



MINUTES OF THE APRIL 14, 2021 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: George Wood - Chair
Subject: Summary of April 14, 2021 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, April 14, 2021 at 9:30 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Darryl Walker, and George Wood. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to Recommend that the Board Approve Certain Changes to the Absolute Return Asset Class Structure
 - The need to review the Absolute Return Asset Class structure to remove the Alternative Premia sub-class, which has not performed well due to changing market environment, was discussed by Staff, Verus, and the Trustees. In addition, the cost, net-return potential, diversification, transparency, liquidity and active management considerations of the recommended structure, as well as of other structural options were reviewed. The performance of the Absolute Return Asset Class and its sub-classes were also discussed, along with potential investment and divestment scenarios for the asset class' investments if the recommended structural change was approved. Should the structural change be approved, the use of a second customized fund of one was discussed as the recommended fund-of-hedge-funds type for investment.
 - After further discussion, Trustee Koppenhaver moved, seconded by Trustee Basgal, to recommend that the Board approve the recommended change to the Absolute Return Asset Class Structure, which is 80% Fund of Hedge Funds and 20% Other Alternatives/Opportunistic.
 - The motion carried with 7 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, and Wood) 1 No (Levy), and 0 Abstention.

- Discussion of and Possible Motion to Recommend that the Board Hire an Overlay Services Provider, Pending Completion of Legal and Operational Due Diligence and Successful Contract Negotiations
 - Staff and Verus provided background information on the Action Item, including the due diligence Staff and Verus conducted, as well as the costs and benefits of Overlay Services. Staff and Verus noted that this Overlay Services recommendation is only focused on Cash Overlay Services.
 - Trustees and Parametric representatives addressed the recent merger of Parametric’s parent company, Eaton Vance, with Morgan Stanley, particularly the impact of the transaction on Parametric’s organization, business practices and culture. Further, they also discussed Parametric’s current and go-forward initiatives as they relate to Environmental, Social, and Governance (ESG), Diversity and Inclusion, as well as cybersecurity.
 - Trustees and Parametric representatives discussed the operational processes that Parametric would undertake in serving as an extension of ACERA Staff. Parametric representatives also described how Parametric seamlessly works with ACERA’s custodian, State Street Bank – this process includes daily reports that Parametric would verify, which assists in ACERA’s overall oversight and governance.
 - After further discussion, Trustee Godfrey moved, seconded by Trustee Basgal, to recommend that the Board Hire Parametric an Overlay Services Provider, Pending Completion of Legal and Operational Due Diligence and Successful Contract Negotiations
 - The motion carried with 8 Yes (Amaral, Basgal, Gamble, Godfrey, Koppenhaver, Levy, Walker, and Wood) 0 No, and 0 Abstention.

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

None

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, May 5, 2021 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 11:33 a.m.