



Investment Committee

Item Number 12 – Open Session

Subject: Approval of Minutes of the March 6, 2024, Investment Committee – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: May 1, 2024 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

March 6, 2024

OPEN SESSION

LOCATION: Board Room, 100 Waterfront Place, West Sacramento, CA 95605

COMMITTEE MEMBERS PRESENT

William Prezant, Chairperson

Gayle Miller, representing the Director of Finance, Joe Stephenshaw, Vice Chairperson

Denise Bradford

Harry Keiley

Sharon Hendricks

Michael Gunning

Ken Tang

Karen Yamamoto

Deborah Gallegos, representing the State Controller, Malia M. Cohen

Patrick Henning, representing the State Treasurer, Fiona Ma

Elizabeth Sanders, representing the State Superintendent of Public Instruction, Tony Thurmond

STAFF PRESENT

Cassandra Lichnock, Chief Executive Officer

Christopher Ailman, Chief Investment Officer

Brian J. Bartow, General Counsel

Lisa Blatnick, Chief Operating Officer
Ashish Jain, Chief Technology Officer
Melissa Norcia, Chief Administrative Officer
Teresa Schilling, Chief Public Affairs Officer
Scott Chan, Deputy Chief Investment Officer
Mike DiRé, Senior Investment Director of Private Markets
Geraldine Jimenez, Senior Investment Director of Public Markets
Julie Donegan, Director, Real Estate
Shifat Hasan, Head of Investment Performance and Compliance
Glenn Hosokawa, Director, Fixed Income
Kirsty Jenkinson, Director, Sustainable Investments and Stewardship Strategies
June Kim, Director, Global Equities
Paul Shantic, Director, Inflation Sensitive
Steven Tong, Director, Risk Mitigating Strategies
April Wilcox, Director of Investment Services
Margot Wirth, Director, Private Equity
Kelly Criss, Head of Investment Operations
Glen Blacet, Portfolio Manager
Cathy DiSalvo, Portfolio Manager
Scott Brooks, Senior Counsel

OTHER PRESENT

Tad Fergusson, Meketa Investment Group
John Haggerty, Meketa Investment Group
Taylor Mammen, RCLCO Fund Advisors
Ben Maslan, RCLCO Fund Advisors
Stephen McCourt, Meketa Investment Group
Stephanie Sorg, Meketa Investment Group
Cecilia Alvarado
Jennifer Baker, CalRTA
Dana Dillon, CTA/NEA-Retired
Susan Dixon, CalRTA
Carmen Esterman, UTLA
Bill Jackson, ACCE
Kathy Kinley, CalRTA
Peter Morse, FACCC
Doug Orr, CFT
Matthew Pina
Mary Kay Scheid, CTA
Brian Simily, UTLA
Don Stauffer, CTA/NEA-Retired
Beatriz Topete
Kevin Welch, CTA

A quorum being present, Chairperson Prezant called the Open Session meeting of the Investment Committee meeting to order at 10:12 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

MOTION duly made by Mr. Tang, seconded by Ms. Bradford, and carried to approve the Committee Agenda with flexibility to modify if necessary.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the State Superintendent of Public Instruction	X		
Chairperson Prezant	X		

The board watched a short video on Ms. Lura Wilhelm, a teacher at the University Preparatory School in Redding, California.

II. OPPORTUNITIES FOR STATEMENTS FROM THE PUBLIC (Item 2)

The committee heard from Cecilia Alvarado, representing UNITE HERE Local 11, who commented on human capital and labor disputes at Aimbridge Hospitality.

The committee heard from Beatriz Topete, representing UNITE HERE Local 11, who commented on human capital and labor disputes at Aimbridge Hospitality.

The committee heard from Matthew Pina, representing UNITE HERE Local 11, who commented on human capital and labor disputes at Blackstone.

The committee heard from Bill Jackson, representing Alliance of Californians for Community Empowerment, who commented on human capital and labor disputes at Blackstone.

