



MINUTES OF THE MAY 19, 2022 INVESTMENT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: Tarrell Gamble – Chair
Subject: Summary of May 19, 2022, Investment Committee Meeting

The Investment Committee (“Committee”) met on Thursday, May 19, 2022, at 9:31 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Kellie Simon, 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 Dave Nelsen – Chief Executive Officer, Lisa Johnson – Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, Harsh Jadhav – Chief of Internal Audit, Julius Cuaresma – Investment Analyst, and Betty Tse – Chief Investment Officer.

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

1. Discussion and Possible Motion to Recommend that the Board Approve Amendments to ACERA’s General Investment Guidelines, Policies and Procedures
 - Representatives from Staff and Verus presented this Action Item for the Committee’s consideration after it had been discussed as an Information Item at the April 2022 Investment Committee meeting. In its memo for this Action Item, Staff highlighted many of the proposed amendments to the General Investment Guidelines, Policies and Procedures (Policy). Staff and Verus solicited additional comments and input from the trustees at the Committee Meeting.
 - A couple of trustees sought to clarify the rationale behind a rule-based Watchlist using a market cycle of five-years under Policy Section XXI, and suggested that a shorter market cycle of three-years might be more appropriate. Both Staff and Verus responded that the use of a five-year market cycle would be consistent with industry best practice. In addition, Verus added that a typical market cycle for institutional investments is also five years and that trustees may take appropriate actions against managers before the end of the five-year cycle, if warranted.
 - After a thorough discussion of the proposed amendments to the Policy, including the proper timing of Asset Allocation Reviews and some examples of the implementation methods for ACERA’s ESG Policy, Trustee Koppenhaver moved, seconded by Commander Amaral, to recommend that the Board Approve Amendments to ACERA’s General Investment Guidelines Policies and Procedures.

- The motion carried with 9 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Simon, and Wood) 0 No, and 0 Abstention.
2. Discussion and Possible Motion to Recommend that the Board Approve an Additional Investment of up to \$50 million in PRISA III, as part of ACERA's Real Estate Portfolio – Value Added, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
- Staff introduced the PRISA III manager (Manager) and confirmed its recommendation for an additional \$50 million investment in PRISA III (Fund). This top-up lifts ACERA's total Fund commitment to approximately \$98 million, above the Board-approved threshold for Staff delegated authority, thus requiring action from the Board. Staff also stated that the Manager is in good standing within the ACERA Real Estate – Value Added portfolio.
 - The Manager described their portfolio's pipeline, while also highlighting potential headwinds and tailwinds relative to portfolio sectoral and geographical allocations (for this U.S. focused manager).
 - Trustees and PRISA III representatives had a robust discussion which included: an assessment of the government intervention landscape within the U.S.; an evaluation of current and potential headline risk, e.g., PRISA's working relationship with unions; and an analysis of the PRISA III investment strategy, specifically optimal exit strategies during various inflationary regimes.
 - After further discussion, Trustee Gamble moved, seconded by Trustee Godfrey, to recommend that the Board Approve an Additional Investment of up to \$50 million in PRISA III, as part of ACERA's Real Estate Portfolio – Value Added, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - The motion carried with 9 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Simon, 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

There are no information items

TRUSTEE REMARKS:

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, June 8, 2022

ADJOURNMENT

The meeting ended at 11:14 a.m.