



Regular Meeting

Item Number 11b – Open Session

Subject: Approval of Minutes of the January 10, 2024, Regular Meeting –
Teachers’ Retirement Board – Open Session – Revised

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: March 7, 2024 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES [REVISED]

Teachers’ Retirement Board – Regular Meeting

JANUARY 10, 2024

OPEN SESSION

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

BOARD MEMBERS PRESENT

Harry Keiley, Chairperson

Denise Bradford, Vice Chairperson

Sharon Hendricks

Michael Gunning

William Prezant

Ken Tang

Jennifer Urdan

Karen Yamamoto

Malia Cohen, State Controller

Frank Ruffino, representing the State Treasurer, Fiona Ma

Tony Thurmond, State Superintendent of Public Instruction

Regular Meeting – Item 11b

March 7, 2024

Page 2

BOARD MEMBERS ABSENT

Joe Stephenshaw, Director of Finance

OTHER BOARD MEMBERS PRESENT

Deborah Gallegos, representing the State Controller, Malia Cohen

Elizabeth Sanders, representing the 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

Scott Chan, Deputy Chief Investment Officer

David Lamoureux, System Actuary

Rick Reed, System Actuary

Jeff Isham, Director, Facilities Management

Joycelyn Martinez-Wade, Director, Governmental Relations

Anthony Suine, Director, Pension Solution

Kristel Turko, Director, Human Resources

April Wilcox, Director, Investment Services

Don Palmieri, Portfolio Manager, Real Estate

Rob Ross, Portfolio Manager, Private Equity

TJ Kochhar, Diversity & Inclusion Specialist

Jennifer Yamane, Assistant General Counsel, Investments

OTHERS PRESENT

Nick Collier, Milliman

Scott Preppernau, Milliman

Kim Turner, Guidehouse

Davita Vance-Cook, Guidehouse

Alexis Garrett, JLL

Chriss Cabodi, Guidehouse

Susie Dixon, CalRTA

Kevin Welch, CTA

Pat Geyer, CalRTA

Ed Foglia, CTA/NEA-R

John Dalrymple

Jennifer Baker, CalRTA

Dana Dillon, CTA/NEA-R

MaryKay Scheid, CTA

Don Stauffer, CTA/NEA-R

Joe Bartell, CTA
Mitch Olson, CTA
Brian Breslin, CTA
Peter Morse, FACCC

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers’ Retirement Board to order at 9:05 a.m.

I. APPROVAL OF AGENDA (Item 1)

The Board Agenda was adopted by consent.

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		
Mr. Ruffino for the State Treasurer	X		
Controller Cohen	X		

RECESS

The Open Session of the board meeting recessed at 9:10 a.m. and the board went into Closed Session. The committee meeting reconvened in Open Session at 10:45 a.m.

Ms. Sanders joined the dais.

Chairperson Keiley reported there were actions taken that will be announced on a later date.

Ms. Bradford made a statement concerning the board security and dais access.

Chairperson Keiley and Controller Cohen introduced Ms. Gallegos.

Chairperson Keiley welcomed Ms. Sanders to the board.

The board watched a recap of the teachers featured in the 2023 board meetings.

II. CHIEF EXECUTIVE OFFICER REPORT (Item 6)

Ms. Lichnock highlighted that CalSTRS Investments was awarded the *Pensions and Investments* Best Places to Work in Money Management for the 9th time and that Mr. Ailman received the CIO Magazine’s Annual Industry Innovation’s Lifetime Achievement Award.

The board received an overview of the strategic planning process, including anticipated actions to be taken during the first part of the engagement process for the FY 2025-28. The board discussed the necessity of forward thinking when considering the emerging and existential risks in the report.

III. FIDUCIARY DUTY (Item 7)

The board received an educational update on relevant fiduciary duty standards and considerations from Mr. Bartow, including the duty of loyalty and exclusive purpose, the “one hat” doctrine, the duty of care and prudent standards especially as it pertains to experts, and the Teachers’ Retirement Law regarding adoption of actuarial information.

