



Audits & Risk Management Committee

Item Number 2 – Open Session

Subject: Approval of Minutes of the November 2, 2023, Audits and Risk Management Committee – Open Session

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: March 7, 2024 – 0 minutes

Attachment(s): None

PowerPoint(s): None

PROPOSED MINUTES

Teachers' Retirement Board –Audits & Risk Management Committee Meeting

November 2, 2023

OPEN SESSION

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

COMMITTEE MEMBERS PRESENT

Denise Bradford, Chairperson

Harry Keiley, Vice Chairperson

Malia M. Cohen, State Controller (telephonic)

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

Frank Ruffino, representing the State Treasurer, Fiona Ma

Jennifer Whitaker, representing the Director of Finance, Joe Stephenshaw

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
Lamont King, Deputy General Counsel
Lynn Bashaw, Director, Enterprise Risk Management & Compliance Services
Phil Burkholder, Assistant Director, Enterprise Risk Management & Compliance Services
Cheryl Cervantes Dietz, Chief Auditor
David Lamoureux, System Actuary
Fred Messerer, Assistant General Counsel (Legal Services)
Reina Minoya, Assistant General Counsel (Litigation Services)
April Wilcox, Director, Investment Services
Roseanne Oyoung, Supervising Management Auditor
Chris Wall, Supervising Management Auditor
Meagan Hatfield, Manager, Enterprise Risk Management & Compliance Services
Jaismin Kaur, Litigation Counsel

OTHERS PRESENT

Dr. Robert Yetman (Audits and Risk Management Committee Financial Expert)
Jen Aras, Independent Auditor, Crowe LLP
Dan O'Malley, Independent Auditor, Crowe LLP
Kevin Smith, Independent Auditor, Crowe LLP
Jennifer Baker, CalRTA
Mary Kay Scheid, CTA
Kevin Welch, CTA
Ed Foglia, CTA/NEA-Retired
Orval Garrison – CTA/NEA-Retired
Carmen Esterman, UTLA
Leonard Goldberg, UTLA
Janet Davis, UTLA-Retired
Suzie Dixon, CalRTA
Peter Morse, FACCC
Don Stauffer, CTA/NEA-Retired

A quorum being present, Chairperson Bradford called the Open Session meeting of the Audits and Risk Management Committee meeting to order at 9:04 a.m.

I. APPROVAL OF COMMITTEE AGENDA (Item 1)

The committee approved the Committee Agenda by unanimous consent.

II. APPROVAL OF MINUTES OF THE MARCH 1, 2023, AUDITS AND RISK MANAGEMENT COMMITTEE MEETING (Item 2)

MOTION duly made by Mr. Keiley, seconded by Mr. Ruffino, and carried to approve the minutes of the March 1, 2023, Audits and Risk Management Committee Meeting – Open Session.

Members Voting	Aye	Nay	Abstain
Mr. Keiley	X		
Controller Cohen	X		
Mr. Ruffino, for the State Treasurer	X		
Ms. Whitaker, for the Director of Finance	X		
Chairperson Bradford	X		

III. 2023 AUDIT SERVICES’ AUDIT PLAN PROGRESS REPORT (Item 3)

The committee received updates and proposed modifications to the Audit Services Calendar Year 2023 audit plan for employer and internal audits.

IV. JANUARY 1, 2023, THROUGH OCTOBER 31, 2023, ENTERPRISE COMPLIANCE SERVICES PLAN FINAL PROGRESS REPORT (Item 4)

The committee received the results of Enterprise Compliance Services’ January 1, 2023, through October 31, 2023, Compliance Plan results.

V. CALSTRS INDEPENDENT FINANCIAL STATEMENT AUDITOR REPORTS FOR THE YEAR ENDED JUNE 30, 2023 (Item 5)

- a. Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information for the Year Ended June 30, 2023

The committee received a presentation from Mr. Smith, Ms. Aras, and Mr. O’Malley regarding the Crowe LLP audit of CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information. The committee learned that Crowe issued an unmodified opinion on financial statements, free from material misstatements and presented fairly, in all material respects, in accordance with generally accepted accounting principles. The committee discussed the emphasis of matters on net pension liability of employers and nonemployer contributing entity and the fair value of investments. The committee heard that Crowe did not identify any material weaknesses or significant deficiencies in internal controls over financial reporting.

