

The logo for CALSTRS, featuring the letters 'CALSTRS' in a white, serif font with a registered trademark symbol.

California State Teachers' Retirement System

Fiscal year 2021-22

# Sustainability Report

Reporting with reference to the Global Reporting Initiative Standards

A circular logo with a white border. Inside the circle, the words 'GLOBAL STEWARDSHIP' are stacked above 'AT WORK'. The 'AT' is smaller and positioned between 'STEWARDSHIP' and 'WORK'.



# Contents

<b>Introduction .....</b>	<b>3</b>
<b>Approach to reporting.....</b>	<b>6</b>
<b>Economic impacts.....</b>	<b>15</b>
Member retirement education .....	16
CalSTRS Funding Plan progress.....	19
Privacy and information security .....	22
<b>Environmental impacts.....</b>	<b>24</b>
Path to net zero.....	25
Sustainable operations.....	27
<b>Social impacts .....</b>	<b>31</b>
Employees and human capital management .....	32
Diversity, equity and inclusion .....	34
<b>GRI content index .....</b>	<b>36</b>

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## Our mission

Securing the financial future and sustaining the trust of California's educators.

## Our vision

Your reward – a secure retirement

Our reward – getting you there

# Introduction



## CalSTRS at a glance

The California State Teachers' Retirement System was established by law in 1913 to provide retirement benefits to California's public school educators from prekindergarten through community college. CalSTRS is administered by our 12-member Teachers' Retirement Board. With \$301.8 billion in total net position, 1,269 employees, and more than 1 million members and beneficiaries as of June 30, 2022, we are the largest educator-only pension fund in the world and the second largest pension fund in the United States.

CalSTRS administers a hybrid retirement system consisting of a traditional defined benefit plan, cash balance plans

and a voluntary defined contribution plan. We also provide disability and survivor benefits. CalSTRS is governed by the California Education Code and other state and federal laws.

The Teachers' Retirement Fund is a trust fund that holds the assets of the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. The assets come from contributions by members, employers and the State of California. Contributions are invested to pay member benefits. Investment returns represent the largest income source used to pay benefits.



“To flourish in the current environment, we need to adapt, innovate and grow our resilience.”

Cassandra Lichnock

## A message from CEO Cassandra Lichnock

CalSTRS’ long-standing commitment to sustainability served us well during the 2021–22 fiscal year. While we couldn’t have predicted the trajectory of the COVID-19 pandemic and the effects it would have on everything from our operations to our members and the broader economy, we constantly adjusted to meet each challenge.

As the fiscal year started, we continued to serve members remotely. We delivered individual benefits planning sessions by phone and group benefits planning sessions online. We evolved as we factored in the health and safety of our members and employees, along with the administrative needs of the organization.

In October 2021, we began reopening our offices with limited services. In 2022, we returned to offering full in-person services, including providing retirement estimates and hosting individual and group benefits-planning sessions and workshops.

In April 2022, our staff transitioned from predominantly remote work to a hybrid model,

offering us the flexibility of working in CalSTRS’ offices and remotely. This was our first experience with hybrid work on a large scale. While facing some challenges, we ensured uninterrupted member services and maintained—and in many cases, exceeded—our high standards of customer service.

This timeline coincided with the development and launch of our *CalSTRS 2022–25 Strategic Plan*. While we have been leaders in sustainability for years, we specifically added a sustainability goal as one of the three high-level priorities in the plan. In the coming years, this goal will help us unify and integrate how we manage environmental, social and governance-related factors across the organization. We started that process by aligning our investment and enterprise sustainability strategies.

Our staff are vital contributors to our sustainable future, and we will continue to develop our workforce and build on our status as a premier employer to attract top talent. We prioritize our diversity, equity and inclusion efforts to drive organizational performance.

## Our 2021–22 fiscal year at a glance

As of June 30, 2022

**\$301.8 billion**

Net position for CalSTRS as of June 30, 2022

**\$17.4 billion**

Benefits paid to members in the fiscal year

**1,269**

Total CalSTRS employees

**Net zero**

Teachers' Retirement Board committed CalSTRS to achieve net zero emissions in the CalSTRS Investment Portfolio by 2050 or sooner.

**1,002,049**

Total CalSTRS members and beneficiaries. This the first time we have had more than 1 million members and beneficiaries.

### Historical funding sources

Breakdown of funding sources for the past 30 years, including fiscal year 2021–22.

Source	Percent
Investment earnings	61.9%
Employer contributions	15.4%
Member contributions	13.3%
State contributions	9.4%

**449,418**

Active members

**-1.3%**

Time-weighted investment return, net of fees, for fiscal year 2021–22. Many retirement systems in the U.S. reported returns ranging between -5% and -10% for the same time period.

### A message from CEO Cassandra Lichnock (continued)

Reflecting on fiscal year 2021–22 allows us to consider what has changed and identify the actions we need to take moving forward. Our members, employees and the public are aware of the impacts we all face in our daily lives. We're experiencing inflation and international conflicts on a scale that many haven't seen in their lifetimes. And we're witnessing environmental impacts related to climate change that are unprecedented globally. To flourish in the current environment, we need to adapt, innovate and grow our resilience.

As fiduciaries, we ensure a sustainable organization by making informed decisions solely in the interest of our members and their beneficiaries. And our membership has grown. As of June 30, 2022, for the first time, we have more than 1 million members and beneficiaries—up from approximately 980,000 the prior year. Our commitment to stewardship ensures we are here for our members as we continue to deliver on our mission: Securing the financial future and sustaining the trust of California's educators.

Sincerely,

Cassandra Lichnock







## Approach to reporting

CalSTRS voluntarily produces a sustainability report to evaluate our impacts and hold ourselves accountable to our members, employees and key stakeholders. This is our ninth annual report using standards and guidelines from the Global Reporting Initiative. GRI is an independent, international organization that helps businesses and other organizations take responsibility for their impacts by providing them with the global common language to communicate those impacts. The GRI Sustainability Reporting Standards increase organizational transparency and are the most widely used standards in the world.

This report includes data with reference to the GRI Standards for the fiscal year July 1, 2021, through June 30, 2022. Information outside the fiscal year is noted.

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## Sustainability reporting areas of focus



### Economic impact

Part of our mission is to secure the financial future of California’s educators. We achieve that goal through member retirement education and ensuring a well-governed, financially sound trust fund.

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### Environmental impact

Climate change is one of the greatest threats to our future—impacting our planet, the environment, the global economy and everyone’s health and safety. We’re taking steps with our net zero action plan to make sure educators can enjoy a secure retirement.

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### Social impact

Our employees are the source of our success. We’re shaping a resilient workforce that reflects fully integrated diversity, equity and inclusion practices.

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## Sustainability vision

CalSTRS advances sustainability practices that promote long-term value creation, responsible investment strategies, stewardship of our natural resources and engagement with our stakeholder community.

## Sustainability vision and guiding beliefs

Created in 2014 and updated in 2020, our sustainability vision and guiding beliefs are evolving. We will remain agile to adapt to a changing work environment while continuously serving our members and fulfilling our mission.

### Sustainability guiding beliefs

A focus on stewardship drives long-term organizational stability to secure the financial future of California's educators.

- We believe an enterprise based on sustainable values creates a blueprint for strong governance that protects the fund's assets.
- We influence and lead on environmental, social and governance issues to mitigate risk and capture opportunities that contribute to sustainable economic development.
- We know sustainability depends on committed employees operating in an engaging culture.
- We actively manage risk and establish internal controls for the long-term viability of CalSTRS.
- We identify sustainability topics and report performance data as part of our commitment to transparency.
- We engage with a diverse group of stakeholders to understand their perspectives and build a culture of trust.

