

IAC Members Attending			
Jack McGrory	IAC Chair	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach (<i>Absent</i>)	Member
Robert Eaton	Member	Patrick Henning	Member
Leona Bridges	Member	Mike Lucki	Member
Staff / Other Attendees			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Chief Investment Manager	George Adutwum	Meketa – Investment Advisor
Taylor Brown	Senior Treasury Analyst	Sarah Bernstein	Meketa – Investment Advisor

The IAC Chair called the meeting to order and established a quorum on January 20, 2023, at 11:00 am.¹

Item I: Welcome, Public Comment, Housekeeping & Approval of Minutes – Action Item

The IAC welcomed Patrick Henning as the new designee to the IAC for the California State Treasurer. The IAC Chair asked if there were any amendments or changes to the minutes from the October 5, 2022, meeting. Upon a motion duly made and seconded, the minutes were approved as submitted. There was no public comment.

Item II: TRP Quarterly Report – Information Item

Item II was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of December 31, 2022, which included updates on global economic information and financial markets, reviews of historical investment returns for various asset classes and sectors, relative valuations, and economic statistics. Finally, Meketa presented the TRP quarterly review and evaluation report as of September 30, 2022. Information in this report included the current TRP asset allocation, an update on TRP funding contributions, overall TRP performance versus its stated benchmarks, and detailed performance and characteristics for the TRP investment managers. Additional investment manager details are provided in the resource center on Diligent each quarter. As of September 30, 2022, the TRP market value was \$1.43 billion, an increase of approximately \$58.5 million from the beginning of the quarter. The TRP had net cash inflows of \$150 million for the quarter per the TRP Funding Schedule and investment losses of \$91.5 million for the quarter.

Given that the meeting occurred on January 20th, 2023, Chancellor’s Staff also provided the IAC with an update on the TRP Market Value and performance as of January 18th, 2023.

Key points:

- As of September 30, 2022, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.

¹ Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated January 20, 2023.

- As of September 30, 2022, the TRP since inception annualized return was +3.36% compared to +2.52% for the TRP Policy Benchmark and +8.05% for the TRP Strategic Benchmark.
- The TRP since inception annualized return as of September 30, 2022, ranks in the 73rd percentile of all Endowments in excess of \$250 million reporting to InvMetrics.²
- The TRP returned -5.96% for the third quarter 2022, compared to -6.21% for the TRP Policy Benchmark and +2.39% for the TRP Strategic Benchmark.

The IAC requested two additional modifications to the TRP Quarterly report format, including:

- adding the original Natural Resources benchmark (S&P Global Natural Resources Index TR USD) as a secondary benchmark for the Natural Resources Asset Class
- Adding further commentaries to the manager watch list for investment managers registering three or more “Yes” indicators and the watch list.

The IAC also engaged in discussion exploring potential higher risk/return allocations for the TRP which Meketa and Staff will present at the April meeting. In conjunction with this, Meketa and Staff may also examine potential risk mitigation strategies as part of potential asset allocation models.

The IAC also requested that the label for the TRP Retained Earnings be changed to Negative Retained Earnings in the Quarterly Investment Report provided to the Board of Trustees given that the retained earnings were negative for the quarter ending September 30, 2022.

The IAC, Meketa, and Chancellor’s Staff engaged in further discussion surrounding the TRP Quarterly Report, economic conditions, and market condition.

Item III: TRP Funding Schedule Update – Action Item

Item III was an Action Item regarding a recommendation to increase funding contributions for the CSU Total Return Portfolio.

Chancellor’s Staff and Meketa reviewed the historical TRP Funding Schedule and provided the IAC with an update on the current status of the TRP Funding Schedule given recent changes to state law increasing the maximum limit for the TRP to 65% of overall CSU Investments. Chancellor’s Staff and Meketa also discussed the impact on CSU Investment balances due to recent state appropriation increases for one-time funds. Chancellor’s Staff and Meketa also presented certain risk factors related to current economic and market conditions.

Given increased CSU Investment balances, while also being aware of maintaining the TRP below the 65% required statutory limit, Chancellor’s Staff and Meketa recommended the IAC approve new TRP Funding Contributions totaling \$1 billion over twelve months from January 2023 to December 2023.

After a robust discussion and a motion duly made and seconded, the IAC approved a new TRP funding schedule totaling \$1.25 billion over twelve months from January 2023 to December 2023. Chancellor’s Staff and Meketa will continue to monitor CSU Investment balances, market conditions, and will update the IAC as appropriate regarding the TRP Funding Schedule.

² There were 38 Endowments in the InvMetrics All Endowment > \$250 million peer universe as of September 30, 2022.

Item IV: CSU Master Investment Policy Revisions – Action Item

Item IV was an Action Item related to recommended revisions to the CSU Master Investment Policy and contained two primary areas of revision:

- Removing old references to the SWIFT portfolio and replacing it with its new name the Liquidity Portfolio and
- Updating the policy to be consistent with new state law related to the passage of Assembly Bill 2422.

Upon a motion duly made and seconded, the revisions to the CSU Master Investment Policy were approved by the IAC as recommended.

Item V: CSU TRP Investment Policy Revisions – Action Item

Item V was an Action Item related to recommended revisions to the TRP Investment Policy and contained three primary areas of revision:

- Updating the policy to be consistent with new state law related to the passage of Assembly Bill 2422.
- Updating the sub-index for bank loans contained in the TRP Policy Benchmark given Morningstar's acquisition of the S&P leveraged loan indices and
- Updating the ESG language

Upon a motion duly made and seconded, the revisions to the TRP Investment Policy were approved by the IAC as recommended.

Item VI: ESG Update – Information Item

Item VI was an Information Item where Meketa discussed various changes and updates in the ESG landscape.

Meketa presented analysis for the integration of ESG risk factors for CSU Investments. This analysis included comparisons of each of the CSU Investment portfolios (Liquidity Portfolio, Intermediate Duration Portfolio, and Total Return Portfolio) to their respective benchmarks for numerous ESG risk factors. Similarly, this analysis was also applied to each of the CSU's investment managers.

The IAC requested an additional ESG risk factor related to issues from the mining of metals and minerals which might include water resources, deforestation, biodiversity, human rights, etc. to be added to future updates.

The IAC also requested additional discussion in the future related to ESG metrics targeting diversity, equity, and inclusion.

Item VII: Guest Speaker – BlackRock – Macro and Liquidity Portfolio Update – Information Item

Item VII was an Information Item, however due to the meeting running long, Item VII was postponed to a future meeting date.

The next meeting is scheduled for April 5th, 2023, at 11:00 am at the California State University, Sacramento.

There being no further business before the IAC, the meeting adjourned at 1:30 pm.