

<b>IAC Members Attending</b>			
Jack McGrory ( <i>Remote</i> )	IAC Chair	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach	Member
Robert Eaton	Member	Fiona Ma ( <i>Remote</i> )	Member
Leona Bridges	Member	Mike Lucki	Member
		Patrick Henning ( <i>Absent</i> )	Member
<b>Staff / Other Attendees</b>			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Chief Investment Manager	Jordan Quaternik	Meketa – Investment Advisor
Cal Dickman	Assistant Manager, Investments		

The IAC Vice Chair called the meeting to order and established a quorum on August 7, 2024, 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 April 12, 2024 meeting. Upon a motion duly made and seconded, the minutes were approved as submitted. There was no public comment.

**Item II: IAC Member Update – Information**

During Item II, Chancellor’s Staff updated the IAC on the two-year term renewals for members Rothenberg and Bach.

**Item III: Update - TRP Asset Allocation Changes and RMS Implementation – Action**

Item III was an action item pertaining to the Risk Management Strategies (RMS) implementation plan approved at the January 2024 IAC meeting. At the January 2024 IAC meeting, IAC members evaluated the current TRP asset allocation policy relative to two other asset allocation policy options, and selected Policy B. Policy B eliminates investment grade bonds (the CSU has significant exposure to high quality investment grade bonds outside of the TRP in the Liquidity and Intermediate Duration Portfolios), adds to equities, and establishes a new asset class for the TRP – Risk Mitigating Strategies (RMS). The purpose of adding RMS is to hedge against overall downside market risk for the TRP due to the new higher exposure to equities.

The CSU Chancellor’s Office Investment Staff, as part of its ordinary course of due diligence, performs onsite manager due diligence for new strategies/investment managers before recommending them for approval by the IAC. Onsite due

<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 August 7, 2024.

diligence provides opportunities to evaluate an investment firm's culture and meet a variety of professionals, in investment and operations roles, among others. This due diligence process is particularly important for RMS, as it is a new asset class, many of the proposed investment strategies are not offered in mutual fund vehicles, and vehicles are often not daily liquid. Since there are 3 sub asset classes within RMS and 6 distinct investment strategies, Chancellor's Office Investment Staff anticipates visiting several cities to complete the requisite manager due diligence work, namely: New York, Boston, Chicago, Los Angeles, London, Geneva, and Rotterdam.

Considering the recent budgetary constraints and anticipated travel limitations, the CSU Chancellor's Office Investment Staff is unable to fulfill the necessary on-site due diligence work for the RMS asset class. Consequently, the proposed Action Item sought IAC approval to indefinitely delay the Asset Allocation and Implementation timeline as previously approved for action by the IAC in January 2024. CSU Chancellor's Office Investment Staff will update the IAC at the August 2025 meeting (or sooner if practicable) with an aim to hopefully resume their due diligence work for RMS.

During Item III, Meketa, in concurrence with CSU Chancellor's Office Investment Staff, suggested that the IAC consider funding the Long-Term US Treasuries portion of the RMS allocation (1.5% of the TRP at the target allocation) in an index fund, as that would not require the same level of onsite due diligence as the rest of the RMS allocation. Meketa advised that Long-Term US Treasuries should provide some risk-mitigating benefits to the TRP. The IAC agreed with this suggestion. Action items will be presented to the IAC at the October 2024 meeting to effect this change for the TRP.

Following discussion and feedback between the IAC and CSU Chancellor's Office Investment Staff and Meketa, the Motion to delay the TRP Implementation Plan / Asset Allocation Changes indefinitely was passed.

#### **Item IV: Guest Speaker – Income Research + Management (IR+M) – CSU Intermediate Duration Portfolio (IDP) – Information**

Guest speakers included a Deputy Chief Investment Officer, Senior Vice President and head of ESG Corporate Sustainability, and Client Portfolio Manager. A Senior Portfolio Manager also attended remotely. IR+M manages one third of the CSU Intermediate Duration Portfolio. IR+M provided an overview of the firm along with its investment philosophy and process. IR+M discussed economic and market conditions for the global economy and in particular for U.S. fixed income markets. IR+M also discussed investment performance, risk levels, and portfolio positioning for the CSU IDP.

The IAC, Meketa, and Chancellor's Staff engaged in further discussion with IR+M regarding fixed income markets and the CSU IDP account managed by IR+M.

#### **Lunch/Break**

#### **Item V: TRP Quarterly Report as of March 31, 2024 – Information**

Item V was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of June 30, 2024, 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. Meketa then presented the TRP quarterly review and evaluation report as of March 31, 2024. 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 March 31, 2024, the TRP market value was \$2.73 billion, an increase of approximately \$149.7 million from the beginning of the quarter. The TRP had net cash inflows of approximately \$57.4 million for the quarter and investment gains of \$92.4 million for the quarter.

Given that the meeting occurred on August 7<sup>th</sup>, Chancellor's Staff also provided the IAC with an update on the TRP Market Value and performance as of August 6<sup>th</sup>.

Key points:

- As of March 31, 2024, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of March 31, 2024, the TRP since inception return was +6.55%, compared to +5.97% for the TRP Policy Benchmark and +8.24% for the TRP Strategic Benchmark.
- The TRP since inception return as of March 31, 2024 ranks in the 78<sup>th</sup> percentile of all Endowments in excess of \$500 million reporting to InvMetrics.<sup>2</sup>
- The TRP returned +3.55% for the first quarter of 2024, compared to +3.65% for the TRP Policy Benchmark and +2.78% for the TRP Strategic Benchmark.

Chancellor's Staff also presented a draft of the CSU Quarterly Investment Report to be presented to the CSU Board of Trustees at the September 2024 meeting.

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

**Item VI: Annual Fiduciary Training - Information**

The purpose of Item VI 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 fiduciary principles including, but not limited to, the Uniform Prudent Investor Act, Fund Governance, Asset Allocation Policy and Operational Needs.

The next meeting is scheduled for October 16<sup>th</sup>, 2024, at 11:00 am at the Chancellor's Office.

There being no further business before the IAC, the meeting adjourned at 1:45 pm.

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<sup>2</sup> There were 33 Endowments in the InvMetrics All Endowment > \$500 million peer universe as of March 31,2024.