

MEMORANDUM

Attachment 1
Investment Committee- Item 6a
July 7, 2022
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TO: Investment Committee, CalSTRS
FROM: Stephen McCourt, Allan Emkin, Mika Malone, Eric White, Stephanie Sorg,
Meketa Investment Group
DATE: July 7, 2022
RE: Inflation Sensitive Investment Policy Revisions

Meketa Investment Group (“Meketa”) has been asked by CalSTRS Investment Staff (“Staff”) to review the revised Inflation Sensitive Investment Policy (the “Policy”). *Meketa has independently reviewed and assessed the proposed policy changes and, after dialogue with Staff, concurs with each of the changes recommended in the revised Policy presented to the Investment Committee.*

A brief summary of the significant policy revisions with Meketa’s comments are provided below, listed in the order that they appear, with section head noted, and page number(s) referencing the tracked-change version. A number of other proposed changes are minor clarifications or ministerial in nature and not explicitly addressed below.

- **Action:** Under Program Benchmark (page Q-2), deleted “Alerian MLP daily Index” from the weight-blended benchmark because the master limited partnership (“MLP”) strategy with which it is associated is no longer part of the Portfolio.
 - **Comment:** This change is reasonable and appropriate.
- **Action:** Under Program Structure (page Q-3), new language was added to outline the investment approval process for the Portfolio, mirroring the Infrastructure Investment Policy, and referencing relevant areas of the Inflation Sensitive Policy and related guidelines and procedures. .
 - **Comment:** This change is reasonable and appropriate.
- **Action:** Under B. Private-Inflation Sensitive (page Q-3 to Q-4), language was added to items (1) and (2) to clarify that infrastructure-related “equity” investments are covered by the Infrastructure Investment Policy and “debt securities (including but not limited to infrastructure debt)” are covered by the Inflation Sensitive Policy.
 - **Comment:** This change is reasonable and appropriate.
- **Action:** Under Allocation Ranges (page Q-4), certain of the lower and upper point limits for the three strategies are converted to ranges as follows: the upper limit for US TIPS was changed from “40%” to “38% - 40%”; the upper limit for Commodities was changed from “30%” to “28% - 30%”; and the lower limit for Private – Inflation Sensitive was changed from “40%” to “40% - 42%”.
 - **Comment:** The ranges provide a modest amount of additional flexibility to manage the strategies under changing market conditions and the changes are reasonable and appropriate.



- **Action:** Under Eligible Investment Vehicles (page Q-5), new language was added that was suggested by the Compliance Unit where no vehicles were previously identified.
 - **Comment:** This is consistent with language in the Infrastructure Investment Policy.
- **Action:** Under Discretionary Authority (page Q-5 to Q-6), new language was added, consistent with language already in the Infrastructure Investment Policy (inclusive of proposed changes), that addresses and/or establishes: how approval decisions may be made; dollar limits on initial commitments to a new manager; a percentage limit on cumulative commitments to existing managers; and single asset exposure limits.
 - **Comment:** The additions are reasonable and appropriate, and reflect changes in the Infrastructure Investment Policy.
- **Action:** Exhibit 1, a Policy Implementation Flowchart, Exhibit 2, an Internal/External Decision Criteria Matrix, and the Glossary (page Q9 to Q18), were deleted with the intent to incorporate Exhibits 1 and 2 into guidelines and procedures, and to make an Investment Terms Glossary covering all asset classes available at CalSTRS.com.
 - **Comment:** These changes are reasonable and appropriate.

Meketa Investment Group does not have any concerns with the policy changes proposed by Staff.

If you have questions, please feel free to contact us at (760) 795-3450.

LB/SPM/JC/jls