



**Alameda County Employees' Retirement Association
BOARD OF RETIREMENT**

INVESTMENT COMMITTEE/BOARD MEETING

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

**Wednesday, October 2, 2024
10:30 a.m.**

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
<p>ACERA C.G. "BUD" QUIST BOARD ROOM 475 14TH STREET, 10TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574</p> <p>The public can observe the meeting and offer public comment by using the below Webinar ID and Passcode after clicking on the below link or calling the below call-in number.</p> <p>Link: https://zoom.us/join Call-In: 1 (669) 900-6833 US Webinar ID: 879 6337 8479 Passcode: 699406 For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193</p>	JAIME GODFREY CHAIR	APPOINTED
	GEORGE WOOD VICE CHAIR	ELECTED GENERAL
	ROSS CLIPPINGER	ELECTED SAFETY
	OPHELIA BASGAL	APPOINTED
	KEITH CARSON	APPOINTED
	TARRELL GAMBLE	APPOINTED
	ELIZABETH ROGERS	ELECTED RETIRED
	HENRY LEVY	TREASURER
	KELLIE SIMON	ELECTED GENERAL
	CYNTHIA BARON	ALTERNATE RETIRED¹
KEVIN BRYANT	ALTERNATE SAFETY²	

¹ The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

² The Alternate Safety Member votes in the absence of the Elected Safety, either of the two Elected General Members, or both the Retired and Alternate Retired members.

Note regarding accommodations: If you require a reasonable modification or accommodation for a disability, please contact ACERA between 9:00 a.m. and 5:00 p.m. at least 72 hours before the meeting at accommodation@acera.org or at 510-628-3000.

Public comments are limited to four (4) minutes per person in total. The order of items on the agenda is subject to change without notice.

Board and Committee agendas and minutes and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure) are posted online at www.acera.org and also may be inspected at 475 14th Street, 10th Floor, Oakland, CA 94612-1916.

INVESTMENT COMMITTEE/BOARD MEETING

NOTICE and AGENDA Wednesday, October 2, 2024

Call to Order: 10:30 a.m.

Roll Call

Public Input (The Chair allows public input on each agenda item at the time the item is discussed)

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

1. Discussion of and Possible Motion that the Board Approve the Amended Private Credit Policy

10:30 – 11:00

Sam Austin, NEPC
Rose Dean, NEPC
Clint Kuboyama, ACERA
Betty Tse, ACERA

2. Discussion of and Possible Motion that the Board Approve the 2024 Private Credit Investment Plan

11:00 – 11:30

Sam Austin, NEPC
Rose Dean, NEPC
Clint Kuboyama, ACERA
Betty Tse, ACERA

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

1. Results of the Investment Committee Packet Trustee Survey

11:30 – 12:00

Sam Austin, NEPC
Michael Fara, ACERA
Betty Tse, ACERA

Trustee Remarks

Future Discussion Items

None

Establishment of Next Meeting Date

November 6, 2024, at 10:30 a.m.



TO: Members of the Investment Committee
FROM: Clint Kuboyama, Senior Investment Officer *Clint Kuboyama*
DATE: October 2, 2024
SUBJECT: Discussion of and Possible Motion that the Board Approve the Amended Private Credit Policy

Recommendation:

Approve the amended Private Credit Policy.

Background:

At the August 7, 2024 Investment Committee (“IC”) meeting, Staff and NEPC presented an Information Item that reviewed planned changes to the Private Credit (“PC”) asset class, as well as the related proposed amendments to the PC Policy. The planned changes to the asset class included: 1) the creation of a more diversified PC asset class; 2) a change in the PC asset class’ benchmark; 3) an increase in target weighting to the PC asset class from 4% to 6.8% resulting from the Board’s July 18, 2024 approval of “Mix C” for the Total Fund’s asset allocation; and 4) the addition of sub-class targets to reflect the asset class’ increased diversification. In addition to the related policy amendments necessary to enact the asset-class changes, Staff and NEPC also proposed other amendments including: 5) updating the delegated authority limits and; 6) expanding delegated authority to include continuation funds related to existing, private funds at the end of their terms. As part of this Information Item, Staff and NEPC provided a redline of the existing PC Policy to reflect the proposed amendments. The IC did not express any concerns related to the proposed asset-class and policy changes and expressed its comfort with Staff and NEPC bringing these proposals back for approval at an ensuing meeting. Accordingly, Staff and NEPC are now seeking approval for the same PC asset class changes and amendments to the PC Policy first outlined at the August 7, 2024 IC meeting.

Discussion/Proposed PC Asset Class & Policy Amendment Highlights:

Below are descriptions of the major changes to the PC asset class and Policy. A redline of the existing policy that reflects these changes is attached as Attachment #1. Compared to the policy redline provided to the IC at the August 7, 2024 meeting, there have been six additional changes that are highlighted in yellow in Attachment #1. Outside of these changes, the attached policy redline is identical to the policy redline provided at the August 7, 2024 meeting.

- 1. *Creation of a More Diversified PC Asset Class:*** Historically, ACERA has had PC investments in two areas in the Total Fund: 1) the Debt-Related/Special Situations (“DRSS”) sub-class in the Private Equity asset class, which has included higher octane PC investment types such as opportunistic and distressed credit; and 2) the legacy PC asset class, which has included lower-unlevered-return, direct-lending investments. By combining the PC investments in these two areas of the Total Fund, ACERA would create a more diversified PC asset class with PC investments that fall under three general PC investment categories – Direct Lending, Opportunistic Credit, and Distressed Credit. To reflect the increase in PC investment types in the more diversified PC asset class, Section IV (“TYPES OF PRIVATE CREDIT INVESTMENTS”) of the PC Policy is amended to include this expansive set of investments. In addition, Section VII (“SPECIFIC GUIDELINES FOR PRIVATE CREDIT PORTFOLIO”) of the PC Policy is also amended to include descriptions of the three general PC investment types (Sections VII-A, -B, and -C). (Please note that Sections VII-A, -B, and -C have been moved within Section VII in the updated policy redline.)
- 2. *Updated Benchmark:*** The updated benchmark of the PC asset class does not deviate too much from the existing benchmark. The new benchmark is amended to be the Morningstar LSTA U.S. Leverage Loan

Index plus 200 basis points. This index is a market-value-weighted index of 1,346 leveraged loans¹ representing \$1.3 trillion in loan market value that, as of 8/31/24, produced a 10-year annualized return of 4.7%. (4.7% return plus the 200 basis point adder approximates a 6.7% 10-year, annualized return for the benchmark.) By comparison, the existing PC asset class benchmark is the Morningstar LSTA U.S. Leveraged Loan 100 Index plus 175 basis points. This index is also a market-value-weighted benchmark but is limited to the largest 100 leveraged loans (with a 2% maximum weighting to each loan). As of 8/31/24, this index represented \$327.9 billion in loan market value and produced a 10-year, 4.3% annualized return. (4.3% return plus 175 basis points approximates a 6.1% 10-year, annualized return for this benchmark.) Leveraged loan benchmarks have been and are proposed to be used for the PC asset class because they are similar in credit risk to many of the types of private credit investments contained in this asset class. When using these indices as the base return of the benchmark, a numeric adder (i.e., 175 basis points or 200 basis points) is added to the benchmark to represent the additional return investors should expect due to the illiquidity of private credit investments compared to the more liquid leveraged loans. The slight uptick in historical return of the proposed benchmark relative to the existing one (i.e., 6.7% approximate annualized return versus 6.1%) is due to the higher expected return from the higher risk opportunistic and distressed investments in the more diversified PC asset class. The amended benchmark can be found in Sections V (“STRATEGIC OBJECTIVE OF THE PRIVATE CREDIT PORTFOLIO”), VI (“STRATEGIC ALLOCATION TO PRIVATE CREDIT”), and VII (“SPECIFIC GUIDELINES FOR PRIVATE CREDIT PORTFOLIO”).

3. ***New 6.8% PC Asset Class Target Weighting:*** Following the Board’s decision to adopt the “Mix C” asset allocation for the Total Fund on July 18, 2024, the new target weighting for the PC asset class is 6.8%. The PC Policy is amended to include this increase in target weighting and the allowable ranges for the asset class are widened to $\pm 3\%$ of the 6.8% target. This compares to $\pm 1\%$ range previously for the 4% previous target. The amended range was widened to account for potential changes in the Total Fund’s value (and the corresponding potential change in the PC asset class’ weighting in the Total Fund) and to accommodate variability in investment pacing and realizations. These amendments are in Section VI (“STRATEGIC ALLOCATION TO PRIVATE CREDIT”) and across the amended policy when needed.
4. ***Sub-Class Targets:*** Sub-Class targets are also added to the PC Policy to reflect the multiple categories of PC investments in the new PC asset class, as well as their desired weightings/weightings ranges. The sub-class targets are 50% Direct Lending / 50% Opportunistic and Distressed Credit. The ranges for the Direct Lending and Opportunistic and Distressed Credit targets are $\pm 20\%$ of their 50% target weightings to provide the flexibility to opportunistically over- and under-weight these sub-classes. These additions are in Section VI (“STRATEGIC ALLOCATION TO PRIVATE CREDIT”).
5. ***Delegated Authority:*** Delegated authority amounts in Section VIII-C (“ROLES AND RESPONSIBILITIES-Staff”) are also amended to reflect a higher target weighting to the PC asset class (6.8% versus 4.0%), a higher value of the Total Fund now compared to when the PC Policy was incepted (\$11.8 billion as of 6/30/24 versus \$8.4 billion as of 6/30/19), and adjusted to allow for the continued investment in large allocations to direct lending investments (current average allocation is \$75.8 million). The amended maximum percentage for investments with new managers is 10% (versus 20% currently) of the PC asset class target while the amended maximum percentage for the combined commitments (i.e., existing commitments and new commitment under delegated authority) for managers in good standing for re-ups under delegated authority is amended to 25% (versus 40% currently). Based on a Total Fund value of \$11.8 billion and a 6.8% target weighting for the PC asset class, 10% equals an \$80.2 million limit for

¹ Leveraged loans are loans that are originated by a bank, typically syndicated across numerous investors, priced and can trade daily, and are usually made to sub-investment-grade borrowers with the proceeds from the loans often used for leveraged buyouts.

new investment proposals and 25% equals \$200.6 million for total commitments to an existing manager under a re-up, delegated authority investment.

6. ***Continuation Funds Related to Existing Funds:*** The offering of continuation funds related to private funds that are late in their fund life is increasing. In these situations, the general partner or investment manager managing a private fund that is getting close to the end of its term (i.e. 7 – 10 years for PC funds) offers limited partners in the private fund the option to: 1) receive liquidity (cash), usually immediately and at a discount to net asset value, for its interest in the fund; 2) roll its interest in the fund into a continuation fund that extends the runway for investment realizations for several years and typically under investor-friendly management-fee and general partner carried interest terms (i.e., no management fee and no carried interest); or 3) a combination of #1 and #2. These continuation vehicles can involve transferring into the continuation fund a single asset in the existing fund’s portfolio or the existing fund’s entire portfolio. Investors can have a short timeline (i.e., 10-20 business days) to make a decision. Because of this truncated timeline it is likely that there isn’t enough time to complete investment and legal diligence on the continuation vehicle (and liquidity option) along a timeline that would accommodate the regularly scheduled IC and Board Meetings before a decision is due. As a result, language in the PC Policy is added to give Staff the authority to make the decision on continuation vehicles related to existing investments, provided the decision is in-line with the consultant’s recommendation and following sufficient due diligence by Staff and Consultant per the PC Policy. These amendments to the PC Policy are found in Section VIII-C (“ROLES AND RESPONSIBILITIES-Staff”) and Section VIII-D (“ROLES AND RESPONSIBILITIES-Consultant”).

