



Regular Meeting

Item Number 16b – Open Session

Subject: Approval of Minutes of the September 12-14, 2023, Regular Meeting –
Teachers' Retirement Board – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: November 2, 2022 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Regular Meeting

September 12-14, 2023

OPEN SESSION

LOCATION: Board Room, 100 Waterfront Place, West Sacramento, CA 95605

COMMITTEE MEMBERS PRESENT

Denise Bradford, Vice Chairperson

Michael Gunning

Sharon Hendricks

William Prezant

Ken Tang

Jennifer Urdan

Karen Yamamoto

Malia M. Cohen, State Controller

Frank Ruffino, representing the State Treasurer, Fiona Ma

Gayle Miller, representing the Director of Finance, Joe Stephenshaw

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

BOARD MEMBERS ABSENT

Harry Keiley

OTHER BOARD MEMBERS PRESENT

Regina Evans, representing the State Controller, Malia Cohen

Jennifer Whitaker, representing the Director of Finance, Joe Stephenshaw

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

Anthony Suine, Director, Pension Solution

Kristel Turko, Director, Human Resources

Pritpal Bains, Assistant Director, Financial Planning and Budgetary Reporting

Lynn Bashaw, Director, Enterprise Compliance Services

Phil Burkholder, Assistant Director, Enterprise Risk Management

Joycelyn Martinez-Wade, Director, Governmental Relations

April Wilcox, Director, Investment Services

David Lamoureux, System Actuary

Jennifer Yamane, Assistant General Counsel (Investments)

OTHER PRESENT

Amy McDuffee, Mosaic Governance Advisors, LLC

Chriss Cabodi, Guidehouse

Eric Simpson, DPR

Chris Reeve, CSBA

Dana Dillon, CTA/NEA-Retired

Jennifer Baker, CalRTA

Doug Orr, CFT

A quorum being present, Vice-Chairperson Bradford called the Open Session meeting of the Teachers’ Retirement Board to order at 1:35 p.m., September 12, 2023.

I. APPROVAL OF AGENDA (Item 1)

MOTION duly made by Ms. Yamamoto, seconded by Mr. Gunning, and carried to adopt the Agenda, with flexibility.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		

Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Prezant	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. Evans for the State Controller	X		

RECESS

The Open Session of the board meeting recessed at 1:35 p.m., September 12, 2023, and the board went into Closed Session. The committee meeting reconvened in Open Session at 11:22 a.m., September 14, 2023.

Ms. Urdan was not present at the meeting.

The board watched a short video on Ms. Josie Peavy, teacher with Natomas Unified School District.

II. CHIEF EXECUTIVE OFFICER’S REPORT (Item 12)

Ms. Lichnock introduced the 2023 Virtuosos – Janine Thomas, Jasmine Davenport, Kelley Tousey, Laura McCarthy, Linda Tran, Lisa Williams, Mark Gini, Russell Roach, Natalie Paus-Tafoya, Samantha Kesner, and Thu Tang.

The board received an update from Ms. Blatnick on the HQE project. The board discussed with Mr. Simpson the issues with the delays, possible steps to address the delays, and DPR’s continued assurance to complete the project.

III. PENSION SOLUTION PROJECT UPDATE & CONTRACT APPROVAL (Item 13)

The board received an update on the Pension Solution project from Mr. Jain, Mr. Perez, and Mr. Suine, including the revised schedule and metrics to support the schedule. The board discussed the requested contract approval and how this would fit into the budget plans that would be brought back at the November meeting.

The board heard from Mr. Cabodi on the Pension Solution overall assessment.

MOTION duly made by Ms. Hendricks, seconded by Ms. Miller, and carried to approve the new Sagitec Solutions, LLC contract.

Members Voting	Aye	Nay	Abstain
Mr. Gunning	X		
Ms. Hendricks	X		

Mr. Prezant	X		
Mr. Tang	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		
Controller Cohen	X		
Vice-Chairperson Bradford	X		

RECESS

The board recessed at 12:15 p.m. and resumed at 1:18 p.m., September 14, 2023.

IV. EXPLORING INNOVATION AND STRATEGY AT CALSTRS (Item 14)

The board received a summary of the assessment activities and findings from Ms. Lichnock, and the next steps in the innovation project.

V. LABOR MARKET BENCHMARKING STUDY UPDATE (Item 15)

The board received highlights of the Labor Market Benchmarking study from Ms. Turko.

