



CALSTRS

FISCAL YEAR 2020-21

SUSTAINABILITY REPORT

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

In accordance with Global Reporting Initiative Standards



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 \$312.1 billion in total net position and 1,271 employees as of June 30, 2021, CalSTRS is 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 Teachers' Retirement Law, part of the California Education Code, and other state and federal laws.

The Teachers' Retirement Fund is a special 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.

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

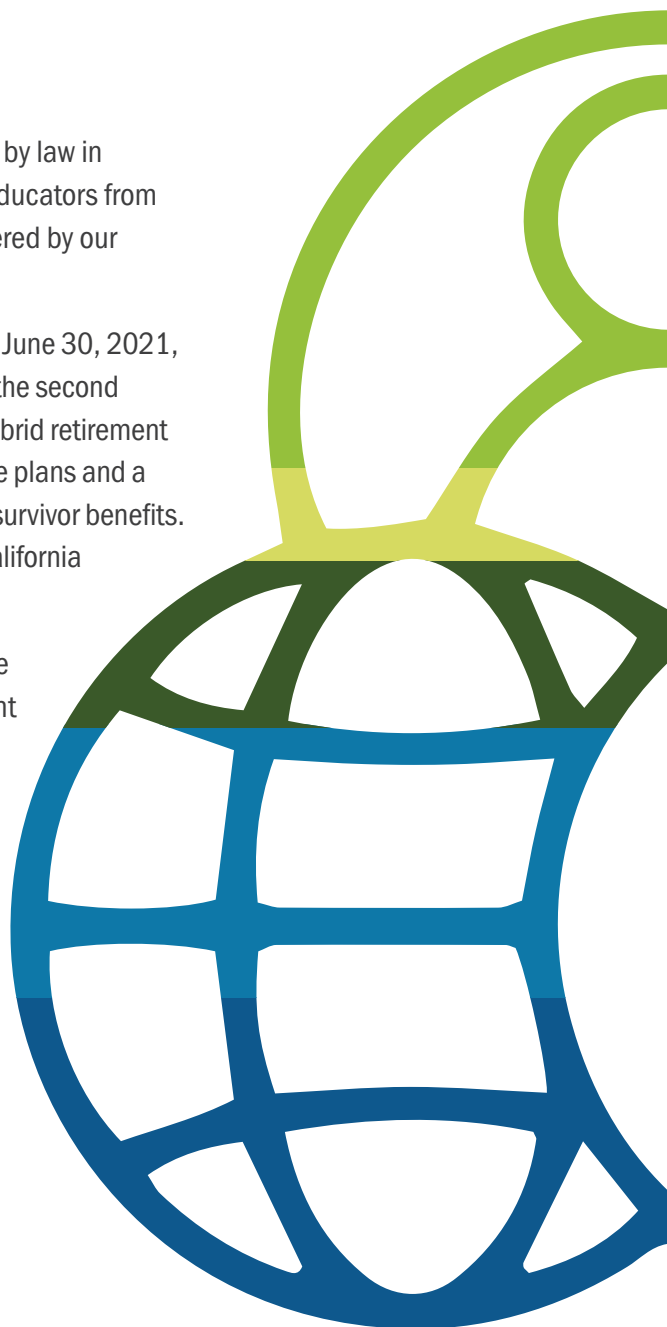




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ABOUT THIS REPORT

We are pleased to present CalSTRS' eighth annual *Sustainability Report*. This report has been prepared in accordance with the Global Reporting Initiative Standards: Core option.

GRI is an independent, international organization that helps businesses and other groups take responsibility for their economic, environmental and social impacts by providing them with the global common language to communicate those impacts. The GRI Standards are the most widely used reporting framework in the world. We indicate how we fulfill specific GRI standards by using small, gray numbers at the bottom of these pages.

The report includes our corporate sustainability approach, data and services provided to our members for the fiscal year July 1, 2020, through June 30, 2021. Information outside the fiscal year is noted.

Our 2020–21 fiscal year at a glance

980,864

Total CalSTRS members and beneficiaries

429,681

Active members

\$16.6 BILLION

Benefits paid to members in fiscal year

27.19%

Net return on investments for the 2020–21 fiscal year, which far exceeded the investment assumption of 7.0%.

\$312.1 BILLION

Net position for CalSTRS as of June 30, 2021.

PROJECTED FUNDING SOURCES

Investment earnings	61%
Employers	18%
State of California	11%
Members	10%

NET ZERO

In September 2021, the Teachers' Retirement Board adopted a pledge to achieve net zero across the CalSTRS Investment Portfolio by 2050 or sooner.

1,271

Total CalSTRS employees as of June 30, 2021.

56,555

Number of members who virtually attended individual or group benefits planning sessions or workshops.

A MESSAGE FROM CEO CASSANDRA LICHNOCK

The COVID-19 pandemic tested the resilience of our organization, our members, their students and society. Through our sustainability efforts, CalSTRS not only met the challenge but used it as an opportunity to innovate and strengthen our organization.

Our staff performed well under rapidly changing conditions. We moved quickly to establish continuity of all our operations—most importantly, ensuring uninterrupted services to our members.

Despite the challenges of the past year, we maintained and exceeded our own high standards of customer service, earned a historic 27.19% net rate of return, and assisted our staff with solutions while working remotely.

In September 2021, the Teachers' Retirement Board adopted a pledge to achieve net zero greenhouse gas emissions across the CalSTRS Investment Portfolio by 2050 or sooner, aligning with the science-based targets of the Paris Agreement. The board approved an implementation framework consistent with the United Nations' Race to Zero campaign, the largest global effort to address climate change.



As fiduciaries, the board is responsible for making informed decisions to ensure a sustainable organization that operates in the interest of our members and their beneficiaries. Our strong corporate and operational practices are guided by our Mission and Vision, Core Values, Strategic Plan, beliefs and policies.

We demonstrate our commitment to sustainability as leaders in corporate governance through a robust risk management program. We hire and develop top-tier staff to meet the needs of our changing business environment. Additionally, we dedicate resources to increase our members' financial awareness. Our staff and Teachers' Retirement Board members serve in leadership roles in national and international sustainability-focused organizations.

I have served as chief executive officer of CalSTRS since July 1, 2021, following the retirement of former CEO Jack Ehnes. As a

CalSTRS employee since 2008, and having served as chief operating officer since 2013, it has been my privilege to see our organization grow as industry and sustainability leaders for the past decade-plus. Approximately 71% of our members are female, and it's not lost on me that I am the first woman CEO to lead CalSTRS in our 108-year history.

I see my role as an opportunity to champion and expand the sustainability goals we have pursued in prior decades. Our staff's dedication to our mission and work is what makes CalSTRS an outstanding organization. With the support of our experienced staff, we will leverage the resilience we built and lessons we learned for the long-term benefit of our members.

Sincerely,



Cassandra Lichnock
Chief Executive Officer

“We’re delivering on our promise to provide California’s hard-working teachers and their families with a secure retirement.”

Cassandra Lichnock

SUSTAINABILITY AT CALSTRS

Sustainability is well integrated throughout our culture, policies and practices. CalSTRS adopted our initial Sustainability Vision and Guiding Beliefs in 2014 and updated them in 2020 to match our evolving understanding of sustainability.

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 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 actively manage risk and establish internal controls for the long-term viability of CalSTRS.

We influence and lead on environmental, social and governance issues to mitigate risk and capture opportunities that contribute to sustainable economic development.

We identify sustainability topics and report performance data as part of our commitment to transparency.

We know sustainability depends on committed employees operating in an engaging culture.

We engage with a diverse group of stakeholders to understand their perspectives and build a culture of trust.

Global Stewardship at Work

CalSTRS practices sustainable stewardship of the Teachers' Retirement Fund for the financial security of California's educators. We have a fiduciary duty to administer the system with care, skill, prudence and diligence, and we believe a corporate environment that values sustainability is key.

Long-term value creation is the essence of our commitment to the theme of Global Stewardship at Work. We prepare a series of reports that use national and international reporting standards. Together, these reports provide transparent views of our economic, environmental and social sustainable development and stewardship practices.

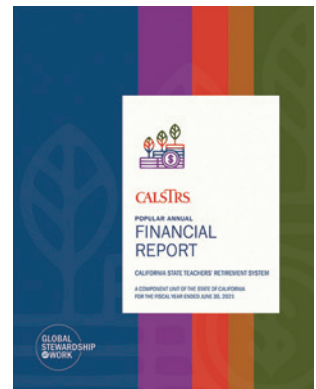
Annual Comprehensive Financial Report

Details CalSTRS' financial performance for the fiscal year that began July 1, 2020, and ended June 30, 2021.



