Alameda County Employees' Retirement Association

BOARD OF RETIREMENT

INVESTMENT COMMITTEE/BOARD MEETING

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

ACERA MISSION:

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

Wednesday, October 14, 2020
9:30 a.m.

ZOOM INSTRUCTIONS	COMMITTEE MEMBERS	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. https://zoom.us/join **Meeting ID: 827 7139 7260** **Password: 739232** For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193	**ELIZABETH ROGERS, CHAIR**	**ELECTED GENERAL**
	TARRELL GAMBLE, VICE CHAIR	**APPOINTED**
	DALE AMARAL	**ELECTED SAFETY**
	OPHELIA BASGAL	**APPOINTED**
	KEITH CARSON	**APPOINTED**
	JAIME GODFREY	**APPOINTED**
	LIZ KOPPENHAVER	**ELECTED RETIRED**
	HENRY LEVY	**TREASURER**
	GEORGE WOOD	**ELECTED GENERAL**
	NANCY REILLY	**ALTERNATE RETIRED[1]**
	DARRYL L. WALKER	**ALTERNATE SAFETY[2]**

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

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

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

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

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

Call to Order: 9:30 a.m.

Public Input (Time Limit: 4 minutes per speaker)

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

1. Discussion with UBS regarding the ongoing labor dispute between the Baltimore Marriott and Unite Here

   9:30 – 10:15
   Mia Y. Dennis, UBS Realty Investors LLC
   Brent Hall, UBS Realty Investors LLC
   Steve Kapiloff, UBS Realty Investors LLC
   Avery Robinson, Callan LLC
   Dave Nelsen, ACERA
   Thomas Taylor, ACERA

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

1. Discussion and Possible Motion to Recommend to the Board to Adopt an up to $30 million Investment in EQT Infrastructure V as part of ACERA's Real Assets Portfolio – Infrastructure[3]

   10:15 – 11:00
   Alex Darden, EQT
   Molly Wilson, EQT
   John Nicolini, Verus Advisory Inc.
   Clint Kuboyama, ACERA

2. Discussion and Possible Motion to Recommend to the Board to Adopt a Change to ACERA's International Equity Manager Structure

   11:00 – 11:30
   Joe Abdou, Verus Advisory Inc.
   Margaret Jadallah, Verus Advisory Inc.
   Thomas Taylor, ACERA

Trustee Remarks

Future Discussion Items

Establishment of Next Meeting Date
November 04, 2020 at 9:30 a.m.

[3] Written materials and investment recommendations from the consultants, fund managers and ACERA Investment Staff relating to this alternative investment are exempt from public disclosure pursuant to CA Gov. Codes § 6254.26 and § 6255.

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-29-20

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

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

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

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

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

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

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

IT IS HEREBY ORDERED THAT:

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

otherwise-applicable Medicaid time limits in emergency situations.

2. Through June 17, 2020, any month or partial month in which California Work Opportunity and Responsibility to Kids (CalWORKs) aid or services are received pursuant to Welfare and Institutions Code Section 11200 et seq. shall not be counted for purposes of the 48-month time limit set forth in Welfare an Institutions Code Section 11454. Any waiver of this time limit shall not be applied if it will exceed the federal time limits set forth in Code of Federal Regulations, Title 45, section 264.1.

3. Paragraph 11 of Executive Order N-25-20 (March 12, 2020) is withdrawn and superseded by the following text:

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

   In particular, any otherwise-applicable requirements that

   (i) state and local bodies notice each teleconference location from which a member will be participating in a public meeting;

   (ii) each teleconference location be accessible to the public;

   (iii) members of the public may address the body at each teleconference conference location;

   (iv) state and local bodies post agendas at all teleconference locations;

   (v) at least one member of the state body be physically present at the location specified in the notice of the meeting; and

   (vi) during teleconference meetings, a least a quorum of the members of the local body participate from locations within the boundaries of the territory over which the local body exercises jurisdiction

   are hereby suspended.

   A local legislative body or state body that holds a meeting via teleconferencing and allows members of the public to observe and address the meeting telephonically or otherwise electronically, consistent with the notice and accessibility requirements set forth below, shall have satisfied any requirement that the body allow members of the public to attend the meeting and offer public comment. Such a body need not make available any physical location from which members of the public may observe the meeting and offer public comment.

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

(i) Implement a procedure for receiving and swiftly resolving requests for reasonable modification or accommodation from individuals with disabilities, consistent with the Americans with Disabilities Act and resolving any doubt whatsoever in favor of accessibility; and

(ii) Advertise that procedure each time notice is given of the means by which members of the public may observe the meeting and offer public comment, pursuant to subparagraph (ii) of the Notice Requirements below.

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

(i) Give advance notice of the time of, and post the agenda for, each public meeting according to the timeframes otherwise prescribed by the Bagley-Keene Act or the Brown Act, and using the means otherwise prescribed by the Bagley-Keene Act or the Brown Act, as applicable; and

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

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

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

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

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

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

GAVIN NEWSOM
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-29-20

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

GAVIN NEWSOM
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

From: Dana Wise <dwise@unitehere.org>
Sent: Monday, October 5, 2020 8:42 AM
To: Levy, Henry - Treasurer <Henry.Levy@acgov.org>
Subject: RE: UBS

Hi Hank,
I hope you had a good weekend. I have a couple of very brief updates for you:
Most importantly, the UBS officials are finally deeply engaged around the problems at the Baltimore Marriott. One of them recently said, "I am hearing from my bosses all the time about this."
Investors from across the coalition are having sidebars with UBS and they appear to be having a good effect. There are more in planning.
FYI, Baltimore hotel workers sent the attached letter to CT Treasurer Wooden last week.
I will check-in with you as we get closer to the October 22 meeting.
Thanks for all your great work!
Dana

Dana Wise
UNITE HERE
Washington, DC
202-431-8831
dwise@unitehere.org

UNITE LOCAL 7 HERE!

September 30, 2020

Dear Treasurer Wooden,

We are writing to update you about the urgent threats facing Baltimore Marriott hotel workers and their communities. We include with this letter a study that our union did and a media report about the dire threats we face in the economic crisis caused by the pandemic. We were inspired by the speech that you delivered in Baltimore and the actions that you have taken to advance racial equity. We also appreciate your advocacy and support for racial justice in Connecticut and beyond. Our struggle to win a contract that protects our jobs is a struggle for racial justice and equity. This pandemic is the great reveal as it has devastated poor communities of color and exposed the depth of systemic racism in our country. UBS's failure to live up to its own Responsible Contractor Policy by denying problems in the hotel and simply accepting Marriott's explanations in this moment is a significant moral failing that must be addressed.

As you know, the pandemic has produced a crisis in jobs that reveals again the profound racial and economic disparities in our society. At the Marriott Waterfront, Black women are the largest group impacted by layoffs.[i] In May, Baltimore leisure and hospitality employment was down 50% from last year, potentially displacing approximately 15,500 workers.

William Murray, who has been a banquet server at the Marriott for 19 years, says, "Good hospitality jobs allow many of my coworkers to be anchors of economic security for their families and communities." All of that is threatened without an agreement to protect our jobs at the Marriott.

Thousands of Baltimore workers risk dire economic uncertainty. Baltimore has invested heavily in developing its tourism and hospitality workforce. Hospitality workers have stepped up to be ambassadors for our city and have worked hard for the success of our economy. Now is the time to stand with them, as our families struggle with COVID-19, unemployment, lack of access to healthcare, and many other devasting consequences of this global crisis.

Commonsense measures are urgently needed to create stability in the hospitality industry and our lives. We want the right to return to our jobs by order of seniority as the hotel restores operations and the right to keep our jobs if our hotel changes owners. This modest measure would provide at least some security that we will not be stuck in a prolonged crisis even after the hotel is fully recovered.

Democratic Councilman Kristerfer Burnett of Southwest Baltimore said, "In the city of Baltimore, we haven't done enough to protect our communities of color and make sure that they have everything that they need to thrive," he said. "As their workplaces reopen, they should absolutely have the right to return to their jobs, instead of being thrown out of work due to no fault of their own."[ii]

We are simply dismayed by the failure of UBS and Marriott to reach an agreement with us to protect our jobs at the Baltimore hotel. As of September 25, 2020, there is no meeting scheduled with Marriott at which we could reach an agreement. Every day that we don't have the protection of a CBA is another day our families live in fear and uncertainty.

On June 1, 2020, Tom Naratil, Co-President Global Wealth Management and President Americas at UBS, sent a message to all UBS employees calling for "a more unified, more compassionate and more just society, in which Black and African Americans no longer live under an inescapable shadow of fear." The message was titled, "Silence is not an option."[iii] Here in Baltimore, UBS can put these words into action just by enforcing its own RCP and cause Marriott to settle its labor dispute at the Baltimore Marriott. Doing so, would ensure that workers in the Baltimore Marriott could lead lives with less fear and less uncertainty. In a moment of such deep crisis, rhetoric advocating for racial justice is simply insufficient when it is not followed by action that makes meaningful differences in the lives of Black people.

We thank you for your leadership on this issue, and we thank you for standing up. Please see the attached reports for more information. Thank you for standing with us.

Sincerely,

Baltimore Marriott Committee

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[i] "Baltimore Hospitality Workers Face a Jobs Crisis and Black Women are the Most Impacted." UNITE HERE Local 7, September 15, 2020, Page 4.