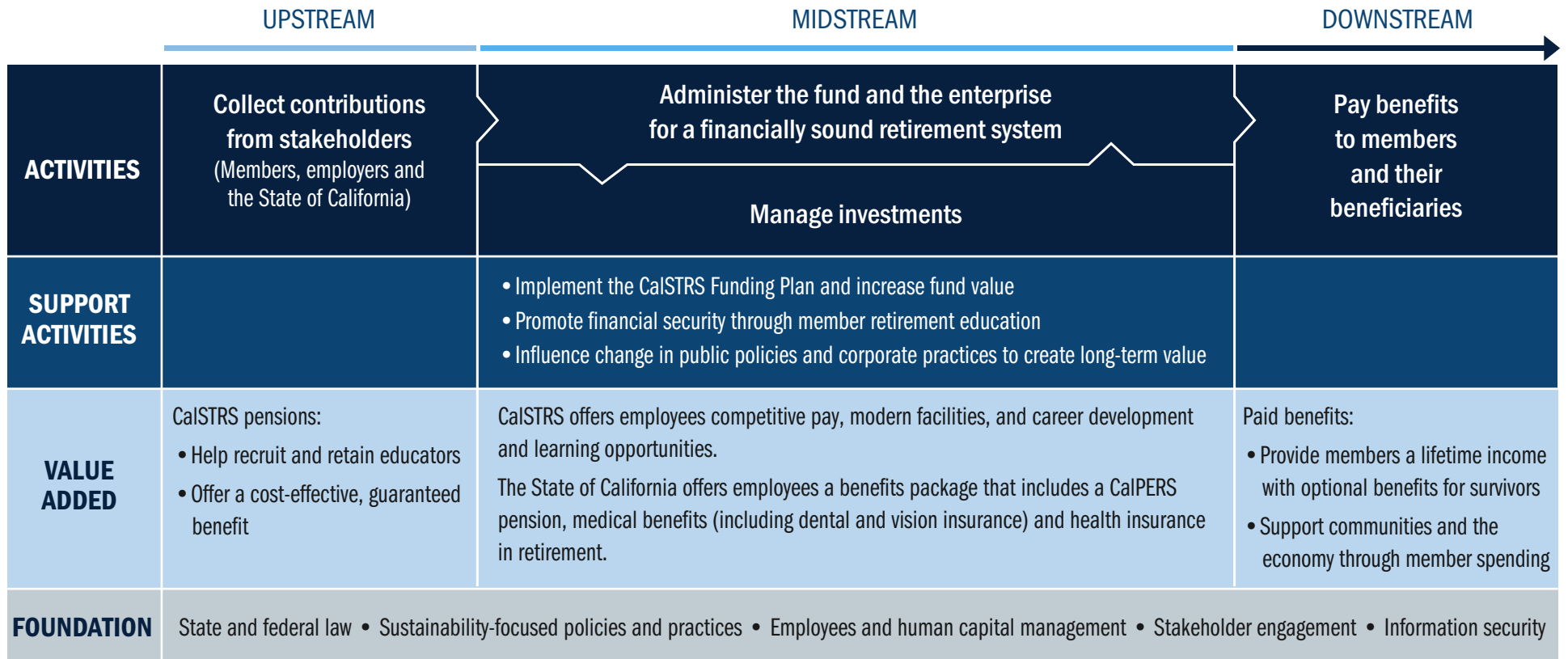


# Stakeholder engagement and topic selection

CalSTRS engages a wide range of stakeholders in conversations related to fund and organizational sustainability. Our value chain map identifies several of our key stakeholders.

## Value chain

The value chain map provides an overview of where an organization maintains operational control. It helps us evaluate strategic decisions, including opportunities for innovation and creating additional services for our members and employees.



## Stakeholder engagement

Our staff has a comprehensive strategy to identify, engage and improve stakeholder communications. We use stakeholder engagement to help identify issues that shape the Teachers' Retirement Board's work plans, our strategic plan and business plan, investment strategies and operations.

Our stakeholders	Topics and concerns	
Active and retired members	<ul style="list-style-type: none"> <li>• Member benefits</li> <li>• Contribution rates</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement security</li> </ul>
Members' employers: School districts, community college districts, county offices of education, regional occupational programs and charter schools	<ul style="list-style-type: none"> <li>• Contribution rates</li> <li>• School funding and budgets</li> <li>• CalSTRS funding status</li> </ul>	<ul style="list-style-type: none"> <li>• Employer reporting</li> <li>• Audits</li> <li>• Pension system technology project</li> </ul>
Labor representatives and member organizations	<ul style="list-style-type: none"> <li>• Member benefits</li> <li>• CalSTRS funding status</li> </ul>	<ul style="list-style-type: none"> <li>• Preserving public pensions</li> </ul>
CalSTRS employees and labor relations	<ul style="list-style-type: none"> <li>• Pay and benefits</li> <li>• Career development</li> </ul>	<ul style="list-style-type: none"> <li>• Employee working conditions</li> </ul>
California Governor's administration, Legislature, Congress and federal regulatory agencies	<ul style="list-style-type: none"> <li>• California budget</li> <li>• CalSTRS funding status</li> <li>• State and employer contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Legislative and regulatory changes</li> <li>• Environmental, social and governance issues</li> </ul>
Investment portfolio companies and asset classes	<ul style="list-style-type: none"> <li>• Investment returns</li> <li>• Investor and shareholder relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Risk mitigation</li> </ul>

## Identifying report topics

To create this report, we identified the enterprise's significant economic, environmental and social impacts. These material topics appear throughout the value chain. They also align with the *CalSTRS 2022-25 Strategic Plan*.

To facilitate the topic identification for this report, we engaged a sustainability consultant who:

- Benchmarked CalSTRS' sustainability-related topics against those reported by pension peers and best-practice organizations.
- Conducted subject-matter expert interviews for each business unit representing members, employers and employee stakeholders.
- Validated the highest-priority topics with our executive sustainability team.

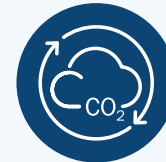
## 2021-22 Sustainability Report topics

CalSTRS identified the following topics as those that represent the enterprise's most significant impacts on the economy, environment and society in fiscal year 2021-22.

### Previous topics remain a priority:



Member retirement education



Path to net zero



CalSTRS Funding Plan progress



Diversity, equity and inclusion

### New topics we identified for reporting:



Privacy and information security



Employees and human capital management



Sustainable operations

## Commitment to improvement update

In our *2020–21 Sustainability Report*, we listed current and planned improvements to our sustainability activities. Here’s our progress:

Activity	Status
Integrate sustainability goals into our <i>CalSTRS 2022–25 Strategic Plan</i> .	<b>Complete</b>
Interview our executive leaders to update our material topics and define sustainability strategy for the next five years.	<b>Complete</b> Modified from a five-year strategy to a three-year strategy to match the Strategic Plan cycle.
Adopt a pledge to achieve net zero greenhouse gas emissions across the CalSTRS Investment Portfolio by 2050 or sooner.	<b>Complete</b> We added an interim target to reduce greenhouse gas emissions across the portfolio by 50% by 2030.
Engage a diversity, equity and inclusion consultant to advance our workforce strategy.	<b>Complete</b>
Evaluate internal corporate policies and practices for greenhouse gas impacts.	<b>In progress</b> We completed an estimated inventory of enterprise greenhouse gases (scopes 1, 2 and 3).

## What’s next?

The sustainability landscape is maturing. In the past, we used the Ceres Roadmap and GRI Standards for guidance on sustainability-related topics and measures.

In fiscal year 2022–23, we are broadening our scope to consider additional frameworks and standards for relevant enterprise environmental, social and governance measures. We will add information on these measures in future sustainability reports.

### Sustainability Roadmap

In alignment with the *CalSTRS 2022–25 Strategic Plan*, we developed a three-year Sustainability Roadmap to advance enterprise sustainability. The roadmap’s activities include:

Activity	Status
Create an enterprise-level value chain map.	<b>Complete</b>
Update topics for the annual <i>Sustainability Report</i> .	<b>Complete</b>
Update sustainability measures using expanded standards and frameworks.	<b>In progress</b>
Report on CalSTRS’ enterprise greenhouse gas emissions and seek reduction opportunities.	<b>In progress</b>

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## Teachers' Retirement Board

As of December 1, 2022. For details on each board member's position, background and committees, see [Board members on CalSTRS.com](#).



**Harry M. Keiley**  
**Board chair**  
**K-12 classroom teacher**  
Term: January 1, 2020–  
December 31, 2023  
Appointing authority: Elected



**Sharon Hendricks**  
**Board vice chair**  
**Community college instructor**  
Term: January 1, 2020–  
December 31, 2023  
Appointing authority: Elected



**Denise Bradford**  
**K-12 classroom teacher**  
Term: January 1, 2020–  
December 31, 2023  
Appointing authority: Elected



**Michael Gunning**  
**Public representative**  
Term: April 26, 2022–  
December 31, 2025  
Appointing authority: Appointed



**Fiona Ma**  
**State treasurer**  
Appointing authority:  
Ex officio member



**William Prezant**  
**Public representative**  
Term: March 26, 2019–  
December 31, 2022\*  
Appointing authority: Appointed



**Joe Stephenshaw**  
**Director of finance**  
Appointing authority:  
Ex officio member



**Ken Tang**  
**School board representative**  
Term: November 4, 2021–  
December 31, 2023  
Appointing authority: Appointed



**Tony Thurmond**  
**State superintendent  
of public instruction**  
Appointing authority:  
Ex officio member



**Jennifer Urdan**  
**Public representative**  
Term: August 12, 2020–  
December 31, 2023  
Appointing authority: Appointed



**Karen Yamamoto**  
**Retiree representative**  
Term: February 13, 2020–  
December 31, 2023  
Appointing authority: Appointed



**Betty Yee**  
**State controller\*\***  
Appointing authority:  
Ex officio member

\*In January 2023, William Prezant was reappointed to the board, and his new term lasts through December 31, 2026. \*\*Malia Cohen became State Controller in 2023 and joined the board as an ex officio member.