Popular Annual Financial Report

Contains information extracted from the *Annual Comprehensive Financial Report* and is designed for readers without a background in public finance.



[Find these reports at CalSTRS.com](https://www.calstrs.com)

Green Initiative Task Force Report

Highlights CalSTRS' environmental-themed investments and environmental risk management efforts. The report aligns with the Task Force on Climate-Related Financial Disclosure reporting guidance.



Sustainability Report

Discloses CalSTRS' sustainable development impacts in accordance with the Global Reporting Initiative Standards: Core option.



Leadership in sustainability organizations

Members of CalSTRS leadership and the Teachers' Retirement Board hold positions in a variety of forward-thinking, sustainable development organizations. These boards and committees have far-reaching impacts at the regional, national and international level. Positions listed were held as of December 1, 2021.



Christopher J. Ailman

Chief investment officer

- 300 Club, chair
- Bloomberg ESG Advisory Group, member
- CFA Institute Diversity and Inclusion Steering Committee, member
- EDHEC-Risk Institute International Advisory Board, member
- Institutional Investor Roundtable for Public Funds Advisory Board, member
- MSCI Barra Index Editorial Advisory Board, member
- Milken Global Capital Markets Advisory Council, co-chair
- Pacific Center for Asset Management Advisory Council, chair
- Principles for Responsible Investment Asset Owner Technical Advisory Committee, member
- Sustainability Accounting Standards Board Investor Advisory Group, chair emeritus
- Sustainable Markets Initiative Task Force, member
- Toigo Foundation Advisory Board, member



Scott Chan

Deputy chief investment officer

- Alternative Investment Forum Advisory Group, member
- Chartered Alternative Investment Analyst Association Allocators Advisory Council, member
- Institutional Investor Roundtable Advisory Council, co-chair
- Institutional Investor Roundtable for Public Funds Advisory Board, member
- Pacific Pension & Investment Institute, member
- Toigo Foundation Governing Board, member

Sustainable Investment and Stewardship Strategies



Kirsty Jenkinson

Investment director

- Business and Human Rights Resource Centre Board, member
- SASB Investor Advisory Group, member
- The Investment Integration Project Advisory Council, member

SISS team roles

- SASB Standards Board, co-vice chair
- Council of Institutional Investors Board, co-chair

Teachers' Retirement Board

Sharon Hendricks

- Principles for Responsible Investment Board, member

Jennifer Urdan

- Financial Industry Regulatory Authority Investment Committee, member
- Silicon Valley Community Foundation Investment Committee, member
- Marin Community Foundation Investment Committee, member

Karen Yamamoto

- National Council on Teacher Retirement Executive Committee, member

Betty Yee, California State Controller

- Ceres Board, member

Teachers' Retirement Board

As of December 1, 2021



Harry M. Keiley
Board chair
K-12 classroom teacher



Sharon Hendricks
Board vice chair
Community college instructor



Denise Bradford
K-12 classroom teacher



Karen Yamamoto
Retiree representative



Joy Higa
Public representative



William Prezant
Public representative



Jennifer Urdan
Public representative



Ken Tang
School board representative



Keely Bosler
Director of finance
Ex officio member



Betty Yee
State controller
Ex officio member



Tony Thurmond
State superintendent
of public instruction
Ex officio member



Fiona Ma
State treasurer
Ex officio member

Executive staff

As of December 1, 2021



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 Perez
Chief benefits officer



Teresa Schilling
Chief public affairs officer

STAKEHOLDER ENGAGEMENT AND KEY TOPIC IDENTIFICATION

Our approach

CalSTRS engages a wide range of stakeholders in conversations related to fund and organizational sustainability. Our staff has developed a comprehensive strategy to identify and engage with stakeholders who are affected by the fund's activities and those whose activities affect the fund.

Our engagements help build value within our investment portfolio, provide timely and essential member services, minimize operating costs, and inspire innovation.

We have dedicated stakeholder engagement staff for benefits and services, public and investor relations, and governance. Board meeting agendas and materials are published in advance. Public comments on agenda items can be submitted in writing or offered during the meeting.

We use stakeholder engagement to help identify issues that shape the Teachers' Retirement Board work plans, our strategic plan and business plan, investment strategies, and the sustainability key topics covered in this report.

We developed the key topics for this report using input from executives and the CalSTRS Corporate Sustainability team. This team, sponsored by our CEO and composed of

senior leaders from each organizational branch, uses the GRI Standards and Ceres Roadmap as frameworks for corporate sustainability. The Ceres Roadmap provides a 10-year action plan to help companies strategically navigate sustainable business leadership and thrive in the transition to a more equitable, just and sustainable economy.

Commitment to improvement

We have engaged experts to benchmark sustainability best practices and advance our sustainability strategy. Current and planned sustainability activities include:

- Integrating sustainability goals into the 2022–25 *CalSTRS Strategic Plan*.
- Interviewing our executive leaders to update our material topics and define sustainability strategy for the next three years.
- Adopting a pledge to achieve net zero greenhouse gas emissions across the CalSTRS Investment Portfolio by 2050 or sooner.
- Evaluating internal corporate policies and practices for greenhouse gas impacts.
- Selecting a diversity, equity and inclusion consultant to advance our workforce strategy.

Our stakeholders	Topics and concerns	Engagement channels
Active and retired members	<ul style="list-style-type: none"> • Member benefits • Contribution rates • Retirement security 	<ul style="list-style-type: none"> • Annual member survey • Benefits planning sessions, workshops and webinars • CalSTRS ombuds • Newsletters, publications and videos • Social media
Employers: School districts, county offices of education and community colleges	<ul style="list-style-type: none"> • Contribution rates • School funding and budgets • CalSTRS funding status • Employer reporting • Audits • Pension system technology project 	<ul style="list-style-type: none"> • Advisory meetings • Annual employer survey • Employer directives, circulars and newsletters • Employer helpline and mailbox • Secure Employer Website • Training
Labor representatives and member organizations	<ul style="list-style-type: none"> • Member benefits • CalSTRS funding status • Preserving public pensions 	<ul style="list-style-type: none"> • Advisory meetings • Constituent meetings • Email updates
Employees and labor relations	<ul style="list-style-type: none"> • Employee engagements • California budget impact on pay and raises • Career development • Employee working conditions and benefits 	<ul style="list-style-type: none"> • All-staff emails and videos • Biennial All-Employee Survey and ad hoc surveys • Anonymous internal feedback tool • Intranet site and newsletter • Town Hall meetings
California Governor's administration, Legislature, Congress and federal regulatory agencies	<ul style="list-style-type: none"> • California budget • CalSTRS funding status • State and employer contributions • Legislative and regulatory changes • Environmental, social and governance issues 	<ul style="list-style-type: none"> • Legislative and regulatory letters • Legislative hearings and meetings
Companies in which we invest	<ul style="list-style-type: none"> • Investment returns • Investor and shareholder relationships • Risk mitigation 	<ul style="list-style-type: none"> • Coalitions and industry events • Engagements aligned with CalSTRS Stewardship Priorities • Annual proxy voting

CALSTRS' COVID-19 RESILIENCY

Since the onset of the COVID-19 pandemic and Gov. Gavin Newsom's work-from-home order in March 2020, we adapted our strategy to continue providing member benefits on time while supporting our employees. We will carry forward many of the innovations we employed.

Members

Our data suggests that the pandemic impacted member service retirements during the 2020–21 fiscal year.

The number of service retirements were 9.2% higher than the previous fiscal year. The pandemic appears to have affected the timing of these retirements. From July through September 2020, CalSTRS saw increased retirements, while April through June 2021 saw lower levels compared to recent years. The uncertainty of the COVID-19 pandemic presents challenges when trying to predict member retirement patterns.

Despite the unpredictability of trends and the impacts of the pandemic, we continued to provide uninterrupted benefit payments and support to members. While member service centers remained closed and most of our staff worked remotely, we maintained service levels and member satisfaction.

As an alternative to in-person workshops, we hosted webinars, held online group benefits planning sessions and increased the number of individual benefits planning sessions to help members take an active role in their retirement planning from the safety of their homes. In addition, we offered expanded online services and implemented more paperless processes and member transactions.

In the annual member survey we conducted in early 2021, 68% of respondents reported being satisfied or completely satisfied with our services, a 2% increase over 2020. Also, 33% of respondents indicated the pandemic changed their thoughts about their financial future.

