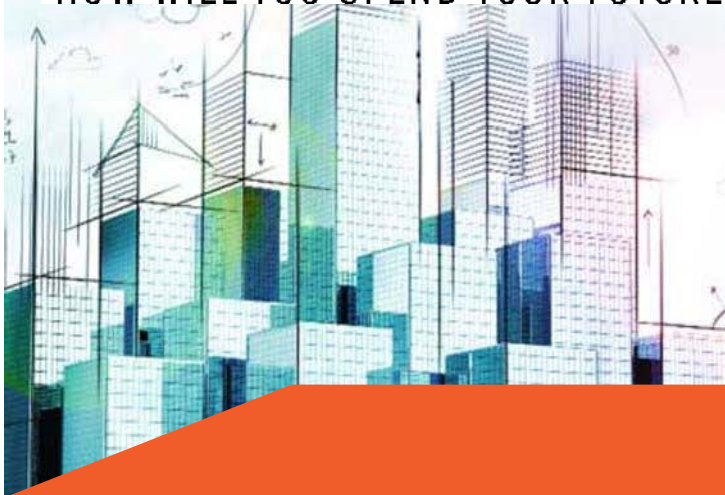
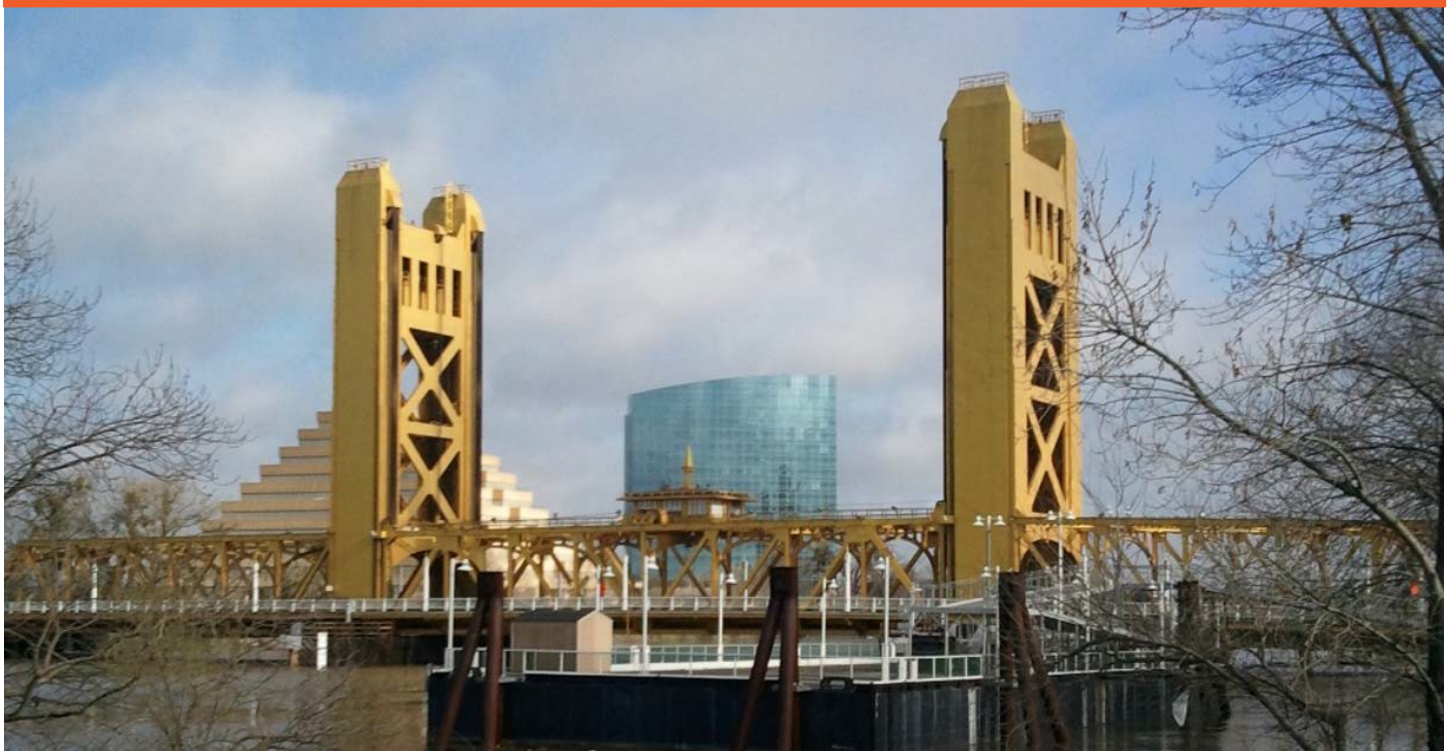


