



Regular Meeting

Item Number 15d – Open Session

Subject: Approval of Minutes of the September 2, 2021 Regular Meeting –
Teachers’ Retirement Board – Open Session – Revised

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: November 5, 2021 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers’ Retirement Board – Regular Meeting

SEPTEMBER 2, 2021

OPEN SESSION

LOCATION: Web Conference

BOARD MEMBERS PRESENT

Harry Keiley, Chairperson

Sharon Hendricks, Vice Chairperson

Denise Bradford

Joy Higa

William Prezant

Jennifer Urdan

Karen Yamamoto

Gayle Miller, representing the Director of Finance, Keely Bosler

Frank Ruffino, representing the State Treasurer, Fiona Ma

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

Betty Yee, State Controller

OTHER BOARD MEMBERS PRESENT

Jennifer Whitaker, representing the Director of Finance, Keely Bosler

Lynn Paquin, representing the State Controller, Betty Yee

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
Bill Perez, Chief Benefits Officer
Teresa Schilling, Chief Public Affairs Officer
Julie Underwood, Chief Financial Officer
Prashant Mittal, Director, Pension Solution
Melissa Norcia, Director, Human Resources
Philip Burkholder, Director, Enterprise Risk Management & Quality Assurance
Jennifer Yamane, Senior Counsel

OTHER PRESENT

Graeme Finley, Grant Thornton, LLP
Virginia Williams, CGI
Nick Agrios, CGI
Allan Emkin, Meketa Investment Group
Stephen McCourt, Meketa Investment Group
Peter Landers, Global Governance Advisors
Luke Bierman, Cohen Milstein
Jay Chaudhuri, Cohen Milstein
MaryKay Scheid, CTA
Jennifer Baker, CalRTA
Derick Lennox, CCSESA
Dana Dillon, CTA/NEA-R
Joe Bartell, CTA
Kevin Welch, CTA
Richard Hansen, CCCI
Doug Orr, CFT

A quorum being present, Chairperson Keiley called the Open Session meeting of the Teachers’ Retirement Board to order at 9:45 a.m.

I. APPROVAL OF BOARD AGENDA/WORK PLAN (Item 1)

MOTION duly made by Ms. Miller, seconded by Ms. Higa, and carried to approve the Board Agenda/Work Plan.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Higa	X		
Mr. Prezant	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		
Controller Yee	X		

RECESS

The Open Session of the board meeting recessed at 9:45 a.m. and the board went into Closed Session. The board meeting reconvened in Open Session at 1:00 p.m.

Chairperson Keiley reported there was no action taken in Closed Session. Ms. Hendricks joined the Open Session meeting at 1:03 p.m.

II. PENSION SOLUTION PROJECT UPDATE (Item 7)

The board received an update on the Pension Solution project from Mr. Mittal and Mr. Finley. The board engaged in dialogue with Ms. Williams and Mr. Agrios from CGI regarding issues with the project, including concerns with the staffing of CGI and obtaining the appropriate resources and level of attention for the project. The board further engaged with CGI regarding CGI’s prior and future plans to address staffing and resourcing for the project, provide a projected schedule that is accepted by all parties, and how CGI can take a more proactive approach given the significance of the Pension Solution project. The board expressed its disappointment with CGI’s performance. The board further expressed the necessity for CGI to provide appropriate communication and accountability and noted that it was important to meet the expectations set forth in the contract through all aspects of the project, which will provide the board with better oversight and confidence in the success of the project.

III. REPORT AND RECOMMENDATIONS FOR LONG-TERM INCENTIVE PLAN (Item 8)

The board received an overview of this item from Ms. Norcia, noting the three components on the LTIP to be discussed – the performance measurement period, the eligibility criteria, and the cost savings criteria. The board heard from Mr. Landers on the recommendation and rationale for a 5-year performance measurement period. The board discussed how the LTIP may be impacted by PEPRA and heard from Mr. Ailman regarding the additional motivation this incentive may provide, particularly for the PEPRA employees.

MOTION duly made by Controller Yee, seconded by Mr. Prezant, and carried to a rolling 5-year performance measurement period, contingent upon subsequent board approval of a long-term incentive plan.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		

Ms. Hendricks	X		
Ms. Higa	X		
Mr. Prezant	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		
Controller Yee	X		
Chairperson Keiley	X		

The board heard from Mr. Landers on the eligibility for an LTIP amongst peer groups, the rationale for broader and narrower eligibility, and the recommendation for a broader group to reflect the board’s policy, align with the labor market analysis previously provided and to promote the collaborative model concept. The board discussed the rationale between distinguishing front office and investment services, noting the desire to attract and retain all investment staff. The board discussed the delineation between executive and investment staff and trends in peer group compensation plans. The board suggested considering a more specific analysis of CalSTRS LTIP as within the state government; a more detailed analysis on pre and post PEPPRA employee impacts; and, if considering an enterprise wide approach, to consider metrics that will apply to the different parts of the enterprise.

The board received a preview of how Meketa will measure the cost savings from the collaborative model.

IV. PROPOSED 2022-23 OPERATING BUDGET CONCEPTS, OTHER BUDGETARY CHANGES AND ADDITIONAL BUDGETARY CONSIDERATIONS (Item 9)

The board received an overview of the proposed 2022-23 Operating Budget, noting the budgetary changes and the additional budgetary considerations from Ms. Underwood.