Conclusion:

In order to implement a more diversified PC asset class, which combines the PC investments in the DRSS sub-class in the Private Equity asset class with the legacy PC asset class investments, and higher target weighting to the PC asset class in the Total Fund, as well as other PC Policy amendments described above and shown in Attachment #1, Staff and NEPC recommend the approval of the amended PC Policy.

Attachment:

- #1 Redlined ACERA Private Credit Policy, prepared by Staff and NEPC

**Alameda County Employees'
Retirement Association**

ACERA

PRIVATE CREDIT POLICY

TBD July 18, 2019

ACERA PRIVATE CREDIT POLICY

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I. SCOPE

This Private Credit Policy (“Private Credit Policy” or “Policy”) governs all investments in the Private Credit asset class made by Alameda County Employees’ Retirement Association (“ACERA”). Established on July 10, 2019, the Private Credit Policy is subject to all provisions of applicable law and the applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. If there is any conflict between this Private Credit Policy and ACERA’s General Investment Guidelines, Policies and Procedures pertaining to investments in the Private Credit asset class, the Private Credit Policy prevails. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this Private Credit Policy at any time.

II. PURPOSE

The purpose of this Policy is to 1) set forth the private credit policies and guidelines which are deemed to be appropriate and prudent; 2) establish criteria against which private credit investment opportunities are to be measured; and 3) serve as a review document to guide the ongoing oversight of ACERA’s Private Credit Portfolio (“Private Credit Portfolio”) on a consistent basis. The Policy also defines roles and responsibilities of the Board, the ACERA Investment Committee (“Investment Committee”), the ACERA Staff (“Staff”), the ACERA Private Credit Consultant (“Consultant”), and the Private Credit Investment Managers hired by ACERA to manage its assets (“Investment Managers”).

It is expected that this Policy will be a living document and that changes will be made from time-to-time to reflect experience, evolving investment products and opportunities, and changes in the economic and capital market environment.

III. LEGAL AUTHORITY

This Private Credit Policy is established in accordance with Article XVI, Section 17 of the California Constitution and California Government Code sections 31594 and 31595, which establish the exclusive authority and fiduciary responsibility of the Board for the investment and administration of the ACERA Trust Fund (“Fund”).

IV. TYPES OF PRIVATE CREDIT INVESTMENTS

For purpose of this Policy, Private Credit investments may include, but not be limited to, Direct Lending investments, including performing, senior-secured, first-lien, second-lien, and unitranche corporate loans. ~~performing senior corporate loans generally, but not always, secured by first and second liens against assets of the company~~ Private Credit investments also include Opportunistic Credit investments including performing and non-performing public and private debt, senior and subordinated loans, preferred- and common-equity securities, structured products (i.e., collateralized debt obligations, collateralized loan obligations), asset-based loans secured by hard assets or a pool of hard assets, consumer and commercial specialty finance loans, factoring and receivables, royalties, regulatory capital relief securities, insurance-linked/life settlements, litigation finance, and private equity portfolio finance. Finally, Distressed Credit investments are also included, including distressed or defaulted debt investments that can be made with or without the intention of taking control of the borrower.

Private Credit investments may be denominated in U.S. dollars or other currencies, and levered to provide additional return. ACERA may consider investing in these assets if and only if the vehicles meet all standards pursuant to the Policy.

V. STRATEGIC OBJECTIVE OF THE PRIVATE CREDIT PORTFOLIO

The Board recognizes that when ACERA invests in private investments, the investment performance may be difficult to measure during the first several years of the investments. However, the Private Credit Policy establishes ongoing monitoring and reporting duties for each investment [strategy](#) and for the Private Credit Portfolio as a whole. Specific duties are designed to address these challenges and are described in detail later in this Policy.

The Board believes the Fund's overall returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in Private Credit. The strategic objective of such investments is to: 1) generate returns superior to those available in the public debt markets to compensate the Fund for the long-term and illiquid commitments associated with Private Credit investments; 2) enhance ACERA's long-term risk adjusted return and provide additional diversification to ACERA's overall investment Fund; and 3) generate total Private Credit Portfolio returns [in excess of the Morningstar LSTA U.S. Leveraged Loan Index + 200 basis points per Section VII – Specific Guidelines For Private Credit Portfolio.](#) ~~approximately 175 basis points over the broadly syndicated U.S. debt investments, as measured by the S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan 100 Index¹, net of all fees and expenses over rolling 3-5 years².~~

VI. STRATEGIC ALLOCATION TO PRIVATE CREDIT

The target allocation to the Private Credit asset class, as measured by actual dollars invested and not by dollars committed to underlying Investment Managers or funds, is [6.84%](#) of the Total Fund, within a range of +/-[31%](#) (i.e. between [3.83%](#) to [9.85%](#) of the Total Fund) [and exposure to sub-asset classes as follows:](#)

¹The S&P/LSTA U.S. Leveraged Loan 100 Index reflects the performance of the largest facilities in the leveraged loan market as covered by the S&P/LSTA Leveraged Loan Index ("LLI"). The LLI captures the market weighted performance of U.S. dollar-denominated institutional leveraged loan portfolios. The LLI uses real time market weightings and spreads for the facilities constituting the index. This data is sourced from current investors in these credits. The index uses the Average Bid from LSTA/LPC Mark to Market Pricing for its market value return calculations. Criteria for inclusion: U.S. dollar-denominated term loans from syndicated credits that have a minimum initial term of one year, minimum initial spread of LIBOR+125, and minimum initial size of \$50 million. The index primarily consists of senior secured facilities. However, it does include second lien and unsecured loans if they are broadly held by CLOs and other traditional loan accounts.

²A robust peer-based universe of Private Credit funds covering the target universe does not currently exist. Subject to future review, such peer universe may replace the current Private Credit Portfolio benchmark.

Portfolio	Long-Term Target Allocation	Min./Max. Ranges
Private Credit	6.8%	3.8% to 9.8%
-Direct Lending	50%	30% to 70%
-Opportunistic/Distressed Credit	50%	30% to 70%

Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined herein. While specific investments may incur losses of all or part of the capital invested, it is expected that a diversified Private Credit Portfolio will produce a positive return ~~significantly~~ in excess of the Morningstar LSTA U.S. Leveraged Loan Index + 200 basis points benchmark. ~~publicly traded domestic syndicated leveraged loans.~~

Diversifiable risks associated with this Portfolio include credit risk, seniority in the capital structure risk, sector risk, debt-collateral risk, strategy-type risk, investment manager risk, the timing of investment cash flows, and fund-level leverage. The risks associated with Private Credit investments will be viewed within the context of the entire Fund. ACERA may take on over- and under-weights to the Private Credit asset class and to the Private Credit sub-asset classes to improve its risk/return posture based upon an assessment of the relative attractiveness of all available opportunities. ~~As commitments and investments are expected to be made over time, the Portfolio is expected to reach and maintain its target allocations within 4 years (subject to availability of quality managers).~~

VII. SPECIFIC GUIDELINES FOR PRIVATE CREDIT PORTFOLIO

ACERA will gain exposure to Private Credit investments by hiring external investment managers directly or through participation in secondary Private Credit markets. Typically, the Fund will subscribe as a limited partner to limited partnership vehicles ~~sponsored~~ managed by specialty external investment managers. The performance of the Private Credit Portfolio is benchmarked against the (insert benchmark language) Morningstar LSTA U.S. Leveraged Loan index + 200 basis points, and evaluated over rolling 3- to 5-year periods, with the expectation that the Private Credit Portfolio performance shall be evaluated once majority of the committed capital has been invested .

The Private Credit Portfolio is to be diversified: ~~over 4 years:~~

By sub-asset classes: Among Direct Lending, Opportunistic Credit, and Distressed Credit.

A. Direct Lending Investments

Description: Direct Lending investments are typically performing, floating-rate, senior-secured, first-lien, second-lien or unitranche loans made to corporations owned by a private equity sponsor (i.e., sponsor-backed loan) or to publicly-traded or private corporations not owned by a private equity

sponsor (i.e., non-sponsor-backed loan). These investments can be invested in vehicles that utilize leverage facilities to borrow capital that is invested in addition to the equity capital of the vehicles to increase returns with increased risk as well (i.e., levered vehicles) or in vehicles that do not use leverage to enhance returns (i.e., unlevered vehicles).

ACERA will look to hire external managers with the goal of achieving a diversified exposure across sectors, regions and vintage year.

B. Opportunistic Credit Investments

Description: Opportunistic Credit Investments include a wide variety of investment types as opportunistic credit strategies can have the flexibility to invest in private and public debt, performing and non-performing loans, secured and unsecured loans, senior and subordinated loans, preferred and common equity, structured products, and across markets including corporate, consumer, and real estate and other hard assets. For the purposes of this Policy, strategies that invest in niche markets/investment types are considered Opportunistic Credit Investments. Niche investment types include consumer and commercial specialty finance, factoring and receivables, royalties (i.e., healthcare, music, film, media, and energy and minerals royalties), regulatory capital relief, insurance linked/life settlements, litigation finance, and private equity portfolio finance. Leverage can sometimes be used to enhance the returns of Opportunistic Credit Investments.

ACERA will look to hire external managers with the goal of achieving a diversified exposure across sectors, regions and vintage year.

C. Distressed Credit Investments

Description: Distressed Credit Investments are debt securities purchased at a steep discount to par because the borrower is going through, or has the risk of going through, a debt restructuring or bankruptcy. These investments can be traded and held for relatively short time periods or can be held over longer time periods including through and beyond a restructuring or until the liquidation proceeds of a bankruptcy are paid to the holders of the bankrupt entity's debt. Distressed-for-control investing is a type of distressed investing that involves purchasing distressed debt with the intention of owning a meaningful portion of the distressed entity's equity following a debt restructuring or reorganization bankruptcy. In such a situation, the Distressed Credit Investments can be converted into equity in the entity that emerges from a restructuring or bankruptcy and the holders of the equity will have control of the entity such that business improvements can be made to enhance its value by the time the investment is exited.

ACERA will look to hire external managers with the goal of achieving a diversified exposure across sectors, regions and vintage year.

By vintage year: It is expected that ~~ACERA will commit capital roughly equal amounts of new funding will be committed to the Private Credit Portfolio each year to take advantage of opportunities across vintage year. The commitment amount will vary, with deviations permitted to adjust for changes in the market value of ACERA's plan, and accommodate market opportunities, and to facilitate initial entry into the asset class.~~

~~By Investment Manager: No more than 25% and 20% of the Total Fund's 6.8% target allocation to the Private Credit Portfolio may be committed to one manager and one investment vehicle, respectively. The Private Credit Portfolio is to be diversified across a minimum of three core investment managers.~~

~~By underlying company: Through commitments to funds with diversified portfolios, exposure to a single company is to be less than 10% of the allocation to the Private Credit Portfolio.~~

By geography: As a fallout result of diversified commitments outlined above, it is expected that the Private Credit Portfolio will be generally diversified by exposure to companies in and outside headquartered across the United States.

