

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.

CalSTRS Report – September 2020

by Pat Geyer, CalRTA liaison

Executive Summary

1. Stocks are up in the U.S. but down somewhat internationally. Interest rates are close to 0% leading to an increase in the purchase of equities. CalSTRS has done well compared to its peers.
2. It is too early to know how COVID will affect investments. The Federal Reserve has supported long-term investment and will continue. Expect 2.5% inflation
3. Experts predict a Real Estate loss in 2020 because of a decline in retail and tourism.
4. The CalSTRS fund is \$262 billion, an all-time high.
5. The Committee heard the work plan for the transition to low-carbon investments.

Client Advisory Committee Meeting

Tom Buffalo reported on the Demographic Study. There were 42,111 respondents to the survey; 30,426 retired and 11,685 active teachers. 2/3 of the teachers have an advanced degree. That is compared with the total United States where fewer than 30% have an advanced degree. Of the teachers who responded, 88% of mid-career members report they will stay in the profession until they retire. 27% of mid-career members report they are married to another member. The Demographic Study will be repeated in 5 years.

David Lamoureux reported on SBMA funding. There are extra resources in the SBMA fund. CalSTRS has recommended 85% purchasing power. Other options include a one-time permanent increase to retirees prior to December 31, 1998, increase the purchasing power protection percentage applied to all current and future retirees, or increase the purchasing power percentage based on the age of the retiree. The choice will be made by the Legislature.

Larry Jensen reported on the lifecycle of the Employer Audit. The Employer audit began in the 1990's. The purpose is to look for accurate information, identify problems and do employer training. Pre Covid-19, the goal for 2020 was to complete 87 audits; 35 full scope and 52 limited scope. CalSTRS will bring more

information in November and propose any changes in State law. One proposed change is to require that employers inform members within 6 months of audit and see that corrective action is taken.

Joycelyn Martinez-Wade gave the legislative update. AB 2101, which includes housekeeping provisions for CalSTRS has passed the legislature and will be sent to the Governor. Staff expect to present proposed legislation relating to the Statute of Limitations to the Board in November. The proposal limits the timeframe in which CalSTRS can collect overpaid benefits from a member or beneficiary to the three most recent years when benefits are reduced as a result of erroneous employer information. Any remaining overpaid amounts that are a result of erroneous employer information would be collected from the responsible employer.

Investment Committee Meeting

The Committee heard from several speakers asking CalSTRS to divest from fossil fuels.

Under investment policy revisions, the Committee approved the proposal to transfer the Low-Carbon special mandate to the Sustainable Investment & Stewardship Strategies. (SISS Portfolio)

The Committee heard the Semi-Annual Performance Report from Meketa. Stocks are up in the U.S. but down somewhat internationally. Interest rates are close to 0% leading to an increase in the purchase of equities. CalSTRS has done well compared to its peers. The challenges are: (1) Interest rates. 1982 interest on bonds was 14.6%. 2020, the interest on bonds is .6%. However, capital gains are good. (2) Equities are four times more expensive. Yields are much lower because there is now low inflation. The reason is that now we have and expect low inflation. In 1982 it was high inflation. Alan Emkin (Meketa) stated that CalSTRS should concentrate on what it can control: cost and risk.

It is too early to know how COVID will affect investments. The Federal Reserve has supported long-term investment and will continue. Expect 2.5% inflation (low). CalSTRS has adequate liquidity. State tax revenues are down. Chris Ailman wants to revisit the economy and investment plans in January.

Private Debt has not yet been affected by the recession, but this could change. Ailman reports that a recession offers investment opportunities. The CalSTRS Board will receive more information on risk in the future, probably in November. Low interest rates should affect CalSTRS policy. Emkin suggests that CalSTRS use models to see how it will perform.

Real Estate is 13% of the CalSTRS portfolio and its performance is good. 2/3 of the real estate is core and is less risky. That percentage has increased. They predict a Real Estate loss in 2020 because of a decline in retail and tourism. Industrial is doing well. Expect a low return economy in the future. Real Estate has opportunities in the debt markets. The risks are that retail and office properties will be less used.

