INFLATION SENSITIVE STRUCTURE

1. This asset class consists of several asset types that, when combined, should produce a relatively stable return stream, with a return level between equities and fixed income, and an overall higher correlation to inflation than equity or fixed income. The initial portfolio was comprised of global inflation linked bonds/securities and infrastructure investments. Additional investment areas and strategies have been added upon the Investment Committee's approval.
2. Infrastructure investments are governed by the CalSTRS Infrastructure Investment Policy, initially adopted in July 2008.
3. More detailed information and standards for the asset class can be found in the CalSTRS Inflation Sensitive Investment Policy.

INNOVATIVE STRATEGIES

1. These strategies will invest in a diversified portfolio of assets that generally fall outside of the traditional asset classes currently used by the Board. The purpose is to provide the Board with the opportunity to invest in a wide spectrum of investment opportunities that will be required to demonstrate success before committing larger dollar amounts to a specified strategy.
2. Discretionary separate account relationships may be entered into, subject to pre-approved investment guidelines. The Chief Investment Officer must approve any deviations from the approved guidelines. For this reason, investments shall be structured to facilitate alignment of interests between management and CalSTRS, management accountability, investment monitoring, and liquidity.
3. More detailed information and standards for these strategies can be found in the CalSTRS Innovation Portfolio Investment Policy.

RISK MITIGATING STRATEGIES (RMS) STRUCTURE

1. The purpose of RMS is to help diversify CalSTRS portfolio large exposure to global economic growth within the overall investment portfolio. This class will contain assets and investment strategies with structural aspects that provide improved diversification and potential protection in negative equity markets.
2. The investments exhibit a low to negative correlation to the Global Equity asset class. It is expected that during economic recessions and periods of negative global equity market returns, this asset class will provide diversification and produce a positive or less negative relative return. Correspondingly, it is understood that in periods of strong economic growth and / or strong global equity returns, this asset class will exhibit a very low return to slightly negative return.
3. This class will consist of four core strategies; long-term U.S. Government Bonds, Trend Following, Global Macro, and Systematic Risk Premia. Because this class is a collection of diverse investments in total, it will not have a single benchmark, but rather an aggregate benchmark consisting of the individual benchmarks assigned to each core strategy. At the inception of the RMS class, the blended benchmark will be based on a dynamic weighting of each of the strategies. When all of the individual strategies achieve their target weights, the blended benchmark will utilize the target weights of each strategy.

4. More detailed information and standards for these strategies can be found in the CalSTRS RMS Policy.

ADDITIONAL INVESTMENT PROGRAMS & POLICIES

CalSTRS also maintains programs and policy statements for the following additional investment programs:

1. California Investments
2. Securities Lending
3. Divestment Policy
4. Special Mandates
5. Pension2® Investment Policy
6. Responsible Contractor Policy

Additional information and standards for each can be found in their respective investment policies statements.

VALUATION OF INVESTMENTS

1. CalSTRS Investment portfolio assets are to be priced, invested, administered and managed in a prudent manner for the sole benefit of its participants and beneficiaries, in accordance with the California Constitution, the Teacher's Retirement Law, and other applicable statutes.
2. CalSTRS seeks to value the assets of the Total Fund consistent with best practices and in alignment to policies set forth by CalSTRS Board of Trustees. The Investment branch shall establish processes by which pricing vendors are selected, prioritized and reviewed for such valuations and ensure these processes are followed through regular oversight.
3. CalSTRS considers a number of significant measures such as data accuracy, reliability, integration, and comprehensive coverage, when determining a pricing source hierarchy. Pricing vendors are selected, prioritized and reviewed for the most appropriate and accurate valuations.
4. CalSTRS performs reviews of the pricing source hierarchy, methodology, and tolerances for the purpose of evaluating reasonability of security valuation and to mitigate risk of mis-priced investments relating to the Fund's assets. The pricing source hierarchy is implemented by the master custodian and the oversight is under the purview of the Director of Investment Operations.

