

## Board approves new investment belief, stewardship plan

The Teachers' Retirement Board approved a new investment belief that recognizes the impact of climate change on our portfolio—as both a risk and an opportunity.

CalSTRS Investment Beliefs provide a framework for decision-making and the development of appropriate long-term policies, procedures and investment plans.

### The new CalSTRS Investment Belief

*Investment risks associated with climate change and the related economic transition—physical, policy and technology driven—materially impact the value of CalSTRS' investment portfolio.*



CalSTRS believes that public policies, technologies and physical impacts associated with climate change are driving a transition to a lower carbon economy. As a fiduciary and global investor, CalSTRS must understand the transition's impact on companies, industries and countries and consider actions to mitigate risk and identify sound investment approaches across all asset classes.

In addition to the new investment belief, the board approved the 2020 Stewardship Plan that guides CalSTRS in using our influence as a significant global investor to promote sustainable business practices and public policies.

The engagement priorities are:

- Corporate and Market Accountability: Influencing regulators, standard-setters and policy makers to promote sustainable markets and protect shareholder rights.
- Board Effectiveness: Supporting effective boards that oversee long-term corporate strategy in order to represent and protect the interests of shareholders.
- Low-Carbon Transition: Influencing an orderly transition to a low-carbon economy.
- Responsible Firearms: Supporting practical safety measures and transparency that contribute to the responsible use of civilian firearms.

The Stewardship Plan clarifies how CalSTRS prioritizes engagement issues as they align with long-term performance, the ability to influence meaningful change, and our ability to deliver measurable outcomes.

## Latest experience study results in new demographic assumptions

CalSTRS performs actuarial experience studies to review long-term demographic and economic assumptions that factor into the schedule of contributions needed to fund pensions. The results adopted by the Teachers' Retirement Board at the January meeting include relatively minor changes to the previous set of assumptions developed in 2017.

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## Check out the new Board Highlights video online



Get to know new Teachers' Retirement Board member Denise Bradford. [calstrs.com/video/teachers-retirement-board-january-2020-highlight](https://calstrs.com/video/teachers-retirement-board-january-2020-highlight)

## Board members

Sharon Hendricks  
**Chair**

Harry M. Keiley  
**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**

Nora E. Vargas  
**School Board Representative**

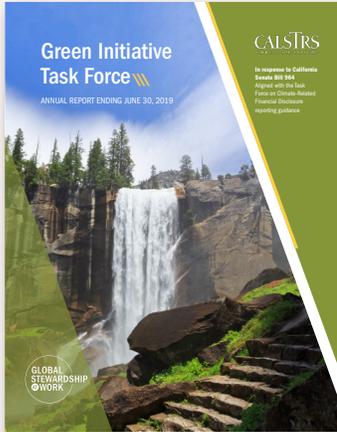
Karen Yamamoto  
**Retiree Representative**

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

## CalSTRS measures climate-related risk in annual report

CalSTRS issued its [Green Initiative Task Force](#) report in late December, highlighting CalSTRS' continuing efforts to address and manage sustainability-related risks and seek sustainability-themed investment opportunities that support the transition to a low-carbon economy.

The report includes highlights of CalSTRS' environmentally focused investments across asset classes including:



- \$750 million in CalSTRS' Sustainable Investment and Stewardship Strategies asset class for three new sustainability-focused public equity managers who are attuned to how sustainability-related trends create investment risks and opportunities.
- \$505 million in CalSTRS' Inflation Sensitive asset class in solar, wind and other renewable power generation and LEED certified assets.
- \$2.68 billion in CalSTRS' Low-Carbon Index, which is projected to have approximately 70% lower exposure to carbon emissions than a non-low-carbon index.
- \$286 million in green bonds, which invest in projects with a benefit to the environment and provide competitive returns.

New this year, the report contains the results of a portfolio carbon emissions exposure analysis, meeting the requirements of SB 964 (Allen). To further improve this analysis and to manage the complexities of measuring and reporting climate-related risks, CalSTRS is partnering with leading data providers and advisers to evaluate and determine the most reliable frameworks and platforms that accurately document performance and support a climate-resilient portfolio.

CalSTRS believes that climate change is one of the most significant long-term risks facing investors today. We incorporate environmental, social and governance considerations into our investment decision analysis as part of our investment decision-making process. CalSTRS will continue to provide timely updates that highlight our [low-carbon transition activities](#) and how we incorporate risk and opportunities within the investment management process.

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The experience study looks at member demographic behaviors like mortality, age at retirement, and number of teachers who leave the field before retirement age. It also examines economic factors like expected investment return, inflation, and wage and payroll growth.

The experience study revealed fewer teachers are leaving the field than previously expected and actual rates of retirement have varied slightly from what was predicted. As a result, changes were made to demographic assumptions to better reflect educator career and retirement trajectories. No changes were made to CalSTRS' return assumption, which will remain at 7%.

With the adjustment to demographic assumptions, the state's long-term contribution rate is expected to increase by about 0.46% of payroll beginning in fiscal year 2023-24. Employers will still see a reduction in their contributions beginning 2021-22, although it will be slightly smaller because of the changes. Members will see no change in their contribution rates.

The next actuarial experience study will take place in 2024.

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## Pension Sense blog: An insider's guide to CalSTRS

The [Pension Sense blog](#) offers helpful information for members in an entertaining format. Posts are published twice a month on Wednesdays and sometimes more often. Feel free to contact CalSTRS at [newsroom@calstrs.com](mailto:newsroom@calstrs.com) with ideas for future posts.

**Next board meeting dates:**  
March 4-6, 2020 West Sacramento

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

**CALSTRS**

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For more information on board meeting items and video archives, visit [www.CalSTRS.com/teachers-retirement-board](http://www.CalSTRS.com/teachers-retirement-board)