Alameda County Employees'
Retirement Association

ACERA

PRIVATE EQUITY INVESTMENT POLICY

Amended September 21, 2017

ACERA PRIVATE EQUITY INVESTMENT POLICY

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I. SCOPE

This Private Equity Investment Policy (“PE Policy”) governs all investments in the Private Equity asset class made by Alameda County Employees’ Retirement Association (“ACERA”)[1]. The investments governed under this PE Policy were previously governed by the PEARLS Policy which was established on September 18, 2008, and 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 PE Policy and ACERA’s General Investment Guidelines, Policies and Procedures pertaining to investments in the Private Equity asset class, the PE Policy prevails. The ACERA Board (“Board”) reserves the right to amend, supplement, or rescind this PE Policy at any time.

II. PURPOSE

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

It is expected that this PE 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 PE 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 EQUITY INVESTMENTS

For purpose of this PE Policy, Private Equity may include, but not be limited to, venture capital, corporate buyouts, and debt-related/ special situations. ACERA may consider investing in these assets if and only if the fund vehicles meet all legal standards and requirements established pursuant to this PE Policy. Private Equity investments may be denominated in U.S. dollars or other currencies.

[1] See ACERA’s Absolute Return Policy, Real Estate Policy and Real Assets Policy for investments in other asset classes.

V. STRATEGIC OBJECTIVE OF THE PRIVATE EQUITY PORTFOLIO

The Board recognizes that when ACERA invests in new Private Equity investments, investment results may be difficult to predict during the first several years of the investments[2], and possibly longer. However, the PE Policy establishes performance expectations, ongoing monitoring and reporting duties for each investment and for the PE Portfolio as a whole. Such duties are designed to address these challenges and are described in detail later in this PE 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 Equity. The strategic objective of such investments is to generate returns superior to those available in the public equity market to compensate the Fund for the long term and illiquid commitments associated with Private Equity investments. The over-all PE Portfolio performance shall be benchmarked against the Thomson Reuters C|A Benchmark (see § VII).

VI. STRATEGIC ALLOCATION TO PRIVATE EQUITY PORTFOLIO

The long-term target allocation to the Private Equity asset class, as measured by Net Asset Value of the portfolio and not by dollars committed to underlying Investment Managers or funds, is 9% of the Total Fund. As portfolio construction shall be driven by careful manager selection, and due to the illiquid nature of investments, the allocation to Private Equity can range from 0% to 13%, with exposure to sub-asset classes as follows:

Portfolio	**Long-Term Target Allocation**	**Min./Max. Ranges**
Private Equity	**9.0%**	**0% to 13%**
- *Buyouts*	*60%*	*30% to 80%*
- *Venture Capital*	*20%*	*0% to 40%*
- *Debt-related/Special Situations*	*20%*	*0% to 70%*
Total	**9%**	**0% to 13%**

Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined under each sub-category below. As with any investment, invested capital may incur losses of all or part of the capital invested, it is expected that a diversified PE Portfolio will produce a positive return significantly in excess of publicly traded domestic equities. Diversifiable risks associated with this Portfolio include position in the capital structure, the timing and amounts of cash flows, the size of the individual investments, and their sensitivities to business cycles. The risks associated with Private Equity will be viewed within the context of the entire Fund. ACERA may take on over- and under-weights to sub-asset classes within the PE

[2] The J-Curve affect occurs as fund expenses and management fees are high in the initial years of private equity investing. Due to this J-Curve effect, early returns both at the fund level, and potentially at the portfolio level, are not relevant to long-term results.

Portfolio 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 long-term target allocation within 4-6 years (subject to availability of quality managers) from the most recent date of change in allocation targets.

VII. SPECIFIC GUIDELINES FOR PRIVATE EQUITY PORTFOLIOS

ACERA will gain exposure to PE investments by hiring external investment managers either directly or participation in secondary PE markets. Typically, the Fund will subscribe interests in limited partnership or limited liability company vehicles, as applicable, sponsored by specialty external investment managers. The strategic objective of PE investments is to outperform the public equity market, with performance of the portfolio benchmarked against the Thomson Reuters C|A Benchmark (net of fees). Each sub-asset class (buyout, venture, debt-related) is to outperform the respective sub-asset class benchmark within the Thomson Reuters C|A Benchmark.

Portfolio	**Benchmark**
Private Equity	**Thomson Reuters C|A Global All Private Equity Benchmark**
Buyouts	*Thomson Reuters C|A* Global Buyout Benchmark
Venture Capital	*Thomson Reuters C|A* Global Venture Capital & Growth Equity Benchmark
Debt-related/Special Situations	*Thomson Reuters C|A* Global Mezzanine & Distressed Benchmark

The PE Portfolio is to be diversified over 3 to 5 years from the most recent date of change in allocation targets:

<u>By sub-asset class:</u> Among buyouts, venture capital, and debt-related / special situations investments.

