



MINUTES OF THE MARCH 10, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: George Wood - Chair
Subject: Summary of March 10, 2021 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, March 10, 2021 at 9:30 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Henry Levy, Elizabeth Rogers, and George Wood. Also present were Alternate Retired Member, Nancy Reilly and Alternate Safety Member Darryl Walker. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to Recommend that the Board Adopt an up to \$30 million Investment in Genstar Capital Partners Fund X as part of ACERA’s Private Equity Portfolio – Buyout, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - Verus and Staff discussed the Genstar Capital Partners Fund X investment opportunity, including the rationale and role of this investment in ACERA’s Private Equity – Buyout Portfolio. Staff and Verus noted that the proposed commitment fits in the Board-approved Private Equity Investment Plan (approved December 2020). They also shared that this incumbent manager is in good standing and continues to meet performance objectives.
 - Genstar representatives provided a brief overview of Genstar and its differentiated private equity strategy, including a discussion of their culture which embraces a singular focus, *i.e.*, simply one buyout strategy.
 - Trustee Wood and Genstar representatives discussed Genstar’s historical sectoral allocations, add-on investments, and exit strategies; they also reviewed Genstar Fund X’s capacity objectives, particularly relative to historical fundraising efforts.
 - Trustees and Genstar representatives assessed Genstar’s ongoing ESG efforts, including a discussion on diversity and hiring processes.

Trustee Basgal suggested that Investment Committee Manager presentations should include supportive statistical data, specifically as it pertains to the Manager's respective ESG and diversity initiatives. Trustee Wood expressed agreement, noting investments is a data-driven business.

- After further discussion, Trustee Basgal moved, seconded by Supervisor Carson, to recommend that the Board adopt an up to \$30 million Investment in Genstar Capital Partners Fund X as part of ACERA's Private Equity Portfolio – Buyout, pending completion of legal and investment due diligence and successful contract negotiations.
 - The motion carried with 8 Yes (Amaral, Basgal, Carson, Godfrey, Levy, Reilly, Rogers, and Wood) 0 No, and 1 Abstention (Gamble).
2. Discussion of and Possible Motion to Recommend that the Board to Adopt an up to \$27 million Investment in Strategic Value Special Situations Fund V as part of ACERA's Private Equity Portfolio – Debt Related/Special Situations, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
- Verus and Staff discussed with the Trustees the Fund's investment strategy, focus and historical performance, as well as the potential outlook for distressed debt.
 - Representatives from Strategic Value Partners described the firm's history, organization, investment platform, competitive advantages, investment process, historical performance, outlook for distressed debt opportunities, and ESG initiatives.
 - After further discussion, Trustee Rogers moved, seconded by Commander Amaral, to recommend that the Board adopt an up to \$27 million investment in Strategic Value Special Situations Fund V as part of ACERA's Private Equity Portfolio – Debt Related/Special Situations, pending completion of legal and investment due diligence and successful contract negotiations,
 - The motion carried with 8 Yes (Amaral, Basgal, Carson, Gamble, Levy, Reilly, Rogers, and Wood) 1 No (Godfrey), and 0 Abstention.
3. Discussion of and Possible Motion to Recommend that the Board to Adopt an up to \$25 million Investment in Vision Ridge Partners Sustainable Asset Fund III as part of ACERA's Real Assets Portfolio – Infrastructure, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations

- Verus provided an overview of the strategy, including the strategy’s mix of infrastructure and agricultural investments, as well as Vision Ridge’s status as an emerging manager¹. The timing and sizing of this commitment was also discussed with the Trustees.
 - Vision Ridge representatives discussed with the Trustees its organization, investment focus on sustainable trends within power, transportation, and agriculture, the evolution of these trends, and the competitive advantages derived from its long history in investing these markets. The firm’s valuation methodology and ESG initiatives were also reviewed with the Investment Committee.
 - After further discussion, Treasurer Levy moved, seconded by Trustee Rogers, to recommend that the Board adopt an up to \$25 million investment in Vision Ridge Partners Sustainable Asset Fund III as part of ACERA’s Real Assets Portfolio – Infrastructure, pending completion of legal and investment due diligence and successful contract negotiations
 - The motion carried with 7 Yes (Amaral, Basgal, Godfrey, Levy, Reilly, Rogers, and Wood) 0 No, and 0 Abstention.
4. Discussion and Possible Motion to Recommend that the Board Adopt the Proposed Environmental, Social, and Governance (ESG) Investment Policy
- Staff provided introductory comments, including a brief timeline of the iterative process in formulating the proposed ACERA ESG Investment Policy (“Policy”), the appropriate levels of involvement of the ESG Working Group, Verus, Staff (Investments and Legal), and Investment Committee. Staff further noted that the Policy establishes a sound framework upon which ACERA can build upon.
 - Verus discussed key takeaways from the proposed Policy, including a review of fiduciary responsibilities as it relates to long-term financial returns and ESG risk factors, as well as the alignment of the proposed Policy with applicable state and federal statutes. Verus also provided a summary of the Committee’s initial responses to a tailored ESG survey that Verus and Staff provided to the Committee to help facilitate discussion on material ESG risk metrics.
 - Counsel noted that the proposed Policy is within the normal range relative to other pension plans, including those larger in size and scope. He also observed that the proposed Policy does not sacrifice performance objectives and provides guidance for Staff in their due diligence. He discussed the implementation of the proposed Policy as it pertains to the due diligence and involvement of both the Investments and Legal teams.

¹ Sustainable Asset Fund III is Vision Ridge’s second institutional fund and the Firm has \$1.1 billion in AUM. Based on these characteristics, Vision Ridge falls within ACERA’s definition of an emerging investment manager.

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- Trustee Godfrey, Trustee Wood, Counsel, Verus, and Staff discussed possible limitations in the proposed Policy, including the potential need for ongoing refinement of the terminology used in the proposed Policy.
- Trustee Reilly observed that a Committee-approved ESG policy underscores to Investment Managers that ESG is an area of priority for ACERA.
- After further discussion, Trustee Rogers moved, seconded by Commander Amaral, to recommend that the Board Adopt the Proposed Environmental, Social, and Governance (ESG) Investment Policy
- The motion carried with 8 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Levy, Reilly, Rogers, and Wood) 0 No, and 0 Abstention.

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

None

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, April 14, 2021 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 12:37 p.m.