

## **CalSTRS Report –January 30-31, 2020**

### **Executive Summary**

1. Denise Bradford is the new CalSTRS Board member replacing Dana Dillion and representing active teachers
2. The Sustainable Investment and Stewardship plan's 2020 priorities are: Corporate and Market Accountability, Board Effectiveness, Low-Carbon Transition, and Responsible Firearms.
3. The CalSTRS fund is \$254 billion, its highest ever.
4. CalSTRS fund concerns are: Brexit, possible trade war, Corona virus
5. CalSTRS will be interviewing for a custodian, private equity position, and a diversity officer
6. The Pension Solution (computer) Project will go live in October 2021.
7. A CalSTRS Employer Information Circular clarifying Leave of Absence was presented. Client Advisory attendees had concerns with the circular
8. There will be no change to the key economic assumptions
9. The State's contribution rate to retirement will increase .46% of payroll and the employers contribution rate increase .03% of payroll. There will be no change to the employee's contribution rate.
10. Loretta Toggenburger, UTLA is attending her last CAISTRs meeting at the age of 93
11. Construction has begun on the new Headquarters Expansion Building. Plans are to complete the building in two years

### **Investment Committee**

The meeting opened with public comment by teachers, students, and other concerned adults asking CalSTRS to divest in fossil fuels.

Denise Bradford was introduced. Denise is the new CalSTRS Board member replacing Dana Dillion and representing active teachers.

In the November meeting the Board selected new long-term asset allocation targets. This agenda will put the targets into the Investment Policy and approve a management plan. Under economic growth Public Equity changes from 59% to 42%; Private Equity changes from 9.4% to 13%. Under real assets Real Estate changes from 13.9% to 15%; Inflation Sensitive changes from 2.7% to 6%. Under Diversifying Risk Mitigating Strategies changes from 9.4% to 10%; Fixed Income changes from 12.6% to 12%, and Cash remains at 2%.

The Sustainable Investment & Stewardship Strategies (Corporate Governance) Program Policy is divided into two parts - the first is the Stewardship Program and includes all the activities; the second is the Sustainable Investment & Stewardship Strategies (SISS) Portfolio Policy. The emphasis is on engagement. The Stewardship's plan for 2020 priorities are: Corporate and Market Accountability, Board effectiveness, Low-Carbon Transition, and Responsible Firearms. The Plan was approved and will be publicized on the CalSTRS website.

The Green Initiative Task Force Report was presented. It has an analysis of the climate-related financial risks of the public market portfolio. California Senate Bill 9964 requires an analysis of climate-related financial risks to the CalSTRS portfolio every three years. CalSTRS is looking to work with the consumers of energy as well as the producers of energy. Again, many speakers spoke asking CalSTRS to divest in fossil fuels.

Chief Investment Officer, Chris Ailman gave his report. The CalSTRS fund is \$254 billion, its highest ever. The preliminary and unofficial return of 18.4% for the 2019 calendar year. The fund had a return of 7.1% over the last two years and a return of 10% over the last three years. This has been the longest bull market in history. Concerns are: Brexit, possible trade war, Corona virus.

CalSTRS will be interviewing for a custodian who would sign a 10-year contract. State Street has been the custodian for 30 years. In addition, Meketa's Private Equity contract ends in September 2020. CalSTRS will be launching a request for proposal later this year for a private equity consultant. CalSTRS continues to look at diversity on private boards as well as public company boards. CalSTRS will be hiring a diversity officer for both internal and external demands.

The Collaborative Model is an investment strategy to manage more assets internally to save costs, control risk, and increase investment returns. The Pillars Project will support the Collaborative Model by providing a governance framework. It seeks to improve four key processes: human resources, travel, procurement, and a hybrid category (financial services, legal services, technology and communication).

The Committee heard an update on the active risk budget and how it might be implemented.

