



## MINUTES OF THE OCTOBER 4, 2023, INVESTMENT COMMITTEE MEETING

To: Members of the Board of Retirement  
From: Tarrell Gamble – Chair  
Subject: Summary of October 4, 2023 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, October 4, 2023 at 10:46 a.m. The Committee members present were, Ophelia Basgal (via zoom), Tarrell Gamble, Jaime Godfrey (via zoom), Henry Levy, Elizabeth Rogers, Kellie Simon, and George Wood. Also present were Alternate Retired Member Cynthia Baron and Alternate Safety Member Kevin Bryant. ACERA Senior Managers and Presenting Staff present were, David Nelsen – Chief Executive Officer, Lisa Johnson – Assistant Chief Executive Officer (via zoom), Jeff Rieger – Chief Counsel, Harsh Jadhav – Chief of Internal Audit, Betty Tse – Chief Investment Officer, Serafin Lim – Investment Operations Officer, Clint Kuboyama – Investment Officer, John Ta – Investment Officer, Julius Cuaresma – Investment Analyst, Noe Reynoso – Investment Analyst, Agnes Ducanes – Administrative Specialist II (via zoom), and Daniel Morales – Administrative Support Specialist.

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

1. Performance Review of the Total Fund and Public Assets including Fixed Income as of June 30, 2023
  - For the 6-month period ending 06/30/2023, ACERA’s Total Fund returned 7.40% net, compared to the Policy Index return of 6.67%. For the year ending 06/30/2023, the Total Fund returned 7.59% net compared to the Policy Index of 7.33%. The Total Fund’s net results ranked in the 30<sup>th</sup> and 56<sup>th</sup> percentile for the semi-annual and 1-year periods, respectively.
  - Specific to equities, the U.S. Equity asset class returned 15.67% net (vs. its benchmark return of 16.17%) and 18.74% net (vs. its benchmark return of 18.95%) for the 6-month and 1-year periods ending 06/30/2023, respectively. The International Equity asset class returned 11.05% net (vs. its benchmark 9.48%) and 13.11% net (vs. its benchmark 13.08%) for the 6-month and 1-year periods ending 06/30/2023, respectively.
  - Staff also provided a status update on the February/April 2023 Board-approved Modified International Equity Structure and Phased Transition Implementation Plan. This discussion involved the International Equity portfolio’s more recent positioning relative to the Board-approved targets.

- Specific to Fixed Income, the asset class return was 2.93% net (vs. its benchmark return of 2.34%) and 0.60% net (vs. its benchmark return of -0.20%) for the 6-month and 1-year periods ending 06/30/2023, respectively.

## 2. Private Markets Environment Update as of June 30, 2023

- Verus reviewed the performance of the Absolute Return asset class. As of 3/31/23, the asset class produced 1-, 3-, and 5-year annualized returns of 4.2%, 10.2%, and 3.5%, respectively, beating its benchmark returns of -1.9%, 7.2%, and 3.1% over these time periods, respectively.
- Verus reviewed the performance of the Private Equity funds in the ACERA Portfolio with vintage years 2008 – 2020. Between 2008 and 2022, these funds, on a money-weighted-return (“MWR”) basis, produced a 16.1% return. This return exceeded the Refinitiv C/A Pooled MWR by 3.2%, the MSCI World Public Market Equivalent (“PME”) by 5.0% and the Russell 3000 PME by 3.4% over the 2008-2022 period.
- The current environment for private equity, private credit, and real assets were discussed including the sub-classes within each asset class that Verus viewed as unattractive, neutral, and attractive. The outlook for private equity and private credit returns was also discussed, as well as the potential to capture commodity mining returns as the energy transition from fossil fuels to clean energy evolves.

## 3. Real Estate Market Update

- Callan reviewed the current state of the U.S. Private Real Estate Market, which is in a correction after many years of growth. For the year ending June 30, 2023, the ACERA portfolio returned -9.67%, beating the benchmark return of -10.73%. Callan discussed current market trends as well as the fundamentals of each real estate sub-sector. Staff and Callan also discussed the current state of the Oakland commercial real estate market as well as the ACERA office building at 475 14<sup>th</sup> Street, Oakland. Staff and Callan believe that favorable investment opportunities exist within the current market environment, in light of the cyclical nature of the real estate market.

4. General Investment Consultant Transition Plan

- Staff informed the Committee that an onsite visit to NEPC's San Francisco office is scheduled for October 6, 2023, as one of the Investment Due Diligence steps. The site visit will include a review of NEPC's most recent Financial Statements. The ACERA Legal Department has commenced its legal due diligence.
- ACERA's timely transition to NEPC is a very high priority for the Board and Staff. Staff will monitor the progress of all relevant due diligence processes and will report any material issues to the Investment Committee as appropriate.

5. New Court Ruling ESG

- Legal Staff gave an update on recent legal developments surrounding Environmental, Social, and Governance (ESG).

6. Introduction of ACERA Investment Staff

- Investment Staff provided brief introduction of themselves and their professional experiences.

**PUBLIC INPUT:**

None

**FUTURE DISCUSSION ITEMS**

None

**ESTABLISHMENT OF NEXT MEETING DATE**

Wednesday, November 1, 2023

**ADJOURNMENT**

The meeting ended at 12:38 p.m.