



Regular Meeting

Item Number 10b – Open Session

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

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: May 4, 2022 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers’ Retirement Board – Regular Meeting

March 4, 2022

OPEN SESSION

LOCATION: Web Conference

BOARD MEMBERS PRESENT

Harry Keiley, Chairperson

Sharon Hendricks, Vice Chairperson

Denise Bradford

Joy Higa

William Prezant

Ken Tang

Jennifer Urdan

Karen Yamamoto

Gayle Miller, representing the Director of Finance, Keely Bosler

Frank Ruffino, representing the State Treasurer, Fiona Ma

Tony Thurmond, State Superintendent of Public Instruction

Betty Yee, State Controller

OTHER BOARD MEMBERS PRESENT

Jennifer Whitaker, representing the Director of Finance, Keely Bosler

Sertan Usanmaz, representing the State Treasurer, Fiona Ma
Blake Johnson, representing the State Superintendent of Public Instruction, Tony Thurmond
Karen Greene-Ross, representing the State Controller, Betty Yee
Lynn Paquin, representing the State Controller, Betty Yee

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
Karen Doron, Director, Communications
Joycelyn Martinez-Wade, Director, Governmental Relations
Phillip Burkholder, ERM Manager
Jennifer Yamane, Senior Counsel

OTHER PRESENT

Amy McDuffee, Mosaic Governance Advisors, LLC
Peter Landers, Global Governance Advisors
Jennifer Baker, CalRTA
Joe Bartell, CTA
Susie Chow, UTLA-R
Martha Zaragoza Diaz, Delta Kappa Gamma California
Phyllis Hall, CTA
Sandy Keaton
Kathleen McCreery, ACSA
MaryKay Scheid, CTA Retirement Committee
Debra Silvee
Kevin Welch, CTA

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers' Retirement Board to order at 9:00 a.m.

I. APPROVAL OF AGENDA (Item 1)

MOTION duly made by Ms. Hendricks, seconded by Mr. Prezant, and carried to approve the Agenda.

Members Voting	Aye	Nay	Abstain
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Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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		
Controller Yee	X		

II. CHIEF EXECUTIVE OFFICER’S REPORT (Item 2)

The board received an update from Ms. Lichnock concerning the Sustainability Report. The board received a presentation from Ms. Doron on the modernization of the CalSTRS.com website.

The board discussed the update provided on the HQE, including the status with the Office of the State Fire Marshal and the removal of COVID-19 risks, with Ms. Blatnick. These items will be further addressed in detail, including the leasing progress, with the board at the May meeting.

Kevin Welch made a public comment commending CalSTRS Net Zero efforts by creating concrete goals and measurable steps to make responsible long-term investment strategies to ensure benefits to CalSTRS members.

III. STATE AND FEDERAL LEGISLATION (Item 3)

The board received an overview of SB 868, which would increase SBMA benefits for members who retired prior to 1999. Ms. Martinez-Wade noted the recommendation to take a Support position is in line with options previously presented to the board and consistent with board policy.

Jennifer Baker made a public comment thanking the CalSTRS team and noting that CalRTA recommends the support position and would also support co-authoring of the bill.

MOTION duly made by Ms. Bradford, seconded by Mr. Tang, and carried to take a Support position on SB 868.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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		
Controller Yee	X		
Chairperson Keiley	X		

Superintendent Thurmond replaced Mr. Johnson at 9:35 a.m.

The board received an overview of SB 1173, which would prohibit CalSTRS and CalPERS from making additional or new investments or renewing investments in fossil fuel companies and require divestment by July 1, 2027. Mr. Bartow noted this matter was publicly noticed as a matter under the board’s policy concerning legislation, and not as a discussion regarding divestment.

Debra Silvee, retired CalSTRS member and Fossil Free member, made a public comment regarding the need to end fossil fuel dependency.

The board discussed how this legislation would not be consistent with its fiduciary duty, concerns regarding the definition of “fossil free company”, the potential inconsistency of this legislation with the ongoing net-zero emissions work by Investment staff, the separation and recognition of the differences between the Legislature and the CalSTRS board, the reality of supply and demand in the market, the impact or concerns to the board’s fiduciary duty, the fiduciary consistency clause in the proposed legislation, and the value of seeking divestment over engagement. The board discussed CalSTRS net-zero work, noting its specific goals, monitoring of the latest science, and thoughtful progress and discipline to achieve a net-zero portfolio while continuing to be cognizant of the responsibility to secure member benefits that could not otherwise reasonably be achieved by 2027. The board considered that this proposed legislation is relatively new, introduced by a news conference only a few weeks ago, and the timing of taking a position on this legislation at this meeting is consistent with board policy and prior decision. The board considered how this proposed legislation impacts the board constitutional authority and heard from Mr. Bartow concerning the board’s constitutional authority in relation to legislative action. The board discussed the possibility of engagement with the author as the bill moves through the legislative process, and whether this bill would otherwise deter the ongoing net-zero progress in a meaningful matter, consistent with the board’s fiduciary duty and global collaboration. The board expressed an understanding that many groups are committed to reducing fossil fuels, and it may be in everyone’s interest to have conversation and debate without polarization between parties. The board noted that this item was focused on legislation, and the board’s policy concerning this type of legislation is to take an Oppose position. Superintendent

Thurmond stated that he had reached out to all sides on this issue before engaging in this discussion.