VI. PROPOSED 2024-25 OPERATING BUDGET CONCEPTS (Item 16)

The board received the proposed 2024-25 Operating Budget from Ms. Underwood and Ms. Bains including the additional budget for new positions. The board discussed how the new Sagitec contract would be incorporated into this budget.

VII. ENTERPRISE RISK MANAGEMENT REPORT (Item 17)

The board received the Enterprise Risk Management Report from Mr. Burkholder and Ms. Bashaw. The board discussed the rebalancing of risks and issues concerning human capital. The board also considered how to interpret and consider the highest risks, the issues with cyber insurance, concerns with the existing pension system, and confirming that the pillars project did not change the embedded risks.

VIII. STATE AND FEDERAL LEGISLATION (Item 18)

The board received an overview of SB 765 from Ms. Martinez-Wade concerning the postretirement earnings limit for retired members. The board discussed the challenges teachers face and the decline in teachers as a result, the need to provide more incentive to become teachers who are professional, respected, paid accordingly and with a sustainable retirement plan. The board discussed that this legislation may be viewed as one tool, among others such as grants, that may be utilized by the government to address the teacher shortage. The board noted that the final bill is a product of stakeholders with bipartisan support and no oppositions.

MOTION duly made by Mr. Johnson, seconded by Mr. Ruffino, to adopt a support position.

The board discussed the status of this bill and the impact of supporting the bill at this time. The board further discussed the practical application of this bill on the schools and school districts. The board discussed the fiduciary duty to CalSTRS, and whether this bill would have a negative impact to CalSTRS funding.

MOTION duly made by Mr. Prezant, seconded by Mr. Johnson, to call the question. The motion did not pass.

Members Voting	Aye	Nay	Abstain
Mr. Gunning		X	
Ms. Hendricks		X	
Mr. Prezant	X		
Mr. Tang	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		
Controller Cohen	X		

The board discussed other plans by the government to address the teacher shortage, including those intended to encourage more teachers into the workforce. The board further considered the guardrails in the bill to prevent unintended consequences and limit potential abuse of the bill. The board discussed the process, and the timing of adopting a position on a bill that is pending with the Governor. The board further discussed addressing the shortage of substitute teachers in lieu of finding replacement substitute teachers through this bill. The board discussed the fiduciary duty the board members have to consider if this bill would affect the funding status and heard from Mr. Lamoureux that there was an unknown risk that may be better analyzed after a couple years of data, understanding CalSTRS is a mature plan.

Chris Reeve made a public comment that the board should adopt a support position for this bill to address the crises of teacher shortages and that this would address the short-term problem while allowing other government programs to show progress in 2-3 years.

Dana Dillon commented that the CTA State Council took the recommendation of CTA’s Retirement Committee to watch this bill. There are geographic and guardrail concerns. There should be more focused effort on attacking the problem in a more economic way and encouraged the board to stay at the neutral position.

Jennifer Baker commented that CalRTA took a very deliberate watch position on the bill, and urged the board to proceed with extreme caution, noting the potential similarities to prior bills and expressed concern that such actions may jeopardize the defined benefit offered by CalSTRS.

Doug Orr commented that CFT took a support position but noted that it was a very close vote and many of the board’s discussion were similar to the discussions at CFT.

There being no further discussion or comment, there was a vote on the motion to adopt a Support position on SB 765. The motion did not pass.

Members Voting	Aye	Nay	Abstain
Mr. Gunning		X	
Ms. Hendricks		X	
Mr. Prezant		X	
Mr. Tang		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		
Controller Cohen	X		
Vice-Chairperson Bradford		X	

MOTION duly made by Ms. Hendricks, seconded by Mr. Tang, and carried to adopt a neutral position on SB 765.

Members Voting	Aye	Nay	Abstain
Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Prezant	X		
Mr. Tang	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	
Controller Cohen	X		
Vice-Chairperson Bradford	X		

The board received updates from Ms. Martinez-Wade regarding SB 252 (fossil fuel divestment), SB 261 (climate-related financial risk reporting), SB 327 (service retirement backdating), SB 432 (AB 1667 cleanup), SB 885 (public retirement system housekeeping), SJR 1 (GPO and WEP repeal), HR 82 and HR 291.

Controller Cohen and Mr. Prezant left the dais at 2:55 p.m., September 14, 2023.