- b. Other Pension Information – State Teachers’ Retirement Plan for the Year Ended June 30, 2023

Mr. Johnson joined the dais at 9:26 a.m.

The committee also received a presentation from Mr. Smith, Ms. Aras, and Mr. O’Malley regarding the Crowe audit of Other Pension Information. The committee learned about the scope of services provided, and that Crowe issued an unmodified opinion, free from material misstatements and presented fairly, in all

material respects, in accordance with generally accepted accounting principles. The committee heard that Crowe did not identify any material weaknesses or significant deficiencies in internal controls over the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers’ Retirement Plan.

The committee commended staff on the unmodified opinion issued in both audits. The committee discussed the importance of internal controls and inquired about Crowe’s valuation of CalSTRS investments. The committee also inquired about changes to the Crowe management team, and Governmental Accounting Standard Board principles in 2024. The committee heard from Dr. Yetman, who expressed satisfaction at how staff cooperated with Crowe, and recognized staff for the successful audits.

The Resolution accepting the submission of the Independent Auditor’s Report on the CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information for the Fiscal Year Ended June 30, 2023, was adopted.

Members Voting	Aye	Nay	Abstain
Mr. Keiley	X		
Controller Cohen	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Mr. Ruffino, for the State Treasurer	X		
Ms. Whitaker, for the Director of Finance	X		
Chairperson Bradford	X		

VI. 2023 MANAGEMENT LETTER (Item 6)

The committee heard from Ms. Cervantes Dietz and Ms. Underwood that Crowe did not issue a Management Letter for the year ended June 30, 2023.

VII. ENTERPRISE RISK MANAGEMENT AND COMPLIANCE SERVICES 18-MONTH MATURITY PLAN (Item 7)

The committee received a presentation from Ms. Underwood and Ms. Bashaw on the 18-month plan to mature the Enterprise Risk Management (ERM) and Enterprise Compliance Services (ECS) programs in alignment with industry standards based on recommendations from Weaver and Tidwell LLP. The committee learned about the current maturity level of the ERM and ECS programs, and the target state of maturity. The committee also heard about the purpose and benefits of program maturity, as well as next steps for the maturity plan. The committee heard from Dr. Yetman who applauded the maturity plan.

VIII. 2024 SIX-MONTH AUDIT PLAN (Item 8)

The committee received a presentation from Ms. Cervantes Dietz, Ms. Oyoung, and Mr. Wall regarding the proposed Six-Month Audit Plan for Audit Services covering the period of January 1, 2024, through June 30, 2024. The committee learned about the audit plan development process, and the employer audit and internal audit plan coverage. The committee heard from Dr. Yetman, who inquired about the status of ongoing employer audits. The committee also discussed the Pension Solution audit.

MOTION duly made by Mr. Ruffino, seconded by Mr. Johnson, and carried to approve the 2024 Six-Month Audit Plan.

Members Voting	Aye	Nay	Abstain
Mr. Keiley	X		
Controller Cohen	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Mr. Ruffino, for the State Treasurer	X		
Ms. Whitaker, for the Director of Finance	X		
Chairperson Bradford	X		

IX. REVIEW OF INFORMATION REQUESTS (Item 9)

There were no requests for information.

X. DRAFT AGENDA FOR NEXT COMMITTEE MEETING (Item 10)

There were no changes to the draft agenda.

XI. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 11)

There were no statements from the public.

XII. ADJOURNMENT

There being no further business to conduct, Chairperson Bradford adjourned the Audits and Risk Management Committee meeting at 10:31 a.m.

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

Denise Bradford, Chairperson

Prepared by: Jaismin Kaur, Litigation Counsel