

<b>IAC Members Attending</b>			
Jack McGrory	IAC Chair	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach	Member
Robert Eaton	Member	Tim Schaefer	Member
Leona Bridges	Member	Mike Lucki	Member
<b>Staff / Other Attendees</b>			
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		

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 Office 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.

The IAC Chair called the meeting to order and established a quorum on January 27, 2022, at 11:00 am.<sup>1</sup>

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

The IAC Chair asked if there were any amendments or changes to the minutes from the October 6, 2021, 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 September 30, 2021, which included updates on global economic information and financial markets. Meketa also presented their Fourth Quarter 2021 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 September 30, 2021. 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, 2021, the TRP market value was \$1.35 billion, a decrease of approximately \$9.8 million from the beginning of the quarter with \$0 cashflows during the quarter.

<sup>1</sup> Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated January 27, 2022.

Given that the meeting occurred on January 27<sup>th</sup>, Chancellor's Staff also provided the IAC with an update on TRP Market Value and performance as of January 25<sup>th</sup>.

**Key points:**

- As of September 30, 2021, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of September 30, 2021, the TRP since inception return was +10.14% compared to +9.07% for the TRP Policy Benchmark and +7.11% for the TRP Strategic Benchmark.
- The TRP since inception return as of September 30, 2021, ranks in the 45<sup>th</sup> percentile of all Endowments in excess of \$250 million reporting to InvMetrics.<sup>2</sup>
- The TRP returned -0.72% for the third quarter 2021, compared to -0.77% for the TRP Policy Benchmark and +1.71% 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 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. Chancellor's Staff and Meketa also discussed the impact on CSU Investment balances due to recent increases for CSU state appropriation and changes in expected enrollment cash flows. 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 30% required statutory limit, Chancellor's Staff and Meketa recommended the IAC approve new TRP Funding Contributions totaling \$600 million over eighteen months from February 2022 to July 2023.

After a robust discussion and a motion duly made and seconded, the IAC approved a new TRP funding schedule totaling \$900 million over eighteen months from February 2022 to July 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.

**Item IV: Asset Class Studies – Small Cap and International Developed Equity – Action Item**

The purpose of Item IV was to review and vote on recommendations to direct Chancellor's Staff and Meketa to conduct active manager searches for Small Cap US Equity and International Developed Equity for the TRP. Prior to the TRP inception, the IAC adopted a Core/Satellite approach for the TRP, generally investing passively in Core or efficient asset classes, while investing actively in Satellite or inefficient asset classes. Meketa presented asset class studies for both Small Cap US Equity and International Developed Equity providing evidence for the basis of a recommendation to conduct active management searches in both asset classes based on inefficiencies and potential opportunities for excess return and alpha in these two asset classes.

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<sup>2</sup> There were 66 Endowments in the InvMetrics All Endowment > \$250 million peer universe as of September 30, 2021.

Upon robust discussion among the IAC, Meketa, and Chancellor's Staff a motion was duly made and seconded to approve the action item and the active manager searches for both asset classes as recommended. The motion was approved.

Chancellor's Staff and Meketa will report back to the IAC with active manager recommendations for both asset classes as the searches are completed.

#### **Item V: Annual Fiduciary Training – Information Item**

The purpose of Item V was to provide annual fiduciary training to the IAC members. Meketa introduced the item by defining a fiduciary as someone having legal authority for managing another person's or organization's money. The primary duty of the fiduciary is to manage a prudent investment process without which the components of an investment plan cannot be defined, implemented, or evaluated. Certain standards of conduct in fulfilling their responsibilities as IAC members should be met; duty of care, duty of loyalty, and duty of obedience. Meketa also covered other key aspects including Fund Governance, Asset Allocation Policy and Operational Needs.

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

Guest speakers included members of the Lord Abbett High Yield bond team, including the Managing Director and Portfolio Manager, as well as a Research Analyst covering the metals and mining sector for Lord Abbett's Global Credit Research Team. Lord Abbett provided an overview of the firm, along with its investment philosophy and process. The team also discussed economic and market conditions for the global economy and in particular for high yield bonds. The team also discussed their economic and market outlook, investment performance, risk levels, and portfolio positioning.

The IAC, Meketa, and Chancellor's Office staff engaged in further discussion with Lord Abbett regarding the Lord Abbett High Yield Bond strategy.

The next meeting is scheduled for April 6<sup>th</sup>, 2022, at 11:00 am with the location to be determined.

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