[ii] "Two Baltimore Bills Aim To Put Laid-Off Hospitality Workers Back On The Job As Hotels Reopen" EMILY SULLIVAN, September 18, 2020 WYPR https://www.wypr.org/post/two-baltimore-bills-aim-put-laid-hospitality-workers-back-job-hotels-reopen

[iii] https://www.linkedin.com/pulse/silence-option-tom-naratil/

September 15, 2020

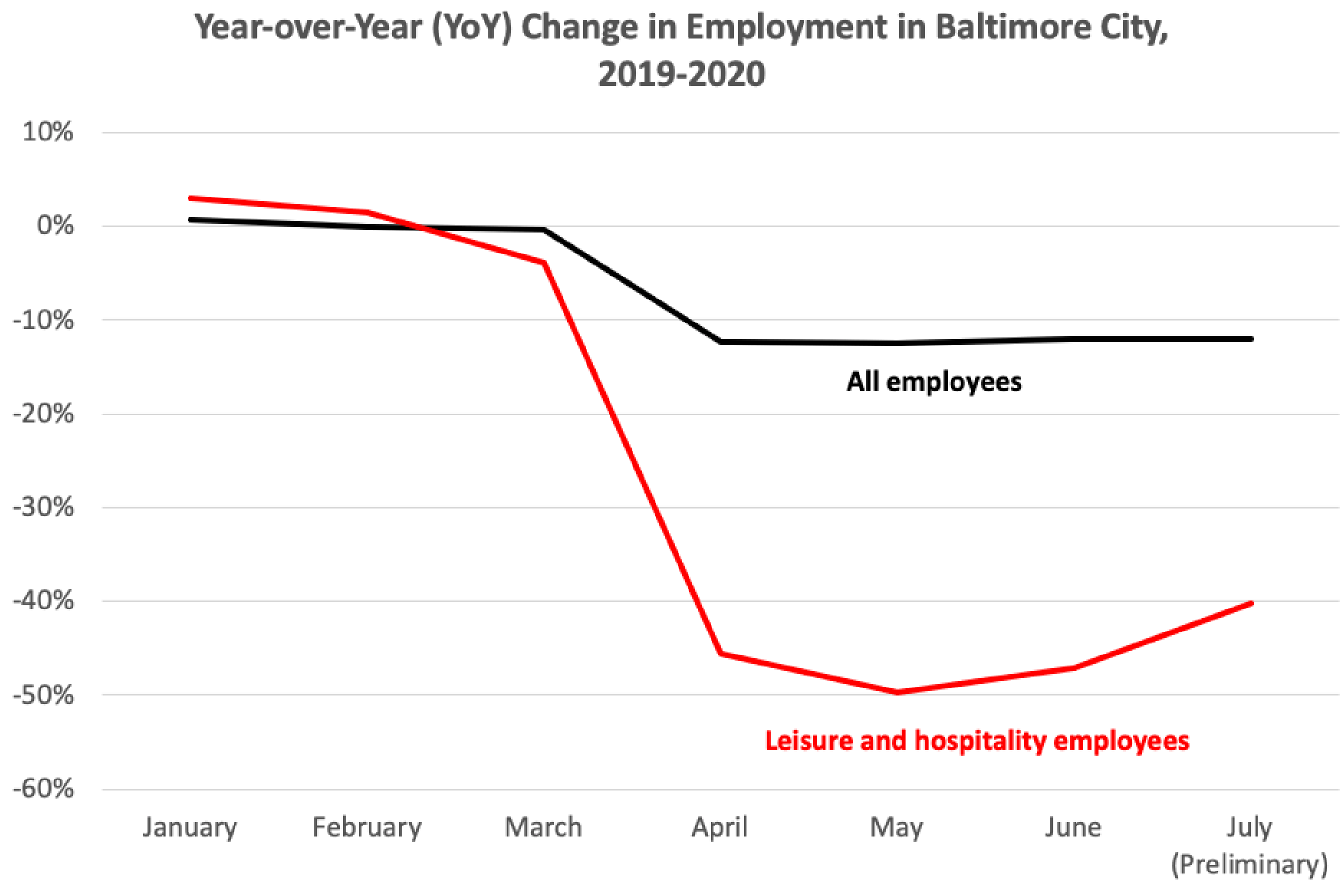
Baltimore Hospitality Workers Face a Jobs Crisis and Black Women are the Most Impacted

Executive Summary

- Hospitality workers in Baltimore City are facing an unprecedented jobs crisis. In May, leisure and hospitality employment was down 50% from last year, potentially displacing approximately 15,500 workers.
- Baltimore hotel, event center and hospitality workers face mass layoffs due to the pandemic. UNITE HERE Local 7 membership records show job losses of approximately 1,583 union-represented employees at the Hilton Baltimore, Hyatt Regency, Marriott Waterfront, Radisson, Crown Plaza, Camden Yards, Baltimore Convention Center, Royal Farms Arena and the Pimlico Race Course.
- Black women are the largest group impacted by layoffs at the Hilton Baltimore, the site of the city's largest hotel mass layoff, and the Marriott Waterfront. The laid off workers at the Hilton Baltimore are 69% Black, 7% Asian, 6% Latinx and 58% women.
- Mayor Jack Young and members of the City Council should move quickly to pass and sign into law Council Bills 20-0544 and 20-0543 which would protect hospitality workers' recall rights as the industry recovers and workplaces reopen. Without this action, thousands of Baltimore workers risk dire economic uncertainty.

Hospitality Workers in Baltimore Are Facing an Unemployment Crisis

In Baltimore City, overall employment has dropped by approximately 12% compared to 2019 levels since the COVID-19 pandemic began. The impact on the city's hospitality industry has been even more extreme. At the worst point of the crisis, employment in the leisure and hospitality industry was down by 50%, from approximately 31,200 employees in May 2019 to 15,700 in May 2020. Since then, recovery has been slow. Leisure and hospitality employment rose to approximately 16,300 in June (down 47% from June 2019) and preliminary data shows a rise to 18,400 in July (down 40% from July 2019).



Source: US Bureau of Labor Statistics

Widespread Job Loss in Hotels, Event Centers, and Hospitality Workplaces

Since the start of the pandemic in March, hotel, event center and hospitality workers in Baltimore City have faced mass layoffs.[1] UNITE HERE Local 7 membership records show job losses of approximately 1,583 union-represented employees at Baltimore City hotels, Camden Yards, the Baltimore Convention Center, Royal Farms Arena and the Pimlico Race Course. Job losses include approximately 332 workers at the Hilton Baltimore, 150 at the Hyatt Regency, 118 at the Marriott Waterfront, and 53 at the Radisson and Crown Plaza hotels. At Camden Yards, approximately 800 concessions workers employed by contractor Delaware North would normally be working during this baseball season. Approximately 130 concessions workers at the Baltimore Convention Center, Royal Farms Arena, and Pimlico Race Course are also out of work.

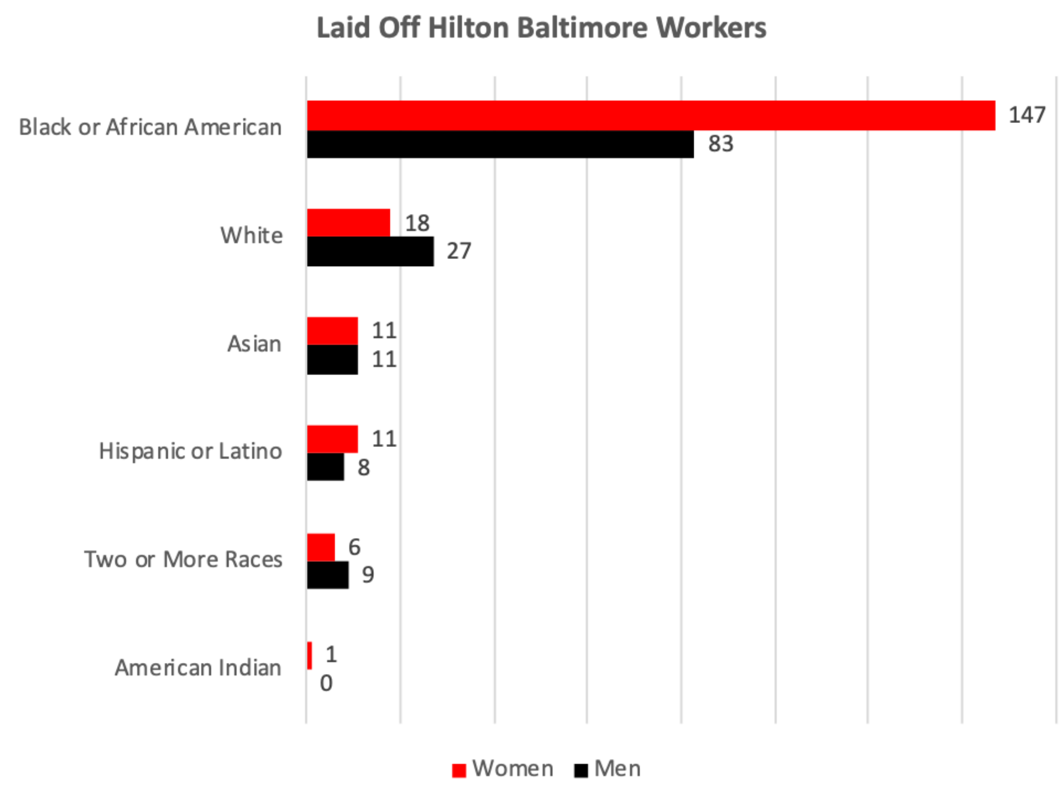
Job Loss Among Union Represented Employees at Baltimore City Hospitality Workplaces

Hospitality Workplace	Working Pre-Pandemic	Working Currently
Camden Yards Concessions	800	0, -100%
Hilton Baltimore	332	0, -100%
Hyatt Regency Baltimore	170	20, -88%
Marriott Waterfront	118	0, -100%
Radisson and Crown Plaza Hotels	65	12, -82%
Baltimore Convention Center Concessions	50	5, -90%
Royal Farms Arena Concessions	50	0, -100%
Pimlico Race Course Concessions	35	0, -100%
Total	**1,620**	**37, -98%**

Source: UNITE HERE Local 7 records, as of September 15, 2020

Black Women are the Most Impacted

The Hilton Baltimore, which currently remains closed, is the site of the largest hotel mass layoff in the city. 332 nonmanagerial employees represented by UNITE HERE Local 7 and IUOE Local 37 are currently out of work. Black women are the most impacted group, representing 44% of the laid off nonmanagerial workers. Overall, the laid off workers are 69% Black, 7% Asian, 6% Latinx and 58% women.



Source: UNITE HERE Local 7

At the Marriott Waterfront Hotel, which is partially reopened, UNITE HERE Local 7 represents 118 food and beverage employees who are currently laid off. Among this group, the union estimates that approximately 48% are Black, 20% are Latinx, 14% are Asian and 52% are women. Black women are the most impacted group.

Laid Off Workers Face Dire Economic Uncertainty

STACEY WHYE,
Housekeeper,
Hilton Baltimore,
11 years

"We should have the right to be recalled to our jobs when the hotel reopens. It is not our fault that we lost our jobs. We should not have to worry about whether we will be called back or not when we are already worried about our bills, our health, and our families. To fire us while we are going through the traumatic experience of the pandemic would be cruel.

"When I began working at the hotel in 2009, my two kids were still young. The job allowed me to pay my bills and raise my kids. Now, they are grown and living on their own, and I have a nine-year-old granddaughter. My job let me help them and my granddaughter when they needed it.

"Not only did the job help us financially, our hard work and loyalty benefitted the company for many years. Now, they should have the consideration to respect our right to return.

I should not have to start all over again at a new job."

WILLIAM MURRAY,
Banquet Server,
Marriott Waterfront, 19 years

"For me, being a banquet server has allowed me to be more financially secure and to support my extended family. Before I became a banquet server, I was renting a one-bedroom apartment. With this job I was able to purchase a home in Gwynn Oaks. I support my niece who has health issues and cannot live alone and am able to help both of my parents who are in their 80's. Having a stable, well-paying job means that when one of my nieces comes up short for things they need, like a laptop for school, I am often the one my family turns to for help, and I am proud to be able to fill that role. I am not alone in this. Good hospitality jobs allow many of my coworkers to be anchors of economic security for their families and communities.

