



summer 2009

CFA SOCIETY OF SACRAMENTO

THIS ISSUE:

CFASS: 1ST CHARITY EVENT:
ROPES COURSE

STATE STREET HIRES CFA
CHARTERHOLDERS

NEW CALSTRS DIRECTOR
CORPORATE
GOVERNANCE

CALPERS 1ST HEDGE
STRATEGY

STATE CONTROLLER,
JOHN CHIANG

NEW CALSTRS BUILDING

UPCOMING:

DECEMBER CHARTER
AWARD DINNER

JANUARY MARKET
FORECAST EVENT

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TO THIS ISSUE:

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CFA Society's First Charitable Team-Building Event

The CFA Society of Sacramento held their first charitable fundraiser event in March. Majority proceeds went to support Neighborworks, a national nonprofit organization with a presence in Sacramento. In addition to the valuable work that this organization does to keep working families in their homes, Neighborworks also conducts financial fitness classes in schools throughout the Sacramento Region. These workshops teach young people how to manage their personal finances, including how to avoid credit card debt,

how to balance a check book, and to plan for their financial future. The CFA Society is proud to support the work that Neighborworks does in the community.

The structure of the fundraiser revolved around team-building and proved both innovative and fun (this was certainly not your run-of-the-mill banquet charity). Two teams, comprised of CFASS Society members from CalPERS and CalSTRS, competed in exciting mental and physical challenges at the Peak Adventures Challenge Center on Sacramento State University's campus. This

facility is where major corporations and administrators come to fine-tune their employees' leadership skills and ability to function as a team. However, this event was structured as a competition; there were several initiatives in which teams could earn points, making this a thrilling event on many levels.

For example, the teams were given various, random materials and then asked to design a mechanism that could safely transport an egg from a height of 40 feet. After working together to design a structure that

would protect the egg, designated team members (Allison Kotchevar from the CalSTRS Corporate Governance team and Allison Carpio from the CalPERS Corporate Governance team) climbed a rock wall to test whether the mechanism the team put together helped their egg survive the drop.

Participants also balanced on a 30-foot cat walk and competed in various team-building initiatives while on ground. All of the activities required skill, concentration, and most of all...teamwork.



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EVENT CONT.

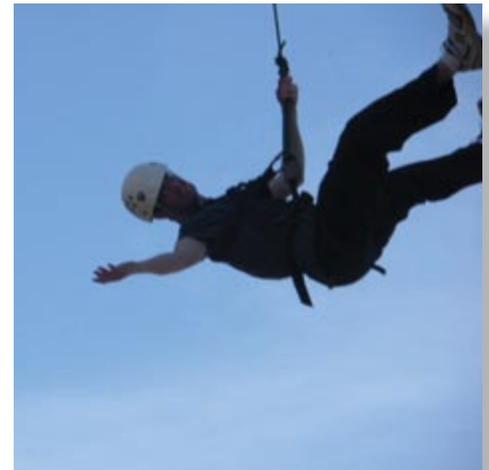
The teams worked wonderfully together to complete each initiative and meet the goals laid out for them by Peak Adventures.

The results of the competition were close, but the CalSTRS team emerged victorious over the CalP-

ERS team. They triumphantly took home medals and bragging rights—for at least a year. Both teams had a great time and learned a lot about one another—and themselves. Best of all, the entire event was for a great cause.

Many organizations and individuals came together to make this first-time charitable event a huge success. Sponsors of the event included Peak Adventures, The Trophy Center, and CFA Society members from CalPERS, CalSTRS, and DCA Capital Partners. This event shows that, even in these tough financial times, charter holders still

differentiate themselves through their pledge to the CFA Code of Ethics, which trickles down to their every-day lives; indeed, there is always a reason to give back. •



Why SSIA Feels the CFA charter and CIPM Program are Helpful for the Positions it Employs



RAJIV MATHUR
State Street Investment
Analytics (SSIA),
Alameda, California

State Street Investment Analytics (SSIA) is proud of its longstanding relationship with the CFA Institute. SSIA, a division of State Street Corporation, provides comprehensive services in performance, compliance, risk and strategic analysis to its institutional customers. Our goal is to help customers monitor and measure the success of their investment strategies

in any market and asset class - including alternative investments. We recruit candidates for performance analyst positions with a few years of initial experience in accounting and/or finance and may also hire directly from colleges or graduate programs.

