



Regular Meeting

Item Number 7b – Open Session

Subject: Approval of Minutes of the May 4, 2022, Regular Meeting – Teachers’ Retirement Board – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: July 8, 2022 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers’ Retirement Board – Regular Meeting

MAY 4, 2022

OPEN SESSION

LOCATION: Boardroom 100 Waterfront Place, West Sacramento, CA 95605

BOARD MEMBERS PRESENT

Harry Keiley, Chairperson

Sharon Hendricks, Vice Chairperson

Denise Bradford

Ken Tang

Jennifer Urdan

Karen Yamamoto

Gayle Miller, representing the Director of Finance, Keely Bosler

Frank Ruffino, representing the State Treasurer, Fiona Ma

Blake Johnson, representing the State Superintendent of Public Instruction, Tony Thurmond

Lynn Paquin, representing the State Controller, Betty Yee

BOARD MEMBERS ABSENT

William Prezant

OTHER BOARD MEMBERS PRESENT

Jennifer Whitaker, representing the Director of Finance, Keely Bosler
Sertan Usanmaz, representing the State Treasurer, Fiona Ma

STAFF PRESENT

Cassandra Lichnock, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Brian J. Bartow, General Counsel
Lisa Blatnick, Chief Operating Officer
Ashish Jain, Chief Technology Officer
Melissa Norcia, Chief Administrative Officer
Bill Perez, Chief Benefits Officer
Teresa Schilling, Chief Public Affairs Officer
Julie Underwood, Chief Financial Officer
Larry Jensen, Chief Auditor
Rick Reed, System Actuary
David Lamoureux, System Actuary
Joycelyn Martinez-Wade, Director, Governmental Relations
Jennifer Yamane, Senior Counsel

OTHER PRESENT

Bob Yetman, ARM Consultant
Nick Collier, Milliman
Scott Preppernau, Milliman
Bill Welsch
Dave Davini
Chuck Dennon
Mary Kay Shide, CTA
Ed Foglia

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers' Retirement Board to order at 9:14 a.m.

Chairperson Keiley thanked Ms. Higa for her service on the board, expressed admiration for her work on the board, and noted that she will be missed.

Chairperson Keiley also welcomed Mr. Michael Gunning, the recently appointed board member, and noted he will be looking forward to partnering with Mr. Gunning.

I. APPROVAL OF BOARD AGENDA (Item 1)

MOTION duly made by Mr. Tang, seconded by Ms. Miller, and carried to approve the Board Agenda with flexibility.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		

II. CHIEF EXECUTIVE OFFICER REPORT (Item 2)

Ms. Blatnick provided an update on the HQE, noting a schedule delay but including opportunities to mitigate the delay. Ms. Blatnick also provided an update on the leasing efforts by both JLL and staff.

The board discussed the length of the potential leases, requested regular updates on any further delays, and reminded staff and contractors to be mindful of learning from past mistakes and keeping to the schedule going forward. The board discussed the changes to the contingency budget and the timing and necessity of the bond issuance.

Ms. Lichnock announced the upcoming retirement of Mr. Jensen, and commended Mr. Jensen for his leadership in Audit Services. Dr. Yetman, Ms. Paquin, and Chairperson Keiley all expressed their appreciation for Mr. Jensen’s efforts to continuously improve the audit process, and dedication to the position and CalSTRS. Mr. Jensen thanked the board for its leadership and governance, and his wife for her support throughout the years.

Mr. Welsch made a public comment thanking Mr. Jensen for his service to the CalSTRS members.

III. ANNUAL BOARD CHAIR AND VICE-CHAIR ELECTIONS (Item 3)

Chairperson Keiley turned the meeting over to Ms. Lichnock to conduct the elections for Chair and Vice-Chair of the Board.

NOMINATION duly made by Ms. Bradford, seconded by Ms. Miller, to elect Mr. Keiley to the position of Chair of the Board.

No other nominations were made.

Ms. Miller noted the last two years have been very challenging, expressed her admiration of Mr. Keiley’s leadership during this time of change and her pleasure to be a part of this board.

ELECTION called, members voted to elect Mr. Keiley as Chair of the Board.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Keiley			X
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		

NOMINATION duly made by Ms. Bradford, seconded by Ms. Yamamoto, to elect Ms. Hendricks to the position of Vice-Chair of the Board.

No other nominations were made.

ELECTION called members voted to elect Ms. Hendricks as Vice-Chair of the Board.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks			X
Mr. Keiley	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		

Chairperson Keiley noted he looks forward to continuing his aligned partnership with Ms. Hendricks concerning CalSTRS and leadership of the board.

