

IAC Members Attending			
Jack McGrory	IAC Chair	Irv Rothenberg	Member
Steve Relyea	IAC Vice Chair	David Bach	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	Imran Zahid	Meketa – Investment Advisor
Cal Dickman	Assistant Manager, Investments		

The IAC Vice Chair called the meeting to order and established a quorum on October 16, 2024, at 11:00 am.¹

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 August 7, 2024 meeting. Upon a motion duly made and seconded, the minutes were approved as submitted. There was no public comment.

Item II: TRP Quarterly Report as of June 30, 2024 – Information

Item II was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of August 31, 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 June 30, 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 June 30, 2024, the TRP market value was \$2.82 billion, an increase of approximately \$87 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 \$29.6 million for the quarter.

Given that the meeting occurred on October 16th, Chancellor’s Staff also provided the IAC with an update on the TRP Market Value and performance as of October 14th.

¹ Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated October 16, 2024.

Key points:

- As of June 30, 2024, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of June 30, 2024, the TRP since inception return was +6.46%, compared to +5.93% for the TRP Policy Benchmark and +8.19% for the TRP Strategic Benchmark.
- The TRP since inception return as of June 30, 2024 ranked in the 74th percentile of all Endowments in excess of \$500 million reporting to InvMetrics.²
- The TRP returned +1.07% for the second quarter of 2024, compared to +1.21% 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 Annual Spending Distribution – Action

Meketa and Chancellor's Staff reviewed the TRP Spending Policy provisions contained within the TRP Investment Policy. Chancellor's Staff also reported a summary detailing the following information as of June 30, 2024:

- TRP Market Value equal to approximately \$2.82 billion
- Since Inception TRP Funding Contributions equal to approximately \$2.47 billion and
- Since Inception TRP Investment Earnings (including historical spending distributions) equal to approximately \$560.5 million
- Per the TRP Spending Policy, the recommended TRP Spending Distribution would be equal to approximately \$66 million for the Fiscal Year End 2023/2024. However, a proposal was made to increase the inflation-based component of the TRP Spending Policy to 2% of the 6/30/24 value to adjust for additional funding contributions made to the TRP since January of 2023. After increasing the inflation-based component, the new proposed TRP Spending Distribution was roughly \$95.5 million.

Chancellor's Staff and members of the IAC discussed the proposed annual TRP Spending Distribution in the context of recent and historical financial market returns. The IAC, Chancellor's Staff, and Meketa discussed that the investment time horizon for the TRP is long-term, interim fluctuations in the value of the TRP should be viewed with the appropriate perspective, and the goal of the TRP Spending Policy is to provide consistent and sustainable spending over long periods of time during both positive and negative investment return environments.

Upon discussion, further consideration, and a motion duly made and seconded, the IAC approved the Fiscal Year End 2023/2024 Annual TRP Spending Distribution equal to \$95.5 million.

Item IV: CSU Annual Investment Report – Action

Chancellor's Staff's duties include informing the IAC on all CSU Investments, which are discussed in the quarterly and annual investment reports and are presented quarterly to both the IAC and the CSU Board of Trustees.

This item contained a draft of the CSU Annual Investment Report for the Fiscal Year End 2023/2024 to be presented to the CSU Board of Trustees in November. After the Board of Trustees meeting in November, the CSU Annual Investment Report will be distributed to the State Legislature and the Department of Finance per state law.

The IAC, Chancellor's Staff, and Meketa discussed the content and format of the CSU Annual Investment Report. Upon further consideration and a motion duly made and seconded, the IAC approved the CSU Annual Investment Report for the Fiscal Year End 2023/2024.

² There were 38 Endowments in the InvMetrics All Endowment > \$500 million peer universe as of June 30, 2024.