Private Equity has been doing well. CalSTRS has moved to (1) more co-investments (7% to 10%) because they are less expensive, (2) more stressed assets because they may have good future returns, (3) 90% investments are denominated in U.S. dollars. Another focus is on distressed debt investments.

Chris Ailman gave the CIO report. The stock market is at an all-time high. Interest rates are low. The CalSTRS fund is \$262 billion as of the end of August, an all time high. Ailman is concerned about the lack of retail activity. Another risk is the Presidential election.

The Committee heard the work plan for transition to low-carbon investments. 1. The low-carbon investment belief is completed. 2. Staff is analyzing the CalSTRS portfolio. 3. Expanding investments in low-carbon solutions. Low carbon is more than just a problem in transportation. CalSTRS will discuss low-carbon investments at the November meeting.

Benefits and Services Committee

The Committee heard a report on employer education and outreach. 43 employer training sessions were completed in 2019-20, including 468 employers. There was also training sessions on the Pension Solution Program. Employers said that they had good understanding of the program and the computer training program went well. 84-93% rated that the training went well. CalSTRS is encouraging employers to get training over the internet. Board member Denise asked why employers are not required to be trained. Harry suggested a library of training modules.

There were no suggested revisions to the Committee Charter. The Next meeting will be in November.

Teachers' Retirement Board

The Board heard the actuary report on the SBMA (Supplemental Benefits Maintenance Account) and the One-Time Death Benefit payment. SBMA has projected excess resources of \$11.2 billion. Inflation is a problem but not now. Staff recommends continuing the purchasing power percentage at 85%, and no change to the SBMA, this will go to the legislature for final decision.

Comments from the public: Jennifer Baker supports 85% purchasing power. Ed Foglia wants to increase benefits for pre-1999 retirees. A retiree wants to increase the death benefit.

The proposal is to increase the operating budget by \$40.9 million over the next 5 years. Discussions with stakeholders will follow. The plan is to bring more management in house saving CalSTRS money by not paying Wall Street.

Jack Ehnes, CEO gave his report. The remaining 2020 CalSTRS board meetings will be virtual. The next CalSTRS meeting is November 4-6, 2020. 8% of the staff is working in the CalSTRS building; the rest are working from home. Business travel is prohibited. Other companies are doing the same things as CalSTRS.

The risk factors in customer service are: 1. Harder to maintain service because of working from home. 2. Many Customer Service reps are working on the Pension Solution project. 3. Changes due to COVID are illness and children not in school. Customer service is continuing and doing well.

Employer contributions compliance continues and doing well. Headquarters expansion continues. The one problem is getting concrete from plants down in the Bay Area.

Employee isolation is a concern. However, some employees enjoy working from home. CalSTRS may help with a home office for employees. Dealing with frustrated CalSTRS members is a challenge.

The Board meeting reviewed the Board Discretion to Modify Incentive Awards. CalSTRS compensation Plan is good, and there is no plan to modify.

The Headquarters expansion project is 19% complete and proceeding on schedule.

The Pension Solution computer project is on schedule. The next project is training and user acceptance testing. CalSTRS is more than 1 year away from going live, but testing is running slower than expected. CalSTRS is not overly concerned about the project taking longer.

Under legislation, two CalSTRS-sponsored bills are held in the Assembly:

- AB2219, which would have authorized CalSTRS to offer a traditional (tax-deferred) IRA, in addition to Roth IRA
- AB2510, which would have expanded the Collaborative Model.

Items of interest for the November CalSTRS meeting are the CalSTRS funding plan, and a legislative review by John Stanton. The CalSTRS meeting will be a full three days. It was announced that Loretta Toggenburger, a long-time member has passed away.

CalSTRS Report – October 15-16, 2020

By Pat Geyer, CalRTA liaison

Executive Summary

1. Future CalSTRS Board meetings are November 4-6, December 9, 2020. 2021 Board meetings are scheduled for January 27-29, March 3-5, and May 5-7. Meetings will be virtual on the web.
2. A discussion about Human Capital followed. Employer issues include pay, training, and now health and safety
3. CalSTRS November meeting will discuss Strategic Principles, and the CalSTRS January meeting will discuss Stewardship Priorities.