Employees

Following guidance from health authorities, we maintained a conservative approach about working in the office, and the majority of our staff continued to work remotely in fiscal year 2020–21.

To support remote work, we began a program in March 2021 to help employees purchase ergonomic items such as chairs and sit/stand desks for home use. We also continued to offer regular office supply pickups at our headquarters.

We kept employees informed about COVID-19 and other organizational updates through a variety of sources, including newsletters, weekly videos and virtual Town Hall meetings. During these meetings, employees were able to submit questions live during the presentation. In response to questions about vaccinations posed in a Town Hall, we created a video Q&A with the chief medical officer who serves California state employees.



9.2%

Increase in member service retirements in 2020–21 over the previous fiscal year.

Throughout the year, we employed Pulse Surveys to help the organization understand staff members’ opinions on remote work, health and safety, and job satisfaction. Results of the January 2021 survey showed participants’ job satisfaction at 82% and employee engagement at 67%.

Operations

The pandemic contributed to scheduling and cost impacts for two major multiyear projects: our pension administration system upgrade and our headquarters expansion. Our executive staff monitors the risks and costs associated with these projects and regularly reports their findings to the board.

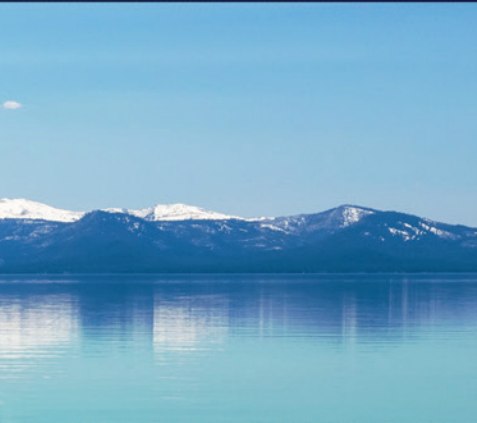
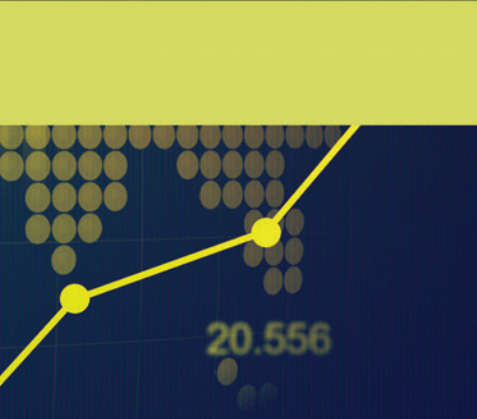
We also mitigated the risks of an offsite workforce by adding additional policies and safeguards. We took steps to secure private member and employee information. We implemented multifactor

authentication and enhanced monitoring of our systems and third-party services. Our legacy security software was replaced with cloud-based management and protection.

Our Path Forward Task Force, sponsored by the chief operating officer and composed of representatives from all branches, established a plan to create healthy and productive remote work environments. Our headquarters and member service centers operate in alignment with federal, state and local COVID-19 guidelines. The task force’s plan includes policies, IT resources and equipment support, training and communication. We are creating options to add remote work into our policies to build operational resiliency.

We plan to incorporate the best of what we’ve learned, including our enhanced member services, work policies and technological upgrades, to reengage and reenergize the organization as we emerge from the pandemic.





GRI: 102-44

KEY TOPICS

The CalSTRS Corporate Sustainability advisory team used information gathered from stakeholder engagement activities and our executive leadership team to determine key topics for this 2020–21 *Sustainability Report*:

- Member retirement education
- CalSTRS Funding Plan progress
- Transition to net zero
- Diversity, equity and inclusion

MEMBER RETIREMENT EDUCATION

CalSTRS is dedicated to helping our members prepare for a rewarding retirement. We communicate with members about the long-term value of a defined benefit to help build their financial futures.



Why member retirement education is important

To prepare for retirement, our members must consider their future income needs and how much their pension will provide. The longer a member works, the greater their retirement benefit. For the average member, the Defined Benefit Program replaces a little more than half of their preretirement salary.

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.

2019–22 Strategic Plan objective

Provide educational opportunities to improve the retirement readiness of our members.

Our approach

California's public school educators do not pay into Social Security for CalSTRS-covered employment. Social Security is a federal program, and neither CalSTRS nor the State of California have control over eligibility requirements or benefit calculations.

Members need to be aware that if they expect to receive a Social Security benefit through other employment or their spouse, two federal rules—the Windfall Elimination Provision and the Government Pension Offset—may leave them with a smaller Social Security benefit or possibly no benefit at all. We help members understand potential impacts for non-CalSTRS covered employment of the member or member's spouse. Information is available on our *Social Security, CalSTRS and You* fact sheet.

Members at all career stages are encouraged to understand their retirement benefits and the need for supplemental savings. We educate them on the importance of saving early through publications, videos, workshops and events offered at every career stage.

To help ensure educators have access to high-quality supplemental savings plans, we offer voluntary, low-cost 403(b), 457(b), Roth 403(b) and Roth 457(b) plans through CalSTRS Pension2®. We also administer the 403bCompare.com website, a comprehensive resource that provides fee and cost comparisons for 403(b) supplemental savings plans.

Members report a high level of trust in CalSTRS

Trust is essential when discussing financial planning and retirement. Americans participating in the 2021 Edelman Trust Barometer rated financial services among the least trustworthy of industry sectors.

Fortunately, our members report a high level of trust in CalSTRS. Consistent with prior years, members participating in our 2021 Annual Member Survey expressed a high level of agreement (75%) with the statement: CalSTRS is an organization I can trust. This is a 2% increase from 2020.



Engagement matters

Our surveys find that members who are more engaged with CalSTRS and our products report higher levels of retirement preparedness. Because of this, we continuously expand and deepen our engagement efforts and stakeholder partnerships to increase contact with our members and encourage their involvement in retirement planning earlier in their career.

We offer financial awareness workshops, individual and group benefits planning sessions, and career stage-specific publications and events. We guide members at every step with targeted activities for early career, midcareer and near-retirement planning.

While our member service centers were closed during the fiscal year due to the COVID-19 pandemic, our employees remained available to members through phone and online resources.

Individual benefits planning sessions continued to be offered by phone. All in-person workshops and group benefits planning sessions were converted to a webinar format.

CalSTRS continues to focus on providing services that increase accessibility for members, reflect individual member needs and increase member self-education.

Member education goes virtual

Because of the COVID-19 pandemic, CalSTRS converted all in-person workshops and group benefits planning sessions to a webinar format during the 2020–21 fiscal year.

56,555

Number of members who attended individual or group benefits planning sessions or workshops.

1,086

Additional members who received services at virtual outreach events and job fairs.

5,952

Members who used our estimate-only service for retirement benefits.

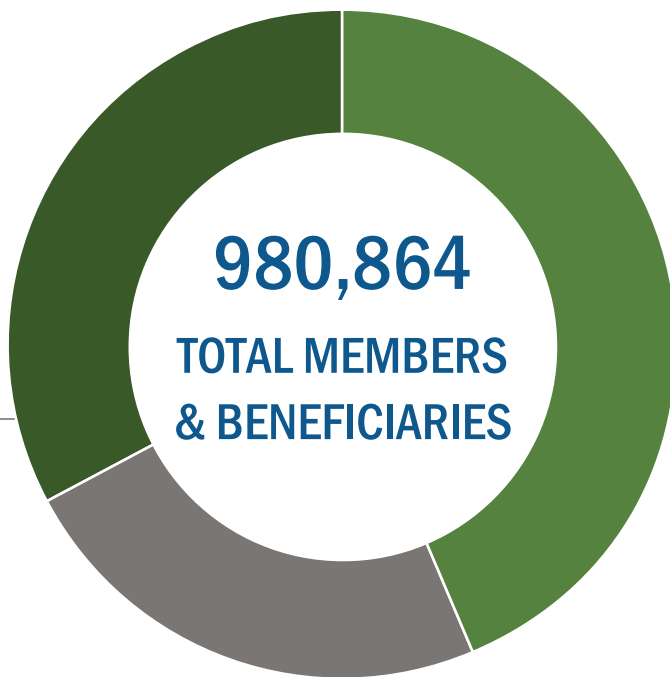
Members and beneficiaries at a glance



\$16.6 BILLION

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

\$4,813 Average monthly Member-Only Benefit for those retiring in 2020-21



320,413
BENEFIT RECIPIENTS

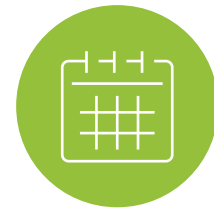
Service retirement:
281,302
Disability: 9,973
Survivor: 29,138

230,770
INACTIVE MEMBERS

More than five years
of service credit:
47,040
Less than five years
of service credit:
183,730

429,681
ACTIVE MEMBERS

More than five years
of service credit:
319,647
Less than five years
of service credit:
110,034



12,785

Number of service retirements
during the fiscal year

24.7

Average years of
member service credit

63.2

Average member age
at retirement



59%

Percentage of members selecting
the Member-Only Benefit

CALSTRS FUNDING PLAN PROGRESS

The 27.19% investment return earned by CalSTRS in 2020–21 has significantly improved projected funding levels. We now expect the Defined Benefit Program to reach full funding prior to 2046 under current actuarial assumptions.