REPORTING

On at least a semi-annual basis, the investment office and the chief investment officer will prepare a comprehensive set of reports on the Investment program to include the asset allocation, movement of assets, cash flow, and the market value and changes to each asset class. Semi-annually, the general consultant and CIO will preview and present the investment performance of the CalSTRS Investment Portfolio.

Link to INVESTMENT TERMS GLOSSARY at CalSTRS.com

Approved July 2002
Revised Capital Market Assumptions December 2002
Revised Asset Allocation Plan November 2003
Revised November 2003
Revised December 2003
Revised December 2005
Revised Capital Market Assumptions February 2006
Revised June and July 2006
Revised for new asset allocation targets September 2006
Revised for new asset allocation targets September 2007
Revised for new Asset Allocation targets and ESG Policy July 2008
Revised to add 21st Risk Factor for Human health to the ESG Policy, Attachment A September 2008
Expand Asset Class ranges November 2008
Revised asset allocation targets March 2009
Revised for new asset allocation targets August 2009
Revised for asset allocation targets July 2010
Revised for new asset allocation targets and to change the name of the Absolute Return Asset Class to Inflation Sensitive, July 2011
Revised to create the Overlay Asset Class, April 2012
Revised for new asset allocation ranges, Absolute Return Asset Class and benchmark adjustments, September 2013
Revised for Global Equity, Inflation Sensitive, Real Estate and Private Equity policy November 2014
Revised for the new 2015 asset allocation mix and inclusion of the new Risk Mitigating Strategies Asset Class which will replace the Absolute Return Asset Class, April 2016
Revised for new asset allocation targets, Valuation Statement and to reflect the new Innovative Strategies, July 2016
Revised to update equity benchmark and asset allocation ranges effective January 1, 2017, November 2016
Revised for new asset allocation targets effective June 30, 2017, June 2017
Revised for housekeeping and to match the Asset Class Policy changes approved in FY 16-17, July 2017
Revised for new interim asset allocation targets effective January 1, 2018, November 2017
Revised to reference Investment Beliefs and update asset allocation process, September 20, 2018
Revised for benchmark update and new asset allocation targets effective April 1, 2019, March 28, 2019
Revised for housekeeping, benchmark updates, addition of attachment B, strategic class structure added to tables and inclusion of Investment Glossary link, July 11, 2019
Revised for new asset allocation targets and update to inflation rate assumption, January 29, 2020
Revised Global Equity structure changes from active/passive to an overall risk budget March 4, 2020
Revised for housekeeping and new asset allocation targets effective July 1, 2020, July 15, 2020
Revised for new asset allocation targets effective July 1, 2021, liquidity risk limit and approved RMS benchmark description change, July 8, 2021
Revised for update to SISS and FI structure changes, Bloomberg rebranding and RMS SRP replacement index, October 2021
Revised for new asset allocation targets effective January 1, 2022, January 27, 2022
Revised for new asset allocation targets effective July 1, 2022 and liquidity risk limit, July 7, 2022

Attachment A: Investment Policy for Mitigating Environmental, Social, and Governance Risks (ESG)

POLICY

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy and Management Plan, is to discharge its responsibility in a manner that is in the sole and exclusive interest of the participants and beneficiaries and will assure the prompt delivery of benefits and related services.

CalSTRS invests a multi-billion dollar fund in a unique and complex social-economic milieu and recognizes it can neither operate nor invest in a vacuum. As a significant investor with a very long-term investment horizon, the success of CalSTRS is linked to global economic growth and prosperity. The System's investments impact other facets of the global economy and actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund.

Consistent with its fiduciary responsibilities to CalSTRS members, the Board has an obligation to ensure that the corporations and entities in which CalSTRS invests strive for long-term sustainability in their operations. Managers of our investments who do not strive for sustainability jeopardize achieving the long-term expected rate of return we expect. Therefore, CalSTRS incorporates ESG considerations into its analysis of the riskiness of its investment decisions and its ownership policies and practices, to the extent that ESG factors are material to the long-term success of an investment.

Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity for many decades, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund. Conversely, unsustainable practices that hurt long-term profits are risks to the System.

Since CalSTRS must invest huge sums of moneys for long periods of time to pay for future benefits promised to California Teachers, our decision to invest in corporations and other entities predominately reflects a judgment that the ownership will produce a sustainable rate of return which will make it an attractive investment and help CalSTRS meet its long-term obligations. It is important to note that CalSTRS ownership of a security in a company does not signify that CalSTRS approves of all of the company's practices or its products or that CalSTRS believes a particular company is an attractive investment since the security may be owned due to its membership in a particular index. CalSTRS utilizes "index" investing due to its low cost and efficient structure. These "index" investments are broadly diversified and composed of thousands of individual companies.

Since 1978, CalSTRS has used a written policy, the Statement of Investment Responsibility, SIR, to navigate the complex landscape of ESG issues. The long history of this document is testimony to the national leadership of CalSTRS among pension funds in addressing ESG matters through a written policy. The SIR will continue to guide CalSTRS proxy voting; however his ESG Policy is CalSTRS' preeminent policy on ESG matters and will guide active investment decisions and passive index strategy engagements.

PROCEDURES

To help manage the risk of investing a global portfolio in a complex governance environment, CalSTRS has developed a series of procedures to follow when faced with any major environmental, social or governance issue as identified by the ESG risk factors.

When faced with a decision or other activity that potentially violates CalSTRS ESG Policy; the Investment Staff, CIO and Investment Committee will undertake the following actions:

A. The CIO will assess the potential ESG policy violation both as an ESG risk and as an impact to the System. The extent of the responsibility of the System to devote resources to address these issues will be determined by: 1) the size of the investment, and 2) the gravity of the violation of CalSTRS ESG Policies.

B. At the CIO's direction, the Investment Staff will directly engage corporate management or other appropriate parties to seek information and understanding concerning the ESG policy violation and its ramifications on the System.

C. The CIO and investment staff will provide a report to the Investment Committee of the findings associated with an ESG policy violation engagement and recommend any further action of engagement or need to commit further System resources. The Investment Committee can marshal further resources given the gravity of the situation.

To assist CalSTRS Staff and external investment managers in their investment analysis and decision-making, CalSTRS has developed a list of ESG risk factors that should be considered as part of the financial analysis of any active investment decision. For passive index strategies, CalSTRS uses the ESG risk factors to guide engagement activities. This ESG list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction or engagement; however, they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for any CalSTRS investment or engagement in any asset class.

CalSTRS expects all investment managers, both internal and external to assess the risk of each of the following factors when making an active investment. The manager needs to balance the rate of return with all the risks including consideration of the specific investments exposure to each factor in each country in which that investment or company operates.

CALSTRS ESG RISK FACTORS
Monetary Transparency The investment's long-term profitability by whether or not a country or company has free and open monetary and financial data, and its observance of applicable laws.
Data Dissemination The investment's long-term profitability by whether or not a country is a member of the IMF (or similar organization) and satisfies the conditions for access, integrity, and quality for most data categories.
Accounting The investment's long-term profitability by whether or not the accounting standards are formulated in accordance with International Accounting Standards or the U.S. Generally Accepted Accounting Principles.
Payment System: Central Bank The investment's long-term profitability by whether the activities of a country's central bank encompass implementing and ensuring compliance with principles and standards which are established to promote safe, sound, and efficient payment and settlement.
Securities Regulation The investment's long-term profitability by exposure to operations in countries that have not complied with IOSCO objectives, which provide investor protection against manipulation and fraudulent practices.
Auditing The investment's long-term profitability by whether or not the country uses International Standards on Auditing in setting national standards.
Fiscal Transparency The investment's long-term profitability by its exposure or business operations in countries that do not have some level of fiscal transparency such as publication of financial statistics, sound standards for budgeting, accounting, and reporting.
Corporate Governance The investment's long-term profitability by whether or not the government recognizes and supports good corporate governance practices and whether it generally adheres to OECD principles.
Banking Supervision The investment's long-term profitability from its exposure to countries that have not endorsed/complied with the Basel Core Principles. An endorsement includes an agreement to review supervisory arrangements against the principles and bring legislation in line with the principles where necessary.