Teachers' Retirement Board Meeting

Susan Dugan and Luke Beirman of the firm of Cohen Milstein presented the annual fiduciary education. The duties are: (1) Loyalty includes avoid conflicts, be impartial, prohibit self-dealing, and be confidential. (2) Prudence. (3) Care includes diversification, follow plan documents.

California Fiduciary Duties are very clear compared to other states. California Fiduciary Duties require a high standard and are judged by process and by documentation. In addition they have the advice of professionals. A breach of Fiduciary Duties can lead to financial loss as well as the breaking of rules.

ESG issues may be explored in the future and a code may be issued. The Board should have rigorous debate, but when the process is completed the Board should speak with one voice. Presently ESG issues have different interpretations by the courts. Some courts say ESG issues have an impact on company's performance, some courts say not. 2020 proposed regulations include ESG regulations. Other investors are looking at ESG issues by there is no agreement. In the future we will have a more complete ESG standards and guidance.

Future CalSTRS Board meetings are November 4-6, December 9, 2020. 2021 Board meetings are scheduled for January 27-29, March 3-5, and May 5-7.

The Board heard a presentation on Human Capital Management and Employee Wellbeing. Human Capital Management is how companies treat their employees and include equity and gender issues. It also includes employee health and safety. CalSTRS is a leader in this field. CalSTRS has a commitment to the Corporate Governance Principles of (1) a commitment to diversity and inclusion, (2) gender equity and (3) employee development. Priorities are the ability to make changes and ability to measure outcomes. The California Coalition which includes CalPERS, CalSTRS, and others will push for these Corporate Governance Principles.

Other issues are (1) an assessment of company risk, (2) employee health, and (3) financial alignment of stakeholders, capital, and employees.

CalSTRS November meeting will discuss Strategic Principles, and the CalSTRS January meeting will discuss Stewardship Priorities.

A further discussion about Human Capital followed. Employer issues include pay, training, and now health and safety. Board member, William Prezant asked how does one measure human capital? How important is human capital to CalSTRS as an investor? Harry Keiley asked how the pandemic changes issues of human capital. He suggested working with other investors. What aspects of human capital and employee will being captures your attention? Karen Yamamoto wants the CalSTRS definition of diversity and infusion. Chris Ailman reported that a definition and more discussion of human capital is coming in January. This is especially important in light of the pandemic.

Under Public Comment a resident of Lone spoke against allowing a company to develop a quarry on approximately 1000 acres. Cathryn Suatt also spoke against the quarry.

The Teachers' Retirement Board meeting was adjourned.

Teachers' Retirement Board Meeting (Day two)

Lessons Learned to Date from COVID-19 and Possible Implications for CalSTRS
Looking Forward.

The major challenge is learning how to work remotely. CalSTRS has provided computers for all staff at home. CalSTRS has provided guidelines for travel and on how to work in the CalSTRS building. No longer will employees work side-by-side. However, most staff needs a combination of work at home and work in the office. In some ways CalSTRS may learn how to work together from the experiences of the pandemic.

In the future CalSTRS will continue some services on-line. There will be no need for much of the travel, and CalSTRS will see an increase in the use of technology.

The new CalSTRS building will not be finished until 2022. There still will be open floor space and rooms for small meetings. In addition, there will be ways to be outside on the balcony. There will be more distance between workers, and many more workers will work from home either full or part-time. It is estimated that some 20% of the CalSTRS staff will work from home permanently.

Hiring staff who live in other states will be challenging. Different states have different laws, strategy and culture.

In March, CalSTRS moved 500 staff to remote locations. All members used laptops. Retirement Readiness moved all services and education to video. However, some retirees and members still need face-to-face, and this will be a challenge. But, there has been an increase in on-line applications.

Next Steps: Changes continue to develop: an increase in work-from-home, and different ways to communicate with members. Good things have happened: members are better at using virtual platforms and more information is going by mail and on-line including updates.