"The COVID 19 crisis has hit our industry hard. We have been laid off since March and, while our hotel is open again in a limited way, we don't know how long it will be until the large-scale conference events that we depend on for our lively hood return to Baltimore."

Baltimore's Mayor and City Council Should Act Urgently

Baltimore's city council is currently considering two bills which could protect hospitality workers' economic security, COVID 19 Laid-Off Employees Right of Recall (20-0544) and COVID-19 Employee Retention (20-0543).

COVID 19 Laid-Off Employees Right of Recall (20-0544) would require hotel, event center, and commercial property owners to bring back the same employees they employed before the crisis hit as they reopen or restore operations. Workers would return to their jobs by order of seniority.

COVID-19 Employee Retention (20-0543) would apply in cases when a hotel or event center employer changes ownership. It would require the new owners to retain current workers for a minimum 90-day transition period. This bill would extend similar protections already provided to many food services and building services employees by Baltimore's Displaced Service Workers Protection Ordinance which was enacted in 2017.

"One of the lessons of the last downturn is that completely severing the relationship between employers and employees tends to lengthen unemployment. To the extent that companies can implement reduced hours, temporary furloughs, or creative job-sharing and redeployment programs instead of outright layoffs, the entire economy will be better positioned for a faster and stronger recovery."

—McKinsey Global Institute, 4/29/20[2]

Both bills are common sense measures that are urgently needed to create stability in the hospitality workforce. Without this action, thousands of Baltimore workers risk dire economic uncertainty. Baltimore has invested heavily in developing its tourism and hospitality workforce. Hospitality workers have stepped up to be ambassadors for our city and have worked hard for the success of our economy. Now is the time to stand with them.

Endnotes

1 https://www.dllr.state.md.us/employment/warn.shtml

2 https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-jobs-monitoring-the-us-impact-on-people-and-places#

Two Baltimore Bills Aim To Put Laid-Off Hospitality Workers Back On The Job As Hotels Reopen

By EMILY SULLIVAN • SEP 18, 2020

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Members of UNITE HERE Local 7 stage a protest outside of Baltimore City Hall on Tuesday.

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Two Baltimore Bills Aim To Put Laid-Off Hospitality Workers Back On The Job As Hotels Reopen

A new bill before the Baltimore City Council aims to require hospitality businesses to bring back the same employees who were laid off at the beginning of the coronavirus pandemic as they reopen; hospitality employment is down 50% from last year, compared to 12% for all jobs across the city.

The council's Labor Committee recessed without voting on the bill after city lawyers said they needed more time to consider a set of amendments during a hearing Thursday. The committee did pass another bill that would require new owners of businesses to retain the same employees for at least 90 days.

Stacey Whyte, a housekeeper at the Hilton Baltimore, told the committee that she and her coworkers have been out of work for almost eight months now. To be fired amid the trauma of the pandemic would be cruel, she said.

"We want our jobs back," Whyte, who has worked at the hotel since 2009, testified. "We are loyal, dedicated workers. We should not have to worry about whether we are going to lose our jobs over a pandemic that we had nothing to do with."

Whyte was one of dozens of laid-off UNITE HERE Local 7 workers who rallied outside City Hall in support of the bills on Tuesday.

Nearly 1,600 members of the union, which represents workers at the Hilton Baltimore, Hyatt Regency, Marriott Waterfront, Radisson, Crowne Plaza, Camden Yards, Baltimore Convention Center, Royal Farms Arena and the Pimlico Race Course, have lost their jobs since the spring.

According to union data, the Hilton Baltimore saw the most layoffs. Of the laid-off workers there and at the Marriott Waterfront, 69% are Black, 7% are Asian and 6% are Latino. Nearly 60% are women.

Democratic Councilman Kristerfer Burnett of Southwest Baltimore, who introduced the two bills, said at the rally that the legislation aims to further racial economic justice.

“In the city of Baltimore, we haven't done enough to protect our communities of color and make sure that they have everything that they need to thrive,” he said. “As their workplaces reopen, they should absolutely have the right to return to their jobs, instead of being thrown out of work due to no fault of their own.”

The COVID-19 Laid-Off Employees Right of Recall Billwould require hospitality businesses to bring back workers to their jobs in order of their seniority. The COVID-19 Employee Retention Bill would require hotels or event centers under new ownership to retain current staff for a minimum of a 90-day transition period.

The bills have received fierce opposition from the hotel and hospitality industry, including Frank Boston, an attorney with the Maryland Hotel and Lodging Association, who said the bills are “impossible to comply with.”

“We wish we could bring back people, but right now you have to bring back people who can do any job,” Boston said. “You have managers doing jobs that are pay scales one, two, three, four steps below just to try to keep the doors open.”

UNITE HERE organizer Tracy Lingo said the city has already cut hotels too much slack through millions of dollars in subsidies: the Marriott Waterfront pays Baltimore only a dollar a year in property taxes.

“The city made those tax breaks to encourage job development and job growth,” she said. “A lot of our members have spent their whole lives training for these careers, investing in time to be ambassadors for our city.”

Industry lobbyists cited an analysis from the city Law Department, which said the adoption of the Recall Ordinance would violate the Contracts Clause of the U.S. Constitution.

Similar measures have passed successfully in San Francisco and Los Angeles. Sally Dworak-Fisher, an attorney with the Public Justice Center, testified in support of the bill on Thursday.

During the hearing, Hilary Ruley of the Law Department said the agency stands by the original analysis.

The Labor Committee will meet on Monday morning to vote on the amendments, which include a sunset clause. Tracy Lingo, a UNITE HERE organizer, said she is optimistic about the upcoming vote.

Verus

Memorandum

To: ACERA
From: Verus
Date: October 14, 2020
RE: ACERA International Equity structure recommendation

In August, AQR provided an update on its All Country International Equity strategy at the ICM meeting. AQR has been in the ACERA international equity portfolio since October 2007 and has been underperforming since 2018. In September, Verus provided a review of ACERA's international equity asset class structure at the ICM which reviewed the structure through a risk lens and included alternative structures with and without AQR. Verus and Staff solicited input and feedback during each review. Based on the feedback we received on these sessions from a subset of Trustees, additional structure analysis and further discussion between Verus and Staff, we are recommending a change to ACERA's international equity structure. Our recommendation is to eliminate AQR from the portfolio and reallocate to ACERA's existing managers. The proposed structure recommendation maintains an equivalent amount of risk (tracking error) as the current structure with most of the risk driven by active manager decisions intended to drive alpha in the asset class portfolio. The proposed structure simplifies the international equity portfolio (no manager search required) and should marginally lower fees associated with the asset class.

This cover memo briefly describes the rationale for this recommendation. Verus will present on ACERA's international equity structure at the October ICM and describe the proposed structure in more detail.

AQR All Country International Equity

AQR was an early adopter of factor-based investing through the implementation of risk premia and, until 2018, had generally produced consistent and competitive returns for ACERA using a quantitative, factor-based, risk-aware approach. The strategy has faced significant headwinds since 2018, coinciding with a time period where value as a factor has been underperforming significantly and factor-based investing has generally fared poorly. Recent performance has negatively impacted longer-term results.

AQR's systematic approach has resulted in a greater value leaning than many of its systematic peers, and there has been a lack of alpha offset by other factor signals in their model. Their approach emphasizes long-term expected returns which has allowed the portfolio to maintain its value tilt and to lean into it incrementally as value has become cheaper. Verus believes AQR's assessment that value is cheap and, at some point, the market will again reward this risk premia. However, we recognize that the catalyst and timing for mean reversion is unclear, especially in the current environment.

International Equity structure

ACERA's international equity asset class structure has evolved over time with additional diversification added over the years. Within ACERA's active ACWI ex-US mandates alone, there are currently four managers that use different approaches – fundamental core-growth (Capital Guardian) , fundamental value (Mondrian), quantitative core (AQR) and fundamental core, via a manager-of-managers approach (Bivium). All are in good standing at ACERA except for AQR All Country International Equity which was put on watch following the August review meeting. Based on the number of active ACWI ex-US managers in the portfolio, the elimination of AQR would not trigger the need for a manager search and would simplify the international equity structure to an extent. Moreover, our proposed structure is designed to generate the same risk/return footprint for ACERA's international equity portfolio. Stated another way, AQR is not needed to continue with a structure that has been successful for ACERA.

Verus has modeled ACERA's international equity structure and alternatives with the goal of ensuring that risk (tracking error) within the structure explicitly supports ACERA's asset allocation goals. Verus recognizes that risk must be taken to produce alpha, but believes that some risks are compensated (active manager decisions) while others are not (benchmark risk/mismatches and allocation risk/differences from target allocations). Our recommended structure is aligned with this philosophy and maintains the same risk level as ACERA's current international equity structure - which has taken a sufficient level of risk to meet asset class objectives as described in ACERA's IPS.

Summary Recommendation

Verus and Staff are recommending eliminating AQR from the ACERA's international equity structure and reallocating among ACERA's existing managers. The proposed structure recommendation maintains an equivalent amount of risk as the current structure and focuses the asset class' risk budget on active manager decisions intended to produce alpha for ACERA. The structure should be able to provide the same or slightly better long-term expected alpha as the current structure with a slight decrease to asset class management fees.

Verus

PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS

OCTOBER 2020

International Equity Structure v2- Recommendation

ACERA

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Risk Budgeting

Guiding Principles

— Implementation of the asset allocation target.

— **Risk management** implementation:

- Identify and quantify risks in the asset class and its implementation.

— At the asset class level, implementation risk is best measured in terms of tracking error to the asset class benchmark and can be decomposed into multiple sources.

— Allocate assets based on risks (risk budgeting).

Expected Results

— Improved probability of consistently adding value.

— Improve clarity and understanding of manager roles and contributions.

— Minimized risk of underperforming (or outperforming) due to unintended risks.

- Removal of unintended and uncompensated risk.

Concepts – Portfolio Definitions

— **Policy:** as defined by the asset allocation target.

— **Benchmark Target:** mandate benchmarks at target weights.

— **Benchmark Actual:** mandate benchmarks at actual weights.

— **Fund:** manager exposures.

