



# Investment Committee

## Item Number 5 – Open Session

**Subject:** Fixed Income Investment Policy – Private Credit – First Reading

**Presenter(s):** Glenn Hosokawa and Cathy DiSalvo

**Item Type:** Information

**Date & Time:** March 6, 2024 – 20 minutes

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**Attachment(s):** Attachment 1 – Meketa Concurrence Memo

Attachment 2 – Fixed Income Investment Policy – Redline Version

Attachment 3 – Fixed Income Investment Policy – Clean Version

**PowerPoint(s):** None

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### **Item Purpose**

The purpose of this item is to recommend an update to the Fixed Income Investment Policy as a follow-up to the Board approving a 2% Total Fund allocation to Fixed Income for private credit.

### **Recommendation**

Staff recommends and the Board consultant, Meketa Investment Group, concurs that the Investment Committee consider the proposed revisions to the Fixed Income Investment Policy. Staff will incorporate feedback from the Committee into the policy and bring it back for a second reading unless the Committee decides to approve the recommended changes at this meeting.

### **Executive Summary**

This Fixed Income policy change is a follow-up from the 2023 ALM study. At the May 2023 Investment Committee Meeting, the Board approved a 2% increase in the allocation to Fixed Income to add private credit, primarily focused on direct lending. The allocation and respective ranges to private credit will be maintained and monitored within the Fixed Income guidelines and internal controls. For transparency purposes, private credit allocation within Fixed Income is reported in the semi-annual performance reports presented to the board.

The change to the Fixed Income Policy is more administrative rather than a new decision. As such the changes are minimal as we are adding language to include private credit as part of the

opportunistic sleeve of the portfolio. Meketa supports the 2% allocation and concurs with the changes to the Fixed Income Investment Policy.

### **Background**

The item is covered under the [CalSTRS Fixed Income Investment Policy](#), which governs the management of the fixed income assets and strategies in order to ensure a diversified portfolio that meets CalSTRS objectives within applicable risk parameters.

CalSTRS periodically reviews its policies and updates them as appropriate given evolving market practices and opportunities. The last revision to the Fixed Income policy took place in May 2023. A complete summary of policy revisions over the years can be found on page 7 of the CalSTRS Fixed Income Investment Policy (Attachment 3).

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Strategic Plan Linkage: [Trusted Stewards](#)

Board Policy Linkage: [Investment Policy Statement](#)

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**Optional Reference Material:** *(prior board items, supplemental educational materials, etc.)*

[2023 ALM Study Discussion](#)