Why CalSTRS Funding Plan progress is important

California educators rely on a financially sound retirement system. Progress toward the goal of full funding was made possible in 2014 with the passage of the CalSTRS Funding Plan through Assembly Bill 1469.

Prior to the adoption of the funding plan, the Defined Benefit Program was expected to run out of assets by 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.

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 incrementally increase contributions in a predictable manner to fully fund the Defined Benefit Program and ensure the long-term sustainability of CalSTRS.

The funding plan provides the Teachers' Retirement Board with limited authority to increase or decrease both the state and employer contribution rates. This ensures the plan remains on track, and the board can respond as necessary to unexpected changes in CalSTRS' economic and demographic situations.

Current funding levels and contribution rates

In June 2021, the board adopted the actuarial valuation for the Defined Benefit Program. It provided a snapshot of the program's assets and liabilities as of June 30, 2020. The funded ratio—the amount of assets on hand to pay for obligations—was 67.1% on June 30, 2020, with an unfunded actuarial obligation of \$105.9 billion.

To keep the funding plan on track to eliminate the unfunded actuarial obligation by 2046, the board exercised its rate setting authority and adopted contribution rates for the state and employers for fiscal year 2021–22.

Contribution rates

Contributor	July 1, 2021	July 1, 2020	July 1, 2019
Employers	16.92%	16.15%	17.1%
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%	10.328%	10.328%

CalSTRS Collaborative Model

The CalSTRS Collaborative Model is an investment strategy to manage more assets internally—to reduce costs, control risks and increase expected returns—and leverage our external partnerships to achieve similar benefits.

The main strategy is to search for long-term cost savings and hybrid opportunities through investment management and by leveraging existing relationships. These efforts are projected to reduce

costs and generate higher returns to support a strong investment portfolio.

According to the *Collaborative Model Savings Report*, we have saved more than \$781 million since 2017 by using the strategy. The average annual savings is approximately \$195 million. The savings result from fewer management fees and carried interest (profit sharing that investors pay in some partnerships) and have increased each year.

Projected funding levels

The Defined Benefit Program is expected to reach 80% funded in 2024—10 years earlier than previously projected. Full funding is now expected to occur in 2041—five years ahead of schedule under current actuarial assumptions.

This assumes the fund will meet the 7% investment return and that payroll will grow at 3.5% over the long term. A period of low investment returns could materially impact future funding levels and future unfunded actuarial obligations. Even if the probability of reaching full funding has improved over the last year, the risk of not reaching full funding by 2046 is still present and will never be fully eliminated.

We are better positioned today than 10 years ago to be able to react to and absorb the impact of a recession.

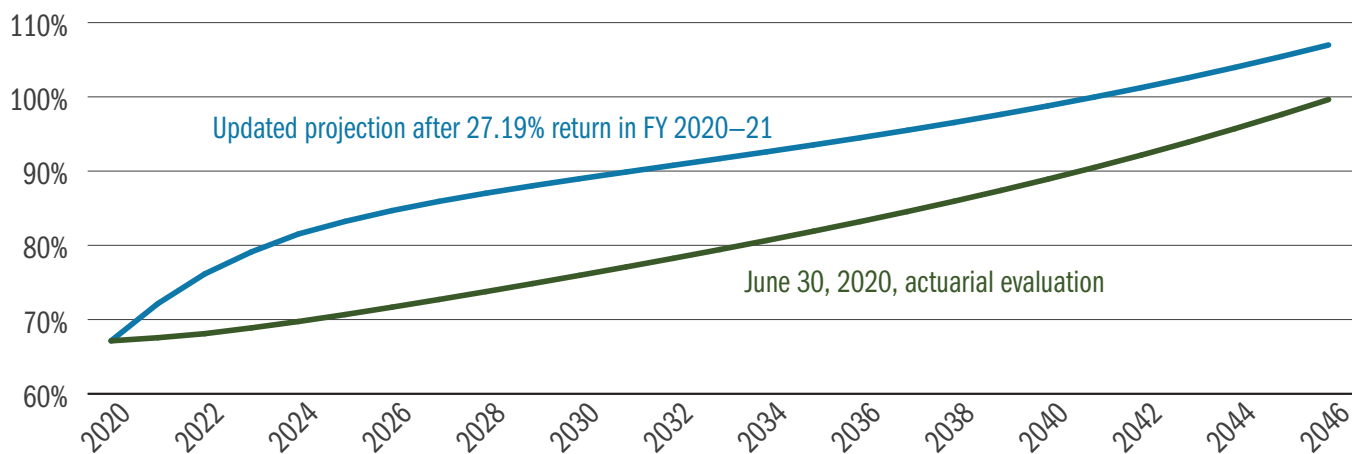
Monitoring, reporting on funding progress

CalSTRS continually monitors the funding plan and the financial health of the fund. We:

- Perform formal assessments of funding levels and risks, which are provided to the board twice a year. The annual actuarial valuation report is presented in the spring and *Review of Funding Levels and Risks* report is presented in the fall. Every funding risk measure included in the most recent report has improved over the last year.
- Provide updates to the board on the status of various funding-related risks as part of the semi-annual enterprise risk management report.
- Report on funding status progress of the funding plan to Legislature every five years. We are scheduled to submit the next required report in 2024. The most recent report was submitted in 2019.
- Perform a formal review of actuarial assumptions every four years, with the most recent review completed in January 2020. The next formal review is expected in 2024.

Projected funded status

This assumes the fund will meet the 7% investment return and that payroll will grow at 3.5% through 2046.



TRANSITION TO NET ZERO

Since 2004, we have invested in climate-oriented solutions and integrated climate risk considerations into our investment and stewardship activities. We regularly engage with portfolio companies based on our stewardship priorities.



Why the transition to net zero is important

Achieving net zero emissions refers to achieving balance between the greenhouse gas (GHG) emissions produced and those taken out of the atmosphere.

We are committed to influencing public policies, engaging with companies and promoting an orderly transition to a net zero economy through investments to mitigate the risks of climate change.

At our headquarters location, we practice stewardship of natural resources through sustainable operations.

What guides us

Our Sustainability Vision and Guiding Beliefs serve as guidelines for corporate sustainability best practices.

2019–22 Strategic Plan objective

Integrate CalSTRS' sustainable investment and stewardship strategies, which support long-term value creation and educate and inform interested parties.

Our pledge to net zero

Kirsty Jenkinson, investment director of Sustainable Investment and Stewardship Strategies at CalSTRS, explains how we are committing to net zero. bit.ly/calstrs-net-zero



Our approach

We continue to expand our engagement efforts to drive positive change within our portfolio. We see engagement as a powerful tool to influence the market and ensure companies are sustainable and provide long-term risk adjusted returns to strengthen the fund.

One area of emphasis in our engagement efforts is the need for a company's board to effectively manage and mitigate material risks to add long-term financial return for its shareholders and positive global impact for its stakeholders. We supported activist investment manager Engine No. 1 in the pursuit of electing alternate directors to the ExxonMobil board. This succeeded in adding three new members in 2021 who will bring needed expertise in significant business transformation.

Information about recent engagements is available on our [Value of engagements](#) webpage.

Net zero

In September 2021, the Teachers' Retirement Board adopted a pledge to achieve net zero greenhouse gas emissions across the CalSTRS Investment Portfolio by 2050 or sooner. This aligns with the science-based targets of the Paris Agreement. The board also approved an implementation framework to chart the path to net zero, consistent with the United Nations' Race to Zero campaign, the largest global effort to address climate change.

We publish the *Green Initiative Task Force Report* every three years, as well as interim reports. These reports provide detailed information on our environmental-themed investments and environmental risk management efforts.