## Executive staff

As of December 1, 2022. CalSTRS executive staff is committed to administering the direction set by the Teachers' Retirement Board and is responsible for day-to-day operations of the organization. For details on each executive's position and background, see [Executive staff on CalSTRS.com](#).



**Cassandra Lichnock**  
Chief executive officer



**Christopher J. Ailman**  
Chief investment officer



**Lisa Blatnick**  
Chief operating officer



**Julie Underwood**  
Chief financial officer



**Brian J. Bartow**  
General counsel



**Scott Chan**  
Deputy chief investment officer



**Melissa Norcia**  
Chief administrative officer



**Ashish Jain**  
Chief technology officer



**William "Bill" Perez**  
Chief benefits officer



**Teresa Schilling**  
Chief public affairs officer



## Economic impacts

Part of our mission is to secure the financial future of California's educators. We achieve that goal through member retirement education and ensuring a well-governed, financially sound trust fund.

CalSTRS identified the following topics as those that represent the enterprise's most significant economic impacts in fiscal year 2021-22:

- » Member retirement education
- » CalSTRS Funding Plan progress
- » Privacy and information security

### Why it's important

Helping guide our members to a secure financial future is part of our mission.

Supplemental savings are key to a high quality of life in retirement.

Encouraging our members to start saving early can be challenging because retirement is not always top of mind for new educators.

### What guides us

- **Our core values**
  - » **Customer service:** We never compromise on quality as we strive to meet or exceed the expectations of our customers.
  - » **Trust:** We conduct ourselves with integrity, acting ethically in every endeavor.
- **CalSTRS 2019–22 Strategic Plan objective:** Provide educational opportunities to improve the retirement readiness of our members.

## Member retirement education



### Our approach

Our relationship with our members begins when they first enter the teaching profession and extends through their retirement years. Several factors make our members' financial planning considerations unique:

- As California public school educators, CalSTRS members do not pay into Social Security and will not receive a Social Security benefit for CalSTRS-covered employment.
- CalSTRS members who retired in fiscal year 2021–22 received, on average, 54% of their highest salary.
- The majority of educators are female and live longer than the average U.S. population.



## Member longevity

The majority of CalSTRS members live longer than the average U.S. population, making it essential that they have enough savings to last through retirement.

### CalSTRS members over age 100

As of June 30, 2022

The oldest CalSTRS retiree was 109.76 years old, as of June 30, 2022.

<b>Total members over 100</b>	<b>438</b>
Female	368
Male	70

### Member longevity for CalSTRS vs. other retirement systems

Our members also live longer than members of other retirement systems. Here is the expected longevity for those who retired at age 60 in 2022.

Retirement system	Expected age at death	
	Female	Male
CalSTRS	91	88
CalPERS	88	85
Social Security	86	83

## Our approach (continued)

For CalSTRS members, this means supplemental savings are essential. To help ensure members have access to high quality supplemental savings plans, we offer the CalSTRS Pension2<sup>®</sup> voluntary low-cost 403(b), 457(b), Roth 403(b) and Roth 457(b) plans. We also administer the **403bCompare.com** website, a comprehensive resource that provides cost comparisons for 403(b) supplemental savings plans.

Through publications, webinars, videos and calculators, we inform our members of the importance of saving early and provide retirement planning tools throughout our members' careers. As a complement to our financial education programs, we provide toolkits that explain CalSTRS benefits for our members' employers to use while onboarding new educators.

### Reaching younger members

We engage with early career members to promote better retirement security. Last year, at our new educator event and our financial awareness workshops, we engaged with 50% more young members (44 and younger) compared to the year before, far exceeding our 33% target.

## What's next

*CalSTRS 2022–25 Strategic Plan* objective: Enhance the customer experience to improve engagement and reduce effort.

The *CalSTRS 2022–25 Strategic Plan* maintains our focus on service to our members and, in particular, on enhancing customer experience to improve engagement and reduce effort. We will explore opportunities to optimize our educational services, leveraging trends in technology to align with our members' preferences and expand access to our educational services.

## Members and beneficiaries at a glance

As of June 30, 2022

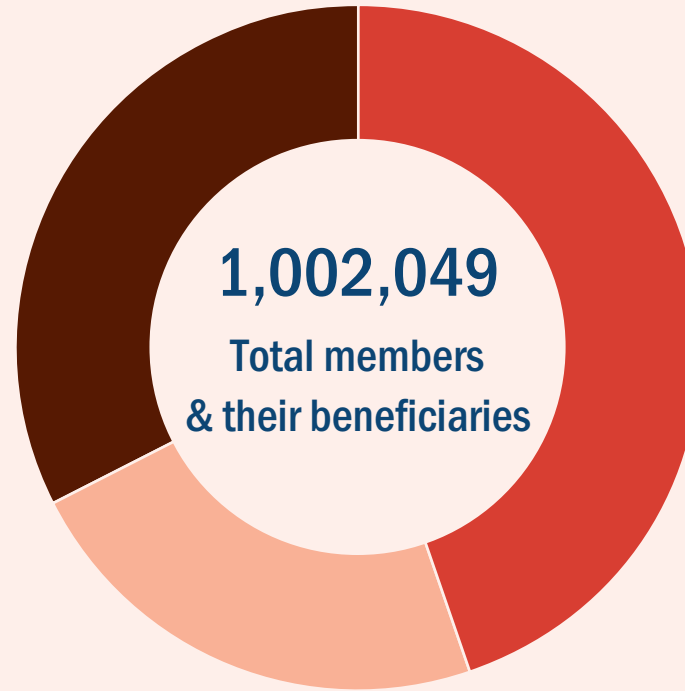


### \$17.4 billion

Benefits paid to members. These include service retirement benefits, disability benefits, survivor benefits and purchasing power supplemental payments.

### \$4,809

Average monthly Member-Only Benefit for those retiring in 2021-22



● **449,418 active members**

More than five years of service credit: 323,828

Less than five years of service credit: 125,590

● **325,468 retirees and their benefit recipients**

● **227,163 inactive members**

More than five years of service credit: 47,044

Less than five years of service credit: 180,119



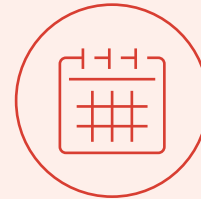
### 11,754

Number of service retirements during the fiscal year



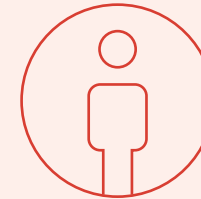
### 59.5%

Percentage of members selecting the Member-Only Benefit



### 24.2

Average years of member service credit



### 63.0

Average member age at retirement



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## CalSTRS Funding Plan progress

### Why it's important

One of CalSTRS' main goals is to ensure a financially sound retirement system for California's public educators and their beneficiaries. Progress toward this goal was made possible in 2014 with the passage of the CalSTRS Funding Plan.

Prior to the adoption of the funding plan, the Defined Benefit Program was expected to run out of assets in about 30 years. As of the June 30, 2021, actuarial valuation, the funded status was 73% funded. We remain on target to be fully funded in 2046.

### What guides us

- As a fiduciary, we act only in the interest of CalSTRS members and their beneficiaries for the purpose of providing benefits.
- **Our core value—Stewardship:** We recognize our fiduciary responsibility as the foundation for all decision-making.
- **CalSTRS 2019–22 Strategic Plan objective:** Achieve full funding of the Defined Benefit Program by June 30, 2046.



### Our approach

The CalSTRS Funding Plan reflects a shared commitment by members, employers and the State of California to fully fund the Defined Benefit Program and ensure the long-term sustainability of CalSTRS.

The funding plan set a measured schedule of contribution rate increases for members, employers and the state with the goal of achieving full funding by 2046. It also provided the board with limited authority to adjust rates to help keep the funding plan on schedule.

The funded status was 73% as of the most recent actuarial valuation, dated June 30, 2021. When the funding plan was adopted in 2014, it was projected at the time that the funded status would be 66.6% on June 30, 2021.

## Significant changes from our last report

In fiscal year 2020–21, CalSTRS earned a 27.2% time-weighted investment return, one of the highest investment returns in our history.

