



MINUTES OF THE FEBRUARY 5, 2025, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: George Wood, Chair

Subject: Summary of the February 5, 2025 Investment Committee Meeting

The Investment Committee (“Committee”) met on Wednesday, February 5, 2025, at 10:44 a.m. The Committee members present were Ophelia Basgal, Keith Carson, Ross Clippinger, Elizabeth Rogers, Kellie Simon, Steven Wilkinson, and George Wood. Also present were Alternate Retired Member Cynthia Baron and Alternate Safety Member Kevin Bryant. ACERA Senior Managers and Presenting Staff were David Nelsen – Chief Executive Officer, Jeff Rieger – Chief Counsel, Clint Kuboyama – Senior Investment Officer, John Ta – Senior Investment Officer, and Betty Tse – Chief Investment Officer.

PUBLIC COMMENT: N/A

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

1. Discussion and Possible Motion to Recommend that the Board Adopt the Updated Private Equity Policy
 - Staff and NEPC updated the ACERA Private Equity (PE) Policy based on feedback from the Investment Committee (IC) and ACERA Legal. Staff discussed the latest changes with the Investment Committee as indicated in Staff’s cover memo and presented the final amended Private Equity Policy for approval.
 - Trustee Rogers moved, seconded by Trustee Carson, to recommend that the Board adopt the Updated Private Equity Policy
 - The motion carried unanimously with 6 Yes (Carson, Clippinger, Rogers, Simon, Wilkinson, and Wood), 0 No, and 0 Abstention. Trustee Basgal was not in attendance when the vote was called for this Action Item.

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

1. Report on Private Credit Investment Made Under Delegated Authority – Orchard Global EleganTree Opportunities Fund III (\$60 million)

- Staff and NEPC discussed how the EleganTree investment was in compliance with the ACERA Private Credit Policy and Investment Plan. The investment rationale and the comprehensive due diligence process undertaken for the EleganTree investment were also discussed.
- Trustee Carson inquired as to whether Staff's investment process has changed to include the use of machine learning and artificial intelligence and Staff responded that it has not.
- Trustee Wilkinson questioned Staff about the capital-structure seniority of the loans and the size of corporate borrowers related to the loan pools that underpin the significant risk transfer investments involved with the EleganTree Fund's strategy. Staff answered the questions.

2. 2025 Capital Market Assumptions

- Sam Austin from NEPC presented the 2025 Capital Market Assumptions, which are critical for understanding the expected returns, volatility, and correlations of various asset classes over a 10-year horizon. These assumptions are used to inform strategic asset allocation decisions and policy implications.
- NEPC's assumptions cover over 70 asset classes, grouped into equities, fixed income, and real assets. The 10-year expected return for US large-cap equities is 5.6%, while emerging market equities are expected to return 8%. Private equity has the highest expected return at 8.5%, but also the highest volatility.
- Risk and Correlation were discussed. The presentation highlighted the importance of volatility and correlation between asset classes. For instance, private debt offers nearly the same return as private equity (8.3% vs. 8.5%) but with a significantly lower risk.
- NEPC's 10-year inflation expectation remained unchanged at 2.6%, which is a key input for return projections.

3. Investment Committee Meeting WorkPlan for 2025

- The WorkPlan is a collaborative effort between Staff, NEPC, and Callan, ensuring that timely and relevant information is included in the monthly ICM. Adjustments to the WorkPlan are made based on input from the Committee, priorities of the Total Fund, and Staff resource availability.
- As outlined in the WorkPlan, the March ICM will include a heavy agenda, including a 2.5 to 3-hour interview process for the EM search finalists. To manage the length of this agenda, Staff might explore options such as starting the ICM earlier.
- The IC Chair stated that, generally speaking, focus will be on Action Items during ICMs. Information Items will be made available for public review without discussion, unless discussion is warranted. This approach, used successfully in the past, ensures efficient use of time while maintaining transparency.

Investment Committee Meeting Minutes
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TRUSTEE REMARKS:

N/A

FUTURE DISCUSSION ITEMS

ESTABLISHMENT OF NEXT MEETING DATE

March 5, 2025 at 10:30 a.m.

ADJOURNMENT

The meeting ended at 11:32 a.m.

To view the February 5, 2025 Investment Committee Meeting in its entirety, click on the link below: https://youtu.be/AJ_H43mtS20