



Board Governance Committee

Item Number 2 – Open Session

Subject: Approval of Minutes of the November 6, 2020, Board Governance Committee Meeting – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: January 28, 2021 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board – Board Governance Committee Meeting

November 6, 2020

OPEN SESSION

LOCATION: Web Conference

COMMITTEE MEMBERS PRESENT

Sharon Hendricks, Chairperson

Betty Yee, State Controller, Vice Chairperson

Karen Yamamoto

William Prezant

Denise Bradford

Gayle Miller, representing the Director of Finance, Keely Bosler

Matthew Saha, representing the State Treasurer, Fiona Ma

Keith Yamanaka, representing the State Superintendent of Public Instruction, Tony Thurmond

COMMITTEE MEMBERS ABSENT

None

OTHER BOARD MEMBERS PRESENT

Harry Keiley

Jennifer Urdan

Joy Higa

Jennifer Whitaker, representing the Director of Finance, Keely Bosler
Lynn Paquin, representing the State Controller, Betty Yee

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Brian J. Bartow, General Counsel
Lisa Blatnick, Chief of Administrative Services
Ashish Jain, Chief Technology Officer
Cassandra Lichnock, Chief Operating Officer
Bill Perez, Chief Benefits Officer
Rick Reed, System Actuary
Jill Lukins, Assistant General Counsel
Kati Franck, Senior Counsel

OTHERS PRESENT

Amy McDuffee, Mosaic Governance (Consultant to the Board Governance Committee)
Ed Klees, Hirschler Fleischer

A quorum being present, Chairperson Hendricks called the Open Session meeting of the Board Governance Committee to order at 10:25 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

MOTION duly made by Ms. Bradford, seconded by Controller Yee, and carried to approve the Committee Agenda.

Members Voting	Aye	Nay	Abstain
Ms. Yamamoto	X		
Mr. Prezant	X		
Ms. Bradford	X		
Controller Yee	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Mr. Saha, for the State Treasurer	X		
Ms. Miller, for the Director of Finance	X		
Chairperson Hendricks	X		

II. APPROVAL OF MINUTES FOR THE JANUARY 30, 2020, BOARD GOVERNANCE COMMITTEE MEETING – OPEN SESSION (Item 2)

MOTION duly made by Ms. Bradford, seconded by Ms. Yamamoto, and carried to approve the minutes for the January 30, 2020 Board Governance Committee Meeting – Open Session.

Members Voting	Aye	Nay	Abstain
Ms. Yamamoto	X		
Mr. Prezant	X		
Ms. Bradford	X		
Controller Yee	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Mr. Saha, for the State Treasurer	X		
Ms. Miller, for the Director of Finance	X		
Chairperson Hendricks	X		

III. TEACHERS’ RETIREMENT BOARD POLICY MANUAL REVISIONS – EDUCATION POLICY – 2nd READING (Item 3)

The committee received a brief presentation from Ms. McDuffee describing the history of the board’s education policy. Ms. McDuffee discussed the board’s transition into the new onboarding program and the need to revise the education policy to align it with the new program. The committee discussed revising the policy to add clarification regarding the CEO’s responsibilities relating to reporting requirements and education opportunities.

The committee expressed appreciation to CalSTRS staff for tracking the board’s educational requirements.

MOTION duly made by Mr. Prezant, seconded by Ms. Yamamoto, and carried to recommend adoption of the revisions to the Education Policy as specified on BGOV 11 through BGOV 16.

Members Voting	Aye	Nay	Abstain
Ms. Yamamoto	X		
Mr. Prezant	X		
Ms. Bradford	X		
Controller Yee	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Mr. Saha, for the State Treasurer	X		
Ms. Miller, for the Director of Finance	X		
Chairperson Hendricks	X		

IV. TEACHERS’ RETIREMENT BOARD POLICY MANUAL REVISIONS – POLICY PROHIBITING INSIDER TRADING (Item 4)

The committee received an overview of the Policy Prohibiting Insider Trading from Mr. Bartow and a presentation regarding proposed revisions to the policy from Mr. Klees. Mr. Klees discussed the current policy and explained the proposed policy revisions, including more clearly defined terms for insider trading, alignment with current SEC guidance and

case law, adding case law on front running, and providing for annual compliance measures, among other changes.