The following year was bumpy for financial markets. In the second half of fiscal year 2021–22, U.S. equity markets were down more than 20%. In July 2022, CalSTRS reported a -1.3% time-weighted investment return for the 2021–22 fiscal year. Although the return was negative, many retirement systems in the U.S. reported returns ranging between -5% to -10% in the same period.

In fiscal year 2021–22 we were ahead of schedule in our goal to reach full funding in the Defined Benefit Program by 2046, under current actuarial assumptions.

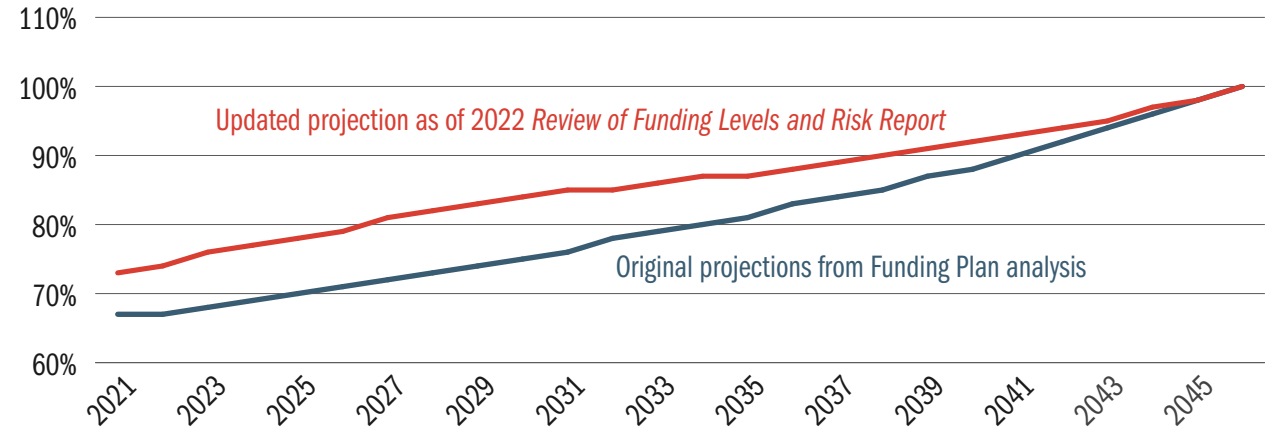
The ability of the funding plan to allow CalSTRS to reach full funding is dependent on us meeting our current actuarial assumptions over the long term. Uncertainty around inflation, investment markets and payroll growth could put pressure on CalSTRS' ability to meet some of our long-term actuarial assumptions.

### Monitoring, reporting on funding progress

We continually monitor the funding plan and financial health of the fund. Formal assessments

## Projected funded status

This assumes the fund will earn 7% every year into the future.



are presented to the board each spring through the annual actuarial valuation report and in the fall through the *Review of Funding Levels and Risks* report. In addition to these two formal reports, we also update the board on the status of various funding-related risks as part of the semiannual enterprise risk management report. These semiannual reports are generally presented in March and September of each year. These activities ensure the board has a thorough understanding of the status of CalSTRS' Defined Benefit Program and the steps and risks associated with maintaining and enhancing the program's financial health.

We are also required by statute to provide a report to the Legislature every five years on the progress of the funding plan. The first progress report was provided to the Legislature in June 2019. The next progress report is due in June 2024.

Another important step in the continued monitoring of the funding plan is our formal review of the actuarial assumptions used to assess funding levels. This helps ensure the actuarial assumptions used to monitor the funding plan are consistent with long-term expectations. This review is performed every four years, and we expect to present our next review to the Teachers' Retirement Board in January of 2024.



## Contribution rates

Based on current projections, contribution rate increases are not anticipated for fiscal year 2023–24.

Contributor	July 1, 2022 (FY 2022–23)	July 1, 2021 (FY 2021–22)	July 1, 2020 (FY 2020–21)
Employers	19.10%	16.92%	16.15%
CalSTRS 2% at 60 members	10.25%	10.25%	10.25%
CalSTRS 2% at 62 members	10.205%	10.205%	10.205%
State of California*	10.828%	10.828%	10.328%

\*Includes 2.5% Supplemental Benefit Maintenance Account contribution rate.

## What's next

*CalSTRS 2022–25 Strategic Plan* objective: Achieve full funding of the Defined Benefit Program by June 30, 2046.

In fiscal year 2022–23, we will focus on continued implementation of the asset allocation targets and planning for the next asset allocation study.

We continue to monitor funding levels, trends in education and member demographics, and actuarial assumptions to ensure the board has the information necessary to manage the current risk environment and to set state and employer contribution rates as needed to reach funding levels.

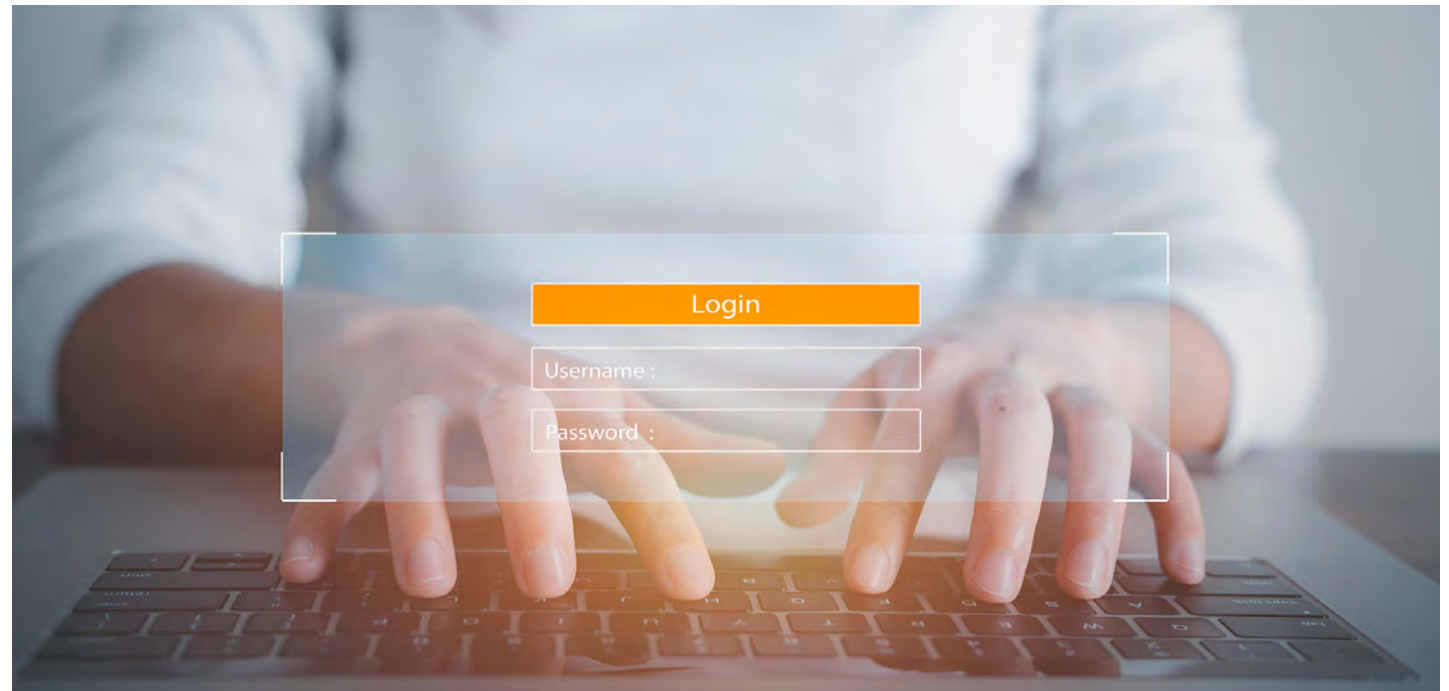
## Why it's important

We ensure data confidentiality and integrity. These efforts improve staff access while increasing automation, efficiently enforcing our information security policies and protecting data.

## What guides us

- **CalSTRS 2019–22**  
**Strategic Plan objectives:**
  - » Secure the confidentiality and integrity of data and member information.
  - » Enhance business resiliency capabilities.

# Privacy and information security



## Our approach

Information security is everyone's responsibility. Protecting data requires technical solutions and human intervention.

CalSTRS has increased our automated management of cybersecurity. We engaged a vendor to implement a governance, risk and compliance product to automate, improve and streamline information-security risk assessments of technology systems and third-party vendors.

