

Progress on the path to net zero

CalSTRS is moving forward on its pledge to achieve a net zero investment portfolio by 2050 or sooner by developing governance structures for making key decisions, reaching out to trusted investment partners to assess the market landscape around net zero, establishing baseline measurements on portfolio emissions and investing in low-carbon strategies.

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.

CalSTRS updated the Teachers' Retirement Board on [the progress of "year one" net zero goals](#) at the May 2022 meeting, which included the following highlights:

- **Public markets emissions measurements.** CalSTRS created a "public markets working group" to bring together leadership and net zero team members from the public asset classes so they could work more closely on such topics as emissions measurements and possible pathways to emissions reductions. Measuring public-asset emissions gives CalSTRS a baseline to identify reduction targets.



continued on next page



Board reelects chair Keiley, vice chair Hendricks

The Teachers' Retirement Board reelected Harry M. Keiley as chair and Sharon Hendricks as vice chair for the fiscal year 2022–23 term.

This is the third consecutive year Keiley and Hendricks are serving as chair and

vice chair. In the 2019–20 term, Hendricks was chair and Keiley was vice chair.

Keiley is a high school teacher with the Santa Monica-Malibu Unified School District and was elected to the board in 2007. He has served as the president of the Santa Monica-Malibu Classroom Teachers Association and chair of the California Teachers Association Political Involvement Committee.

Hendricks is a communications studies instructor with the Los Angeles Community College District and was elected to the board in 2011. She also serves on the board of the Principles for Responsible Investing, a global organization focused on incorporating environmental, social and governance (ESG) factors in investment decisions and active ownership.

New assignments for individual board committees, which includes the Audits and Risk Management, Appeals, Board Governance, Benefits and Services, and Investment committees, will be announced at the July 7–8, 2022, board meeting.

May TRB meeting online



See the May board meeting and an archive of previous meetings on [CalSTRS.com](https://www.calstrs.com).

Board members

Harry M. Keiley
Chair, K-12 Classroom Teacher

Sharon Hendricks
Vice Chair, Community College Instructor

Keely Bosler
Ex Officio Member, Director of Finance

Denise Bradford
K-12 Classroom Teacher

Fiona Ma
Ex Officio Member, State Treasurer

William Prezant
Public Representative

Ken Tang
School Board Representative

Tony Thurmond
Ex Officio Member, State Superintendent of Public Instruction

Jennifer Urdan
Public Representative

Karen Yamamoto
Retiree Representative

Betty Yee
Ex Officio Member, State Controller

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- **Portfolio decisions to reduce emissions.** Investment decisions related to net zero take many forms and ideally will be phased in over time. Potential actions could include revising indexes, changing tracking error or risk budgets, and altering performance targets.
- **Exploration of increased exposure to low-carbon indexes.** CalSTRS may choose this strategy because internal management of passive assets, such as low-carbon indexes, allows for cost-effective and incremental integration into the CalSTRS Investment Portfolio. Additionally, significant data and analytics have been collected over several years that would support a measured, risk-controlled growth of this strategy.
- **Influencing financial markets to reduce emissions.** CalSTRS is expanding engagements with policymakers and regulators, escalating corporate engagement efforts and engaging external managers to amplify its influence. Since 2017, CalSTRS has helped engage the world's largest greenhouse gas emitters via Climate Action 100+, an initiative of

more than 600 investors working with the companies they invest in to reduce emissions. During proxy season, corporations hold annual meetings to elect board members and vote on shareholder proposals. This year, [CalSTRS is casting proxy votes](#) against the boards of the largest global companies and emitters that do not meet the listed minimum requirements for climate-related disclosures. Following proxy season, CalSTRS will engage those companies to further encourage them to meet minimum net zero requirements.

- **Measuring low-carbon investments.** To date, the Sustainable Investment and Stewardship Strategies (SISS) Private Portfolio has made three initial investments: two investments were made in commercially viable solutions that decarbonize industrial and energy processes, and the third investment provides affordable housing solutions for historically underserved community members.

CalSTRS will continue updating the Investment Committee on net zero goal progress at the September 2022 meeting.