Lunch/Break

Item V: TRP Asset Allocation Update – Action

At the August 2024 IAC meeting, Chancellor’s Office Staff discussed the fact that they have not been able to travel to perform the requisite onsite due diligence for potential new RMS strategies and managers due to budgetary constraints and anticipated travel limitations. Due to these constraints, at the August 2024 meeting, the IAC approved pausing the implementation of the previously approved TRP asset allocation changes and RMS implementation. However, during the August 2024 meeting, Meketa suggested the IAC may consider funding the new recommended allocation of 1.5% to Long-Term US Treasuries as part of the new RMS allocation. Since Meketa would recommend allocating to Long-Term US Treasuries passively via an index fund, the same level of on-site due diligence by Chancellor’s Office Staff would not be required for the Long-Term US Treasuries strategy as what is required for the remainder of the RMS allocation, which would be implemented largely via hedge fund strategies and active managers. Meketa further advised that Long-Term US Treasuries should provide some risk-mitigating benefits to the TRP.

At the October IAC meeting, Meketa and Chancellor’s Office Staff presented an updated asset allocation with a new 1.5% target allocation for Long-Term US Treasuries as part of the RMS allocation. Consequently, the new asset allocation policy reduced the target allocation to Investment Grade Bonds by 1.5%, from 22% to 20.5%. The proposed asset allocation changes resulted in no change to the TRP’s long-term expected return or Sharpe Ratio (7.8% and 0.45 respectively), but did decrease standard deviation from 11.9 to 11.8 and increased the probability of achieving the target return of 7.3% over 20 years from 57.1 to 57.3.

Following discussion and feedback between the IAC and CSU Chancellor’s Office Investment Staff and Meketa, the Motion to approve the TRP’s new asset allocation policy was approved.

Item VI: TRP Investment Policy Review – Action

The annual TRP Investment Policy review contained recommended revisions to both the TRP Asset Allocation (Targets and Ranges) as well as the TRP Policy Benchmark. These changes incorporated the revisions to the TRP Investment Policy related to changes to the Fixed Income allocation approved by the IAC in item V above. Once complete, the Investment Grade Bonds component of the Fixed Income holdings will have a target allocation as follows: 20.5% for Investment Grade Bonds and 5% for TIPS; a decrease of 1.5% to the target allocation for Investment Grade Bonds. A corresponding 1.5% allocation will be added to the Long-Term U.S. Treasuries component of the Risk Mitigating Strategies asset class.

The TRP Policy Benchmark was also amended to decrease the Bloomberg Barclays U.S. Aggregate Bond TR Index (Investment Grade Bond index) from 22% to 20.5%. Also, the Bloomberg U.S Long Term Treasury Bond Index was added to the TRP Policy Benchmark with a weight of 1.5%.

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

Item VII: TRP – Recommendation on Index Fund Provider – Long-term U.S. Treasuries – Action

During Item VII, Meketa and CSU Chancellor’s Office Investment Staff presented two options for the Long-Term US Treasuries portion of the RMS allocation, as approved in items V and VI. The new approved Long-Term US Treasuries

target allocation is 1.5% of the TRP. Since a passively managed index fund is to be used for the allocation to Long-Term US Treasuries, the same level of onsite due diligence performed by Chancellor's Office Investment Staff as will be done for the rest of the RMS allocation is not necessary. Meketa, however, has performed due diligence on the passive Long-Term US Treasury asset class and recommended managers.

Meketa presented two managers for consideration for the Long-Term US Treasuries asset class – Fidelity Long-Term Treasury Bond Index Fund (FNBGX) and Vanguard Long-Term Treasury Index Fund (VLGIX). Both funds are very similar in terms of returns, tracking error, and assets under management. Following discussion, the IAC voted in favor of the Fidelity Long-Term Treasury Bond Index Fund (FNBGX) due to increased diversification of passive managers for the TRP (as Vanguard is the passive manager for several other index funds in the TRP) and a slightly lower fee.

The next meeting is scheduled for January 22nd, 2025, at 11:00 am at the Chancellor's Office.

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