



# Investment Committee

## Item Number 5 – Open Session

**Subject:** Investment Committee Charter Review

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** July 8, 2021 – 0 minutes

---

**Attachment(s):** Attachment 1 – Proposed Charter Redline Version  
Attachment 2 – Proposed Charter Clean Version

**PowerPoint(s):** None

---

### **POLICY**

Charters for each of the CalSTRS Committees reside within the Teachers' Retirement Board Policy Manual – 500 Board Governance and Administration, Section O, Charters.

### **HISTORY AND PURPOSE OF THE ITEM**

Committee charters are dynamic documents that are reviewed and updated as deemed appropriate considering evolving practices. The Investment Committee Charter was most recently updated last year, at the July 2020 Investment Committee meeting.

### **DISCUSSION**

The current Charter was reviewed by the two Investment Consultants, Staff, the General Counsel and Fiduciary Counsel as well as by the Board Governance Consultant. This group of advisors and consultants proposes two changes:

- 1) Language additions and minor deletions on the Responsibilities number 3 and 9.
- 2) Removal of Responsibility number 6, as older language deemed unnecessary with the efforts of the Collaborative Model.

### **RECOMMENDATION**

Based on the input of the Board advisors the CIO recommends the Committee revise the Charter.

**TEACHERS' RETIREMENT BOARD**

**INVESTMENT COMMITTEE CHARTER**

INTRODUCTION

The Investment Committee has been established by the Teachers' Retirement Board to oversee all matters relating to the investment of the System's assets and investment management. The Committee is charged to oversee the System's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the System and to maximize the financial stability of the System in an efficient and cost-effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Board member capacity and strive to follow sound policies and procedures that enhance informed, fair, and open decision making.

The Committee's role is to set the investment objectives and policies of the State Teachers' Retirement Plan and the fund options of the Pension2® Defined Contribution assets, and to prudently delegate responsibility and authority for executing its objectives and implementing its policies, while exercising continued oversight.

AUTHORITY

To consider and act finally on all matters relating to the CalSTRS investment portfolios.

COMPOSITION

The Committee shall be composed of all Board members.

MEETINGS

The Committee will generally meet at each regularly scheduled Board meeting and otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the Board.

RESPONSIBILITIES

The Investment Committee shall have responsibility for the following:

1. Determining the System's overall investment objectives for the various plans, risk tolerance and performance standards in accordance with the California Constitution and the Teachers' Retirement Law.
2. Determining the asset allocation of the State Teachers' Retirement Plan, including consideration of asset classes and sub-classes not currently utilized.

3. Determining the overall State Teachers' Retirement Plan Investment Policy and Management Plan as well as asset class, [setting risk budgets](#), and program investment policies, including the Pension2® Investment Policy.
4. Monitoring the performance of the State Teachers' Retirement Plan investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers.
5. Establishing and monitoring appropriate delegations of authority and responsibility, including levels of staff delegation with respect to investment transactions in the various asset classes of the State Teachers' Retirement Plan and Pension2 plans.
- ~~6. Determining the relative amount of internal and external management for the State Teachers' Retirement Plan.~~
7. Monitoring the direct and indirect costs of all the investment programs and sub-sectors.
8. Determining and ensuring compliance with the appropriate reporting standards and time horizons.
9. Monitoring the compliance of CalSTRS investments with applicable investment policies and investment resolutions, including those regarding environmental, social and governance risks and the System's [corporate governance investment](#) policies.
10. Reviewing emerging and significant risks specific to the area of responsibility of the Committee and report those risks to the Board.
11. Engaging in long-range succession planning and determining the procedures for the selection of the Chief Investment Officer.
12. Evaluating the performance of the Chief Investment Officer annually and determining compensation adjustments, if any. Through the Committee Chair and Vice-Chair, engaging in a mid-year performance discussion with the Chief Investment Officer.
13. Selecting and engaging with investment consultants and counsel as necessary to assist the Committee in carrying out its responsibilities.
14. Directing, monitoring and evaluating the work of investment consultants to optimize the value of the services provided.
15. Evaluating and monitoring the Committee's own performance and effectiveness in the spirit of good governance and continuous improvement.
16. Developing an annual workplan of routine and strategic items, including ongoing education on matters that impact the investment portfolio, to guide the Committee's focus and individual meeting agendas.