V. ENTERPRISE RISK MANAGEMENT REPORT (Item 10)

The board received an overview of the Enterprise Risk Management Heat Map and Risk Score Report from Mr. Burkholder, noting the risk categories that have changed and discussing the risk category that is impacted by the collaborative model, HQE and business continuity.

VI. STATE AND FEDERAL LEGISLATION (Item 11)

The board received the state and federal legislation update from Ms. Martinez-Wade, noting SB 634, the annual housekeeping bill, is pending with the Governor, and that AB 549, concerning investment procurement, is still under discussion and an update from the author will be forthcoming.

RECESS

The board recessed at 2:50 p.m. and resumed at 3:20 p.m.

VII. FIDUCIARY TRAINING (Item 12)

The board received its annual fiduciary training from Mr. Bierman and Mr. Chaudhuri. The board considered hypotheticals, reviewed fiduciary principles, considered the application of fiduciary principles, and discussed the risks of breaching the fiduciary duty.

VIII. CHIEF EXECUTIVE OFFICER REPORT (Item 13)

The board heard an update from Ms. Lichnock, congratulating Ms. Blatnick on her new position as Chief Operating Officer and providing an update on the progress to address reporting final benefit payments, noting a proposed legislative solution would not be ready for presentation in November but staff continues to work with stakeholder groups on this matter.

The board heard an update from Ms. Blatnick on the status of the HQE, noting the status of the final permit, anticipated timeframes coming up to address scheduling, and budgeting. The board, noting the importance of the project, requested an update on the HQE budget prior to the November meeting.

Public Comment

Ms. Shide, CTA, commented that teachers rely on the amount of retirement and should not be held accountable for errors by employers or interpretative changes by CalSTRS.

Ms. Baker, CalRTA, recognized the need for additional time to consider legislation but noted that as long as this issue remains unresolved retirees suffer consequences; retirees should not suffer those consequences and this issue must be resolved in a timely fashion.

Mr. Lennox, CCSESA, expressed appreciation for the dialogue with staff and CalSTRS' invested efforts to improve correct benefit reporting, but noted we are not at the point where sponsored legislation can be made, and they remain committed to additional collaboration.

IX. ADMINISTRATIVE PROCEDURE CHANGES FOR THE COMPENSATION POLICY PURSUANT TO CEO DELEGATION UPDATE (Item 14)

The board received the changes to the Administrative Procedures for the Teachers' Retirement Board's Compensation Policy.

X. CONSENT AGENDA – ACTION (Item 15)

a. Committee Reports

- 1. Investment Committee:** The Investment Committee met in Open Session on September 1, 2021. The committee heard and considered statements from the public. The committee considered and approved the Fixed Income Policy Revision – Risk Budget, and the Sustainable Investment & Stewardship Strategies Policy Revision – Risk Budget, and instructed Meketa to conduct an overview of the respective benchmarks and bring any suggestions or recommendations to the board, no later than the start of the 2021-22 work plan. The committee discussed and approved a pledge to achieve a net zero investment portfolio by 2050 or sooner, and the proposed action framework and timeline in implementing the pledge. The committee received the semi-annual performance reports from the General Consultant, Real Estate Consultant, and Private Equity Consultant. The committee received the Chief Investment Officer’s Report. The committee also reviewed and considered the Agenda for the next committee meeting.
- 2. Appeals Committee:** The Appeals Committee met on Tuesday, August 31, 2021. The committee considered and adopted the proposed decision for “In the Matter of the Retirement Benefits of Teresa Sordello”, with technical and other minor changes. The committee also received an educational presentation on the appeal issues the Accounting division has administered over the last five fiscal calendar years. The committee also received the staff report.
- 3. Benefits and Services Committee:** The committee received a report on FY 2021-22 Service Performance Objectives and FY 2020-21 Stoplight Chart. The committee also received the results of the CalSTRS’ 2021 Annual Member Survey and an update on the outstanding death benefit population, including the status and efforts to pay outstanding death benefits.

b. Approval of Minutes of the July 9, 2021 Regular Meeting – Open Session

Mr. Prezant noted an edit to the Minutes.

c. Board Member Education

d. Contracts Requiring Board Approval

The Consent Agenda, as amended, was adopted by consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Hendricks	X		
Ms. Higa	X		
Mr. Prezant	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		
Controller Yee	X		

XI. ITEMS REFERRED BY COMMITTEE FOR BOARD DECISION (Item 16)

There were no items referred by committee for board decision.

XII. NEW BUSINESS/REVIEW INFORMATION REQUESTS (Item 17)

Pursuant to Item 7, CGI leadership will attend all future board meetings where the Pension Solution Project is discussed. The board also requested that CGI provide the staffing information addressing its concerns.

Pursuant to Item 13, the board requested an agenda item to consider the effects of the real estate trends and changes to the work industry on the proposed plans for the HQE project.

XIII. DRAFT AGENDA FOR NEXT REGULAR MEETING OF THE TEACHERS' RETIREMENT BOARD (Item 18)

Ms. Lichnock noted that in November, instead of board sponsored legislation, there will be a smaller presentation by the new business lead, Mr. Zimmer, to provide an update on the progress of the project to address final benefit payments.

XIV. OPPORTUNITY FOR ADDITIONAL STATEMENTS FROM THE PUBLIC

There were no additional statements from the public.

XV. ADJOURNMENT

There being no further business to conduct, Chairperson Keiley adjourned the meeting at 4:31 p.m.

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