As part of our on-going training and continuing educational support, we encourage our staff to enroll in the Certificate in Investment Performance Measure-

ment (CIPM) and Chartered Financial Analyst (CFA) programs. The CIPM principals and expert courses are especially geared toward harvesting performance measurement professionals who can cover the nuts and bolts of performance – rates of returns and various methodologies, attribution, and risk-adjusted return calculations. On average, over a third of our team is enrolled each year in either the CIPM and/or the CFA program. Both programs provide for not just hard skills ranging from calculations, methodologies, reporting, etc., but also for soft skills such as criteria regarding manager selection, GIPS standards, and advertising guidelines, much of which our staff finds useful when conducting real-world analysis. Such education also provides for a good foundation behind the full investment process; an understanding of sector/industry attribution models for pure long/short and 130/30 equity portfolios; and insight into how best to measure and interpret private equity/hedge fund performance.

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STATE STREET CONT.

The investment world continues to change at a rapid pace, and our clients are utilizing sophisticated approaches and strategies to investing in order to generate positive results. In doing so, our clients rely on specialized groups such as ours at State Street to appropriately quantify and measure investment results in an accurate and timely manner. The CIPM and CFA programs and their respective continuing education programs, coupled with the in-house training that SSIA helps us to support our staff and clients with proactive tools that allow for staying ahead of the curve.

SSIA, Alameda has also been fortunate to participate as both a sponsor and participant in many of the CFA society of Sacramento and CFA Society of San Francisco events, including the annual Market Forecast session and the CFA society job fair of San Francisco, where we have found a number of excellent new candidates. These are also good forums where we interact with many of our clients and potentially new ones. •

President's Message

As we draw near to our 10th semi-annual CFA Newsletter, it brings me pleasure to witness the growth of our society and surrounding investment community, as is evidenced in the fruition of this summer's CFA Society newsletter, which includes topics I hope you will find close to your heart and consistent with the ultimate purpose of honing your positions as an upstanding investment professional and a global citizen.

It is also with bitter-sweet emotion that I announce my resignation from my position as President of CFA Society of Sacramento. Due to my recent appointment to the U.S. IPC Committee (<http://www.gipsstandards.org/>) among other intensive opportunities and personal interests, I will be narrowing my focus within the Institute. I will remain an active and proud member of our Society.

I have confidence that our new President, Candace Ronan, will continue to build on the good work and solid foundation of previous CFASS board members.

Terésa Cutter

As incoming President, I would like to thank Teresa for her service to CFASS, not only as President but in all her various roles throughout the years. During Teresa's tenure on the board of directors, she helped to grow our membership from 92 to 168 (a 182% increase), led Sacramento's first national CFAI "New Frontiers" global conference in partnership with CFA Institute, established our Advisory Board and brought you various career resources and social events. She was also the primary contributor and editor to newsletters such as this one.

I am honored to serve as President of CFA Society of Sacramento and look forward to working with our multi-faceted and talented board of directors. Building on our strong foundation, we will endeavor to continually improve the services and experience we provide to you, our members and colleagues.

We look forward to seeing you at our upcoming Annual Holiday and Member Meeting in December. In the meantime, please contact any one of the officers, directors or committee chairpersons with your ideas, thoughts and suggestions, as we always welcome your input.

All the best,
Candace

Anne Sheehan, New CalSTRS Director



ANNE SHEEHAN
New Director of Corporate
Governance at CalSTRS

Anyone who's ever sat down and talked with CalSTRS' new Director of Corporate Governance, Anne Sheehan, knows what a rock star she is, both professionally and personally. Before I tell you about her current role, which has culminated from a number of high profile positions — including her appointment by Arnold Schwarzenegger to the

position of Chief Deputy Director for the California Department of Finance, the 80 boards she sits on, or her previous six years of service on the Board of Directors for CalSTRS and CalPERS — first let me tell you what you really want to know: yes, she really is *that good*. For those of you who were wondering whether this woman, who resonates competence from every angle, is indeed the picture of *togetherness* that she appears to be, let me assure you, she is completely *on top of it*. Just returning from three back-to-back business trips (the resulting stress of which would drive most of us, who feel the need to answer every stale e-mail, *nuts*), Anne balanced with ease the questions from this interview while putting out a few fires by e-mail and evaluating the healthiest option on the menu — all of which she accomplished within less than 60 minutes and while looking as polished as if she had just stepped out of the pages of an *Ann Taylor* advertisement.