Aligning operations with our portfolio commitments

Since 2005, we have reported our headquarters' greenhouse gas emissions to The Climate Registry, a North American nonprofit organization. We report emissions annually for the prior calendar year.

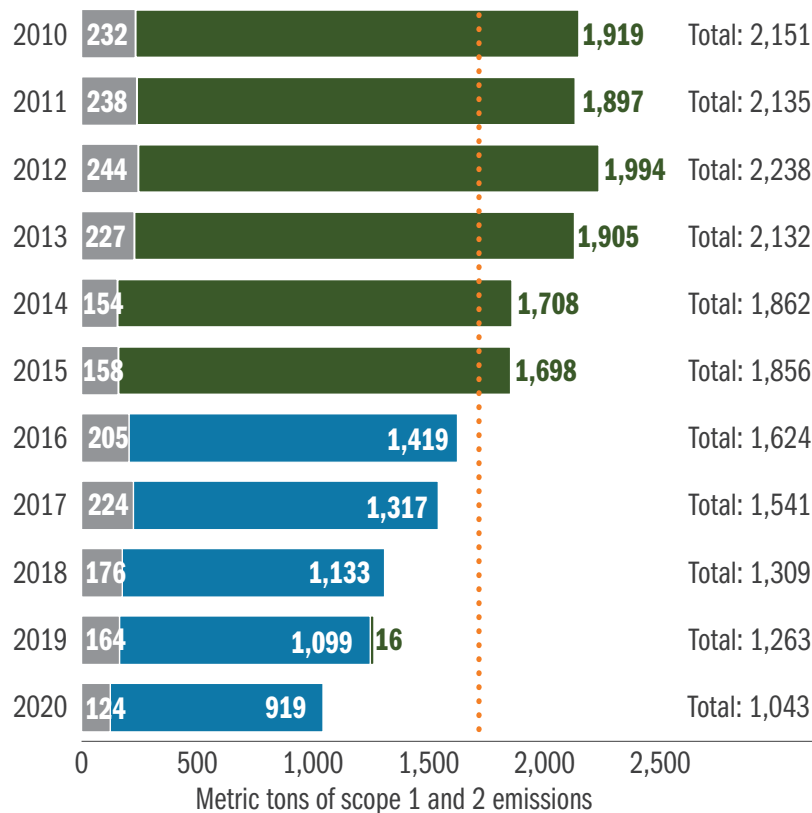
To align with our pledge to achieve net zero emissions across our investment portfolio by 2050 or sooner,

we are evaluating our internal policies and practices for greenhouse gas emissions. These include business travel, remote work and onsite energy use.

Results from this engagement will inform our operational greenhouse gas accounting and disclosure path moving forward.

Headquarters scope 1 and scope 2 emissions for 2020

In 2012, Executive Order B-18-12 set a goal to reduce scope 1 and 2 combined emissions 20% by 2020 against a 2010 baseline. We have met and exceeded this goal each year since 2016, prior to applying purchased renewable energy certificates. Emissions are reported in metric tons of carbon dioxide equivalent (CO₂e) per calendar year.



Greenhouse gases

CalSTRS accounts for seven major internationally recognized greenhouse gases. We do not create PFCs, SF₆ or NF₃ emissions.

- Carbon dioxide (CO₂)
- Methane (CH₄)
- Nitrous oxide (N₂O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulfur hexafluoride (SF₆)
- Nitrogen trifluoride (NF₃)

- Scope 1 direct emissions: Natural gas, mobile combustion and fugitives, including stored refrigerants
- Scope 2 indirect emissions: Purchased electricity
- Purchased renewable energy certificates
- ⋮ Target by 2020 (1,720.8 metric tons)

Headquarters scope 2 net emissions

Renewable energy certificates are purchased based on an estimation of the calendar year’s electricity use.

	Emissions in metric tons of CO ₂ e (per calendar year)		
	2020	2019	2018
Scope 1 direct emissions	124	164	176
Scope 2 indirect emissions	919	1,099	1,133
Purchased renewable energy certificates	-919	-1,083	-1,133
Total net emissions	124	180	176

Scope 3 emissions

We measure scope 3 business travel emissions, including flights, rental cars and trains. We also use the California Green Lodging Directory of green-certified hotels.

Business travel decreased significantly in 2020 due to COVID-19 restrictions.

	Emissions in metric tons of CO ₂ e (per calendar year)		
	2020	2019	2018
Scope 3 emissions	393	1,636	1,792

Sustainable operations at our headquarters

CalSTRS’ operational 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. Staff regularly monitors performance and communicates results internally and to the State of California.

The CalSTRS Headquarters building in West Sacramento is proudly certified as LEED v4.1 Operations and

Maintenance Platinum based on performance scores across five categories: energy, water, waste, transportation and human experience. Additionally, we received an Energy Star rating of 100 out of 100 in 2021 and a TRUE Certification for waste diversion.

Most employees worked remotely during the fiscal year, which created lower than normal use of natural resources. We will reset targets as we implement a planned hybrid work model, with employees in the office two to three days per week.



Construction is underway at our West Sacramento headquarters.

West Sacramento headquarters expansion

We are expanding our West Sacramento headquarters with a new 10-story tower. The expansion is designed to support sustainable green building practices—including green technologies, sustainable construction, energy conservation and whole-building integrated energy efficiency measures—as well as employee wellness.

We are monitoring scorecards for LEED New Construction, WELL Building Certification, Living Building Challenge and construction waste diversion rate.

The project is being financed through tax-exempt, lease-revenue green bonds issued through a conduit issuer, the California Infrastructure and Economic Development Bank.

As of November 30, 2021, construction was approximately 50% complete. With an original projected move-in date of July 2022, the building is now estimated to be finished in 2023.

Upon completion of the expansion, we will lease a portion of our existing headquarters tower with Class A amenities.

DIVERSITY, EQUITY AND INCLUSION

We are committed to providing a workplace in which all individuals are treated with respect and professionalism. By designing and implementing a sustainable, respectful culture at CalSTRS, employee engagement is promoted through a safe work environment where ideas are heard and backgrounds are honored.



Why diversity, equity and inclusion are important

We participate in diversity and inclusion efforts in our organization and across the investment management industry. Through corporate engagements, we promote diversity on the boards of companies in which we invest.

A 2020 **McKinsey & Co. report** found that inclusion is a critical differentiator for companies. Employees need to feel and perceive equality and fairness of opportunity in their workplace. The most diverse companies are more likely to outperform less diverse peers on profitability. The relationship between diverse executive teams leading companies and the likelihood of financial outperformance has strengthened over time.

What guides us

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

Our Core Value

Strength: We ensure the strength of our system by embracing a diversity of ideas and people.

CalSTRS Corporate Governance Principles

Diversity in board composition is critical in order for company boards to oversee their management, business strategy and risk mitigation activities. These boards should be composed of diverse individuals with the skills, education, experiences, expertise and personal qualities appropriate to the company's business needs.

Our approach

CalSTRS welcomes and embraces diversity of thinking, background and experience to enhance our culture and drive business success. By working together to respect, value and include each individual's perspectives, we empower staff to perform their best work toward the fulfillment of our mission.

We developed an initial *CalSTRS Diversity & Inclusion Efforts* report in 2014 with a strategic roadmap through 2019. In response to a time of disruption and unease following the pandemic, social unrest and injustice,

we established the Getting Deep Series Roadmap in July 2020, a plan to start a series of discussions and education events focused on diversity and inclusion.

CalSTRS captures diversity information from reporting to the U.S. Equal Employment Opportunity Commission. For details, see 405-1 in the GRI Index.

We are working with experts to evaluate our internal diversity, equity and inclusion policies and practices. Results from this engagement will inform our workforce strategy moving forward.



Staff member Brandy McDowell, left, and Tejdeep Kochhar, CalSTRS diversity and inclusion specialist, talk during a Getting Deep series follow up on *Black Voices on Race*. bit.ly/GettingDeep

Webinars offer safe space for staff

The Getting Deep Series started with a facilitated discussion that included four of our Black CalSTRS staff. They volunteered to share their experiences with race and racism.

Nearly half of CalSTRS staff watched the webinar. In 2020 and 2021, 15 Getting Deep webinars were

planned on topics that include race and privilege, allyship, unconscious bias, and disabilities.

For staff who seek additional discussion, CalSTRS offers supplemental events including Clumsy Conversations, a safe space to discuss topics introduced in a Getting Deep webinar.

Diversity in the management of investments

It's imperative that our internal investment team, as well as our investment partners and the boards of the companies in which we invest, reflect the rich diversity of the members we serve. Building teams that exhibit diversity, equity and inclusion is essential in achieving our financial and return objectives.