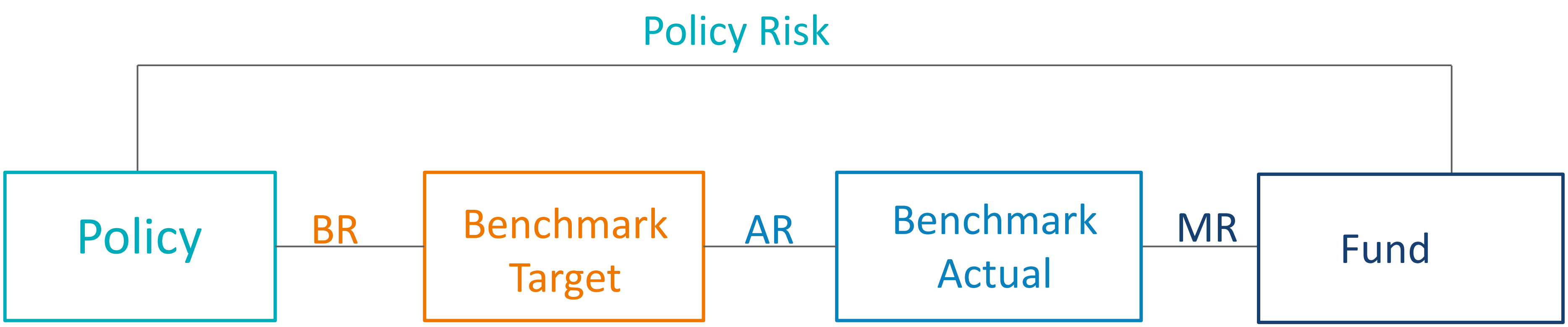
Concepts – Risk Definitions

— **Policy Risk (PR):** Fund tracking error to Policy.

— **Benchmark Risk (BR):** Benchmark Target tracking error to Policy.

— **Allocation Risk (AR):** Benchmark Actual tracking error to Benchmark Target.

— **Manager Risk (MR):** Fund tracking error to Benchmark Actual.



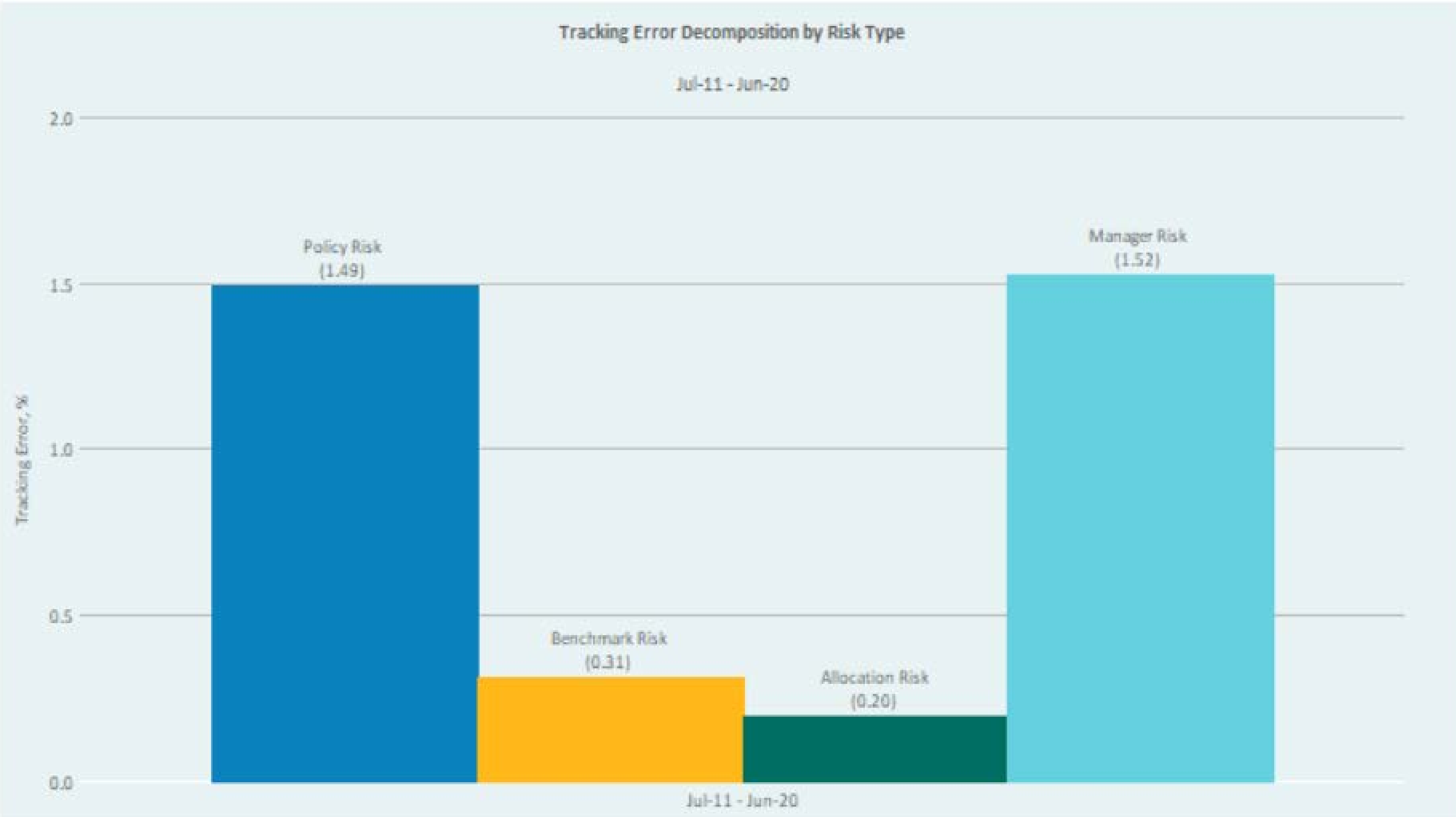
Current International Equity Structure

Current Targets

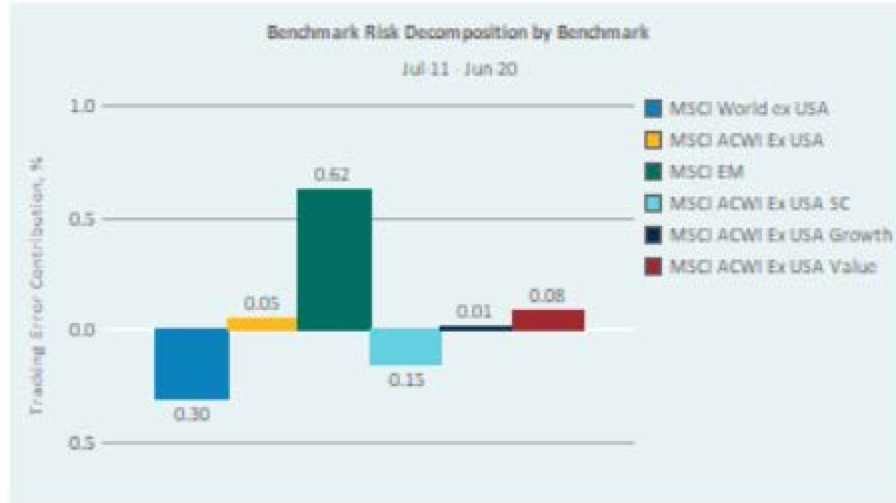
The Target Allocation is 25% to **International Equity** and the **Policy** is the MSCI ACWI ex-US IMI Index:

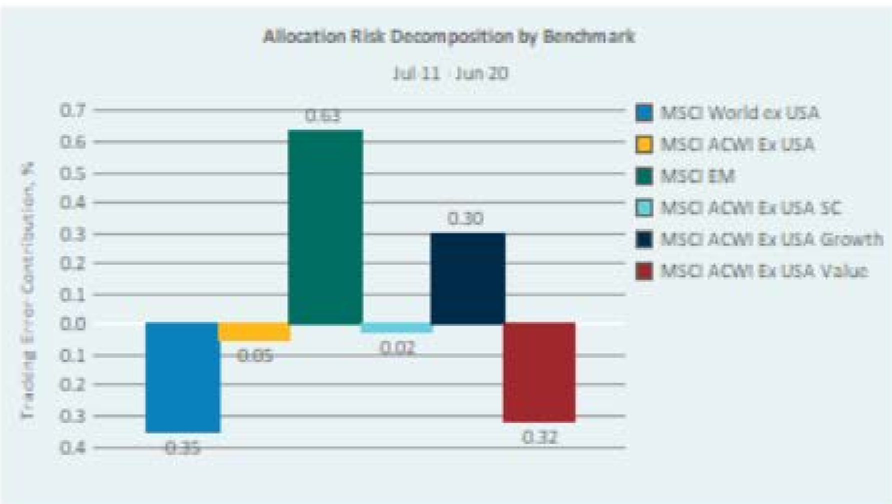
Strategy	Manager	Benchmark	Fund Allocation	Benchmark Allocation	Benchmark Target	Policy
Developed (Index)	BlackRock	MSCI World ex US	18.7%	18.7%	20%	
Active International Core	AQR Bivium	MSCI ACWI ex US	17.9% 3.7%	21.6%	22.4%	100.0% (MSCI ACWI ex US IMI)
Active International Growth	Capital Group	MSCI ACWI ex US Growth	21.2%	21.2%	18.8%	
Active International Value	Mondrian	MSCI ACWI ex US Value	16.9%	16.9%	18.8%	
Emerging Mkts	Newton	MSCI EM	11.9%	11.9%	10%	
International Small Cap	Templeton	MSCI ACWI ex US SC	9.7%	9.7%	10%	