CALSTRS[®]

HOW WILL YOU SPEND YOUR FUTURE?



2021 ANCILLARY INVESTMENT PROGRAM ANNUAL REPORT



2021 Home Loan Program Annual Portfolio Report

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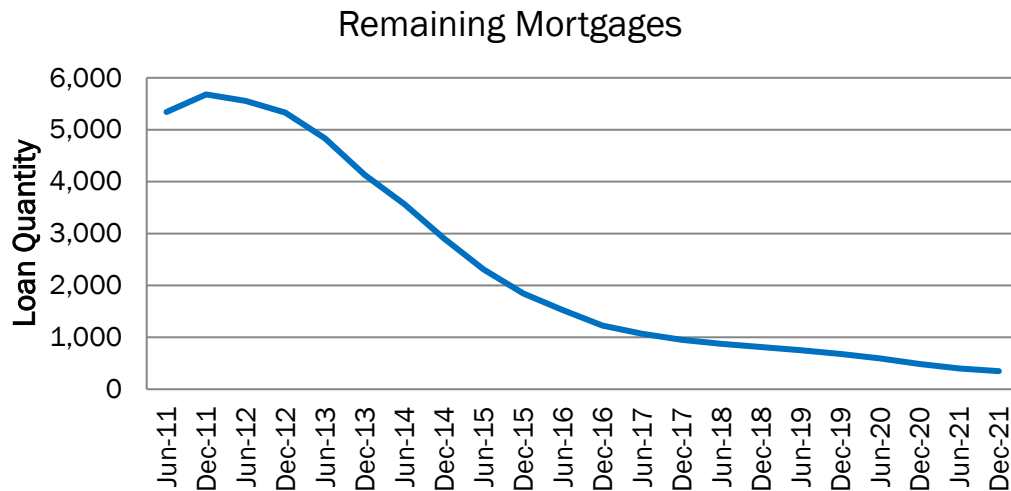
CalSTRS Home Loan Program 2021 Annual Report

Program Background

The California State Teachers' Retirement System Home Loan Program (HLP), was originally created as a result of legislation in 1984. It was designed to add member value by providing CalSTRS members with access to homeownership in California via a market rate mortgage loan, while concurrently meeting CalSTRS investment goals by generating a mortgage asset. The HLP started with conventional 15 and 30 year fixed-rate products but evolved over the years in response to the needs of our members. This evolution resulted in the development of low down payment products such as the 95/5 and 80/17 Programs that support the practical homeownership ambitions of our members. In the fall of 2011, new mortgage originations were suspended due to the strategic decision by the program's master servicing agent and program administrator to exit the correspondent lending business nationwide.

Recent Developments

With mortgage origination activity indefinitely suspended, the focus remains on servicing the existing portfolio of whole loans. Home price appreciation and low mortgage interest rates continued to drive payoff activity. The number of mortgages in the portfolio fell by approximately 28 percent during the calendar year (from 486 loans at the beginning of the year to 348 mortgages as of Dec 31, 2021).



Portfolio Performance

As of December 31, 2021, the net asset value of mortgage assets retained in the CalSTRS Home Loan Program portfolio was \$22 million.