It takes more than technology. In 2020, the World Economic Forum reported that 95% of cybersecurity issues can be traced to human error. Steps to improve information security include using strong passwords, teaching users how to identify phishing scams and understanding how data is gathered.





### **Our approach (continued)**

All our employees complete mandatory security training annually. We also conduct internal phishing email exercises and offer refresher training for those who need it.

CalSTRS has no significant breaches of information of customer privacy; complaints from regulatory bodies; or identified leaks, thefts or losses of customer data for fiscal year 2021–22 or prior years.

### **What's next**

*CalSTRS 2022–25 Strategic Plan* objective: Strengthen preparedness capabilities to address change and disruptions.

Information security is always evolving and will remain a high operational priority under the new strategic plan. In the coming year, we will enhance cybersecurity plans and continue to strengthen the confidentiality and integrity of data and member information.





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## Environmental impacts

Climate change is one of the greatest threats to our future—impacting our planet, the environment, the global economy and everyone’s health and safety. We’re taking steps with our net zero action plan to make sure educators can enjoy a secure retirement.

CalSTRS identified the following topics as those that represent the enterprise’s most significant environmental impacts in fiscal year 2021–22:

- » Path to net zero
- » Sustainable operations

### Why it's important

CalSTRS' commitment to achieve net zero greenhouse gas emissions in our portfolio by 2050 or sooner builds on nearly 20 years of influencing global sustainable business practices and public policies.

We are implementing our net zero action plan and continuing to lead and align with the global movement of governments, investors and companies who are addressing climate change.

### What guides us

- **CalSTRS 2019–22 Strategic Plan objective:** Integrate CalSTRS' sustainable investment and stewardship strategies, which support long-term value creation and educate and inform interested parties.
- Implement the board's Low-Carbon Transition Work Plan and net zero pledge to integrate climate risks and opportunities in the portfolio.

## Path to net zero



See our *Path to Net Zero* video for details on our net zero portfolio commitments.

## Our approach

CalSTRS' approach to managing climate change risk to our portfolio involves a coalition of the world's governments, businesses, investors and communities. While approaches to climate change vary, ours is aligned with the international, science-based goals of the Paris Climate Agreement and the United Nations' Race to Zero campaign.

In September 2021, the Teachers' Retirement Board committed CalSTRS to a net zero portfolio by 2050 or sooner to guard against the worst impacts of climate change, preserve a livable planet and enhance the long-term value of our investments. Net zero means the amount of greenhouse gases emitted by humans is offset by the amount taken away, either by natural means such as forests, or by technology such as carbon capture and storage.

## Additional measures to achieve net zero

In 2022, the Teachers' Retirement Board set four additional measures to achieve net zero:

1

Reduce greenhouse gas emissions across the CalSTRS Investment Portfolio by 50% by 2030

2

Incorporate a comprehensive analysis of greenhouse gas emissions into investment decisions

3

Target 20% allocation of the Public Equity Portfolio to a low-carbon index to reduce emissions

4

Integrate climate scenarios into asset-liability modeling framework to help guide investment allocations

## Our approach (continued)

In the first half of 2022, we established baselines that identified:

- The amount of greenhouse gas emitted from the companies in which we invest.
- Standards we encourage corporations to use when disclosing their alignment with a net zero economy.

We report our net zero efforts and climate-related activities at [CalSTRS.com](https://www.calstrs.com). See our [Path to net zero](#) page for our path, framework and recent activities.

For more information, read *Fulfilling our mission while addressing climate change* fact sheet and our *Addressing Climate-Related Financial Risk Report*.

## What's next

We will focus on achieving net zero portfolio emissions by 2050 or sooner through our comprehensive strategy and a series of short-term goals focused on reducing emissions, investing in climate solutions and accelerating the global economic shift to net zero.

The *CalSTRS 2022-23 Business Plan* contains initiatives and activities aligned with the board's low carbon transition and net zero pledge.

Key activities in 2022-23:

- Reduce portfolio emissions in a phased manner over time.
- Escalate corporate and policy-related engagement activities in the broader economy.
- Define low-carbon investments and opportunities to increase investments that meet our risk-return goals.



## Why it's important

CalSTRS promotes stewardship of our natural resources and engagement with our stakeholder community.

We're aligning the enterprise sustainability strategies with the Investments Branch's sustainability strategy of a low-carbon transition and net zero pledge.

## What guides us

- **CalSTRS 2021-22 Business Plan initiative:** Advance CalSTRS' Corporate Sustainability Program as an industry leader.
- **Executive order SB 1203:** Net-zero emissions of greenhouse gases for state agency operations.

# Sustainable operations



## Our approach

We engaged a sustainability expert to evaluate our sustainability program and benchmark it against peer and premier sustainability organizations. We established a path to align enterprise and investment sustainability efforts and developed a three-year plan for advancing the CalSTRS Corporate Sustainability Program.

In 2021, we started aligning the investment and enterprise sustainability strategies. Following the net zero pledge for the portfolio, we're striving to become a leader among pension funds by creating a comprehensive inventory of our enterprise greenhouse gas emissions.

## Greenhouse gas protocol scopes and emissions across the value chain

California state agencies are required to report scope 1 (direct emissions from gas and fuel) and scope 2 greenhouse gas emissions (indirect emissions from electricity) annually in the Climate Registry Information System, which we have done since 2005.

Scope 3 indirect emissions come from upstream supply chain and downstream end-use activities. Previously, CalSTRS has reported on scope 3 emissions from one upstream category, business travel, in the Climate Registry Information System and our annual sustainability report.

In 2021, we engaged a sustainability consultant to help inventory our enterprise emissions, excluding the portfolio. The preliminary inventory includes:

- Calculating scope 1 and 2 emissions using standard models for fuel consumption and utility billing.
- Estimating relevant scope 3 categories based on models from the U.S. Environmental Protection Agency and the World Resources Institute’s Greenhouse Gas Protocol.

The inventory found procurement for services, an upstream scope 3 category, was the greatest

### Headquarters greenhouse gas emissions, scopes 1 and 2

We report enterprise emissions for our West Sacramento headquarters annually for the prior calendar year. In 2021, CalSTRS reduced our enterprise scope 1 and 2 emissions relative to the previous year. However, we purchased fewer renewable energy certificates due to a price increase, resulting in higher net emissions compared with 2020.

Scope	Metric tons CO <sub>2</sub> e		
	2021	2020	2019
<b>Total net scope 1 and 2 emissions (headquarters)</b>	<b>374</b>	<b>124</b>	<b>180</b>
Scope 1: Fuel	108	124	164
Scope 2: Electricity	864	919	1,099
Scope 2 net after purchased renewable energy certificates applied	266	0	16

contributor to the enterprise’s estimated greenhouse gas emissions. We recognize that an estimated inventory is a starting point. We will refine our reporting using available data models while expecting emissions calculation methodologies to improve over time.

Our efforts to refine our enterprise GHG assessments will help us comply with Senate Bill 1203 (Chapter

368, Statutes of 2022). The bill declared the intent of the Legislature that state agencies aim to achieve zero net emissions of greenhouse gases resulting from their operations by January 1, 2035, or as soon as possible thereafter. Each state agency will be required to publish a plan that describes its current greenhouse gas inventory for scopes 1 and 2 and its planned actions for achieving net zero emissions.

## 2021–22 Headquarters activities

CalSTRS’ environmental performance is driven by our commitment to sustainability and stewardship of natural resources. We comply with State of California Executive Orders B-18-12 and N-19-19 for state facilities, regulations from CalRecycle and certification guidelines for LEED v4.1. We regularly monitor performance and communicate results internally and to the State of California.

### LEED, WELL and Energy Star

In 2020, CalSTRS Headquarters in West Sacramento was proudly recertified as LEED v4.1 Operations and Maintenance Platinum based on performance

scores across five categories: energy, water, waste, transportation and human experience. CalSTRS will recertify in 2023.

As a response to the pandemic, CalSTRS pursued the WELL Health-Safety Rating for Facility Operations and Management. We successfully received this rating in December 2021 and are in the process of recertifying. The rating empowers building operators to take the necessary steps to prioritize the health and safety of staff and visitors.

Additionally, we certified an Energy Star rating of 100 out of 100 in 2021.

