



Regular Meeting

Item Number 19b – Open Session

Subject: Approval of Minutes of the May 3, 2023, Regular Meeting – Teachers’ Retirement Board – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: September 14, 2023 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers’ Retirement Board – Regular Meeting

May 3, 2023

OPEN SESSION

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

COMMITTEE MEMBERS PRESENT

Harry Keiley, Chairperson

Sharon Hendricks, Vice Chairperson

Denise Bradford, Vice Chairperson

Michael Gunning

William Prezant

Ken Tang

Jennifer Urdan

Karen Yamamoto

Lynn Paquin, representing the State Controller, Malia M. Cohen

Frank Ruffino, representing the State Treasurer, Fiona Ma

Gayle Miller, representing the Director of Finance, Joe Stephenshaw

Tony Thurmond, Superintendent of Public Instruction

OTHER BOARD MEMBERS PRESENT

Jennifer Whitaker, representing the Director of Finance, Joe Stephenshaw

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

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
Rick Reed, System Actuary
David Lamoureux, System Actuary
Joycelyn Martinez-Wade, Director, Governmental Relations
Kristel Turko, Director, Human Resources
Anthony Suine, Director, Pension Solution Project
Jennifer Yamane, Senior Counsel

OTHER PRESENT

Amy McDuffee, Mosaic Governance Advisors
Nils Blomquist, DPR
Eric Simpson, DPR
Chriss Cabodi, Guidehouse
Nick Collier, Milliman
Scott Preppernau, Milliman
Stephen McCourt, Meketa
Allan Emkin, Meketa

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers’ Retirement Board to order at 10:20 a.m.

I. APPROVAL OF AGENDA (Item 1)

MOTION duly made by Ms. Hendricks, seconded by Ms. Yamamoto, and carried to approve 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		

Superintendent Thurmond	X		
Ms. Paquin for the State Controller	X		

The board watched a short video on educator Sarah Kirby-Gonzalez, an educator in the Folsom-Cordova district.

II. CHIEF EXECUTIVE OFFICER REPORT (Item 2)

The board received an update from Ms. Lichnock on the innovation practices being implemented in the organization. The board received an update on the HQE from Ms. Blatnick, noting the 92.8% completion, estimated completion at the end of July, and leasing updates. The board heard from Mr. Blomquist and Mr. Simpson from DPR regarding the details of the substantial completion and estimated July date.

III. ANNUAL BOARD CHAIR AND VICE-CHAIR ELECTIONS (Item 3)

Chairperson Keiley turned the meeting over to Ms. Lichnock to conduct the annual elections.

NOMINATION duly made by Ms. Hendricks, seconded by Mr. Tang, to elect Mr. Keiley to the position of Chair of the Board.

No other nominations were made.

ELECTION called, members voted to elect Mr. Keiley as Chair of the Board.

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		
Superintendent Thurmond	X		
Ms. Paquin for the State Controller	X		

NOMINATION duly made by Mr. Tang, seconded by Ms. Miller, to elect Ms. Hendricks to the position of Vice-Chair of the Board.

Ms. Hendricks declined the nomination.

NOMINATION duly made by Ms. Hendricks, seconded by Ms. Yamamoto, to elect Ms. Bradford to the position of Vice-Chair of the Board.

No other nominations were made.

ELECTION called, members voted to elect Ms. Bradford as Vice-Chair of the Board.

Members Voting	Aye	Nay	Abstain
Mr. Gunning	X		
Ms. Hendricks	X		
Mr. Keiley	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		
Ms. Paquin for the State Controller	X		

Chairperson Keiley thanked Ms. Hendricks for her service as Vice-Chair and stated he looks forward to working with Ms. Bradford.

