



Investment Committee

Item Number 10 – Open Session

Subject: Approval of Minutes of the November 3, 2022, Investment Committee – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: January 26, 2023 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Investment Committee Meeting

November 3, 2022

OPEN SESSION

**LOCATION: Board Room, American & Sacramento River Rooms, 100 Waterfront Place,
West Sacramento, CA 95605**

COMMITTEE MEMBERS PRESENT

William Prezant, Chairperson

Gayle Miller, representing the Director of Finance, Joe Stephenshaw, Vice Chairperson

Denise Bradford

Sharon Hendricks

Harry Keiley

Michael Gunning

Ken Tang

Jennifer Urdan

Karen Yamamoto

Tony Thurmond, State Superintendent of Public Instruction

Frank Ruffino, representing the State Treasurer, Fiona Ma

Betty Yee, State Controller

OTHER BOARD MEMBERS PRESENT

Blake Johnson, representing the State Superintendent of Public Instruction, Tony Thurmond

Lynn Paquin, representing the State Controller, Betty Yee

STAFF PRESENT

Cassandra Lichnock, Chief Executive Officer

Christopher Ailman, Chief Investment Officer

Brian J. Bartow, General Counsel

Ashish Jain, Chief Technology Officer

Melissa Norcia, Chief Administrative 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, Head of Investment Performance and Compliance

Glenn Hosokawa, Director, Fixed Income

Kirsty Jenkinson, Director, Sustainable Investments and Stewardship Strategies

Geraldine Jimenez, Director, Investment Strategy and Risk

David Murphy, Portfolio Manager, Global Equities

Paul Shantic, Director, Inflation Sensitive

Steven Tong, Director, Risk Mitigating Strategies

April Wilcox, Director of Investment Services

Margot Wirth, Director, Private Equity

Kelly Criss, Head of Investment Operations

Josh Diedesch, Portfolio Manager, Investment Strategy and Risk

Mike Dunigan, Associate Portfolio Manager, Investment Performance and Compliance

Stephen Hamilton, Senior Counsel

OTHER PRESENT

Allan Emkin, Meketa Investment Group

Mika Malone, Meketa Investment Group

Stephen McCourt, Meketa Investment Group

Taylor Mammen, RCLCO

Ben Maslan, RCLCO

Richard Grimm, Cambridge Associates

Orval Garrison, CTA/NEA-Retired

Carmen Esterman, UTLA

Phyllis Hall, CTA

Leonard Goldberg, UTLA

Pat Geyer, CalRTA

Doug Orr, CFT

Jennifer Baker

Kevin Welch

Dan Stauffer, CTA/NEA-Retired

Peter Morse

A quorum being present, Chairperson Prezant called the Open Session meeting of the Investment Committee meeting to order at 9:08 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

MOTION duly made by Ms. Yamamoto, seconded by Mr. Tang, and carried to approve the Committee Agenda, with flexibility.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Superintendent Thurmond	X		
Controller Yee	X		

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

The committee heard from Mr. Cordaro, a PetSmart employee, who detailed complaints with the staffing levels and wages of fellow employees and asked the committee to engage the private equity firm which owns PetSmart to address the expressed employment concerns.

The committee heard from Mr. Orr, who thanked Controller Yee on behalf of CFT for her many years of leadership and service, particularly in the areas of ESG investing and addressing climate change on an institutional level. Mr. Orr then praised the entire committee for their leadership on addressing climate change.

III. CHIEF INVESTMENT OFFICER’S REPORT (Item 3)

The committee received the Chief Investment Officer’s Report, and heard from Mr. Ailman, who provided an update on the fund’s total asset values and allocations and commented on (a) recent performance in the equity markets, increased treasury yields and interest rates, (b) continued concerns around inflation, and (c) future recession expectations. The committee discussed the effect of inflation on the system’s credit opportunities and the fund’s overall cash flow positioning.