Payment System: Principles The investment's long-term profitability by whether a country complies with the 10 Core Principles for Systemically Important Payment Systems, which includes operational reliability, efficiency, real time settlement, final settlement in central bank money; and whether rules and procedures are clear and permit participants to understand the financial risks resulting from participation in the system.
Insolvency Framework The investment's long-term profitability from its business operations and activities in specific countries with regard to bankruptcy reform or insolvency legislation.
Money Laundering The investment's long-term profitability from exposure and whether or not a country has implemented an anti-money laundering regime in line with international standards; consideration should be given to compliance with the 40 recommendations in the Financial Action Task Force, FATF, on Money Laundering; and whether it is a member of FATF.
Insurance Supervision The investment's long-term profitability from whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors, IAIS, Principles.
Respect for Human Rights The investment's long-term profitability from its business operations and activities in countries that lack or have a weak judicial System. Assess the risk to an investment's long-term profitability from its business operations and activities in a country that engages in or facilitates the following: arbitrary or unlawful deprivation of life, disappearance, torture and other cruel, inhuman, or degrading treatment or punishment, arbitrary arrest, detention, or exile, arbitrary interference with privacy, family, home, or correspondence, use of excessive force and violations of humanitarian law in internal conflicts. Consideration should be given to governmental attitude regarding international and non-governmental investigation of alleged violations of human rights.
Respect for Civil Liberties The investment's long-term profitability from operations, activities, and business practices in countries or regions that do not allow freedom of speech and press, freedom of peaceful assembly and association, freedom of religion, freedom of movement within the country, allowance for foreign travel, emigration, and repatriation.
Respect for Cultural and Ethnic Identities The investment's long-term profitability from operations, activities and business practices that do not adequately respect cultural values and ethnic identities.

Respect for Property Rights The investment's long-term profitability from operations, activities and business practices that dispossesses or degrades peoples' lands, territories or resources, or does not adequately respect established property rights.
Respect for Political Rights The investment's long-term profitability from business practices and activities in countries that do not allow their citizens the right to advocate for change to their government.
Discrimination Based on Race, Sex, Disability, Language, or Social Status The investment's long-term profitability from business practices and activities on discrimination, such as discrimination against women, children, and persons with disabilities, national/racial/ethnic minorities, or indigenous people.
Worker Rights The investment's long-term profitability from management and practices globally in the area of worker's rights; specifically the right of association, the right to organize and bargain collectively, prohibition of forced or bonded labor, status of child labor practices and minimum age for employment, acceptable work conditions, or human trafficking.
Environmental The investment's long-term profitability from activities and exposure to environmental matters such as; depleting or reducing air quality, water quality, land protection and usage, without regard for remediation.
Climate Change The investment's long-term profitability from inadequate attention to the impacts of climate change, including attention to relevant climate policy considerations and emerging climate risk mitigating technologies.
Resource Efficiency The investment's long-term profitability from inadequately managing resource usage in a resource-constrained environment amid growing resource demand.
War/Conflicts/Acts of Terrorism The investment's long-term profitability from business exposure to a country or region that has an internal or external conflict, war, acts of terrorism or involvement in acts of terrorism, and whether the country is a party to international conventions and protocols.
Human Health The investment's long-term profitability from business exposure to an industry or company that makes a product which is highly detrimental to human health so that it draws significant product liability lawsuits, government regulation, United Nations sanctions and focus, and avoidance by other institutional investors.

Attachment B: Investment Policy for Approval of Internally Managed Public Portfolio Trading, and Externally Managed Private Portfolio Transactions

Public Asset Approval Policy

Approval limits for transactions within internally managed portfolios trading public assets will use the respective trading parameters by investment type**.** The following limits apply with respect to non-cumulative daily trade limits. Non-cumulative refers to individual limits that cannot be combined with the limits of other Investment Staff.