IV. ACTUARIAL VALUATIONS (Item 4)

a. Valuation of the Defined Benefit Program and Setting of Contribution Rates

The board received a presentation on the valuation of the Defined Benefit Program and the setting of contribution rates from Mr. Reed, Mr. Lamoureux, Mr. Collier and Mr. Preppernau, noting the estimated tracking to full funding by 2046 and the actuarial recommendation to maintain the current rates. The board heard from Mr. Ailman regarding the concerns about the uncertainty of investment returns and cautionary advice regarding the contribution rates. The board discussed how to address the short-term trends as to the long-term funding concerns, how the decline in enrollment as a result of total payroll increases pressure on investment returns, and how the 2% at 62 members' rates are disproportionate to the rates of pre-PEPRA members. The board discussed the impacts to the school districts and the data reflected in the 2021 year, including the reduction in the number of teachers that was not attributed to retirement, what other states are considering with regards to returning teachers, and potential unintended consequences of those activities.

MOTION duly made by Ms. Hendricks, seconded by Ms. Miller, and carried to adopt the recommendation to maintain the current contribution rates of 6.311%

for the State Supplemental Contribution Rate; 10.850% for the Employer Supplemental Contribution Rate; and 18.394% for the Normal Cost for 2% at 62 members, as found in this item’s proposed resolutions.

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		
Superintendent Thurmond	X		
Ms. Paquin for the State Controller	X		

b. Valuation of the Defined Benefit Supplement Program and Consideration for the Adoption of an Additional Earnings Credit

The board received an overview of the valuations from Mr. Collier and Mr. Preppernau on the Defined Benefit Supplement program and the recommendation, pursuant to the board’s policy, to provide an Additional Earnings Credit. The board discussed how this credit is explained to members in the Defined Benefit Supplement program.

MOTION duly made by Ms. Hendricks, seconded by Ms. Bradford, and carried to adopt the recommendation to declare an Additional Earnings Credit of 5.47% for members of the Defined Benefit Supplement Program, as stated in this item’s proposed resolution.

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		
Superintendent Thurmond	X		
Ms. Paquin for the State Controller	X		

c. Valuation of the Cash Balance Benefit Program and Consideration for the Adoption of an Additional Earnings Credit

The board received an overview of the valuations from Mr. Collier and Mr. Preppernau on the Cash Balance Benefit program and the recommendation, pursuant to the board’s policy, to provide an Additional Earnings Credit. The board discussed how this credit is explained to members in the Cash Balance Benefit program.

MOTION duly made by Ms. Hendricks, seconded by Ms. Bradford, and carried to adopt the recommendation to declare an Additional Earnings Credit of 4.19% for members of the Cash Balance Benefit Program, as stated in this item’s proposed resolution.

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		
Superintendent Thurmond	X		
Ms. Paquin for the State Controller	X		

V. REVIEW OF LUMP SUM DEATH BENEFIT (Item 5)

The board received an overview of the presentation on the Lump Sum Death Benefit from Mr. Reed and Mr. Lamoureux, including the board’s request to see the proposed increase in relation to inflation, and noted that the next year’s review would include a proposal to have funding thresholds on the Lump Sum Death Benefit.

MOTION duly made by Mr. Prezant, seconded by Ms. Miller, and carried to maintain the lump sum death payment of \$6,903 for a Coverage A member, \$27,612 for a Coverage B member, and \$6,903 for the death of an eligible retired member, as stated in the item’s resolution.

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		
Superintendent Thurmond	X		
Ms. Paquin for the State Controller	X		

VI. STATE AND FEDERAL LEGISLATION (Item 6)

The board received an update from Ms. Martinez-Wade on the current state and federal legislation affecting CalSTRS, noting the current status in the Senate Appropriations Committee. The board discussed SB 765, providing an exemption from the CalSTRS annual post-retirement earnings limit and 180-day separation requirement, the potential concerns with the bill as it pertains to CalSTRS, the value CalSTRS may bring to discussing the matter, the timing of this bill, and the logistical issues of calling a board meeting to discuss the bill.

Ms. Baker commented that CalRTA has no official position on the bill, but suggested there are significant political issues to CalSTRS.

RECESS

The board recessed at 12:00 p.m. and resumed at 1:15 p.m.

Mr. Johnson replaced Superintendent Thurmond at the dais for the duration of the meeting.

