



## Regular Meeting

### Item Number 7c – Open Session

**Subject:** Approval of Minutes of the November 2, 2022, Regular Meeting Teachers' Retirement Board – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** January 25, 2023 – 0 minutes

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**Attachment(s):** None

**PowerPoint(s):** None

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#### PROPOSED MINUTES

#### Teachers' Retirement Board – Regular Meeting

November 2, 2022

#### OPEN SESSION

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

#### COMMITTEE MEMBERS PRESENT

Harry Keiley, Chairperson

Sharon Hendricks, Vice Chairperson

Denise Bradford

Michael Gunning

William Prezant

Jennifer Urdan

Ken Tang

Karen Yamamoto

Frank Ruffino, representing the State Treasurer, Fiona Ma.

Gayle Miller, representing the Director of Finance, Joe Stephenshaw

Tony Thurmond, State Superintendent of Public Instruction

Betty Yee, State Controller

#### OTHER BOARD MEMBERS PRESENT

Jennifer Whitaker, representing the Director of Finance, Joe Stephenshaw

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

Kristel Turko, Director of Human Resources

Glenn Hosokawa, Investment Director, Fixed Income

Bankole Fatunla, Senior Financial Reporting Manager

David Lamoureux, Deputy System Actuary

Rick Reed, System Actuary

Joycelyn Martinez-Wade, Director, Governmental Relations

Katie La Blanc, Director, Retirement Readiness

Roslyn Bell, Senior Counsel

**OTHER PRESENT**

Amy McDuffee, Mosaic Governance Advisors, LLC

Graeme Finley, Guidehouse

Kevin Civale, Stradling Yocca Carlson & Rauth

Mike Kremer, Montague DeRose and Associates, LLC

Ron Breyer, President, CalRTA

Kathy Kinley, CalRTA

Kevin Welch, CTA

Mary Kay Scheid, CTA

E. Toby Boyd, CTA President

Joe Bartell, CTA

Orval Garrison, CTA/NEA-R

Ron Breyer, CA Retired Teacher Association

Jennifer Baker, CalRTA

Peter Morse, FACC

Doug Orr, CFT

Ed Foglia, CTA-Retired

Pat Guyer, Retired Teacher

Bala Venkat, Sagitec, Founding Partner

Swamy Koppada, Sagitec, Program Manager

Leonard Goldberg, UTLA

Phyllis Hall, CTA

Don Stauffer, CTA-NEA-Retired

Ben Walcott, United for Respect

Oscar Cordero, United for Respect

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers’ Retirement Board to order at 12:30 p.m.

Mr. Breyer and Ms. Kinley of California Retired Teachers Association presented a check to Ms. Lichnock representing the dollar amount that retired teachers have contributed to the California economy. Chairperson Keiley introduced a video featuring CalSTRS retiree Ms. Dolores Sandoval, a former Math teacher, noting that these videos remind the board of the members it serves and the board’s mission purpose. The board thanked Ms. Schilling and her team for the video.

**I. APPROVAL OF BOARD AGENDA (Item 1)**

The Board Agenda was approved without objection.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

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

The board heard from Ms. Lichnock regarding notable achievements from the 2019-22 CalSTRS Strategic Plan regarding member and employer outreach, including statistics regarding member engagements. The board heard that CalSTRS engaged members earlier, offered both virtual and in-person opportunities for members, and improved resources for part-time employees. The board also received information about efforts to reduce penalty and interest assessments for employers and CalSTRS collaboration with employers regarding the implementation of AB 1667. The board discussed seeking creative ways to connect with members. The board acknowledged that, for the first time, CalSTRS has over 1 million members and beneficiaries.

The board noted that CalSTRS statistics exceeded industry standards and praised efforts to reach CalSTRS members at younger ages. The board also thanked the staff for the work done on behalf of the part-time educator task force. The board welcomed Katie La Blanc, the new Director of Retirement Readiness.

The board received an update on the Headquarters Expansion (HQE) from Ms. Blatnick, including the status of the building, a finalization of recent contract amendment, current budget and status, leasing efforts, as well as risks to the completion date posed by recent failures to pass inspections and the efforts to mitigate those risks. The board discussed the costs per day of the schedule slippage and heard that the project is still within budget. The board thanked the staff for its candor.