### **Board Governance Committee**

The Committee met during the Client Advisory Committee meeting so Pat Geyer was unable to attend. According to the Committee agenda the Committee reviewed revisions to the Teachers' Retirement Board Policy Manual, and heard updates to the Trustee Onboarding Program.

## **Client Advisory Committee**

Joycelyn Matrinez-Wade presented legislative updates. AB 33 (Bonta) prohibits CalSTRS from investing in private prison companies. (CalSTRS opposes). AB 462 (Rodriguez) requires CalSTRS Board to submit an annual report to the Legislature on the status of objectives regarding participation of emerging managers within the retirement systems' investment portfolios. (CalSTRS supports).

Jeff Zimmer reported the Pension Solution Project update. CalSTRS is getting information on the project out to employers. October 2021 is when the project will go live.

Other proposed legislation was included in the written summary. Of interest, was a proposal to credit overpayment of contributions, penalties, and interest to the employer's account rather than a refund of the overpayment.

A CalSTRS Employer Information Circular clarifying Leave of Absence was presented. Examples of "leave of absence" that are encompassed by the definition include pregnancy-related leave, leave to serve as an elected officer of a local school district or a community college district, and leave for travel or study if beneficial to the students and schools of the district. Therefore, if an employee is placed on paid administrative and that leave is not otherwise expressly authorized up the Education Code, pay received for that leave of absence does not constitute creditable compensation for CalSTRS. Members Ed Foglia and Jennifer Baker expressed concerns and wanted further clarification.

## **Regular Meeting**

The CalSTRS Board heard a review of the actuarial assumptions. There will be no change to the key economic assumptions; however, if growth is lower it may be necessary to lower these assumptions. Mortality rates have changed the most due to improvements in life expectancies.

Of the key demographic assumptions two changes are recommended. (1) Lower termination rates to reflect lower than expected teachers leaving and (2) slight increase in both state and employer contribution rates. The State's contribution rate will increase .46% of payroll in 2023-24, an estimated increase of \$170 million, and the employers contribution rate increase .03% of payroll in 2021-22, and estimated increase of \$10 million. There will be no change to the employee's contribution rate.

The State Department of Finance sees a potential decrease of 0.4% in K-12 students per year. The risks are investment change, longevity change, and change in number of participants and payroll.

Changes to the Medicare Premium Payment Plan will be minimal.

Brian Bartow, CalSTRS general council presented regulations for public comment. Staff will initiate the rulemaking and hold a public hearing to coincide with the May board meeting. A list of 12 rules was proposed.

Loretta Toggenburger, UTLA is attending her last CalSTRS meeting at the age of 93. She has 41 years of service as a teacher and has attended CalSTRS meetings for 30 years. Loretta was recognized with a standing ovation by staff and members. Loretta, we will miss you.

The Pension Solution Computer Project completed Rollout #1 (a webinar series informing Employers how to schedule visits, obtain access to environment, initiate training and begin testing their contributions and files). Full implementation of the Project will be in the fall of 2021.

The Committee heard a review of fiduciary insurance.

Jack Ehnes, presented the CEO report. CalSTRS released its Sustainability Report in January 2020. It features members, organization, and financial performance. Construction has begun on the new Headquarters Expansion Building. Plans are to complete the building in two years. The CalSTRS Annual Financial Report is completed and available online.

## **CalSTRS Report, March 4,5, 2020**

### **Executive Summary**

- 1.** Blackrock sees an increase in solar power and a move away from investments in fossil fuel.
- 2.** Infrastructue investment will increase from \$300 million-\$500 million
- 3.** The market has ignored the effects of the corona virus during this early period.
- 4.** CalSTRS has increased liquidity and may face 3 months or more of no growth. A recession is expected.
- 5.** Jack Ehnes, Chief Executive Officer will be retiring at the end of 2020
- 6.** CalSTRS building expansion is going as projected, columns and walls will start at the end of February.
- 7.** The next CalSTRS Board meeting will be a 2-day meeting in May.