MOTION duly made by Ms. Bradford, seconded by Controller Yee, and carried to adopt an Oppose position on SB 1173.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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	
Superintendent Thurmond		X	
Controller Yee	X		
Chairperson Keiley	X		

RECESS

The board recessed at 10:23 a.m. and resumed at 10:35 a.m. Mr. Johnson replaced Superintendent Thurmond for the duration of the meeting.

IV. CALSTRS STRATEGIC PLAN 2022-25 (Item 4)

The board heard from Ms. Lichnock and Ms. McDuffee regarding the CalSTRS Strategic Plan for 2022-25, noting the thoughtful and deliberative 18 months of progress leading to the present draft. The board discussed how the organization moves forward in its evolution and understanding the need to adjust in a dynamic world.

MOTION duly made by Ms. Urdan, seconded by Controller Yee, and carried to adopt the CalSTRS Strategic Plan 2022-25.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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		
Controller Yee	X		
Chairperson Keiley	X		

V. REPORT AND RECOMMENDATIONS FOR LONG-TERM INCENTIVE PLAN (Item 5)

The board received an update on the Long-Term Incentive Plan proposal from Ms. Norcia and Mr. Landers. The board discussed participant eligibility, comparable salaries for the state, the retention/recruitment issues that the LTIP may affect, the one-team approach, and the timing of this LTIP in relation to the newly adopted incentive plans. The board discussed what additional points of information may be necessary to consider the LTIP and agreed to postpone the LTIP discussion until the additional information can be provided.

VI. ENTERPRISE RISK MANAGEMENT REPORT (Item 6)

The board received highlights of the Enterprise Risk Management Report from Mr. Burkholder. The board discussed existential risks and considered further discussion on those risks at a future offsite meeting.

VII. CONSENT AGENDA – ACTION (Item 7)

Controller Yee requested Item 7(d) be pulled from the Consent Agenda.

a. Committee Reports

- 1. Investment Committee:** The Investment Committee met in Open Session on March 3, 2022. The committee heard and considered 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 received an update on the Collaborative Model Pillars, and the Collaborative Model 2.0. The committee received the Chief Investment Officer’s Report. The committee also reviewed and considered the Agenda for the next committee meeting.

- 3. Audits and Risk Management Committee:** The Audits and Risk Management Committee met on Thursday, March 3, 2022. The committee received the 2021 Management Letter Progress Report and the Financial Statement Audit Client Service Plan for Fiscal Year 2021-22. The committee discussed the 2021 Enterprise Compliance Services Plan Financial Progress Report, 2021 Internal Audit Plan Final Progress Report, and Fiscal Year 2022-23 Meeting Work Plan. The committee also received an educational presentation on new audit standards and report requirements.

b. Approval of Minutes of the January 28, 2022, Regular Meeting – Open Session
c. Board Member Education

The Consent Agenda Items 7(a)-7(c) were approved by consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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		
Controller Yee	X		
Chairperson Keiley	X		

d. Contracts Requiring Board Approval

The board heard from Ms. Blatnick regarding the necessity for the contracts (2) MAXIMUS, and (3) Grant Thornton.

The Consent Agenda Item 7(d) contracts (2) MAXIMUS, (3) Grant Thornton, and (4) Pillsbury Winthrop were adopted by consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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		
Controller Yee	X		
Chairperson Keiley	X		

The Consent Agenda Item 7(d) contract (1) State Controller’s Office was adopted by consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	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		
Controller Yee			X
Chairperson Keiley	X		

VIII. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 8)

There were no items referred by committee for board decision.

IX. NEW BUSINESS / REVIEW OF INFORMATION REQUESTS (Item 9)

There was no new business or information requests.

X. DRAFT AGENDA FOR NEXT MEETING (Item 10)

Ms. Lichnock noted the LTIP item would be removed from the agenda.

XI. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 11)

There were no additional statements from the public.

RECESS

The Open Session of the board meeting recessed at 11:40 a.m. and the board went into Closed Session. The committee meeting reconvened in Open Session at 2:15 p.m.

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

XII. ADJOURNMENT

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There being no further business to conduct, Chairperson Keiley adjourned the meeting at 2:15 p.m.

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

Harry Keiley, Chairperson

Prepared by: Jennifer Yamane, Senior Counsel