Ms. Hendricks and Mr. Prezant will continue the work on the subcommittee overseeing the HQE and information will be shared with the entire board between meetings as necessary.

Mr. Welch acknowledged Ms. Lichnock’s work on Stakeholder Concept Beliefs, and along with Ms. Scheid, thanked Ms. Lichnock for her work on getting AB 1667 enacted with CalSTRS support and establishing a new relationship of trust with retirees.

**III. ADOPTION OF PROPOSED 2023-24 OPERATING BUDGET (Item 3)**

The board heard from Ms. Underwood regarding the proposed 23-24 Operating Budget for review and approval of a resolution for \$388.5 million with flexibility. The Board discussed the additional staffing positions and availability of funds for overtime. The Board heard from Ms. Turko regarding CalSTRS recruitment efforts in the current tight labor market.

**MOTION** duly made by Ms. Bradford, seconded by Mr. Tang, and carried to approve the proposed 2023-24 Operating Budget Resolution.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

**IV. HEADQUARTERS EXPANSION BOND FINANCING EDUCATION AND AUTHORIZATION FOR ISSUANCE OF BONDS FOR ADDITIONAL FUNDING (Item 4)**

The board heard from Ms. Underwood, Mr. Civale, and Mr. Kremer regarding the bond financing, which was reviewed by attorneys, a finance team, the State Treasurer and CalSTRS investment staff. The board received a review from Ms. Underwood of the 2019 bond issuance based on the prior anticipated completion date of July 2022.

The board discussed with Mr. Civale and Mr. Kremer the timing of the bonds, potential savings from bonds, funding from the Fund, leasing of the building, market for the bonds, and the credit rating of the bonds. The board heard the recommendation from Mr. Civale and Mr. Kremer to increase the true interest cost to not exceed 5.75% and increase annual payments for facility lease to not exceed \$1.4 million to provide flexibility to issue the bonds. The board consulted Mr. Hosokawa to confirm that this was within the range of reasonableness for the market.

The board also considered its fiduciary responsibilities regarding the issuance of the bonds, the considerations IBank will review and the timing of the issuance, the Treasurer’s review and support of the issuance, the board’s timing for making its decision, and requested a chart showing the costs and savings of the bond issuance, which would be provided prior to the end of the meeting.

**V. RECESS**

The Open Session of the board meeting recessed at 2:12 p.m., and the board went into Closed Session. The meeting reconvened in Open Session at 2:27 p.m.

**VI. STATE AND FEDERAL LEGISLATION- CONSIDERATION OF BOARD-SPONSORED LEGISLATION AND REGULATIONS (Item 5)**

The board heard from Ms. Martinez-Wade regarding the proposal to reduce the timeframe members may backdate their service retirement or service retirement during evaluation of a disability. The board discussed the typical length of time that members backdate retirement and possible tax consequences to members of backdating retirement.

**MOTION** duly made by Ms. Hendricks, seconded by Ms. Bradford and carried to sponsor legislation in the upcoming session regarding the proposal to limit the timeframe for backdating service retirement.

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

Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

The board heard from Ms. Martinez-Wade regarding the regulatory proposal to clarify and make specific the statutory requirements for creditable compensation described for certain CalSTRS members subject to the Public Employees’ Pension Reform Act. The board discussed the regulatory process and engagement with stakeholders.

**MOTION** duly made by Ms. Hendricks, seconded by Mr. Tang and carried to initiate the proposed regulatory process regarding calculating creditable compensation.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

The board heard from Ms. Martinez-Wade regarding the staff regulatory proposal to amend existing regulations regarding penalties and interest.

**MOTION** duly made by Ms. Hendricks, seconded by Ms. Bradford and carried to update the penalties and interest regulation.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

The Board recognized the retirement of John Stanton, federal lobbyist for CalSTRS, and expressed appreciation for his work on behalf of CalSTRS. Ms. Hendricks shared that she spoke with Mr. Stanton and asked him about the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), and that he expressed some optimism about the WEP and his assurance that the people following in his footsteps understand and will continue the CalSTRS values at the federal level.

