

## Investment Services Collaborative Model 2.0 Impacts

### Investment Services

#### **Investment Strategy Discussions and Projects:**

Specialized expertise and participation in investment strategy discussions and projects (i.e., Tactical Asset Allocation Committee, Risk Allocation Committee, Valuation Committee, Committee on Responsible Investing, Liquidity Risk, Semi-Annual Performance Reviews, Diversity Team, Net Zero Team).

#### **Research and Support New Innovative Investments:**

Partner with the asset classes during the research phase of new investments, including internal derivatives strategies, private credit, cryptocurrency, company ownership, revenue sharing, and direct lending.

#### **Net Zero Initiative:**

Participate on the Net Zero Team and provide support for the Total Fund transition to a net zero carbon path.

#### **Investment Data & Analytics Systems:**

For in-depth investment analysis, expertise is needed on investment data properties, attributes, and investment analytics systems to move forward with our technology enhancements, new system implementation, and data strategy.

#### **Operational Due Diligence:**

Explore providing operational and compliance expertise to the public asset operational due diligence reviews of external managers to identify and mitigate risks.

### Operations

#### **Operational & Custodial Risk:**

More internal controls, risk assessments, audits, due-diligence and oversight will be required to mitigate the risks of additional complex investment structures.

#### **Complex Operational Setup:**

Customized detailed operational setup is required for onboarding new strategies and oversight of cross-functional asset class investments, hybrid public/private assets, expanded foreign assets, ownership of companies, and revenue-sharing complexities.

#### **Private Asset Operations:**

Full transition of additional private asset operational functions from the asset classes to Investment Operations will save over \$800,000 each year, provide more oversight, and allow the asset classes to focus on investing.

#### **Foreign Tax Withholdings and Filings:**

Increase foreign tax coverage and knowledge as we invest in more global assets.

#### **Valuation & Pricing Oversight:**

Enhance the valuation & pricing oversight functions as investment structures in increased alternative assets are harder to value.

#### **Unitization Structure:**

Research potential unitization structures to allow more flexible investing across asset types and potentially manage other outside investment programs and offerings.

#### **Blockchain Technology:**

Expertise is needed to research and plan for industry changes of the operational platform for blockchain technology that will completely transform our operating model and risks.

## Compliance

### **Increased Business Risks:**

Complex investment structures require more governance, analysis, oversight and risk controls. This includes additional monitoring on Counterparty Risk, Reputational Risk events, Business Continuity Risk, Custodial Risk, and Operational Risk.

### **Compliance Monitoring:**

Additional compliance codes and enhancements are required with investment complexities such as risk budgeting, policy changes, and the personal trading program.

### **Regulatory Environment:**

The everchanging global regulatory environment will expand as we bring more assets in-house globally, increase our derivatives and monitor the changing regulatory requirements and reporting.

### **Material Non-Public Information (MNPI):**

As we invest in more private and cross-functional asset class investments, increased monitoring, advice & managing potential MNPI/conflicts of interests is needed.

### **Governance:**

Ensure proper governance, internal controls, delegation of authority, procedures and reporting with new investment strategies and complex investment structures.

### **Legal & Compliance Documents:**

Due diligence on complex legal and compliance documents, non-disclosure agreements, disclosure forms for potential conflicts of interest, and investment exposures.

### **Advise on Investment Policies:**

Review investment policy changes to ensure that new strategies and CM visions are properly governed, aligned and monitored.

## Performance

### **Benchmark & Composites:**

Increase complexity on researching proposed benchmarks, implementing, and monitoring benchmarks, incentive structures, hierarchy composite structure and dynamic benchmark changes.

### **Cost Reporting & CM Savings:**

Enhance the cost reporting & CM savings tracking and modeling.

### **CM Value-Add Modeling:**

Explore modeling of the CM value add components and reporting.

### **Performance, Analytics and Attribution:**

Expand complex performance, analytics and attribution reporting for each asset class, attribution of RAC decisions, and maintaining compliance with GIPS standards.

## Administration

### **Collaborative Model Pillar Projects:**

Partner with branches at CalSTRS to develop and monitor KPIs to ensure continued services after the sunset of the CM Pillar Projects.

### **Supporting Investment Branch:**

Increase support to the asset classes providing business expertise and services in travel, procurement, hiring, budgets and the board agenda material.

### **Increased Special Projects and Reporting:**

For the branch, CIO DCIO and DIS.