III. SEMI-ANNUAL PERFORMANCE REPORTS (Item 3)

a. Receive General Consultant – Semi-Annual Performance Report, Period Ending December 31, 2023

The committee received the Semi-Annual Performance Report from Ms. Sorg and Mr. McCourt, who summarized the fund’s performance and commended staff for executing at a high level. The committee considered the impact of the interest rate hikes that occurred in 2023, which were increased to fight inflation and then paused in November once inflation eased. The committee discussed the Total Portfolio return of 9.2% in 2023, which outperformed the policy benchmark return, but trailed the State Street median fund return. Ms. Sorg informed the committee that over the trailing three, five, and ten-year periods, the Total Portfolio outperformed both the policy benchmark and the State Street universe median. The committee also discussed the performance of the individual asset classes and the strategic asset allocation targets for the portfolio.

b. Receive Real Estate Consultant – Semi-Annual Performance Report, Period Ending September 30, 2023

The committee received the Real Estate Semi-Annual Performance Report from Mr. Mammen and Mr. Maslan, who provided a summary of the real estate portfolio’s performance, which outperformed its target return benchmark and inflation over all measurable time periods for the last decade. The committee considered the decline in appraisal values and the effects of the Federal Reserve’s recent rate increases. The committee discussed the real estate portfolio’s NAV of \$49.1B as of Q3 2023, which is in line with the target allocation of 15%. The committee also discussed the positive performance of current and projected real estate vacancy rates and rent growth, with the exception of office real estate, which is expected to create a drag on overall portfolio performance.

The committee considered the market challenges and potential solutions surrounding the shortage of and demand for affordable housing throughout the U.S. The committee discussed the future trajectory of the real estate market and the potential opportunities, including office transformation and diversification, and hybrid teleworking. The committee also discussed the decreasing volume of real estate transactions within the real estate market, the projection of maturity of real estate debt, and mortgage-backed securities in regional banks.

c. Receive Private Equity Consultant – Semi-Annual Performance Report, Period Ending September 30, 2023

The committee received the Private Equity Semi-Annual Performance Report from Mr. Haggerty and Mr. Fergusson, who complimented staff for their high-level of experience and their success in deploying capital. Mr. Haggerty informed the committee that the

Private Equity portfolio's performance was positive over the prior six months and outperformed both the Custom State Street Index and the Custom Benchmark over the trailing three, five, and ten-year periods. The committee discussed the long-term asset allocation target for the Private Equity portfolio and considered the increased pacing with regards to co-investments. The committee also discussed industry trends and notable events, including slower fundraising, a challenging financing environment with higher interest rates, reduced availability of debt, and lower transaction volume within the private equity market.

The committee discussed the main reasons for the performance of the Private Equity portfolio. The committee also discussed the portfolio's allocation to venture capital and the evolution and performance of the Special Mandates program. The committee considered the value of equity interest in underlying investment vehicles. The committee highlighted the performance in the portfolio's European investments. The committee discussed the Private Equity policy change adopted in 2022 which expanded the range of investment opportunities. The committee considered risk associated with potential legislative oversight, and discussed the risks associated with human capital in the private equity industry and maintaining best practices within the Private Equity portfolio.

PUBLIC COMMENT

The committee heard from Don Stauffer, CTA/Retired, who commented on the questionnaire provided to private equity partners.

RECESS

The Open Session of the committee meeting recessed at 11:44 a.m. and reconvened at 11:57 a.m.

Ms. Gallegos joined the dais at 11:57 a.m.

IV. COLLABORATIVE STRATEGIES PORTFOLIO POLICY – FIRST READING (Item 4)

The committee received a presentation from Mr. Chan, Mr. DiRé, Mr. Blacet, and Ms. Jenkinson regarding the Collaborative Strategies Portfolio Policy, which advances, expands, and clarifies the objectives of the current Innovative Strategies policy and portfolio to allow staff across asset classes to invest in attractive opportunities, including those supporting CalSTRS' Collaborative Model and net zero-related strategic priorities. The committee discussed the added flexibility of the Collaborative Strategies portfolio, which will allow CalSTRS to take advantage of its scale and capture opportunities that may extend beyond the specific frameworks or capacities of existing asset classes, respond more nimbly to shifting market dynamics, and obtain a competitive advantage among peers. The committee discussed how the Collaborative Strategies policy and portfolio would replace the existing Innovative Strategies policy and portfolio, while also

adding an opportunistic sleeve. Mr. McCourt informed the committee that Meketa supports the recommended policy language.