	1 Year	3 Year	5 Year
Home Loan Program Portfolio	5.28%	5.41%	5.31%
Debt Opportunity Policy Benchmark	-1.21%	5.00%	3.71%

**As of December 31, 2021. Source: State Street*

2021 Securities Lending Program Annual Portfolio Report

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CalSTRS Securities Lending Program 2021 Annual Report

Required Skills for Program Management

- Knowledge of asset/liability management methods
- Awareness of factors that influence the fixed income/equity finance markets
- Understanding of trading techniques associated with short-term fixed income assets

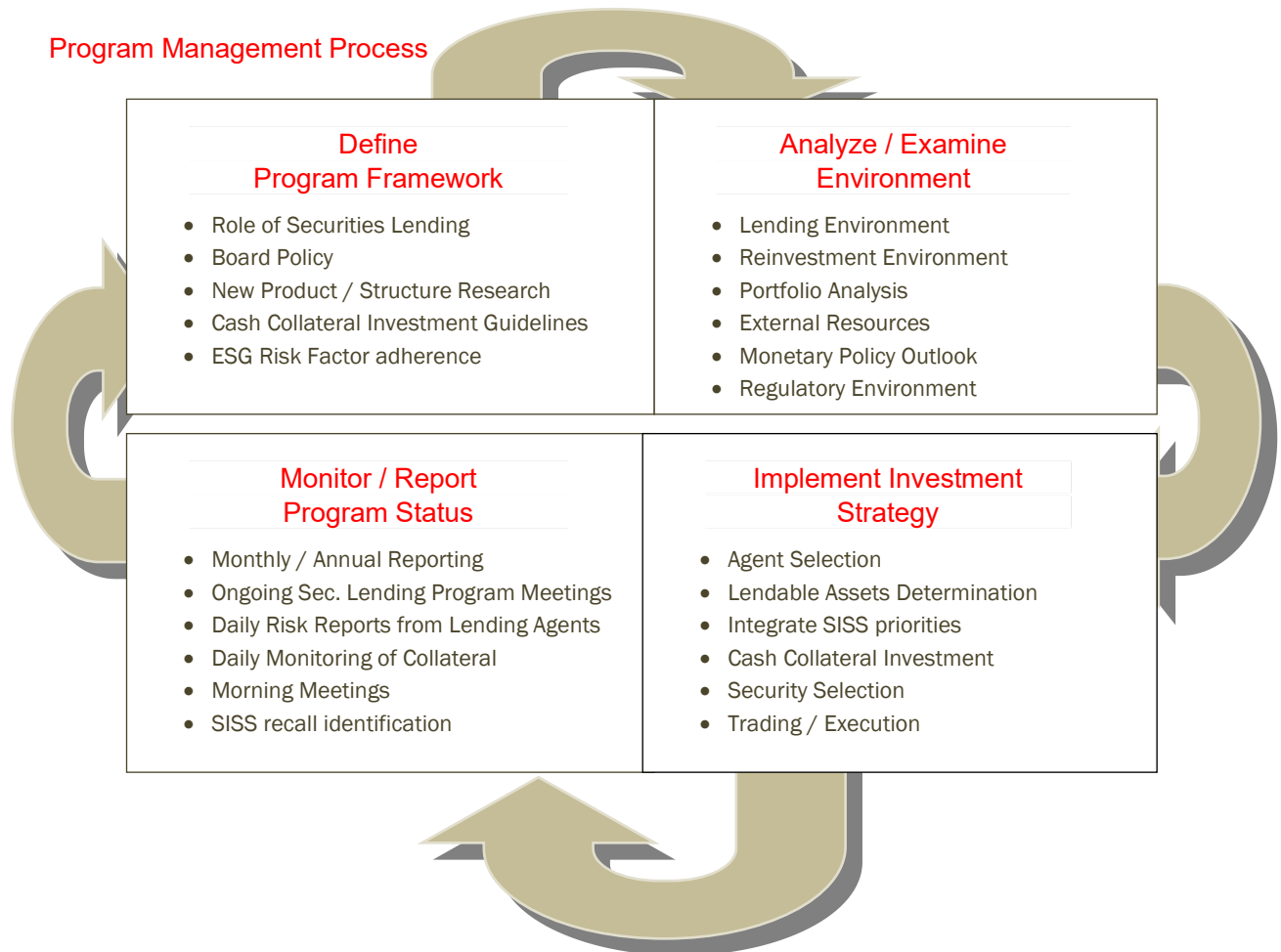
Director's Summary

The Securities Lending Program (Program) performed well during 2021, earning \$68.4 million. The Program has averaged \$96.6 million in earnings over the past 10 calendar years. Program earnings continue to be a steady source of incremental income, generating over \$1.9 billion for the System since its inception in 1988, adding on average, over four basis points (bps) annually to the total Portfolio.

Program Overview

Securities Lending is an agreement between a lender (CalSTRS) and a borrower to transfer ownership of a security temporarily, in exchange for collateral, in order to earn additional income. This is typically facilitated through a lending agent in order to earn incremental income on long-term holdings. Borrowers include broker/dealers, market makers, and