



## Regular Meeting

### Item Number 9b – Open Session

**Subject:** Approval of Minutes of the March 1, 2023, Regular Meeting – Teachers’ Retirement Board – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** May 3, 2023 – 0 minutes

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**Attachment(s):** None

**PowerPoint(s):** None

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#### PROPOSED MINUTES

#### Teachers’ Retirement Board – Regular Meeting

March 1, 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

Michael Gunning

William Prezant

Ken Tang

Jennifer Urdan

Karen Yamamoto

Malia M. Cohen, State Controller

Frank Ruffino, representing the State Treasurer, Fiona Ma

Jennifer Whitaker, representing the Director of Finance, Joe Stephenshaw

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

#### OTHER BOARD MEMBERS PRESENT

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

**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  
LaShae Badelita, Investments Diversity Officer  
TJ Kochhar, Diversity & Inclusion Specialist  
Kristel Turko, Director of Human Resources  
Joycelyn Martinez-Wade, Director, Governmental Relations  
Kirsty Jenkinson, Director, Sustainable Investments and Stewardship Strategies  
Phil Burkholder, Assistant Director, Enterprise Risk Management  
Jennifer Yamane, Senior Counsel

**OTHER PRESENT**

Amy McDuffee, Mosaic Governance Advisors, LLC  
Chris Cabodi, Guidehouse  
Alexis Garret, JLL  
Greg Levi, JLL  
Dana Dillon, CTA/NEA-R  
MaryKay Scheid, CTA  
Kevin Welch, CTA  
Park Guthrie  
Mary Anne Fenstermaker  
Lynne Nittler  
Miriam Eide, Fossil Free California  
Jane Vosburg  
Bill Vosburg  
Janet Cox, Climate Action California  
Ron Edwards

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers’ Retirement Board to order at 12:28 p.m.

**I. APPROVAL OF AGENDA (Item 1)**

**MOTION** duly made by Ms. Hendricks, seconded by Mr. Tang, and carried to approve the Board Agenda with flexibility.

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. Paquin for the State Controller	X		
Mr. Ruffino for the State Treasurer	X		
Ms. Whitaker for the Director of Finance	X		
Mr. Johnson for the Superintendent of Public Instruction	X		

The board watched a short video on Jessica Pagan, a first-grade teacher at Bridgeway Island Elementary School in West Sacramento.

Chairperson Keiley noted a kind and thoughtful letter from Ms. Ruth Moorehouse responding to her 100<sup>th</sup> birthday card.

Controller Cohen replaced Ms. Paquin at the dais at 12:30 p.m.

### **RECESS**

The Open Session of the board meeting recessed at 12:35 p.m. and the board went into Closed Session. The committee meeting reconvened in Open Session at 1:10 p.m.

There was nothing to report from Closed Session.

## **II. CHIEF EXECUTIVE OFFICER REPORT (Item 2)**

The board heard from Ms. Lichnock concerning the 2021-22 Sustainability Report and the Eddy Award for the Pension2 webinar services. The board heard from Ms. Blatnick regarding the HQE project, and from Ms. Garrett and Mr. Levi from JLL concerning ongoing leasing activities and the leasing market in Sacramento/West Sacramento. The board discussed the state of California and returning to work trends.

### **Public Comment**

Mr. Welch thanked CalSTRS for the retirement readiness work.

## **III. UPDATE ON INCORPORATING DIVERSITY, EQUITY, AND INCLUSION PRACTICES ACROSS THE ENTERPRISE (Item 3)**

The board heard from Ms. Blatnick, Mr. Chan, Ms. Badelita, Mr. Kochhar, and Ms. Turko regarding CalSTRS ongoing DEI activities and projects, including the enterprise efforts on videos, outreach, training procurements, and competencies in all programs, as well as Investment's efforts on the collaborative model, Net-Zero pledge, and work with outside managers, including manager surveys. The board discussed standards for measuring DEI

competency, how external partners are influenced by CalSTRS, and possible board trainings on DEI. The board discussed the varying degrees of active participation with other organizations committed to DEI, and how CalSTRS has made material and meaningful steps to incorporating DEI. The board requested additional information on DEI budget. Due to the timing of the board schedule, the board moved to Item 6.

#### **IV. STATE AND FEDERAL LEGISLATION (Item 6)**

The board heard from Ms. Martinez-Wade on SB 252, concerning divestment of fossil fuel companies, including the recommendation to oppose the bill, consistent with the board's policy. The board discussed the climate risk in the portfolio, and the actions taken to monitor and address those risks. Mr. Ruffino noted the Treasurer's support for the bill which includes language addressing the board's fiduciary duty.