IV. ANNUAL INVESTMENT COSTS & SAVINGS REPORT (Item 4a & 4b)

The committee received the Annual Investment Cost Report and the Collaborative Model Savings Report from Ms. Wilcox, Ms. Hasan, and Mr. Dunigan for 2021. The investment cost report presentation detailed and analyzed the costs of investments made within the fund and compared those costs against both prior years and CalSTRS peers. The collaborative model savings report detailed approximately \$437 million in savings for the fund in 2021. The committee commended staff on the quality of the reports and discussed the effect of cost control efforts on partnership relationships, deal allocations and the system’s investment opportunities. The committee discussed the need for CalSTRS to continue its leadership on cost transparency and reporting within the industry and the desire to communicate cost savings with membership.

V. INVESTMENT POLICY AND MANAGEMENT PLAN MODERNIZATION PROJECT (Item 5)

The committee received an update on the Investment Policy and Management Plan Modernization Project from Ms. Wilcox and Ms. Jimenez. The committee discussed the proposed name change, the scope of the planned updates, and expressed the importance of emphasizing human capital management within the ESG elements of the policy.

VI. INVESTMENT PROCUREMENT POLICY (Item 6)

The committee received a first reading of the Investment Procurement Policy presented by Mr. Tong and Ms. Hasan. The committee discussed the desire to implement an oversight framework to ensure the policy works as it is intended, provides appropriate measures of future success, and considered how the proposed elements of the process may be developed and detailed in underlying guidelines and procedures.

MOTION duly made by Mr. Tang, seconded by Ms. Yee, and carried to approve the Investment Procurement Policy.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Superintendent Thurmond	X		
Controller Yee	X		
Chairperson Prezant	X		

The committee took a short recess at 10:34 a.m. and returned at 10:52 a.m.

Due to timing of the meeting, the committee moved Item 7 to the last item of business.

VII. APPROVAL OF THE MINUTES OF THE AUGUST 31, 2022 INVESTMENT COMMITTEE MEETING – OPEN SESSION (Item 8)

The Minutes of the August 31, 2022 Investment Committee Meeting – Open Session were received, considered, and approved by the consent of the committee

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley	X		
Mr. Gunning	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Superintendent Thurmond	X		
Controller Yee	X		

VIII. FY 2021-22 GIPS PERFORMANCE REPORT (Item 9)

The committee received the FY 2021-22 Global Investment Performance Standards Performance Report.

IX. REVIEW INFORMATION REQUESTS (Item 10)

Pursuant to Item 7, the board requested information on how implementation of the Investment Procurement Policy would be monitored.

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

The committee received the draft agenda for the next committee meeting.

The committee reconvened in the American and Sacramento River Rooms for Item 7 of the meeting.

XI. ALM STUDY DISCUSSION (Item 7)

The committee received a presentation from Ms. Jimenez, Mr. Diedesch, Mr. Hosokawa, and Mr. DiRé on the Asset Liability Management Study. The committee discussed the importance of making strategic asset allocation decisions every 4 years, division of asset classes into strategic categories and private credit opportunities across asset classes. The committee also received a presentation on private credit investment opportunities from Mr. Grimm. The committee discussed the structure of private credit investments, expected investment returns, downside protections, and associated risks. The committee also discussed private credit market cyclicalities, the type of firms investing in the space and the scalability of the strategy. Mr. DiRé and Mr. Hosokawa provided examples of past private credit investments made within the real estate and fixed income markets.

The committee discussed how private credit could be implemented within the contemplated opportunistic portfolio where unique investment opportunities could be viewed across asset classes at the total fund level. The committee also discussed how opportunistic cross asset class investments could be benchmarked and mapped back to the appropriate asset class for benchmarking and policy reporting purposes.

RECESS

The Open Session of the committee meeting recessed at 12:16 p.m. and the committee went into Closed Session. The committee meeting reconvened in Open Session at 2:40 p.m.

Chairperson Prezant reported that there was nothing to report from Closed Session.

XII. ADJOURNMENT

There being no further business to conduct, Chairperson Prezant adjourned the meeting at 2:40 p.m.

Cassandra Lichnock, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

William Prezant, Chairperson

Prepared by: Stephen Hamilton, Senior Counsel