TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes July 11, 2002 and September 4 and 5, 2002

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: October 3, 2002

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the July 11, 2002, and September 4 and 5, 2002, meetings of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, JULY 11, 2002
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT
Gary Lynes, Chairperson
George Fenimore
Karen Russell
Jay Schenirer
Carolyn Widener
Annette Porini, representing the Director of Finance, B. Timothy Gage
Louis Willhoit, representing the State Controller, Kathleen Connell
John Hiber, representing the State Treasurer, Philip Angelides

STAFF PRESENT
Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Peggy Plett, DCEO, Administration
Michael Carter, DCEO, Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Bill Hobbs, Acting Director, Project Management Office
Mary Miles, Administrative Assistant

OTHERS PRESENT
Beverly Carlson, CTA
Norman Gould, CRTA
Eva Hain, CRTA
Loretta Toggenburger, UTLA-R
Dorothy Moser, CTA/NEA-R
Al Reyes, UTLA
Zoe Ann Murray, CRTA
Susan Goff, CTRA
Tony Jones, CTA
Al Reyes, UTLA

A quorum being present, Chairperson Lynes called the meeting to order at 1:38 p.m.

II. **APPROVAL OF MINUTES OF JUNE 6, 2002**

MOTION duly made by Mr. Fenimore, seconded by Mr. Schenirer, and carried to approve the minutes of the June 6, 2002.

III. **ANNOUNCEMENTS**

The Chair had no announcements.

IV. COMMITTEE REPORTS

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported the Committee heard a report from the Subcommittee on Corporate Governance, received a presentation on Principles and Beliefs for Guidelines in the Investment Community, approved the 2002/03 Business Plan, and adopted the Revised Fixed Income Portability and Internal Equities Policies. The Committee received Activity Status Reports for Alternative Investments, Real Estate, Credit Enhancements, the results of the 2001/02 Investment Branch Objectives, and the Report of the Chief Investment Officer.

BY CONSENSUS, the report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: Mr. Fenimore, Chairperson of the Executive Compensation Committee, reported the Committee approved an amendment to Relocation Policy, and had a lengthy discussion of the executive compensation structure.

MOTION duly made by Mr. Fenimore and carried, to approve the actions taken by the Executive Compensation Committee. Ms. Porini, Mr. Willhoit and Mr. Hiber abstained.

BUDGETS AND AUDITS COMMITTEE: Mr. Fenimore, Chairperson of the Budgets and Audits Committee, reported that the Committee approve the 2002/03 Annual Audit Work Plan, received the 2001/02 and 2002/03 Budget Status Reports, the 2002/03 Proposed Customer Service Legislative Initiative and Proposed Budget Changes.

BY CONSENSUS, the report of the Budgets and Audits Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: This will be reported after return from closed session.

V. CHIEF EXECUTIVE OFFICER REPORT

Mr. Ehnes provided information on the upcoming strategic planning meeting.

VI. UPDATE ON LEGISLATION

STATE: Mr. Derman requested approval of the Customer Service Initiative.

MOTION duly made by Ms. Widener, seconded by Ms. Russell, and carried to approve up to $1.8 million in legislation for the Customer Service Initiative for the 2002/03 fiscal year contingent upon submittal of detailed work plans. Roll Call:

Karen Russell	Yes
George Fenimore	Yes
Jay Schenirer	Yes
Carolyn Widener	Yes
Annette Porini for the Director of Department of Finance	Abstain
John Hiber for the State Treasurer	Yes
Louis Willhoit for the State Controller	No
Gary Lynes	Yes

AB 1975 (Kortez): Defined Benefit Program Benefits for Employee Organization Staff. Staff recommended the Board adopt a support position.

MOTION duly made by Ms. Russell, seconded by Mr. Fenimore, and carried to take no position on Assembly Bill 1975. Ms. Porini and Mr. Hiber abstained.

FEDERAL: Mr. Derman reported that both the Senate and the House Appropriations Committees had approved the fifth installment of Elk Hills. Mr. Derman cautioned the Board that IRS has proposed regulations affecting the schedule of retirement payments and prohibit cost of living adjustments in excess of the increase of the consumer price index. Mr. Derman reported that all pension plans were working with employer organizations to identify for the IRS the serious impact this would have on retirees.

VII. ADOPTION OF INVESTMENT OPTIONS FOR VOLUTARY INVESTMENT PROGRAM

Mr. Ailman and Mr. Derman presented this item.

MOTION duly made by Mr. Fenimore, seconded by Ms. Russell and carried to approve investment options funds in the CalSTRS Voluntary Investment Program and authorized staff to add a stable value fund after identifying an appropriate fund.

Ms. Widener stressed the importance of providing an explanation of the program and program fees to members. Mr. Ehnes added that staff would be providing a demonstration on Financial Engines at a future meeting.

VIII. TRAVEL

Mr. Ehnes presented this item.

MOTION duly made by Mr. Schenirer, seconded by Ms. Widener and carried, to approve the Board travel request as presented. Mr. Willhoit and Mr. Hiber abstained.

MOTION duly made by Mr. Schenirer, seconded by Mr. Fenimore, and carried to approve the staff travel as presented. Mr. Willhoit and Mr. Hiber abstained.

MOTION duly made by Ms. Russell, seconded by Ms. Widener, and carried to approve the travel summary as presented.

IX. DRAFT AGENDA FOR THE OCTOBER REGULAR MEETING

Staff was directed to provide an update on the Customer Service Initiative as a standing item.

X. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC

Ms. Carlson, representing the California Teachers Association, expressed her appreciation to Ed Derman for speaking at CTA's Retirement Committee.

XI. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 2:30 p.m.

Upon return to open session, Ms. Russell, Chairperson of the Benefits and Services Committee, reported that the Committee, in open session, approved the Administrative Law Judge decision to deny Mr. Harold Freyermuth's request to receive the longevity bonus in accordance with Education Code Section 24203.6 while keeping his original retirement date.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

XII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 2:50 p.m.

_____
Jack Ehnes, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

_____
Gary Lynes, Chairperson

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
WEDNESDAY, SEPTEMBER 4, 2002 AND
THURSDAY, SEPTEMBER 5, 2002
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
OJAI VALLEY INN
905 COUNTRY CLUB ROAD
OJAI, CALIFORNIA 93023

BOARD MEMBERS PRESENT
Gary Lynes, Chairperson
George Fenimore
Karen Russell
Jay Schenirer
Carolyn Widener
Annette Porini, representing the Director of Finance, B. Timothy Gage
Kathleen Connell, State Controller
Ted Eliopoulos, representing the State Treasurer, Philip Angelides
Richard Whitmore, representing the Superintendent of Public Instruction, Delaine Eastin

STAFF PRESENT
Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Peggy Plett, DCEO, Administration
Michael Carter, DCEO, Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Bill Hobbs, Acting Director, Project Management Office
Mary Miles, Administrative Assistant

OTHER PRESENT
Nancy Williams, Consultant, Mercer Investment Consulting
Laurel Cochennet, Consultant, Mercer Investment Consulting
Sidney Atkins, Administrative Assistant, Mercer Investment Consulting

A quorum being present, Chairperson Lynes called the meeting to order on Wednesday, September 4 at 9 a.m.

II. **ANNOUNCEMENTS**
The Chair had no announcements.

III. **STRATEGIC PLAN**
Ms. Williams and Ms. Cochennet led discussions on various strategic planning activities.

IV. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were no statements.

V. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 4:15 p.m. on Thursday, September 5.

_____
Jack Ehnes, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

_____
Gary Lynes, Chairperson