Known for her energy and drive, as well as her direct, almost stoic, no-nonsense approach, Anne Sheehan is well-suited to the challenges of leading CalSTRS' Corporate Governance effort, the primary goal of which is to increase the shareholder value of those companies in which CalSTRS invests. Her role includes oversight of five Activist Corporate Governance managers (who buy large stakes in a concentrated number of companies), with the objective of changing aspects of each company's governance so as to positively influence the value of a company's stock. "A well-governed company is a better investment for us," Anne explains. "When we have good governance, there is an *alignment of interest*." For those

of you that were wondering what might constitute an example of a well-governed company, Anne and her team identify firms that have adopted good corporate governance practices, such as securing an independent Chair for the Board, or ensuring majority voting standards for Directors, positions that should serve both the corporation and the interests of long-term shareholders such as CALSTRS. Anne is also involved in assessing the compensation of executives of several such companies in which CalSTRS invests, so as to ensure that a firm's management is not taking excessive risk at the expense of long-term shareholders such as CalSTRS.

Anne is also involved in coordinating with like pension plans across the United States in order to develop a collective response to the financial market regulations issued by the new government administration. The members of this group represent over \$900 billion in aggregate, and their joint objective is to send a powerful message to Congress that public pension funds have a vested interest in the policy debates that take place in Washington regarding the future of financial markets regulation. The team effort involves both CalPERS and CalSTRS and is an example of how the sister pension plans sometimes work together as partners on the big

"It has become clear that defined benefit plans have proven to be a much more secure retirement structure."

issues. The effort also keeps her close to the happenings in Washington D.C., where she spent a portion of the beginning of her career.

When asked whether she has learned any lessons from the recent financial melt-down, Anne states, "It has become clear that defined benefit plans have proven to be a much more secure retirement structure, especially given that many participants do not have the expertise or knowledge to manage their own funds." She adds that there needs to be a nationwide debate on retirement security, including a discussion on defined contribution and defined benefit structures. She also notes just how valuable the retiree health care benefit truly is, particularly given the bionic rate of health care cost inflation and the recent, widespread loss of personal wealth.

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CFA Society Members Launch CalPERS' First Internal Hedge Fund

What would you do if you had fat tails? Would you go on a diet? If so, the Quantitative Strategies team within the Global Equities unit of the California Public Employees' Retirement System (CalPERS) has just the diet you're looking for: a recipe for a low volatility, long/short, absolute return hedge strategy. As CalPERS' first strategy to short stocks, the nation's largest pension plan's first internally-managed hedge fund has quite the tale. And, as you might imagine, it starts where many magical stories begin, with the daydreams of a benevolent researcher, à la wizard of Oz, if you are willing to suspend disbelief for a moment, who dreamed of inventing something the world would remember.

THE DREAM:

Ho Ho (yes) came to the States from Hong Kong with two sisters at thirteen. Since his parents were unable to join them right away, Ho quickly found himself in the role of "man of the house." Flanked by two older sisters, reading books amounted to the perfect, defensive escape.

Always at home within a library, Ho excelled in his studies and, after several years of outperforming his peers, he was admitted to U.C. Irvine, where he earned a B.S. in Economics, and the University of Chicago, where he earned an M.B.A. While at Chicago, he studied statistics, a talent Stalla would later pay him for; in fact, some might attribute their success on the CFA sta-

tistics section to Ho, who has written many of Stalla's exam prep questions.

After working at KPMG, where he managed their Structured Finance Consulting Group, and at Transamerica Life Insurance Company, where he modeled and managed a \$12 billion derivatives portfolio, Ho eventually was hired by CalPERS in a research capacity. Throughout the course of his readings, Ho realized that what he could offer CalPERS was an enhanced capability to protect its downside, including the ability to "go short," which is often given a bad name by the media, but in fact serves an important hedging function. Indeed, the ability to short a security allows a portfolio manager to hedge positions he already owns and/or to transfer risk and full information about that security to the portfolio. One can only fully express a belief about a security by selling off additional exposure; simply choosing not to own it demonstrates much less conviction. With ideas aplenty, what Ho would need is a team to make his visions a reality.

THE TEAM:

Ideally, that team would include a research assistant, a business manager, a business analyst, a system architect, and three programmers; or eight people. As is typical of new efforts, however, Ho was able to pull together just two more contributors; they would each have to wear

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ANN SHEEHAN CONT.