##### Public Comment

Mr. Guthrie commented that the board should defer the vote until the bill analysis has more complete information.

Ms. Nittler commented that the board lost its moral compass and should divest on moral grounds.

Ms. Fenstermaker made a comment to divest from fossil fuels.

Ms. Scheid noted that CTA will take a position on the bill at the end of the month, and currently has no position.

Ms. Eide made a comment to support SB 252.

Ms. Vosburg commented the analysis was flawed and the board is not going to divest, it should defer its decision.

Ms. Dillon explained the process for CTA decisions on legislation, including multiple reviews by 800 educated people.

Mr. Vosburg commented that the analysis of SB 252 is contrary to other reports and needs clarification on costs.

Mr. Welch commented that CTA has no position on SB 252 and will meet later in the month to go through the process of taking a position on the legislation.

Mr. Edwards commented that the board should support staff's recommendation.

After public comment the board considered the item.

**MOTION** duly made by Ms. Hendricks, seconded by Mr. Tang, and carried to take an oppose position on SB 252.

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		
Controller Cohen			X
Mr. Ruffino for the State Treasurer		X	
Ms. Whitaker for the Director of Finance			X
Mr. Johnson for the Superintendent of Public Instruction		X	
Chairperson Keiley	X		

Ms. Martinez-Wade provided highlights of SB 261, concerning an annual report on climate-related financial risks, and noted a recommendation to support this bill in accordance with the board’s policy. The board discussed how this bill differs from SB 253, which concerns disclosure of scope 1, 2, and 3 emissions, as well as the standards the SEC is considering. The board heard from Ms. Jenkinson on the global baseline standards, expectations in the future concerning mandatory disclosure, and the ISSB coordination between countries.

Public Comment

Ms. Eide commented on the importance of reporting on climate risk and thanked the board for taking this step forward.

Ms. Cox commented that there needs to be required reporting.

After public comment the board considered the item.

**MOTION** duly made by Ms. Hendricks, seconded by Ms. Bradford, and carried to take a support position on SB 261.

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		

Controller Cohen	X		
Mr. Ruffino for the State Treasurer	X		
Ms. Whitaker for the Director of Finance			X
Mr. Johnson for the Superintendent of Public Instruction	X		
Chairperson Keiley	X		

**V. REVIEW BOARD PRIORITIES FOR FY 23-24 (Item 4)**

The board received an overview of this item from Ms. McDuffee, noting this is an annual touchpoint to allow visibility and awareness of the board’s priorities.

Ms. Paquin replaced Controller Cohen at the dais at 3:15 p.m.

**VI. ENTERPRISE RISK MANAGEMENT REPORT (Item 5)**

The board received the Enterprise Risk Management Report from Mr. Burkholder. The board discussed the risk of available cyber insurance, why artificial intelligence is an existential threat, and the risk of the decline in the teacher workforce.

**VII. INITIATE RULEMAKING PROCESS FOR CALSTRS 2% AT 62 COMPENSATION PAID EACH PAY PERIOD (Item 7)**

The board received the highlights of this item from Ms. Martinez-Wade.

Public Comment

Mr. Welch recommended the board hold the public hearing.

The board discussed holding the hearing, and the timing of the hearing in relation to the rulemaking process. Ms. Martinez-Wade noted the board conducting the hearing would not impact the timing of the rulemaking process.

**MOTION** duly made by Ms. Hendricks, seconded by Ms. Bradford, and carried to approve the initiation of the formal rulemaking process to clarify that compensation be paid “each pay period the creditable services is performed” in order to be creditable for CalSTRS 2% at 62 members of the DB Program and participants subject to PEPR in the CB Program.

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. Paquin for the State Controller	X		
Mr. Ruffino for the State Treasurer	X		
Ms. Whitaker for the Director of Finance			X
Mr. Johnson for the Superintendent of Public Instruction	X		

**RECESS**

The board recessed at 3:28 p.m. and resumed at 3:40 p.m.

**VIII. PENSION SOLUTION PROJECT UPDATE (Item 8)**

The board received an update on the Pension Solution Project from Mr. Jain and Mr. Perez, including the progress on the interim services, the project health assessment, key takeaways, activities underway, and next steps. Mr. Jain also introduced Mr. Anthony Suine, who would start as Project Director on March 2, 2023. The board received the IPOC report from Mr. Cabodi. The board discussed defect resolution and scope of enhancements, and the request for the increase in budget. The board requested an estimate of completion in relation to the requested budget increase.

