



## Regular Meeting

### Item Number 15b – Open Session

**Subject:** Approval of Minutes of the November 5, 2021, Regular Meeting –  
Teachers’ Retirement Board – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** January 28, 2022 – 0 minutes

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**Attachment(s):** None

**PowerPoint(s):** None

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#### **PROPOSED MINUTES**

#### **Teachers’ Retirement Board – Regular Meeting**

**November 5, 2021**

**OPEN SESSION**

**LOCATION: Web Conference**

#### **BOARD MEMBERS PRESENT**

Harry Keiley, Chairperson

Denise Bradford

Joy Higa

William Prezant

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 NOT PRESENT**

Sharon Hendricks, Vice Chairperson

**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  
Mark Gini, Ombuds  
Prashant Mittal, Director, Pension Solution Project  
Rick Reed, System Actuary  
David Lamoureux, System Actuary  
Joycelyn Martinez-Wade, Director, Governmental Relations  
Jeff Zimmer, Director, Employer Services  
Art Martinez, Director, Financial Planning, Accounting, and Reporting  
Jennifer Yamane, Senior Counsel

**OTHER PRESENT**

Amy McDuffee, Mosaic Governance Advisors, LLC  
Graeme Finley, Grant Thornton, LLP  
Alexis Garrett, Jones Lang LaSalle  
Greg Levi, Jones Lang LaSalle  
Virginia Williams, CGI  
Mark Olleman, Milliman  
Nick Collier, Milliman  
Julie Smith, Milliman  
Scott Preppernau, Milliman  
John Stanton, Hogan Lovells

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers’ Retirement Board to order at 8:41 a.m.

**I. APPROVAL OF BOARD AGENDA/WORK PLAN (Item 1)**

**MOTION** duly made by Mr. Prezant, seconded by Ms. Yamamoto, and carried to approve the Board Agenda/Work Plan, with flexibility.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Higa	X		
Mr. Prezant	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		

**RECESS**

The Open Session of the board meeting recessed at 8:43 a.m. and the board went into Closed Session. The board meeting reconvened in Open Session at 11:14 a.m.

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

Ms. Miller joined the meeting at 11:24 a.m.

**II. CHIEF EXECUTIVE OFFICER REPORT (Item 7)**

Ms. Lichnock acknowledged the promotions of Ms. Norcia to the position of CAO, and Ms. Kristel Turko to the position of Director of Human Resources. Ms. Lichnock also noted the new Governor appointee to the board, Mr. Tang.

Mr. Gini provided an update on the changes to the Office of the Ombuds, and the Annual Ombuds Report.

Ms. Blatnick provided an update on the Headquarter Expansion Project (HQE) and noted that further information on the cost saving exercises, financing and schedule would be forthcoming in January, including information on further bond financing. The board discussed the status of permits, on-going work, and plans to lease, as well as the soft and hard construction cost increases caused by the delay.

**III. HEADQUARTERS OCCUPANCY PLANS & TOWER LEASING UPDATE (Item 8)**

The board received an update from Ms. Blatnick on the headquarter occupancy plans, including January being the start for a blended work plan for CalSTRS staff. The board also heard from Mr. Levi and Ms. Garrett regarding the Sacramento commercial leasing market, the new methods of advertising, changes to office rentals, and how hybrid work models have impacted the market. The board discussed the level of confidence in the projections, requested updates on the leasing progress, and how the HQE delays have impacted the leasing possibilities.

**IV. PENSION SOLUTION UPDATE (Item 9)**

The board heard from Mr. Finley, Ms. Blatnick, Mr. Mittal, and Ms. Williams about the status of the Pension Solution Project, including a series of assumptions and monitoring of the assumptions to oversee the viability of the schedule. The board discussed the need for receiving the proposed schedule and budget as soon as possible, noting the delay to January, and requested Mr. Finley include his measures of assumptions in future reports. The board also heard about the timing for CGI to fill leadership positions and the quality

of the system. The board also discussed whether there were concerns regarding risks to the legacy system, the need for metrics for performance and qualitative measures, concerns with the contractor acceptance testing, and communications to employers on the progress of the project.

