

CEO Report: New chief auditor introduced; Headquarters wins award



Cheryl Cervantes-Dietz

In her [CEO Report](#), Chief Executive Officer Cassandra Lichnock introduced new Chief Auditor Cheryl Cervantes-Dietz.

Cervantes-Dietz replaces Larry Jensen, who became CalSTRS' chief auditor in 2014 and is retiring this month. In her new role, Cervantes-Dietz directs internal audits of CalSTRS' operations and external risk assessments, and the audits of about 1,800 employers. Cervantes-Dietz reports to the board's Audits and Risk Management Committee and CalSTRS' chief operating officer.

CEO Lichnock also announced the CalSTRS Headquarters building won the JLL Energy Star Property of the Year Award for a second time. JLL is CalSTRS' property manager for the headquarters building, and HOK was the architect.

[Energy Star](#) is an annual certification for buildings nationwide that conserve energy, save money and help protect the environment by generating fewer greenhouse gas emissions than typical buildings. To become Energy Star-certified, a building must meet strict energy performance standards set by the EPA.

The award is given to the JLL building that achieves the highest certified Energy Star score. This year, CalSTRS Headquarters received the highest score possible (100 out of 100) and has averaged a score of 99 over the past six years.



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Scott McDonald
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Michael Gunning

Gunning appointed to Teachers' Retirement Board

In April 2022, Governor Gavin Newsom appointed Michael Gunning as one of three public representatives to the Teachers' Retirement Board. The July meeting was Gunning's first as a board member.

A policy expert on housing finance, insurance and community development policy, Gunning brings to the board extensive experience in both the public and private sectors. He is senior vice president of legislative affairs with the California Building Industry Association. Among his prior positions, Gunning

served on the California Housing Finance Agency Board of Directors; as vice president at the Personal Insurance Federation of California; as managing director at Nehemiah Community Reinvestment; as a senior policy consultant for the State Assembly; and as assistant vice president at George K. Baum and Company.

Gunning, who serves on the board's Investment Committee, earned a master's degree in public policy analysis from Claremont Graduate University. His appointment is subject to Senate confirmation.

July TRB meeting online



See the July board meeting and an archive of previous meetings on [CalSTRS.com](https://www.calstrs.com).

Board members

Harry M. Keiley
Chair, K-12 Classroom Teacher

Sharon Hendricks
Vice Chair, Community College Instructor

Keely Bosler
Ex Officio Member, Director of Finance

Denise Bradford
K-12 Classroom Teacher

Michael Gunning
Public Representative

Fiona Ma
Ex Officio Member, State Treasurer

William Prezant
Public Representative

Ken Tang
School Board Representative

Tony Thurmond
Ex Officio Member, State Superintendent
of Public Instruction

Jennifer Urdan
Public Representative

Karen Yamamoto
Retiree Representative

Betty Yee
Ex Officio Member, State Controller

CalSTRS shifts asset targets as part of multiyear plan

[The board approved the following steps](#) of the long-term asset allocation plan for the CalSTRS Investment Portfolio, effective July 1, 2022:

- Increasing the Real Estate target by 1% (from 14% to 15%).
- Increasing the Inflation Sensitive target by 1% (from 4% to 5%).
- Decreasing the Public Equity target by 2% (from 45% to 43%).

Asset allocation targets refer to the percentage of the total portfolio a given asset class, such as Private Equity, accounts for. Real Estate has met its long-term target, while CalSTRS expects Inflation Sensitive (6%) and Public Equity (42%) to meet theirs by December 2022.

CalSTRS has learned from experience that setting a rigid timeline for adjusting asset targets is inefficient, as investment opportunities ebb and flow and do not follow a calendar time frame. Therefore, the implementation plan is expressed in steps toward the long-term target.

CalSTRS' long-term asset allocation targets—each of which have a range to control risk and ensure proper allocation of the portfolio—are set once every four years as part of an asset-management study. Recommendations following the study must be reviewed and approved by the board, and the next study will be in early 2023.

CalSTRS is reviewing asset class and economic assumptions this year in preparation for next year's study.

Business plan features three key goals for 2022–23

Chief Operating Officer Lisa Blatnick presented the [Annual Business Plan](#), detailing how CalSTRS will allocate its time and resources to accomplish the board's goals in fiscal year 2022–23.

The three key goals, with objectives, are:

- **Trusted stewards: Ensuring a well-governed, financially sound trust fund.** Objectives: Focusing on board initiatives involving the [CalSTRS Funding Plan](#) and governance; moving forward on [CalSTRS' net zero pledge](#); proceeding with the [CalSTRS Collaborative Model](#) investment strategy, including seeking advanced analytics; ensuring strong partnerships with stakeholders; and maturing risk management and compliance programs.
- **Leading innovation and managing change: Innovating to grow resiliency and efficiency in service of our members.** Objectives: Advancing several initiatives within the project to replace CalSTRS' legacy pension administration system; investing resources toward innovation; building on the cost-

conscious culture at CalSTRS; and strengthening customer-service initiatives, including leveraging tools to enhance CalSTRS members' customer service experiences.

- **Sustainable organization: Fully integrating an environmental, social and governance ethos in all CalSTRS does.** Objectives: Continuing to recruit and retain top talent; implementing ESG principles throughout CalSTRS; completing the Headquarters Expansion Project; improving business resiliency; and incorporating diversity, equity and inclusion best practices across the organization.

The board also approved its work plans for 2022–23, including a new meeting agenda item for May 2023: Exploring Innovation and Strategy at CalSTRS. The Investment Committee's work plan is highlighted by three overarching projects: The 2023 asset management study, CalSTRS' net zero pledge and the second phase of the Collaborative Model investment strategy. CalSTRS will present a year-one update on progress and planning for net zero at the September 2022 meeting.

Next board meeting dates:
August 31–September 1, 2022 (West Sacramento)

For written board meeting items and video archives of past meetings, go to [CalSTRS.com/teachers-retirement-board](https://www.calstrs.com/teachers-retirement-board).

Written by Thomas Lawrence and Barbara Zumwalt