We participate in engagement and industry events to influence changes in public policies and corporate practices that support long-term value creation. In this reporting cycle:

- The Nasdaq stock exchange filed a proposal with the Securities and Exchange Commission to adopt new listing rules related to board diversity and disclosure. We submitted a letter in support of Nasdaq's proposal.
- We partnered with the California Public Employees' Retirement System to host the 2021 Diversity Forum. This event focused on promoting diversity, equity and inclusion in the investment industry.

Speakers included Teachers' Retirement Board Chair Harry M. Keiley, CalSTRS CEO Cassandra Lichnock, CIO Christopher J. Ailman and SISS Investment Director Kirsty Jenkinson. Topics included human capital management, unconscious bias and the COVID-19 pandemic's effect on diversity in the workforce.

We have ongoing engagement with the SEC to support stronger environmental, social and governance

CalSTRS adds first investment diversity officer

In January 2021, the Investments Branch named LaShae Badelita as its first investment diversity officer.

Badelita is responsible for implementing our Diversity in the Management of Investments Strategy. She also leads internal and external diversity, equity and inclusion efforts for our Investments Branch.

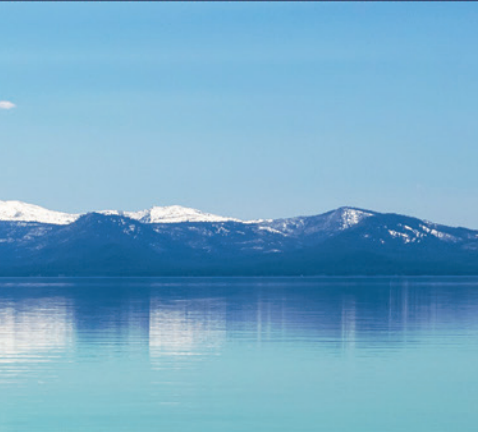


disclosure and market accountability. We support strengthened regulatory requirements and enforcement for human capital and diversity.

Reports and updates

Since 2014, we have published a *Diversity in the Management of Investments* report. This progress report highlights diversity efforts within our Investments Branch, including demographic information, and external engagement with the investment community.

Additionally, we publish detailed information about stewardship and engagement activities quarterly on our [Value of engagements](#) webpage.



GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI Standard: 2016 Core option

GENERAL DISCLOSURES

Disclosure	Description	Response																
GRI 102: GENERAL DISCLOSURES (2016) – ORGANIZATIONAL PROFILE																		
102-1	Name of the organization	CalSTRS, the California State Teachers' Retirement System																
102-2	Activities, brands, products and services	<p>CalSTRS administers a hybrid system as part of a comprehensive financial security package for members that includes the Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and an optional defined contribution plan called Pension2. See CalSTRS.com/your-benefits for details.</p> <p>Page 2, CalSTRS at a glance</p> <p>Pages 20–23, Member retirement education</p>																
102-3	Location of headquarters	100 Waterfront Place West Sacramento, CA 95605																
102-4	Location of operations	California, United States																
102-5	Ownership and legal form	A component unit of the State of California																
102-6	Markets served	<p>Page 23, Members and beneficiaries at a glance</p> <p>Page 2, CalSTRS at a glance</p> <p>Member service centers are located in Fresno, Glendale, Irvine, Riverside, San Diego, Santa Clara and West Sacramento. While our members service centers were closed during the 2020–21 fiscal year, we continued to serve members by phone and offered online webinars and benefits planning sessions. Our member service centers reopened to the public in late 2021.</p>																
102-7	Scale of the organization	<p>1,271: Total employees as of June 30, 2021</p> <p>\$312.1 billion: Net position for CalSTRS as of June 30, 2021</p> <p>\$16.6 billion: Benefits paid to members, which include service retirement benefits, disability benefits, survivor benefits and purchasing power supplemental payments in the 2020–21 fiscal year</p>																
102-8	Information on employees and all other workers	<p>As of June 30, 2021</p> <table border="1"> <thead> <tr> <th>Demographics</th> <th>2020–21</th> <th>2019–20</th> <th>2018–19</th> </tr> </thead> <tbody> <tr> <td>Total number of employees</td> <td>1,271</td> <td>1,212</td> <td>1,218</td> </tr> <tr> <td>Total full-time employees</td> <td>1,251</td> <td>1,198</td> <td>1,199</td> </tr> <tr> <td>Total part-time employees</td> <td>20</td> <td>14</td> <td>19</td> </tr> </tbody> </table> <p>A record of employee information is stored in the CalSTRS Demographics Database.</p>	Demographics	2020–21	2019–20	2018–19	Total number of employees	1,271	1,212	1,218	Total full-time employees	1,251	1,198	1,199	Total part-time employees	20	14	19
Demographics	2020–21	2019–20	2018–19															
Total number of employees	1,271	1,212	1,218															
Total full-time employees	1,251	1,198	1,199															
Total part-time employees	20	14	19															
102-9	Supply chain	<p>See the <i>CalSTRS Annual Comprehensive Financial Report</i> for the fiscal year ended June 30, 2021, on CalSTRS.com for detailed financial information.</p> <ul style="list-style-type: none"> • Pages 23–25, Independent auditor's report • Pages 88–91, Schedule of investment expenses • Pages 92–95, Schedule of consultant and professional services expenses 																

Disclosure	Description	Response
GRI 102: GENERAL DISCLOSURES (2016)–ORGANIZATIONAL PROFILE		
102-10	Significant changes to the organization and its supply chain	<p>Due to COVID-19 restrictions, the organization and supply chain experienced changes in the fiscal year 2020–21. Our member service centers were closed during the fiscal year. CalSTRS moved from offering in-person to virtual member services, effective March 2020. Our member service centers reopened in late 2021.</p> <p>Board meetings were conducted via teleconference. Public comments on agenda items could be submitted in writing or offered during the meeting by phone.</p>
102-11	Precautionary Principle or approach	<p>CalSTRS follows California Executive Orders and CalSTRS policies.</p> <p>Page 8, Sustainability Vision and Guiding Beliefs</p> <p>See the following:</p> <ul style="list-style-type: none"> • Principles for Responsible Investment Reporting Framework Self-Assessment 2020 for CalSTRS • Investment Policy and Management Plan on CalSTRS.com • Sustainable Investment and Stewardship Strategies Program and Portfolio Policy on CalSTRS.com <p>The CalSTRS Sustainable Investment and Stewardship Strategies unit uses our influence as a significant global investor to promote long-term sustainable business practices and public policies.</p> <p>We engage publicly traded companies in order to support long-term value creation as well as mitigate risk to our portfolio and the financial market as a whole. See our Value of engagements webpage on CalSTRS.com.</p>
102-12	External initiatives	<p>See Global coalitions and initiatives on CalSTRS.com.</p> <p>CalSTRS staff is responsible for implementing the ESG-related policies and directives of the Teachers' Retirement Board. We are a signatory of the Principles for Responsible Investment. The six principles are a voluntary and aspirational set of guidelines that offer possible actions for incorporating ESG issues into investments. See the Green Initiative Task Force Report ending June 30, 2019, on CalSTRS.com.</p> <p>In September 2021, the Teachers' Retirement Board adopted a pledge to achieve net zero greenhouse gas emissions across the CalSTRS Investment Portfolio by 2050 or sooner, aligning with the science-based targets of the Paris Agreement.</p>
102-13	Membership of associations	Pages 10–11, Leadership in sustainability organizations
GRI 102: GENERAL DISCLOSURES (2016)–STRATEGY		
102-14	Statement from senior decision-maker	<p>Pages 6–7, A message from CEO Cassandra Lichnock</p> <p>See 2019–22 <i>CalSTRS Strategic Plan</i> and <i>Business Plan Fiscal Year 2021–22</i> on CalSTRS.com.</p>

Disclosure Description**Response****GRI 102: GENERAL DISCLOSURES (2016)—ETHICS AND INTEGRITY**

102-16 Values, principles, standards and norms of behavior

Page 2, Mission and Vision
Page 8, Sustainability Vision and Guiding Beliefs
See the following on CalSTRS.com:

- **CalSTRS Investment Beliefs**
- **Responsible Contractor Policy**

CalSTRS Core Values

The CalSTRS Core Values are a set of attitudes, beliefs and behaviors that define CalSTRS and our employees.