"What many people do not realize is that consideration of teacher benefits has to be made with the knowledge that the lack of a Social Security payment needs to be backfilled," says Anne. "Not only are teachers generally not covered by Social Security, many teachers do not receive retiree health care; moreover, some may not be fully covered by Medicare." Fortunately for the teachers — indeed for all of us — Anne is *on it*. She intends to tackle such problems as health care and best practices with respect to retirement planning, *head on*. Given her track record for inspiring confidence and getting things done, if there were anyone I would trust to make headway in these areas, I would place my bet on Anne Sheehan. •

HEDGE FUND CONT.

a number of hats. Each partner on the team boasts experience and expertise from different areas, along with aptitude for learning and open mindedness to new ideas (the team's library of 2,300 academic papers and 200 books is, indeed, quite impressive)! And so CalPERS' Global Equities quant team was born.

With Ho leading the seminal and ongoing research, as well as implementation oversight, he looked to Steve¹ (bio to follow) to lead the business management aspects of the effort and to Sin Sai¹ as the system architect and programmer.

In Steve, Ho was looking for someone who could both manage the project and provide investment management intuition, fusing financial/investment concepts with applied portfolio management to determine whether their theories could be supported by real world trading and operations. This would require someone with enough quant knowledge to conceptualize Ho's ideas, flesh out whether the theories would translate into strategies, and then communicate the ideas to various levels of senior management.

Sin Sai was a natural fit for the role of system architect and developer, after having provided equivalent services in the development of a volatility strategy Ho had researched. His experience applying technical skills in the field of quantitative research and development had already started him on the path to becoming a "quant," as his investment and math acumen was quickly catching up with his vast IT knowledge. In fact, it wasn't long before Sin Sai was able to design and program using Ho's math-only notes, rather than requesting a rough prototype as would be required by most technical resources.

THE STRATEGY:

The team wanted to launch a strategy representing an uncorrelated source of alpha to complement and enhance the overall global equity portfolio, while also providing good risk-return characteristics. After considering the return distribution for Global Equity, including all four moments (mean, variance, skew, leptokurtosis²), it became apparent that long/short strategies would

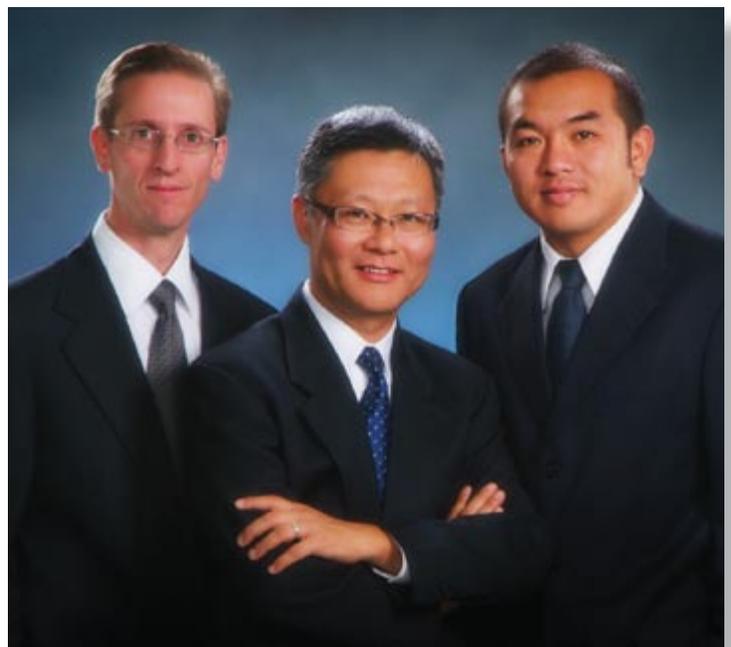
deliver the greatest impact. Ultimately, the team plans to launch regional strategies that, in aggregate, would contribute globally. The first would be a U.S. strategy, as this would provide the greatest individual country benefit and—owing to its single-currency—be less complicated to implement; an important attribute whenever breaking new ground.

With a direction in mind, the quant team built out the system and portfolio construction process. Generally, this meant creating functionality to address four steps: factor selection, proprietary factor processing, portfolio construction, and trading.

Factor selection is based on the best combination of highest performance, as measured by Investment Coefficient (IC) and lowest turnover. Proprietary factor processing and portfolio construction represent areas where the team looks to add value. Using MatLab, a math programming application (think Excel on steroids), and SQL database, they designed and built a unique quantitative platform that produces long short target portfolios that can be dialed from long-only to market neutral, to dedicated short-and all points between.