*Amended to reflect reference to ESG Policy on April 2, 2009*  
*Amended to reflect the full Corp Gov Committee and Legislation Committee on June 3, 2010*  
*Amended to reincorporate Corporate Governance mandate on June 6, 2012*  
*Amended to align the charter to the board's Risk Management Policy on February 6, 2014*  
*Amended to reflect addition of the Pension2 program on April 3-4, 2014*  
*Amended to reflect current responsibilities and practices, July 15, 2020*  
*Amended to adjust delegation and add risk budgets, July 8, 2021*

**TEACHERS' RETIREMENT BOARD**  
**INVESTMENT COMMITTEE CHARTER**

INTRODUCTION

The Investment Committee has been established by the Teachers' Retirement Board to oversee all matters relating to the investment of the System's assets and investment management. The Committee is charged to oversee the System's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the System and to maximize the financial stability of the System in an efficient and cost-effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Board member capacity and strive to follow sound policies and procedures that enhance informed, fair, and open decision making.

The Committee's role is to set the investment objectives and policies of the State Teachers' Retirement Plan and the fund options of the Pension2® Defined Contribution assets, and to prudently delegate responsibility and authority for executing its objectives and implementing its policies, while exercising continued oversight.

AUTHORITY

To consider and act finally on all matters relating to the CalSTRS investment portfolios.

COMPOSITION

The Committee shall be composed of all Board members.

MEETINGS

The Committee will generally meet at each regularly scheduled Board meeting and otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the Board.

RESPONSIBILITIES

The Investment Committee shall have responsibility for the following:

1. Determining the System's overall investment objectives for the various plans, risk tolerance and performance standards in accordance with the California Constitution and the Teachers' Retirement Law.
2. Determining the asset allocation of the State Teachers' Retirement Plan, including consideration of asset classes and sub-classes not currently utilized.
3. Determining the overall State Teachers' Retirement Plan Investment Policy and Management Plan as well as asset class, setting risk budgets, and program investment policies, including the Pension2® Investment Policy.
4. Monitoring the performance of the State Teachers' Retirement Plan investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers.

5. Establishing and monitoring appropriate delegations of authority and responsibility, including levels of staff delegation with respect to investment transactions in the various asset classes of the State Teachers' Retirement Plan and Pension<sup>2</sup> plans.
6. Monitoring the direct and indirect costs of all the investment programs and sub-sectors.
7. Determining and ensuring compliance with the appropriate reporting standards and time horizons.
8. Monitoring the compliance of CalSTRS investments with applicable investment policies and investment resolutions, including those regarding environmental, social and governance risks and the System's investment policies.
9. Reviewing emerging and significant risks specific to the area of responsibility of the Committee and report those risks to the Board.
10. Engaging in long-range succession planning and determining the procedures for the selection of the Chief Investment Officer.
11. Evaluating the performance of the Chief Investment Officer annually and determining compensation adjustments, if any. Through the Committee Chair and Vice-Chair, engaging in a mid-year performance discussion with the Chief Investment Officer.
12. Selecting and engaging with investment consultants and counsel as necessary to assist the Committee in carrying out its responsibilities.
13. Directing, monitoring and evaluating the work of investment consultants to optimize the value of the services provided.
14. Evaluating and monitoring the Committee's own performance and effectiveness in the spirit of good governance and continuous improvement.
15. Developing an annual workplan of routine and strategic items, including ongoing education on matters that impact the investment portfolio, to guide the Committee's focus and individual meeting agendas.

*Amended July 14, 2005*

*Amended to reflect reference to ESG Policy on April 2, 2009*

*Amended to reflect the full Corp Gov Committee and Legislation Committee on June 3, 2010*

*Amended to reincorporate Corporate Governance mandate on June 6, 2012*

*Amended to align the charter to the board's Risk Management Policy on February 6, 2014*

*Amended to reflect addition of the Pension<sup>2</sup> program on April 3-4, 2014*

*Amended to reflect current responsibilities and practices, July 15, 2020*

*Amended to adjust delegation and add risk budgets, July 8, 2021*