By industry: As a fallout result of diversified commitments outlined above, it is expected that the Private Credit Portfolio will be generally diversified by sector/industry such that no more than 30% of the Private Credit Portfolio exposure will be in any one sector/industry.

VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's Private Credit Portfolio. The duties and responsibilities of the Board, Investment Committee, Staff, Consultant, and Investment Managers are stated below:

A. Board

The Board shall be responsible for approving the Private Credit Policy that governs the Private Credit Portfolio and approving the annual investment plan of ACERA's Private Credit Portfolio. The Board, with input from the Investment Committee, shall review this Policy to determine whether amendments are necessary. The Board shall also be responsible for reviewing and approving all Private Credit investments with individual commitments exceeding Staff's delegated authority as described in subparagraph C below.

B. Investment Committee

The Investment Committee shall be responsible for the following:

1. Establishing the Policy to govern all investments in the Private Credit asset class;
2. Reviewing the Policy, evaluating proposals for the Policy amendments, if any, and making recommendations for approval by the Board;
3. Reviewing and approving the periodic investment plan of the Private Credit Portfolio; and
4. Reviewing Private Credit investments recommended by Staff and/or Consultant and making recommendations to the Board for adoption.

C. Staff

Staff shall be responsible for oversight of ACERA's Private Credit Portfolio. Staff's responsibilities shall include, but not be limited to, the following:

1. Developing and recommending all necessary changes to the Policy with input from Consultant;
2. Developing and maintaining specific procedures, if necessary, to comply with the approved Private Credit Policy with input from Consultant;
3. Developing the investment plan of ACERA's Private Credit Portfolio and making recommendations to the Committee for adoption with input from Consultant;
4. Delegation³:
 - a. Approving Consultant's Private Credit investment proposals (new proposals) with each individual commitment up to 120% of the target allocation to the total Private Credit Portfolio ~~or \$65 million (whichever is lesser)~~ upon completion of a thorough review and due diligence process with satisfactory results. Staff and Consultant shall provide the Investment Committee all required reports (*See* Appendices I through III).
 - b. Approving Consultant's Private Credit investment proposals for "re-ups" with existing managers with each individual commitment in addition to the existing commitments, up to 4025% of the target allocation to the total Private Credit Portfolio ~~or \$130 million (whichever is lesser)~~ to managers in good standing⁴ upon completion of a thorough review and due diligence process with satisfactory results. Staff and Consultant shall provide the Investment Committee all required reports (*See* Appendices I through III).
 - b.c. When the investment manager or general partner of existing investment vehicles offer related continuation vehicles (aka "continuation funds"), following a thorough evaluation of the investment options related to the continuation vehicle (i.e., subscribing to the continuation vehicle, receiving liquidity, or, in some cases, both), and in alignment with Consultant's recommendation, approving of investment in continuation vehicles or other related options such as receiving liquidity (i.e., receiving cash proceeds for the investments that are to be transferred into the continuation vehicle). ;
5. Through the Investment Products and Services Introduction ("IPSI") program of ACERA and the concurrence of the Consultant, recommend highly qualified Private Credit fund investments to the Investment Committee upon completion of a thorough due diligence process and the requisite reporting listed at Appendix I. (*See* Appendices I through III);
6. Monitoring the Private Credit Portfolio for performance and compliance with the Policy;
7. Monitoring the performance of the underlying Investment Managers and their compliance with a) the investment guidelines as set forth in their respective contracts; b) this Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Conducting comprehensive annual reviews of ACERA's Private Credit Portfolio and the individual investments in the Portfolio;
9. Reporting to the Investment Committee any violations of the Private Credit Policy with appropriate recommendations;
10. Assisting ACERA's legal department in contract negotiations with the selected Investment Managers;

³ Investment manager may not appear before the Investment Committee in circumstances when Staff has exercised its delegated authority.

⁴ An investment manager will be considered to be in good standing if there is sufficient comfort with factors including, but not limited to, its organization, strategy, performance, and compliance.

11. Evaluating Private Credit investment opportunities with Consultant's input on an on-going basis; and
12. Evaluating and making recommendations for retention and termination of Investment Managers.

D. Consultant

The Consultant hired by the Board is a fiduciary to ACERA and its Board. Consultant shall independently and continuously monitor and analyze the performance of ACERA's Private Credit Portfolio and make related recommendations to serve the best interests of the plan participants. Consultant shall assist Staff in developing the Private Credit Policy and recommending all necessary changes to the Policy. In addition, Consultant shall be responsible for:

1. Analyzing the asset allocation of the Private Credit Portfolio by sub-asset classtype, implementation vehicle, geography, industry, and vintage year, and making recommendations for reallocation of assets, as appropriate;
2. Developing an investment plan for ACERA's Private Credit Portfolio every 1 to 3 years;
3. Developing a search strategy for highly qualified Private Credit investments and maintaining a robust database containing information on Investment Managers;
4. Recommending highly qualified Private Credit fund investments to Staff and/or the Investment Committee upon completion of a thorough due diligence process and providing the required reports listed in the Appendix I of this Private Credit Policy to Staff and/or the Investment Committee;
- 4.5. When continuation vehicles are offered related to existing investment vehicles, and following a thorough evaluation of the related investment options, recommending to Staff which investment option is most suitable for the Private Credit Portfolio.
- 5.6. Ongoing monitoring of the investment performance of ACERA's Private Credit Portfolio and individual investments-strategies in the Portfolio;
- 6.7. Conducting ongoing due diligence on Investment Managers, notifying ACERA of any significant developments and adverse events, and providing analysis and advice on such issues;
- 7.8. Ongoing monitoring of Investment Managers' compliance with a) their respective investment guidelines as set forth in their contract; b) this Private Credit Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
- 8.9. Assisting Staff in contract negotiations with the selected Investment Managers;
- 9.10. Submitting performance evaluation reports and conducting comprehensive reviews of the Private Credit Portfolio and individual Investment Managers semi-annually, and when appropriate, quarterly to the Investment Committee;
- 10.11. Making recommendations for retention or termination of Investment Managers;
- 11.12. Attending meetings as needed; and
- 12.13. Performing other duties in accordance with the terms of its contract and applicable State and Federal law.

E. Investment Managers

Investment Managers are fiduciaries and shall prudently manage ACERA's assets in the best interest of ACERA and its members. Investment Managers shall abide by all applicable policies

and procedures established by ACERA, and fully comply with applicable law. Investment Managers shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the Private Credit Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures. Investment Managers shall be responsible for all aspects of portfolio management as set forth in their respective contracts with ACERA. They shall also:

1. Communicate with Staff and/or Consultant promptly regarding investment strategy, investment results, and any non-conforming issues that may have significant and/or negative impact on the portfolio;
2. Cooperate fully with Staff, Consultant, ACERA's custodian, and other ACERA vendors concerning requests for information;
3. Submit reports in a timely manner to Staff and Consultant in accordance with their contract terms; and
4. Attend meetings as needed.

IX. DUE DILIGENCE PROCESS FOR PRIVATE CREDIT INVESTMENT SELECTION

ACERA recognizes that a proper due diligence process is essential to control the risks associated with Private Credit investments and, therefore, hereby establishes the following due diligence processes for both its Consultant and Staff:

A. Consultant

Consultant shall conduct extensive, documented due diligence before making any Private Credit investment recommendations to Staff and the Investment Committee. Consultant shall involvewill work closely with Staff in the due diligence process, as necessary. For those investments recommended to be included in the ACERA Private Credit Portfolio, ~~When appropriate,~~ Consultant's duties shall include, but not be limited to:

1. Assessing the reputation of the individuals who manage the Private Credit investments, consider background checks, internet searches, and in-person meetings or conference calls with these individuals, etc.;
2. Conducting on-site visits to the offices of the Investment Managers;
3. Checking references from other investors that have invested in these Private Credit investments, and, when advisable, from competitors;
4. Determining that the Private Credit investment funds are audited, at least annually, by a reputable and recognized external independent auditing firm;
5. Reviewing Investment Managers investment strategies, policies, operating procedures, and historical performance;
6. Reviewing and understanding the valuation procedures employed by the Investment Managers; and
7. Reviewing and understanding the business terms of all operational documents and other related materials for the Private Credit investments under consideration, including but not limited to offering memoranda, subscription agreements, fund policies, due diligence questionnaires, and Forms ADV, if and as available.

B. Staff

Staff shall ensure that Consultant has conducted extensive, documented due diligence on all Private Credit investment proposals recommended to Staff and the Investment Committee. Staff shall participate in Consultant's due diligence process when appropriate and shall also be responsible for:

1. Reviewing the comprehensive analysis report prepared by Consultant on its recommended Private Credit investments;
2. Verifying the compliance of each recommended Private Credit investment with the Private Credit Policy, the investment plan for ACERA's Private Credit Portfolio and other applicable ACERA investment policies;
3. Discussing all issues related to the recommended Private Credit investments with Consultant and with Investment Managers to gain a thorough understanding of each strategy's return drivers, key terms, investment guidelines, and determine the investment suitability for ACERA's Private Credit Portfolio;
4. Performing independent due diligence regarding the business, economic, and legal aspects of the proposed Private Credit investment and in accordance with the Executive Summary (Appendix II) and the Compliance Checklist (Appendix III).
5. Completing Appendices II and III of this document for each investment proposal;
6. Conducting an on-site due diligence visit to each manager's headquarters office whenever possible; and
7. Arranging presentations of select investment opportunities to the Investment Committee, as applicable.

X. SPECIFIC PERFORMANCE EVALUATION CRITERIA

When appropriate, specific performance evaluation criteria, including but not limited to benchmarks, will be established for Investment Managers in their respective contracts with ACERA.

XI. MONITORING AND REPORTING

Consultant and Staff will closely monitor and analyze the Private Credit Portfolio so that the strategic objective of the Portfolio can be met.

Investment Managers shall submit all reports to Staff, Consultant, ACERA's custodian, and other ACERA vendors in accordance with their respective contracts.

Consultant shall submit all reports to Staff in accordance with its contractual obligations and the Private Credit Policy.

Consultant, in conjunction with Staff, shall perform evaluations of ACERA's Private Credit Portfolio and the underlying Investment Managers semi-annually, in addition to ongoing cooperation with the Staff and when appropriate, quarterly. Consultant shall report the findings to Staff and the Investment Committee.

XII. PRIVATE CREDIT INFORMATION DISCLOSURE POLICY

ACERA is a public agency subject to state laws, -including, without limitation, (a) the California Public Records Act (Cal. Govt. Code § ~~7928.0006250~~, *et seq.*)(the “Public Records Act”), which provides generally that all records relating to a public agency’s business are open to public inspection and copying unless exempted under the Public Records Act, (b) the Ralph M. Brown Act (Cal. Govt. Code § 54950, *et. seq.*)(the “Brown Act”), which provides generally for open meetings for local legislative bodies, and (c) the California Government Code Section 7514.7 (“~~the Fee Disclosure Act~~Cal. Govt. Code § 7514.7”) which provides generally that public pension systems in California obtain and publicly disclose certain information regarding fees, expenses and returns from the alternative investment vehicles in which they invest. *See* Appendix IV for details of the ACERA disclosure policy regarding its Private Credit investments:

XIII. TABLE OF AMENDMENT DATES

No amendments to date.