**TRIBUTE TO CONTROLLER YEE**

Mr. Keiley paid tribute to Controller Yee and introduced a video tribute of board members, board member delegates, Ms. Lichnock, and Mr. Ailman thanking Controller Yee for her exemplary leadership on the board, mentorship, friendship, and service to CalSTRS. Several noted her leadership on the board, and accomplishments, including the move to low carbon with the CalSTRS Net-Zero pledge. The board thanked Ms. Schilling for the video.

Mr. Bartell, Mr. Boyd, Mr. Garrison, Mr. Breyer, Ms. Baker, Mr. Morse, Mr. Orr, Mr. Welch, Mr. Foglia, and Ms. Guyer expressed their appreciation for Controller Yee’s service on the CalSTRS board. Mr. Garrison presented a letter and certificate of recognition and appreciation on behalf of the members of CTA/NEA Retired. The Board acknowledged Mr. Boyd and thanked him for attending today. Superintendent Thurmond commended Controller Yee for her service and thanked her for mentoring him and many others.

Controller Yee thanked California educators, her husband Rabi Steven Jacobs, Ms. Paquin, Ms. Greene-Ross, board members, speakers, and noted her debt of gratitude to teachers. Controller Yee reaffirmed her view that CalSTRS being about leadership and providing for its members and not politics. She recalled the sacrifices of her immigrant parents.

**VII. REVIEW OF CALSTRS BASIC FINANCIAL STATEMENTS AS OF JUNE 30, 2022 (Item 6)**

The board reviewed notable items in the CalSTRS basic financial statements for the year ended June 30, 2022, with Ms. Underwood and Mr. Fatunla, including impact of investment losses on the fund, the number of members and beneficiaries, and new accounting standards. The CalSTRS basic financial statements received an unmodified

opinion by Crowe LLP and received the Certificate of Achievement for Excellence in Financial Reporting, the Outstanding Achievement in Popular Annual Financial Reporting, and the Distinguished Budget Presentation Award by the Government Finance Officer Association of the United States and Canada for the June 30, 2021 reports.

The board praised the reports and discussed the use of the reports with investors and legislators.

**VIII. REVIEW OF CALSTRS FUNDING LEVELS AND RISKS REPORT (Item 7)**

The board discussed with Mr. Reed and Mr. Lamoureaux the CalSTRS long-term funding plan noting that, despite the challenging financial year and fluctuating number of active teachers during COVID, CalSTRS is still ahead of schedule to achieve full funding by 2046 based on the existing contribution rates. The board discussed risks to the Funding Plan and considered what would occur when the funding plan ends; took note of the Legislative Analysis Office Report: Strengthening the CalSTRS Funding Plan; considered what the messaging should be in the next five-year report of the funding plan due in June 2024, noted the upcoming asset liability management study for the fiscal year 2022-23; and discussed how inflation affects the Funding Plan and is accounted for in the Supplemental Benefit Maintenance Account Program.

**IX. PENSION SOLUTION PROJECT UPDATE (Item 9)**

The board received an overview of the Pension Solution Project from Mr. Perez, Mr. Jain, and Mr. Finley. The board heard that Mary Winkley would serve as interim Project Director and was introduced to the Sagitec co-founders. The board received an update that knowledge transfer to Sagitec from the previous vendor was complete and the status of a project assessment necessary for the procurement of services. The board heard that the Request for Information for the upcoming procurement was released one week ahead of schedule.

The board discussed with Mr. Finley, the independent project oversight confidence in the interim director, procurement strategies and the need to refine the procurement schedule further.

**X. HEADQUARTERS EXPANSION BOND FINANCING EDUCATION AND AUTHORIZATION FOR ISSUANCE OF BONDS FOR ADDITIONAL FUNDING (Continuation of Item 4)**

The board received the additional information presented by Ms. Underwood, Mr. Civale, and Mr. Kremer addressing the board's earlier concerns regarding the bond issuance.