Tracking Error: PR, BR, AR, MR

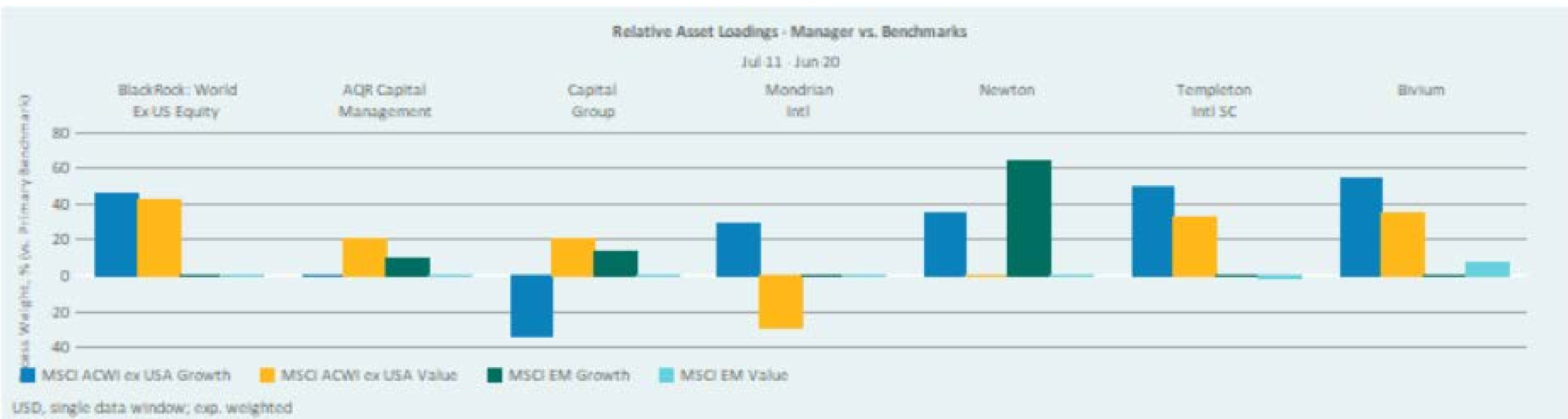


Risk Decomposition

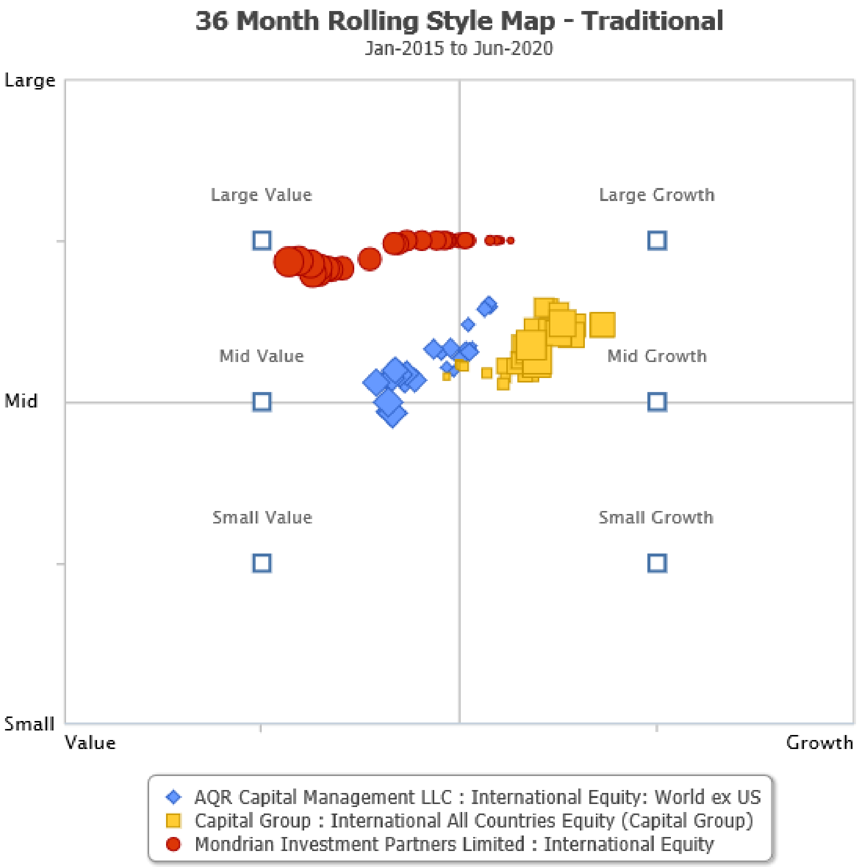




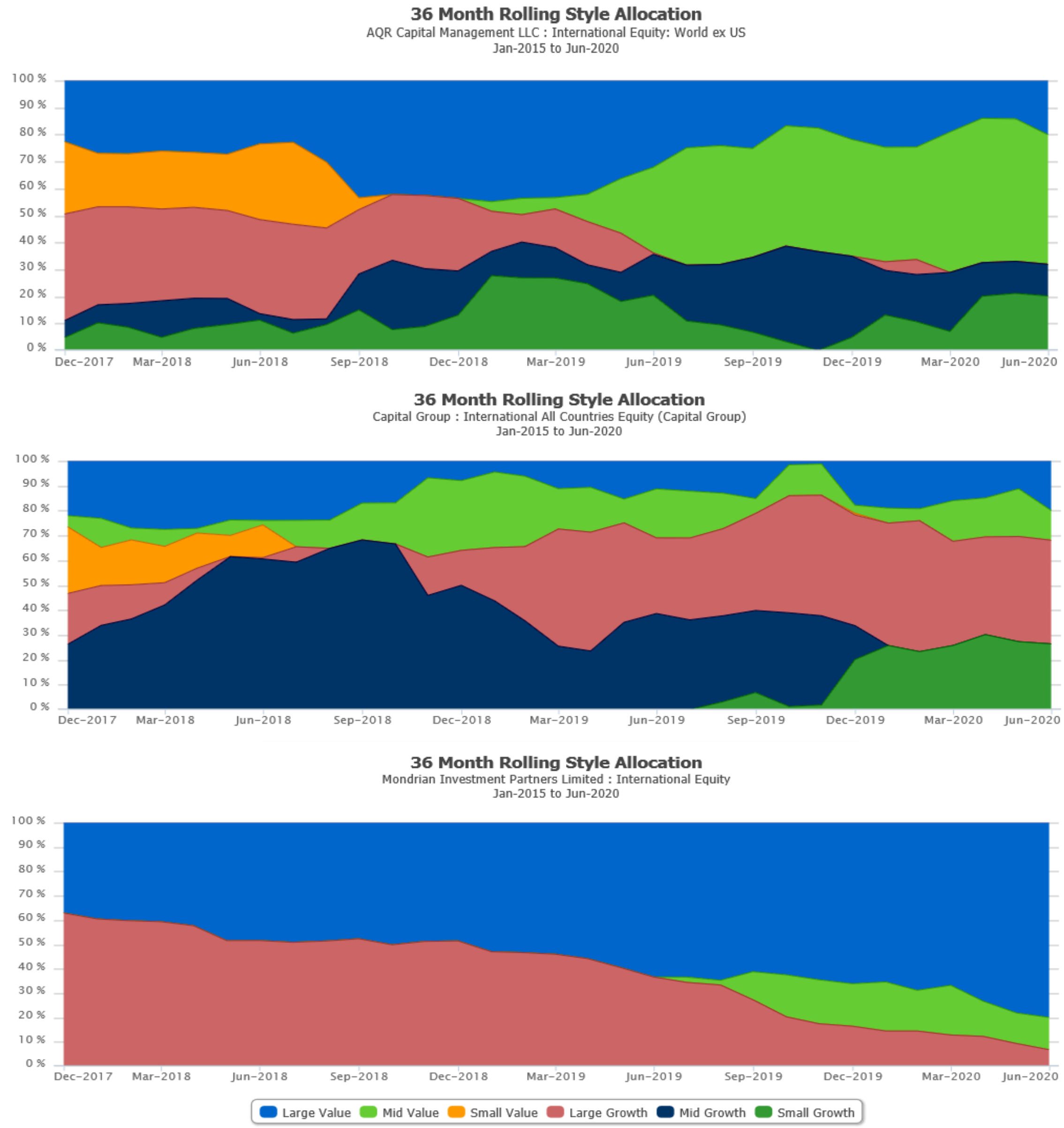
Factor Loadings (relative)



Style Maps



36 Month Rolling Style Map - Traditional
Jan-2015 to Jun-2020
Large
Mid
Small
Value
Growth
Large Value
Large Growth
Mid Value
Mid Growth
Small Value
Small Growth
AQR Capital Management LLC : International Equity: World ex US
Capital Group : International All Countries Equity (Capital Group)
Mondrian Investment Partners Limited : International Equity



36 Month Rolling Style Allocation
AQR Capital Management LLC : International Equity: World ex US
Jan-2015 to Jun-2020
36 Month Rolling Style Allocation
Capital Group : International All Countries Equity (Capital Group)
Jan-2015 to Jun-2020
36 Month Rolling Style Allocation
Mondrian Investment Partners Limited : International Equity
Jan-2015 to Jun-2020
Dec-2017
Mar-2018
Jun-2018
Sep-2018
Dec-2018
Mar-2019
Jun-2019
Sep-2019
Dec-2019
Mar-2020
Jun-2020
Large Value
Mid Value
Small Value
Large Growth
Mid Growth
Small Growth