<u>By vintage year:</u> It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

<u>By Investment Manager</u>: No more than 20% of the Total Fund’s 9% target allocation to the PE Portfolio may be committed to any one investment vehicle.

<u>By geography</u>: Through commitments to funds located and/or investing both in and outside of the United States.

<u>By industry</u>: As fallout of diversified commitments outlined above, it is expected that the PE Portfolio will be generally diversified by sector/industry.

A. Buyout Investments

<u>Description</u>: Buyout investments typically involve the purchase of a control position (primarily majority positions, with some minority positions) in an established, privately held company. Investments are typically made in years one through three and returns typically occur in years three through six of the limited partnership.

Investment Constraints: No more than 35% of the target value of capital invested of the buyout portfolio may be invested in a single sector of the domestic or international economy.

B. Venture Capital Investments

Description: Venture Capital investments are typically made in privately-held companies at varying stages of development. Investments are often made in years one through five and returns typically occur in years four through ten of the limited partnership. Depending on stage or risk profile of investments, a large portion of investments may result in losses, while a few provide substantially outsized returns. Other types of Private Equity Investments with similar risk/return profiles may be considered for the Fund under this category.

Investment Constraints: No more than 50% of the target value of capital invested in the venture capital portfolio may be invested in a single industry within a particular sector.

C. Debt-Related and Special Situations Investments

Description: Debt-Related investments typically combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Investments are typically made in years one through three of the partnership with a high level of current income that is combined with capital appreciation supplied by the warrants or other "equity kickers." Special Situations investments can encompass any variety of private investments in debt or equity, typically to generate returns from the turnaround or dissolution of stressed and distressed assets, including opportunistic real estate investments.

Investment Constraints: No more than 30% of the target value of the capital invested in the Debt-Related portfolio may be invested in any single debt-related asset.

VIII. ROLES AND RESPONSIBILITES

The delineation of roles and responsibilities is important for effective administration of ACERA’s PE 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 PE Policy that governs the PE Portfolio and approving the investment plan of ACERA’s PE Portfolio. The Board, with input from the Investment Committee, shall review this PE Policy to determine whether amendments are necessary. The Board shall also be responsible for reviewing and approving all Private Equity 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 PE Policy to govern all investments in the Private Equity asset class;
2. Reviewing the PE Policy, evaluating proposals for the PE Policy amendments, if any, and making recommendations for approval by the Board;
3. Reviewing and approving the investment plan of ACERA's PE Portfolio every 1 to 3 years;
4. Reviewing Private Equity investments recommended by Staff and/or Consultant and making recommendations to the Board for adoption; and
5. Delegation[3]:
    a. Delegating to Staff the authority to make final decisions on new proposed Private Equity investments with an individual commitment up to 5% of the target allocation to the total PE Portfolio or $25 million (whichever is lesser).
    b. Delegating to Staff the authority to make final decisions on proposed "re-up" Private Equity investments with existing managers in good standing, an individual commitment in addition to the existing commitments, up to 10% of the target allocation to the total PE Portfolio or $50 million (whichever is lesser).

C. Staff

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

1. Developing and recommending all necessary changes to the PE Policy with input from Consultant;
2. Developing and maintaining specific procedures, if necessary, to comply with the approved PE Policy with input from Consultant;
3. Developing the investment plan of ACERA's PE Portfolio and making recommendations to the Committee for adoption with input from Consultant;
4. Delegation:
    a. Approving Consultant's Private Equity investment proposals (new proposals) with each individual commitment up to 5% of the target allocation to the total PE Portfolio or $25 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 (please see Appendices I through III).
    b. Approving Consultant's Private Equity investment proposals for "re-ups" with existing managers with each individual commitment in addition to the existing commitments, up to 10% of the target allocation to the total PE Portfolio or $50 million (whichever is lesser) to managers in good standing[4] upon completion of a thorough review and due diligence process with satisfactory results. Staff and

[3] Investment manager may not appear before the Investment Committee in circumstance when staff has exercised its delegated authority.
[4] An investment manager may 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.

Consultant shall provide the Investment Committee all required reports (please see Appendices I through III).