Video meetings are in some ways more open to the public. Bagley/Keene public meeting laws may be in conflict and may need revision. Sharon Hendricks commented that she missed the CalSTRS building, environment, and staff. Could

some Committee meetings still physically meet? Staff replied that a physical meeting was possible but the public must be able to participate, perhaps on ZOOM. People will miss the “in person” meetings. The future brings changes both good and bad.

The meeting concluded with videos of members at their homes or offices.

CalSTRS Report, November 4,5,6, 2020

By Pat Geyer, CalRTA Liaison

Executive Summary

1. Major concerns are: COVID, China, possible contested election, Presidential tweets, stock volatility, unemployment, oil prices.
2. Goals for CalSTRS are to stay the course but be nimble, be opportunistic, diversify, and focus on lowering fees.
3. The December meeting will be a CalSTRS Board meeting only.
4. The classifications of Senior Portfolio Manager and Senior Investment Director were approved
5. It was announced that Jack Ehnes, will be retiring July 1, 2021.
6. The Board approved 2021-22 Operating Budget of \$309 million for 1232 authorized positions.
7. CalSTRS fund was \$248.3 billion an increase of \$8.3 billion due to investments and retirement contributions.
8. CalSTRS member COVID deaths are 55 female and 46 male. 5 deaths are active members; the rest are retired members.
9. 92% of the CalSTRS staff are working from home.

Client Advisory Committee

Lisa Blatnick and Scott Chan reported on the Collaborative Model. The Model includes regulation, resources, and competition. Staff and flexibility are most important. The goal is to position CalSTRS to act globally.

Julie Underwood reported on the Operational Budget. The budget will be presented to the Board on Thursday.

Melissa Norcia reported on Investment Classifications and Compensation. This item will be presented on Wednesday in the Investment Committee. It uses the collaborative model and people are important. Two new staff positions are

planned (Senior Investment and Senior Portfolio Managers). The goal is to strengthen staff – more people and more technical. David Davini, retired member spoke about his concern - the CalSTRS budget is growing and there are no extra services for members.

Joycelyn Martinez-Wade reported on legislative proposals. The CalSTRS bill has passed and been signed by the Governor. There is a statute-of-limitations proposal as it relates to collections. There is also a bill on creditable compensation. 2020-21 legislative proposals will come out in December.

Under Regulations Update there are two changes on public comment regulations and appeals regulations. Two CalSTRS members had issues: Jennifer Baker reported that employees and retirees have issues. Ed Foglia is concerned about District errors. Districts need more training and Districts must have consequences.

Investment Committee

Sustainable Investment & Stewardship Strategies (SISS) was established as the Corporate Governance Program in 1978. In 2019 it was renamed the SISS program. It included the (1) SISS Investment Portfolio, (2) Stewardship and (3) Strategic Relations Management. Currently CalSTRS had nine investment beliefs. Chris Ailman wants the ESG to be integrated into the other asset classes. He wants CalSTRS to be a leader in sustainability. In January the Committee will hear the SISS private market policy, and in May the public market policy.

The Committee heard the Annual Investment Cost Report. Total costs have increased over the last five years. But when compared with the growth of the fund they have increased less than 1%. Private markets and active strategies have higher costs. Private asset allocation (real estate and private equity) has increased over the last five years. In 2019 costs were \$1 billion external management, \$327 million hybrid-private managed investments, and \$39 million internally managed. Internally managed assets represent 48% of the total assets and 3% of the costs. Compared with its peers CalSTRS is a low cost fund.

Chris Ailman, CIO gave the CIO Report. Major concerns are: COVID, China, possible contested election, Presidential tweets, stock volatility, unemployment, oil prices. Country risks are China, Taiwan, and Iran. It may be difficult to get 7% return over the next 10 years. Goals for CalSTRS are to stay the course but be nimble, be opportunistic, diversify, and focus on lowering fees.

Alan Emkin saw growing division because of the inequality in the economy. Low interest rates will benefit borrowers and risk takers.

The next Investment Committee meeting will feature a speaker on China. The December meeting will be a CalSTRS Board meeting only.

Compensation Committee

The Committee approved incentive awards for 2019-20.

Melissa Norcia presented the Labor Market Benchmarking Study update. The final results will be published in May 2021. This update is done every two years and could result in changes to base salary, salary range, and incentive adjustments.