hedge funds that are looking to provide liquidity. The California State Teachers' Retirement System (CalSTRS, System, Fund) Securities Lending Program (Program), which was established in 1988, represents the System's first non-core investment program. It was designed to enable the Fund to use its existing asset base and investment expertise to generate a steady source of incremental income, adding over four bps to the entire Fund on a regular basis over the long-term. While this income is not risk-free, processes have been put into place to help mitigate the risks associated with securities lending. In addition, Program staff work closely with the Sustainable Investment and Stewardship Strategies (SISS) team to develop and streamline processes to facilitate the return of CalSTRS' shares to vote, as proxy voting is a priority within our organization.

Program Management Process

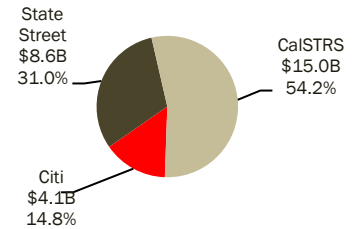
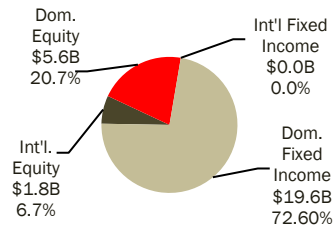
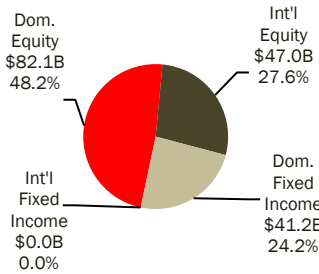


Program Summary

CalSTRS Lendable Assets
by Asset Class
\$170.3 billion
December 31, 2021

CalSTRS Loans
by Asset Class
\$27.0 billion
December 31, 2021

CalSTRS Collateral
by Participant
\$27.7 billion
December 31, 2021



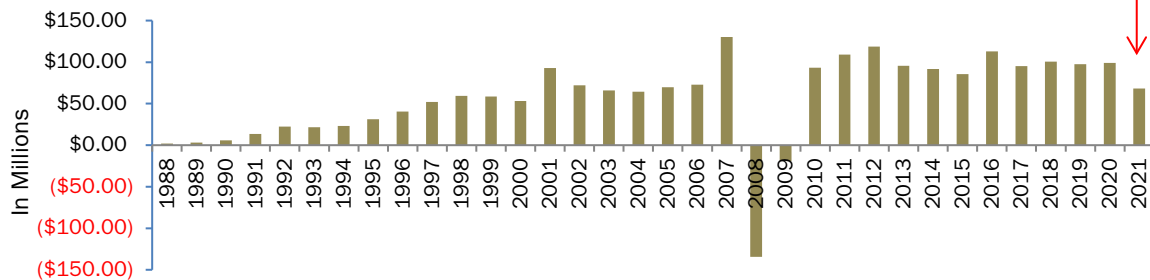
CalSTRS has a strategy of using multiple lending agents and asset managers, in order to benefit from both diversification and competition.