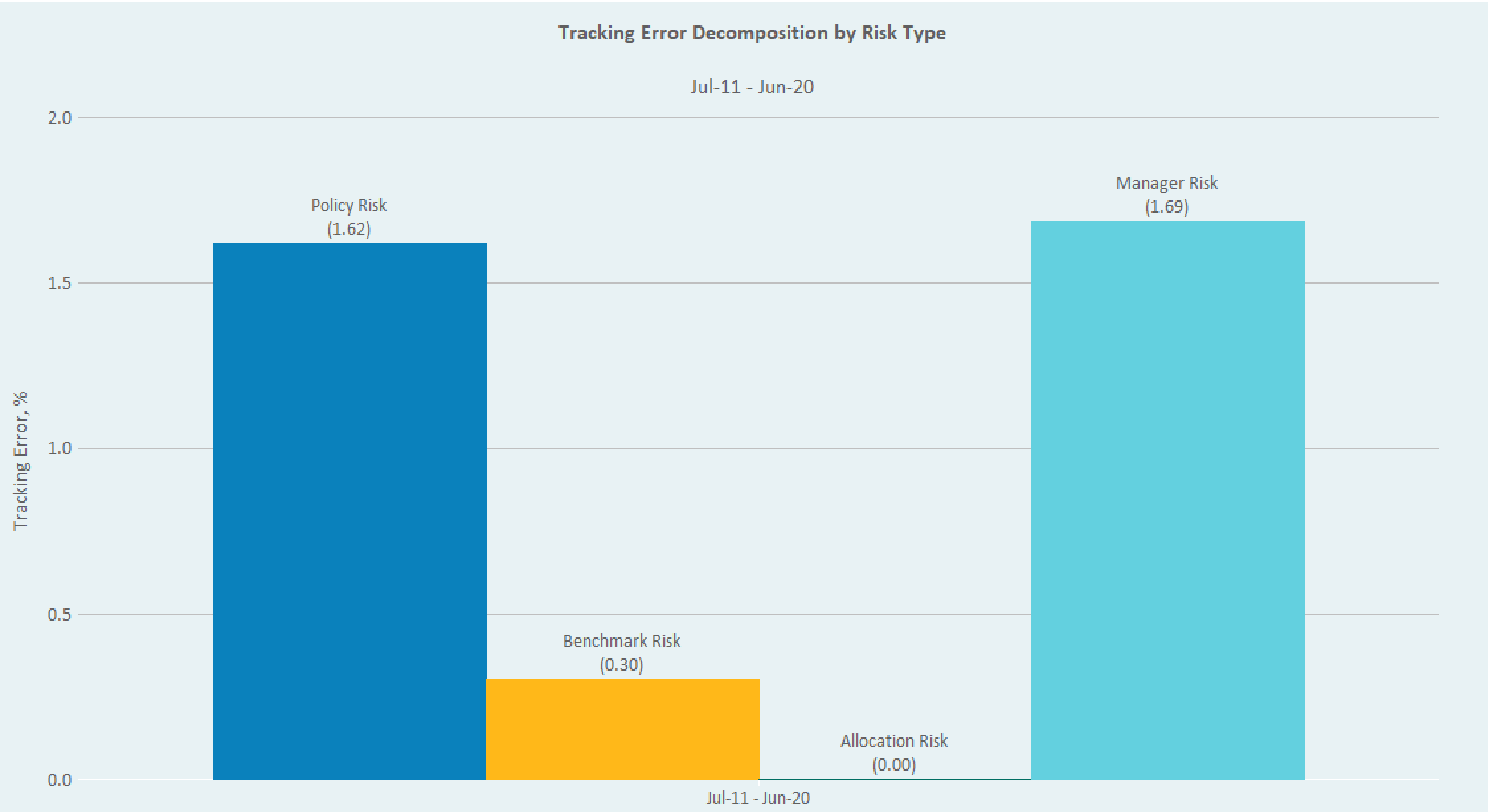
Alt 1- Simplify Structure

Alt 1 – Simplify Structure

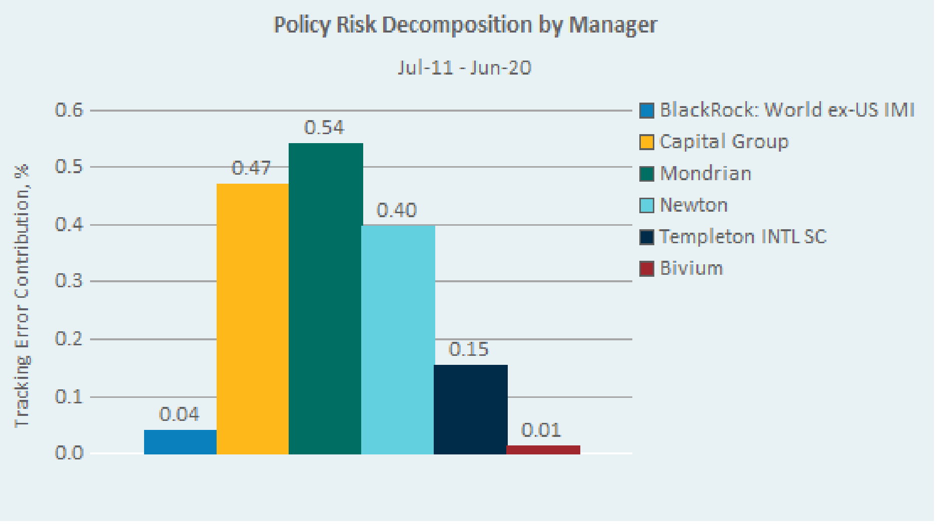
Remove AQR and consolidate active international managers. Reallocate mostly to higher tracking error active ACWI ex-US:

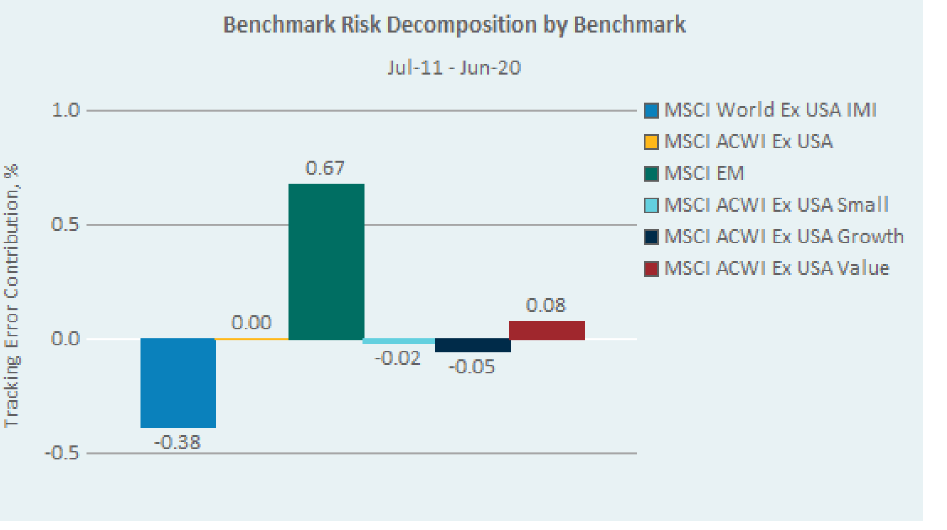
Strategy	Manager	Benchmark	Fund	Benchmark	Benchmark Target	Policy
Developed (Index)	BlackRock	MSCI World ex US	20%	20%	20%	
Active International Core	Bivium	MSCI ACWI ex US	4%	4%	4%	100.0% (MSCI ACWI ex US IMI)
Active International Growth	Capital Group	MSCI ACWI ex US Growth	28%	28%	28%	
Active International Value	Mondrian	MSCI ACWI ex US Value	28%	28%	28%	
Emerging Mkts	Newton	MSCI EM	10%	10%	10%	
Developed Small Cap	Templeton	MSCI ACWI ex US SC	10%	10%	10%	

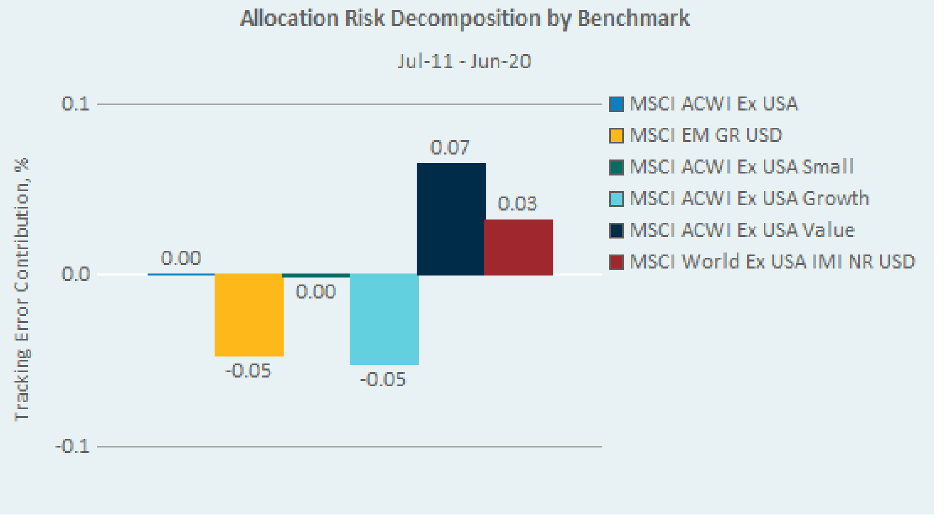
Tracking Error: PR, BR, AR, MR

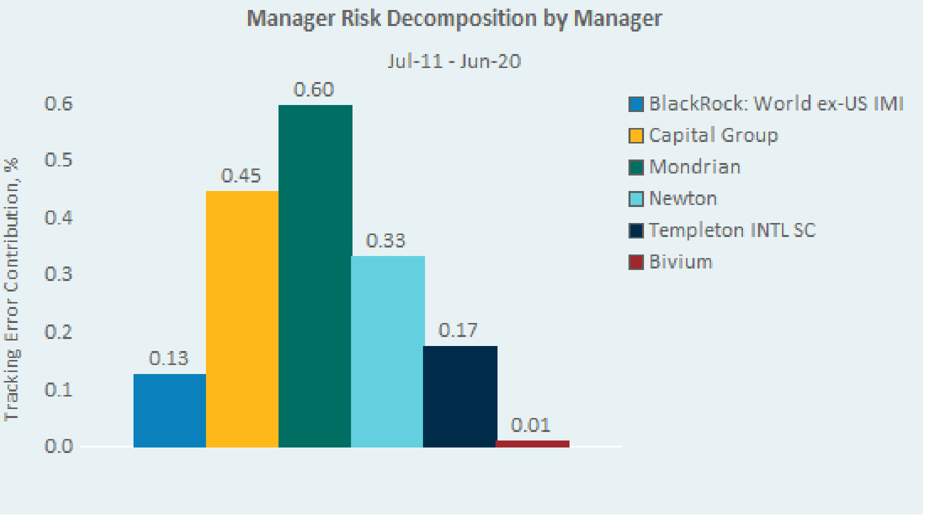


Risk Decomposition









Effective Changes

- This simplified structure would remove AQR (quantitative core) and redistribute its assets mainly to the higher tracking error fundamental ACWI ex-US managers - Capital Guardian (core-growth) and Mondrian (value) – and a small increase to low tracking error manager Bivium (core).
- Implications for risk factors:
  - **Policy Risk**
    - The tracking error (currently 1.49%) is would increase to 1.62% for the proposed targets. This increase primarily comes from active management.
  - **Benchmark Risk**
    - The tracking error (currently 0.31%) remain the same (0.30%).
  - **Allocation Risk**
    - Rebalancing to targets will remove all of the allocation risk.
  - **Manager Risk**
    - The tracking error (currently 1.52%) comprises the majority of Policy Risk and would increase to 1.69% because of the higher tracking error active management.

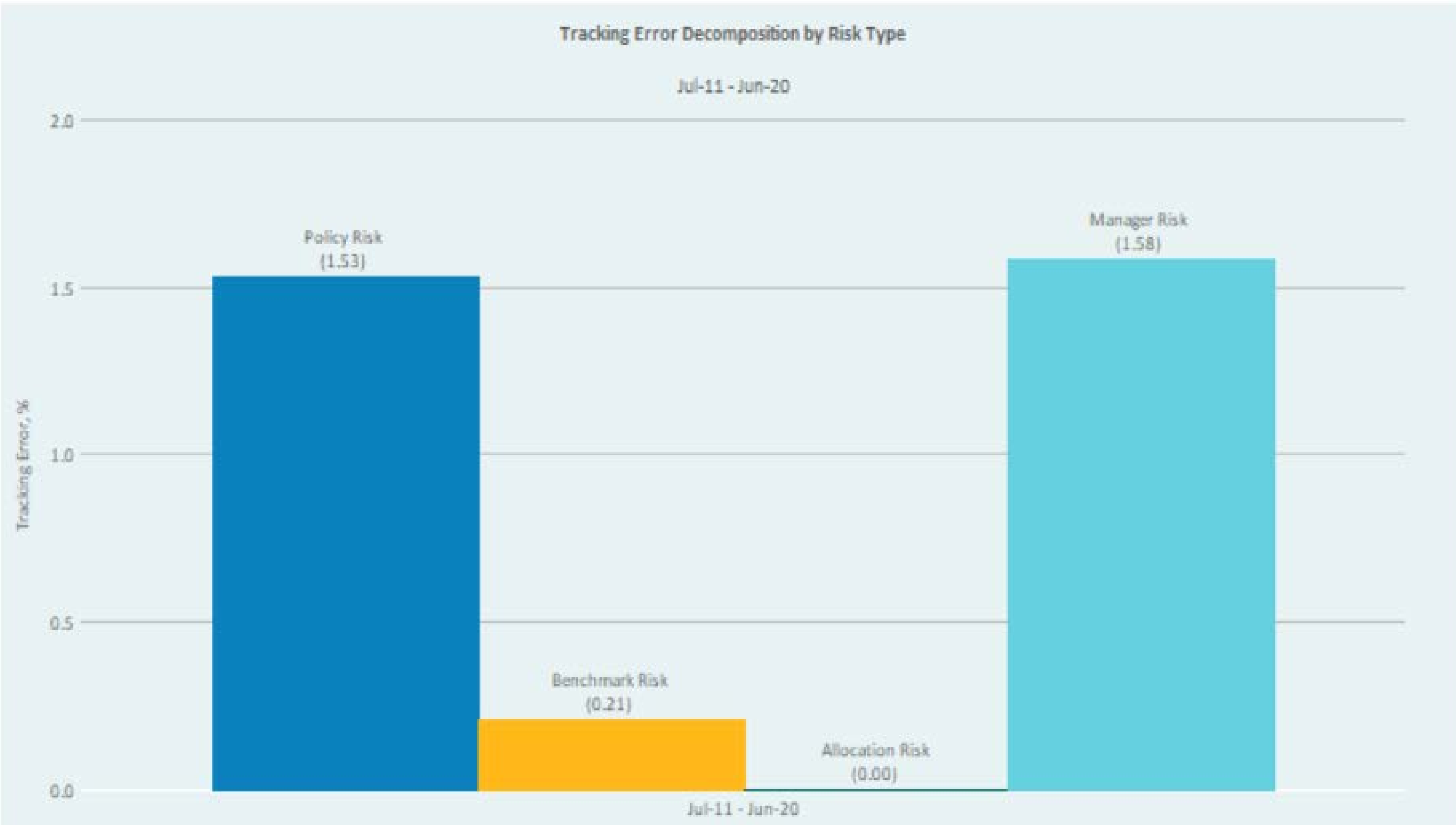
Alt 2- Simplify Structure and Reduce Benchmark Risk