As anyone who has ever managed assets knows, all the sophisticated modeling in the world is rendered useless without a solid operational process. So, the team worked with CalPERS' Operations group, as well as its

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HEDGE FUND CONT.

general custodian (State Street), prime broker (Morgan Stanley), and trading brokers to establish a united front. Achieving effective cooperation was especially critical given that this would be the first internally-managed portfolio to short stocks.

THE LAUNCH:

Where were you on September 15th, 2008? While many people sat in stunned disbelief as world markets crashed in response to the Lehman Brothers collapse, our heroes had just receive initial funding and were preparing to leg into the U.S. Long Short portfolio. With iron stomachs and fingers crossed, the quant team jumped in on Tuesday, September 16th.

Almost immediately, the not-so-invisible hand of government decided it was no longer okay to short Financial stocks. So, what do you do when regulators eliminate the ability to adjust the positions in half of one of your sectors? Well, the team decided that this constraint, along with the possibility of more government involvement, was enough to warrant divesting of the entire sector. After all, what role do fundamental factors play in an environment dominated by human behavior? Indeed, there does not yet exist a good signal for government intervention.

WHAT'S NEXT?

With one portfolio under their belts, the quant team expected to launch follow-on strategies about every six months thereafter until the platform was supporting 4 to 8 similar strategies, depending on human and capital resources. But, with markets derailing and risk exposures emerging, the need for a better way of allocating capital and measuring risk moved to the front of the team's priorities. So, as '09 rolled around, the team began work on designing and building a capital allocation platform for the entire CalPERS Global Equity portfolio (\$100 billion). This platform will provide tools for: screening and monitoring all portfolios, externally-and internally-managed; optimization that addresses tail risk; and a dynamic, non-normal simulator to measure risk. The entire system is expected to be on-line by the end of the year.

¹BIOS: Steve Carden, Active Equity Portfolio Manager, co-manages CalPERS' domestic long/short portfolio and is responsible for implementation of internal active equity strategies. Steve is also responsible for restructuring the way CalPERS allocates capital across its global equity portfolios. Prior to joining CalPERS, he worked as an International Portfolio Manager at Barclays Global Investors where he managed various European and EAFE strategies. Steve is a CFA charter holder and earned his MBA from the University of California Davis' Graduate School of Management, where he continues to teach Finance as a visiting lecturer.

Sin Sai Vang, Quantitative Analyst, is responsible for research, development, and ongoing portfolio management of internally-run quantitative alpha strategies, including day-to-day management of the U.S. long/short strategy. Sin Sai has designed and developed systems used for internally managed long/short strategies; hedge fund risk management and portfolio construction; and external manager portfolio construction and analytics. Sin Sai holds an MS degree in Enterprise Systems Management from Golden Gate University, in addition to a BS (Magna Cum Laude) in Computer Information Systems from DeVry University. •

²See White Paper by Anson, Ho, and Silberstein: http://www.caia.org/ai/bibliography/buildingahedgefund_1557/?listWidgetID=527.

SAVE THE DATE!

**Market Forecast Dinner
Thursday, January 14, 2010**

The CFA Society of Sacramento has partnered with the Sacramento Business Review to host this year's market forecast event. Renowned speakers will not only address the global economic and market outlooks, but will also talk about local economic and financial issues likely to impact the Sacramento region.

Meet John Chiang, State Controller



Many of our readers are familiar with John Chiang, the State Controller of California. As the state's Chief Fiscal Officer, Chiang acts as an independent fiscal watchdog with control over more than \$100 billion in annual receipts and disbursements of public

funds. With the ability to audit and uncover fraud and abuse of tax-payer dollars, Chiang provides fiscal guidance to government while helping administer two of the largest public pension funds in the nation, CalPERS and CalSTRS. Aside from his multiple fiduciary duties, Chiang serves on 78 state boards and commissions, with responsibilities ranging from protecting California's coastline to helping build new hospitals.

What you may not be aware of is that Chiang is also a champion of diversity. As one of several children of immigrant parents, he graduated with honors from the University of South Florida with a degree in Finance, received his law degree from the Georgetown University Law Center, and is today considered a positive role model to those of various backgrounds. One of the main reasons Chiang went into tax law was because he wanted to attack the poverty and financial ignorance he saw growing up. Yet he jokes that his Catholic mother questioned him on his choice of career; she constantly asked him why he had not just become a doctor like his brother, or run for another office that people recognized.