### **Investment Committee**

Brian Deese –Blackrock spoke on the transition to a Low-Carbon Economy work plan. Capital is shifting to sustainable investing, but it is hard because investments are not always available. He sees an increase in solar power and a move away from investments in fossil fuel. However, the broader markets are not yet pricing in climate risk. Blackrock believes that companies will move to sustainable investment but in different ways. These moves will influence the company's value.

The Investment Committee heard a number of comments from the public urging CalSTRS to divest in fossil fuel.

The committee reviewed the Inflation Sensitive Investment Policy. This policy includes an Inflation Sensitive Portfolio to provide further diversification, protect against inflation, and generate long-term return.

Next the committee reviewed the Infrastructure Investment Policy. The investment will increase from \$300 million-\$500 million. It can eventually

increase to \$700 million. The Policy shows a slight increase in investments in the U.S. and Canada.

The final action item was a review of the Innovation Policy. The Innovation Policy was created in 2009 to diversify and protect against large market drawdowns. Two additional sub-portfolios have been added – (1) long-term strategic investments that cross specific asset classes, (2) short-term opportunistic investments. (The Investment Strategy & Risk has three parts: Innovation Policy, Total Fund Management, and Risk Management. The changes are to Innovation Policy).

The Committee included an active risk budget with a range of 10 to 50 basis points. This action will not change the Global Equity policy benchmark. The active risk budget was approved.

Meketa Investment Group presented its semi-annual report. All investment categories performed above their benchmarks. The market has ignored the effects of the corona virus during this early period. But the bond market is down and there is a risk of global recession.

Chris Ailman, Chief Investment Officer reported that CalSTRS has increased liquidity and may face 3 months or more of no growth. CalSTRS may need to isolate the staff in the future and may face negative interest rates. There will be a change in investment return (before virus – 8%, after virus – 4%). A recession is expected, just a question of how long. The Investment Committee presented the Portfolio Risk Report.

### **Audits and Risk Management Committee**

A progress report on implementing the Auditor's Financial Statement letter was presented. (1) On completeness of active member data, the Audit Resolution Team is worked with 56 employers to close out their audits. (2) There were 22 requests for training and CalSTRS presented a total of 32 training sessions. In addition, there is an Employer Support Portal to help with training and information. (3) CalSTRS has controls in place to assure that the Real Estate

Valuation Report is complete and accurate. (4) CalSTRS will put controls in place to evaluate the final pricing of alternative investments.

Under the Internal Audit Charter Review, CalSTRS (1) updated the responsibilities and accountability section to ensure that it is consistent with the Standards. (2) Enhanced to ARM Committee attendance to include external auditors, consultants, audit staff, and management.

The ARM Committee heard the 2019 Progress Report: (1) 86 audits were completed. The most common error was in misreporting of earnings.

### **Client Advisory Committee**

The Committee heard a review of legislation. State Legislation includes:

AB462 (Rodriguez) requires CalSTRS and CalPERS boards to submit an annual report regarding participation of emerging managers.

AB2219 (O'Donnell) authorizes CalSTRS to offer a traditional IRA in addition to the Roth IRA.

AB2510 (Cooley) grants the CalSTRS board prudent flexibility to contract with investment managers and seeks to expand the Collaborative Model. CalSTRS supports AB462 and is a sponsor of AB2219, and AB2510. February 21 was the deadline for introduction of bills.

The Committee heard a presentation on the Demographic Study. 42,111 members responded to the Study (22,685 active members and 30,426 retired members). Details will be presented later.

### **Compensation Committee**

The Committee heard a report on Compensation Strategy. CalSTRS rewards employees with a base salary + annual incentive + long-term incentive + retirement and health benefits. CalSTRS has lagged the competitive market, but CalSTRS incentives reward staff which stay with CalSTRS. CalSTRS does have recognition plans and benefit plans for executive and investment officers. CalPERS has similar job classifications and compensation rewards.

