



MINUTES OF THE DECEMBER 9, 2020 INVESTMENT COMMITTEE'S MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

To: Members of the Board of Retirement
From: Tarrell Gamble - Vice Chair
Subject: Summary of December 9, 2020 Investment Committee Meeting

The Investment Committee ("Committee") met on Wednesday, December 9, 2020 at 9:31 a.m. The Committee members present were Dale Amaral, Ophelia Basgal, Keith Carson, Tarrell Gamble, Jaime Godfrey, Liz Koppenhaver, Henry Levy, 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 a New Real Assets Structure, Approve Related Amendments to the Real Assets Policy, and Adopt the 2020 – 2026 Real Assets Investment Plan
 - Staff and Verus provided an overview of the new proposed Real Assets structure, recommended amendments to the Real Assets Policy, and proposed the 2020 – 2026 Real Assets Investment Plan. The outlook for inflation and commodities and the rationale for including a 5% allocation in the new structure to commodities were also discussed.
 - After further discussion, Trustee Koppenhaver moved, seconded by Trustee Godfrey, to recommend that the Board adopt a new Real Assets Structure, approve related amendments to the Real Assets Policy, and adopt the 2020 – 2026 Real Assets Investment Plan.
 - The motion carried with 9 Yes (Amaral, Basgal, Carson, Gamble, Godfrey, Koppenhaver, Levy, Walker, and Wood) 0 No, and 0 Abstention.
2. Discussion of and Possible Motion to Recommend to the Board to Adopt the 2021 – 2023 Private Equity Investment Plan
 - Representatives from Verus discussed the 2021-2023 Private Equity Investment Plan. The sub-asset class weightings to Buyouts, Venture Capital, and Debt-Related Special Situations were also discussed in conjunction with the current market environment for Private Equity.

- After further discussion, Trustee Godfrey moved, seconded by Trustee Basgal, to recommend that the Board adopt the 2021 – 2023 Private Equity Investment Plan.
- The motion carried with 9 Yes (Amaral, Basgal, Carson, 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

1. Semiannual Performance Review for the Period Ending September 30, 2020 – Equities and Fixed Income
 - For the 6-month period ending 9/30/2020, ACERA's Total Fund returned 18.31% net, compared to the Policy Index return of 17.64%. For the year ending 9/30/2020, the Total Fund returned 6.48% net compared to the Policy Index of 6.81%. The Total Fund's results ranked in the 18th and 43rd percentile for the semi-annual and one year periods, respectively.
 - Specific to equities, the U.S. Equity asset class was up net 33.56% and 13.96% for the 6 month and 1-year periods ending 9/30/2020, respectively. The International Equity asset class was up net 29.13% and 7.72% for 6 month and 1-year periods ending 9/30/2020, respectively.
 - Specific to Fixed Income, the asset class was up net 10.26% and 9.05% for the 6 month and 1-year periods ending 9/30/2020, respectively.
 - As of 9/30/2020, the market value of the Total Fund was \$8,682,251,317
2. Semiannual Performance Review for the Period Ending September 30, 2020 – Absolute Return
 - No presentation was made for this item.
 - As of September 30, 2020, the Absolute Return Portfolio had a total market value of \$631.7 million, representing 7.3% of ACERA's Total Fund (class target is 9.0%). For the six-month period ending 09/30/20, the Absolute Return Portfolio returned 2.51% versus the HFRI Fund of Funds Composite Benchmark return of 12.44%. For the one-year period ending 09/30/20, ACERA's Absolute Return Portfolio returned -7.48% versus the HFRI Fund of Funds Composite Index Benchmark return of 5.72%.
3. Semiannual Performance Review for the Period Ending June 30 2020 – Private Equity
 - Verus provided a brief overview of the Private Equity Program through 06/30/20. As of 06/30/20, the Private Equity Portfolio had a total market value of \$633.2 million which represented 7.7% of the Total Fund in comparison to its 8.0% asset class target. For the one-year period ending 06/30/20, the Private Equity Portfolio returned a net IRR of 1.47%

vs the Thomson Reuters C|A Global All Private Equity Benchmark net IRR of 5.28%. For the three-year period ending 06/30/20, ACERA's Private Equity Portfolio returned a net IRR of 9.80% vs. the same Benchmark which returned a net IRR of 11.63%.

4. Semiannual Performance Review for the Period Ending June 30, 2020 – Private Credit

- No presentation was made for this item.
- As of June 30, 2020, the Private Credit Portfolio had a total market value of \$39.1 million which represented 0.5% of the Total Fund (class target is 4.0%). Since the Private Credit Portfolio's inception through June 30, 2020, the Portfolio's net IRR was -2.03%, 115 basis points above the same cash flows invested in the S&P LSTA US Leveraged Loan Index of -3.18%.

5. Semiannual Performance Review for the Period Ending June 30, 2020 – Real Assets

- No presentation was made for this item.
- As June 30, 2020, the Real Assets Asset Class had a total market value of \$400.0 million, representing about 4.9% of ACERA's Total Fund (class target is 5.0%). For the one-year period ending 06/30/20, the Real Assets Portfolio returned -11.38% versus its blended benchmark (50% S&P Global LargeMidCap Commodity and Resources Index/35% S&P Global Infrastructure Index/15% Bloomberg Commodity Index) return of -15.80%. For the three-year period ending 06/30/20, ACERA's Real Assets Portfolio returned -5.97% versus its blended benchmark return of -1.05%.

6. Semiannual Performance Review for the Period Ending September 30, 2020 – Real Estate

- Callan presented the Semi-annual Portfolio Measurement Report for ACERA's Real Estate portfolio as of 9/30/2020. For the last 6-months, ACERA's Real Estate portfolio had a return of -0.54%, outperforming the NFI-ODCE benchmark return of -1.49%.
- For the trailing 1-year period, ACERA's Real Estate portfolio had a net return of 1.60% outperforming the NFI-ODCE benchmark return of 0.52%.
- For the trailing 3-year period, ACERA's Real Estate portfolio had a net return of 5.66%, outperforming the benchmark return of 4.25%.
- For the year ending 9/30/2020, ACERA's Real Estate portfolio is valued at \$ 608.132 million, representing 7.0% of the Total Fund. The Real Estate Market Value and Unfunded Commitment \$681.05 million, representing 7.84%.

7. CA Gov. Code § 7514.7 Alternative Investment Vehicles Information Report

- Staff presented its annual CA Gov. Code § 7514.7 Alternative Investment Vehicles Information Report to the Investment Committee.

TRUSTEE/PUBLIC INPUT

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, January 13, 2021 at 9:30 a.m.

Adjournment into Closed Session

1. Consider the Purchase or Sale of a Particular, Specific Pension Fund Investments (CA Gov. Code § 54956.81)

Reconvene into Open Session to Report on Action Taken in Closed Session

The Committee reconvened into open session at 12:35 p.m. and announced that no reportable action was taken.

ADJOURNMENT

The meeting ended at 12:38 p.m.