The committee engaged in a discussion regarding updating the policy to align with current SEC guidelines. The committee discussed the difference between the board’s policy and the policy that will be implemented by CalSTRS management and staff. The committee sought and received confirmation that the staff policy would apply to all staff within the organization. Finally, the committee engaged in a discussion regarding the applicability of the board’s policy to third party contractors.

MOTION duly made by Mr. Prezant, seconded by Controller Yee, and carried to recommend adoption of the revisions to the Policy Prohibiting Insider Trading, as specified on BGOV 20 – BGOV 26.

Members Voting	Aye	Nay	Abstain
Ms. Yamamoto	X		
Mr. Prezant	X		
Ms. Bradford	X		
Controller Yee	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Mr. Saha, for the State Treasurer	X		
Ms. Miller, for the Director of Finance	X		
Chairperson Hendricks	X		

V. TEACHERS’ RETIREMENT BOARD POLICY MANUAL REVISIONS – BOARD CHAIR POLICY §500(C) – DISCUSSION (Item 5)

The committee received a PowerPoint presentation from Ms. McDuffee regarding the current Board Chair Policy. Ms. McDuffee explained the four different predominant stages in the lifecycle of a board and the corresponding evolution of the board chair’s role. During her review, Ms. McDuffee examined CalSTRS peers and determined they were all in different stages of the board lifecycle. Ms. McDuffee also noted that CalSTRS does not have a standalone policy for the vice chair.

The committee was presented with a list of questions to facilitate discussion and receive feedback regarding the Board Chair Policy. The committee requested review of the questions next year for a further conversation to ensure the board continues operating at its highest level.

The committee discussed the continued relevance of the Board Chair Policy, despite being unchanged since 2005. The committee determined that adding prescriptive terms to the policy and adding a vice chair policy are not necessary at this time. The committee

expressed satisfaction with the current nurturing, inclusive, and collaborative culture of the board.

VI. TEACHERS’ RETIREMENT BOARD POLICY MANUAL REVISIONS – CEO and CIO EVALUATION POLICY (Item 6)

The committee received a presentation from Ms. McDuffee regarding a new CEO and CIO Evaluation Policy. Ms. McDuffee discussed the current evaluation process regarding incentive compensation and noted an unintentional policy gap regarding the non-compensation related aspects of the board’s routine evaluation practices. The new policy reflects how the board can stay aligned with the CEO and CIO, which was recently reviewed at the board’s offsite meeting.

The committee engaged in discussions regarding the proposed policy and codifying the current practice of conducting a mid-year performance assessment. Finally, the committee discussed issues relating to the upcoming transition to a new CEO.

MOTION duly made by Controller Yee, seconded by Mr. Prezant, and carried to recommend the adoption of the proposed CEO and CIO Evaluation Policy, as identified on BGOV 31 through BGOV 32.

Members Voting	Aye	Nay	Abstain
Ms. Yamamoto	X		
Mr. Prezant	X		
Ms. Bradford	X		
Ms. Yee, State Controller	X		
Mr. Yamanaka, for the Superintendent of Public Instruction	X		
Mr. Saha, for the State Treasurer	X		
Ms. Miller, for the Director of Finance	X		
Chairperson Hendricks	X		

VII. REVIEW INFORMATION REQUESTS (Item 7)

The committee requested Ms. McDuffee work with staff to review how peer boards are conducting their meetings during the pandemic and if there are hybrid options. The committee requested information regarding potential options for meeting in person, while keeping everyone safe, along with continuing to comply with the Bagley-Keene Act.

The committee also stated they would like to have a discussion regarding whether a taskforce or sub-group could be formed to discuss if any new committees should be added in the future, such as a corporate governance committee.

The committee finally requested a further discussion regarding holding a second offsite meeting in 2021 due to CalSTRS onboarding a new CEO.

VIII. DRAFT AGENDA FOR NEXT COMMITTEE MEETING (Item 8)

The committee will work with Ms. McDuffee and staff to supplement the January agenda.

IX. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC

There were no statements from the public.

X. ADJOURNMENT

There being no further business to conduct, Chairperson Hendricks adjourned the Board Governance Committee meeting at 11:45 a.m.

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

Sharon Hendricks, Chairperson

Prepared by: Kati Franck, Senior Counsel