



# Investment Committee

## Item Number 5 – Open Session

**Subject:** Investment Policy and Management Plan Modernization Project

**Presenter(s):** Geraldine Jimenez and April Wilcox

**Item Type:** Information

**Date & Time:** November 3, 2022 – 15 minutes

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**Attachment(s):** Attachment 1 – Proposed Investment Policy Statement Draft Framework

Attachment 2 – Investment Policy and Management Plan to Investment Policy Statement Content Comparison

**PowerPoint(s):** N/A

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### **Item Purpose**

The purpose of this item is to provide the Investment Committee (IC) a modernized Investment Policy and Management Plan (IPMP) draft framework for consideration. The proposed framework will guide the transition of the existing IPMP content into a redesigned, reorganized and enhanced document that will be known as the CalSTRS Investment Policy Statement (IPS).

### **Recommendation**

This is an informational item and staff is seeking IC feedback regarding the *Proposed Investment Policy Statement Draft Framework* (Attachment 1).

### **Executive Summary**

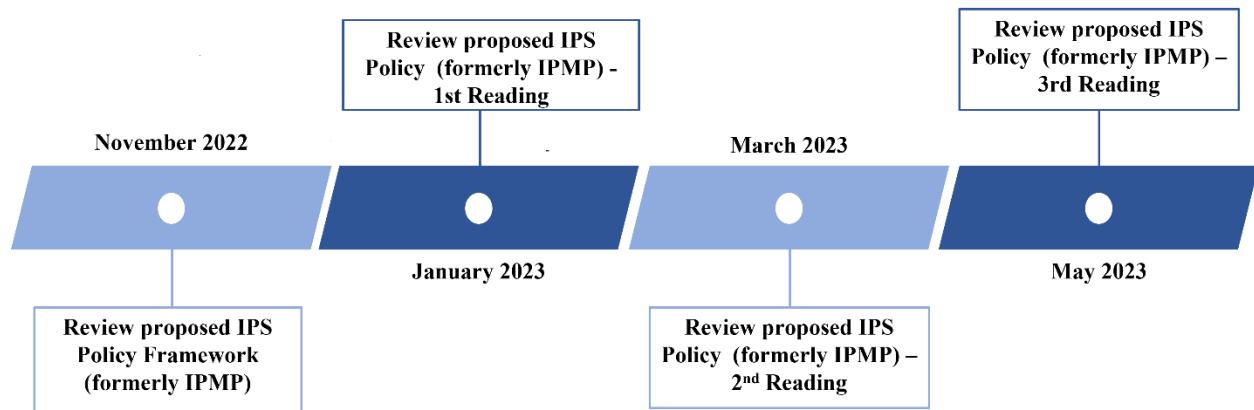
At the July 7, 2022, IC, staff introduced a proposed effort to modernize and restructure the existing IPMP and create a best-in-class policy document. The purpose of this modernization project is to transition the spirit and intent of the existing IPMP into an enhanced and practical document that Investment staff can use to achieve the board's strategic investment priorities, while maintaining governance. To highlight the proposed structure changes, staff has provided the *Investment Policy and Management Plan to Investment Policy Statement Content Comparison* document (Attachment 2), which reconciles existing IPMP content relative to the proposed IPS framework.

In developing the proposed framework, staff reviewed the IPS of various peers and considered guidance from the CFA Institute. Additional detail regarding our methodology and peer review findings is provided in Attachment 1. The results of our research found that several enhancements could be implemented and provide the following benefits:

- Restructure existing content into a framework that will **enhance** the **readability** and **usability** of the document. This would include a focus on CalSTRS investment beliefs as the foundation for all content that it precedes, including CalSTRS statement of purpose, board governance, asset allocation, investment objectives and our risk philosophy.
- **Streamline** content and provide tables, graphs and hyperlinked reference material where appropriate. Reference other publicly and regularly updated materials, such as asset class investment policies, to **simplify** the document and reduce the amount of annual revisions that the board must review and approve. **Focus** the document from a total fund perspective. Asset class and strategy specific issues will be referenced within their respective policies and **reduce redundancy**.
- Further **integrate** CalSTRS’ **Environmental, Social and Governance (ESG)** and **Diversity, Equity and Inclusion (DEI)** philosophies and practices into the IPS.

Based on the IC feedback received for this item, staff is proposing to bring forward a first reading of the draft IPS in early 2023 followed by subsequent readings as displayed on the timeline below. These dates are consistent with the timeline shared with the IC at the July 7, 2022, meeting and aligned with important milestones for the upcoming Asset Liability Management Study.

### Proposed IPS Draft Timeline



## **Background**

The CalSTRS IPMP has existed its current structure and form since the early 2000s. The related and coupled Investment Resolution dates back as far as 1984. While the content within the IPMP is updated regularly to remain current with investment practices and policies, the document structure and design has become outdated relative to current industry standards and best practices. Furthermore, because of the many revisions and edits of the IPMP over the decades, a refresh will ensure the policy is streamlined with a cohesive and consistent tone. This proposal is consistent with CalSTRS routine review of investment policies.

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Strategic Plan Linkage: [Goal 1 of the strategic plan](#). Trusted stewards – Ensuring a well-governed, financially sound trust fund.

Board Policy Linkage: [CalSTRS Investment Policy and Management Plan](#)

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**Optional Reference Material:** *(e.g., prior board items, supplemental educational materials, etc.)*

July 7, 2022 Investment Committee: [Investment Policy & Management Plan Revision – Asset Allocation – First Reading](#)

[CFA Institute: Elements of an Investment Policy Statement for Institutional Investors](#)