5. Through the Investment Products and Services Introduction (IPSI) program of ACERA, and with the concurrence of the Consultant, recommend highly qualified Private Equity fund investments to the Investment Committee upon completion of a thorough review, and due diligence process and providing the required reports listed in the Appendix I of this PE Policy to Staff and/or the Investment Committee. (Please see Appendices I through III);
6. Monitoring the PE Portfolio for performance and compliance with the PE 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 PE Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Conducting comprehensive annual reviews of ACERA's PE Portfolio and the individual investments in the PE Portfolio;
9. Reporting to the Investment Committee any manager violations of the PE Policy with appropriate recommendations;
10. Assisting ACERA's legal department in contract negotiations with the selected Investment Managers;
11. Evaluating Private Equity investment opportunities with Consultant's input on an on-going basis; and
12. Evaluating and making recommendations for retention, addition to, and/or 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 PE Portfolio and make related recommendations to serve the best interests of the plan participants. Consultant shall assist Staff in developing this PE Policy and recommending all necessary changes to the PE Policy. In addition, Consultant shall be responsible for:

1. Analyzing the asset allocation of the PE Portfolio by type, implementation vehicle, geography, industry, and vintage year, and making recommendations for reallocation of assets, as appropriate;
2. Developing an investment plan for ACERA's PE Portfolio every 1 to 3 years;
3. Developing a search strategy for highly qualified Private Equity investments and maintaining a robust database containing information on Investment Managers;
4. Recommending highly qualified Private Equity 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 PE Policy to Staff and/or the Investment Committee;
5. Ongoing monitoring of the investment performance of ACERA's PE Portfolio and individual investments in the PE Portfolio;
6. 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. Ongoing monitoring of Investment Managers' compliance with a) their respective investment guidelines as set forth in their contract; b) this PE Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Assisting Staff in contract negotiations with the selected Investment Managers;
9. Submitting performance evaluation reports and conducting comprehensive reviews of the PE Portfolio and individual Investment Managers semi-annually, and when appropriate, quarterly to the Investment Committee;
10. Making recommendations for retention or termination of Investment Managers;
11. Attending meetings as needed; and
12. 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) this PE 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 to Staff and Consultant in accordance with their contract terms; and
4. Attend meetings as needed.

IX. DUE DILIGENCE PROCESS FOR PRIVATE EQUITY INVESTMENT SELECTION

ACERA recognizes that a proper due diligence process is essential to control the risks associated with Private Equity 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 Equity investment recommendations to Staff and the Investment Committee. Consultant shall involve Staff in the due diligence process, as necessary. When appropriate, Consultant shall, but not be limited to:

1. Assessing the reputation of the individuals who manage the Private Equity 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 Equity investments, and, when advisable, from competitors;
4. Determining that the Private Equity 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;
7. Reviewing business terms of all legal agreements and other related documents for the Private Equity investments under consideration, such as offering memorandum, legal agreements, and Forms ADV, if and as available;
8. Review the investments for potential exposure to Unrelated Business Taxable Income (UBTI); and assessing what exit strategies exist to liquidate existing investments owing to poor performance and, if necessary, to avoid future investments in similar funds.

B. Staff

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

1. Reviewing the comprehensive analysis report prepared by Consultant on its recommended Private Equity investments;
2. Verifying the compliance of each recommended Private Equity investment with the PE Policy, the investment plan for ACERA's PE Portfolio and other applicable investment policies;
3. Discussing all issues related to the recommended Private Equity investments with Consultant and with Investment Managers to gain a thorough understanding of each strategy's primary return drivers, key terms, investment guidelines, and determine the investments suitability for ACERA's PE Portfolio; and
4. Performing independent due diligence regarding the business, economic, and legal aspects of the proposed PE 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 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 described under Section VIII.C.4.

X. SPECIFIC PERFORMANCE EVALUATION CRITERIA

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

XI. MONITORING AND REPORTING

Consultant and Staff will closely monitor and analyze the PE 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 contract terms and the PE Policy.

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

XII. PRIVATE EQUITY INVESTMENT INFORMATION DISCLOSURE POLICY

ACERA is a public agency subject to state laws, including, without limitation, (a) the California Public Records Act (Cal. Govt. Code §6250, *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 ("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 Equity investments:

XIII. TABLE OF AMENDMENT DATES

September 18, 2008*
March 19, 2009*
August 18, 2011*
December 20, 2012*
October 14, 2015*
September 21, 2017

*PEARLS Policy, and Amended PEARLS Policies

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/Staff
Compliance Checklist	Staff
Comprehensive Due Diligence Report (Available to Trustees upon request)	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:

Net Returns (%):

Periods Ending Date	**YTD**	**1Year**	**3Years**	**5Years**	**Since Inception**
Fund					
Benchmark (see § VII)					
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 Equity Investment Selection

Target allocation to Private Equity (PE) Portfolio: 9.0% of the total Fund

A. PE Policy for PE Portfolio | **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.	*Specific legal structure.*	*Yes, No or N/A*

