



Investment Committee

Item Number 6 – Open Session

Subject: Approval of Minutes of the November 4, 2021, Investment Committee – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: January 27, 2022 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

November 4, 2021

OPEN SESSION

LOCATION: Web Conference

COMMITTEE MEMBERS PRESENT

Joy Higa, Chairperson

Denise Bradford

William Prezant

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

Lynn Paquin, representing the State Controller, Betty Yee

COMMITTEE MEMBERS NOT PRESENT

Harry Keiley

Sharon Hendricks, Vice Chairperson

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
Mitch Pleis, Portfolio Manager, 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
Stephen Hamilton, Senior Counsel

OTHER PRESENT

Stephen McCourt, Meketa Investment Group
Jennifer Baker, CalRTA
Dana Dillon, CTA/NEA-Retired
Sandy Keaton
Leonard Goldberg, UTLA
Mary Kay Scheid, CTA
Peter Morse, FACCC
Kevin Welch, CTA
Richard Hansen, CCCI
Susie Chow, UTLA-Retired
Doug Orr, CFT
Pat Geyer, CalRTA
Alex Day
Joan Lohman
Terri Dunn
Lynn Nittler
Paula Buell

A quorum being present, Chairperson Higa called the Open Session meeting of the Investment Committee meeting to order at 8:42 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

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

| Members Voting | Aye | Nay | Abstain |
|---|-----|-----|---------|
| Ms. Bradford | X | | |
| Mr. Prezant | X | | |
| Ms. Urdan | X | | |
| Ms. Yamamoto | 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 Higa | X | | |

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

The committee heard from Alex Day, who encouraged CalSTRS to divest from Enbridge and fossil fuels in general.

The committee heard from Joan Lohman, who suggested that net zero pledges were insufficient to address the climate threat and urged prioritization of divestment from fossil fuels.

The committee heard from Paula Buell, who expressed disappointment in CalSTRS net zero pledge and urged the committee to divest from fossil fuel companies.

The committee heard from Lynn Nittler, who urged the committee to use CalSTRS financial clout to lead the way out of the climate crisis and divest from fossil fuels.

The committee heard from Terri Dunn, who acknowledged the committee’s work on the net zero pledge but requested swifter action to effect the energy transition and avoid environmental crisis.

Ms. Miller joined the meeting at 8:50 a.m.

III. APPROVAL OF MINUTES OF THE SEPTEMBER 1, 2021, INVESTMENT COMMITTEE MEETING – OPEN SESSION (Item 3)

The September 21, 2021 minutes of the Investment Committee Meeting – Open Session were approved by consent of the committee.

| Members Voting | Aye | Nay | Abstain |
|---|-----|-----|---------|
| Ms. Bradford | X | | |
| Mr. Prezant | 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 | | |

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|--------------------------------------|---|--|--|
| Ms. Paquin, for the State Controller | X | | |
| Chairperson Higa | X | | |

IV. FY 2020-21 GIPS PERFORMANCE REPORT (Item 4)

The committee received the FY 2020-21 GIPS Performance Report.

V. CHIEF INVESTMENT OFFICER’S REPORT (Item 5)

The committee received the Chief Investment Officer’s Report from Mr. Ailman, who provided an update on the fund’s total assets, asset allocation and revenue exposure by country. Mr. Ailman commented on the ongoing inflationary pressures in the market; the unemployment rate compared to the large number of existing job openings; and key risks to monitor looking forward, including central banking policies, North Korea aggression and China/Taiwan tensions. The committee discussed inflation risks to the fund, risk reporting mechanics and potential impacts on the market from vaccine mandates.

VI. THE COLLABORATIVE MODEL 2.0 (Item 6)

The committee received a presentation from Mr. Chan on the Collaborative Model 2.0. Mr. Chan described staff’s plan to leverage existing partners, exploit a one fund advantage and capitalize on the fund’s scale to become a global partner of choice as well as forthcoming policy revisions designed to implement staff’s vision. The committee discussed the challenges for CalSTRS competing with other global institutional investors who do not share the same structural limitations; the savings produced by the collaborative model; the problems with benchmarking within the one fund structure and Meketa’s forthcoming benchmark review; the investment branch’s staffing challenges and recent successes in attracting talent from different geographical markets; and staff’s future technology needs.

VII. INVESTMENT COST REPORTING: ANNUAL INVESTMENT COST REPORT & COLLABORATIVE MODEL SAVINGS REPORT (Items 7a & 7b)

The committee received the Annual Investment Cost Report and the Collaborative Model Savings Report from Ms. Wilcox, Ms. Hasan, and Mr. Dunigan for 2020. The investment cost report detailed and analyzed the costs of investments made within the fund and compared those costs against both prior years and CalSTRS peers. The collaborative model savings report detailed approximately \$309 million in savings for the fund in 2020. The committee commended staff on the quality of the reports and discussed the increase in costs relative to the increase in fund revenue and returns, cost and expense trends, as well as inputs for other expenses detailed in the report.

VIII. REVIEW INFORMATION REQUESTS (Item 8)

Pursuant to item 7a, the board requested additional reporting details for future cost reports, including: (i) cost increases relative to revenue and return increases; (ii) cost and expense trends; (iii) listing of all asset classes; and (iv) clarity of the definition of “other” expenses.

IX. DRAFT AGENDA FOR NEXT INVESTMENT COMMITTEE MEETING (Item 9)

The committee reviewed the Draft Agenda for the next Investment Committee Meeting.

RECESS

The Open Session of the committee meeting recessed at 10:37 a.m. and the committee went into Closed Session. The committee meeting reconvened in Open Session at 1:47 p.m.

Chairperson Higa reported that there was nothing to report from Closed session.

X. ADJOURNMENT

There being no further business to conduct, Chairperson Higa adjourned the meeting at 1:48 p.m.

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

Joy Higa, Chairperson

Prepared by: Stephen Hamilton, Senior Counsel