



Investment Committee

Item Number 10b – Open Session

Subject: Approval of Minutes for September 13, 2023, Investment Committee – Open Session - Amended

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: March 6, 2024 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

September 13, 2023

OPEN SESSION

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

COMMITTEE MEMBERS PRESENT

William Prezant, Chairperson

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

Denise Bradford

Sharon Hendricks

Michael Gunning

Ken Tang

Jennifer Urdan

Karen Yamamoto

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

Regina Evans, representing the State Controller, Malia M. Cohen

Frank Ruffino, representing the State Treasurer, Fiona Ma

COMMITTEE MEMBERS ABSENT

Harry Keiley

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
Teresa Schilling, Chief Public Affairs Officer
Julie Underwood, Chief Financial 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
Josh Diedesch, Portfolio Manager, Investment Strategy and Risk
Melissa DaRonco, Associate Portfolio Manager, Investment Services
Scott Brooks, Senior Counsel

OTHER PRESENT

Allan Emkin, Meketa Investment Group
John Haggerty, Meketa Investment Group
Taylor Mammen, RCLCO Fund Advisors
Ben Maslan, RCLCO Fund Advisors
Stephanie Sorg, Meketa Investment Group
Cecilia Alvarado, UNITE HERE Local 11
Andrea Auerbach
Jennifer Baker, CalRTA
Delbar Delbar, UNITE HERE Local 11
Dana Dillon, CTA/NEA-Retired
Ruth Dominguez, UNITE HERE Local 11
Jordan Fein, UNITE HERE Local 11
Ed Foglia, CTA/NEA-Retired
Orval Garrison, CTA/NEA-Retired
Pat Geyer, CalRTA
Alyssa Giachino, Private Equity Stakeholder Project
Jefferson McFee, Alliance of Californians for Community Empowerment (ACCE)
Carlos Moreiza, UNITE HERE Local 11

Peter Morse

Crystal Padilla, UNITE HERE Local 11

Luis Perez, UNITE HERE Local 11

MaryKay Scheid

Don Stauffer, CTA/NEA-Retired

Beatriz Topoto, UNITE HERE Local 11

Marta Vela, UNITE HERE Local 11

Kevin Welch

A quorum being present, Chairperson Prezant called the Open Session meeting of the Investment Committee meeting to order at 9:00 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

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

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Evans, for the State Controller	X		
Chairperson Prezant	X		

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

The committee heard from Alyssa Giachino, representing Private Equity Stakeholder Project, who commented on child labor disputes at Packers Sanitation Services, Inc. and Blackstone.

The committee heard from Jefferson McFee, representing Alliance of Californians for Community Empowerment, who commented on labor disputes at Blackstone.

The committee heard from Jordan Fein, representing UNITE HERE Local 11, who commented on child labor disputes at Packers Sanitation Services, Inc. and Blackstone.

The committee heard from Crystal Padilla, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Ruth Dominguez, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Cecilia Alvarado, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Marta Vela, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Luis Perez, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Carlos Moreiza, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Delbar Delbar, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

The committee heard from Beatriz Topoto, representing UNITE HERE Local 11, who commented on labor disputes at Blackstone.

III. SEMI-ANNUAL PERFORMANCE REPORTS (Item 3)

Ms. Miller Joined the dais at 9:30 a.m.

a. Receive General Consultant – Semi-Annual Performance Report, Period Ending June 30, 2023

The committee received the Semi-Annual Performance Report from Ms. Sorg and Mr. Emkin, who summarized the fund's performance over the one, three, five, and ten-year time periods and commended staff for executing at a high level. The committee discussed the positive returns of U.S. and Non-U.S. equities despite the Federal Reserve's continued aggressive rate hikes. The committee also discussed the underperformance of RMS, but noted the inherent intent of the asset class is to help diversify and provide added protection to the total fund. The committee considered the future uncertainty of the market in light of the Russo-Ukrainian war, political tensions with China and the U.S., and political instability in the U.S. during the upcoming election year.

b. Receive Real Estate Consultant – Semi-Annual Performance Report, Period Ending March 31, 2023

The committee received the Real Estate Semi-Annual Performance Report from Mr. Mammen and Mr. Maslan, who provided a summary of the portfolio's performance, which outperformed its target return benchmark and inflation over all measurable time periods for the last decade. Mr. Mammen and Mr. Maslan also discussed the current real estate market, which they noted will likely remain challenging and expensive. The committee considered the benefit of the portfolio remaining conservatively leveraged in a declining market environment. The committee discussed the effects of the Federal Reserve's recent rate increases. The committee also discussed the tactical steps the Real Estate portfolio has taken during the past year, including increased lending and reallocation of the portfolio to adapt to the changing market. The committee also

considered the potential impact of Artificial Intelligence, which has increased demand for space in data centers.

c. Receive Private Equity Consultant – Semi-Annual Performance Report, Period Ending March 31, 2023

The committee received the Private Equity Semi-Annual Performance Report from Mr. Haggerty, who summarized the fund’s performance over the one, three, five, and ten-year time periods and complimented staff for their experience and the deployment of capital. The committee discussed industry trends and notable events, including slowed fundraising, a challenging financing environment with higher interest rates and reduced availability of debt, and a lower transaction volume. The committee also discussed the potential impacts of the recent SEC Private Fund Advisers rule. The committee considered Private Equity’s allocation targets and overall purpose as a main driver of returns for the total fund, as well as the increased expenses and illiquidity inherent to the asset class.