V. FIXED INCOME INVESTMENT POLICY – PRIVATE CREDIT – FIRST READING (Item 5)

The committee heard from Mr. Hosokawa and Ms. DiSalvo regarding staff’s proposed revisions to the Fixed Income Investment Policy. Mr. McCourt informed the committee that Meketa supports staff’s recommendations, which follow the 2023 ALM study as well as the Board’s recent approval of a 2% Total Fund allocation to Fixed Income for private credit and direct lending programs.

Ms. Hendricks left the dais at 12:13 p.m.

MOTION duly made by Ms. Miller, seconded by Ms. Bradford, and carried to approve the proposed revisions to the Fixed Income Investment Policy.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Keiley	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the State Superintendent of Public Instruction	X		
Ms. Gallegos, for the State Controller	X		
Chairperson Prezant	X		

RECESS

The Open Session of the committee meeting recessed at 12:15 p.m. and reconvened at 1:17 p.m. All members but Mr. Keiley were present.

VI. INVESTMENT POLICY STATEMENT: LIQUIDITY LANGUAGE – FIRST READING (Item 6)

The committee received a presentation from Ms. Jimenez on the recommended revisions to the Investment Policy Statement (IPS), which align the IPS with the strategic asset allocation (SAA) policy approved by the committee in July 2023, and also support the total portfolio positioning and liquidity management efforts. Mr. McCourt informed the committee that Meketa supports staff’s recommendation to adopt the modified IPS.

MOTION duly made by Ms. Miller, seconded by Mr. Tang, and carried to approve the proposed revisions to the Investment Policy Statement.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the State Superintendent of Public Instruction	X		
Ms. Gallegos, for the State Controller	X		
Chairperson Prezant	X		

VII. CHIEF INVESTMENT OFFICER’S REPORT (Item 7)

The committee received the Chief Investment Officer’s report from Mr. Ailman, who discussed the rebound of the market after the interest rate pause in November. Mr. Ailman highlighted the fund’s record high of \$330 billion, current asset allocations, U.S. Treasury yield curves, and the U.S. annual inflation rate. Mr. Ailman also discussed the interest on the budget deficit, the geopolitical risk associated with current international wars, China’s slowing economy, and the uncertainty and volatility with the upcoming U.S. election.

VIII. CREDIT ENHANCEMENT PROGRAM POLICY (Item 8)

The committee received, considered, and approved the recommendation, by consent of the committee, supported by Meketa, to decommission the Credit Enhancement Program Policy.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the State Superintendent of Public Instruction	X		
Ms. Gallegos, for the State Controller	X		
Chairperson Prezant	X		

IX. MEKETA GENERAL CONSULTANT CONTRACT EXTENSION (Item 9)

The general consultant contract extension for the committee’s consultant, Meketa Investment Group, was received, considered, and approved by the consent of the

committee.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the State Superintendent of Public Instruction	X		
Ms. Gallegos, for the State Controller	X		
Chairperson Prezant	X		

X. APPROVAL OF MINUTES (Item 10)

The Minutes for the January 11, 2024, Investment Committee Meeting – Open Session, and September 13, 2023, Investment Committee Meeting – Open Session – Amended, were received, considered, and approved by the consent of the committee.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the State Superintendent of Public Instruction	X		
Ms. Gallegos, for the State Controller	X		
Chairperson Prezant	X		

XI. REVIEW OF INFORMATION REQUESTS (Item 11)

There were no requests for information.

XII. DRAFT AGENDA FOR NEXT INVESTMENT COMMITTEE MEETING (Item 12)

The committee reviewed and discussed the draft agenda for the next Investment Committee Meeting.

XIII. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC

There were no additional statements from the public.

RECESS

The Open Session of the committee meeting recessed at 1:41 p.m. and the committee went into Closed Session. The committee meeting reconvened in Open Session at 3:22 p.m.

Chairperson Prezant stated that there was nothing to report from Closed Session.

XIV. ADJOURNMENT

There being no further business to conduct, Chairperson Prezant adjourned the meeting at 3:22 p.m.

Cassandra Lichnock, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

William Prezant, Chairperson

Prepared by: Scott Brooks, Senior Counsel