



# Investment Committee

## Item Number 8 – Open Session

**Subject:** Approval of Minutes of the May 5, 2022, Investment Committee – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** July 7, 2022 – 0 minutes

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**Attachment(s):** None

**PowerPoint(s):** None

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### PROPOSED MINUTES

**Teachers' Retirement Board – Investment Committee Meeting**

**May 5, 2022**

**OPEN SESSION**

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

#### **COMMITTEE MEMBERS PRESENT**

Sharon Hendricks, Chairperson

Denise Bradford

Ken Tang

Jennifer Urdan

Karen Yamamoto

Gayle Miller, representing the Director of Finance, Keely Bosler

Frank Ruffino, representing the State Treasurer, Fiona Ma

Blake Johnson, representing the State Superintendent of Public Instruction, Tony Thurmond

Betty Yee, State Controller

#### **COMMITTEE MEMBERS ABSENT**

Harry Keiley

William Prezant

**OTHER BOARD MEMBERS PRESENT**

Sertan Usanmaz, representing the State Treasurer, Fiona Ma  
Lynn Paquin, representing the State Controller, Betty Yee

**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  
Bill Perez, Chief Benefits Officer  
Julie Underwood, Chief Financial Officer  
Scott Chan, Deputy Chief Investment Officer  
Mike DiRé, Director, Real Estate  
Shifat Hasan, Head of Investment Performance and Compliance  
Glenn Hosokawa, Director, Fixed Income  
Kirsty Jenkinson, Director, Sustainable Investments and Stewardship Strategies  
Geraldine Jimenez, Director, Investment Strategy and Risk  
June Kim, Director, Global Equities  
Paul Shantic, Director, Inflation Sensitive  
Steven Tong, Director, Risk Mitigating Strategies  
April Wilcox, Director, Investment Services  
Margot Wirth, Director, Private Equity  
Kelly Criss, Head of Investment Operations  
Brian Rice, Portfolio Manager, Sustainable Investments and Stewardship Strategies  
LaShae Badelita, Investment Diversity Officer  
Stephen Hamilton, Senior Counsel

**OTHER PRESENT**

Mika Malone, Meketa Investment Group  
Stephen McCourt, Meketa Investment Group  
Lynne Nittler, Fossil Free CA  
Mark Norberg, CTA  
Dana Dillon, CTA/NEA-Retired  
Doug Orr, CFT  
Kevin Welch, CTA  
Paul Bansen, Student CTA  
Goli Sahbam MD, Fossil Free CA

A quorum being present, Chairperson Hendricks called the Open Session meeting of the Investment Committee meeting to order at 8:35 a.m.

**I. APPROVAL OF COMMITTEE AGENDA (Item 1)**

**MOTION** duly made by Ms. Miller, seconded by Yamamoto, and carried to approve the Committee Agenda.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Hendricks	X		

Ms. Urdan joined the dais at 8:43 a.m.

**I. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 2)**

The committee heard from Ms. Nittler who objected to any CalSTRS involvement in the East African crude oil pipeline project.

The committee heard from Mr. Norberg who advocated for fossil fuel divestment, submitted findings in support of his position and took issue with CalSTRS position on the financial impact of thermal coal divestment.

The committee heard from Ms. Dillon who thanked the board and the CalSTRS investment team for their participation in the recent CTA State Counsel event.

**II. NET ZERO STRATEGY – PROGRESS AND PLANNING UPDATE (Item 3)**

The committee received the Net Zero Strategy update from Ms. Jenkinson, Mr. Rice, Mr. Ailman and Mr. Chan. Mr. Ailman described staff’s progress on the pledge to date, the development of public and private market working groups, elements of the roadmap ahead and the level of control the board has certain issues to make progress. Mr. Rice detailed the tools used to influence markets to achieve net zero goals and the path for escalating corporate engagement. Mr. Chan informed the committee about the status of emissions measurement within private and public asset classes and outlined future steps for emission reduction strategies and characterization of investments in climate solutions.

Controller Yee replaced Ms. Paquin on the dais at 8:57 a.m.

The committee discussed: (i) the desire for further details concerning methods to accelerate the net zero transition goal, including analysis of the associated costs and risks, as well as information on how risks are being determined; (ii) the drivers of the transition and the role domestic and international companies and governments have to effect change; (iii) tools that could aid the committee in future strategic decision making and potential changes to existing investment policies, risk budgets, and/or allocation mandates of the system necessary to achieve the net zero goals on an accelerated basis; (iv) potential future consequences when companies and sectors fail to meet engagement expectations; (v) the current usefulness of scope 3 emission disclosures and how CalSTRS reports such data; and (vi) potential metrics or tools to clearly communicate to members on the system’s net zero progress.

#### PUBLIC COMMENT

The committee heard from Mr. Welch who expressed appreciation for CalSTRS net zero pledge and emphasized the need for concrete goals and measurable steps to both maximize returns and meet net zero transition objectives.

The committee heard from Mr. Orr, who noted his committee’s support for fossil fuel divestment, but also offered support for CalSTRS net zero pledge, attempts to reduce demand for fossil fuels and force companies to change, and who urged the committee to pursue legislative efforts to impose a price on carbon.