Performance Results

CalSTRS Securities Lending Program earnings (in millions) as of December 31, 2021

\$1.97 billion (\$6.48 billion, compounded annually*) since inception (1988)

2021 earnings were \$68.4 million.
Over a rolling 10-year period,
Program earnings averaged \$96.6



*Compounded annually using total fund return.

Although Securities Lending is not one of the core functions within the Fixed Income Unit, it has been viewed as a valuable source of steady incremental income to the entire Fund. The Program has earned on average over four basis points (4.43) annually, since inception.

Contributing Factors:

Two factors contribute to the net income of the Program:

- The negotiated lending terms at the outset of the loan, and
- The return generated from the management of the cash taken as collateral for the loan

Two factors that have affected recent earnings:

- Declining intrinsic lending spreads, and
- Cash reinvestment rates were low, due to zero interest rate environment

2021 Cash Collateral Portfolios Annual Returns	CalSTRS	State Street	Citigroup
	0.29%	0.25%	0.27%

2021 State Lands Program Annual Portfolio Report

CalSTRS State Lands 2021 Annual Portfolio Report

Required Skills for Program Management

- Knowledge of activities of the State Lands Commission (SLC)
- Ongoing Engagement with SLC Staff

Director's Summary

The School Land Bank Fund (SLBF) transferred approximately \$6.7 million in net revenue to CalSTRS fund for fiscal year 2020-21, an increase of 10% year over year. Revenues increased year over year and expenses were in line with the previous year.

Program Overview

The California State Lands Commission manages approximately 458,843 acres of school lands held in fee ownership by the State of California and the reserved mineral interests on approximately 790,000 acres of school lands where the surface estate has been sold. These interests are what remain of the 5.5 million acres granted by Congress in 1853. Most of the original school lands were sold by the State during the first 130 years of statehood. Management of the Commission's School Lands Program is divided between the Mineral Resources Management Division (MRMD) and the Land Management Division (LMD). The MRMD is responsible for geothermal, solid minerals, and oil and gas leasing on school lands and for geothermal resource development, mining activities, and oil and gas development. The LMD is responsible for managing surface activities on school lands.

School lands were placed into a statutory trust in 1984 when the Legislature enacted the School Land Bank Act (Act) and created the School Land Bank Fund. The Commission is the trustee of the Fund. Sections 8700 through 8716 of the Public Resources Code establish management guidelines for school lands. The Act states that school lands and attendant interests are to be proactively managed and enhanced to provide an economic base in support of public schools. The Act further requires the Commission to take all action necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base. Public Resources Code § 8701 contains findings and declarations that emphasize developing school lands into a permanent and productive resource base and underscore that all transactions, including exchanges, sales, and acquisitions, should be implemented for revenue generating purposes.