Appendix I

List of Reports Required for Each Investment Recommendation/Approval

Name of Report	Source
Recommendation/Approval memo	Staff
Recommendation/Approval memo	Consultant
Executive Summary of the Fund	Consultant
Compliance Checklist	Staff
Comprehensive Due Diligence Report (available to Trustees upon request due to confidentiality)	Consultant
Manager Pitchbook	Investment Manager

Note: Staff will provide an abbreviated Executive Summary Report that is available for review upon request by the Trustees.

Appendix II

Executive Summary Report Template

Fund Name

Section I: General Information

Fund Name; Total AUM of the Firm; Current Target Fund Size; Previous Fund Size; Fund Focus; etc.

Section II: Investment Management

Organization Structure; Management Group; Experience; Personnel Turnover; etc.

Section III: Investment Strategy

Investment Philosophy; Investment Strategy; Investment Process; Investment Objective; etc.

Section IV: Risk Management

Risk Control Methodology; Exit Strategy; etc.

Section V: Investment Rationale

Section VI: Investment Concerns

Section VII: Performance (example)

Benchmark:

Returns (%):

Periods Ending Date	YTD	1Year	3Years	5Years	Since Inception
Fund					
Benchmark					
Relative Performance: Account – Benchmark					

Section VIII: Key Terms

Fund Term; Preferred Return; Investment Period; Management Fee; Other Fees; General Partner Carry; GP Commitment; Advisory Board; Clawback; No-Fault Divorce; Key-Person Events; Closing Schedule; Drawdown Schedule; etc.

* List of items to be addressed as appropriate.
Data provided by Name as of Date; ICM Date

Appendix III

Compliance Checklist Template for Private Credit Investment Selection

Target allocation to Private Credit asset class: **6.84%** of the total Fund

A. Private Credit Policy

Fund Name

In Compliance

1. Permissible Legal Structures

Any legally permissible vehicle will be allowed including, but not limited to, joint ventures, limited partnerships, and limited liability corporations.	<i>Specific legal structure.</i>	<i>Yes, No or N/A</i>
--	----------------------------------	-----------------------

2. Investment Methods

Individual limited partnership funds Primary and/or Secondary Separate accounts Discretionary Fund-of-funds Direct investments/Co-Investments Combination of the above	<i>Specific investment methods.</i>	<i>Yes, No or N/A</i>
--	-------------------------------------	-----------------------

3. Investment Characteristics

Private Credit may include performing senior corporate loans generally secured by first and second liens against assets of the company. shall include loans as specified in Section VII of the Private Credit Policy.	<i>Specific investment type.</i>	<i>Yes, No or N/A</i>
	<i>Specific investment characteristics.</i>	<i>Yes, No or N/A</i>
Private Credit may be denominated in U.S. dollars or other currencies.	<i>Specific currency denomination.</i>	<i>Yes, No or N/A</i>

4. Portfolio Diversification

<u>By vintage year:</u> roughly equal amounts of new funding will be committed each year, with deviations permitted.	<i>Specific vintage year.</i>	<i>Yes, No or N/A</i>
<u>By Investment Manager:</u> diversified across a minimum of four three core investment managers.	<i>Specific commitments to the Investment Manager.</i>	<i>Yes, No or N/A</i>
<u>By company:</u> a single company is to be less than 10% of the allocation to the Private Credit Portfolio.	<i>Portfolio diversification.</i>	<i>Yes, No or N/A</i>

<p><u>By geography</u>: commitments to funds investing both in and outside of the U.S.</p>	<p><i>Specific location.</i></p>	<p><i>Yes, No or N/A</i></p>
<p><u>By industry</u>: generally diversified by sector/industry such that no more than 30% of the Private Credit Portfolio exposure will be in be any one sector/industry.</p>	<p><i>Specific sector/industry.</i></p>	<p><i>Yes, No or N/A</i></p>

5. Return Expectation

<p><u>S&PMorningstar</u> / LSTA U.S. Leveraged Loan <u>Index</u> + 200<u>175</u> bps (net of all fees) in aggregate.</p>	<p><i>Specific return target.</i></p>	<p><i>Yes, No, or N/A</i></p>
---	---------------------------------------	-------------------------------

B. Private Credit Investment Plan for YEAR

Approved: DATE

Fund Name

In Compliance

<p>Specific Investment Plan</p>	<p><i>Specific commitment to the Investment Manager.</i></p>	<p><i>Yes, No, or N/A</i></p>
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APPENDIX IV

Details of Disclosure Policy For Private Credit Investments (“PCI”)

1. Upon request, ACERA shall disclose : (i) the name, address and vintage year of each PCI; (ii) the dollar amount of capital committed to each PCI by ACERA since inception; (iii) the dollar amount of cash contributions made to each PCI by ACERA since inception; (iv) the dollar amount of distributions received by ACERA from each PCI on a fiscal yearend basis; (v) the market value of ACERA’s investment in each PCI on a fiscal yearend basis; (vi) each PCI’s net internal rate of return (“IRR”) since inception; (vii) the investment multiple of each PCI since inception; (viii) the dollar amount of total management fees and expenses paid on an annual fiscal yearend basis, by ACERA to each PCI; and (ix) the dollar amount of cash profit received by ACERA from each PCI Fund on a fiscal yearend basis. (*See* Cal. Govt. Code § 7928.710(c)6254.26(b).)

2. ACERA shall disclose at least once annually in a report presented at a meeting open to the public : (i) the fees and expenses that ACERA pays directly to the PCI, the PCI manager or related parties; (ii) ACERA’s pro rata share of fees and expenses not included in (i) that are paid from the PCI to the PCI manager or related parties; (iii) ACERA’s pro rata share of carried interest distributed by the PCI to the PCI manager or related parties; (iv) ACERA’s pro rata share of aggregate fees and expenses paid by all of the portfolio companies held by the PCI to the PCI manager or related parties; (v) the information outlined in Section 1, above, and (vi) the gross and net IRR of the PCI, since inception. (*See* Cal. Govt. Code § 7514.7)

All other records regarding such Private Credit investments shall be exempt from disclosure to the fullest extent permitted under applicable law.

Notwithstanding the preceding, or anything else in this Private Credit Policy, ACERA reserves the right to withhold any record when “on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record.” (*See*, Cal. Govt. Code § 7922.0006255(a)). This weighing process contemplates a case-by-case balancing test between competing public interests based on the facts presented as the statute has been interpreted by the courts.⁵

⁵ *Michaelis, Montanari & Johnson v Superior Court*, 38 Cal.4th 1065, 1071 (2006).



PRIVATE CREDIT INVESTMENT PLAN

ALAMEDA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

OCTOBER 2, 2024

Rose Dean, CFA, Partner



OVERVIEW

- **Each year, NEPC will provide a review of the private markets allocations to determine the commitment budget for the upcoming year.**
 - We consider:
 - existing manager commitments
 - anticipated calls/ distributions
 - adjustments to the target allocation
 - forecasted net growth rate.
 - An annual review provides an opportunity to make adjustments to any of the above factors and assess the program carefully so as to not over-allocate to illiquid investments.
- **The strategy is to maintain an active commitment pace in each vintage year going forward, being mindful of the liquidity needs.**
 - Fund and manager recommendations are made in the context of the existing portfolio along with NEPC's market views.
 - Our goal is to develop a program that will invest in various strategies and achieve returns in excess of public market returns.

PRIVATE CREDIT INVESTMENT PLAN



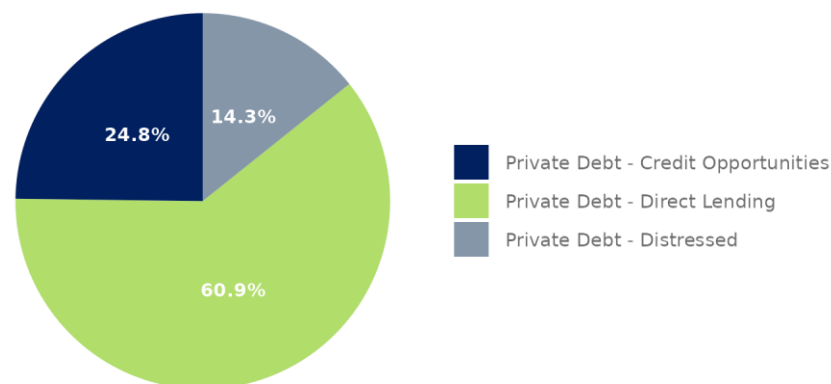
PROPRIETARY & CONFIDENTIAL

SUMMARY

Plan Summary

Total Portfolio Assets (mm)	\$11,762.6
Current NAV %	4.6%
Current Total Exposure %	7.4%
Target Allocation %	6.8%
Ann. Expected Return %	6.4%
Ann. Contributions %	4.5%
Ann. Payouts %	5.8%

Private Markets Exposure



Current Allocations (in millions)

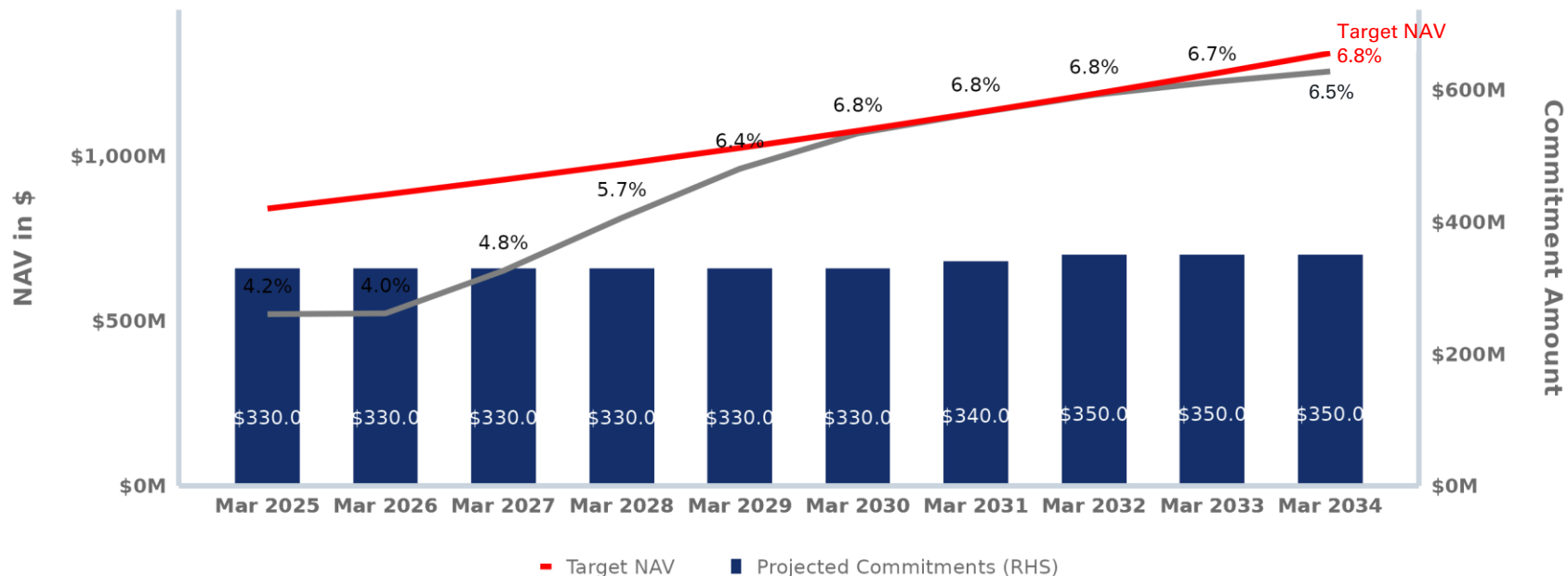
Asset Class	Investment Strategy	Commitment	Unfunded Commitment	NAV	Total Exposure
Private Debt	Private Debt - Credit Opportunities	\$235.3	\$95.6	\$121.1	\$216.7
	Private Debt - Direct Lending	\$541.8	\$182.3	\$351.0	\$533.2
	Private Debt - Distressed	\$162.0	\$52.2	\$72.9	\$125.1
Grand Total		\$939.0	\$330.1	\$545.0	\$875.1

- Total portfolio assets as of 6/30/24.
- Private market valuation data as of 3/31/24.
- Certain funds categorized as private equity in 1Q24 performance report were recategorized as private credit for purposes of this pacing plan.
- Annual expected return based on NEPC capital market assumptions as of 6/30/24.
- Annual contributions and payouts rates reflect the average from the past ten years.