## **Teachers' Retirement Board**

Jack Ehnes, Chief Executive Officer will be retiring at the end of 2020. Jack has been with CalSTRS for 19 years and has seen the organization change for the good. He believes in a focus on staff – from good staff comes good and happy customers. Sharon Hendricks, Board member will head the search committee.

The Board heard a report on employee audits. Staff has worked with stake holders to redefine the audit process. Less than 10% of employee audits are appealed.

Jack Ehnes gave the CEO Report. Jack wants more retirees to go on-line when they want to contact CalSTRS. CalSTRS is continuing to make CalSTRS on-line programs more user friendly. One of the complications is acquiring a spousal signature on-line. CalSTRS has selected DocuSign to increase online processing.

The construction project for the CalSTRS building expansion is going as projected. There is a new garage entry, since the old entry and parking lot are under construction. Piles are in. Structure (building) columns and walls will start at the end of February. The completion date for the new building is estimated as September 2022.

The Pension Solution new computer project is going as expected. They are continuing with testing. In the next three months all data will be fixed.

The next CalSTRS Board meeting will be a 2-day meeting in May.

## **CalSTRS Report – May 7, 2020**

### **Summary**

1. The CalSTRS fund is \$243 Billion
2. While market was up for March the Bear Market is not over. Recessions can last for years not months
3. 2021 Investment Committee work plan will emphasize the study of Asia with an emphasis on China
4. The next CalSTRS meetings will be July 6,7,8.

### **Investment Committee**

The committee heard an update on the Corona Virus from Esther Krobab, FasterCures Executive Director. 15% of the population has had the virus and are immune. The government is still working on testing. Betty Yee asked if the virus was mutating. The Virus is not mutating rapidly and this is not a problem. Chris Ailman, CIO asked about a vaccine by fall. A vaccine is probably not possible so soon. The hope is to get better treatment and maybe prevent people from getting the virus. It is possible to get antibodies from infected people, but is hard to maximize this. How does one balance individual privacy and get necessary information.

Chris Ailman gave the investment report. As of February 29 the CalSTRS fund is \$243 Billion. The portfolio is pretty close to where it started the fiscal year, so over the fiscal year investments returns have been pretty flat. We are in a Bear Market – recession. The challenge is opening up when it is likely that there will be an increase in the virus in the fall. Many people will want to continue to stay home. Chris Ailman sees the challenge is a long recession. Companies will be slow to come back especially in retail. Another challenge is the elections in the fall – will the U.S. have recovered? Another challenge is the influence on the elections in the fall – will the U.S. have recovered by then? CalSTRS is being defensive, but if the market rallies CalSTRS may lose out on the rally.

Meketa reported the stock market in March was volatile. The Government and the Federal Reserve have supported business. While market was up for March the Bear Market is not over. Recessions can last for years not months. Another pension challenge is low interest rates.

Next Chris Ailman reported on the work plan. The world is transitioning to a low carbon economy. 2021 will emphasize the study of Asia with an emphasis on China – both friend and foe. Government and regulations are a challenge. The work plan was approved.

Debra Smith, Chief Operating and Financial Services Officer is retiring. The committee wished her well. The next CalSTRS meetings will be in July.

## Teachers Retirement Board

Board member Harry Keiley is elected Retirement Board Chair and Sharon Hendricks is elected as the Vice-Chair.

Jack Ehnes gave the Chief Executive officer Report. There are challenges with telecommunication. Construction at the Headquarters building continues and is going well. Supply materials are arriving as expected. Construction workers are tested for the virus; nevertheless; construction is going as expected. CalSTRS financed the construction with a green environmental bond.

Julie Underwood presented the Enterprise Risk Management Report. The top issues are: 1. Technology OK, 2 Investments, CalSTRS has sufficient liquidity to pay benefits well into the future, benefits are secure and continue to be paid timely. 3. Delay of international mail. 4. CalSTRS continues to receive contributions from employers. 5. How the pandemic will affect the market (too early to tell).

