consultant's Experience: 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) Employees: 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) US Location: 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) No Conflict of Interest: 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) Conflicts of Interest Disclosure: 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 https://www.acera.org/board-retirement.</p> <p>l) Adequate Insurance: The Firm must carry the following types of insurance or must have applied for it by contract execution:¹</p> <ul style="list-style-type: none">i) Commercial General Liability (combined single limit of \$1 million per occurrence and \$5 million in aggregate);ii) Auto Liability Insurance (combined single limit of \$1 million);iii) Workers' Compensation (Employer's Liability with \$1 million limit);iv) Professional Liability (includes professional liability, fiduciary indemnity, and errors & omissions with \$5 million minimum); andv) Data Breach (covering privacy liability, regulatory action, breach response expenses) of at least \$1 million. <p>m) Experience, Skills, and Resources: 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>

¹ 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