Alt 2 – Simplify and reduce risk

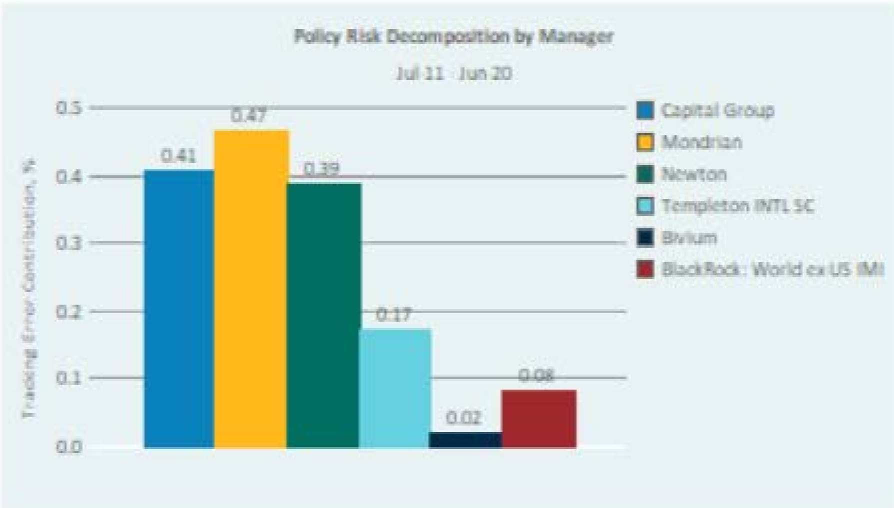
Remove AQR and reallocate assets among managers while minimizing benchmark risk.

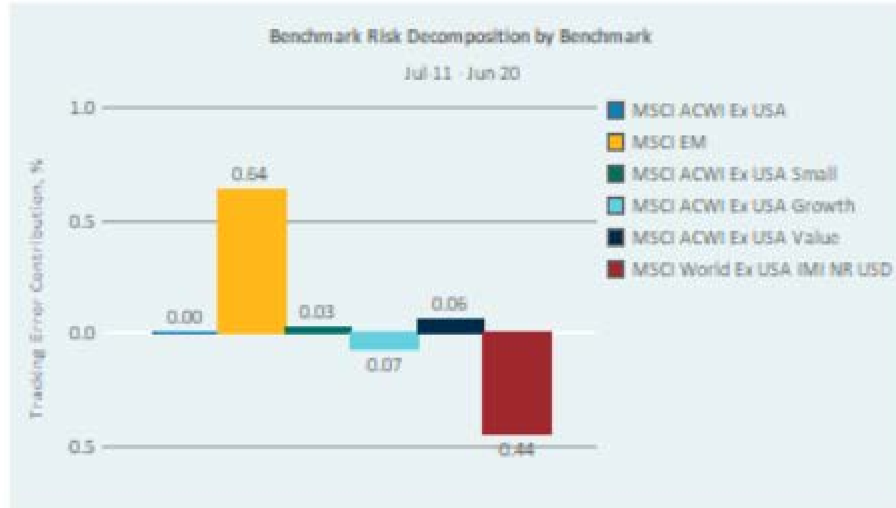
Strategy	Manager	Benchmark	Fund	Benchmark	Benchmark Target	Policy
Developed (Index)	BlackRock	MSCI World ex US IMI	25%	25%	25%	
Active International Core	Bivium	MSCI ACWI ex US	5%	5%	5%	100.0% (MSCI ACWI ex US IMI)
Active International Growth	Capital Group	MSCI ACWI ex US Growth	25%	25%	25%	
Active International Value	Mondrian	MSCI ACWI ex US Value	25%	25%	25%	
Emerging Mkts	Newton	MSCI EM	10%	10%	10%	
Developed Small Cap	Templeton	MSCI ACWI ex US SC	10%	10%	10%	

Tracking Error: PR, BR, AR, MR



Risk Decomposition





Effective Changes

— This allocation would reduce emerging markets by 2%, increase international small cap by 0.2%, remove AQR, and increase the allocation to other ACWI ex-US managers and passive.

— Implications for risk factors:

- **Policy Risk**

  —The tracking error (currently 1.49%) is would increase marginally to 1.53% for the proposed targets. This increase primarily comes from active management.

- **Benchmark Risk**

  —The tracking error (currently 0.31%) can be reduced to 0.21% by changing the target allocation, primarily by rebalancing back to target in emerging markets.

- **Allocation Risk**

  —Rebalancing to targets will remove all the allocation risk.

- **Manager Risk**

  —The tracking error (currently 1.52%) comprises the majority of Policy Risk and would increase marginally to 1.58% because of increasing the allocation to active managers with higher tracking errors.

Recommendation

Summary framework

— Manager, or asset class, structure analysis **explicitly supports asset allocation target**

— **Risk management implementation**:

- Identify and quantify risks in the asset class and its implementation
- Focus on risks meant to generate alpha

— Aids in decision-making at asset class level

— Analysis **does not render a judgement on manager skill**

- Assumes equal manager skill for a given level of tracking error

Comparison of Alternatives

Comparison of manager allocations in current and alternative structures

Strategy	Manager	Benchmark	Fund Allocation Current	Fund Allocation Alt 1	Fund Allocation Alt 2
Developed (Index)	BlackRock	MSCI World ex US IMI	18.7%	20%	25%
Active International Core	Bivium	MSCI ACWI ex US	17.9% (AQR) 3.7%	4%	5%
Active International Growth	Capital Group	MSCI ACWI ex US Growth	21.2%	28%	25%
Active International Value	Mondrian	MSCI ACWI ex US Value	16.9%	28%	25%
Emerging Mkts	Newton	MSCI EM	11.9%	10%	10%
Developed Small Cap	Templeton	MSCI ACWI ex US SC	9.7%	10%	10%
Combined fee*			39.4	36.7	35.4

*Combined fee is forward-looking and incorporates discounted stated fees that have been offered by a subset of ACERA's intl. equity managers.

Comparison of Alternatives

Comparison of asset class structure risks in current and alternative structures

Strategy	Current Tracking Error	Alt 1 Tracking Error	Alt 2 Tracking Error
Policy Risk	1.5%	1.6%	1.5%
Benchmark Risk	0.3%	0.3%	0.2%
Allocation Risk	0.2%	0%	0%
Manager Risk	1.5%	1.7%	1.6%

Recommendation

— Verus and Staff recommend **Alt 2** which eliminates AQR quantitative international equity and reallocates among managers while minimizing benchmark risk

— Rationale for eliminating AQR:

- Simplifies structure – Intl quant role not needed; no replacement search necessary
- Recent notable underperformance w/value factor tilt (in core mandate) – Value is cheap but catalyst for mean reversion is unclear in the near term, esp in current environment.

— Reallocation among managers:

- Reallocates to all managers in proportion to target allocation
- Adds 5% more to passive to reduce asset class structure benchmark risk (uncompensated risk)
- Raises overall manager risk (compensated risk) slightly from current structure level

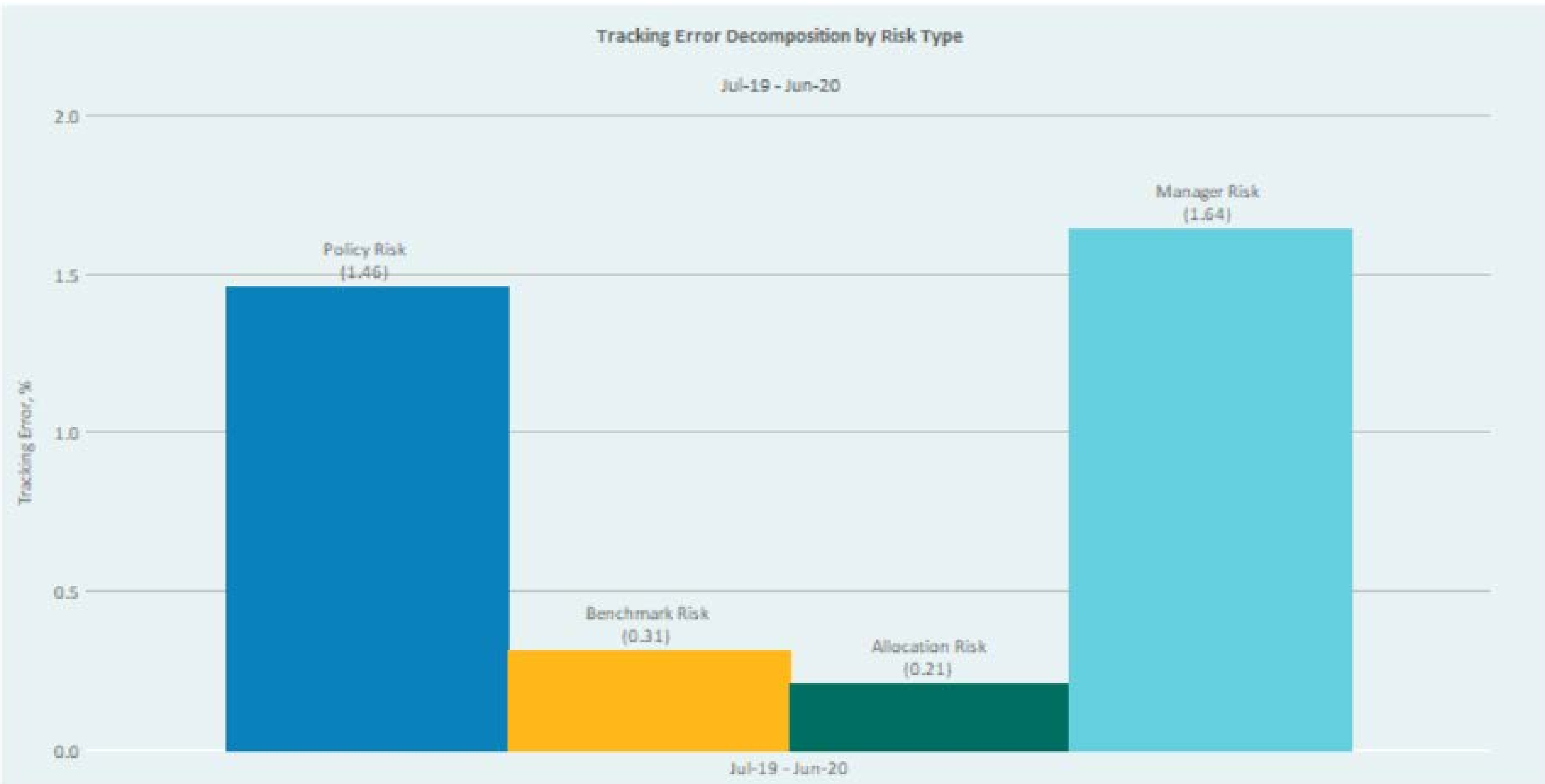
— **Alt 2** has same overall risk level (tracking error) as current structure

