



Investment Committee

Item Number 10 – Open Session

Subject: Annual Review of Delegation to Staff

Presenter(s): Chairperson

Item Type: Consent Information

Date & Time: July 7, 2022 – 0 minutes

Attachment(s): Attachment 1 – Annual Review of Delegation (Red-Line Copy)

Attachment 2 – Annual Review of Delegation (Clean Copy)

PowerPoint(s): None

PURPOSE

The board delegates certain discretion over investments to staff. The delegation is listed in the individual asset class policies and in the [Investment Policy and Management Plan \(IPMP\)](#).

HISTORY AND PURPOSE OF THE ITEM

Investment discretion for staff was developed at CalSTRS in 1997 based on a study by a leading governance consultant. Two decades later, it has served as a hallmark in the industry as efficient and effective portfolio management and is seen as a best practice in pension governance. By the direction of the Investment Committee, this item has been reviewed annually since July 2006.

The delegation is outlined in the Investment Policy Management Plan and underlying investment policies. Policy changes are brought to the board periodically throughout the fiscal year. Delegation is divided into two areas:

1. Discretion over investment transactions
2. Discretion over daily trading limit

The discretion over investment transactions involves decisions over hiring of investment managers and entering into private asset deals. Discretion over daily trading limit governs the movement of money (cash wires) into an investment or purchases and sales of securities on a daily basis.

The purpose of this item is to provide the Board an annual comprehensive review of the investment discretion(s) delegated to staff.

DISCUSSION/SUMMARY

Changes for the current reporting period are summarized below. Other than these changes, there were no other changes in delegation granted to the investment staff for this reporting period, fiscal year 2021-22.

1. Real Estate (RE) modified the delegation of authority to a notification-based system to the Investment Committee for new and existing managers above a certain percentage of total RE Net Asset Value following adoption by the Investment Committee in July 2021 (refer to link [here](#)).
2. Private Equity (PE) increased the delegation of authority limits and shifted its investment commitments from dollar values to percentage(s) of PE Net Asset Value following adoption by the Investment Committee in January 2022 (refer to link [here](#)).

Above changes are reflected in blue and underlined within Attachment 1 – Annual Review of Delegation (Red-Line Copy).