**V. REVIEW OF CALSTRS FUNDING LEVELS AND RISKS (Item 10)**

The board received highlights from Mr. Reed and Mr. Lamoureux on the 2021 Funding Levels and Risks report, including the impact of the 27.19% investment returns to the fund, state and employers. The board discussed the 3-year asset smoothing, whether there are limits to decreasing the state contribution, and the potential impacts of divestment.

Mr. Reed announced the retirement of Mr. Olleman, a long-time actuarial consultant. Mr. Olleman thanked the board for the opportunity to serve the educators of California and introduced the board to the members of the Milliman team who will take over his role with Mr. Collier, including Ms. Smith and Mr. Preppernau.

**VI. STATE AND FEDERAL LEGISLATIVE REPORT (Item 11)**

The board heard from Ms. Martinez-Wade regarding the updates on state legislation, including (1) thanking Assemblymember Rodriguez, his staff and member representative groups and noting that, while AB 551 could not move forward, work will continue internally on how to approach the bill in the future; (2) the signing of the housekeeping SB 634; (3) the signing of the investments procurement bill, AB 539, with thanks to Assemblymember Cooley, his staff and the CalSTRS teams who worked on the bill; (4) a note that, for bills not signed this year, the process of organizing implementation efforts will continue; and (5) the Governor's order regarding Bagley-Keene meetings was codified to address immediate concerns.

The board heard highlights on key federal initiatives from Mr. Stanton.

Mr. Prezant left the meeting at 2:20 p.m.

**VII. REVIEW OF CALSTRS BASIC FINANCIAL STATEMENTS AS OF JUNE 30, 2021 (Item 12)**

The board received highlights of the unmodified Financial Statements from Ms. Underwood and Mr. Martinez. The board discussed the Investment Management fees, including the differences between this report and the Cost report, and the external vendor costs.

**VIII. EMPLOYER REPORTING TO FINAL BENEFIT UPDATE (Item 13)**

The board heard from Mr. Zimmer regarding the three-dimension approach to this project, including operational improvements, enhanced employer information, and

legislation/regulations. The board discussed the outreach to both employers and teachers, and the urgency to expedite the timeframe of this project.

Mr. Walwrath, CalRTA, made a statement that no retiree should be held liable for mistakes they did not make, and looks forward to further meetings with CalSTRS staff on this matter.

Mr. Welsch, CTA, commented that CalSTRS is not taking ownership of the system errors, should utilize existing processes, and have thoughtful proposals to address this issue.

Ms. Shine, CTA, expressed that the legislative proposal is the wrong path to address the issue.

Chairperson Keiley requested the full board receive the stakeholder concept beliefs.

**IX. ADOPTION OF PROPOSED 2022-23 OPERATING BUDGET (Item 14)**

The board heard from Ms. Underwood a summary of the overall net increase, the reclassification of positions for a net-zero change, and a note on the 3% support appropriation savings contingent on future board approval.

**MOTION** duly made by Ms. Urdan, seconded by Ms. Bradford, and carried to adopt the 2022-23 Operating Budget.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Higa	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		

**X. APPROVAL OF ANNUAL INCENTIVE OF FORMER CHIEF EXECUTIVE OFFICER (Item 15a); APPROVAL OF ANNUAL INCENTIVE OF CHIEF INVESTMENT OFFICER (Item 15b); COMMITTEE REPORTS (Item 15c); APPROVAL OF MINUTES OF THE SEPTEMBER 2, 2021, REGULAR MEETING – OPEN SESSION – REVISED (Item 15d); BOARD MEMBER EDUCATION (Item 15e); CONTRACTS REQUIRING BOARD APPROVAL (Item 15f)**

**1. Investment Committee:** The Investment Committee met on Thursday, November 4, 2021, in Open Session. The committee received the FY 2020-21 GIPS

Performance Report and the Chief Investment Officer’s Report. The committee also received and considered a presentation on the Collaborative Model 2.0 as well as the Annual Investment Cost and Collaborative Model Savings Reports.

