

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE CHARTER

INTRODUCTION

The Investment Committee has been established by the CalSTRS Retirement Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged to administer the Fund's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the system; and to maximize the financial stability of the Funds in an efficient and cost effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Board member capacity, and strive to follow sound policies and procedures that enhance good, fair, and open decision making.

The Committee's core objective is to diversify the investments so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Board's overall objective of promoting the best interests for CalSTRS, its members, retirees, and beneficiaries.

AUTHORITY

To consider and act finally on all matters relating to the CalSTRS investment portfolio; and to select and oversee the work of the Chief Investment Officer; and to engage investment advisors; consultants, managers and counsel as necessary, to assist the Committee in carrying out its responsibilities. The Committee will not consider any proposed investment that has not gone through the System's due diligence process and been reviewed by the System's professional staff.

COMPOSITION

The Committee shall be composed of all Board members.

MEETINGS

The Committee will generally meet at each regularly scheduled Board meeting and otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the Board.

RESPONSIBILITIES

The Investment Committee shall have responsibility for the following:

1. Determining the Fund's overall investment objectives, risk tolerance and performance standards in accordance with the California Constitution and the Teachers' Retirement Law.

2. Determining the asset allocation of the Fund, including consideration of asset classes and sub-classes not currently utilized in the Fund.
3. Determining the overall Fund Investment Policy and Management Plan as well as asset class and program investment policies.
4. Monitoring the performance of the investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers
5. Determine appropriate levels of staff delegation with respect to investment transactions in the various asset classes of the Fund.
6. Determine and ensure compliance with the System's corporate governance policies in an effort to protect CalSTRS assets through the pursuit of good governance and operational accountability.
7. Determining the relative amount of internal and external management.
8. Monitoring the direct and indirect costs of each asset category.
9. Determining and ensuring compliance with the appropriate reporting standards and time horizons.
10. Identifying and discussing potential legislation related to investments.
11. Ensuring that CalSTRS investments are made in conformance with applicable investment policies and investment resolutions.
12. Monitoring and implementing, where warranted, the social responsibility statement of the Teachers' Retirement Board.
13. Determining the procedures for the selection of the Chief Investment Officer.

Revised July 14, 2005