

IAC Members Attending			
Jack McGrory	IAC Chair	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach / Absent	Member
Robert Eaton	Member	Tim Schaefer / Absent	Member
Leona Bridges	Member	Mike Lucki	Member
		Matthew Saha	Designee
Staff / Other Attendees			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Chief Investment Manager	Jonas Noack	Meketa – Investment Advisor
Taylor Brown	Senior Treasury Analyst	James Meketa	Meketa – Chairman & Founder

Due to the Governor’s proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor’s Executive Order N-25-20 issued on March 12, 2020, attending members of the IAC participated in this meeting remotely, either by telephonic or video conference means. Out of consideration for the health, safety, and well-being of the members of the public and the Chancellor’s Staff, there was no physical location for the meeting and a physical location was not open to the public during the meeting. No IAC members or staff were present at a physical location. Members of the public were still able to participate via the meeting dial in information noted on the agenda and offer public comment pursuant to appropriate public meeting protocol. Furthermore, due to a systemwide CSU restriction on all nonessential travel until July 1, 2021, all upcoming IAC meetings scheduled until July 1, 2021, will be held via video teleconference only with no physical meeting location.

The IAC Chair called the meeting to order and established a quorum on April 7, 2021 at 11:00 am.¹

For this meeting, Matthew Saha served as a Designee for Tim Schaefer pursuant to the designee procedures of the California State Treasurer’s Office.

Item I: Approval of Minutes – Action Item

The IAC Chair asked if there were any amendments or changes to the minutes from the January 28, 2021 meeting. Upon a motion duly made and seconded, the minutes were approved as submitted.

Item II: Calendar – 2022 IAC Meeting Dates – Information Item

The purpose of Item II was to review and confirm the calendar for the proposed 2022 IAC Meeting dates, as follows:

- January 27, 2022
- April 6, 2022
- August 9, 2022
- October 5, 2022

¹ Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated April 7, 2021.

Item III: RFP Update Fixed Income Managers – Information Item

Item III provided an update on the status of the RFP process for Fixed Income managers for both the existing Liquidity Portfolio and the new Intermediate Duration Portfolio.

Chancellor's Staff informed the IAC that the RFP Finalists Panel completed the evaluation of finalist candidates and the Notice of Contract Award for the selected investment managers was announced. Chancellor's Staff informed the IAC the contract negotiations and onboarding stage is currently underway. Chancellor's Staff mapped out steps for the transition of the Liquidity Portfolio accounts with anticipated milestones, go live dates for the new Liquidity Portfolio and Intermediate Duration Portfolio investment managers, and funding dates for the Intermediate Duration Portfolio.

Item IV: TRP Quarterly Report – Information Item

Item IV was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of February 28, 2021, which included updates on the Covid-19 pandemic, financial market and economic impacts, an overview of global fiscal and monetary stimulus measures, and recommended guidelines for investors. Meketa also presented their Fourth Quarter 2020 World Markets Review, which included 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 December 31, 2020. 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 December 31, 2020, the TRP market value was \$1.25 billion, a net increase of approximately \$84 million from the beginning of the quarter; **(\$35 million)** from TRP withdrawals to fund the annual TRP Spending Dividend and \$119 million from investment earnings.

Given that the meeting occurred on April 7th, Chancellor's Staff also provided the IAC with an update on TRP Market Value and performance as of April 5th, 2021.

Key points:

- As of December 31, 2020, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of December 31, 2020, the TRP since inception return was +9.92% compared to +8.85% for the TRP Policy Benchmark and +6.33% for the TRP Strategic Benchmark.
- The TRP since inception return as of December 31, 2020 ranks in the 25th percentile of all Endowments in excess of \$250 million reporting to InvMetrics.²
- The TRP returned +10.43% for the fourth quarter, compared to +10.26% for the TRP Policy Benchmark and +1.17% for the TRP Strategic Benchmark.

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

Item V: Investment Structure– Information Item

Item V provided a review of the history and timeline of CSU Investments, in particular the beneficial impacts of past legislation that allowed for the establishment of the IAC and the creation of the TRP. Item V also included recommendations by Chancellor's Staff and Meketa for future legislative requests that could provide the CSU with

² There were 63 Endowments in the InvMetrics All Endowment > \$250 million peer universe as of December 31, 2020.

additional investment tools that should serve to enhance and optimize the CSU investment portfolios over time. Presenters discussed the impact the TRP has had on enhancing overall CSU investment earnings, current statutory restrictions and constraints for CSU Investments, and recommendations for specific legislative requests focused on the ability to invest a higher percentage in mutual funds and/or REITs, additional flexibility for permitted investment vehicles, and more flexibility for the restricted Government Code fixed income portfolios. The combination of these specific legislative requests over time should enhance overall investment earnings while optimizing the risk/return profile for CSU Investments, provide for the ability to better customize investment guidelines (security exclusions/ESG considerations), and potentially lower investment management fees.

After a robust discussion among the IAC, Meketa and Chancellor's Staff the IAC supported proceeding with the recommended legislative requests.

Item VI: Annual Asset Allocation Update – Action Item

The purpose of Item VI was to provide an annual update for the 2021 CSU TRP Asset Allocation Expectations. The 2021 CSU TRP Asset Allocation Expectations are based on Meketa's 2021 Annual Asset Study. Meketa's 2021 Annual Asset Study uses valuations as of December 31, 2020.

Meketa provided an overview of the updated asset allocation review and risk analysis, given the TRP's Expected Average Annualized Return of Inflation + 4.5%.³

The long-term (20-year) annualized expected return for the TRP decreased from 6.9% based on the 2020 study to 6.1% based on the 2021 study. The TRP's expected standard deviation increased YOY from 12.2% based on the 2020 study to 12.7% based on the 2021 study. Given the strong performance across most asset classes in 2020, as of December 31, 2020, valuations have increased and long-term return expectations across the spectrum of asset classes have decreased relative to a year ago.

Meketa and Chancellor's Staff also presented three alternative asset allocation models with slightly higher risk and return profiles, in comparison to the TRP's existing asset allocation model; with expected long-term average annualized returns ranging from 6.4% to 6.7%. However, given the TRP's 359 basis point since inception annualized excess return advantage over the TRP Strategic Benchmark⁴ as of December 31, 2021, Meketa and Chancellor's Staff recommended no changes to the TRP asset allocation at this time.

After a robust discussion among the IAC, Meketa and Chancellor's Staff, a motion was duly made and seconded approving no changes to the TRP Asset Allocation model at this time.

Item VII: Guest Speaker – Meketa Investment Group – The Tides of History – Information Item

Today's guest speaker was Meketa's Chairman and Founder, who provided unique insight on major historical and future drivers of the world economy.

The next meeting, scheduled for August 10, 2021, at 11:00 am, will be via video teleconference only with no physical meeting location.

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

³ The long-term rate of inflation, as represented by U.S. Core CPI, is assumed to be approximately 2.1% per annum.

⁴ The TRP Strategic Benchmark is U.S. Core CPI + 4.5% per annum.