## Headquarters environmental performance

Category	FY 2021–22	FY 2020–21	FY 2019–20
<b>Energy</b>			
Electricity (kWh)	4,092,212	3,840,726	4,545,158
Natural gas (therms)	25,578	15,041	24,962
<b>Water (gallons used)</b>	3,378,260	2,715,801	4,873,108
<b>Waste diversion</b>	94%	98%	86%
<b>Alternative transportation (% employees, contractors using)</b>	44%	51%	34%
<b>Environmentally preferred purchasing</b>	51%	70%	57%



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## Headquarters expansion

We are expanding our West Sacramento headquarters campus with five floors of office space. The entire campus is designed to support sustainable green building practices, including sustainable construction, energy conservation and whole-building integrated energy efficiency measures with onsite renewable energy generation. The campus will continue to foster employee wellness through a second fitness center to promote physical activity; a second café to provide healthy, locally sourced food; day care services for infants, toddlers and preschoolers; abundant natural light sources; flexible space to accommodate various working styles; and sit-stand desks and active stairwells to encourage movement.

Scheduled to be completed in summer 2023, the project is financed through tax-exempt lease-revenue green bonds issued through a conduit issuer, the California Infrastructure and Economic Development Bank.



## What's next?

*CalSTRS 2022–25 Strategic Plan, Goal 3: Sustainable organization*

- Objective: Integrate and align environmental, social and governance principles across the organization.

Now that CalSTRS has an estimated inventory of enterprise greenhouse gas emissions, we will:

- Refine enterprise scope 3 data and reporting, focusing on procurement of services.
- Develop a management plan to operationalize greenhouse gas data tracking and seek reduction opportunities.



## Social impacts

Our employees are the source of our success. We're shaping a resilient workforce that reflects fully integrated diversity, equity and inclusion practices.

CalSTRS identified the following topics as those that represent the enterprise's most significant social impacts in fiscal year 2021-22:

- » Employees and human capital management
- » Diversity, equity and inclusion

### Why it's important

CalSTRS is dedicated to sustaining and investing in the development of our most valuable asset—our employees—to continue to build a strong, adaptable and diverse workforce to serve our members, California's educators.

### What guides us

**CalSTRS 2019–22 Strategic Plan:** Develop board and staff competencies to respond to changing business environments.

## Employees and human capital management



### Our approach

As CalSTRS transitioned to a hybrid work model, we needed to ensure our leaders and staff had the tools to be successful. In fiscal year 2021–22, we completed a mission-critical succession planning initiative and developed training and tools for our remote workforce. Our focus on succession planning ensures business continuity. By constantly developing an organizationwide talent pool, we can manage inevitable transitions smoothly and effectively.

Our staffing needs are growing as we focus on modifying and replacing technological systems and managing more investment assets in-house. These changes will increase the complexity of operational and administrative support, expand the need for support staff, impact space needs, and affect costs involved with recruiting, onboarding and training new workers.

Investing in leadership and staff development and succession management is crucial to our long-term performance, growth and continued success in fulfilling our mission. Leadership development continues to be a key component in achieving enterprisewide strategic goals, maintaining optimal business operations and cultivating an engaged and diverse workforce.

## Employee demographics for fiscal year 2021–22

As of June 30, 2022. A record of employee information is stored in the CalSTRS Demographics Database.

	Total	Female	Male
Total employees	1,269	742	527
Total full-time employees	1,258	734	524
Total part-time employees	11	8	3

### Employee diversity statistics

Total staff as of July 1, 2022. Does not total 100% due to rounding.

	American Indian or Alaska Native	Asian	Black or African American	Hispanic	Pacific Islander	White	Multiple	Undeclared	Total
Total employee diversity	11	348	71	206	12	567	4	50	1,269
% of CalSTRS	0.9%	27.4%	5.6%	16.2%	0.9%	44.7%	0.3%	3.9%	99.9%
<b>Employee diversity by level</b>									
Supervisor/senior leader	1	61	10	39	2	160	1	8	282
Rank and file	10	246	53	148	9	316	3	39	824
Specialist	0	41	8	19	1	91	0	3	163

The data capture methodology for ethnicity changed as of March 2022. We capture ethnicity data in detail. Several ethnicity categories have been combined to align with data in the *2020–21 Sustainability Report*.

- **Asian:** Staff who identified as Asian, Cambodian, Chinese, Filipino, Indian, Japanese, Korean, Laotian, Vietnamese or another Asian ethnicity.

- **Hispanic:** Staff who identified as Hispanic, Hispanic or Latino, Mexican, Mexican-American, Chicano or Puerto Rican.
- **Pacific Islander:** Staff who identified as Pacific Islander, Guamanian, Native Hawaiian, Samoan or another Pacific Islander ethnicity.

## What's next

The *CalSTRS 2022–25 Strategic Plan* prioritizes supporting a sustainable hybrid workforce. In the coming year, our focus will turn to assessing our anticipated staffing needs and ensuring we have the tools, processes and infrastructure to support our workforce. We also remain focused on attracting and retaining top talent.



# Diversity, equity and inclusion

## Our approach

Diversity, equity and inclusion are a fundamental part of CalSTRS culture. Diversity includes the various ways people differ from one another, visible and not.

### Why it's important

We participate in diversity and inclusion efforts in our organization and across the investment management industry. We also promote diversity on the corporate boards of the companies where we invest.

Our internal approach to diversity, equity and inclusion focuses on CalSTRS culture, increasing inclusion and creating a workplace where all staff are treated with respect and feel like they belong. Efforts focus on addressing competence, dignity, organization development and social justice.

### What guides us

- **Our core value—Strength:** We ensure the strength of our system by embracing a diversity of ideas and people.
- **CalSTRS 2021–22 Business Plan:** Assess diversity, equity and inclusion efforts and advance toward incorporating principles into all CalSTRS practices.
- **CalSTRS Corporate Governance Principles:** Diversity in board composition in the companies we invest in is critical for company boards to properly oversee management, business strategy and risk mitigation. Company boards should be composed of diverse individuals with the skills, education, experiences, expertise and personal qualities appropriate for the company's current and long-term business needs.
- **Executive Order N-16-22:** Directs California state agencies and departments to take additional actions to embed equity analysis and considerations in their mission, policies and practices.







## Adding equity to the equation

Our internal Inclusion Council is made up of a diverse group of staff. The council has executive sponsorship from Chief Administrative Officer Melissa Norcia and meets monthly as part of an effort to create positive, inclusionary change.

In 2022, the Inclusion Council worked to add equity to our existing diversity and inclusion efforts to grow and advance our initiatives. To define what equity means to CalSTRS, the council looked at best practice organizations, legal definitions and other private and public state agencies' definitions and policies.

CalSTRS has engaged a consultant to continue efforts along with the Inclusion Council on incorporating the work into a larger diversity, equity and inclusion strategic roadmap in 2023.

## Diversity in investments

Investments Branch staff participate on the Chartered Financial Analyst Institute Inclusion and Diversity Steering Committee; TOIGO Board of Directors; Milken Institute DEI in Asset Management Executive Council; and Institutional Limited Partners Association Diversity, Equity and Inclusion Advisory Council.

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We completed deliverables required by Assembly Bill 890 (Cervantes), which includes the Teachers' Retirement Board adopting definitions related to diverse and emerging managers. Starting March 1, 2023, the bill requires CalSTRS to submit an annual report to the Legislature regarding participation of emerging or diverse asset managers in our portfolio.

We also published the annual *Diversity in the Management of Investments* report.

## What's next

CalSTRS continues to prioritize diversity, equity and inclusion internally and in our engagements with other companies, which is reflected in our latest strategic and business plans.

The *CalSTRS 2022–25 Strategic Plan* prioritizes a workforce that reflects fully integrated diversity, equity and inclusion practices.

The *CalSTRS 2022–23 Business Plan* sets an initiative and key activities to further incorporate diversity, equity and inclusion into our practices. We will conduct an assessment and create a roadmap of actions with our DEI consultant. In addition, we will continue promoting diversity, equity and inclusion principles through our communication channels.

