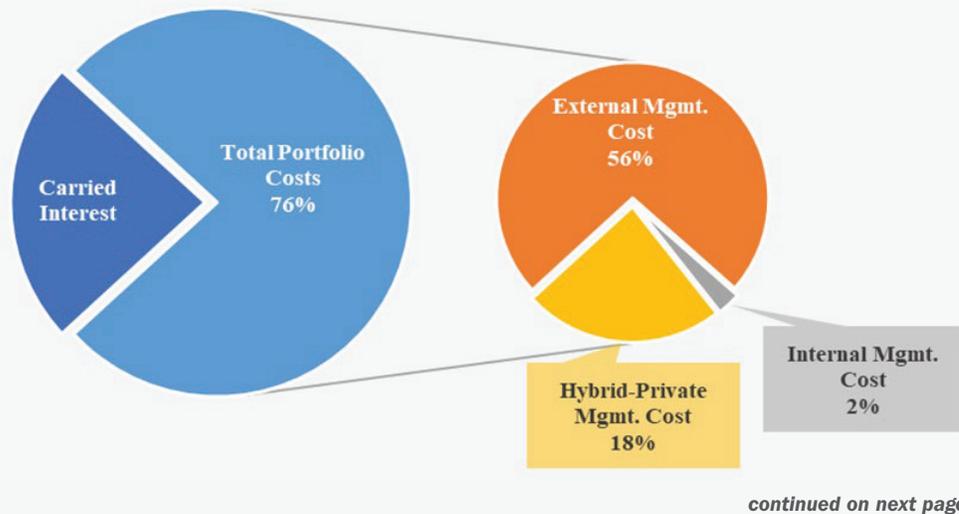


Collaborative Model reduces investment costs

The [Annual Investment Cost Report](#) tracks CalSTRS' investment expenses and fees and provides trends, a peer comparison of data and the cost effectiveness of the Teachers' Retirement Fund, asset classes and strategies over time.

CalSTRS presented the 2019 report to the board at the November meeting.

The report lists the CalSTRS Collaborative Model as one of four primary reasons that indicate whether investment costs will increase or decrease—along with asset growth, asset allocation and carried interest (profit sharing that investors pay in some partnerships).



Board approves internal investment management plan, operating budget

The Teachers' Retirement Board approved the [multiyear internal investment management plan and the 2021–22 operating budget](#) at the November meeting.

The board approved the plan for \$40.9 million to establish 109 authorized positions and funding for external investment audit services, dispersed across fiscal years 2021–22 through 2025–26. The plan is a five-year resource strategy to continue successful implementation efforts and growth of the CalSTRS Collaborative Model and manage growth of assets under management. The Collaborative Model is an investment strategy to manage more assets internally to reduce costs, control portfolio risk and increase investment returns, and leverage our external partnerships to achieve similar benefits.

These new positions will aid the implementation of the Collaborative Model, which we estimate may reduce investment costs between \$200–\$300 million on average annually over the next 10 to 15 years. To respond to changes in financial markets, the plan provides flexibility for us to hire staff earlier than originally forecasted to

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November TRB meeting online



See the November board meeting, and an archive of previous meetings, on [CalSTRS.com](https://www.calstrs.com).

Board members

Harry M. Keiley
Chair, K-12 Classroom Teacher

Sharon Hendricks
Vice Chair, Community College Instructor

Keely Bosler
Ex Officio Member, Director of Finance

Denise Bradford
K-12 Classroom Teacher

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

Jennifer Urdan
Public Representative

Karen Yamamoto
Retiree Representative

Betty Yee
Ex Officio Member, State Controller

Sustainable Investment and Stewardship Strategies priorities for 2021 presented to board

The CalSTRS Sustainable Investment and Stewardship Strategies (SISS) unit uses CalSTRS' influence as a significant global investor to promote long-term sustainable business practices and public policies.



At its November board meeting, the Teachers' Retirement Board heard an update on the SISS team's priorities for the next calendar year. The SISS team's portfolio consists of three components: sustainable investment, stewardship and strategic relations management.

Sustainable investment: To allocate capital to investments that deliver financial performance while creating positive environmental, social and governance outcomes.

