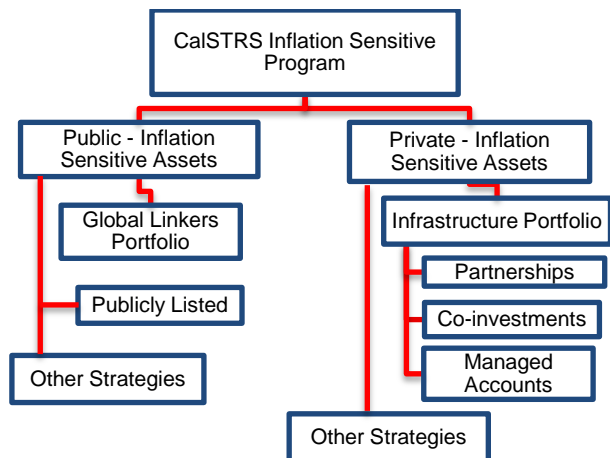
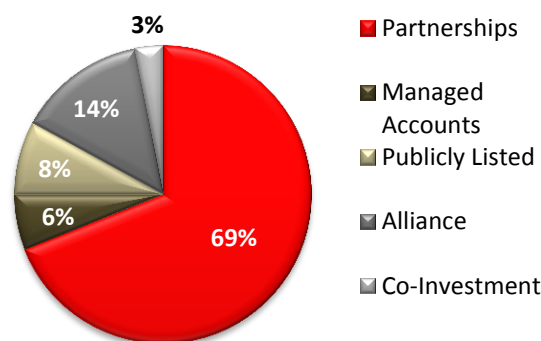


Program Description



across the investment spectrum in order to source strategies that best fit its role and mission in CalSTRS' overall portfolio.

Infrastructure Portfolio Committed Amounts



The Role of Inflation Sensitive

To provide diversification within a multi-asset portfolio, lower the macroeconomic risks that pervade other major asset classes, and positively capture changes in inflation.

The Mission of Inflation Sensitive

Provide value through a unique hybrid class of multiple asset types that when combined seek to produce a stable return that meets or exceeds the US CPI by a level that appropriately considers risk and return. To achieve the stated performance objective, the asset class will invest in a diversified portfolio of public and private strategies with a mixture of both internally and externally focused management strategies.

Portfolio Composition

Global Linkers Portfolio

In 2010, as part of the Fund's asset allocation review, the Fixed Income unit assumed responsibility for a portion of the Inflation-linked program. The Fixed Income unit, in close cooperation with the Inflation Sensitive unit, manages a portion of CalSTRS' Inflation Sensitive Portfolio allocation. It does so through the use of inflation-linked securities issued by developed market countries in North America, Europe, and Asia. This portion of the portfolio is benchmarked against the Barclays Inflation Linked Index and has approximately \$580 million in assets under internal management.

Infrastructure Portfolio

The Infrastructure portfolio utilizes a number of different investment and security types in order to achieve its goal. The asset class uses limited partnerships, co-investments, consortiums, separate accounts, and direct/joint venture investments. The asset class also relies on CalSTRS' internal management teams as well as other external manager's

Investment Philosophies

The Investment philosophy of the Inflation Sensitive asset class is to search for:

- Provide inflation protection, diversification and inflation linked returns for long-term.
- To lower CalSTRS' portfolio volatility through a combination of strategies and sector allocations less correlated with long-term growth.
- Pursue investments which provide cash flows correlated with inflationary assets that contain adjustable contractual or non-contractual payment streams that will benefit from inflation over the long-term.
- Pursue investments expected to benefit from inflation and increase in market value over the long-term.

The History of Inflation Sensitive

In 2008, a new asset class, Absolute Return, was approved by the Board to include an allocation to infrastructure and global inflation-linked securities. A portfolio manager was allocated in 2010 to the Infrastructure Program and another investment officer was added in 2012 in order to assist in the growth of assets and inquiries from potential partners. As the portfolio continued to grow, three more investment officers were added in 2014 along with an investment director. The asset class was renamed Inflation Sensitive and continues to operate as a hybrid with responsibility for both the Infrastructure portfolio and a portfolio of global inflation-linked securities. With the September 2015 Board approved Inflation Sensitive Policy, additional sub-asset classes will be added to the Inflation Sensitive portfolio over the coming years.

The Program Benchmark

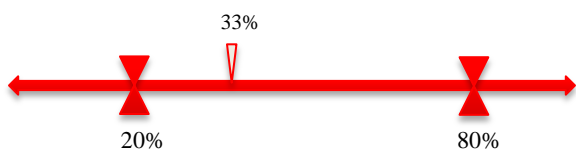
Program Benchmark: The Barclays Inflation Linked Global Series – L Index (representing the inflation-linked portfolio) and a CPI + 4% a year index (representing the infrastructure portfolio). The benchmark is a blended performance benchmark that comprises the weightings for each of the strategies undertaken in the Inflation Sensitive portfolio.

Target Allocations

The Inflation Sensitive Portfolio will consist of two major components: Public – Inflation Sensitive and Private – Inflation Sensitive assets. Both strategies have ranges of 20% - 80% for maximum flexibility.

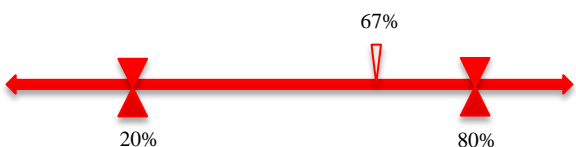
Current Allocation

Public Inflation Sensitive Assets



Public – Inflation Sensitive assets will include strategies that utilize public securities that have a linkage to changes in inflation and are bought and sold in widely recognized and liquid markets. Examples include: government inflation linked bonds. Inflation linked corporate debt, commodities, and Master Limited partnerships (MLP's).

Private Inflation Sensitive Assets



Private – inflation sensitive assets will include strategies that utilize private securities that have a linkage to changes in inflation but are more illiquid. Examples include equity: infrastructure, timber, and agriculture investments.

*As of 9-30-15

Program Consultants

Pension Consulting Alliance and Meketa Investment Group provide guidance to the Teachers' Retirement Board and staff on investment strategy, industry best practices and policy matters on the Inflation Sensitive Portfolio.

Consultant: Pension Consulting Alliance

Key contact:

Alan Emkin – General

Judy Chambers - Infrastructure

Consultant: Meketa Investment Group

Key contact:

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Inflation Sensitive Investment Team

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Diloshini Seneviratne 916-414-7587 dseneviratne@calstrs.com	Portfolio Manager	2007
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Administrative Support		
Richard Novoa 916-414-7527 rnovoa@calstrs.com	Staff Services Analyst	2015