



Investment Committee

Item Number 7 – Open Session

Subject: Approval of Minutes of the November 1, 2023, Investment Committee – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: January 11, 2024 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

November 1, 2023

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

Sharon Hendricks

Michael Gunning

Harry Keiley

Ken Tang

Jennifer Urdan

Karen Yamamoto

Malia M. Cohen, State Controller (telephonic)

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

Frank Ruffino, representing the State Treasurer, Fiona Ma

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, 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 of Investment Services
Margot Wirth, Director, Private Equity
Kelly Criss, Head of Investment Operations
LaShae Badelita, Investment Officer III
Mike Dunigan, Associate Portfolio Manager, Investment Performance and Compliance
Stephen Hamilton, Senior Counsel
Scott Brooks, Senior Counsel

OTHER PRESENT

Tad Ferguson, Meketa Investment Group
Mika Malone, Meketa Investment Group
Stephen McCourt, Meketa Investment Group
Jennifer Choi, ILPA
Shelly Heier, Verus Investments
Sara Maynard, ASIP, CFA Institute
Valeria Alvarez, UFCW
Rafael Martinez, UFCW
Jared Gaby-Beigel, UFCW
Cecilia Alvarado, UNITE HERE Local 11
Jordan Fein, UNITE HERE Local 11
Carlos Moreira, UNITE HERE Local 11
Crystal Padilla, UNITE HERE Local 11
Mary Kay Scheid, CTA
Jennifer Baker, CalRTA
Suzie Dixon, CalRTA
Kathy Kinley, CalTRA
Carmen Esterman, UTLA
Kevin Welch, CTA
Don Stauffer, CTA/NEA-Retired
Peter Morse, FACCC

Janet Davis, UTLA-Retired
Ed Foglia, CTA/NEA-Retired
Pat Geyer, CTA
Mark Allen, CalRTA

A quorum being present, Chairperson Prezant called the Open Session meeting of the Investment Committee to order at 10:05 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

The Committee Agenda was approved, with flexibility, by consent of the committee.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Keiley	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 State Superintendent of Public Instruction	X		
Controller Cohen	X		
Chairperson Prezant	X		

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

The committee heard from Ms. Alvarez, who conveyed labor law complaints pertaining to Cardenas Markets owned by Apollo Funds.

The committee heard from Mr. Gaby-Beigel, who commented on labor disputes at Cardenas Markets owned by Apollo Funds and urged the committee not to invest in any new Apollo Funds.

The committee heard from Mr. Fein, who commented on migrant and child labor concerns and ongoing labor disputes at southern California hotels managed by Ambridge Hospitality, which is owned by Advent International, and requested CalSTRS engage its investment partners on such issues.

The committee heard from Mr. Moreira, who commented on ongoing labor disputes at the Holiday Inn LAX, an Ambridge managed hotel.

The committee heard from Ms. Alvarado, who commented on ongoing labor disputes at the Holiday Inn LAX, an Ambridge managed hotel.

The committee heard from Ms. Padilla, who commented on labor disputes at the Sheraton in downtown Phoenix, owned by a Blackstone investment vehicle.

Ms. Urdan exited the dais at 10:28 a.m.

**III. INVESTMENT POLICY REVISION: PORTFOLIO RESTRICTIONS
INVESTMENT POLICY – FIRST READING (Item 3)**

The committee received and considered the first reading of the Portfolio Restrictions Investment Policy from Mr. Ailman, Mr. Bartow, Mr. Brooks and Ms. Mastagni. Mr. McCourt opined that Maketa concurred with staff’s conclusions and recommendation to adopt the new policy.

MOTION duly made by Ms. Bradford, seconded by Ms. Miller, and carried to approve and adopt the Portfolio Restrictions Investment Policy.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Keiley	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 State Superintendent of Public Instruction	X		

Controller Cohen	X		
Chairperson Prezant	X		

Ms. Urdan returned to the dais at 10:44 a.m.

IV. ANNUAL INVESTMENT COST & SAVINGS REPORT (Items 4a & 4b)

The committee received the Annual Investment Cost Report and the Collaborative Model Savings Report from Ms. Wilcox, Ms. Hasan, and Mr. Dunigan for 2022, which detailed and analyzed the costs of investments made within the fund and compared those costs against prior years and CalSTRS peers. The collaborative model savings report detailed approximately \$1.64 billion in savings for the fund over the past six (6) years. The committee commended staff on the quality of the reports and discussed the importance of bending the cost curve to combat increased allocations to private market investments and the unique governance challenges associated with private assets. The committee discussed the importance of the total cumulative collaborative model savings and its crucial role in mitigating unfunded liabilities. The committee also discussed the importance of CalSTRS being a partner of choice in the industry, the likelihood that savings will be more difficult to achieve in future years and the need to continue to innovate in the area of cost containment.

V. LIQUIDITY OVERSIGHT MANAGEMENT – LEVERAGE EDUCATION (Item 5)

The committee received an educational presentation on liquidity oversight management from Mr. Chan, Ms. Jimenez, Mr. DiRe, Mr. Diedesch and Ms. Wilcox. Ms. Jimenez detailed recent uses of leverage utilized to reduce risk and enhance returns and compared how certain peers use leverage within their policies and portfolios. Mr. Diedesch described the two policy updates staff would seek to bring back to the committee, which would be designed to add flexibility and include the ability to use short term total fund leverage to smooth cash flows and increase asset allocation bands across asset classes to more effectively rebalance the portfolio in response to market movements. Mr. Chan described the expected incremental and managed implementation process should the committee ultimately make the contemplated leverage policy changes. The committee discussed the need for clearly defined monitoring and oversight obligations on the part of the committee in any future policy changes, the type of allocation expansions that could apply to certain asset classes and the possibility of continued future education on the topic.