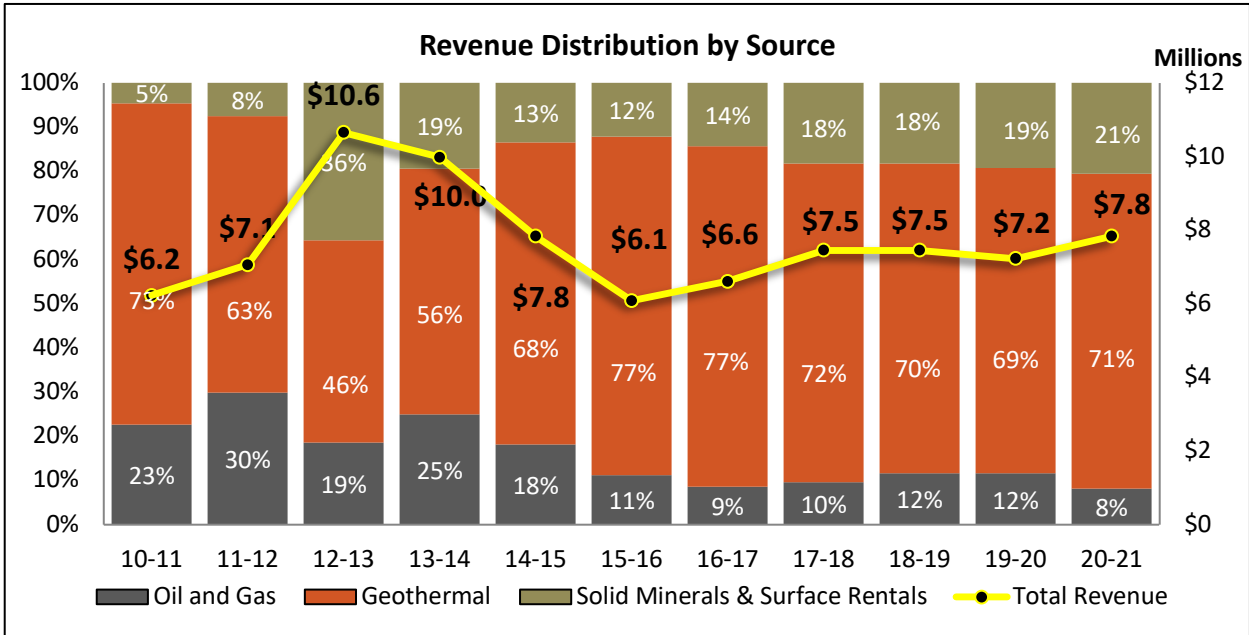
The California State Lands Commission staff is developing a plan to invest in California real estate with the capital from the School Land Bank Fund. The goal of the investment plan is to acquire new revenue generating properties for the Fund. The commission has contracted an external firm to develop an investment strategy for the Fund. The external advisor has submitted a report intended to help staff identify, evaluate, and compare land investment options in California. CalSTRS Real Estate staff has engaged with the School Lands to explore collaboration consistent with the shared mission of School Lands and CalSTRS.

Performance Results

In fiscal year 2020-21, school lands generated gross revenues of \$7.83 million for CalSTRS, an 8% increase year-over-year. Gross revenue to CalSTRS from solid mineral and surface leases continued its trend of increasing year-over-year. The revenues for solid mineral leases are primarily attributable to the lease in San Diego county which accounts for 80% of the total solid mineral revenue. Oil and

gas lease revenue decreased 23 percent year-over-year to \$639,710. The increase in Oil and Gas revenue is mainly attributed to royalties paid from the Round Mountain Parcel in Kern County. As shown in the table below, the revenue distribution from geothermal leases contributed 71 percent of total revenue (2% increase from the previous year), solid minerals and surface rentals combined to contribute 21 percent of total revenue a slight increase from the previous year revenue. Oil and gas contributed 8 percent of total revenue this year (versus 12 percent the previous year).

Revenue Distribution by Source



Expenses for the program were \$1.11 million for fiscal year 2020-2021 in line with the previous year expenses of \$1.11 million. The programs expenses continue to benefit from reductions in State Land Commission’s staff’s heavy time and resource commitment to solid minerals and geothermal lease administration. CalSTRS Real Estate investment staff is actively monitoring expenses with SLC staff.

Net revenue to CalSTRS increased this year by 10 percent to \$6.71 million from \$6.1 million last fiscal year. Geothermal revenues increased year-over-year, up 12 percent for 2021. This was combined with increases in Solid Minerals and Surface Rental revenue year-over-year. As of June 30, 2021, the School Land Bank Fund had a balance of \$68,872,955 versus \$69,881,270 the previous year. Interest of \$175,164 was generated during the fiscal year versus \$1,267,280 the previous year, by the Surplus Money Investment Account to the School Land Bank Fund.



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