

SBMA provides inflation protection for retirees

The board approved maintaining the purchasing power protection level of the Supplemental Benefit Maintenance Account at 85% and heard options for the use of excess resources from the SBMA at the September meeting. The SBMA is a special account in the Teachers' Retirement Fund that provides inflation protection for members' pensions.

By law, the board is authorized to adjust the SBMA purchasing power protection level between 80% and 85%. [Actuarial projections](#) show that purchasing power benefits could be sustained at 92% through 2089.

Since the SBMA is projected to have excess funds available, the Education Code requires the board to develop options for the use of those resources. The options are required to be for the exclusive benefit of members and beneficiaries, and at least one of the options must be an increase in benefits for those who retired before 1999 (when the first of two sets of benefit enhancements for active members took effect).

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September TRB meeting online



See the September board meeting, and an archive of previous meetings, on CalSTRS.com.

Low-carbon transition accomplishments presented to board

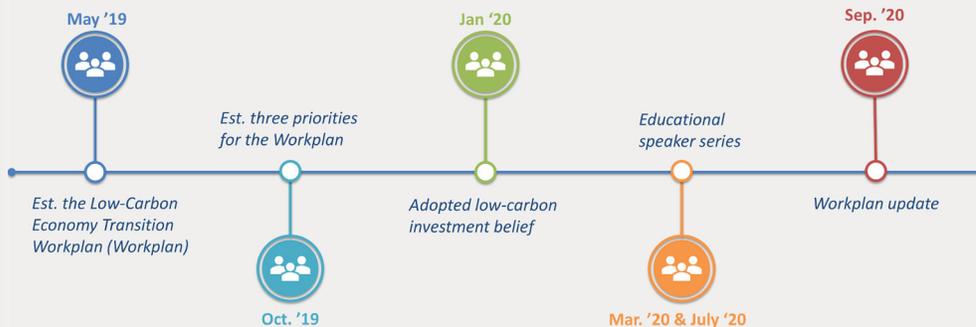
At the September 2020 meeting, the board received a formal update on the accomplishments of the low-carbon transition workplan through fiscal year 2019–20. The workplan and how the global transition to a low-carbon future impacts CalSTRS will continue to be a board priority.

The workplan includes the following goals:

- Building internal consensus through education on the low-carbon economy transition.
- Enhancing CalSTRS' stewardship efforts that support an orderly transition.
- Improving communication efforts that provide CalSTRS' partners timely and relevant information on low-carbon transition activities.

Timeline

Review of the Low-Carbon Economy Transition Workplan



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Board members

Harry M. Keiley
Chair

Sharon Hendricks
Vice Chair

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

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CalSTRS presented three options to the board, available in detail in [the board item](#):

- **Option 1:** A one-time permanent increase for pre-1999 retirees only
- **Option 2:** Increase the purchasing power benefit
- **Option 3:** Purchasing power level based on age

The board directed that all three options be presented to the California Legislature as required, expressing support for Option 1 should the Legislature decide to pursue one of the options. Option 1 helps CalSTRS retired members most in need of assistance while not compromising the ability to provide inflation protection long term.

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Low-carbon transition accomplishments presented to board

Established investment belief on the low-carbon transition

In January 2020, the board unanimously adopted a new investment belief affirming that CalSTRS needs to understand the low-carbon transition impacts on companies, industries and countries, and consider actions to mitigate risk and identify investment-related opportunities.

Began “transition readiness” assessments across asset classes

CalSTRS is analyzing the “transition readiness” of physical and transition-related climate risks across asset classes. For real estate assets specifically, we have determined that physical climate risks, such as floods, hurricanes and wildfires, can clearly have an economic impact on the value of these investments. We’re examining data to understand our Real Estate Portfolio’s specific risk profile.

Integrated the CalSTRS Low-Carbon Index into the Sustainable Investment and Stewardship Strategies Portfolio

In 2017, CalSTRS funded a low-carbon index to invest in public equities with significantly lower exposure to carbon emissions. In July 2020, the board approved a plan to fully integrate this \$2.5 billion index into the Sustainable Investment and Stewardship Strategies Portfolio, which will allow the SISS team to develop expertise and track climate-related developments within the global capital markets.

Expanded investments in low-carbon solutions

CalSTRS is in the process of designing a new private markets portfolio that seeks attractive renewable energy and energy efficiency investments. We anticipate requesting formal board approval for this portfolio in late 2020.



Yamamoto’s board reappointment confirmed

Karen Yamamoto was reappointed as a retiree representative to the Teachers’ Retirement Board by Governor Gavin Newsom in February. Her reappointment was confirmed by the Senate in August. Yamamoto is a retired second grade teacher from West Sacramento and has served on the board since 2017.



Governor appoints Urdan as public representative

Governor Newsom appointed Jennifer Urdan to the Teachers’ Retirement Board as a public representative in August. Her appointment is subject to Senate confirmation. Urdan is a financial services executive with extensive experience in global investing and corporate finance.

The people behind California education

CalSTRS performed a new demographic survey in order to learn more about and enhance our communication with our membership.

We emailed our active and retired members and more than 42,000, between the ages of 22 and 104, responded.

Demographic information is a powerful tool as these characteristics correlate highly with financial and retirement outcomes. Understanding career arc, household income, savings and retirement preparedness allows CalSTRS to better serve members.

Why study demographics?



The research is shared throughout CalSTRS and is used to help members relate to CalSTRS publications, workshops about retirement planning, and the importance of understanding retirement benefits.

For example, this research data is included in publications for early-career, midcareer and near retirement members. In the midcareer publication, CalSTRS shared that 88% of survey respondents indicate they plan to stay in California through retirement, which is important since length of service is one of the factors that enhance retirement benefits.

Our member population demographics often differ from the larger U.S. population due to geographic location, job type and education levels. Sixty-eight percent of members have a master's degree or higher, compared to 12% of Americans and California residents aged 22 or older.

We will use these survey findings to better anticipate the needs of members. CalSTRS plans to conduct another study in approximately five years.

See the [report](#) online for full research results and information on methodology and analysis.

All remaining 2020 board meetings will be virtual. Next meeting dates: November 4–6, 2020

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



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