2. **Appeals Committee:** There was no committee meeting.
3. **Audits and Risk Management Committee:** The Audits and Risk Management Committee met on Thursday, November 4, 2021. The committee received the Annual Report of Benefit Payment Modifications for Fiscal Year 2020-21 and the 2021 Internal Audit Plan Progress Report. The committee also considered and approved the report from Crowe LLP for the audit of CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information for the Year Ended June 30, 2021, and the audit of CalSTRS Other Pension Information – State Teachers’ Retirement Plan for the Year Ended June 30, 2021. The committee received the Management Letter for the year ending June 30, 2021 and Enterprise Compliance Services 2022 Compliance Plan. The committee considered and approved the Audit Services proposed 2022 Internal Audit Plan.

**MOTION** duly made on behalf of the Audits and Risk Management Committee to accept the independent financial statement auditor reports from ARM Agenda Items 5a and 5b, including the proposed resolution in Attachment 4 of ARM Agenda Item 5a.

**MOTION** duly made on behalf of the Audits and Risk Management Committee to approve the 2022 Internal Audit Plan.

4. **Benefits and Services Committee:** There was no committee meeting.
5. **Board Governance Committee:** The Board Governance Committee met on Friday, November 5, 2021. The committee considered and voted to recommend adoption of the revised Board Governance Committee workplan for the remainder of the 21/22 fiscal year. The committee also received a presentation, engaged in discussion, and subsequently voted to recommend the adoption of revisions to the Sanctions for Violation of the Third-Party Economic Disclosure Policy within the Board Governance Manual.

**MOTION** duly made on behalf of the Board Governance Committee to adopt the revised 21/22 fiscal year Board Governance workplan.

**MOTION** duly made on behalf of the Board Governance Committee to adopt the modified revisions to Section 4, subsection G (7) of the Board Governance Manual concerning the Third-Party Economic Disclosure Policy.

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

**MOTION** duly made by Ms. Miller, seconded by Ms. Bradford, and carried to approve Items 15(a)-(f).

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Higa	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		

**XI. DISCLOSURE OF INCENTIVES FOR STATUORY POSITIONS FOR THE 2020-21 PLAN YEAR (Item 16)**

The board received this report.

**XII. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 17)**

There were no items referred by committee for board decision.

**XIII. NEW BUSINESS/REVIEW INFORMATION REQUESTS (Item 18)**

Pursuant to item 8, the board requested updates on changes to occupancy plans and the leasing progress.

Pursuant to item 9, the board requested reporting on the legacy system (cost, risks, etc.), and a delineation between new services and evolving services.

Pursuant to item 12, the board requested a collaboration between the Financial Statements and Cost Report, and additional reporting on the use of external vendors.

**XIV. DRAFT AGENDA FOR NEXT REGULAR MEETING OF THE TEACHERS' RETIREMENT BOARD (Item 19)**

Ms. Lichnock noted the changes to agenda including the pension solution action item, and removal of the CEO/CIO mid-year performance, which would be removed from the February meeting.

Ms. Lichnock also noted there would be an outreach to the board members to move the April offsite from Thursday-Friday to Wednesday-Thursday. The board discussed outreach to see if that move would generally be accepted by board members.

**XV. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC (Item 20)**

John Bodor made a statement concerning divestment from fossil fuels.

Suzanne Hugh expressed concern about fossil fuels and surprise that CalSTRS continues to invest in fossil fuels.

Mr. Bartow introduced special projects counsel, Mr. Brian Sytsma.

**XVI. ADJOURNMENT**

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 3:47 p.m.

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

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Harry Keiley, Chairperson

Prepared by: Jennifer Yamane, Senior Counsel