Melissa Norcia also reported on the Investment management classification concept. Two new investment classifications are proposed: Senior Portfolio Manager and Senior Investment Director. These positions will be part of the CalSTRS five-year plan. Discussion followed about how these changes would impact costs, how do these changes compare with other public pension funds. Sharon Hendricks would like to see the five-year plan and how and when these positions would be filled. Harry Keeley is concerned that CalSTRS not grow too fast. The classifications of Senior Portfolio Manager (4 positions) and Senior Investment Director (9 positions) were approved.

Teachers' Retirement Board

It was announced that Jack Ehnes, will be retiring effective June 30, 2021.

The Board approved the Multi-Year Investment Plan (\$40.9 million). It established 109 positions and funding for External Investment Audit Services dispersed over five years. The hiring is going slower but still on schedule.

The Board approved the 2021-22 Operating Budget of \$309 million for 1232 authorized positions. This represents a net baseline budget decrease of \$31.8 million over the prior year.

The Board discussed the Public Comments Regulations. It was recommended that the regulations be amended to allow the presiding chair to recognize additional speakers. A question was raised about how this regulation would be used in a virtual format. Final approval of the Regulations will be in January.

The CalSTRS Basic Financial Statements as of June 30, 2020 were presented. The CalSTRS fund was \$248.3 billion an increase from the prior year of \$8.3 billion due to investments and retirement contributions. There was a about 5% increase in benefits paid out which is consistent with prior years and is a result of increase in the number of retirees and the annual cost of living adjustments.

Jack Ehnes, CEO reported that the Teachers' Retirement Board will meet on December 9. There will be four primary agenda topics: consideration of board sponsored legislation, annual actuarial funding/risk report, semi-annual risk management report and pension solution project report. No committees are currently scheduled to meet in December. Ombudsman, Tom Barrett will retire January 1, 2021.

Through August 31, 2020 CalSTRS member COVID deaths are 55 female and 46 male. 5 deaths are active members; the rest are retired members.

92% of the CalSTRS staff are working from home.

The Headquarters Expansion Project is 23% complete and is on schedule and on budget. In the future more CalSTRS employees may work from home, so CalSTRS may lease part of the new building. The new building is scheduled to be complete July 2022.

John Stanton, Washington, D.C. consultant gave his report. Mr. Stanton covered multiple new and proposed rules by the SEC and Department of Labor. The rules would make proxy voting more challenging for institutional investors, make it more difficult for investors to file shareholder proposals, and would discourage ESG investing by private sector retirement plans. Climate change is an issue, but gas and oil companies are opposed to much of the legislation. Reopening after COVID will require Federal and State help. A stimulus bill is moving. Trump will fight the returns of the election. Biden will need to pick “middle of the road” people.

Benefits and Services Committee

In January 2020 CalSTRS emailed a survey to a sample of 52000 active and retired members. 3165 responded, 2,114 active and 1051 retired. 67% reported being satisfied or highly satisfied with CalSTRS. 30% were neutral and only 3% were dissatisfied. Older respondents were more satisfied. Likelihood to recommend CalSTRS increases with age. Over 90% of the respondents were satisfied or completely satisfied with their retirement.

Melyssa Adams provided an update on outstanding death benefits. From 2001 through June 30, 2020 CalSTRS has paid over 102,000 death benefits totaling \$895 million. \$78,376,000 is outstanding (unpaid), approximately 8% of the total number. Contributing factors to CalSTRS inability to pay these benefits are: 1) beneficiary has not provided all necessary information, 2) beneficiary is unable/unwilling to provide necessary information, 3) unable to locate beneficiary. It is hoped that the new Pension Solution Computer program will have more options to identify and target these accounts.

Board member Sharon Hendricks would like CalSTRS to be more proactive about prompting members to update their beneficiary through myCALSTRS.

Audits and Risk Management Committee

Internal audits are in progress. Staff completed 60 out of 72 employer audits in the plan. 101 audits are still in progress. Crowe (consultant) reported that there were no audit adjustments. Management was very helpful. Crowe noted certain

deficiencies in internal control over financial reporting as well as opportunities to enhance operating efficiency while conducting the financial statement audit. CalSTRS management is responsible for implementing the corrective actions in response to the recommendations on the management letter.