- **Customer Service:** We never compromise on quality as we strive to meet or exceed the expectations of our customers.
- **Accountability:** We operate with transparency and accept responsibility for our actions.
- **Leadership:** We model best practices in our industry and innovate to achieve higher standards.
- **Strength:** We ensure the strength of our system by embracing a diversity of ideas and people.
- **Trust:** We conduct ourselves with integrity, acting ethically in every endeavor.
- **Respect:** We respect the needs of our members, co-workers and others, treating everyone with fairness, honesty and courtesy.
- **Stewardship:** We recognize our fiduciary responsibility as the foundation for all decision-making.

Ethics and integrity

The CalSTRS compliance program serves as a foundation of good corporate governance, providing each staff member with a clear, consistent set of practices and expectations for appropriate professional and personal conduct.

The Code of Ethics and Business Conduct serves as the cornerstone of the compliance program. The code applies to our employees, contractors and board. The principles contained in this code serve as guidelines for making sound decisions and conducting business ethically, sustaining CalSTRS over the long term.

All staff are encouraged to report any activity that may harm CalSTRS' reputation to their managers, executive staff or Human Resources. We have confidential and anonymous avenues for our staff to report suspicious activities, which increases the chance of uncovering allegations that may go unreported otherwise and potentially affect our reputation.

Our employees are subject to various policies, laws and regulations that relate to ethical conduct, with the responsibility to understand and abide by them all. All new employees review specific policies at time of hire, and all employees are required to complete mandatory recertification annually. CalSTRS employees in certain designated positions listed in the Conflict of Interest code are required to file the *Statement of Economic Interests* (Form 700) upon assuming their position, annually thereafter and when leaving office.

Disclosure	Description	Response
GRI 102: GENERAL DISCLOSURES (2016)—ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behavior (continued)	<p>Managing information security risks</p> <p>Information security is an organizational priority. Due to the current climate of data breaches and highly persistent hackers, information security remains a high risk in the remote work environment.</p> <p>We provide security education and communication to ensure staff conduct business safely and information remains secure. All employees are required to complete security awareness training annually.</p> <p>Our staff are confident in the mitigation efforts to control risk, including ongoing monitoring of CalSTRS' systems and employee education. The board is regularly briefed in closed sessions on information security.</p>

GRI 102: GENERAL DISCLOSURES (2016)—GOVERNANCE

102-18	Governance structure	<p>Page 12, Teacher's Retirement Board</p> <p>CalSTRS is administered by our 12-member Teachers' Retirement Board. The board sets the policies and 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 beneficiaries for the purpose of providing benefits.</p> <p>The board has six standing committees: Appeals, Audits and Risk Management, Benefits and Services, Board Governance, Compensation, and Investments. The committees responsible for decision making on environmental, economic and social issues include:</p> <ul style="list-style-type: none"> • Audits and Risk Management: Assists the Teachers' Retirement 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. • Compensation: Provides oversight to our compensation policies and plan that support the successful recruitment, development and retention of talent to meet our business objectives. • Investments: Oversee 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.
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Disclosure	Description	Response																
GRI 102: GENERAL DISCLOSURES (2016)—GOVERNANCE																		
102-24	Nominating and selecting the highest governance body	<p>The Teachers' Retirement Board includes:</p> <ul style="list-style-type: none"> • Three member-elected positions representing current educators. • A retired CalSTRS member appointed by the Governor and confirmed by the Senate. • Three public representatives appointed by the Governor and confirmed by the Senate. • A school board representative appointed by the Governor and confirmed by the Senate. • Four board members who serve in an ex officio capacity by virtue of their office: Director of Finance, State Controller, State Superintendent of Public Instruction, and State Treasurer. <p>The <i>Board Governance Manual</i> on CalSTRS.com contains information on election and committee selection processes.</p>																
102-27	Collective knowledge of highest governance body	<p>The <i>Board Governance Manual</i> on CalSTRS.com contains information on board education policy and onboarding new members.</p> <p>The board receives annual fiduciary education. Ongoing education for ESG topics includes sharing best management practices with international pension peers. Additionally, select board members and CalSTRS leaders attended the Ceres annual spring conference and the Berkeley Law/Ceres digital course ESG: Navigating the Board's Role.</p>																
102-29	Identifying and managing economic, environmental and social impacts	Pages 16–17, CalSTRS' COVID-19 resiliency																
GRI 102: GENERAL DISCLOSURES (2016)—STAKEHOLDER ENGAGEMENT																		
102-40	List of stakeholder groups	Pages 14–15, Stakeholder engagement and key topic identification																
102-41	Collective bargaining agreements	As of June 30, 2021, 65% of our 1,271 employees were covered by bargaining units.																
		<table border="1"> <thead> <tr> <th>Employee information</th> <th>2020-21</th> <th>2019-20</th> <th>2018-19</th> </tr> </thead> <tbody> <tr> <td>Employees covered by bargaining units</td> <td>828</td> <td>800</td> <td>822</td> </tr> <tr> <td>Total employees</td> <td>1,271</td> <td>1,212</td> <td>1,218</td> </tr> <tr> <td>Percent covered</td> <td>65%</td> <td>66%</td> <td>67%</td> </tr> </tbody> </table>	Employee information	2020-21	2019-20	2018-19	Employees covered by bargaining units	828	800	822	Total employees	1,271	1,212	1,218	Percent covered	65%	66%	67%
Employee information	2020-21	2019-20	2018-19															
Employees covered by bargaining units	828	800	822															
Total employees	1,271	1,212	1,218															
Percent covered	65%	66%	67%															
102-42	Identifying and selecting stakeholders	Pages 14–15, Stakeholder engagement and key topic identification																
102-43	Approach to stakeholder engagement	Pages 14–15, Stakeholder engagement and key topic identification																
102-44	Key topics and concerns raised	Pages 14–15, Stakeholder engagement and key topic identification Page 19, Key topics																

Disclosure	Description	Response
GRI 102: GENERAL DISCLOSURES (2016)—REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	See <i>CalSTRS Annual Comprehensive Financial Report</i> for the fiscal year ended June 30, 2021, on CalSTRS.com .
102-46	Defining report content and topic Boundaries	Pages 14–15, Stakeholder engagement and key topic identification
102-47	List of material topics	Economic material topics: <ul style="list-style-type: none"> • Pages 24–26, CalSTRS Funding Plan progress • Pages 27–31, Transition to net zero Additional key topics: <ul style="list-style-type: none"> • Pages 20–23, Member retirement education • Pages 32–34, Diversity, equity and inclusion
102-48	Restatements of information	We have no material restatements of information provided in previous sustainability reports.
102-49	Changes in reporting	Due to the sudden rise and velocity of the COVID-19 pandemic in early 2020, we cited managing enterprise risk as a material topic in the 2019–20 <i>Sustainability Report</i> . In this report, we are calling our operationalized response CalSTRS' COVID-19 resiliency.
102-50	Reporting period	July 1, 2020, through June 30, 2021. Information outside the fiscal year is noted.
102-51	Date of most recent report	February 2021 for 2019–20 fiscal year.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding this report	Sustainability@CalSTRS.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the Global Reporting Initiative Standards: Core option.
102-55	GRI content index	The index is organized by GRI Indicators and serves as our GRI Content Index.
102-56	External assurance	CalSTRS strives to provide accurate, transparent information regarding our performance. 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.