IV. ACTUARIAL VALUATIONS (Item 4)

Valuation of the Defined Benefit Program and Setting of Contribution Rates (Item 4(a))

The board received an overview of the Actuarial Valuation of the Defined Benefit Program as of June 30, 2021, and the recommendations to set the contribution rates from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau. The board discussed the risks considered by the actuaries and suggested including additional risk factors such as the reduction in community college enrollment and decrease in certificated teachers in the workforce. The board discussed the trends based on last year and this year concerning employment, the use and purpose of asset smoothing, the practical effects of asset smoothing and CalSTRS’ use of 3-year asset smoothing based on the double layer of protection to address the fluctuation of investment returns.

Ms. Miller left the dais at 10:20 a.m.

MOTION duly made by Ms. Hendricks, seconded by Ms. Paquin, and carried to adopt staff’s recommendation to adopt a State Supplemental Contribution Rate: 6.311%, Employer Supplemental Contribution Rate: 10.850%, and Normal Cost for 2% at 62 Members: 18.150%, as stated on the Resolutions found on Attachments 2, 3 and 4 of Item 4(a).

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

RECESS

The board recessed at 10:25 a.m. and resumed at 10:43 a.m. Ms. Miller returned to the dais.

Actuarial Valuation of the Defined Benefit Supplement Program and Consideration for the Adoption of an Additional Earnings Credit (Item 4(b))

The board received an overview of this item from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau, including the market value of the program, the Additional Earnings Credit (AEC) historical recommendations, and the proposed recommendations of granting an AEC of 13.21%, because of the 150% funding and noting the 135.6% funding after the AEC.

MOTION duly made by Mr. Tang, seconded by Ms. Bradford, and carried to award a 13.21% AEC for the Defined Benefit Supplement Program.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

Actuarial Valuation of the Cash Balance Benefit Program and Consideration for the Adoption of an Additional Earnings Credit (Item 4(c))

The board received an overview of this item from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau, including the market value of the program, the AEC historical recommendations, and the proposed recommendations of granting an AEC of 11.65%, because of the 146% funding and noting the 131.2% funding after the AEC.

The board discussed the long-term payout and growth of these programs, noting the base rate adopted by the board each year and tied to the treasury rates, and the purpose of the AEC.

MOTION duly made by Ms. Hendricks, seconded by Mr. Tang, and carried to award a 11.65% AEC for the Cash Balance Benefit Program.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

V. REVIEW OF LUMP SUM DEATH BENEFIT (Item 5)

The board received an overview of this item from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau, including the staff recommendation, possible alternative increases and the projected costs associated with them. The board discussed inflation, how the possible alternatives relate to inflation, and how there were no increases to this benefit from 2002 through 2018, with only two relatively small increases in 2019 and 2020. The board discussed how much an increase to this benefit would increase the fund’s actuarial obligation, and the state’s obligation to bear this portion of the increase. The board discussed the additional information that should be reviewed, including an updated study on the benefit, whether this should be tied to inflation, whether an increase over a longer period or a COLA based rate should be considered, and whether this further review and study should be under the Benefits and Services Committee. The board discussed the need for additional information and considered that such additional information should not necessarily preclude increasing the benefit immediately.

Mr. Davini made a public comment that this is a benefit for all teachers.

Mr. Dennon made a public comment expressing his personal opinion that the board should take action, inflation is not anticipatory, and that this is a straightforward action to help the members who most need it.

MOTION duly made by Ms. Yamamoto, seconded by Mr. Tang, and carried to adopt an increase of 6.5% to the Lump Sum Death Benefit.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance		X	
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

VI. ACTUARIAL PROJECTION FOR THE SUPPLEMENTAL BENEFIT MAINTENANCE ACCOUNT (Item 6)

The board received an overview of this item from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau, including the staff recommendation to keep the purchasing power at 85%.

MOTION duly made by Ms. Yamamoto, seconded by Ms. Miller, and carried to maintain the purchasing power percentage at 85%.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

VII. OPTIONS ON THE USE OF THE SUPPLEMENTAL BENEFIT MAINTENANCE ACCOUNT (Item 7)

The board received an overview of this item from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau, including the staff recommendation to present all the options to the California Legislature, with support for option 1.

Mr. Foglia made a public comment thanking the board for being responsible to take action and bring forward the idea for SB 868.

MOTION duly made by Ms. Yamamoto, seconded by Ms. Bradford, and carried to present all options to the Legislature with support for option 1, noting Senate Bill 868 mirrors option 1.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance			X
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

VIII. STATE AND FEDERAL LEGISLATION (Item 8)

The board received an overview of SB 1328 from Ms. Martinez-Wade, noting Investment staff’s prompt response to analyzing exposure in Russia and Belarus and staff’s recommendation to oppose legislation that restricts or infringes on the plenary authority of the board. The board discussed engagement with the author’s office, concerns with Russian investments, and the board’s fiduciary duty. The board considered the impact to the fiduciary duty to the fund, and the risks of the bill.