COMMITMENTS & ALLOCATION PROJECTIONS

Private Credit Commitments by Vintage

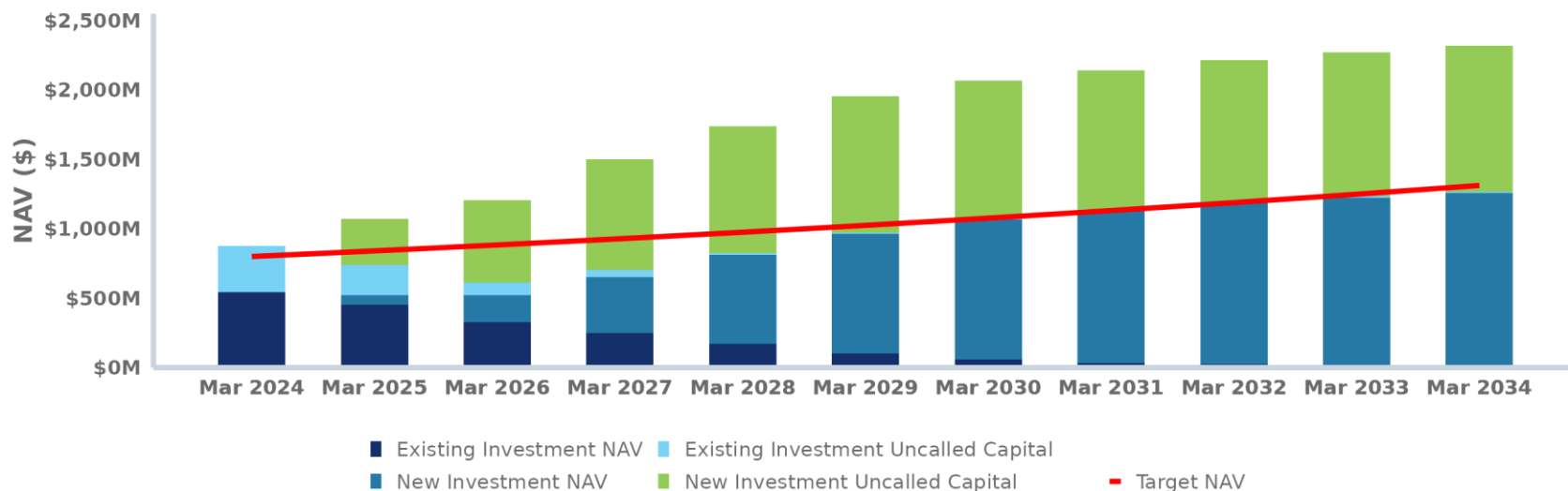


Description	More Certain					Less Certain				
	2025-03-31	2026-03-31	2027-03-31	2028-03-31	2029-03-31	2030-03-31	2031-03-31	2032-03-31	2033-03-31	2034-03-31
Total Commitments (\$M)	\$330.0	\$330.0	\$330.0	\$330.0	\$330.0	\$330.0	\$340.0	\$350.0	\$350.0	\$350.0
Target (%)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Projected NAV / Total Portfolio Assets	4.2%	4.0%	4.8%	5.7%	6.4%	6.8%	6.8%	6.8%	6.7%	6.5%



ASSET PROJECTIONS

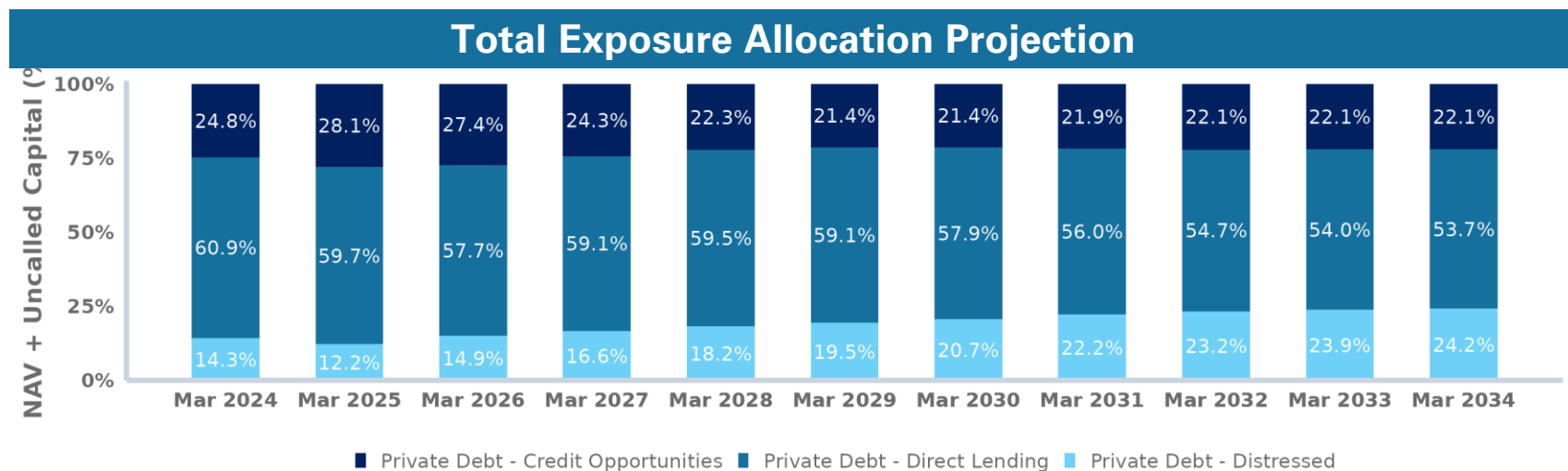
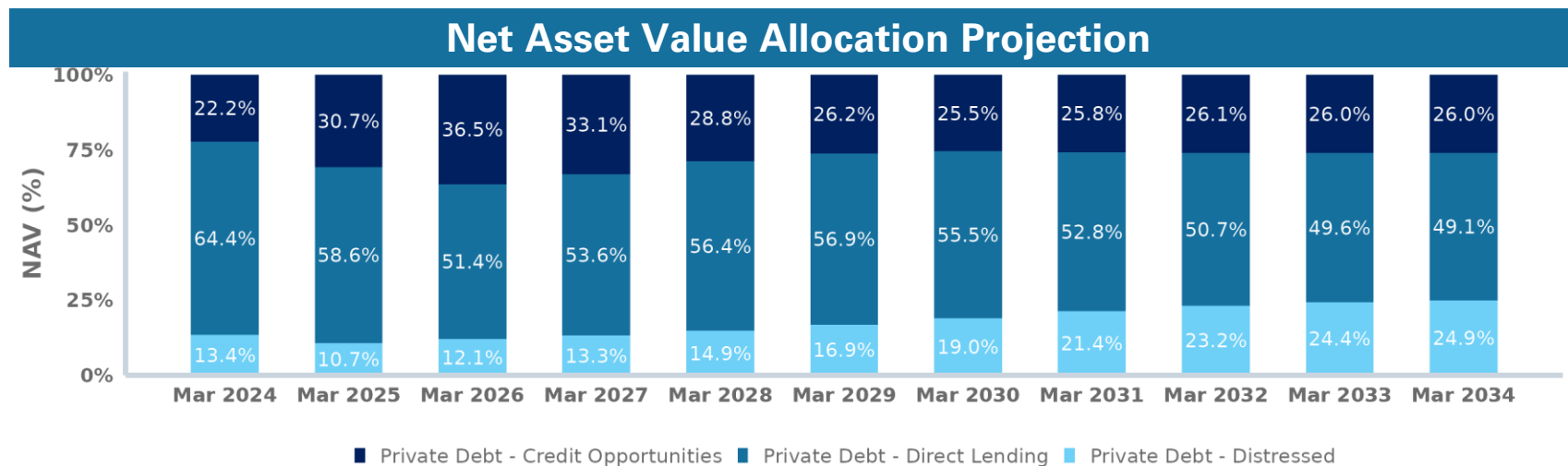
Private Credit Portfolio Projections