One of the events that shaped John Chiang was the loss of his sister, who chose a similar path to his, also attended Georgetown, and who ultimately worked in the Clinton Administration. While serving citizens in Washington D.C., she was murdered. Not one to give up in the face of adversity, Chiang re-doubled his commitment to his constituents. For example, Controller

Chiang has long championed financial literacy and is now using his position to empower working families. Through free seminars and tax preparation assistance, Chiang actually spends time educating low- and middle-income Californians on how to take advantage of tax credits and refunds they have earned.

In relation to the environment, Chiang has joined with institutional investors managing \$4 trillion in assets to call on federal law-makers to enact a national standard to address the potential for global warming. As a member of the State Lands Commission, he is concerned about preserving the state's 1,200 miles of coastline that stretch from Oregon to Mexico, and ensuring the public has access to safe, pristine parks and recreation areas.

John Chiang's name has been sprinkled throughout the headlines over the last few years regarding a wide range of topics, some of which have cast him in a positive light and some of which

Chiang claims that California "would have to pay an additional \$2.2 billion annually" over 30 years to cover health benefits for all currently retired state employees and current state employees who will be retiring.

have challenged him and his team. For example, after winning the State Controller election in 2006, Chiang was praised for releasing a 2007 report about the state of health care in California. Chiang claimed that California "would have to pay an additional \$2.2 billion annually" over 30 years to cover health benefits for all currently retired state em-

ployees and current state employees who will be retiring. That he was willing to address a topic other financial officers and government officials have been afraid to tackle demonstrates his activist involvement and ability to have a real impact in his role as Chief Fiscal Officer.

Other headlines that have not been as positive include allegations from Senator Abel Maldonado that focused on Chiang's order for "\$2 million" in "new of-

CHIANG CONT.

furniture” during the state crisis. However, upon further inquiry with Controller’s office, the expenditure was actually for \$1 million and was apparently earmarked for functional, steel cubicle work stations necessary to complete the last phase of a project designed to move employees into a less expensive office space while bringing their work stations into compliance with health and safety and federal disability access laws. The \$1 million represented the last phase of a \$3 million relocation project to move 150 auditors from a more expensive office downtown to a space that costs about one-third less to lease. The project had been approved by the legislature before Controller Chiang ever took office -- indeed, the original cost was \$7 million, and when Chiang came onto the scene, he re-vamped the plan, reducing the cost to three million dollars. Regardless of one’s perceptions associated with this story, the project was held up as part of the budget deal and the cubicle purchase was cancelled. The State is now paying for two spaces, both the more expensive office location downtown and the cheaper rental space without workstations, which together cost more than \$2 million.

In other headlines, in July 2008, Schwarzenegger was reported to be planning to “slash the pay of more than 200,000 state workers to the federal minimum of \$6.55 per hour” due to the lack of an approved state budget. Not afraid to stand up for what he thought was right, Chiang characterized Schwarzenegger’s idea as “a poorly devised strategy to put pressure on the Legislature to enact a budget” and stated that he would continue to pay state workers their full salaries. Indeed, Chiang claimed that he had “both constitutional and statutory authority” to continue payments and that Schwarzenegger was trying to make Chiang “do something that’s improper and illegal” to “innocent victims of a political struggle.” Chiang received support from the Democratic leadership in the state Senate and Assembly for sticking to his position.

Chiang recently announced the good news that his office has completed “stress testing” the Department

of Finance’s cash projections from the State’s newly-revised budget. The new spending plan will provide the State Treasury with enough cash to stop issuing IOUs in September of 2009, almost one month earlier than expected. That is good news for many.

On Chiang’s current agenda is GASB accounting standards. Although Chiang applauded GASB for “establishing governmental accounting standards that promote accountability and decision-making usefulness” in a recent release, he is not in favor of requiring government pension plans to disclose the value of their liabilities using a risk-free rate of return (which

Chiang is still concerned that GASB could be “exploited by people who are philosophically opposed to public employee pensions to further their political agenda

he believes could prove confusing and negatively impact decision-making regarding future contribution requirements). According to Chiang, using a risk-free discounting approach would imply the need for substantial additional contributions that would burden tax-payers and would

not otherwise be needed were pension plans were to meet their assumed rate of return. “Government and private sector accounting needs are significantly different,” states Chiang, and long-term return averages have not changed despite the recent market crash. Changing return rates based on a two-year period is like changing your stride, mid-marathon. We are not running a sprint, and pensions have longer horizons; thus return rates should not be altered on the basis of a short period. Indeed, Chiang is still concerned that GASB could be “exploited by people who are philosophically opposed to public employee pensions to further their political agenda.”