# Global Reporting Initiative content index

Disclosure	Location of information or response
<b>STATEMENT OF USE</b>	CalSTRS has reported the information cited in this GRI content index for the period July 1, 2021, through June 30, 2022, with reference to the GRI Standards.
<b>GRI 1 USED</b>	GRI 1: Foundation 2021

Disclosure	Location of information or response
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	
2-1 Organizational details	<p>CalSTRS, the California State Teachers' Retirement System, is a component unit of the State of California. The headquarters is located at 100 Waterfront Place, West Sacramento, CA, 95605. Operations are within the state of California, United States of America.</p> <p>In fiscal year 2021–22, CalSTRS operated member service centers in Fresno, Glendale, Irvine, Riverside, San Diego, Santa Clara and West Sacramento.</p>
2-2 Entities included in the organization's sustainability reporting	<p>CalSTRS is a single entity as a component unit of the State of California. We publish several reports to convey the sustainability progress of CalSTRS: <i>CalSTRS Annual Comprehensive Financial Report</i>, <i>CalSTRS Popular Annual Financial Report</i>, <i>Addressing Climate-Related Financial Risk Report</i>, <i>Sustainability Report</i> and <i>Diversity in the Management of Investments Report</i>, all of which are available at <a href="https://www.calstrs.com">CalSTRS.com</a>.</p> <p>The <i>Sustainability Report</i> provides enterprisewide reporting on economic, environmental and social information based on GRI Standards.</p> <p>The <i>Addressing Climate-Related Financial Risk Report</i> is provided in response to California Senate Bill 964 (Allen), which mandates the CalSTRS report to the California Legislature every three years on our efforts to measure and manage climate risk in our public market investment portfolio. The report focuses on our investment-related activities addressing climate risk across the fund, including proxy voting, corporate engagement and investment in climate solutions.</p>
2-3 Reporting period, frequency and contact point	<p>This annual report is for the fiscal year July 1, 2021, through June 30, 2022, which aligns with the 2022 <i>CalSTRS Annual Comprehensive Financial Report</i> period. Information in this report that falls outside the fiscal year is noted. This <i>Sustainability Report</i> was published in February 2023.</p> <p>For questions regarding this report, email <a href="mailto:Sustainability@CalSTRS.com">Sustainability@CalSTRS.com</a>.</p>
2-4 Restatements of information	This report does not include restatements of information from previous reporting periods.
2-5 External assurance	<p>CalSTRS strives to provide accurate, transparent information regarding our performance.</p> <p>The CalSTRS Internal Audit Services team performed an independent and objective review of the information submitted in this report and has provided a limited level of assurance over measurable statements and facts.</p> <p>Information from the financial statements and related notes of the <i>CalSTRS Annual Comprehensive Financial Report</i> are audited by an independent auditor.</p>
2-6 Activities, value chain and other business relationships	<p>CalSTRS is a public-sector component of the State of California. CalSTRS provides retirement, disability and survivor benefits for full-time and part-time California public school educators through a hybrid retirement system consisting of the Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs, and a voluntary defined contribution plan called CalSTRS Pension2. See <a href="https://www.calstrs.com/understand-your-benefits">CalSTRS.com/understand-your-benefits</a> for details.</p> <p>Page 9, Value chain</p>
2-7 Employees	Page 33, Employee demographic for fiscal year 2021–22

Disclosure	Location of information or response
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	
2-8 Workers who are not employees	Workers who are not employees are contract-based for specialized projects, such as the replacement of our pension administration system, or perform ongoing services and include staff for our building operations, security, custodial services and café.
2-9 Governance structure and composition	<p>Page 13, Teacher’s Retirement Board</p> <p>CalSTRS is administered by our 12-member Teachers’ Retirement Board. The board sets the policies, makes rules for the system and is responsible for ensuring benefits are paid in accordance with law. The board is a fiduciary and acts only in the interest of CalSTRS members and their beneficiaries for the purpose of providing benefits. For details on each board member’s position, background and committees, see <b>Board members on CalSTRS.com</b>.</p> <p>The board has six standing committees: Appeals, Audits and Risk Management, Benefits and Services, Board Governance, Compensation, and Investment. The committees responsible for decision-making on environmental, economic and social issues include:</p> <p><b>Audits and Risk Management:</b> Assists the board in fulfilling its fiduciary oversight responsibilities for financial reporting, risk management framework, internal control, compliance, internal audit, external audit of the financial statements and engagements with other external firms.</p> <p><b>Compensation:</b> Provides oversight to our compensation policies and plan that support the successful recruitment, development and retention of talent to meet our business objectives.</p> <p><b>Investment:</b> Oversees all matters relating to the investment of our assets and investment management. The committee is charged to oversee our assets for the exclusive purpose of providing benefits to our members and their beneficiaries and to maximize financial stability in an efficient and cost-effective manner.</p>
2-10 Nomination and selection of the highest governance body	<p>The board chair is selected by the board from its 12 members and is not a CalSTRS senior executive. The election of the board chair and vice-chair is held at the regularly scheduled board meeting in May of each calendar year as the first agenda item.</p> <p>The <i>Teachers’ Retirement Board Governance Manual</i> on CalSTRS.com contains information on election and committee selection processes.</p>
2-11 Chair of the highest governance body	Harry M. Keiley serves as board chair.
2-12 Role of the highest governance body in overseeing the management of impacts	<p>The board and CalSTRS executives partner to set a future vision and maintain the organization’s mission, vision and core values. The board adopts the strategic plan and aligns the board and committee work plans to it. One of the three key strategic areas of focus on the <i>CalSTRS 2022–25 Strategic Plan</i> is sustainability. The CEO seeks input from internal and external stakeholders and monitors implementation, promptly informing the board of any obstacles to progress. The CEO also provides an annual progress report to the board.</p> <p>In addition to overseeing strategic objectives related to sustainability, the board’s Investment Committee monitors compliance with applicable investment policies and investment resolutions, including those regarding environmental, social and governance risks. The committee reviews emerging and significant risks within its area of responsibility and reports those risks to the board.</p> <p>The board hears from members of the public through its board meetings, and the board considers most investment matters in open session unless it would jeopardize execution of the investment or cause harm to the economic value of the investment.</p> <p>The Board Governance Committee oversees the effectiveness of those processes to ensure policies are current and that CalSTRS’ actions are compliant with such policies. The policies in the <i>Teachers’ Retirement Board Governance Manual</i> are reviewed at least once every three years.</p>

Disclosure

Location of information or response

**GRI 2: GENERAL DISCLOSURES 2021**

**2-13** Delegation of responsibility for managing impacts

CalSTRS adopted and publicly discloses our Corporate Governance Principles. These include a sustainability principle that states our belief that environmental, social and governance issues can affect the performance of our investments. Investments staff engage with companies we invest in to ensure they are sustainable and have considered and addressed all risks that could affect the livelihood of the business. We use our CalSTRS ESG Risk Factors as a tool when evaluating existing and new investments.

As a significant investor with a long-term investment horizon, the success of CalSTRS is linked to global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the fund. As an active owner, we incorporate ESG into all our ownership policies and practices.

The board’s Investment Committee is responsible for monitoring the compliance of CalSTRS’ investments with applicable investment policies and investment resolutions, including those regarding environmental, social and governance risks and the system’s investment policies. The Investment Committee receives regular updates from each asset class director and the chief investment officer twice annually.

**2-14** Role of the highest governance body in sustainability reporting

The *Sustainability Report* is presented annually to the board by the CEO. The process of reviewing and approving the information contained in this report, including the selection of material topics, is delegated to the CEO. The CEO is a co-sponsor of the Enterprise Sustainability team.

Decisions related to the material topics are part of the Teachers’ Retirement Board’s normal business and the strategic planning process. Key information relating to the material topics are shared informationally or action is taken during regular board meetings or committees.

Report topic	Board committee responsible
Member retirement education	Benefits and Services Committee
CalSTRS Funding Plan progress	Regular meeting
Privacy and information security	Regular meeting (closed sessions)
Path to net zero	Investment Committee
Sustainable operations, specifically headquarters expansion	Regular meeting
Employee management	Regular meeting (open and closed sessions)
Diversity, equity and inclusion	Regular meeting and Investment Committee

**2-15** Conflicts of interest

All Teachers’ Retirement Board members are subject to the disclosure and reporting requirements of our Conflict of Interest Code and Fair Political Practices Commission regulations. Any board member that receives a gift, honoraria, or travel expenses (paid or reimbursed) or the actual transportation and related lodging and subsistence from any third party other than either CalSTRS or the State of California has the responsibility to determine whether the receipt of the same must be disclosed and reported. See the *Teachers’ Retirement Board Governance Manual*, Conflicts of interest section for details.

