



Investment Committee

Item Number 3 – Open Session

Subject: Approval of Minutes of the June 10, 2021, Investment Committee – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: July 8, 2021 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

June 10, 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
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
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 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, Investment Services
Margot Wirth, Director, Private Equity
Kelly Criss, Interim Director, Investment Operations
David Murphy, Portfolio Manager, Global Equity
Greg Arendt, Associate Portfolio Manager, Real Estate
Stephen Hamilton, Senior Counsel

OTHER PRESENT

Allan Emkin, Meketa Investment Group
John Haggerty, Meketa Investment Group
Steven Hartt, Meketa Investment Group
Stephen McCourt, Meketa Investment Group
Stephanie Sorg, Meketa Investment Group
Taylor Mammen, RFA
Ben Maslan, RFA
Tiffany Reeves, Reinhart Boerner Van Deuren s.c.
Diana Curiel, CTA
Jen Jeng
Arianna Anderson

Tiki

Jim Baker

Paula Buell

Naomi Rubalcava, Youth vs Apocalypse

Lynne Nittler,

Kevin Welch,CTA

Joan Lowman

Suzanne Hume, CalRTA

Ed Foglia, CTA

Jennifer Baker, CalRTA

Jane Vosburg, Fossil Free California

A quorum being present, Chairperson Higa called the Open Session meeting of the Investment Committee meeting to order at 9:02 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

MOTION duly made by Controller Yee, 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. OPPORTUNITIES FOR STATEMENTS FROM THE PUBLIC (Item 2)

The committee heard from Ms. Curiel who questioned the amount of losses sustained by the fund as a result of divestment from tobacco companies.

The committee heard from Ms. Jeng, Ms. Anderson and Tiki who complained about the management practices of single-family home landlord Havenbrook Homes (owned in part by Ares Management Corporation).

The committee heard from Mr. Baker who discussed Ares Management Corporation’s ownership stake in Havenbrook Homes/Front Yard Residential and relayed observations of disproportionate eviction activity by the company in minority neighborhoods in Georgia.

The committee heard from Ms. Buell, Ms. Rubalcava and Ms. Nittler who urged the committee to divest from Enbridge, Inc.

The committee heard from Mr. Welch who urged CalSTRS to continue its policy of company engagement on the issue the global energy transition as opposed to divestment in order to safeguard teacher’s pensions.

The committee heard from Ms. Lowman who took issue with CalSTRS focus on engagement in lieu of divestment from fossil fuel companies and stated that divestment from fossil fuels has been shown to be more profitable.

The committee heard from Ms. Hume, who urged divestment from fossil fuel companies, including Enbridge.

The committee heard from Mr. Foglia who thanked Mr. Ehnes for his years of service as CEO and his leadership and engagement work on climate change at CalSTRS.

The committee heard from Ms. Baker who commented on the economic vulnerability of many retired California teachers, the need for CalSTRS to maximize investment returns to protect all retired teachers’ pensions and to consider divestment on a statewide basis so that losses are not borne by CalSTRS member’s alone.

III. APPROVAL OF THE MINUTES OF THE MARCH 4, 2021 AND MARCH 19, 2021, INVESTMENT COMMITTEE MEETING – OPEN SESSION (Item 3)

The minutes of the March 4, 2021 and March 19, 2021, Investment Committee Meeting – Open Session 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. PRIVATE EQUITY INVESTMENT CONSULTANT INTERVIEW RESULTS (Item 4)

The staff recommended Private Equity Specialty Board Consultant was 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		

V. COMMITTEE WORK PLAN INPUT FOR FY 2021-2022 (Item 5)

The Committee Work Plan for FY 2021-2022 was received by the committee.

VI. GREEN TEAM REPORT (Item 6)

The Green Team Report was received by the committee.

The committee heard from Ms. Vosburg who urged CalSTRS to divest from fossil fuels and warned that time was running out to avoid climate catastrophe.

VII. RISK MITIGATING STRATEGIES POLICY REVISION – SECOND READING (Item 7)

The committee received the Risk Mitigating Strategies Policy Revision – Second Reading from Mr. Tong. The committee discussed the prudence of the new sub-strategy target allocations and the effect the proposed changes could have on the performance of the portfolio under different scenarios. The committee also discussed the proposed incorporation of a dynamic benchmark weighting and any potential effects on compensation and incentives.

MOTION duly made by Ms. Miller, seconded by Controller Yee, and carried to adopt the staff recommended revisions to the RMS policy.

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		
Ms. Higa	X		

VIII. INVESTMENT POLICY REVISIONS – REAL ESTATE POLICY REVISION – FIRST READING (Item 8a)

The committee received the first reading of the Real Estate Policy Revision from Mr. DiRé and Mr. Arendt. The committee discussed the proposed changes to permitted leverage levels, staff's ability to influence leverage levels in non-control type investments, and the types of reporting on leverage use in the portfolio. The committee also discussed staff's discretionary authority with respect to the size of new manager allocations, environmental liability policy language, and oversight of the real estate investment guidelines. The committee considered clarifying policy language surrounding low-income tenant displacement and control versus non-control investment positions.

IX. INVESTMENT POLICY REVISIONS – GLOBAL EQUITY POLICY REVISION – FIRST READING (Item 8b)

The committee received the first reading of the Global Equity Policy Revision –Benchmark from Ms. Kim and Mr. Murphy. The committee discussed the potential compensation policy impact of the recommended change to the global equity benchmark. Mr. McCourt indicated Meketa was comfortable with any delay between a change to the global equity benchmark and a subsequent review and/or change to the compensation policy.

X. CHIEF INVESTMENT OFFICER'S REPORT (Item 9)

The committee received the Chief Investment Officer's Report from Mr. Ailman, who discussed the remarkable gains in the market and the total portfolio post-pandemic, current asset allocation levels and the growing concern around increasing inflation figures. Mr. Ailman also updated the committee on the house view of the market for positioning the fund in the near term. The committee discussed the use of leverage in the context of rising interest rates, both in the private asset portfolio and on a systemwide basis, as well as the use of currency exposure across the portfolio.

XI. REVIEW INFORMATION REQUESTS (Item 10)

Pursuant to item 8a, the committee requested future reporting include information on the levels of leverage within the real estate portfolio with a breakdown between control and non-control investment positions. Also pursuant to item 8a, the committee requested that staff review and clarify real estate policy language surrounding low-income tenant displacement with respect to control and non-control investment types.

Pursuant to item 8b, the committee requested that staff ensure there is a process surrounding the impact of investment policy changes on subsequent compensation policy benchmarking/target decision making by the board.

Pursuant to item 9, the committee requested future board reports contain information on the fund's currency exposure across the portfolio.

XII. DRAFT AGENDA FOR NEXT INVESTMENT COMMITTEE MEETING (Item 11)

The committee reviewed the draft agenda for the next meeting.

RECESS

The Open Session of the committee meeting recessed at 11:05 a.m. and the committee went into Closed Session. The committee meeting reconvened in Open Session at 3:55 p.m.

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

XIII. ADJOURNMENT

There being no further business to conduct, Chairperson Higa adjourned the meeting at 3:56 p.m.

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

Joy Higa, Chairperson

Prepared by: Stephen Hamilton, Senior Counsel