Plan for 2020-21 is to not ask for new personnel and to reduce the budget. The revised budget will be presented at the July meeting. CalSTRS is monitoring the number of absentees. But work continues on business projects.

The PensionSolution computer project is continuing. There is a problem with training due to the Coronavirus. Staff are converting training to computer-based training as appropriate. There may be a one to two month delay.

The CalSTRS business is stable and the focus is on continuing as much as normal. Some staff are concerned with the open design of the new building. Everyone needs at least six feet for social distancing. Some staff may need to work from home. CalSTRS is doing research on more physical separation, but office space is definitely smaller.

Board member Prezant asked what if school districts can't make their contributions to CalSTRS. This has not been an issue as a result of Coronavirus, to date, and CalSTRS would work with the State Controller's office. Harry Keiley asked for a risks report and how CalSTRS will mitigate the risks. CalSTRS staff replied that CalSTRS may need a contribution increase from the State.

The Department of Finance reports that State tax revenues will be down. CalSTRS may need a State increase from 5.811% of payroll to 6.311%.

The Board Chair and Vic Chair could enter into non-investment contracts that need approval between Board meetings for emergency provisions. Board members would be notified of such action. Reimbursement to Board members as well as reimbursement to hire a replacement will be allowed up to 100%.

Fiduciary Counsel for the Board: The Board will now have access to four firms who will engage with the Board as needed.

The next CalSTRS meeting is expected to take place July 6-8, 2020. The open session of the Regular Board Meeting was adjourned.

## **CalSTRS Report, July 10, 15, 16, 17 2020**

### **Executive Summary**

- 1.** Member Service Centers will remain closed until further notice due to COVID-19, however services continue using virtual platforms; webinars, phone, email and U.S. Postal Service.
- 2.** As of July 15, 2020, CalSTRS assets are \$250 billion.
- 3.** CalSTRS 3-year return is 6.5% (not STRS best); the 30 year return is 8%.
- 4.** The Collaborative Model-Pillars Project, managing assets internally, is going well.
- 5.** David Lamoreaux, Actuary reported that the Defined Benefit Supplement program is 125% funded as of June 30. The Cash Balance Benefit Program is 121% funded.
- 6.** It is expected that the board will set a rate of about 18.1% of payroll for 2021-22, resulting in employers having to contribute to CalSTRS at a rate just below 16% of payroll.
- 7.** All CalSTRS Board meetings will be by Zoom through 2020. The next CalSTRS Board meeting is September 3-4, 2020
- 8.** Staff likes working from home.

### **Client Advisory Committee**

The Committee heard a report on the 2019 budget. An amount of \$1.64 billion (long term relief) and \$600 million (short term) was all used for short term relief. CalSTRS is now back on track to full funding by 2046. The CalSTRS Board lowered the 2021 employer rate to just below 16%. It is expected it will return to about 18% in 2022-23. The plan is to be fully funded by 2046. The lack of a “catch up” provision slightly weakens the long-term plan.

Joycelyn Martinez-Wade gave the legislative update. The Senate will meet July 27. The Capitol building is presently being disinfected. The CalSTRS House Bill is not moving. CalSTRS provisions have been added to AB 2101 and hope is that AB2101 will move forward. Generally all is going well legislatively.

Public comments on the regulations update will begin July 12. CalSTRS prefers a letter or phone conversation rather than a personal visit. The CalSTRS call in number is 833-986-0555.

The Ethics and Compliance Hotline began in June. The number is 844-896-9120. More information is found on the CalSTRS website.

Brian Rice gave the Low-Carbon Economy Transition update. Society now recognizes the climate change is real. CalSTRS plans for more speakers and will have a portfolio of low carbon transition investments.