Projection Summary

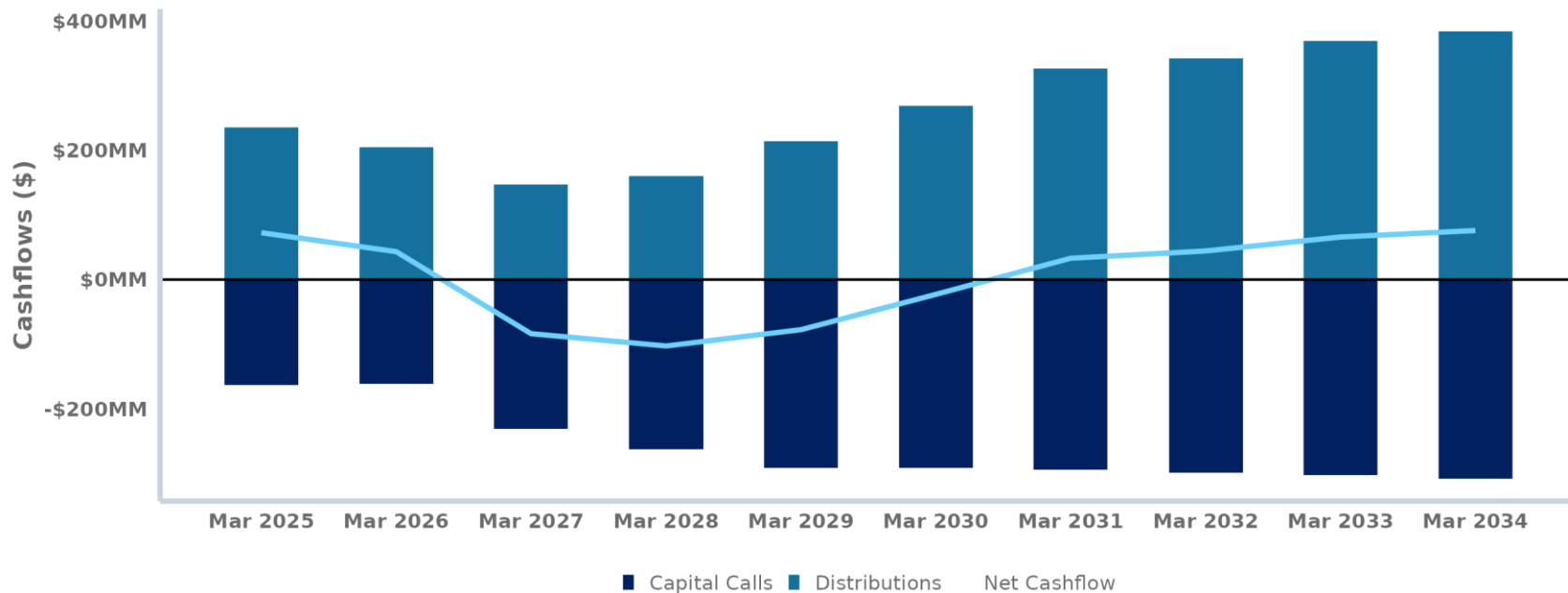
Description	2024-03-31	2025-03-31	2026-03-31	2027-03-31	2028-03-31	2029-03-31	2030-03-31	2031-03-31	2032-03-31	2033-03-31	2034-03-31
Net Asset Value (NAV)	\$545.0	\$520.3	\$522.7	\$652.2	\$812.2	\$961.0	\$1,068.5	\$1,129.7	\$1,185.1	\$1,223.9	\$1,256.2
Uncalled Capital	\$330.1	\$549.6	\$681.0	\$847.7	\$926.2	\$995.3	\$997.7	\$1,010.4	\$1,031.1	\$1,047.6	\$1,060.1
NAV + Uncalled Capital	\$875.1	\$1,070.0	\$1,203.7	\$1,499.9	\$1,738.3	\$1,956.3	\$2,066.2	\$2,140.1	\$2,216.1	\$2,271.5	\$2,316.2
Target NAV	\$799.9	\$840.4	\$883.0	\$927.8	\$974.8	\$1,024.2	\$1,076.2	\$1,130.7	\$1,188.1	\$1,248.3	\$1,311.6
NAV (%)	4.6%	4.2%	4.0%	4.8%	5.7%	6.4%	6.8%	6.8%	6.8%	6.7%	6.5%
NAV + Uncalled Capital (%)	7.4%	8.7%	9.3%	11.0%	12.1%	13.0%	13.1%	12.9%	12.7%	12.4%	12.0%
Target Allocation (%)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%

ALLOCATION PROJECTIONS



CASH FLOW PROJECTIONS

Private Credit Projected Capital Calls & Distributions



Projected Cashflows (in millions)

Description	2025-03-31	2026-03-31	2027-03-31	2028-03-31	2029-03-31	2030-03-31	2031-03-31	2032-03-31	2033-03-31	2034-03-31
Capital Calls	-\$162.9	-\$161.6	-\$231.1	-\$262.9	-\$291.7	-\$291.7	-\$294.0	-\$298.6	-\$303.2	-\$308.3
Distributions	\$235.4	\$204.8	\$147.3	\$160.1	\$214.2	\$268.8	\$327.0	\$342.9	\$369.0	\$384.2
Net Cash Flow	\$72.5	\$43.2	-\$83.8	-\$102.8	-\$77.5	-\$22.9	\$33.0	\$44.3	\$65.9	\$75.9



APPENDIX



APPENDIX

Projection Summary

Description	2024-03-31	2025-03-31	2026-03-31	2027-03-31	2028-03-31	2029-03-31	2030-03-31	2031-03-31	2032-03-31	2033-03-31	2034-03-31
Net Asset Value (NAV)	\$545.0	\$520.3	\$522.7	\$652.2	\$812.2	\$961.0	\$1,068.5	\$1,129.7	\$1,185.1	\$1,223.9	\$1,256.2
Uncalled Capital	\$330.1	\$549.6	\$681.0	\$847.7	\$926.2	\$995.3	\$997.7	\$1,010.4	\$1,031.1	\$1,047.6	\$1,060.1
NAV + Uncalled Capital	\$875.1	\$1,070.0	\$1,203.7	\$1,499.9	\$1,738.3	\$1,956.3	\$2,066.2	\$2,140.1	\$2,216.1	\$2,271.5	\$2,316.2
Target NAV	\$799.9	\$840.4	\$883.0	\$927.8	\$974.8	\$1,024.2	\$1,076.2	\$1,130.7	\$1,188.1	\$1,248.3	\$1,311.6
NAV (%)	4.6%	4.2%	4.0%	4.8%	5.7%	6.4%	6.8%	6.8%	6.8%	6.7%	6.5%
Uncalled Capital (%)	2.8%	4.4%	5.2%	6.2%	6.5%	6.6%	6.3%	6.1%	5.9%	5.7%	5.5%
NAV + Uncalled Capital (%)	7.4%	8.7%	9.3%	11.0%	12.1%	13.0%	13.1%	12.9%	12.7%	12.4%	12.0%
Target Allocation (%)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Plan NAV	\$11,762.6	\$12,358.9	\$12,985.5	\$13,643.9	\$14,335.6	\$15,062.4	\$15,826.1	\$16,628.5	\$17,471.6	\$18,357.4	\$19,288.1

APPENDIX

New Funds included in this Pacing Study

Asset Class	Risk Proxy	Number of Managers	Vintage Year	Commitment Amount
Private Debt	Private Debt - Credit Opportunities	1-2	2025	60,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2026	60,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2027	60,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2028	65,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2029	65,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2030	65,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2031	70,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2032	70,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2033	70,000,000
Private Debt	Private Debt - Credit Opportunities	1-2	2034	70,000,000
Private Debt	Private Debt - Direct Lending	2-3	2025	210,000,000
Private Debt	Private Debt - Direct Lending	2-3	2026	210,000,000
Private Debt	Private Debt - Direct Lending	2-3	2027	210,000,000
Private Debt	Private Debt - Direct Lending	2-3	2028	200,000,000
Private Debt	Private Debt - Direct Lending	2-3	2029	200,000,000
Private Debt	Private Debt - Direct Lending	2-3	2030	200,000,000
Private Debt	Private Debt - Direct Lending	2-3	2031	200,000,000
Private Debt	Private Debt - Direct Lending	2-3	2032	210,000,000



APPENDIX

New Funds included in this Pacing Study

Asset Class	Risk Proxy	Number of Managers	Vintage Year	Commitment Amount
Private Debt	Private Debt - Direct Lending	2-3	2033	210,000,000
Private Debt	Private Debt - Direct Lending	2-3	2034	210,000,000
Private Debt	Private Debt - Distressed	1-2	2025	60,000,000
Private Debt	Private Debt - Distressed	1-2	2026	60,000,000
Private Debt	Private Debt - Distressed	1-2	2027	60,000,000
Private Debt	Private Debt - Distressed	1-2	2028	65,000,000
Private Debt	Private Debt - Distressed	1-2	2029	65,000,000
Private Debt	Private Debt - Distressed	1-2	2030	65,000,000
Private Debt	Private Debt - Distressed	1-2	2031	70,000,000
Private Debt	Private Debt - Distressed	1-2	2032	70,000,000
Private Debt	Private Debt - Distressed	1-2	2033	70,000,000
Private Debt	Private Debt - Distressed	1-2	2034	70,000,000

PACING PLAN DISCLAIMERS

- **NEPC's private markets pacing analysis projects a potential level of future assets and cash flows for a single scenario based on a series of assumptions. This analysis is intended to help estimate future exposure levels. It is not a guarantee of future cash flows, appreciation or returns.**
- **The timing and amounts of projected future cash flows and market values of investments could vary significantly from the amounts projected in this pacing analysis due to manager-specific and industry-wide macroeconomic factors.**
- **Estimates of projected cash flows and market values for existing private markets commitments were made at the Fund level and do not incorporate any underlying portfolio company projections or analysis.**
- **The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.**
- **Data used to prepare this report was obtained directly from the investment managers and other third parties. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.**
- **This report may contain confidential or proprietary information and is intended only for the designated recipient(s). If you are not a designated recipient, you may not copy or distribute this document.**



ALTERNATIVE INVESTMENT DISCLOSURES

It is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds and private equity:

- 1. Performance can be volatile and investors could lose all or a substantial portion of their investment**
- 2. Leverage and other speculative practices may increase the risk of loss**
- 3. Past performance may be revised due to the revaluation of investments**
- 4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms**
- 5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value**
- 6. These funds are not subject to the same regulatory requirements as registered investment vehicles**
- 7. Managers may not be required to provide periodic pricing or valuation information to investors**
- 8. These funds may have complex tax structures and delays in distributing important tax information**
- 9. These funds often charge high fees**
- 10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy**

2024 Investment Committee Meeting Packet Survey Results



Purpose

To assess whether the level of information provided in the Investment Committee Meeting packets aligns with the needs of the committee members, ensuring that staff delivers the appropriate amount of detail to support informed decision-making

