



October 14, 2020 INVESTMENT COMMITTEE MEETING MINUTES

(This meeting was conducted via teleconference with video)

To: Members of the Board of Retirement
From: Elizabeth Rogers - Chair
Subject: Summary of October 14, 2020 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, October 14, 2020 at 9:30 a.m. The Committee members present were Dale Amaral, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, Elizabeth Rogers, and George Wood. Also present were Alternate Retired Member, Nancy Reilly and Alternate Safety Member Darryl Walker. Members of the Staff present were David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Vijay Jagar – Chief Technology Officer, and Harsh Jadhav – Chief of Internal Audit.

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
 - Representatives from UBS Trumbull shared with the Committee their understanding of the current status of labor negotiations between the Baltimore Marriott and Unite Here. Although UBS is not involved directly in these labor negotiations, it has kept informed and has encouraged Marriott to resolve its labor dispute with Unite Here. Due to the Covid-19 pandemic, the Marriott was closed from the end of April 2020 to the beginning of July 2020. Negotiations, while affected by this shutdown, continue to move forward.

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

1. Discussion and Possible Motion to Recommend that the Board to Adopt an up to \$30 million investment in EQT Infrastructure V as part of ACERA’s Real Assets Portfolio – Infrastructure
 - Staff and Verus discussed the EQT Infrastructure V (the “Fund”) investment, its rationale, characteristics, and place in ACERA’s Real Assets Portfolio.
 - EQT representatives discussed EQT’s organizational values, employee diversity, diversity initiatives, and focus on sustainability. The representatives also communicated the Fund’s investment strategy, process, and expected sector focus, and described examples of previous EQT infrastructure investments.

- After further discussion, Trustee Godfrey moved, seconded by Trustee Carson, to recommend that the Board approve an up to \$30 million Investment in EQT Infrastructure V as part of ACERA's Real Assets Portfolio, pending completion of legal and investment due diligence and successful contract negotiations.
 - The motion carried with 8 Yes (Amaral, Carson, Gamble, Godfrey, Koppenhaver, Levy, Rogers, and Wood) 0 No, and 0 Abstention.
2. Discussion of and Possible Motion to Recommend that the Board to Adopt a Change to ACERA's International Equity Manager Structure
- Staff and Verus representatives provided the Committee with a follow-up recommendation to the recent September 2020 ICM Information Item discussion on the same subject. The recommendation sought to remove the factor-based, quantitative allocation and focus on active and/or passive investing. The Verus presentation looked at Allocation Risk and Manager Risk primarily through the lens of tracking error. The factor-based quantitative mandate was initiated in 2007; however, in 2018 ACERA adopted the passive international equity index.
 - Staff and Verus recommended Alternative #2, which removes the factor-based allocation, redistributes the assets to current active and passive managers, and rebalances the ACERA International Equity Asset Class. The new manager structure will allocate 25% to the passive international equity index, 25% to the large cap growth manager, 25% to the large cap value manager, 10% to emerging equity manager, 10% to developed small cap, and 5% to the emerging investment managers international core accounts.
 - After further discussion, Trustee Koppenhaver moved, seconded by Trustee Godfrey, to recommend that the Board adopt the new international equity manager structure as set forth in recommended Alternative #2.
 - The motion carried with 7 Yes (Amaral, Carson, Gamble, Godfrey, Koppenhaver, Levy, and Rogers) 0 No, and 0 Abstention.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, November 4, 2020 at 9:30 a.m.

ADJOURNMENT

The meeting ended at 11:20 a.m.