- Expected longer term alpha same or potentially slightly better as with current structure
- Slight decrease to asset class fees

Appendix

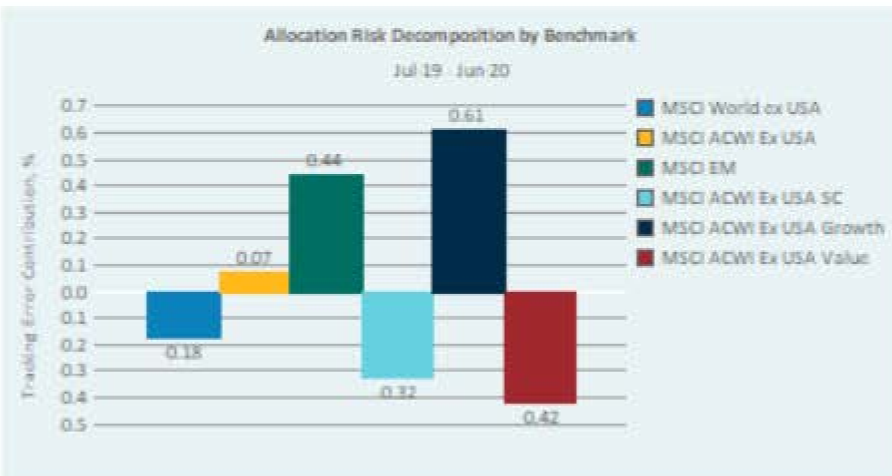
Tracking Error: PR, BR, AR, MR

Since the new structure has been in place



Risk Decomposition

Since the new structure has been in place



Manager Tracking Errors & Correlations

Excess Returns Correlation	BlackRock	AQR	Capital Grp	Mondrian	Newton EM	Templeton Intl Small	Bivium Intl
BlackRock	1.00	-0.09	0.04	0.11	0.25	0.09	0.11
AQR	-0.09	1.00	0.23	-0.21	-0.07	0.02	0.11
Capital Grp	0.04	0.23	1.00	-0.45	-0.09	-0.01	0.21
Mondrian	0.11	-0.21	-0.45	1.00	0.35	0.29	-0.12
Newton EM	0.25	-0.07	-0.09	0.35	1.00	0.07	-0.05
Templeton Intl Small	0.09	0.02	-0.01	0.29	0.07	1.00	-0.04
Bivium Intl	0.11	0.11	0.21	-0.12	-0.05	-0.04	1.00

Developed and Emerging Allocations by Manager

30-Jun	% Developed	% Emerging
MSCI ACWI ex-US IMI	72	28
AQR Intl	72	28
Bivium Intl	85	12
BlackRock MSCI World ex-US	100	0
Capital Group	77	17
Mondrian	99	1
Newton	85	14
Templeton	83	17

31-Mar	% Developed	% Emerging
MSCI ACWI ex-US IMI	73	27
AQR Intl	72	28
Bivium Intl	85	11
BlackRock MSCI World ex-US	100	0
Capital Group	74	19
Mondrian	100	0
Newton	83	15
Templeton	84	16

31-Dec	% Developed	% Emerging
MSCI ACWI ex-US IMI	74	27
AQR Intl	73	27
Bivium Intl	88	10
BlackRock MSCI World ex-US	100	0
Capital Group	70	24
Mondrian	100	0
Newton	83	15
Templeton	85	15

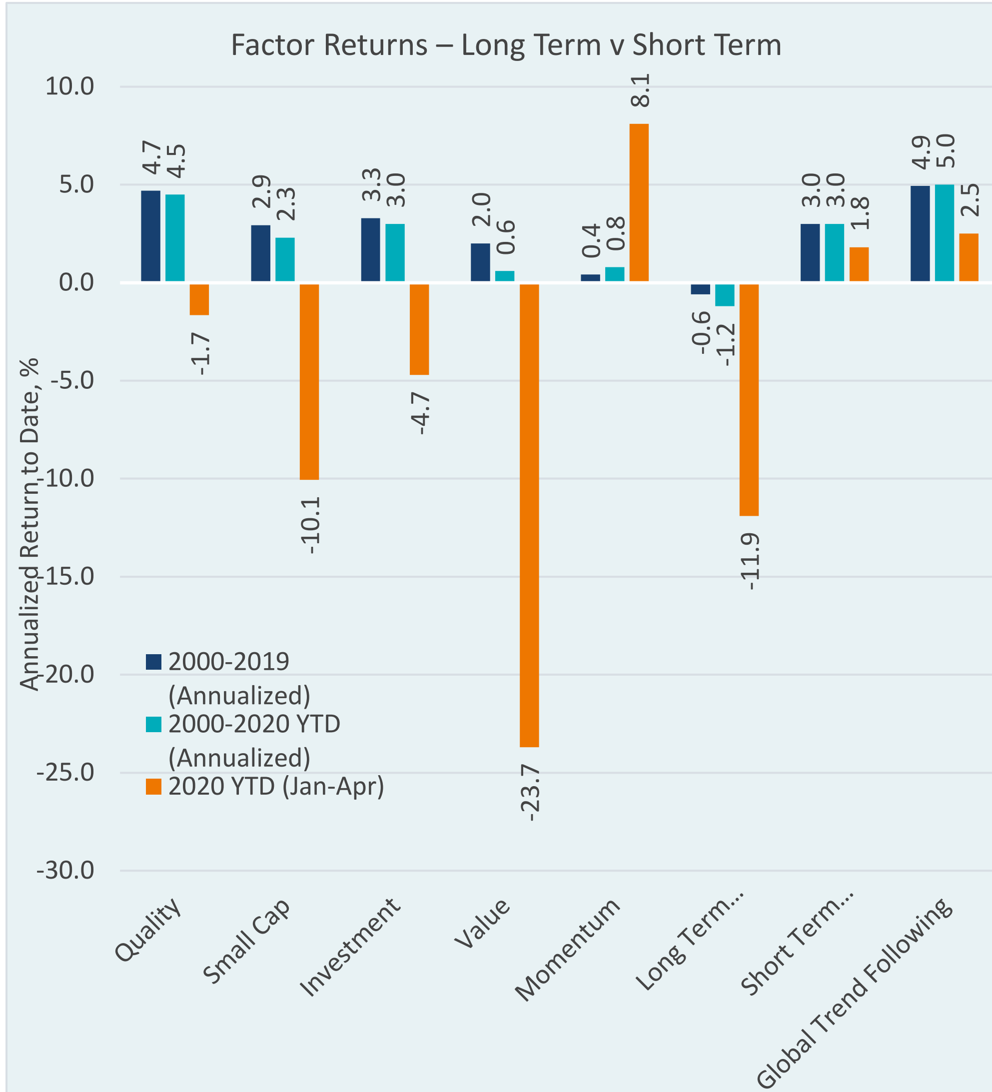
30-Sep	% Developed	% Emerging
MSCI ACWI ex-US IMI	74	26
AQR Intl	74	26
Bivium Intl	88	9
BlackRock MSCI World ex-US	100	0
Capital Group	72	24
Mondrian	75	25
Newton	86	13
Templeton	85	15

Numbers may not add to 100% due to some small cash allocations.

Factor returns

Trailing Performance – blue high – orange low

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US						
Cap Weight	5.3	16.9	6.3	17.4	12.1	10.3
Factor Weighted	4.0	13.3	-2.1	9.3	7.3	8.1
Quality	4.6	14.3	10.6	24.9	18.8	15.1
Value	2.6	11.4	-10.9	-1.4	3.8	5.9
Volatility	2.6	9.3	-1.8	1.6	11.3	11.0
Momentum	5.2	18.9	16.9	22.8	18.0	15.9
Yield	2.0	9.2	-8.0	-0.5	7.5	9.8
Small	5.9	19.9	-5.4	3.9	6.7	7.1
World Ex US						
Cap Weighted	3.1	14.6	-5.9	4.7	0.1	1.3
Factor Weighted	3.3	15.1	-6.0	5.2	0.8	3.6
Quality	3.3	14.8	-0.9	11.2	5.2	5.6
Value	1.4	11.0	-15.6	-3.0	-3.1	-0.4
Volatility	3.1	14.1	-5.5	4.1	2.9	4.2
Momentum	3.1	15.3	2.2	12.7	5.5	5.6
Yield	2.9	13.8	-10.9	2.1	0.6	2.5
Small	5.6	16.9	-4.3	10.4	2.7	5.9
EM						
Cap Weighted	3.3	18.0	-1.4	12.2	4.0	8.7
Factor Weighted	3.2	19.5	-0.6	14.9	2.4	6.7
Quality	3.7	19.9	2.0	15.3	3.6	6.6
Value	2.1	13.8	-12.7	-2.4	-0.7	4.6
Volatility	2.9	10.5	-5.3	-0.6	2.8	5.1
Momentum	5.6	29.2	20.4	35.1	11.8	12.6
Yield	3.1	8.7	-14.0	-1.3	-0.4	3.0
Small	4.7	23.4	-3.6	7.2	0.3	4.3



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