To learn more about the State Controller, go to: <http://www.sco.ca.gov/> •

The California State Teachers' Retirement System Moves Downtown

The employees at the California State Teachers' Retirement System have a lot to look forward to over the next couple of months. Not only will they be moving their headquarters to West Sacramento, they will be moving into a brand new, Gold Leed Certified building that has been under construction since the fall of 2006 as a part of the West Sacramento River Front Master Plan.

The new CalSTRS building has received a Gold Leed Certification for its many environmentally-sound characteristics, including its overall sustainability, water efficiency, energy reduction, innovation and design, and choice of environmentally-friendly building materials. In fact, this 409,000 square foot building is one of the most environmentally-friendly buildings in the Sacramento Valley. Employees will enjoy many "green" features, ranging from readily accessible filtered water and personalized recycling bins to environmentally-friendly cleaning products and adjustable air vents (so they can alter air flow if there is excessive air flow in their workspace). The building's energy efficient features alone will provide a savings in energy costs amounting to approximately \$145,000 annually, as compared to the initial price tag of the construction at approximately \$265 million.

The new CalSTRS building, which is expected to help the regional economy by drawing local business to West Sacramento, joins a small, but growing family of urban residential developments, including the "Good" project by LJ Urban Co., Inc., an eco-urban community consisting of 35 homes with tank-less water heaters, solar panels, Night Breeze fresh-air intake air conditioners, and recycled building materials. According Jack

Ehnes, CEO of CalSTRS, "cities of the future have to understand what to look for: smaller housing, easier and faster commutes and close integration with local services. The new communities under design in West Sacramento increasingly fit this new urban approach."

Not only does the new building embody — indeed function as a benchmark — for the increasingly sustainable initiatives adopted by West Sacramento, in plain terms, it just makes sense. Greg Nyland, a Portfolio Manager from the CalSTRS Real Estate Investments division led the project's development and states that

the new building "will finally allow all of CalSTRS' staff to be housed in one building, instead of the previous three aging buildings located in the industrial outskirts of Sacramento, near Folsom Boulevard and Power Inn road." Greg adds that CalSTRS' total staff outgrew its current set-up many years ago, and having all of CalSTRS' employees in one building should help to unify the various CalSTRS teams, decrease asset class-based "silo-ization" of its portfolio management teams, and promote more communication, hence a more productive work environment for the entire staff. CEO



Jack Ehnes affirms that line of thought as found in the publication *West Sacramento*: "As a pension system, I like to think we're experts in demographics and generational research. We spend a lot of time trying to think about what the younger worker wants. For example, office furniture design has an entirely new perspective in how people work in teams and communicate with each other. And that traditional view of working in highly enclosed spaces by yourself — that idea is gone...the same logic [of which applies] to residential development [indeed applies to the new CalSTRS building]."

CalSTRS CONT.*Greg Nyland*

The new CalSTRS building creates a visual landmark at the end of J Street and is visible to anyone facing west, a mile or two from J Street. Some have said the building's lines suggest the sails of an old, tall ship with the potential to dock at Sutter's Embarcadero. In fact, the interior work spaces offer

privacy screens to employees that are highly reminiscent of sails. The building is adjacent to the famous ziggurat, or pyramid building in West Sac and is a stone's throw from the golden Tower Bridge. The building boasts several river-front views, both a yoga room and com-

plementary gymnasium to keep workers healthy and productive, nutritional and fitness counseling, a fitness library, bicycle rentals, numerous river-front bike paths, and a cafeteria that offers customized menus, providing a healthy alternative to the famous CalPERS cafeteria.

The new CalSTRS building may eventually have a twin structure in its future, as the building site has expansion capability when the need for more space arises. CalSTRS' investment staff are currently located on the 14th floor (there is no 13th floor), as well as the 15th floor. The new building has already attracted several new stores, a few chic loft/apartment developments, and some hip restaurants to West Sacramento since origination. Surely, the new CalSTRS ship is already playing its part to provide more efficient service for California teachers while helping the local economy of Sacramento sail forward. Now that's really smart! •

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