



# Investment Committee

## Item Number 5 – Open Session

**Subject:** Fiscal Year 2022-23 Investment Business Plans

**Presenter(s):** Christopher Ailman

**Item Type:** Information

**Date & Time:** July 7, 2022 – 45 minutes

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**Attachment(s):** Attachment 1 – Fiscal Year 2022-23 Investment Branch Business Plans

**PowerPoint(s):** Fiscal Year 2022-23 Investment Branch Business Plans

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### **POLICY**

This item complies with the [CalSTRS Investment Policy and Management Plan](#) (IPMP) and interlinks with each asset class' investment policy and the entire Investment Branch.

### **BACKGROUND**

Annual business plans are a key part of the Investment Branch culture of operating like a money manager rather than a traditional State government agency. They have been a core business practice of the Branch for the past 25 years. The ten-year financial plan has proven a valuable planning and cost management tool dating back for the prior 20 years. Both have proven their worth in bull and bear markets and now even through global pandemics.

These business plans focus on the core objectives for both the Investment Committee and the CalSTRS strategic plan:

1. Earn the Actuary required return net of costs on average over rolling three-year periods (absolute return objective)
2. Exceed the respective benchmarks of each unit net of fees, (relative performance objective)
3. Seek opportunities to lower costs and gain closer control of investments (Collaborative Model)
4. Race to net Zero green Houses Gasses in the Investment Portfolio by 2050 or sooner

5. Strive to expand the diversity and inclusion of the management of investments both external managers and internal staff.

It always bears notation that objective one is the paramount goal to help pursue fully funding the Defined Benefit Fund and the core objective identified by the State Constitution and Education Code.

### **DISCUSSION**

The purpose of this item is to inform the Investment Committee of the specific Asset Class business plans for the next Fiscal Year. This report also give the Committee forward guidance on the potential cost of the investment program which is one of the core requirements of the State Constitution and Education Code to administer the System in a cost-effective manner. This is also an opportunity to the Investment Committee to adjust and re-rank the objectives for the investment program for the coming year.

This year's Investment Business Plans are tightly aligned with the overall CalSTRS Strategic Plan. While they don't use identical language, they focus on the three core objectives within the Strategic Plan for the Investment Branch. Given the multi-year goals of the Collaborative Model, the Race to Net Zero and the expansion of DE&I, the main themes of the plans will be almost identical year and year. The key difference each year will be the individual directors perspective for their specific business unit. Their perspective is always dramatically impacted by their team and the market conditions. Given our one-page double sided format, the nuances of the market conditions are very apparent.

The other key portion of the Business Plans is the ten-year financial plan. This plan was started back in 2002 and has been adjusted and updated over the two decades, but it has proven the test of time.