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

The committee received the Chief Investment Officer’s report from Mr. Ailman, who reported on current asset levels and allocations and discussed concerns surrounding rising bond yields, geopolitical risks associated with escalation of the ongoing wars overseas, and increased federal debt servicing costs. The committee discussed recent increases in the federal debt load and treasury yields as well as the potential impacts to the economy and the fund.

RECESS

The Open Session of the Investment Committee meeting recessed at 11:49 a.m. and reconvened at 1:01 p.m.

VII. DIVERSITY, EQUITY, AND INCLUSION EDUCATION - DIVERSITY IN MANAGEMENT OF INVESTMENTS: STAFF UPDATE (Item 7a)

The committee heard from Mr. Chan, who discussed how diversity, equity and inclusion (DEI) is a competitive advantage for CalSTRS and a top priority for the investment branch. The committee heard from Ms. Badelita, who discussed major Diversity in the Management of Investments (DIMI) milestones over the past 30 years at CalSTRS as well as the three pillars of CalSTRS' DIMI strategy. The committee also heard from Ms. Hasan, who detailed the robust slate of industry and portfolio company engagement events and initiatives staff participates in with respect to DEI. The committee discussed certain upcoming industry event dates and a desire to remain apprised of staff participation in such events, the significant diversity among the CalSTRS team of decision makers as well as CalSTRS membership and the importance of tracking diversity among senior decision makers when engaging on DEI.

VIII. DIVERSITY, EQUITY, AND INCLUSION EDUCATION – BEST PRACTICES IN DIVERSITY, EQUITY, AND INCLUSION (Item 7b)

The committee heard from a panel of industry experts concerning best practices in diversity, equity and inclusion (DEI) initiatives. First, Ms. Maynard discussed the CFA Institute's work on developing a principles-based DEI code designed to be globally supported, regionally adapted and locally nuanced. Ms. Maynard identified six key principles - Pipeline, talent acquisition, promotion and retention, leadership, influence, measurement - upon which the DEI code is based and described ongoing implementation efforts as well as the qualitative and quantitative information exchange between the CFA Institute and early adopters.

The committee also heard from Ms. Choi, who provided a history of ILPA's journey with respect to DEI, specifically detailing the development and evolution of ILPA's DEI metrics template as well as the expansion of its Due Diligence Questionnaire to include a question set focused exclusively on DEI policies and procedures. Ms. Choi also discussed ILPA's signatory-based diversity in action initiative and described the types of information Limited Partners are obtaining and explained how they are using such information in decision making. Ms. Choi illustrated how ILPA's ongoing efforts have increased the amount of reporting from General Partners on DEI data. Ms. Choi also discussed the evolving definition of a "diverse" manager, noting the shift away from firm ownership metrics to leadership and workforce level data.

The committee heard from Ms. Heier, who provided an overview on how the Institutional Investing Diversity Cooperative is collaborating with consulting peers and managers to improve diversity data collection among the public market manager community. Ms. Heier heavily emphasized the need to collect as much DEI data as possible and highlighted efforts to integrate the data into eVestment. Ms. Heier stressed the importance of designing a global data framework that contains no regional bias and detailed the increasing trend of the number of managers reporting DEI data. Ms. Heier

also discussed the definition of “diverse”, noting that an improved measure of diversity looks at the investment decision-making team makeup. Ms. Heier also informed the committee about various research efforts surrounding cognitive diversity, described the need for more data to tie investment results to the diversity of a particular investment team and advocated for removing unintended hurdles in the industry (e.g., minimum AUM or length of time managing assets) for hiring investment managers.

The committee discussed potential best practices that can be employed to develop a diverse culture and pipeline within the investment industry, including increasing firm obligations to report DEI data, holding investment industry companies accountable and the role of institutional support for employees to pursue various types of investment certifications given the challenges some face in qualifying to participate within the industry.

IX. SPECIAL MANDATES REPORT (Item 8)

The committee received the Special Mandates Report from Mr. McCourt and Mr. Ferguson. Mr. McCourt reported on the relative performance of the Global Equity – Developing Manager Program and the Private Equity – Proactive Program, noting that each were operating efficiently and within expectations. Mr. McCourt informed the committee that the third special mandate (Private Equity – Clean Tech program) was currently inactive, with only a very small amount of legacy investments yet to be unwound. The committee discussed the reporting structure for Special Mandates.

X. APPROVAL OF MINUTES OF THE SEPTEMBER 13, 2023, INVESTMENT COMMITTEE MEETING – OPEN SESSION (Item 9)

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

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Keiley	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		
Controller Cohen	X		
Chairperson Prezant	X		

XI. FY 2022-23 GIPS PERFORMANCE REPORT (Item 10)

The committee received the FY 2022-23 Global Investment Performance Standards Performance Report.

XII. REVIEW OF INFORMATION REQUESTS (Item 11)

On Item 5, the committee requested that staff propose specific and appropriate oversight roles in forthcoming policy revisions relating to liquidity management.

On Item 7.a, the committee requested that staff keep committee members apprised of future industry and portfolio company engagement event participation.

XIII. DRAFT AGENDA FOR THE NEXT COMMITTEE MEETING (Item 12)

The committee received the draft agenda for the next committee meeting.

Mr. Keiley and the Committee remembered Kitty Donohoe and her 35 years of service as a 2nd grade teacher at Roosevelt Elementary School in Santa Monica, California.

RECESS

The Open Session of the committee meeting recessed at 2:33 p.m. and the committee went into Closed Session. There was no business to report out from Closed Session.

XIV. ADJOURNMENT

There being no further business to conduct, Chairperson Prezant adjourned the meeting at 3:57 p.m.

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

William Prezant, Chairperson

Prepared by: Stephen Hamilton, Senior Counsel