**MOTION** duly made by Mr. Gunning, seconded by Mr. Prezant, and carried to approve the interim budget augmentation by \$87.2 million as part of the state’s 2023-24 May Revise budget process.

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. Paquin for the State Controller	X		
Mr. Ruffino for the State Treasurer	X		
Ms. Whitaker for the Director of Finance			X
Mr. Johnson for the Superintendent of Public Instruction	X		

**IX. CONSENT AGENDA – ACTION (Item 9)**

**a. Committee Reports**

- 1. Investment Committee:** The Investment Committee met in Open Session on Thursday, January 26, 2023, and adopted the 2023 ALM – Capital Market Assumptions and the Investment Policy Management Plan – Asset Allocation Step Change. The committee also received the Chief Investment Officer’s Report, information on Operationalizing the Pillars Project and a preliminary reading of the Investment Policy Statement (IPMP Modernization Project). The committee also approved by consent the selection of RFA/RCLCO as the

real estate consultant to assist the committee in the oversight of the real estate asset class. Following modification of the consent agenda, the committee considered and approved the SISS – 2023 Stewardship Priorities, 2022 Highlights Report.

2. **Appeals Committee:** The Appeals Committee met on Wednesday, January 25, 2023. The committee considered and adopted the proposed decision for *In the Matter of the Retirement Benefits of: Betty Forrester*, with technical changes. The committee also received the Staff report.
3. **Audits and Risk Management Committee:** The Audits and Risk Management Committee met on Wednesday, March 1, 2023. The committee received the 2022 Management Letter Progress Report and the Financial Statement Audit Client Service Plan for Fiscal Year 2022-23. The committee discussed the 2022 Enterprise Compliance Services Plan Final Progress Report, 2023 Compliance Plan Progress Report, and 2022 Audit Services Audit Plan Final Progress Report. The committee also received an educational presentation on Enterprise Risk Management and Compliance Services Framework and Maturity recommendations.
4. **Benefits and Services Committee:** There was no Benefits and Services Committee Report.
5. **Board Governance Committee:** The Board Governance Committee met on Wednesday, March 1, 2023. The committee received a presentation on potential revisions to the Consultant Evaluation Policy in the Board Governance Manual. The committee discussed and accepted the proposed revisions. The committee also received an informational presentation on the potential creation of new policies related to Board Committees and Leadership.

**MOTION:** The Board Governance Committee, moves to adopt the revisions to the Consultant Evaluation Policy in the Board Governance Manual, section 2K.

**b. Approval of Minutes of the January 25, 2023, Regular Meeting – Open Session**

**c. Board Member Education**

**d. Contracts Requiring Board Approval**

The Consent 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		
Ms. Paquin for the State Controller	X		
Mr. Ruffino for the State Treasurer	X		
Ms. Whitaker for the Director of Finance	X		
Mr. Johnson for the Superintendent of Public Instruction	X		

**X. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 10)**

There were no items referred by committee for board decision.

**XI. NEW BUSINESS/REVIEW OF INFORMATION REQUESTS (Item 11)**

Pursuant to item 3, Chairperson Keiley noted that he and Ms. Hendricks would review and provide direction concerning the follow up on responsibility, oversight, and budgeting for a material and meaningful DEI process and the possibility of a board DEI program.

Also pursuant to item 3, the board requested the following:

- (1) How much investment capital is allocated to minority women developers?
- (2) What is the proportion of real estate held with management of color?

Pursuant to item 6, the board requested responses to the following questions:

- (1) Where is our greatest climate risk exposure?
- (2) What is the financial impact of that risk exposure (positive or negative)?
- (3) How can we as a fund be more aggressive at mitigating or managing those risks?
- (4) On the opportunity side, are we doing all we can to invest in ways that generate returns first but also spur a just transition to a greening economy?

Pursuant to item 6, the board requested a more detailed analysis of climate risk in the portfolio.

Pursuant to item 8, the board requested an estimate of budget in relation to completion of deliverables and the estimated confidence of this analysis.

**XII. DRAFT AGENDA FOR NEXT MEETING (Item 12)**

Ms. Lichnock noted the actuarial evaluations would take most of the next meeting, and the item of a satellite office for investments would be removed from the agenda.

**XIII. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**  
**(Item 13)**

There were no further statements from the public.

**RECESS**

The Open Session of the board meeting recessed at 4:05 p.m. and the board went into Closed Session. The committee meeting reconvened in Open Session at 4:40 p.m.

**XIV. ADJOURNMENT**

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 4:40 p.m.

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

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Harry Keiley, Chairperson

Prepared by: Jennifer Yamane, Senior Counsel