

Net Zero Pledge Background

At the June 10, 2021, Investment Committee meeting, the Committee requested that staff evaluate whether aligning the investment portfolio with the goals of the Paris Climate Agreement, by setting a net zero portfolio emissions commitment, would enhance CalSTRS ability to further manage the risks and opportunities associated with climate change and the transition to a low-carbon economy.

At the July 8, 2021, meeting, the Investment Committee approved the Investment Committee Work Plan which included two work streams: 1) Collaborative Model 2.0 and 2) Action Steps Towards the Low-Carbon Future/Plan the Path to Net Zero. As part of the Investment Committee Work Plan, staff provided additional information on a potential net zero strategy for the CalSTRS Investment Portfolio.

At the September 1, 2021, meeting, staff presented its proposed net zero strategy to the Investment Committee with the recommendation to approve a pledge to move the investment portfolio to net zero emissions by 2050 or sooner. The pledge is a goal (a “North Star”) that represents an evolution of the existing strategies that the Board, staff and consultants have been developing, refining, and executing for several years to address the foreseeable transition to a lower carbon future. This North Star allows CalSTRS to more comprehensively account for the effects of a decarbonizing economy on its investment portfolio which will impact the delivery of sustainable pension benefits to CalSTRS’ participants and beneficiaries.

The committee approved staff’s recommendation, as well as a comprehensive year one action plan around the net zero portfolio emissions pledge implementation.