The 2021 Enterprise Compliance Work Plan is in progress. It is working to mature compliance protocols and processes across the organization. In addition, the plan continues to develop compliance principles, standards and strong ethical culture

The 2021 Internal Audit Plan includes employer audits, internal audits, contract/co-sourced audits, consulting/advisory services, management and administration. There is no rule book on how to audit during a pandemic.

The Committee adopted the 2020-21 audit plan..

Board Governance Committee

The Board adopted Teachers' Retirement Board Policy Manual revisions related to the Education Policy. This was a second conversation about this topic. The Board heard an informational item on the Teachers' Retirement Board Policy Manual revisions regarding the Policy Prohibiting Insider Trading.

The Board discussed the Teachers' Retirement Board Policy Manual revisions related to the Board Chair Policy. Research from Mosaic Governance Advisors found predominate stages in the board lifecycle are:(Stage 1) founding board, (Stage 2) transactional board, (State 3) policy board, (Stage 4) visionary/institutional board. Most peers are in stage 3, some are in stage 4. CalSTRS is mostly in stage 3.

The Board heard an informational itme on the Teachers' Retirement Board Policy Manual Revisions regarding CEO and EIO Evaluation Policies.

Sharon Hendricks, Board member, asked for a future discussion on how the CalSTRS Board adjusts to COVID (Board meetings? Location? Public access?).

CalSTRS Report – December 8, 9, 2020

By Pat Geyer, CalRTA Liaison

Search Committee

The Search Committee met briefly in open session. Then the Committee met in closed session to review the recruitment strategy for the Chief Executive Officer.

Teachers' Retirement Board

The Committee heard the Legislative Proposal for the Recovery of Overpayments. The proposal would: (1) When benefits are reduced as a result of employer error, require members to repay the three most recent years of overpaid benefits and employers to repay the balance. (2) Extend the window to commence recovery for benefit adjustments resulting from fraud or misrepresentation by or on behalf of a member from three years to 10 years. (3) Clearly establish CalSTRS' rights to recover benefit overpayments and make related benefit corrections. (4) Require employers to remit remaining overpaid amounts within 30 days. (5) Make additional technical and conforming changes.

CalSTRS has been engaging with stakeholder groups on this topic for several months, in general, employer groups have expressed concern about benefits changing after retirement and collecting from members when the overpayment was through no fault of the member. Employer groups are also concerned about taking on the additional liability of paying back funds beyond the three years. Employers are asking CalSTRS for consistent guidance, a comprehensive written resource and training on the front end on reporting to avoid overpayment and collections. This was reiterated by many groups during public comment.

Board members discussed this topic and the possibility of providing written guidance, pre-retirement audits and other resources to employers. The Board decided to move this item to a later date, November 2021, and staff have additional items to research in the interim.

COVID-19 has impacted the Pension Solution Project (computer). Training and User Acceptance Testing are the two most critical activities. Some of the key training activities have been successfully conducted in a virtual environment. Data Conversion remains on schedule. Being able to complete the Pension Solution Project is one of the major risks that the team is monitoring.

The CalSTRS funding levels and risks were presented to the Board. Covid 19 presents a challenge; however, positive news of a vaccine is reassuring. As of June 30, 2019, CalSTRS was 66% funded. Key risks to the funding plan are (1) Investment risk – potential for lower returns

And increased market volatility, (2) Longevity risk - members living longer in retirement, (3) Membership and payroll growth risk – affects incoming contributions if active membership baseline declines. The Board suggested a periodic review of risk factors

The Board heard the Enterprise Risk Management Report. For this reporting period all but four categories have low or very low risk. The four categories with higher risk scores are: Pension Administration (medium risk) due to this current remote working environment; Information Security (high risk) due to the remote working environment; Transformational Change (medium risk) due to delay in contractor acceptance testing and staff shifting to remote work; Third Parties (medium risk) due to staff being dependent on third parties to perform services. All risks are being adequately managed.

The next CalSTRS Regular meeting will be virtual in January.