Sandy Blair reported on the Retirement Readiness. In March CalSTRS workers began work-at-home. However the call center was only down for 2 days. Member Service Centers will remain closed for the remainder of 2020, but all services are still being offered remotely. Webinars are growing fast. Plans are for a telephone benefit planning session. In August, CalSTRS and You Group sessions begin. Individual sessions are possible via Zoom. Individual telephone sessions are available from 8 am to 5 pm.

Virtual Board Meetings are planned for 2020.

## **Investment Committee**

The Investment Business Plans were presented. The Business Plans for 2019-20 shows a fund AUM of \$226,854,000,000 as of March 31, 2020 and provides the estimated AUM growth over the next 10 years. The plan presents the collaborative model where CalSTRS staff will manage more assets in house while also looking to utilize more “direct” types of investments, which are both anticipated to reduce costs. The most challenging asset classes to implement the collaborative model in are private equity and real estate.

The Coronavirus will result in more “work from home”. Retail and office space will be hurt. Residential is still doing well, but a coming recession may hurt it. Betty Yee is concerned with the types of jobs available after the COVID-19 pandemic and the relationship between affirmative action and these new changes. Harry Keiley is concerned about changes to Human Capital

Management after the crisis, such as the inequity in worker vs executive pay. Board Member, Sharon Hendricks believes risks to workers are a big issue.

The Investment Committee Charter is being updated to reflect the investment changes. The Private Equity Contract with Meketa will be extended for an additional year to accommodate a more thorough RFP process. The Commodity Portfolio Policy will no longer be a separate policy; it is covered under other policies. Two changes have been made to the Delegation to Staff policy in March (Delegation to staff of Infrastructure portfolio commitment is changed from \$300 million to \$500 million) and (Innovative Strategies policy limits co-investments to \$100 million at time of investment). The Investment Policy and Management Plans were approved.

Under asset allocation Long-Term Targets were set. Public Equity will go from 51% to 42%, Private Equity from 9% to 13%, Real Estate from 13% to 15%, Inflation Sensitive from 3% to 6%, Innovative Strategies 0%, Risk Mitigating Strategies from 9% to 10%, Fixed Income from 13% to 12% and Cash remains at 2%.

Chris Ailman, Chief Investment Officer gave his report. As of June 2020, CalSTRS assets were \$246 billion; CalSTRS assets as of July 15 are \$250 billion. On July 20, CalSTRS announced the official and audited return is 3.9% for the fiscal year 2019-20. The greatest source of portfolio risk is public equity. Non US Equity and Emerging market equity investments are below targets. Real Estate and Private Equity are above targets. Staff is successfully working remotely.

The Investment Business Plan was approved. Chris Ailman stated that the collaborative model and co-investments will reduce costs. The biggest impediment is getting good people. CalSTRS may move to more internal managers.

Chris Ailman reported that the risks are: COVID-19, the economy, President's tweets, the stock market, unemployment, and oil prices. Positive events are Government stimulus, social distancing, medical research, and low inflation. Surprises could be a pandemic or cyberattacks.

CalSTRS 3 year return is 6.5% (not STRS best); the 30 year return is 8%. Staff likes working from home.

The Collaborative Model-Pillars Project, managing assets internally, is going well. Challenges are: 1. Human resources (getting people for each position and training), 2. Procurement process, 3. Improve travel plans and reimbursement, 4. Hybrid – technology, communication, legal, financial. The Goal of the Pillars project is to reduce costs and increase return.

The Committee heard a speaker from Blomberg New Energy Finance. He reported that oil demand and oil prices will continue to increase. It will take some 10 years to reduce dependence on oil.

The next Investment Committee meeting will be September 2020.

### **Audits and Risk Management Committee**

The Committee heard the Employer Audit Report. There is no travel to districts required for limited scope audits; all is on-line. Due to COVID-19, the goal for 2020 has been amended: The initial goal of 72 audits as increased by 47 for a total of 119 audits (23 full scope audits, 96 limited scope audits). School districts are impacted by the virus. All full scope audits have been temporarily suspended, CalSTRS is currently working on limited scope audits. However, CalSTRS is flexible and audits are still going forward as usual. The problem is that staff is not able to meet and travel to districts. Flexibility is crucial.

