

# CALSTRS

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**CALIFORNIA STATE TEACHERS'  
RETIREMENT SYSTEM**

**INVESTMENT PROCUREMENT  
POLICY**

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**INVESTMENT BRANCH  
NOVEMBER 2022**

# **INVESTMENT PROCUREMENT POLICY**

## **BACKGROUND**

As set forth in the California Constitution, Article 16, Section 17, the Teachers' Retirement Board (the "board") has "plenary authority and fiduciary responsibility for investment of moneys and administration of the system".

The board, as well as its officers and employees, assume fiduciary duties to the system and must discharge such duties solely in the interest of the system's members and beneficiaries. These duties include duties of loyalty and prudence to invest "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." (Education Code, section 22250(b).)

Consistent with its fiduciary responsibilities and pursuant to California Education Code 22352, the board may adopt a policy that establishes competitive bidding processes to contract with qualified investment managers and investment advisers that have demonstrated expertise in managing, or advising the management of, institutional investment portfolios to render services in connection with the investment program of the board.

"Investment manager" and "investment adviser" mean any person, firm, or custodian referred to in Education Code section 22359, either appointed by or under contract with the board to engage in investment services to manage or advise in the management of the assets or investment programs of the Teachers' Retirement Fund. (Education. Code, section 22143)

## **COMPETITIVE PROCESS**

This policy establishes the requisite elements of the competitive process under California Education Code 22352 by which CalSTRS staff solicits, procures, and contracts with qualified investment managers and advisers. The process includes:

1. An open, prudent, and diligent method of identifying investment managers and advisers.
2. Public communication regarding contracting opportunities.
3. A clearly defined and communicated method for submitting bids and proposals.
4. A fair and competitive evaluation process that clearly defines: (i) investment service objectives and expectations, (ii) minimum qualifications necessary for consideration; (iii) the evaluation method and screening criteria, and (iv) any other qualitative and quantitative requirements necessary for consideration.

5. Selection of an investment manager or adviser with the highest scoring proposal(s) that represents the best overall value for CalSTRS, with due consideration to expertise, qualifications, experience, contract terms, fees, or any other relevant factors, consistent with staff's fiduciary duties.
6. Public notice of the selection of an investment manager or adviser.

CalSTRS may establish pools of investment managers or advisers for contracting through this competitive procurement process.

## **APPLICATION**

With respect to investment managers, this policy is intended to apply solely to those external investment management relationships whereby CalSTRS allocates system assets to a separately managed portfolio/account. This policy shall not apply to alternative investments or alternative investment vehicles, as defined in Government Code 6254.26, or agreements that are necessary for CalSTRS to (i) transact in, trade in or otherwise access public or over the counter markets, or (ii) comply with applicable trading laws and regulations.

A competitive bidding process shall not be required for: (i) contracts with an investment adviser for which the total contract value is less than \$100,000.00; (ii) contracts with an investment adviser for services that are only available from a sole source; or (iii) contracts with an investment manager or adviser made on a short-term, nonrenewable basis (i.e. one year or less) when there is a finding made by the Chief Investment Officer that such a contract is necessary to meet a temporary material need to properly administer the investment program of the system.

Subcontracting and/or contract amendments shall not be used to circumvent applicable competitive bidding requirements. CalSTRS shall continue to comply with Government Code sections 8546.7 and 19130-19135.1 in connection with the procurement of investment managers and advisers.

## **DELEGATION OF AUTHORITY**

Authority is delegated to the Chief Executive Officer (or their designees, including the Chief Investment Officer ("CIO")), pursuant to Education Code sections 22208 and 22301) to establish internal policies, guidelines, and procedures to administer and manage the investment procurement process within the boundaries established by this policy.

This policy, together with any underlying policies, guidelines or procedures shall control the procurement process relating to investment managers and advisers and shall supersede any other generally applicable CalSTRS procurement policies.

*Adopted by the Teachers' Retirement Board on November 3, 2022*