In 2021, SISS will explore new opportunities to reduce portfolio carbon emissions and climate risk in public asset investments. The team will also present more details to the board on a new private asset portfolio in development. In addition, they will identify new data sources that will provide important insights on how physical and transition-related climate risks may impact our investments.

Stewardship: To use our influence as a significant global investor to promote sustainable business practices and public policy.

SISS has identified four overarching engagement priorities: (1) corporate and market accountability; (2) board effectiveness; (3) low-carbon transition; and (4) responsible firearms. In January

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Collaborative Model reduces investment costs

The Collaborative Model's cost saving strategy aligns with the state's directive to mitigate costs. The continued growth of the model is estimated to save significant carried interest and performance and external management fees, and savings are anticipated to outweigh the upfront and ongoing cost for this plan. The reduced costs and higher returns anticipated from this model support a strong investment portfolio in line with our mission to secure the financial future of our membership.

Savings using the Collaborative Model approach are close to \$294 million over the past two years, not including carried interest. Future versions of the cost report will track those savings as a whole.

Reducing costs is an integral part of CalSTRS' decision-making process, and we embrace the continued importance of monitoring and measuring these costs.

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Board approves internal investment management plan, operating budget

effectively manage long-term investment resources and operations.

The 2021–22 operating budget is currently approved for \$309.8 million, which reflects a total net decrease of \$31.8 million relative to the 2020–21 operating budget. This is due to a baseline reduction for the one-time 2020–21 Pension Solution Project funding of \$53 million, along with an increase of \$12.3 million to establish 30 new positions for year one of the plan and \$8.9 million for state-mandated expenses.

The 2021–22 operating budget will change due to additional mandatory adjustments to statewide administrative expenditures, pursuant to the [Budget Act of 2020](#) or as required by the Administration. We are currently working with the Department of Finance to assess the impact and will provide an update to the board as additional information and guidance are received.

Annual survey educates CalSTRS on members

Each year, we conduct a survey to assess active and retired members' satisfaction with CalSTRS and our customer service. As we have learned in previous surveys, overall satisfaction with CalSTRS increases by age, with those approaching retirement and those in retirement reporting the highest levels of satisfaction.

Members were also asked about social media use and, as part of new exploratory research, their preferred sources for financial planning information. This helps us understand how and where our members are getting information about their retirement.

For example, we learned that younger members often tend to seek investing and financial planning information on "starting out" topics such as debt management and building emergency savings from online media publications. Educators nearing or already in retirement, meanwhile, are more likely to consume content on retirement from CalSTRS materials or organizations such as the AARP.

The survey results will help us better serve and communicate with California's educators as they plan for and live out their retirements.

In January 2020, we emailed the survey to a random sample of 52,000 members and received more than 3,000 responses (approximately two-thirds of which came from active educators). We presented the results to the board at the November meeting. Here are three more findings from the survey:

90%

of all retired respondents report themselves as "satisfied" or "highly satisfied" with CalSTRS overall. This is consistent with previous years.

91%

of respondents who said they've interacted with CalSTRS in the past year said the staff they spoke to were courteous. More than 80% said staff were caring, knowledgeable about CalSTRS, understood their questions and took appropriate actions.

47%

of our youngest active members in the age group from 20–29 are already seeking out financial planning information. As members age and near retirement, they are more likely to seek that information from CalSTRS.

See the full board item and a PowerPoint presentation on the survey [online](#).

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Sustainable Investment and Stewardship Strategies priorities for 2021 presented to board

2021, the team will seek approval from the board to implement engagement plans for each priority—with an emphasis on the low-carbon transition, human capital management and employee wellbeing—over a three-year period.

Strategic relations management: To secure the trust of the stakeholders we serve and maintain our position as a respected leader in the investment industry.

SISS will create clear and compelling materials for our members and stakeholders, with a focus on the value of the CalSTRS Collaborative Model and our role in driving growth of a sustainable global economy.

Next board meeting dates:

December 9, 2020, and January 27–29, 2021

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

CALSTRS

California State Teachers' Retirement System | P.O. Box 15275 | Sacramento, CA 95851-0275

For more information on board meeting items and video archives, visit www.CalSTRS.com/teachers-retirement-board

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