RECESS

The Open Session of the committee meeting recessed at 10:16 a.m. and reconvened at 10:36 a.m.

Ms. Hendricks joined the dais at 10:36 a.m.

IV. INVESTMENT POLICY STATEMENT (IPMP MODERNIZATION PROJECT), TOTAL PUBLIC EQUITY BENCHMARK – SECOND READING (Item 4)

The committee received a second reading of the Investment Policy Statement (IPS) as well as a proposal to update the existing Total Public Equity (TPE) benchmark to reflect the modified Global Equity policy benchmark. The committee considered how the recommendation to update the TPE benchmark would align with the structure of the IPS and enhance board governance and transparency. The committee discussed the objective of modernizing the existing IPMP into a best-in-class IPS document, which is based on significant peer review and feedback received from the committee. The committee also discussed the goal of producing a more accessible and user-friendly policy that reduces redundancy.

MOTION duly made by Ms. Yamamoto, seconded by Mr. Tang, and carried to approve and adopt the modernized Investment Policy Statement and Total Public Equity benchmark, as amended.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	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. Evans, for the State Controller	X		
Chairperson Prezant	X		

V. LIQUIDITY OVERSIGHT MANAGEMENT (Item 5)

The committee received a presentation on how liquidity is managed across the total fund. The committee discussed the importance of liquidity management due to (i) CalSTRS status as a mature pension fund with a net negative cash flow and historical allocation to illiquid assets; (ii) the May 2023 Asset Liability Management Study and the goals of the Collaborative Model; and (iii) increased flexibility to allow member benefits and capital calls to continue to be paid smoothly, avoid forced selling of investments at discounts, enable staff to take advantage of new opportunities due to market dislocations, and rebalance the portfolio to meet strategic asset allocation targets.

The committee discussed the projected increased future cash flow, enhancing CalSTRS’s policies and oversight of liquidity, and the use and utilization of leverage. The committee also considered how CalSTRS can continue to be a partner of choice. The committee discussed increasing the asset class allocation ranges to allow more flexibility to better manage risk and align closer with industry standards.

VI. INVESTMENT POLICY REVISION – REFERENCE PORTFOLIO BENCHMARK – FIRST READING (Item 6)

The committee heard a first reading regarding amending the Reference Portfolio Benchmark in the Investment Policy Statement, with the goal of creating a more simplistic benchmark for comparison purposes. Staff and Meketa provided a revised recommendation from a 60/40 MSCI ACWI and Bloomberg Aggregate index mix to a 70% MSCI ACWI [IMI](#) / 30% Bloomberg Aggregate Bond Index mix as the new Reference Portfolio benchmark. The committee considered the new Reference Portfolio benchmark recommendation and discussed the benchmark’s susceptibility to significant tracking error due to the fund’s substantial private investments that are not included in the benchmark.

MOTION duly made by Ms. Urdan, seconded by Ms. Hendricks, and carried to approve a 70% MSCI ACWI [IMI](#) / 30% Bloomberg Aggregate Bond Index mix as the new Reference Portfolio benchmark.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	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. Evans, 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 congratulated Julie Donegan as the new Director of Real Estate and recognized and praised the Investment student interns. Mr. Ailman discussed the Portfolio Restrictions Cost Analysis Report, the portfolio’s reduced exposure to China, and the Special Mandates Policy Annual Report. Mr. Ailman also discussed current financial market conditions and potential risks on the horizon. The committee discussed market uncertainty and volatility in light of the fund’s significant exposure to U.S. markets.

VIII. APPROVAL OF MINUTES OF THE MAY 4, 2023, 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 May 4, 2023, Investment Committee Meeting – Open Session.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	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. Evans, for the State Controller	X		
Chairperson Prezant	X		

IX. REPORT PURSUANT TO ASSEMBLY BILL 2833 (Item 9)

The committee received a report regarding CalSTRS’s compliance with AB 2833 for fiscal year 2021 – 2022.

X. ANNUAL REVIEW OF DELEGATION TO STAFF (Item 10)

The committee received a report on board delegations to staff and board-approved policy changes through fiscal year 2022-2023. The committee discussed revising delegations to include language that additional allocations or commitments may be subject to review by the Investment Committee if requested.

XI. REVIEW INFORMATION REQUESTS (Item 11)

There were no requests for information.

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

The committee reviewed 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 11:40 a.m. and the committee went into Closed Session at 1:03 p.m. The committee meeting reconvened in Open Session at 2:32 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 2:32 p.m.

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

William Prezant, Chairperson

Prepared by: Scott Brooks, Senior Counsel