

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
Taylor Brown	Senior Treasury Analyst	Sarah Bernstein	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.

The IAC Chair called the meeting to order and established a quorum on August 10, 2021, at 11:00 am.¹

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

Following public comment by several individuals and a few housekeeping items, the IAC Chair asked if there were any amendments or changes to the minutes from the April 7, 2021 meeting. Upon a motion duly made and seconded, the minutes were approved as submitted.

Item II: IAC Member Update - Renewals – Information Item

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

¹ Details on all meeting agenda items are included in the meeting materials as presented at the CSU Investment Advisory Committee (“IAC”) meeting dated August 10, 2021.

Item III: Government Code Fixed Income Portfolios (LP/IDP) Update – Information Item

Item III provided an update on the status of the RFP process for Fixed Income managers for both the existing Liquidity Portfolio (LP) and the new Intermediate Duration Portfolio (IDP).

Chancellor's Staff informed the IAC of the completion of contract negotiations and the transition of discretion for the Liquidity Portfolio (LP) to two new investment managers. Chancellor's Staff also discussed the status of contract negotiations for the Intermediate Duration Portfolio (IDP) with three new investment managers. Finally, Chancellor's Staff provided an overview of the next steps related to the launch of the IDP on October 1, 2021.

Item IV: TRP Quarterly Report – Information Item

Item IV was an information item and is presented at each quarterly meeting. Meketa presented an Economic and Market Update as of June 30, 2021, which included updates on the Covid-19 pandemic, financial market and economic impacts, an overview of global fiscal and monetary stimulus measures. Meketa also presented their Second 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 March 31, 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 March 31, 2021, the TRP market value was \$1.29 billion, an increase of approximately \$38 million from investment earnings during the quarter.

Given that the meeting occurred on August 10th, Chancellor's Staff also provided the IAC with an update on TRP Market Value, investment earnings, and performance as of August 6th.

Key points:

- As of March 31, 2021, all TRP asset classes complied with the Policy Ranges outlined in the TRP Investment Policy.
- As of March 31, 2021, the TRP since inception return was +10.15% compared to +9.02% for the TRP Policy Benchmark and +6.50% for the TRP Strategic Benchmark.
- The TRP since inception return as of March 31, 2021, ranks in the 34th percentile of all Endowments in excess of \$250 million reporting to InvMetrics.²
- The TRP returned +3.05% for the first quarter 2021, compared to +2.60% for the TRP Policy Benchmark and +2.04% 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.

² There were 64 Endowments in the InvMetrics All Endowment > \$250 million peer universe as of March 31, 2021.

Item V: Guest Speaker – Climate Transition Risks – Information Item

The guest speakers, during Item V, were from BlackRock Financial Management (BlackRock) and included BlackRock's Head of Sustainable Investment Solutions for the Americas. Key aspects of BlackRock's presentation included discussion of the general themes of Climate Transition Risks, acceleration and momentum surrounding global policy and the path towards Net Zero consistent with the Paris Accord, the impact of Net Zero objectives on long-term expected market returns for various asset classes and related investment implications, the outlook for fossil fuels, and the risk of stranded assets.

A robust dialogue, including questions and answers, among the IAC, Meketa, Chancellor's Staff and BlackRock followed the presentation by BlackRock.

Item VI: Climate Transition Risks – Information Item

During Item VI, Meketa and Chancellor's Staff provided further background on Climate Transition trends/risks and discussed how the CSU could potentially approach the issue. Meketa and Chancellor's Staff:

- Provided an overview of Climate Transition Trends/Risks, including:
 - Policy and Regulatory
 - Shareholder Actions and Court Rulings
 - Engagement and Advocacy Approaches
 - Economic and investment trends – both historical and projected
- Provided a review of approaches taken by other large institutions, including those in California and/or in Higher Education
- Discussed the Pros and Cons of 100% Fossil Fuel Exclusion and Alternative Approaches
- Provided a spectrum of potential recommendations for the IAC and Chancellor's Staff to consider. The recommendations presented were specific to the CSU and considered current regulatory constraints applicable to CSU Investments.

The IAC, Meketa, and Chancellor's Staff engaged in further discussion surrounding Climate Transition Risks and the best approach for the CSU. Chancellor's Staff sought feedback and direction on the topic from IAC membership regarding their opinion on the best approach for the CSU. Based on this feedback from the IAC, Chancellor's Staff and Meketa will return to the IAC with a recommendation for Action related to Climate Transition risks at the October 6th IAC meeting.

The next meeting, scheduled for October 6, 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 1:45 pm.