



# Investment Committee

## Item Number 6b – Open Session

**Subject:** Special Mandate Policy Revision – First Reading

**Presenter(s):** June Kim and Margot Wirth

**Item Type:** Information

**Date & Time:** May 1, 2024 – 10 minutes

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**Attachment(s):** Attachment 1 – Meketa Opinion Memo – Special Mandate Policy

Attachment 2 – Special Mandate Policy – Redline Version

Attachment 3 – Special Mandate Policy – Clean Version

**PowerPoint(s):** None

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### Item Purpose

The purpose of this item is to seek the Investment Committee’s approval to update the reporting section of the Special Mandate Policy and administrative changes to reflect previously approved Investment Committee decisions with other policies.

### Recommendation

Staff recommends that the Investment Committee (Committee) approve the revisions to the Special Mandate Policy (Attachment 2) to align and simplify reporting frequency. Particularly, staff recommends the following:

- Annually, the CIO presents the risk and cost-adjusted performance of all special mandates relative to the respective asset classes.
- Every three years, the general consultant will prepare and present a review of all special mandates.
- Every six years, the Investment Committee will affirmatively vote to continue the special mandates.

### Executive Summary

As a best practice, CalSTRS reviews its governance structure by evaluating the investment policies periodically, to reassess relevance and impact.

The current reporting requires that every three years, on the anniversary of the initial funding, the general consultant will prepare and present a review of the special mandate. Further, every six years, *on the anniversary of the initial funding of the mandate*, the Investment Committee must affirmatively vote to continue the special mandate. This structure required more complicated tracking and reporting to the Committee. When reviewing the reporting structure of the Special Mandate Policy, it was determined that the current reporting structure and frequency could be simplified without impacting the intent and level of transparency.

### **Background**

CalSTRS has a history of considering specialized mandates/investment strategies dating over multiple decades and in December 2015, The Committee expressed a desire for a more formalized process for Committee members to refer and approve Special Mandates. In July 2016, the Committee adopted a formal Special Mandate Policy. Since the approval of the Policy, it has become difficult to maintain the reporting frequency at the individual special mandate level. To streamline reporting and reduce the complexity of reporting, the recommendation aligns with best practices while maintaining the intention of the reporting oversight. The recommended changes to the Policy will maintain the periodic reporting oversight.

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Strategic Plan Linkage: [Trusted Stewards](#)

Board Policy Linkage: [Special Mandate Policy](#)

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### **Optional Reference Material:**

[Special Mandates Report](#) and [Meketa Opinion Memo](#), November 2023, Investment Committee

[Special Mandates Policy Annual Report FY22-23](#), September 2023, Investment Committee