

IAC Members Attending			
Peter Taylor	IAC Chair	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach	Member
Robert Eaton	Member	Tim Schaefer <sup>1</sup>	Member
Fiona Ma <sup>1</sup>	Member	Mike Lucki	Member
Leona Bridges	Member/ Absent		
Staff / Other Attendees			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Manager – Investments	Hannah Schriner	Meketa – Investment Advisor

The IAC Chair called the meeting to order and established a quorum on August 14, 2019 at 11:00 am.<sup>2</sup>

The IAC Chair asked if there were any amendments or changes to the minutes from the April 10, 2019, meeting. Upon a motion duly made and seconded, the minutes were approved as submitted. One member abstained.

**Item I: Opening Remarks – California State Treasurer – Information Item**

The California State Treasurer updated the IAC on its priorities and progress made towards initiatives in the most recent year. Likewise, the IAC updated the California State Treasurer on the goals and priorities of the CSU and its progress made on recent initiatives.

**Item III: IAC Member Term Renewals – Action Item**

The IAC Chair asked for a motion seeking to approve the term renewal of two IAC Members scheduled to expire in September of 2019. The IAC members discussed and upon a motion duly made and seconded, members Lucki and Bridges both agreed to a two-year term renewal continuing through September of 2021.

**Item IV: TRP Investment Policy Annual Review – Action Item**

Per the TRP Investment Policy, the IAC will review the TRP Investment Policy at least annually. Chancellor’s Staff presented for approval minor revisions to the TRP Investment Policy based on the annual review. The IAC members discussed the revisions and accepted all the revisions. However, upon further discussion the IAC also concluded additional revisions should be made. The IAC Chair requested Chancellor’s Staff and Meketa collaborate to make the additional revisions which will be presented to the IAC at the October meeting for approval.

<sup>1</sup> The California State Treasurer and Deputy Treasurer, Public Finance both participated in the meeting as IAC members, however, there was only one vote combined between the two members.

<sup>2</sup> Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated August 14, 2019.

## **Item V: TRP Quarterly Report – Information Item**

This item was an information item and is presented at each quarterly meeting. The CSU's investment advisor, Meteka Investment Group ("Meketa"), presented their Second Quarter 2019 World Markets Review, which included reviews of historical investment returns for various asset classes and sectors, relative valuations, and economic statistics. Next, Meketa presented their Capital Markets Outlook & Risk Metrics. Finally, Meketa presented the TRP quarterly review and evaluation report as of March 31, 2019. Information in this report included the current asset allocation, an update on funding contributions, overall TRP performance versus its stated benchmarks, and detailed performance and characteristics for the TRP investment managers. As of March 31, 2019, the TRP market value was \$501.8 million, an increase of \$155.6 million from the prior quarter; \$120 million from funding contributions and \$35.6 million from investment.

### **Key points:**

- As of March 31, 2019, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of March 31, 2019, the TRP since inception return was 6.69% compared to 6.62% for the TRP Strategic Benchmark and 4.65% for the TRP Policy Benchmark.
- The TRP returned +9.53% for the quarter compared to +2.18% for the TRP Strategic Benchmark and +9.37% for the TRP Policy Benchmark.
- TRP Fixed Income returned +3.91% for the quarter
  - While High Yield Bonds outperformed the Barclay's U.S. High Yield index by roughly 45 basis points (+7.70% vs. +7.26%), Emerging Markets Bonds trailed the JP Morgan EMBI Global Diversified index by roughly 190 basis points (+5.07% vs. +6.95%).
- TRP Equity outperformed its respective benchmark for the quarter.
  - TRP Equity outperformed the MSCI ACWI IMI by 33 basis points (+12.62% vs. +12.29%).
- TRP Real Assets returned +15.57% for the quarter. All three sub-asset classes had strong performance providing double-digit returns for the quarter.

Finally, the last section in this item contained a draft of the CSU Quarterly Investment Report as of March 31, 2019, to be presented to the CSU Board of Trustees in September. The CSU Quarterly Investment Report will be a consent item on the Board of Trustees agenda. The IAC discussed the report and recommended Chancellor's Staff add to the report the percent of the TRP invested in passive index investments and actively managed investments, respectively. Chancellor's Staff will add this information to the CSU Quarterly and Annual Investment Reports.

## **Item VI: Guest Speaker – Information Item**

The TRP's High Yield Bond Manager, Lord Abbett & Co., based in Jersey City, New Jersey presented.<sup>3</sup> Lord Abbett's Director of Taxable Fixed Income and Lead Portfolio Manager for the firm's High Yield Bond Strategy provided an overview of Lord Abbett and the High Yield Bond Strategy. Lord Abbett also discussed the global macro economic environment, fixed income markets, and the outlook for high yield bonds. Also in attendance from Lord Abbett was their Director of Institutional Investor Services and a member of the Client Experience Team.

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<sup>3</sup> The Guest Speaker only attended Item VI and did not attend any other portion of the meeting.

**Item VII: RFP Update – Liquidity Portfolio (SWIFT) and Intermediate Duration Portfolio (IDP) – Information Item**

This item was an information item to the IAC members. Chancellor’s Staff earnestly moved forward with launching the RFP for the Liquidity Portfolio (SWIFT) and the new Intermediate Duration Portfolio (IDP) after presenting the IDP Framework to the IAC at the April 2019 meeting. Chancellor’s Staff and Meketa are evaluating the proposals and aim to determine the Finalist Candidates by the end of 2019. Chancellor’s Staff will then conduct on-site visits to the Finalist Candidates prior to the Finalist Interviews. IAC members may participate on the Finalists Interview Panel.

**Item VIII: Electronic Board Books – Information Item**

This item was an information item to the IAC members. Chancellor’s Staff noted an agreement with Diligent to provide Electronic Board Books was signed. The solution will become available to the IAC later this year.

The IAC Chair indicated the next meeting, scheduled for October 8, 2019 at 11:00 am, will be held at the Office of the Chancellor.

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