MATERIAL TOPICS

Disclosure	Description	Response
GRI 201: ECONOMIC PERFORMANCE (2016)		
103-1, 2, 3	Management approach	<p>Pages 24–26, CalSTRS Funding Plan progress</p> <p>Page 26, Monitoring, reporting on funding progress</p> <p>See <i>CalSTRS Annual Comprehensive Financial Report</i> for the fiscal year ended June 30, 2021, on CalSTRS.com for details:</p> <ul style="list-style-type: none"> • Financial performance • The CalSTRS Collaborative Model • Pension Solution technology project
201-1	Direct economic value generated and distributed	<p>Page 23, Members and beneficiaries at a glance</p> <p>See <i>CalSTRS Annual Comprehensive Financial Report</i> for the fiscal year ended June 30, 2021, on CalSTRS.com. For benefits paid to members, see “Statement of changes in fiduciary net position,” page 44.</p> <p>CalSTRS personnel services (dollars in thousands) from Schedule of administrative expenses</p> <p>Salaries and wages: \$77,037</p> <p>Staff benefits: \$23,750</p> <p>Accrued pension and other postemployment benefits expense: \$80,913</p> <p>Total personnel services: \$181,700</p> <p>See the <i>Popular Annual Financial Report</i>, page 13, “CalSTRS’ impact on California’s economy,” for value distributed to retired members living in California.</p> <p>The long-term projected funding sources are: 61% investment earnings, 18% employers, 11% from State of California and 10% from members. This is based on the June 30, 2020, valuation as presented in June 2021 and the \$584 million in supplemental payments that the State of California adopted through its 2021–22 budget. This projection assumes a 7% investment return through 2046 but does not reflect the 27.19% investment return from fiscal year 2020–21.</p>
201-2	Financial implications and other risks and opportunities due to climate change	<p>Pages 27–31, Transition to net zero</p> <p>See Path to net zero on CalSTRS.com.</p>
201-3	Defined benefit plan obligations and other retirement plans	<p>CalSTRS staff pensions are administered by the California Public Employees’ Retirement System. Most full-time employees hired to work more than six months are automatically members of CalPERS. Pension contributions are based on years of service in the CalPERS system, salary and a formula that applies to an employee’s retirement category.</p> <p>Based on fiscal year 2020–21 returns, the funded status of the Public Employees’ Retirement Fund is an estimated 82% based on a 7% discount rate. CalPERS takes steps to ensure financial risks to the system are understood, communicated and mitigated.</p> <p>CalSTRS employees can supplement retirement benefits through Savings Plus. This voluntary retirement program offers 401(k) and 457(b) plans at low cost to most California state employees. Annual contribution rates are determined by the IRS, and there are currently no employer match contributions.</p> <p>See the CalPERS <i>Annual Comprehensive Financial Report</i> for the fiscal year ended June 30, 2021, on CalPERS.ca.gov for a list of required contribution rates and fund management details.</p>

Disclosure	Description	Response
GRI 201: ECONOMIC PERFORMANCE (2016)		
201-4	Financial assistance received from government	<p>As part of the 2020–21 state budget, the state redirected supplemental payments paid on behalf of employers to provide additional short-term contribution rate relief for anticipated economic conditions associated with the COVID-19 pandemic. The rate relief was set at 2.95% of payroll in 2020–21 and at 2.18% of payroll in 2021–22. Since the rate relief is set to expire after fiscal year 2021–22, employers are expected to face an increase of 2.18% of payroll for fiscal year 2022–23 plus any adjustments pursuant to the funding plan.</p> <p>The State of California also continued to demonstrate its commitment to the funding plan and CalSTRS' mission by committing \$584 million in supplemental payments for CalSTRS as part of its 2021–22 budget. Specifically, the budget for the State of California included an additional \$174 million from the General Fund to bridge the gap from where the state contributions would have been had the state contribution rate not been frozen by the state in 2020–21 and \$410 million from Proposition 2 revenues to further reduce the state's share of the unfunded actuarial obligation.</p>

ADDITIONAL DISCLOSURES

Disclosure	Description	Response												
GRI 302: ENERGY (2016)														
302-1	Energy consumption within the organization	<p>We track energy consumption for operation of our headquarters building. Electricity and natural gas are sourced from municipal suppliers with quantities reported via invoices and entered into our Energy Star Portfolio Manager.</p> <p>The majority of employees worked remotely during the fiscal year. This resulted in lower-than-normal energy consumption.</p> <p>Future targets will be reset as we adopt a hybrid work model of in-office and remote work.</p> <table border="1"> <thead> <tr> <th>Energy</th> <th>2020–21</th> <th>2019–20</th> <th>2018–19</th> </tr> </thead> <tbody> <tr> <td>Electricity (kWh)</td> <td>3,840,726</td> <td>4,545,158</td> <td>4,745,813</td> </tr> <tr> <td>Natural gas (therms)</td> <td>15,041</td> <td>24,962</td> <td>29,476</td> </tr> </tbody> </table>	Energy	2020–21	2019–20	2018–19	Electricity (kWh)	3,840,726	4,545,158	4,745,813	Natural gas (therms)	15,041	24,962	29,476
Energy	2020–21	2019–20	2018–19											
Electricity (kWh)	3,840,726	4,545,158	4,745,813											
Natural gas (therms)	15,041	24,962	29,476											

GRI 303: WATER AND EFFLUENTS (2018)										
303-1	Water withdrawal	<p>We track water usage for operation of our headquarters building. Water is sourced from municipal water suppliers with quantities reported via invoices.</p> <p>The majority of employees worked remotely during the fiscal year. This resulted in lower-than-normal water usage.</p> <p>Future targets will be reset as we adopt a hybrid work model of in-office and remote work.</p> <table border="1"> <thead> <tr> <th>Water</th> <th>2020–21</th> <th>2019–20</th> <th>2018–19</th> </tr> </thead> <tbody> <tr> <td>Gallons used</td> <td>2,715,801</td> <td>4,873,108</td> <td>6,040,100</td> </tr> </tbody> </table>	Water	2020–21	2019–20	2018–19	Gallons used	2,715,801	4,873,108	6,040,100
Water	2020–21	2019–20	2018–19							
Gallons used	2,715,801	4,873,108	6,040,100							

Disclosure	Description	Response
GRI 305: EMISSIONS (2016)		
305-1	Direct (scope 1) GHG emissions	Pages 29–30, Headquarters scope 1 and 2 emissions for 2020
305-2	Energy (scope 2) GHG emissions	Pages 29–30, Headquarters scope 1 and 2 emissions for 2020
305-3	Other indirect (scope 3) GHG emissions	Page 30, Scope 3 emissions GHG information is derived from our travel management system as pounds of CO ₂ . That information is input into the Climate Registry Information System, which calculates the measure as metric tons of carbon dioxide equivalent (CO ₂ e).

GRI 306: WASTE (2020)		
306-1	Waste generation and significant waste-related impacts	Waste at our headquarters building is consumable office waste consisting of landfill, mixed recycling, organic compost, shredded paper and batteries.
306-3	Waste generated	The majority of employees worked remotely during the fiscal year. Lower building occupancy and limited onsite food service contributed to a decrease in waste from the prior year.
306-4	Waste diverted from disposal	Environmentally preferred purchasing is the procurement of goods and services that have a reduced impact on human health and the environment compared to competing products serving the same purpose.

	2020	2019	2018
Environmentally preferred purchasing	70%	57%	43%

We currently measure waste diversion rate as a percentage of tons diverted from landfill divided by total tons of consumables, measured on an annual basis.

Prior to fiscal year 2020–21, diversion rate was calculated monthly. The annual diversion rate was calculated as an average of each of the 12 months' diversion percentages. The current calculation methodology is more accurate.

The waste diversion percentage increased to 98%.

	2020–21	2019–20	2018–19
Waste diversion rate	98%	86%	88%

Future targets will be reset as we adopt a hybrid work model of in-office and remote work.

Disclosure Description Response

GRI 401: EMPLOYMENT (2016)

401-1	New employee hires and employee turnover	Employee retention rate	Overall	Voluntary	Retirement	Involuntary
			Turnover	6.90%	4.73%	1.69%

GRI 404: TRAINING AND EDUCATION (2016)

404-3	Percentage of employees receiving regular performance and career development reviews	100% of our employees received annual reviews. Methodology: The cycle for performance reviews ends on October 31 annually. The percentage is based on employees who worked during the fiscal year and had not separated as of October 31, 2021.
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GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)

405-1	Diversity of governance bodies and employees	Page 12, Teachers' Retirement Board Board and executive staff changes during the fiscal year: <ul style="list-style-type: none"> In August 2020, Jennifer Urdan was appointed to a four-year term on the Teachers' Retirement Board. In January 2021, Teresa Schilling was appointed chief public affairs officer. In May 2021, the Teachers' Retirement Board appointed Cassandra Lichnock as CEO, effective July 1, 2021. On June 30, 2021, Jack Ehnes retired as chief executive officer. Ehnes joined CalSTRS as CEO in February 2002.
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Employee diversity

	American Indian	Asian	Black	Hispanic	Pacific Islander	White	Other	Undeclared	Totals
Total staff	11	348	73	201	11	585	32	10	1,271
% of CalSTRS	0.9%	27.4%	5.7%	15.8%	0.9%	46.0%	2.5%	0.8%	100%

Staff level

Leaders	1	59	8	35	2	167	7	1	280
Staff/specialists	10	289	65	166	9	418	25	9	991

Employees by gender	2020-21	2019-20	2018-19
Total number of employees	1,271	1,212	1,218
Female	749	701	713
Male	522	511	505
Total full-time employees	1,251	1,198	1,199
Female	733	690	697
Male	518	508	502
Total part-time employees	20	14	19
Female	16	11	16
Male	4	3	3



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