VII. BENCHMARK REVIEW PROJECT (Item 7)

The board heard from Ms. Turko, Mr. McCourt, and Mr. Emkin regarding the reference portfolio project and proposed options to reflect the percentage of the portfolio, and how those options would have looked over the past 30 years in relation to CalSTRS performance and existing benchmark. The board discussed the pyramid of benchmarks, the delegation points of the benchmarks, and possible ways to reduce tracking error.

VIII. PENSION SOLUTION PROJECT UPDATE (Item 8)

The board received an update on the Pension Solution project from Mr. Jain, Mr. Perez and Mr. Suine, including the recruitment activities, progress on the ISP, and upcoming project tasks. The board also received an update from Mr. Cabodi on the current status of the project from the IPOC perspective. The board discussed the necessity of clearly establishing responsibilities and timelines, particularly with multi-party projects, and the further development of a standard set of metrics to use data points to show the progress of the project.

IX. CONSENT AGENDA – ACTION (Item 9)

a. Committee Reports

- 1. Investment Committee:** The Investment Committee met in Open Session on Thursday, March 2, 2023. The committee heard and considered statements from the public. The committee received the ALM Study Discussion, the Chief Investment Officer Report, as well as semi-annual performance reports from the General Consultant, the Real Estate Consultant, and the Private Equity Consultant.
- 2. Appeals Committee:** There was no Appeals Committee meeting report.
- 3. Audits and Risk Management Committee:** There was no Audits and Risk Management Committee meeting report.
- 4. Benefits and Services Committee:** The Benefits and Services Committee met on Wednesday, May 3, 2023. The committee received a presentation on an overview of the Contact Center. The committee discussed the 2023-24 Committee Work Plan. The committee reviewed the proposed revisions to the Benefits and Services Committee Charter.
- 5. Board Governance Committee:** There was no Board Governance Committee meeting report.

b. Approval of Minutes of the March 1, 2023, Regular Meeting – Open Session

- c. Board Member Education,** as amended to remove the P&I Public Fund Conference and include Mr. Prezant on the PPI Summer Roundtable.

d. Contracts Requiring Board Approval

e. Adoption of Contribution Rates and Interest Rates for Fiscal Year 2023-24

The Consent Agenda was adopted by consent of the members.

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. Paquin for the State Controller	X		
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X. ACTUARIAL VALUATION OF THE MEDICARE PREMIUM PAYMENT PROGRAM (Item 10)

The board received the Actuarial Valuation of the Medicare Premium Payment Program.

XI. ADMINISTRATIVE PROCEDURE CHANGES PURSUANT TO CEO DELEGATION (Item 11)

The board received the Administrative Procedure Changes pursuant to CEO Delegation.

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

There were no items referred by committee for board decision.

XIII. NEW BUSINESS/REVIEW OF INFORMATION REQUESTS (Item 13)

Pursuant to item 2, the board requested a written schedule to substantial completion from DPR.

Pursuant to item 4, the board requested an addition to the board’s 23/24 agenda to address evaluating changes post-pandemic and impacts to CalSTRS.

Pursuant to item 4, the board requested if a period longer than 10 years is available for projected enrollment.

Pursuant to item 5, the board requested the Chairperson and Vice-Chairperson consider the opportunity and logistics of calling a board meeting to discuss SB 765, considering the timing of the legislation.

Pursuant to item 8, the board requested a clear statement on responsibilities, timelines and deliverables, and information on how forward-thinking is being applied to the technology aspect of the project.

XIV. DRAFT AGENDA FOR NEXT MEETING (Item 14)

Chairperson Keiley noted the next meeting would be in North San Diego, at the Hilton Torrey Pines on July 25-27, for stakeholders planning to attend.

XV. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 15)

There were no further statements from the public.

RECESS

The Open Session of the board meeting recessed at 2:11 pm. and the board went into Closed Session. The committee meeting reconvened in Open Session at 2:45 p.m.

XVI. ADJOURNMENT

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 2:45 p.m.

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

Harry Keiley, Chairperson

Prepared by: Jennifer Yamane, Senior Counsel