Member death-benefit payments to increase by 6.5%

The board approved a 6.5% increase to CalSTRS members' lump-sum death benefit payments, effective July 1, 2022.

The lump-sum death benefit is a one-time payment made to a beneficiary upon the death of a CalSTRS Defined Benefit Program member under conditions specified in statute. There are two separate benefits available, depending on [which type of coverage](#) a member has and whether the death is before or after retirement.

With the 6.5% increase, the payment following the death of a retired member will be \$6,903 (up from \$6,480). For a death

prior to retirement, the payment for Coverage A members will also be \$6,903, while the payment for Coverage B members will now be \$27,612 (up from \$25,920).

The 6.5% change mirrors the in-state increase in inflation, as measured by the California Consumer Price Index, from December 2020 to December 2021.

[Watch the board meeting presentation and discussion](#) on the lump-sum death benefit for more information.

Board supports pension increase for certain retired members

The board received the results of the actuarial projection for the Supplemental Benefit Maintenance Account (SBMA), a special account in the Teachers' Retirement Fund that provides inflation protection to members' pensions, and voted to keep the inflation protection at 85%, the maximum allowed by law.

Since the SBMA is projected to have excess funds available, the Education Code requires the board to develop options for using the money. The options must be for the exclusive benefit of members and beneficiaries, and at least one option has to be an increase in benefits for those who retired before 1999, which is when the first two sets of benefit enhancements for active members went into effect.

The board voted to support a one-time, permanent increase to the pensions of members who retired before 1999 that replicates the benefit increases being proposed by [California Senate Bill 868](#). If adopted into law, SB 868—which the Teachers' Retirement Board supports—will help CalSTRS members most in need of assistance without compromising the financial integrity of the SBMA and its long-term ability to give members inflation protection.

If approved by the California Legislature, the increases would be:

- 15% for members who retired prior to 1980.
- 10% for members who retired between 1980–1989.
- 5% for members who retired between 1990–1998.
- 0% for members who retired after 1998.

See [the written agenda item](#) for more details.

CalSTRS' funded status continues to rise

CalSTRS' funded status rose to 73% as of June 30, 2021, according to the most recent actuarial valuation of the Defined Benefit Program.

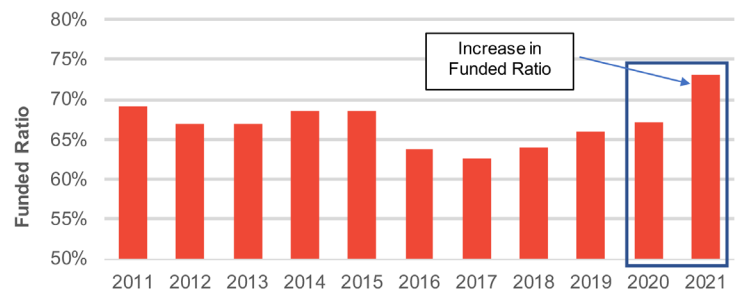
The board received the results of the valuation of the Defined Benefit Program at the May meeting, then voted to maintain supplemental state and employer contribution rates.

The CalSTRS funded status, which was 67.1% as of June 30, 2020, refers to the ratio of CalSTRS' assets compared to its total liabilities. The ratio improved significantly between 2020 and 2021 due in large part to the record-breaking 27.2% investment return from fiscal year 2020–21.

Because of the adoption of the [CalSTRS Funding Plan](#) in 2014, CalSTRS is better positioned today to handle market volatility than it was a decade ago.

The board also received the results of the valuations for the Defined Benefit Supplement and Cash Balance Benefit programs and approved additional earnings credits for members of both programs.

See the full reports on the valuations for the [Defined Benefit](#), [Defined Benefit Supplement](#) and [Cash Balance Benefit](#) programs online.



Next board meeting dates:
July 7–8, 2022 (West Sacramento)

For written board meeting items and video archives of past meetings, go to [CalSTRS.com/teachers-retirement-board](https://calstrs.com/teachers-retirement-board).

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CALSTRS

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