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	*Specific investment methods.*	*Yes, No or N/A*

3. Investment Characteristics

PE may include, but not be limited to, buyouts, venture capital, debt-related / special situations.	*Specific investment type.*	*Yes, No or N/A*
Buyouts: typically purchase of a control position in an established, privately held company, Venture Capital: typically purchase in privately-held companies at varying stages of formation, and Debt-related / special situations: typically combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Special situations investments can encompass any variety of private investments in debt or equity.	*Specific investment characteristics.*	*Yes, No or N/A*
PE may be denominated in U.S. dollars or other currencies.	*Specific currency denomination.*	*Yes, No or N/A*

4. Portfolio Diversification

<u>By sub-asset class</u>: among buyouts, venture capital, and debt-related/special situations.	*Specific investment type.*	*Yes, No or N/A*
<u>By vintage year</u>: roughly equal amounts of new funding will be committed in each calendar year with deviations permitted.	*Specific vintage year.*	*Yes, No or N/A*
<u>By Investment Manager</u>: ≤20% of the target allocation to total PE Portfolio may be committed to any one partnership.	*Specific commitments to the Investment Manager.*	*Yes, No or N/A*
<u>By geography</u>: commitments to funds located and/or investing in both in and outside of the U.S.	*Specific location.*	*Yes, No or N/A*
<u>By industry</u>: PE Portfolio is generally diversified by sector/industry.	*Specific sector/industry.*	*Yes, No or N/A*

5. Return Expectation

Thompson Reuters C|A Benchmark (net of all fees) in aggregate. Each sub-asset class: • Thomson Reuters C|A Global Buyout Equity Benchmark • Thomson Reuters C|A Global Venture Capital & Growth Equity Benchmark • Thomson Reuters C|A Global Mezzanine & Distressed Benchmark	*Specific return target.*	*Yes, No, or N/A* *Yes, No, or N/A* *Yes, No, or N/A* *Yes, No, or N/A*

6. Investment Allocations

<u>PE Portfolio</u>: range 0%-13% of the total Fund. <u>Buyouts</u>: target 60%; range 30%-80%. <u>Venture Capital</u>: target 20%; range 0%-40%. <u>Debt-related / Special Situations</u>: target 20%; range 0%-70%.	*Expected allocations to the PE Portfolio and the underlying portfolios including specific commitment to the Investment Manager.*	*Yes, No, or N/A*

7. Investment Constraints

<u>Buyouts</u>: ≤35% of the target value of the buyout portfolio may be invested in a single sector of the domestic or	*Specific commitment to the Investment Manager.*	*Yes, No or N/A*

international economy. <u>Venture Capital</u>: ≤50% of the target value of the venture capital portfolio may be invested in a single industry within a particular sector. <u>Debt-related / Special Situations</u>: ≤30% of the target value of the debt-related portfolio may be invested in any single debt-related asset.		

<u>B. PE Investment Plan for *YEAR*</u>

Approved: *DATE*	**<u>Fund Name</u>**	**<u>In Compliance</u>**
Specific Investment Plan.	*Specific commitment to the Investment Manager.*	*Yes, No or N/A*

APPENDIX IV

Details of Disclosure Policy For Private Equity Investments ("PE Funds")

1. Upon request, ACERA shall disclose : (i) the name, address and vintage year of each PE Fund; (ii) the dollar amount of capital committed to each PE Fund by ACERA since inception; (iii) the dollar amount of cash contributions made to each PE Fund by ACERA since inception; (iv) the dollar amount of distributions received by ACERA from each PE Fund on a fiscal yearend basis; (v) the market value of ACERA's investment in each PE Fund on a fiscal yearend basis; (vi) each PE Fund's net internal rate of return ("IRR") since inception; (vii) the investment multiple of each PE Fund since inception; (viii) the dollar amount of total management fees and expenses paid on an annual fiscal yearend basis, by ACERA to each PE Fund; and (ix) the dollar amount of cash profit received by ACERA from the PE Fund on a fiscal yearend basis. (*See* Cal. Govt. Code § 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 PE Fund, the PE Fund manager or related parties; (ii) ACERA's pro rata share of fees and expenses not included in (i) that are paid from the PE Fund to the PE Fund manager or related parties; (iii) ACERA's pro rata share of carried interest distributed by the PE Fund to the PE Fund 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 PE Fund to the PE Fund manager or related parties; (v) the information outlined in Section 1, above, and (vi) the gross and net IRR of the PE Fund, since inception. (*See* Cal. Govt. Code § 7514.7)

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

Notwithstanding the preceding, or anything else in this PE 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 §6255(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).