The committee heard from Mr. Bansen who expressed gratitude to CalSTRS on the net zero pledge but stated that fossil fuel divestment was necessary to achieve the ultimate climate change solution.

The committee heard from Dr. Sahbam who stated that net zero by 2050 is too late and urged CalSTRS to divest from fossil fuels.

The committee heard from Ms. Nittler who commented on the negative effect of climate within her local community.

### **III. DIVERSITY IN MANAGEMENT OF INVESTMENTS – AB 890 IMPLEMENTATION PLAN (Item 4a)**

The committee received the AB 890 Implementation Plan from Ms. Kim and Ms. Badelita which proposed definitions for the terms “emerging manager”, “diverse manager” and “objective” for purposes of AB 890. The committee discussed implementation efforts in light of the recent California court decision striking down the board diversity bill (SB 826), AB 890’s implementation timeline and the structure of the proposed definitions.

**MOTION** duly made by Ms. Yamamoto, seconded by Mr. Tang, and carried to approve staff’s recommended definitions identified on page 5 of the item with the addition of a “+” at the end of “LGBTQ” in the definition of “diverse manager”.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Urdan	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Controller Yee	X		
Chairperson Hendricks	X		

**IV. DIVERSITY IN MANAGEMENT OF INVESTMENTS – DIVERSITY REPORT AND STRATEGIC ROADMAP UPDATE (Item 4b)**

The committee received the 2021 Annual Report and strategic roadmap for CalSTRS Diversity in the Management of Investments from Ms. Badelita. The committee commended staff on the report and asked that it be attached to the report sent to the legislature under AB 890.

**V. COLLABORATIVE MODEL 2.0 – OPPORTUNITIES PORTFOLIO (Item 5)**

The committee received a presentation from Mr. Chan on the Collaborative Model 2.0 detailing a staff proposal to create an Opportunities Portfolio to expand the fund’s investment opportunities and take advantage of investments at greater scale and/or across asset class. The committee expressed support for the underlying ideas and discussed whether there were simpler alternative pathways to achieve the stated goals. The committee also discussed appropriate benchmarks and levels of risk, allocation best practices, peer comparisons and impacts of the plan on policy and CalSTRS recruiting.

**VI. CHIEF INVESTMENT OFFICER’S REPORT (Item 6)**

The committee received the Open Session Chief Investment Officer’s report from Mr. Ailman. Mr. Ailman reported on the total fund assets and corresponding allocations, the historic level of inflation, the federal reserve’s response, and the corresponding effect on total fund returns. The committee discussed the abnormalities in the labor market and supply chain difficulties and the potential effect of increasing wages on inflation in the current inflationary cycle.

**VII. COMMITTEE WORK PLAN INPUT FOR FY 2022-2023 (Item 7)**

The 2022-2023 Committee Work Plan was received and approved by consent of the committee.

**VIII. APPROVAL OF MINUTES OF THE MARCH 3, 2022, INVESTMENT COMMITTEE MEETING – OPEN SESSION (Item 8)**

**MOTION** duly made by Mr. Tang, seconded by Ms. Bradford, and carried to approve the minutes of the March 3, 2022, Investment Committee Meeting – Open Session.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Urdan	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Controller Yee	X		
Chairperson Hendricks	X		

**IX. REAL ESTATE CONSULTANT REQUEST FOR PROPOSAL (Item 9)**

**MOTION** duly made by Mr. Tang, seconded by Ms. Bradford, and carried to approve the Real Estate Consultant Request for Proposal.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Urdan	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Controller Yee	X		
Chairperson Hendricks	X		

**X. INVESTMENT COMMITTEE CHARTER REVIEW (Item 10)**

The committee received the Investment Committee Charter Review and discussed the authority for the committee to engage with federal regulatory bodies on issues of concern.

**MOTION** duly made by Mr. Tang, seconded by Ms. Bradford, and carried to approve the Investment Committee Charter.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Urdan	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Controller Yee	X		
Chairperson Hendricks	X		

**XI. REVIEW INFORMATION REQUESTS (Item 11)**

Pursuant to Item 3, the committee requested a more detailed workplan relating to accelerating the net zero transition, including specific information on the associated costs and risks in order to aid the committee in making necessary policy and/or asset allocation decisions to meet net zero goals.

Pursuant to Item 3, the committee requested available data or metrics relating to the CalSTRS portfolio and the net zero transition to better communicate with membership.

Pursuant to Item 10, the committee requested information on the committee’s authority to engage with federal regulatory bodies on issues of concern to the investment portfolio.

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

The committee reviewed the draft agenda for the next meeting.

**RECESS**

The Open Session of the committee meeting recessed at 10:51 a.m. and the committee went into Closed Session. The committee meeting reconvened in Open Session at 2:18 p.m.

Chairperson Hendricks reported there was nothing to report from Closed Session.

**XIII. ADJOURNMENT**

There being no further business to conduct, Chairperson Hendricks adjourned the meeting at 2:19 p.m.

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

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Sharon Hendricks, Chairperson

Prepared by: Stephen Hamilton, Senior Counsel