



Investment Committee

Item Number 3 – Open Session

Subject: Approval of Minutes of the January 27-28, 2021, Investment Committee
– Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: March 4, 2021 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

January 27-28, 2021

OPEN SESSION

LOCATION: Web Conference

COMMITTEE MEMBERS PRESENT

Joy Higa, Chairperson

Harry Keiley, Vice Chairperson

Denise Bradford

Sharon Hendricks

William Prezant

Jennifer Urdan

Karen Yamamoto

Gayle Miller, representing the Director of Finance, Keely Bosler

Matthew Saha, representing the State Treasurer, Fiona Ma

Keith Yamanaka, representing the State Superintendent of Public Instruction, Tony Thurmond

Betty Yee, State Controller

OTHER BOARD MEMBERS PRESENT

Jennifer Whitaker, representing the Director of Finance, Keely Bosler

Frank Ruffino, representing the State Treasurer, Fiona Ma

Karen Greene-Ross, representing the State Controller, Betty Yee
Lynn Paquin, representing the State Controller, Betty Yee

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Brian J. Bartow, General Counsel
Lisa Blatnick, Chief of Administrative Services
Ashish Jain, Chief Technology Officer
Cassandra Lichnock, Chief Operating 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, Director, Investment Performance and Compliance
Glenn Hosokawa, Director, Fixed Income
Kirsty Jenkinson, Director, Sustainable Investment and Stewardship Strategies
Geraldine Jimenez, Director, Investment Strategies and Risk
June Kim, Director, Global Equities
Paul Shantic, Director, Inflation Sensitive
Steven Tong, Director, Risk Mitigating Strategies
April Wilcox, Director, Investment Services
Margot Wirth, Director, Private Equity
Julie Donegan, Portfolio Manager, Real Estate
Lamont King, Assistant General Counsel
Scott Brooks, Senior Counsel

OTHER PRESENT

Andrea Auerbach, Cambridge Associates
Allan Emkin, Meketa Investment Group
John Haggerty, Meketa Investment Group
Steve Hartt, Meketa Investment Group
Kewsong Lee, The Carlyle Group
Mika Malone, Meketa Investment Group
Ben Maslan, RCLCO
Stephen McCourt, Meketa Investment Group
Jason Thomas, The Carlyle Group
Eric White, Meketa Investment Group
X.D. Yang, The Carlyle Group
Diana Curiel
Jasia Hilaski
Joan Lowman

Magdalena Meyers-Dahlkamp

Rio Meyers-Dahlkamp

Lynn Midler

Miriam

Rena

Jane Vosburg

A quorum being present, Chairperson Higa called the Open Session meeting of the Investment Committee meeting to order at 9:05 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

MOTION duly made by Ms. Hendricks, seconded by Ms. Miller, and carried to approve the Committee Agenda.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Prezant	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Saha, for the State Treasurer	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Controller Yee	X		

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

The committee discussed recent written statements it had received from Fossil Free California urging divestment from fossil fuels, as well as from Code Pink urging divestment from General Dynamics.

The committee heard from Jane Vosburg, Joan Lowman, and Miriam, representing Fossil Free California, who urged the committee to divest from fossil fuels.

The committee heard from Magdalena Meyers-Dahlkamp, Rio Meyers-Dahlkamp, and Jasia Hilaski, representing Bay Area Earth Guardians, who urged the committee to divest from fossil fuels.

The committee heard from Rena, representing Bay Area Earth Guardians, who urged the committee to divest from fossil fuels, prisons, and police, and invest in black communities.

The committee heard from Lynn Midler, who urged the committee to divest from fossil fuels.

III. APPROVAL OF MINUTES OF THE NOVEMBER 4, 2020, INVESTMENT COMMITTEE MEETING – OPEN SESSION (Item 3)

The minutes of the November 4, 2020 Investment Committee Meeting – Open Session, as amended, were approved by the consent of the committee.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Prezant	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Saha, for the State Treasurer	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Controller Yee	X		

IV. SUSTAINABLE INVESTMENT & STEWARDSHIP STRATEGIES – STEWARDSHIP PRIORITIES (Item 4)

The committee considered and discussed the CalSTRS Stewardship Priorities (the “Priorities”) for 2021-2023. The current Priorities include corporate and market accountability, board effectiveness, low carbon transition, and responsible firearms, and are designed so staff can effectively use CalSTRS influence as a significant global investor to drive long-term value creation. The committee discussed moving to a three-year approval cycle with annual updates on the plan, including milestones and metrics to evaluate progress. The committee also considered discussion of certain issues in closed session when appropriate.

The committee heard from Diana Curiel, who urged the committee to transition the fund to carbon neutral investments.

The committee heard from Jane Vosburg, representing Fossil Free California, who urged the committee to include its divestment policy as part of its stewardship priorities regarding low carbon transition.

MOTION duly made by Controller Yee, seconded by Ms. Hendricks, and carried to approve the CalSTRS Stewardship Priorities for 2021-2023.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Prezant	X		
Ms. Urdan	X		

Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Saha, for the State Treasurer	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Controller Yee	X		

V. SUSTAINABLE INVESTMENT & STEWARDSHIP STRATEGIES – CORPORATE GOVERNANCE PRINCIPLES UPDATE (Item 5)

The committee considered the proposed updates to the Corporate Governance Principles, including minor grammatical edits and updated language to the Diversity Principle to expand the definition of diversity, expand the list of approaches to human capital management to include employee wellbeing, health and safety, and adding equity to diversity and inclusion.