Global Equity	
Investment Officer I	**Up to 1% per internally managed portfolio**
Investment Officer II	**Up to 2% per internally managed portfolio**
Investment Officer III	**Up to 2.5% per internally managed portfolio**
Associate Portfolio Manager	**Up to 3% per internally managed portfolio**
Portfolio Manager	**Up to 4% per internally managed portfolio**
Director of Global Equity	**Up to 5% of Total Global Equity portfolio**
Deputy Chief Investment Officer	**Up to 10% of Total Global Equity portfolio**
Chief Investment Officer	**Up to 10% of Total Global Equity portfolio**

For derivatives and transition management portfolios, the above risk-based trading parameters are non-cumulative and are applied to the market value of the U.S. or Non-U.S. segments of the Global Equity portfolio.

Fixed Income	
Investment Officer I	**Up to 2% of internally managed portfolio**
Investment Officer II	**Up to 4% of internally managed portfolio**
Investment Officer III	**Up to 6% of internally managed portfolio**
Associate Portfolio Manager	**Up to 8% of internally managed portfolio**
Portfolio Manager	**Up to 10% of internally managed portfolio**
Director of Fixed Income	**Up to 5% of Total Fixed Income portfolio**
Deputy Chief Investment Officer	**Up to 10% of Total Fixed Income portfolio**
Chief Investment Officer	**Up to 10% of Total Fixed Income portfolio**

Short-term Assets: No daily limits with respect to the approval of trade activity within the liquidity portfolio shall be established.

For derivative instruments, overlay and transition management portfolios, tighter trading parameters may be applied.

Currency Management	
Investment Officer I	**Up to 1% of the core (notional) program**
Investment Officer II	**Up to 2% of the core (notional) program**
Investment Officer III	**Up to 3% of the core (notional) program**
Associate Portfolio Manager	**Up to 4% of the core (notional) program**
Portfolio Manager	**Up to 5% of the core (notional) program**
Director of Fixed Income	**Up to 5% of the total non-USD holdings**
Deputy Chief Investment Officer	**Up to 10% of the total non-USD holdings**
Chief Investment Officer	**Up to 10% of the total non-USD holdings**

Note: Notional amount parameters are intended to take into account the position range referenced in the Currency Management Program Policy.

Securities Lending

Given that the trade activity for this program is governed by the investment and securities lending markets, no daily limits with respect to the approval of trade activity within CalSTRS' internally managed Cash Collateral portfolio shall be established.

Home Loan Program	
Investment Officer I	**$5 million**
Investment Officer II	**$10 million**
Investment Officer III	**$20 million**
Associate Portfolio Manager	**$30 million**
Portfolio Manager	**$35 million**
Director of Fixed Income	**$50 million**
Deputy Chief Investment Officer	**$100 million**
Chief Investment Officer	**$100 million**

Credit Enhancement Program	
Investment Officer I	**$50 million**
Investment Officer II	**$75 million**
Investment Officer III	**$100 million**
Associate Portfolio Manager	**$200 million**
Portfolio Manager	**$300 million**
Director of Private Equity	**$400 million**
Deputy Chief Investment Officer	**$600 million**
Chief Investment Officer	**$600 million**

Private Asset Approval Policy

Private investment portfolios will use a single approval structure to approve the outgoing cash transactions of previously approved investment commitments and does not include the authorization of new investments, which are approved through the existing delegation of authority.

The receipt of cash to private investment portfolios does not require approval limits.

The following non-cumulative daily approval limits apply with respect to outgoing cash transactions for private asset investment portfolio activity by approval date.

