



MINUTES OF THE SEPTEMBER 4, 2024, INVESTMENT COMMITTEE MEETING

To: Members of the Investment Committee

From: Jaime Godfrey, Chair

Subject: **Summary of the September 4, 2024 Investment Committee Meeting**

The Investment Committee (“Committee”) met on Wednesday, September 4, 2024, at 10:33 a.m. The Committee members present were, Ophelia Basgal, Keith Carson, Ross Clippinger, Tarrell Gamble, Jaime Godfrey, and George Wood. Also present was Alternate Retired Member Cynthia Baron. Trustee Henry Levy appeared as a member of the public during the information items. ACERA Senior Managers and Presenting Staff were David Nelsen – Chief Executive Officer, Lisa Johnson –Assistant Chief Executive Officer, Jeff Rieger – Chief Counsel, Harsh Jadhav – Chief of Internal Audit, Julius Cuaresma – Investment Analyst, Clint Kuboyama – Senior Investment Officer, John Ta – Senior Investment Officer and Betty Tse – Chief Investment Officer.

PUBLIC COMMENT:

Betty Tse introduced ACERA’s newly hired Investment Officer, Stephen Quirk.

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

1. Discussion of and Possible Motion to Recommend that the Board approve an up to \$50 million Investment in Starwood Distressed Opportunity Fund XIII as part of ACERA’s Real Estate Portfolio, Opportunistic, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - Staff and Callan explained the rationale for this investment recommendation. Representatives from Starwood discussed its organization, investment team and strategy, historical performance, market environment, and the investment opportunity set.
 - Starwood’s representatives also answered the trustees’ various questions including questions on the possible environmental impact from Starwood’s Data-Center Infrastructure assets.
 - After discussion, Trustee Wood moved, seconded by Trustee Clippinger, to recommend that the Board approve an up to \$50 million investment in Starwood Distressed Opportunity Fund XIII as part of ACERA’s Real Estate Portfolio, Opportunistic, Pending Completion of Legal and Investment Due Diligence and Successful Contract Negotiations
 - The motion carried with 7 Yes (Baron, Basgal, Carson, Clippinger, Gamble, Godfrey, and Wood), 0 No, and 0 Abstention.

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

1. Performance Review for the Period Ending June 30, 2024 – Total Fund Highlighting Public Market Asset Classes

- For the six-month period ending 6/30/2024, the Total Fund returned 5.79% gross compared to the Policy Index return of 5.15%. The Total Fund's gross results ranked in the upper 24th percentile. As of 6/30/2024, the market value of the Total Fund was \$11,762,553,571.
- The U.S. Equity asset class returned 13.24% gross compared to 13.56% for its benchmark for the 6-month period ending 6/30/2024. Over the same time period, the International Equity asset class returned 5.78% gross versus 5.28% for its benchmark.
- For the six-month period ending 6/30/2024, the Fixed Income asset class lost 0.73% gross versus its benchmark return of -1.22%.

2. Education Session: Asset Allocation Implementation Plan – Process Optimization

- Staff discussed setting governance expectations for effectively and efficiently implementing the Board's new Asset Allocation. NEPC discussed harmonizing ACERA's respective asset class guidelines and utilizing a delegated authority framework to streamline decision-making.
- Staff and NEPC discussed the importance of defined roles: the Board sets policy and makes strategic decisions and leverages the strengths of Staff and NEPC in a collaborative manner to ensure timely implementation and execution of the Board's strategic decisions. The importance of the recent Trustee Survey was highlighted, noting the Board's ultimate authority.
- Staff and NEPC provided examples where the Board's input is optimal, like the August Information Item Private Credit Policy discussion. Conversely, the deferred Emerging Market Equity and International Small Cap Searches are examples where leveraging an RFI targeted shortlist approach and the due diligence already done by NEPC (i.e., Focus Placement List (FPL)) and Staff (i.e., Investment Products and Services Introductions (IPSI)) is optimal. Staff and NEPC further noted that for RFI Searches that there would be no public invitations or website postings.
- Trustee Godfrey asked about how NEPC sources investment manager talent. NEPC responded, discussing NEPC's global manager research coverage, netting and vetting process, and Discovery and Explorer Programs. NEPC further discussed how their cyclical and continuous re-vetting of managers ensures a diverse selection process and promotes inclusivity. With such due diligence, as well as Staff's respective due diligence, NEPC concluded that conducting open RFP Searches are often unnecessary.

Investment Committee Meeting Minutes
September 4, 2024

Trustee Remarks:

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

Wednesday, October 2, 2024

ADJOURNMENT

The meeting ended at 12:25 p.m.

To view the September 4, 2024 Investment Committee Meeting in its entirety, click on the link below:

<https://www.youtube.com/watch?v=Gzsh7CBKjP0>