IX. CONSENT AGENDA – ACTION (Item 19)

a. Committee Reports

- 1. Investment Committee:** The Investment Committee met in Open Session on Thursday, May 4, 2023, and approved the long-term asset allocation policy targets for the portfolio as a part of the 2023 ALM Study, approved the Net

Zero Annual Strategy – Fixed Income Emissions Reduction Recommendation, approved the SISS Policy Revision – First Reading, and approved the Global Equity Policy Revision – Benchmark – First Reading. The committee received the Investment Policy Statement (IPMP Modernization Project) – First Reading. The committee also received the Net Zero Annual Strategy – Branch Wide Updates, updates on the progress and accomplishments of the Diversity in Management of Investments strategy for calendar year 2022, the Chief Investment Officer’s Report, and the Committee Work Plan Input for FY 2023-2024. The committee also approved by consent the Investment Committee Charter Review and the Minutes of the March 2, 2023, Investment Committee Meeting – Open Session.

The Investment Committee met in Open Session on Wednesday, September 13, 2023. The committee heard statements from the public. The committee received the Semi-Annual Performance Reports from the General Consultant, Real Estate Consultant, and Private Equity Consultant. The committee discussed, approved, and adopted the modernized Investment Policy Statement and Total Public Equity benchmark, as amended. The committee received a presentation and overview on how liquidity is managed across the Total Fund. The committee received a first reading of a revision to the Investment Policy, Reference Portfolio Benchmark, and approved a 70% MSCI ACWI / 30% Bloomberg Aggregate Bond Index mix as the new Reference Portfolio benchmark. The committee received the Chief Investment Officer’s Report. The committee received the report on Assembly Bill 2833. The committee also received the annual comprehensive review of the investment discretions delegated to staff.

2. **Appeals Committee:** The Appeals Committee met on Wednesday, May 3, 2023. The committee considered and rejected the proposed decision for *In the Matter of the Appeal Regarding the Final Compensation Calculation of: Dorothy Cole* and will consider the matter itself based upon the record, including the transcript, without taking additional evidence. The committee also received the staff report.
3. **Audits and Risk Management Committee:** There was no Audits and Risk Management Committee meeting.
4. **Benefits and Services Committee:** There was no Benefits and Services Committee meeting.
5. **Board Governance Committee:** The Board Governance Committee met on Wednesday, September 13, 2023. The committee received, discussed, and accepted revisions to the Board Governance Manual. The committee also discussed enhancements to the board education program and received a presentation on the best practices for reviewing the Board Governance Manual.

MOTION duly made on behalf of the Board Governance Committee to adopt the revisions to the Board Governance Manual Section 2B (concerning Committees), Section 2C (concerning Duties of the Board Chair and Vice-Chair), and Sections 2D-2L (concerning Committee Chairs and Vice-Chairs)

6. Compensation Committee: There was no Compensation Committee meeting.

- b. Approval of Minutes of the May 3, 2023, Regular Meeting – Open Session**
- c. Board Member Education**
- d. Contracts Requiring Board Approval**
- e. Review of CEO Delegation**
- f. Approval of Annual Incentive Award for the Chief Executive Officer**
- g. Approval of the Annual Incentive Award for the Chief Investment Officer**
- h. Initiate Rulemaking Process for Updates to Penalties and Interest Regulations**

The Consent Agenda was passed by consent.

Members Voting	Aye	Nay	Abstain
Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Tang	X		
Ms. Yamamoto	X		
Ms. Whitaker for the Director of Finance	X		
Mr. Ruffino for the State Treasurer	X		
Mr. Johnson for the Superintendent of Public Instruction	X		
Vice-Chairperson Bradford	X		

RECESS

The board recessed at 2:56 p.m. and resumed at 3:09 p.m., September 14, 2023.

X. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 20)

There were no items referred by committee for board decision.

XI. NEW BUSINESS/REVIEW INFORMATION REQUESTS (Item 21)

Pursuant to item 13, the board requested additional detail for the next presentation, including a comparison of the original budget to the current budget and through estimated completion.

Pursuant to item 16, the board requested specifics regarding allocations to current and future fiscal years, as well as information on vacancies, hiring and any potential issues involved.

Pursuant to item 17, the board requested information and a timeframe on life of the legacy pension system.

XII. DRAFT AGENDA FOR NEXT MEETING (Item 22)

Ms. Lichnock highlighted items on the draft agenda.

XIII. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC (Item 23)

There were no further statements from the public.

XIV. ADJOURNMENT

There being no further business to conduct, Vice-Chairperson Bradford adjourned the meeting at 3:11 p.m., September 14, 2023.

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

Denise Bradford, Vice Chairperson

Prepared by: Jennifer Yamane, Assistant General Counsel (Investments)