

IAC Members Attending			
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
Staff / Other Attendees			
Ron Flatt	Director – Treasury Operations	Laura Wirick	Meketa – Investment Advisor
Scott August	Chief Investment Manager	Jonas Noack	Meketa – Investment Advisor

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. 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 October 9, 2020, at 11:30 am.¹

Item I: Approval of Minutes – Action Item

The IAC Chair asked if there were any amendments or changes to the minutes from the August 11, 2020 meeting. Upon a motion duly made and seconded, the minutes were approved as submitted, with one minor correction regarding the next meeting date.

Item II: RFP Update Fixed Income Managers – Information Item

The purpose of Item II was to provide a brief update to the IAC members on the RFP for Fixed Income Managers for both the Liquidity Portfolio and the Intermediate Duration Portfolios.

Staff will finish with the semifinalists’ due diligence by the end of November and determine the Finalists by the end of December. The Finalist Interviews are currently planned for the beginning of February 2021.

Item III: TRP Quarterly Report – Information Item

Item III was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of August 31, 2020, which included updates on the Covid-19 pandemic, financial market and economic

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 9, 2020.

impacts, an overview of global fiscal and monetary stimulus measures, and recommended guidelines for investors. Meketa also presented their Second 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 June 30, 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 June 30, 2020, the TRP market value was \$1.11 billion, an increase of \$148 million from the beginning of the quarter; \$15 million from funding contributions, and \$133 million from investment earnings.

Given that the meeting occurred on October 9th, Chancellor's Staff also provided the IAC with an update on TRP Market Value and performance as of October 7th.

Key points:

- As of June 30, 2020, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of June 30, 2020, the TRP since inception return was +5.26% compared to +4.09% for the TRP Policy Benchmark and +6.23% for the TRP Strategic Benchmark.
- The TRP since inception return as of June 30, 2020 ranks in the 14th percentile of all Endowments in excess of \$250 million reporting to InvMetrics.²
- The TRP returned +13.78% for the second quarter, compared to +13.02% for the TRP Policy Benchmark and +0.73% for the TRP Strategic Benchmark.

Item IV: Guest Speaker – Information Item

The first guest speaker was the Global Market Strategist for JP Morgan Asset Management. The presentation included aspects of the Covid-19 pandemic, including progress on vaccines and therapeutics, as well as political and economic impacts.

Item V: Guest Speaker – Information Item

The second guest speaker was from RWC, one of the TRP's emerging markets equity managers. Attendees from RWC included the Senior Portfolio Manager, Chief Global Economist, and the Relationship Manager. RWC provided an overview of the firm, along with its investment philosophy and process. The team also discussed economic and market conditions for Emerging Markets Equity, recent investment performance, and their investment outlook.

Item VI: Annual Investment Report – Action Item

Item VI was an action item. 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 regularly to both the IAC and the CSU Board of Trustees.

² There were 34 Endowments in the InvMetrics All Endowment > \$250 million peer universe as of June 30, 2020.

This item contained a draft of the CSU Annual Investment Report for the Fiscal Year End 2019/2020 to be presented to the CSU Board of Trustees in November. Subsequent to 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.

Upon discussion, further consideration and a motion duly made and seconded, the IAC approved the CSU Annual Investment Report for the Fiscal Year End 2019/2020.

Item VII: TRP Annual Spending Dividend – Action Item

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, 2020:

- TRP Market Value equal to approximately \$1.11 billion
- Since Inception TRP Funding Contributions equal to approximately \$1.09 billion and
- Since Inception TRP Investment Earnings (including historical dividends) equal to approximately \$45.2 million
- Recommend TRP Spending Dividend for the Fiscal Year End 2019/2020 = 2% of \$1.11 billion (TRP Market Value) = approximately \$22.5 million

Chancellor's Staff also noted, due to recent market appreciation, as of September 29, 2020, since inception TRP investment earnings (including historical dividends) were approximately \$143.4 million. Chancellor's Staff noted even after the recommended Fiscal Year 2019/2020 TRP Spending Dividend is declared, the TRP would still have net retained investment earnings equal to approximately \$98.5 million.

The IAC discussed the option of increasing the recommended Fiscal Year End 2019/2020 TRP Spending Dividend. Chancellor's Staff and Meketa recommended the IAC could consider implementing the full hybrid TRP Spending Policy for Fiscal Year End 2019/2020 (*a year earlier than required by the TRP Investment Policy*) and incorporate the moving average component by using the since inception 9-quarter moving average TRP market value as of June 30, 2020 (instead of the 12-quarter moving average in the TRP Spending Policy). Using the full hybrid TRP Spending Policy methodology (inflation-based and moving average) would increase the proposed Fiscal Year End 2019/2020 TRP Spending Dividend from \$22.5 million to approximately \$35 million, with cumulative since inception TRP spending dividends equating to \$57.4 million.

Upon discussion, further consideration and a motion duly made and seconded, the IAC approved the Fiscal Year End 2019/2020 Annual TRP Spending Dividend as follows:

- (2% of \$1.11 billion) * (1 + Core CPI) + (2% of \$625.6 million) = approximately \$35 million.

Item VIII: Guest Speaker – Information Item

The final guest speaker was an infectious disease specialist with Sutter Medical Group of the Redwoods (SMGR). The guest speaker was board-certified in Infectious Disease and also the Medical Director of Quality for Sutter Medical Group of the Redwoods. The speaker provided insight into the COVID-19 worldwide outbreak, mitigation and treatment strategies, and vaccination perspectives for the IAC members.

The next meeting, scheduled for January 28, 2021, at 11:00 am, will be video teleconference only with no physical meeting location.

There being no further business before the IAC, the meeting adjourned at 3:00 pm.