The Committee heard the Progress Report on the 2019 Independent Financial Statement Auditor's Management Letter. (Incorrect member data) – MAS Training and Development team have developed a series of computer-based trainings for employers. (Accuracy and Completeness of the Real Estate Valuation Report) – Investments have enhanced existing internal control structure to include a completeness procedure and secondary review. (Monitoring Investment Valuation) – Management has completed the valuation of its controls and will complete the implementation of the revised controls in June 2020.

The 2020 Internal Audit Plan Progress Report and Mid-Year Update were presented. Staff completed 25 of the 84 of the employer audits in the plan. 130 audits are also in progress. The focus was on Unused Sick Leave, Post-Retirement Earnings or Special Compensation. Results were 14% had no findings, 86% had one or more finding. 72 audits are planned for next year.

Leonard Goldberg, CTA spoke to the committee. Schools are still working and appreciate CalSTRS flexibility. More training is needed from CalSTRS. Award Districts and Counties that do well. Don't change or lower retiree benefits.

An update was presented on the 2020 Enterprise Compliance Services Plan. Key accomplishments were: a plan to perform integrated risk assessment, communication on a standardized approach to policy development, expanded the compliance and ethics hotline, simplified the Enterprise Compliance Services (ECS) mission statement and purpose.

### **Teachers' Retirement Board**

David Lamoureux, System Actuary reported that the Defined Benefit Supplement program is 125% funded as of June 30. Staff recommends that no additional earnings credit be added to these funds at this time.

The Cash Balance Benefit Program is 121.6% funded. Staff recommends that no additional earnings credit be added to these funds at this time.

Jack Ehnes, Chief Executive Officer gave his report. Jack announced the CalSTRS Virtuosos (superior, sustained performance). They are Chris Louie – Staff Services Analyst, Curtis Rogers – Associate Accounting Analyst, Elia O'Brian – Associate Government Program Analyst, Jennifer Spangler – Technical Services, Lan Le – Pension Program Manager, Tien Le – Associate Government Program Analyst, and Youmaly Hoff – Information Technology.

Staff has been successful in working from home. 75% estimated that they could work from home indefinitely –successfully. Some would prefer a work from home/ on-site combination.

The 2020-21 State of California Budget was adopted. The final budget includes the following changes: employer rate will now be 16.15% of payroll, a 2.95% reduction from the rate of 19.1% of payroll that was originally part of the CalSTRS Funding Plan. The State rate remains the same.

The Headquarters expansion project continues with COVID-19 safety precautions. It is estimated to be completed by 7-6-22. The risks are: 1. Getting public agency permits, 2. Timely delivery of PGE, and 3. COVID-19. Another concern is how much space will be needed by CalSTRS employees. STRS may lease out extra space.

Betty Yee, Board member reported that the Offsite meeting may be virtual. Board education is essential.

The Appeals Committee work plan has meetings as needed. There will probably be a virtual appeals hearing in September. The Audits and Management Committee work plan has three meetings for 2021.

The Benefits and Services work plan has a demographic study, employer training, a member satisfaction survey report, an analysis of the death benefit.

The Pension Solution training is going on. There will be three meetings in the next fiscal year.

The Board Governance Committee will meet 3 times a year. They plan a revision of the Board Governance Manual.

The Compensation Committee will meet 4 times. They will look at long-term incentives, consultant compensation, and a salary study.

The Investment Committee will review the following topics: A low carbon economy, growth in China, the collaborative model implementation, asset allocation study, and oversight of the total fund.

All CalSTRS Board meetings will be by Zoom through 2020. September is fiduciary training. The next CalSTRS Board meeting is September 3-4, 2020. CalSTRS will also meet on November 4-6, 2020.