Investment Officer I	**$15 million**
Investment Officer II	**$50 million**
Investment Officer III	**$100 million**
Associate Portfolio Manager	**$150 million**
Portfolio Manager	**$250 million**
Director of Applicable Asset Class	**$750 million**
Deputy Chief Investment Officer	**$1.5 billion**
Chief Investment Officer	**$1.5 billion**

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

INVESTMENT RESOLUTION

WHEREAS, the Electorate of the State of California in November 1992 amended Section 17 of Article XVI of the State Constitution by approval of Proposition 162; and

WHEREAS, the Teachers' Retirement Board embraces the concepts of the revised Section 17 of Article XVI of the State Constitution, which states that the Retirement System shall have sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system; and

WHEREAS, the Teachers' Retirement Board has approved the Investment Plan which provides for wider diversification of the System's investment assets; and

WHEREAS, the Teachers' Retirement Board on the advice of its consulting actuary and the pension fund consultant has adopted the objective of achieving a long-term annualized investment return of 3.50% in excess of the rate of inflation; and

WHEREAS, in the exercise of its fiduciary responsibilities the Board has considered and approved various classes of investments for the Teachers' Retirement Fund; therefore, it is

RESOLVED, that the following investment classes are authorized if deemed prudent at the time of purchase:

Fixed-Income Securities

Fixed Income investments as authorized by the Investment Management Plan and Fixed Income Policies and Guidelines and as authorized by the Investment Committee.

Equity Securities

Equity investments as authorized by the Investment Management Plan and Global Equity Policies and Guidelines and as authorized by the Investment Committee.

Real Estate

Real Property investments as authorized by the Investment Management Plan and Real Estate Policies and Procedures and as authorized by the Investment Committee.

Private Equity

Limited partnership investments in equity of fixed income securities as defined in the Private Equity Policies and Procedures and as authorized by the Investment Committee.

Inflation Sensitive

Inflation linked fixed income securities and Infrastructure investments as defined by the Infrastructure Policy and Procedures, and as authorized by the Investment Committee.

Risk Mitigating Strategies

Investments as authorized by the Investment Policy and Management Plan and the Risk Mitigating Strategies Policies, Procedures, and Guidelines.

Other Investments

Purchase of other types of investments may be made only with advance approval of the Investment Committee of the Teachers' Retirement Board.

Advance approval of the Investment Committee or its designates may be obtained by authorization for individual securities, or for a particular class of investments, or for specified investment managers of the Teachers' Retirement Fund.

RESOLVED further that all investments shall be made with the standards of care, skill, prudence and diligence prescribed in the revised Section 17 of Article XVI of the State Constitution. These tests will involve, importantly, full consideration of proper diversification of investments, adequacy of reliable information for analysis of investments, and suitability for the requirements of the Teachers' Retirement Fund. The Board endorses the principle that prudency of individual investments shall be judged in the context of the total Retirement Fund portfolio;

RESOLVED further, that cash reserves of the System are to be managed for the safety and convenience of the Teachers' Retirement Fund, in investments which are considered to be prudent money market instruments by internal investment managers;

RESOLVED further, that the services of at least one external independent organization (performance evaluator) will be retained to assess the investment results of portfolio managers and to compare such results with those of similarly situated institutions and such other standards of measurement as the Investment Committee deems appropriate;

RESOLVED further, that investments now held which no longer qualify for purchase under this Resolution may be retained if qualified under the Resolutions existing at their respective dates of acquisition;

RESOLVED further, that this Investment Resolution rescinds and replaces all previously adopted Investment Resolutions.

Adopted by the Teachers' Retirement Board on October 19,
1984 Revised to include foreign issuers within the S&P 500 Stock Index on
April 19, 1985
Revised to reflect legislation prohibiting investment within South Africa on December 19,
1986 Revised to reflect passage of Proposition 162 and implementation of Global
Tactical Asset
Allocation Program on September 9, 1993
Revised to remove reference to South Africa investment restriction on May 11, 1994
Revised to broaden Fixed Income and Equity reference on July 10, 2008
Revised to include the Fixed Asset class, August 13, 2009
Revised to change the name of the "Fixed Asset" class to Inflation Sensitive, July 7, 2011
Revised to incorporate the Risk Mitigating Asset Class, April 2016