MOTION duly made by Ms. Bradford, seconded by Mr. Tang, and carried to adopt an Oppose position to SB 1328.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance			X
Mr. Ruffino, for the State Treasurer		X	
Mr. Johnson, for the Superintendent of Public Instruction		X	
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

The board received an overview of SB 1343 requiring charter schools to participate in CalSTRS and CalPERS, noting staff’s recommendation of a neutral position, as the bill would not have any significant or adverse impacts to the benefits, services, or administration of the system.

The board discussed the need for retirement security of all teachers and the potential increased costs for staff support if the bill was passed.

Ms. Shide commented that CTA supports this bill because all charter school employees should be afforded the same retirement opportunities as all other public employees.

MOTION duly made by Ms. Bradford, seconded by Mr. Tang, and carried to adopt a Support position on SB 1343.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		

Ms. Miller, for the Director of Finance			X
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

The board received an overview of SB 1402 permitting up to four years of service prior to membership in the U.S. Armed Forces or Merchant Marine, noting staff’s recommendation to adopt a neutral position, as the legislation does not significantly or adversely impact the benefits, services, or administration of the system.

MOTION duly made by Mr. Tang, seconded by Mr. Johnson, and carried to adopt a neutral position on SB 1402.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance			X
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		
Chairperson Keiley	X		

IX. REGULAR MEETING WORK PLAN INPUT FOR FY (2022-2023) (Item 9)

Ms. Lichnock highlighted the ongoing updating and integration of sustainability principles across the enterprise, the board elections in September, and the Board Governance Committee work, including efficiency on routine work, that will be brought to the full board.

X. CONSENT AGENDA – ACTION (Item 10)

a. Committee Reports

1. **Investment Committee:** There was no committee report.
2. **Appeals Committee:** There was no committee report.
3. **Audits and Risk Management Committee:** There was no committee report.
4. **Benefits and Services Committee:** There was no committee report.
5. **Board Governance Committee:** There was no committee report.
6. **Compensation Committee:** There was no committee report.

- b. Approval of Minutes of the March 4, 2022, Regular Meeting – Open Session**
- c. Board Member Education**
- d. Contracts Requiring Board Approval**
- e. Adoption of Contribution Rates and Interest Rates for FY 2022-23**

The Consent Agenda was adopted by consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Urdan	X		
Ms. Yamamoto	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Ms. Paquin, for the State Controller	X		

XI. ACTUARIAL VALUATION OF THE MEDICARE PREMIUM PAYMENT PROGRAM (Item 11)

The board received the June 30, 2021 Actuarial Valuation for the Medicare Premium Payment Program.

XII. ADMINISTRATIVE PROCEDURE CHANGES PURSUANT TO CEO DELEGATION (Item 12)

The board received the changes to the Administrative Procedures for the TRB Compensation Policy effective for the 2021-22 plan year.

XIII. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 13)

There were no items referred by committee for board decision.

XIV. NEW BUSINESS / REVIEW OF INFORMATION REQUESTS (Item 14)

Pursuant to Item 2, the board requested precise reporting on the contingency budget as well as the timing and information on the bond issuance.

Pursuant to Item 4a, the board requested information on community college enrollment, including the number of teachers in the workforce and using that number as an additional risk factor.

Pursuant to Item 5, the board requested additional research on the lump sum death benefit be brought to the Benefits and Services Committee.

Pursuant to Items 10 and 11, the board requested information on how inflation influences minimum interest rates and other potential impacts that may affect the benefits, services and administration of the system.

XV. DRAFT AGENDA FOR NEXT MEETING (Item 15)

There were no changes to the draft agenda for the next regular meeting.

XVI. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC (Item 16)

Mr. Foglia commented on the current efforts to repeal the GPO/WEP.

Mr. Ruffino commented that this week is Public Service Recognition Week to honor those who serve federal, state, county, city and local government employees. Mr. Ruffino also noted that May is Asian American Pacific Islander month, recognizing the historical, social, and cultural impacts of Asian Americans, native Hawaiians, and Pacific Islanders.

RECESS

The Open Session of the board meeting recessed at 12:04 p.m., and the board went into Closed Session. The committee meeting reconvened in Open Session at 4:30 p.m.

Chairperson Keiley reported there was nothing to report from Closed Session.

XVII. ADJOURNMENT

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 4:30 p.m.

Cassandra Lichnock, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

Regular Meeting – Item 7d
July 8, 2022
Page 13

Harry Keiley, Chairperson

Prepared by: Jennifer Yamane, Senior Counsel