Response Rate

Responses

9

Recipients

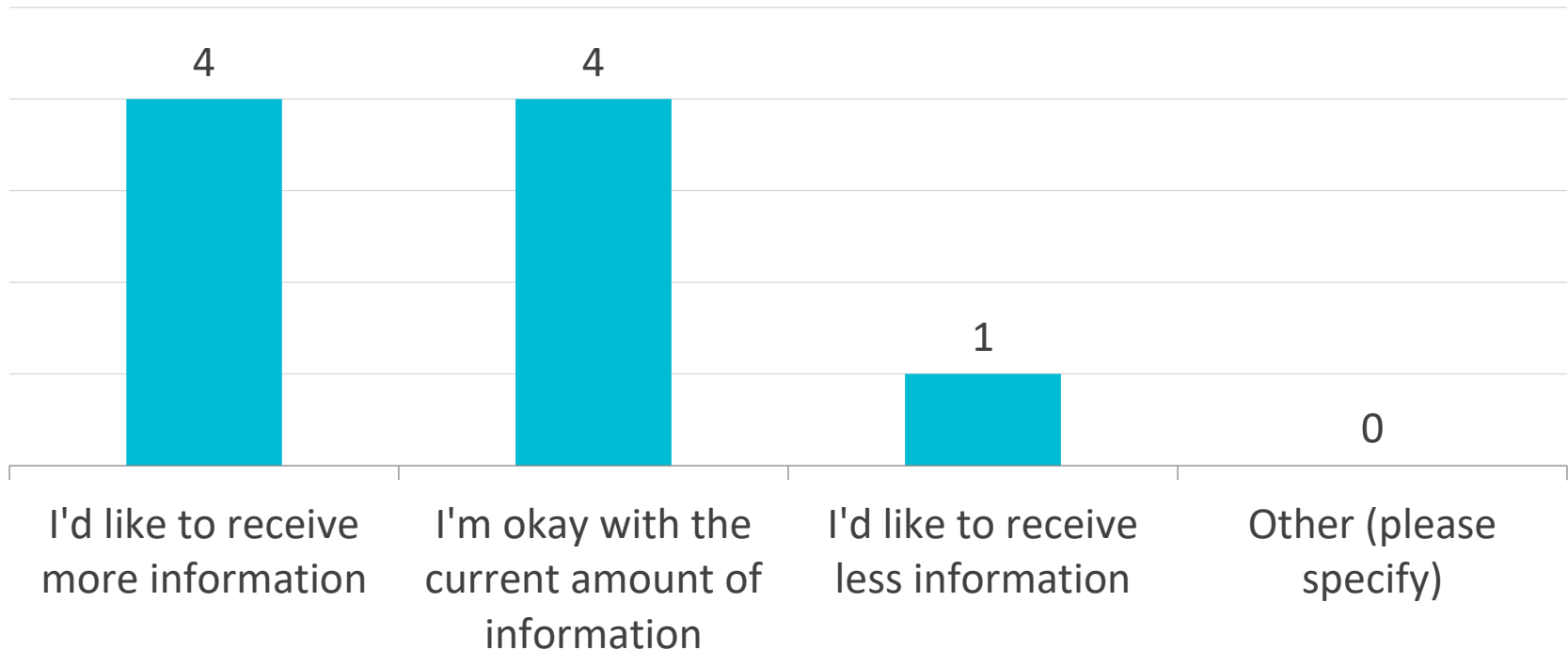
11

Rate

82%

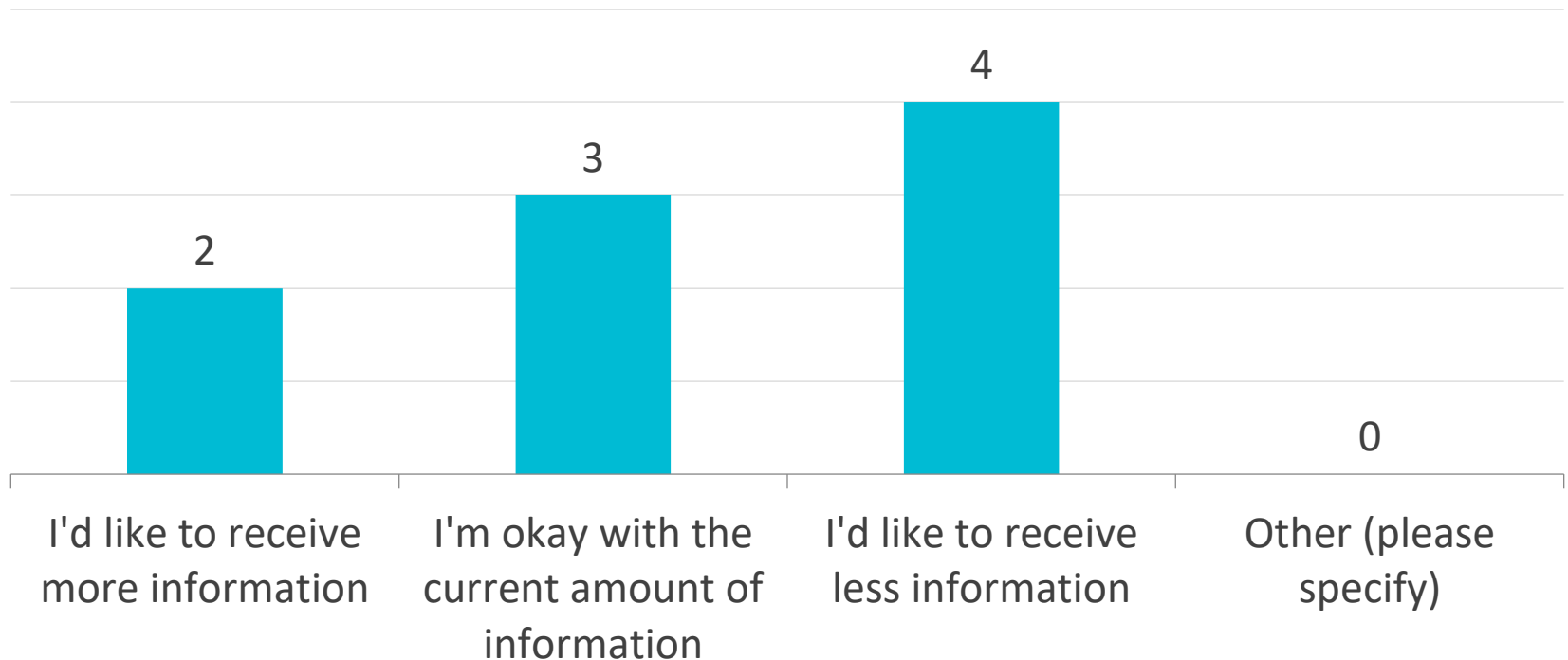
Asset Allocation Decisions

How do you feel about the level of information provided for crucial asset allocation decisions?



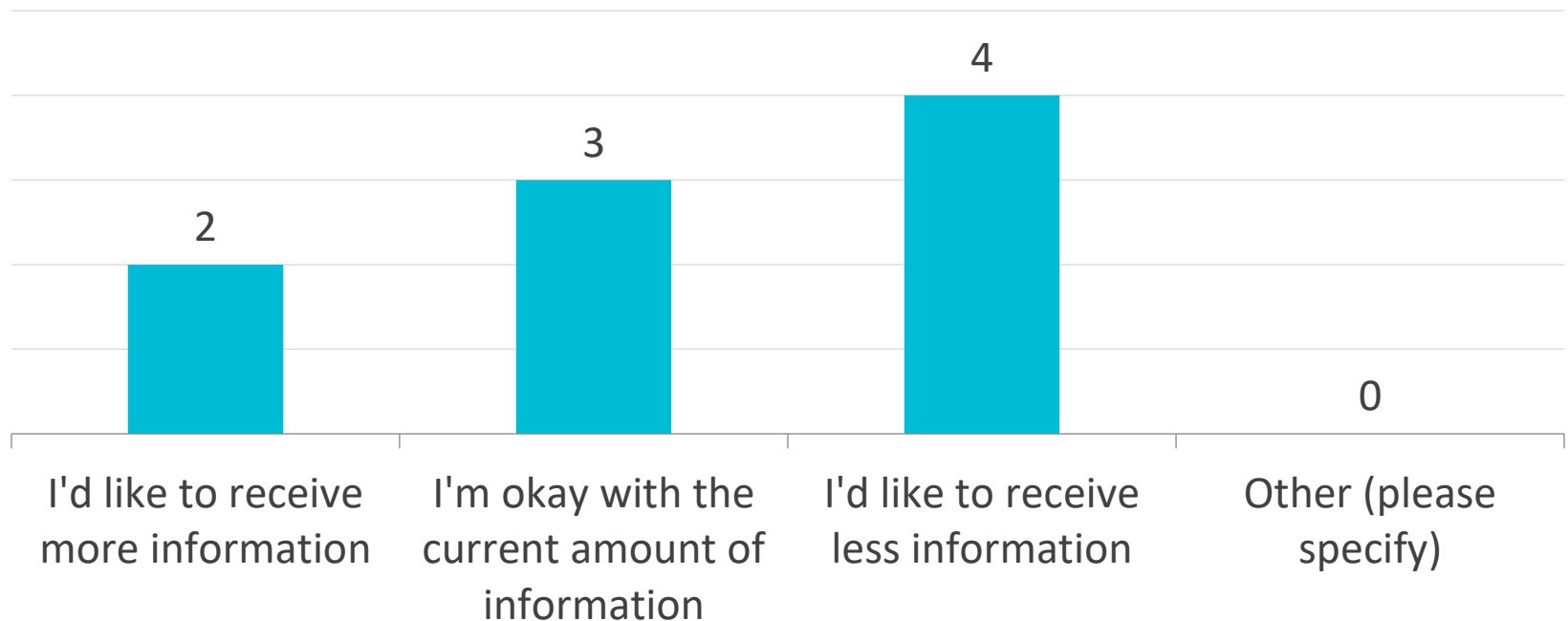
Re-Ups Under Delegated Authority Amount

How do you feel about the level of information provided for re-ups under the delegated authority amount?



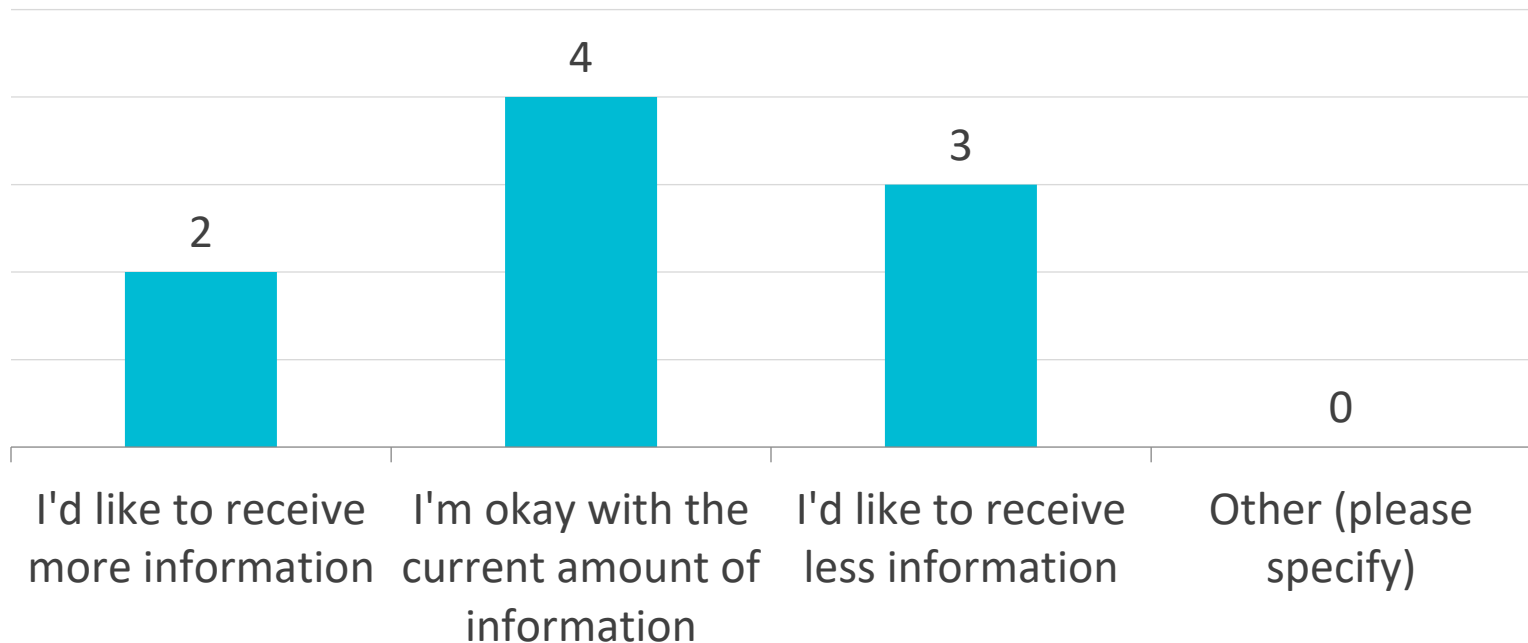
New Private Investments Under Delegated Authority Amount

How do you feel about the level of information provided for new private investments under the delegated authority amount?