Disclosure	Location of information or response
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	
2-16 Communication of critical concerns	<p>During board meetings, issues of critical concern can be addressed in open or closed session.</p> <p>The board limits the business it conducts in closed session to those matters specifically authorized by the Bagley-Keene Act. Pursuant to the act, matters properly considered in closed session include conferring with or receiving advice from legal counsel regarding pending litigation when discussion in open session concerning those matters would prejudice the position of the board in the litigation or on matters relating to security threats and privacy.</p> <p>The board is prohibited from discussing the content of a closed session matter in public session. However, notice of the general nature of a closed session matter is reported to the public prior to any action being taken. If the closed session matter involves the appointment, employment or dismissal of a public employee, any action taken is required to be reported publicly at a subsequent public meeting.</p>
2-17 Collective knowledge of the highest governance body	<p>The <i>Teachers' Retirement Board Governance Manual</i> contains information on board education policy and onboarding new members. The board receives ongoing education including educational conferences, in-house education sessions, annual fiduciary education and state ethics training. Ongoing education for ESG topics includes sharing best management practices with pension peers and ESG board training. Additionally, select board members serve on the boards of Ceres and Principles for Responsible Investment.</p>
2-18 Evaluation of the performance of the highest governance body	<p>It is best practice for public retirement boards of trustees and corporate boards of directors to regularly set aside time to candidly discuss the boards' performance and make continuous improvements in board governance. The Teachers' Retirement Board engages in self-evaluation to assess how well it is carrying out its fiduciary and statutory responsibilities and to continually refine its governance practices.</p> <p>The chair and vice-chair of the board are jointly responsible for implementing this policy. They decide on the method and criteria used to evaluate the board's performance and may seek advice and assistance from the board's governance consultant. All trustees are responsible for taking part in the self-evaluation.</p> <p>See the <i>Teachers' Retirement Board Governance Manual on CalSTRS.com</i> for details.</p>
2-19 Remuneration policies	<p>The board Compensation Committee is responsible for ensuring the compensation program is properly designed to support organizational objectives. The committee also develops for board adoption administrative procedures that document the compensation plan and administrative procedures based on the board's compensation philosophy.</p> <p>The board adopted our compensation program for executive management and Investments Branch staff, which is designed to be internally equitable, externally competitive and incentive-based. The Compensation Program consists of the following: base pay, incentive pay, recruitment pay differential, educational incentive and relocation.</p> <p>See the <i>Teachers' Retirement Board Governance Manual on CalSTRS.com</i> for details.</p>
2-20 Process to determine remuneration	<p>The board has a duty to direct and carefully monitor the CEO's and CIO's performance. The board sets direction cyclically through adopting established criteria and evaluating results against those criteria. See the <i>Teachers' Retirement Board Governance Manual on CalSTRS.com</i> for details.</p> <p>All California civil service classes have salary ranges with minimum and maximum rates. After each 12 months of satisfactory performance, employees receive a 5% merit salary adjustment until they reach the maximum salary for the class. See <a href="http://AboutSalaries.CalHR.ca.gov">About salaries on CalHR.ca.gov</a> for details.</p>
2-21 Annual total compensation ratio	<p>Data is being vetted internally with the intent to meet GRI's Universal Standards disclosure requirements in the next reporting cycle.</p>



Disclosure	Location of information or response
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	
2-22 Statement on sustainable development strategy	<p>Page 4, A message from CEO Cassandra Lichnock</p> <p>Page 11, Identifying report topics</p> <p>2-12 Role of the highest governance body in overseeing the management of impacts</p> <p>2-13 Delegation of responsibility for managing impacts</p> <p>2-23 Policy commitments</p>
2-23 Policy commitments	<p>Consistent with its fiduciary responsibilities, the board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for sustainability in their operations. As an active owner, CalSTRS incorporates environmental, social and governance actions into its ownership policies and practices. Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity decade after decade, short-term gains at the expense of long-term gains are not in the best interest of the fund. Sustainable returns over long periods are in the economic interest of the fund. Conversely, unsustainable practices that hurt long-term profits are risks to the CalSTRS Investment Portfolio.</p> <p>To assist CalSTRS staff and external investment managers in their investment analysis and decision-making, CalSTRS developed a list of <b>ESG Risk Factors</b>, which includes respect for human rights, that should be included within the financial analysis of any investment decision.</p>
2-24 Embedding policy commitments	<p>For passive index strategies, CalSTRS uses the ESG Risk Factors to guide engagement activities. The ESG list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction or engagement. However, they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for any CalSTRS investment or engagement in any asset class.</p> <p>CalSTRS expects all investment managers, both internal and external, to assess the risk of each of the ESG factors when making an active investment. The investment manager needs to balance the rate of return with all the risks, including consideration of the specific investments exposure to each factor in each country in which that investment or company operates. <b>A list of our investment policies is available on CalSTRS.com.</b></p>
2-25 Processes to remediate negative impacts	<p>The CalSTRS Office of the Ombuds assists in resolving problems and conflicts that are not solved through the usual CalSTRS communication channels. The ombuds is a resource for members with CalSTRS-related concerns seeking assistance with resolving problems, disputes or complaints. As an advocate for CalSTRS members, the ombuds provides independent, impartial, confidential and informal assistance to those who contact the office.</p> <p>The ombuds provides upward feedback to leadership to proactively address service-delivery questions, concerns and issues. The ombuds office serves as a valuable early warning system for CalSTRS to identify trends and systemic matters to help leadership successfully manage risk. For details, see the <b>2021–22 Annual CalSTRS Ombuds Report</b>.</p> <p>Additionally, members may appeal the determination by CalSTRS staff of a right to a benefit or obligation. The California Education Code authorizes CalSTRS to hold a hearing for the purpose of determining any question presented to it involving any right, benefit or obligation.</p> <p>The regulations govern the process that occurs before a hearing is held by CalSTRS. The regulations reflect a structure that guides the member through an administrative remedy process and are designed to assist the member in moving their request or contention forward within CalSTRS.</p> <p>The board’s Appeals Committee is a dedicated body to hear, deliberate upon and decide appeals of system determinations pursuant to the Administrative Procedure Act. See the <b>Teachers’ Retirement Board Governance Manual on CalSTRS.com</b>.</p>

Disclosure

Location of information or response

**GRI 2: GENERAL DISCLOSURES 2021**

2-26	Mechanisms for seeking advice and raising concerns	<p>CalSTRS is committed to providing a professional work environment free from discrimination, harassment and retaliation. Our commitment to Equal Employment Opportunity applies to all aspects of employment and employment-related decisions including hiring, placement, assignment, promotion, transfer, demotion, layoff, reinstatement, recruitment, compensation, benefits, training, adverse action, termination and general treatment during the course of employment.</p> <p>If a person believes someone has violated the EEO policy, they can contact a manager, Human Resources, or the EEO officer by phone or email. They may also report a concern anonymously by submitting a written complaint to the EEO officer by mail.</p> <p>Employees in certain bargaining units may have additional options to raise workplace concerns through the grievance process.</p> <p>The <b>Compliance and Ethics Hotline</b> provides a forum for our employees and external stakeholders to anonymously report irresponsible, noncompliant or unethical activity by CalSTRS staff and contractors performing services on behalf of CalSTRS. Reporters can call a toll-free number or use a website to file a confidential and anonymous report. In addition, reporters can choose to discuss the situation with a manager or Human Resources.</p> <p>The Compliance and Ethics Hotline is supported by an independent, third-party administrator to ensure anonymity. The hotline is available 24 hours a day, 365 days a year.</p> <p>The Compliance and Ethics Hotline is separate and independent of the State Auditor’s enforcement of the California Whistleblower Protection Act, which authorizes the California State Auditor to receive complaints from state employees and members of the public regarding improper governmental activity.</p>
2-27	Compliance with laws and regulations	<p>CalSTRS is a state governmental pension plan that administers the Teachers’ Retirement Law and is exempt from the federal Employee Retirement Income Security Act (ERISA). As an enforcement agency, CalSTRS is not subject to fines, whether criminal or civil, or nonmonetary sanctions regarding the application of the Teachers’ Retirement Law. As for significant instances of noncompliance outside of the Teachers’ Retirement Law, CalSTRS does not have any information to report. If CalSTRS does have information to report in this regard, it will be presented to the board at a publicly noticed meeting.</p>
2-28	Membership associations	<p>Members of the Teachers’ Retirement Board and CalSTRS staff hold strategic leadership roles in several organizations and in the creation of an engagement framework critical to the advancement of sustainable principles. These include Ceres, Climate Action 100+, Council of Institutional Investors, Human Capital Management Coalition, Institutional Investors Roundtable, the Principles for a Responsible Civilian Firearms Industry, Principles for Responsible Investment and the Thirty Percent Coalition.</p>
2-29	Approach to stakeholder engagement	<p>Page 10, Stakeholder engagement</p>
2-30	Collective bargaining agreements	<p>As of June 30, 2022, 65% of our 1,269 employees were covered by bargaining units.</p> <p>Collective bargaining agreements, also called memoranda of understanding, between employee organizations (unions) and the state define wages, hours and conditions of employment affecting employees assigned to one of the state’s 21 bargaining units.</p> <p>Employees designated managerial, supervisory, confidential or other excluded designations are not covered by collective bargaining agreements. CalHR is responsible for defining wages, hours and conditions of employment for these employees.</p> <p>See details on collective bargaining at <a href="#">Where do I fit in? at CalHR.ca.gov</a>.</p>



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