IV. REVIEW OF ACTUARIAL ASSUMPTIONS (Item 8)

The board heard from Mr. Reed, Mr. Lamoureux, Mr. Collier, and Mr. Preppernau on the results of the 2024 Experience Analysis and the recommendations to increase the CBB’s net real rate of return to 4.25%, investment rate of return to 7%, and interest to member accounts to 7%, and to decrease payroll growth for the DB, CBB and DBS to 3.25%. The board also received information on the impact of the assumptions to the funded status, the source of the impacted changes, the breakdown of the unfunded actuarial obligation, and the potential changes to contribution rates.

The board discussed the confidence of the ability to withstand negative experiences and potential ability to absorb fluctuation; the CBB rate changes resulting from the decision to invest CBB assets in the same manner as the DB and DBS plans; and the advance notice that would be provided to the board in the event the actuaries anticipate increasing contribution rates.

MOTION duly made by Ms. Urdan, seconded by Mr. Gunning, and carried to adopt the proposed actuarial assumptions and methods recommended by Milliman in the 2024 Experience Analysis report and begin using the proposed actuarial assumptions for member calculations for all retirements effective on or after September 1, 2024.

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		
Mr. Ruffino for the State Treasurer	X		
Ms. Sanders for the Superintendent of Public Instruction	X		
Controller Cohen	X		

RECESS

The board recessed at 11:48 a.m., for the public hearing on proposed regulations. The board resumed the meeting at 11:55 a.m.

V. 2024-25 BOARD MEETING CALENDAR (Item 9)

The board heard from Ms. Lichnock concerning the proposed calendar. The board confirmed the dates of the July offsite meeting.

MOTION duly made by Mr. Tang, seconded by Mr. Prezant, and carried to adopt the board meeting calendar for the upcoming 2024-25 fiscal year.

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		
Mr. Ruffino for the State Treasurer	X		
Ms. Sanders for the Superintendent of Public Instruction	X		
Controller Cohen	X		

VI. HQE UPDATE & EXTENSION OF CEO DELEGATION (Item 10)

The board received an update from Ms. Blatnick on the HQE construction, with an expected completion date of January 31, 2024. The board discussed the confidence in this anticipated date.

MOTION duly made by Ms. Hendricks, seconded by Mr. Prezant, and carried to extend the board delegation to staff to revise the HQE budget, not to exceed \$1 million, upon CEO approval, to complete the HQE Project for any further unanticipated expenditures above the HQE Project budget, which would otherwise delay construction completion if not approved prior to the next board meeting in March 2024.

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		
Mr. Ruffino for the State Treasurer	X		
Ms. Sanders for the Superintendent of Public Instruction	X		
Controller Cohen	X		

RECESS

The board recessed at 12:05 p.m. and reconvened at 1:20 p.m.

Superintendent Thurmond replaced Ms. Sanders at the dais for the duration of the meeting.

VII. DIVERSITY, EQUITY AND INCLUSION (DEI) ORGANIZATIONAL ASSESSMENT UPDATE (Item 11)

The board heard from Ms. Turko, Mr. Kochhar, Ms. Vance-Cook and Ms. Turner concerning CalSTRS DEI Organizational Assessment performed by Guidehouse. The presentation addressed phase 1 of 3, of the assessment, which resulted in five recommendations. Ms. Vance-Cook commented on the three key observations, and highlighted that this is a benchmark driven report, and that the results/observations are evidence based and data driven. The board received further insight into the report, noting that the recommendations would addresses structural and behavioral culture, with a strong emphasis on accountability and ownership. Ms. Vance-Cook highlighted that CalSTRS employees were above the national average when asked about whether leadership demonstrates the importance of DEI, whether diversity is accepted and whether individuals are valued for their differences. The board also received highlights of the steps for phase 2.

The board discussed possible areas of improvement: including more access to data to measure progress, pay equity specific to CalSTRS, and learning/development where there can be a more consistent application of DEI training and tracking the behavioral changes that may result; as well as the potential costs for exclusion and whether that could be measured. The board discussed the concern of whom to invest with in order to help CalSTRS grow and incorporating more DEI into the governance structure while also doing the same for the investment strategy. The board finally discussed how DEI is reflected in CalSTRS investments, whether metrics could be provided to show this information, a comparison of CalSTRS to its peers and specifically performance to peers with larger DEI statistics, and the issues staff faces concerning implementing DEI.