**MOTION** duly made by Mr. Prezant, seconded by Mr. Gunning and carried to approve the Resolution of the Teacher's Retirement Board for the Approval of



Financing of Completion Costs of the Headquarters Expansion Project, as amended.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

**XI. DISCLOSURE OF INCENTIVES FOR STATUTORY POSITIONS FOR THE 2021-22 PLAN YEAR (Item 9)**

The board received the disclosure of incentives for statutory positions for the 2021-2022 year.

**XII. INFALTION AND SUPPLEMENTAL BENEFIT MAINTAINANCE ACCOUNT UPDATE (Item 10)**

The board received the update of the impact of recent levels of inflation on the Supplemental Benefit Maintenance Account Program.

**XIII. CONSENT AGENDA – ACTION (Item 11)**

**a. Committee Reports**

1. **Investment Committee:** There was no Investment Committee report.
2. **Appeals Committee:** The Appeals Committee met on Thursday, September 1, 2022. The committee received a presentation on Committee Duties, Responsibilities and Process for Consideration of Proposed Decisions, and the staff report
3. **The Audits and Risk Management Committee:** The Audits and Risk Management Committee met on Wednesday, November 2, 2022. The committee considered and received the 2022 Audit Services Audit Plan Progress Report, 2022 Management Letter for the year ended June 30, 2022, and the 2023 Enterprise Compliance Services Plan for the six-month period of January – June 2023. The committee received a presentation from the external auditors and adopted the reports for the audit of CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information for the Year Ended June 30, 2022. The committee also considered

and adopted the reports presented by the external auditors for CalSTRS Other Pension Information audit for the Year Ended June 30, 2022. Last, the Committee considered and approved the Audit Services proposed 2023 Audit Plan.

**MOTION** duly made by the Audits and Risk Management Committee to adopt (1) The Independent Auditor’s Report on the CalSTRS Basic Financial Statements for the fiscal year ended June 30, 2022; (2) The Independent Auditor’s Report on the CalSTRS Other Pension Information for the fiscal year ended June 30, 2022; and (3) The 2023 Audit Plan.

- 4. **The Benefits and Services Committee:** There was no Benefits and Services Committee.
- 5. **The Board Governance Committee:** The Board Governance Committee met on Wednesday, November 2, 2022. The committee received and approved updates to the Strategic Planning Policy. The committee also received non-substantive edits to the Board Governance Manual and the proposed board consultant evaluation schedule. The committee discussed a proposed alternative board and committee calendar format for the fiscal year 2023-24 meeting calendar.

**MOTION** duly made by the Board Governance Committee to adopt the updated Strategic Planning Policy in the Board Governance Manual.

- 6. **The Compensation Committee:** There is no Compensation Committee.

- b. **Approval of Minutes of the September 1, 2022, Regular Meeting – Open Session**
- c. **Board Member Education**
- d. **Contracts Requiring Board Approval**
- e. **Approval of Annual Incentive Award for the Chief Executive Officer**
- f. **Approval of the Annual Incentive Award for the Chief Investment Officer**

The board adopted the Consent Agenda.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Mr. Gunning	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		
State Superintendent of Public Instruction Thurmond	X		
Controller Yee	X		

**XIV. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 12)**

There were no items referred by committee for board decision.

**XV. NEW BUSINESS/REVIEW INFORMATION REQUESTS (Item 13)**

Chairperson Keiley requested a letter of appreciation be sent to Mr. Stanton for his years of work on federal legislation impacting CalSTRS.

**XVI. DRAFT AGENDA FOR NEXT REGULAR MEETING OF THE TEACHERS' RETIREMENT BOARD (Item 14)**

Mr. Bartow noted that there are no legal items to confer regarding during the Closed Session. Ms. Lichnock noted the Closed Session item regarding meeting decorum and security protocols would be addressed at the January meeting.

**XVII. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC**

**(Item 15)**

Mr. Goldberg requested a copy of the slide provided to board members regarding Item 4.

**RECESS**

The Open Session of the board meeting recessed at 4:14 p.m. and the board went into Closed Session. No action was taken in Closed Session.

**XVIII. ADJOURNMENT**

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 5:12 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: Roslyn Bell, Senior Counsel