MOTION duly made by Ms. Bradford, seconded by Controller Yee, and carried to approve the proposed revisions to the language of the Corporate Governance Principles.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Prezant	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Saha, for the State Treasurer	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Controller Yee	X		

VI. ADOPTION OF GLOBAL INVESTMENT PERFORMANCE STANDARDS (Item 6)

The committee considered CalSTRS compliance with the Global Investment Performance Standards for the July 1, 2019 through June 30, 2020 fiscal year. The committee applauded staff's efforts and noted Meketa's memorandum regarding the adoption of the standards.

VII. SUSTAINABLE INVESTMENT & STEWARDSHIP STRATEGIES PROGRAM AND PORTFOLIO POLICY REVISION – PRIVATE PORTFOLIO – FIRST READING (Item 7)

The committee received a presentation from Ms. Jenkinson, Ms. Donegan, and Ms. Wirth regarding proposed changes to the Sustainable Investment & Stewardship Strategies ("SISS") Program and Portfolio Policy. The committee considered the proposed changes, which included a structural revision to the SISS Portfolio Policy by creating two portfolio

components: the SISS Public Portfolio and the SISS Private Portfolio; and imposing an aggregated allocation limit of five percent for the assets under management in the SISS Public and Private Portfolios. The committee also discussed the objective, risk management, and implementation of the Private Portfolio. The committee discussed the proposed collaboration among SISS and other asset classes to create a sustainable portfolio, including a focus on affordable housing, low carbon solutions, and renewable energies.

VIII. INVESTMENT INSIGHT SPEAKER – CHINA RISK AND OPPORTUNITIES (Item 8)

The committee received a presentation from Mr. Lee, Mr. Yang, and Mr. Thomas of The Carlyle Group regarding China investment risks and opportunities, including the growth and potential of China and the structure of its political and economic system. The committee considered investors current under-allocation to China given the size of its economy and domestic business sector. The committee inquired as to growing income inequality in China and tension between state control and entrepreneurial spirit. The committee discussed China's geographic diversity and the role of provincial governments in investment compared to that of the central government. The committee also discussed corporate engagement and human capital management, the effect of the new U.S. administration on investment opportunity in China, and the application of CalSTRS corporate government principals when investing in China. The committee also considered China's growing data protectionism and sovereignty and its impact on growth, as well as China's movement toward a digital currency and away from the U.S. dollar.

IX. REVIEW OF INFORMATION REQUESTS (Item 9)

Pursuant to item 7, the committee requested to have its investment and fiduciary consultants provide their recommendation during the next reading in March as to appropriate oversight and reporting with regards to the SISS Private Portfolio.

X. DRAFT AGENDA FOR THE NEXT COMMITTEE MEETING (Item 10)

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

There were no additional statements from the public.

RECESS

The Open Session of the committee meeting recessed at 11:53 a.m., January 27, 2021 and the committee went into Closed Session. The committee meeting reconvened in Open Session at 1:04 p.m. on January 28, 2021.

Chairperson Higa stated there was nothing to report from Closed Session.

Mr. Ruffino replaced Mr. Saha for the duration of the meeting.

XI. CHIEF INVESTMENT OFFICER’S REPORT – OPEN SESSION – LOW INTEREST RATE AND LOW RETURN FUTURE (Item 18)

The committee received the Chief Investment Officer’s Report – Open Session from Mr. Ailman, who provided an update on current market conditions and global risks on the horizon, the impact of low U.S. interest rates, and climate change risk and transitioning to a low carbon future. Mr. McCourt discussed the impact of globalization, technology, and the federal reserve policy on the long-term trend of interest rate decline. The committee discussed the ramifications of low interest rates on the ability of the system to achieve its assumed rate of return, as well as potential options to mitigate persistently low interest rates. The committee considered the risks and effects of income inequity and its relation to race and civil unrest. The committee discussed the effects of low interest rates on individual asset classes and strategic asset allocation, as well as concerns over deflation. The committee considered the assumptions behind underlying policy strategies of lowering interest rates, and the ramifications to low income workers and job generation.

Chairperson Higa left the dais at 1:58 p.m. for the duration of the meeting.

XII. COLLABORATIVE MODEL – PILLAR STATUS REPORT (Item 19)

The committee received a presentation from Mr. Chan and Ms. Blatnick on the semi-annual update regarding activity for the Pillars Project. The committee discussed the highlights and accomplishments during the past six months, including progress on objectives, deliverables, and action items. The committee also discussed the recent challenges faced over that time period, including operating in a fully remote environment and transitioning out of the pandemic. The committee applauded staff’s internal collaboration and helpful mentality on the project.

XIII. ADJOURNMENT

There being no further business to conduct, Vice Chairperson Keiley adjourned the meeting at 2:27 p.m.

Jack Ehnes, Chief Executive Officer
And Secretary to the Teachers’ Retirement Board

Joy Higa, Chairperson

Prepared by: Scott Brooks, Senior Counsel