VIII. LEASING STRATEGY FOR 100 WATERFRONT PLACE (Item 12)

The board received an update from Ms. Norcia, Mr. Isham, Mr. Palmieri, and Ms. Garrett on the ongoing leasing efforts, including JLL’s breakdowns for potential leasing and the costs associated. The board discussed the analysis on the timing for additional space, issues with the market, possible solutions from partners, and the concern that all mitigating risks are being considered.

RECESS

The board recessed at 2:55 p.m. and resumed at 3:13 p.m.

Ms. Gallegos replaced Controller Cohen for the duration of the meeting.

IX. PENSION SOLUTION PROJECT UPDATE (Item 13)

The board heard from Mr. Jain, Mr. Perez, and Mr. Suine on the Pension Solution Project Update, including (1) the Pension Solution resource updates, (2) work by the Employer Readiness team, (3) new responsibility matrices for testing services, business transition services, data services, and training services, (4) an updated project matrix on the system integration test progress, (5) budget data to date, and (6) the IV&V contract under item 16(d), which was awarded to Maximus after a competitive process. The board heard from Mr. Cabodi, who agreed with the statements and progress noted by Mr. Suine, and also noted the potential need for more specific treatment of certain defects.

X. STATE AND FEDERAL LEGISLATION (Item 14)

The board received updates from Ms. Martinez-Wade on ongoing state legislation.

Public Comments

Ms. Dixon and Mr. Foglia updated the board on HR 82, concerning the repeal of the WEP/GPO.

Ms. Scheid and Mr. Welch noted that CTA would be sponsoring upcoming legislation that would address maternity leave.

XI. CALSTRS INVESTMENT SATELLITE OFFICE (Item 15)

The board heard from Mr. Chan, Ms. Wilcox, Mr. Palmieri, and Mr. Ross concerning the plans to establish a San Francisco satellite office managed by the Investment branch to advance the Collaborative Model. The board discussed the value of a San Francisco office, the details of first-class office space in downtown San Francisco, and the potential plans being considered. The board discussed the ability to retain talent, increase relationships, but continue and protect the culture and organization of CalSTRS, with the

plans for continued unity of CalSTRS and ongoing efforts to maintain contact and collegiality between all investment asset classes. The board discussed the plans to continue communication with the board and provide metrics that would show how the satellite office would provide additional value.

XII. CONSENT AGENDA – ACTION (Item 16)

a. Committee Reports

- 1. Investment Committee:** There was no committee meeting.
- 2. Appeals Committee:** The Appeals Committee met in open session on Thursday, November 2, 2023. The committee received a presentation *In the Matter of the Retirement Benefits of: Patricia McLain*, the committee deliberated on her appeal and adopted the proposed decision with technical or minor changes. The committee received a report and update from Ms. Minoya. The committee announced its decision, *In the Matter of the Appeal Regarding the Final Compensation Calculation of: Dorothy Cole*. The committee after hearing the matter announced its adoption of the proposed decision with technical or minor changes.
- 3. Audits and Risk Management Committee:** There was no committee meeting.
- 4. Benefits and Services Committee:** There was no committee meeting.
- 5. Board Governance Committee:** There was no committee meeting.

b. Approval of Minutes of the November 2, 2023, Regular Meeting – Open Session

c. Board Member Education - Revised

d. Contracts Requiring Board Approval

The Consent Agenda was approved by consent.

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. Gallegos, for the State Controller	X		
Mr. Ruffino for the State Treasurer	X		
Superintendent Thurmond	X		

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

There were no items referred by committee for board decision.

XIV. NEW BUSINESS/REVIEW OF INFORMATION REQUESTS (Item 18)

Pursuant to item 14, the board requested the Chair and Vice-Chair be kept up to date on the legislation concerning maternity leave.

Pursuant to item 15, the board requested a follow up report on the metrics to support the San Francisco satellite office.

XV. DRAFT AGENDA FOR NEXT MEETING (Item 19)

There were no changes to the draft agenda for the next meeting.

XVI. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 20)

Mr. Dalrymple made a comment concerning Resmark and project labor agreements.

Ms. Dixon recognized Ms. Geyer’s dedication to the retired teachers and presented her with a CalSTRS Resolution to thank her for the years of service. Ms. Geyer thanked everyone and stated it was a pleasure to report the ongoings to teachers.

XVII. ADJOURNMENT

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 4:20 p.m.

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

Harry Keiley, Chairperson

Prepared by: Jennifer Yamane, Assistant General Counsel, Investments