

## CalSTRS Collaborative Model update



CalSTRS is making progress and is largely on track with implementation of the CalSTRS Collaborative Model – 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. Early indications show that we have already generated cost savings by hiring additional staff to manage more assets in-house.

Effective recruitment of expert staff remains the greatest challenge and key to success for this investment approach. To improve the pool of candidates, Human Resources consults with hiring managers for each vacant position to create customized job bulletins. Additionally, HR has partnered with LinkedIn to create a marketing plan to attract future candidates and is creating a succession plan to ensure current staff have the training and development they need to fill senior roles.

CalSTRS is pursuing legislation to give the Teachers' Retirement Board authority over investment procurement processes. The goal is to increase efficiency and cost-effectiveness when contracting with external investment partners, while still meeting the highest fiduciary standards of due diligence. CalSTRS is also improving current processes by adopting DocuSign for contract signatures, creating a webpage that allows vendors the ability to submit bids electronically, and providing templates that improve the quality of submitted documents.

See the [board agenda item](#) and watch the CalSTRS Collaborative Model board update at [CalSTRS.com](#).

## Flexibility key in new fiscal year

At the July meeting, the board and its committees approved [work plans](#) with a focus on flexibility for the 2020-21 fiscal year.

These plans are developed at the beginning of each fiscal year to identify critical issues and topics to be addressed during subsequent board meetings.

The Investment Committee is continuing two high-priority studies and overseeing the ongoing implementation of the CalSTRS Collaborative Model. The study of the low-carbon transition is scheduled through the end of the calendar year, and in January, the committee will begin its in-depth study on the growth of Asia.

The board also agreed upon adding an item on compensation policy to the September 2020 meeting.

## July TRB meeting online



See the July board meeting, and an archive of previous meetings, on [CalSTRS.com](#)

## Board members

**Harry M. Keiley**  
Chair

**Sharon Hendricks**  
Vice Chair

**Denise Bradford**  
K-12 Classroom Teacher

**Keely Bosler**  
Ex Officio Member, Director of Finance

**Joy Higa**  
Public Representative

**Fiona Ma**  
Ex Officio Member, State Treasurer

**William Prezant**  
Public Representative

**Tony Thurmond**  
Ex Officio Member, State Superintendent of Public Instruction

**Karen Yamamoto**  
Retiree Representative

**Betty Yee**  
Ex Officio Member, State Controller

## Board approves investment policy revisions

The Teachers' Retirement Board approved policy revisions to CalSTRS' Sustainable Investment and Stewardship Strategies Program. In a separate item, the board adjusted the implementation of its long-term asset allocation plan.

### New benchmark for SISS

The board adopted a new investment benchmark for the SISS Public Equity Portfolio and will now use the Custom MSCI All Country World Investable Market Index as the program's benchmark. This change will allow us to better focus on risk management and optimize risk-adjusted returns for the fund.

The board also approved a plan to integrate our Low-Carbon Index under the management of the SISS portfolio. The Low-Carbon Index is a natural fit to complement the SISS portfolio's existing public equity strategies, which consist of highly concentrated activist managers and sustainability focused managers.

### Long-term asset targets amended

CalSTRS first adopted a new long-term asset allocation plan in January 2020. Like other global investors, we experienced significant volatility in global financial markets over the first half of 2020 due to the COVID-19 pandemic. We know from experience that investment opportunities cannot be timed and must be implemented as opportunities arise.

The board approved subtle course corrections in the long-term asset allocation implementation plan to reflect today's market conditions.

CalSTRS has learned from experience that setting a rigid timeline is inefficient as investment opportunities ebb and flow and do not follow a calendar time frame. Therefore, the implementation plan is expressed in "steps" toward the long-term target.

Changes from the original plan for Step 1 include:

- Real Estate is 1% higher—now at 14% of the total portfolio.
- Inflation Sensitive will remain at 3% until Step 2.
- The planned 1% shift from Fixed Income to Risk Mitigating Strategies is delayed until Step 2.

## Investment Insight Program on low-carbon transition

Ethan Zindler, head of the Americas for Bloomberg New Energy Finance, spoke to the board about long-term energy forecasts, the future of fossil fuels and worldwide energy demand at the July meeting. BNEF is a provider of insight, data and news on clean energy, advanced transport, commodities and emerging technologies.

[Watch Zindler's presentation online](#) beginning at the 2:27 mark in the webcast.

All remaining 2020 board meetings will be virtual. Next meeting dates: September 2-4, 2020

For board [minutes](#), [full items](#) and [video archives](#) of past meetings, go to [calstrs.com/teachers-retirement-board](http://calstrs.com/teachers-retirement-board).



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