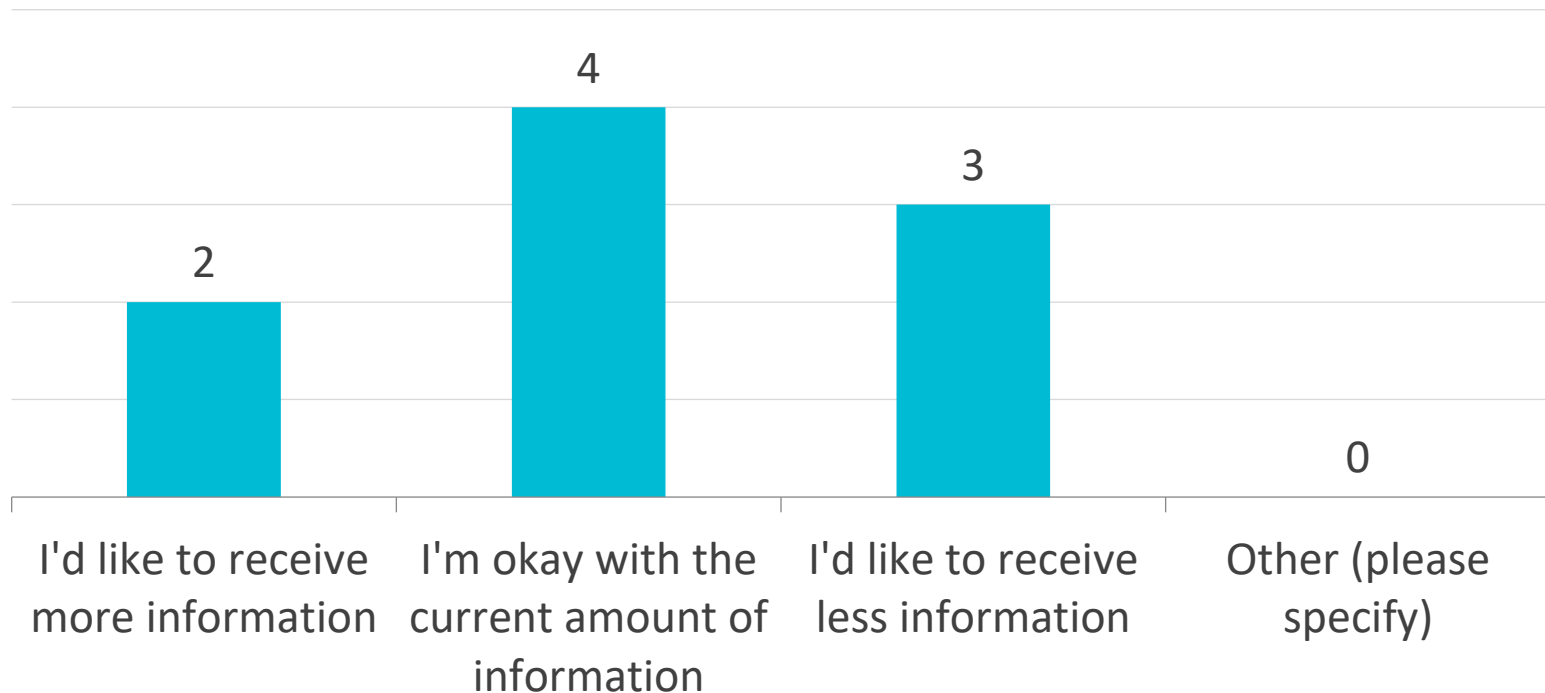
New Private Investments Above Delegated Authority Amount

How do you feel about the level of information provided for private equity investments above the delegated authority amount?



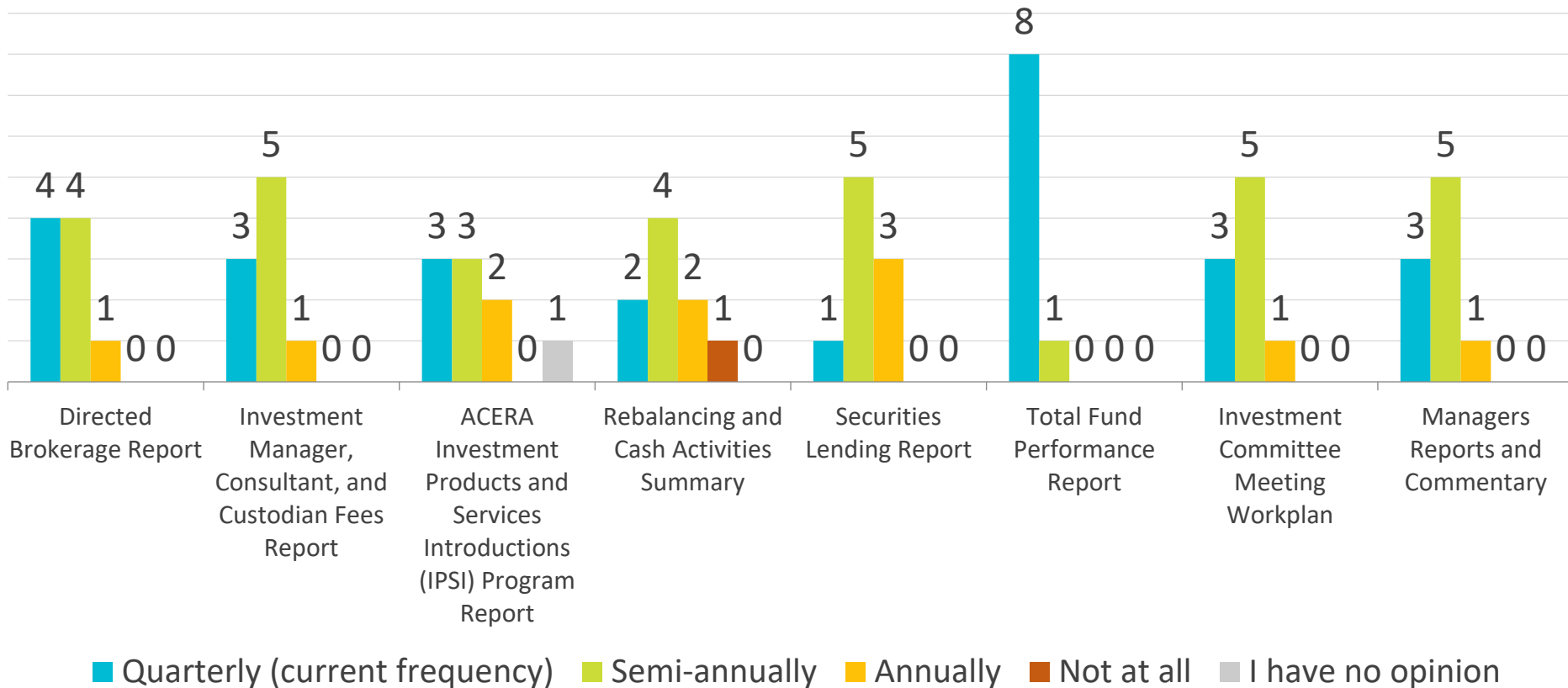
Investments in Publicly-Traded Assets

How do you feel about the level of information provided for investments in publicly-traded assets?



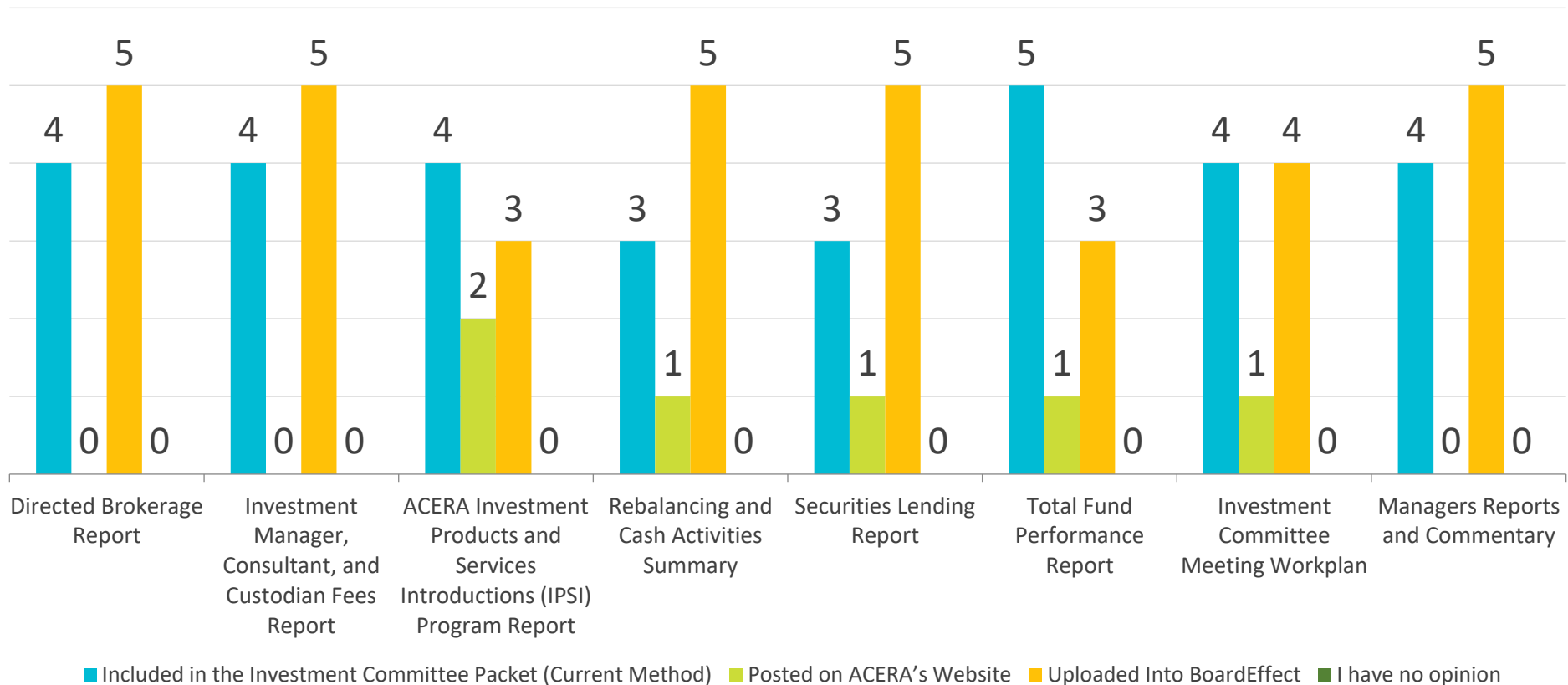
Frequency of Informational Reports

Please indicate how often you would like to receive the following informational reports:



Distribution Method of Informational Reports

Please indicate your preferred method of receiving the following informational reports:



Key Takeaways

- A significant number of Trustees want more information on Asset Allocation.
- For Re-ups and New Private Investments under delegated authority, Trustees would like to receive at most the current amount of information, but are open to receiving less.
- For New Private Equity Investments above delegated authority and Investments in Publicly-Traded Assets, Trustees generally find the current level of information sufficient, but there is a slightly higher openness to receiving less information compared to other areas.

Key Takeaways

- Trustees prefer not to change delivery frequency and method of the Total Fund Performance Report.
- With the exception of the Total Fund Performance Report, Trustees are receptive to receiving informational reports less frequently than quarterly.
- With the exception of the Total Fund Performance Report, Trustees are receptive to receiving informational reports in methods other than distribution in the Investment Committee packet.

Questions?