

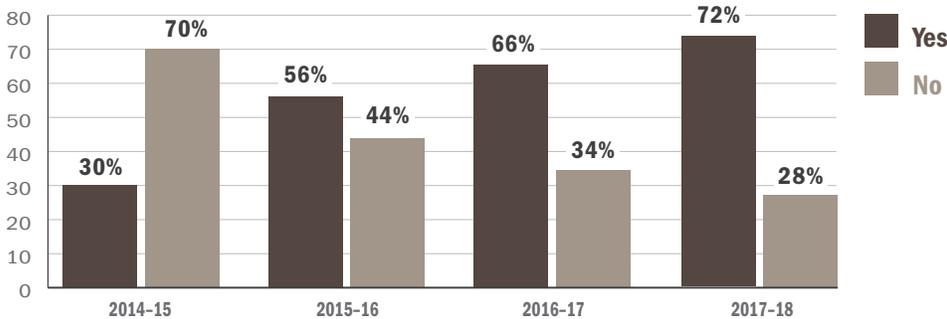
## Green Report Highlights CalSTRS Climate Investments & Engagements

The board received the [12th annual report](#) from the CalSTRS Green Initiative Task Force, detailing investment activities related to environmental risk management and opportunities for environmentally focused investments. This reflects CalSTRS' recognition that environmental issues have the potential to affect the performance of the portfolio across companies, sectors, regions and asset classes.

One of the highlights of the report includes notable progress made by institutional investors like CalSTRS in calling on money managers and portfolio companies to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

The effort is working. Since 2014, CalSTRS global equity external managers have more than doubled their efforts to incorporate climate risks into their investment processes.

### HAVE YOU TAKEN STEPS IN 2017-18 TO BETTER INCORPORATE CLIMATE RISK INTO YOUR INVESTMENT PROCESS?



CalSTRS Global Equity external managers responded to a survey and in the last fiscal year; 72% reported in the affirmative. The above chart provides a historical perspective.

More than three-quarters of external managers are now signatories to the United Nations-supported [Principles of Responsible Investment](#) initiative, up from less than half five years ago.

Among the efforts being made by CalSTRS is participation in the [Climate Action 100+](#), a five-year initiative led by large investors to engage the world's most significant greenhouse gas emitters. CalSTRS is joined by nearly 300 investors from 29 countries, collectively managing more than \$31 trillion in assets.

Another initiative was the focus on methane emissions and engagements with oil and gas utility companies for improved disclosure of the greenhouse gas pollutant that is 84 times more powerful than carbon dioxide.

The report also notes several examples of CalSTRS sustainable and green investments. For example:

- \$1.1 billion in a sustainable investment manager portfolio
- \$1.3 billion in low-carbon index stock investments, with another \$1.2 billion planned in future phases
- \$364 million in solar, wind and other renewable power generation
- \$633 million in private equity investments in a green (clean energy) portfolio

## Board Member Profiles:



### Harry M. Keiley K-12 Classroom Teacher

Harry M. Keiley is a high school teacher with the Santa Monica-Malibu Unified School District, and was elected to the Teachers' Retirement Board in 2007. He has served as the president of Santa Monica-Malibu Classroom Teachers Association and chair of the California Teachers Association Political Involvement Committee.



### Joy Higa Public Representative

Joy Higa is senior vice president, national regulatory affairs, for UnitedHealthcare where she manages relationships and policy

activities with state regulatory agencies. She previously served as deputy chief of staff to the state controller from 2004–2006 and chief deputy cabinet secretary in the Office of the Governor in 2003. She received her Bachelor of Arts from Cornell University.

Dana Dillon  
Board Chair

Sharon Hendricks  
Vice Chair

Keely Bosler  
Ex-Officio Member, Director of Finance

Joy Higa  
Public Representative

Harry M. Keiley  
K-12 Classroom Teacher

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

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- \$238 million in green bond holdings
- Innovative real estate investments that incorporate cutting edge energy & water conservation, recycling and sustainability into the planning and design phase

Since the June, 2018 reporting period, the second phase of the Low-Carbon Index investment strategy has been implemented and included a \$1 billion investment in non-U.S. developed markets. Over time, CalSTRS will invest an additional \$200 million in emerging markets.

A bright spot from an investment perspective was the performance of the Low-Carbon Index, which posted a return of 14.79 percent, above its benchmark.

Despite successes, the report notes more must be done to achieve the [Paris Climate Change Agreement](#) goal of no greater than a two degree Celsius increase in global temperature by the year 2100, and shows a marked slowdown in the global growth of clean energy investments in recent years.

Consistent with CalSTRS' commitment to manage environmental risks and take advantage of appropriate environmental-themed investments, the Green Initiative Task Force will continue to work on identifying strategies intended to enhance the risk-adjusted returns of the overall CalSTRS portfolio while having a positive impact on the environment.



Be green! Download and view a digital copy of the 2018 Green Initiative Task Force Annual Report at [https://www.calstrs.com/sites/main/files/file-attachments/green\\_report\\_2018.pdf](https://www.calstrs.com/sites/main/files/file-attachments/green_report_2018.pdf)

### Next board meeting dates:

- May 8–10, 2019, West Sacramento

For board [minutes](#), [full items](#) and [video archives](#) of past meetings, go [here](#).

## Precedential Decision Designated in Appeals Committee

The Appeals Committee of the Teachers' Retirement Board has designated as "precedential" its decision *In the Matter of Whether the Stanislaus County Office of Education Incorrectly Reported Compensation to CalSTRS*. A precedential decision is binding in all future administrative decisions, unless it is later rescinded by the Appeals Committee. The Stanislaus decision confirms that under the Education Code, compensation payable for "a specified number of times as limited by law, a collective bargaining agreement, or an employment agreement," is creditable to the Defined Benefit Supplement account for eligible members, and not the Defined Benefit account. For more information on precedential decisions and to read a full copy, go [here](#). Since 2018, there have been four precedential decisions that affect CalSTRS employer operations, members and their beneficiaries when CalSTRS benefits need to be adjusted due to non-compliance with the Teachers' Retirement Law.

## Board Votes to Support Repeal of Social Security Offsets

The board voted to support two efforts to repeal the [Windfall Elimination Provision](#) (WEP) and the [Government Pension Offset](#) (GPO). House Resolution 141, by U.S. Rep. Rodney Davis of Illinois, eliminates the GPO and the WEP from the Social Security Act and Senate Joint Resolution 3, by California State Sen. Scott Wilk, requests that the U.S. Congress and the President enact legislation that would repeal both.

California educators, having earned pension benefits from non-Social Security-covered employment, are often subject to the WEP and the GPO. The WEP and GPO reduce or eliminate [Social Security benefits](#) that California educators may have earned through other employment or are eligible for through their spouses.

The GPO was introduced in the Social Security amendments of 1977 to treat spouses and widow(er)s with government employment not covered by Social Security in a manner similar to those with Social Security-covered jobs and benefits that were, therefore, subject to the "dual entitlement rule."

The WEP was introduced in the Social Security amendments of 1983 to remove a perceived advantage for individuals with non-Social Security-covered employment.

Since 2001, a bill repealing or reforming the WEP and GPO has been introduced in almost every session of Congress. The bills generally receive widespread bipartisan support, but due to the large cost, none of them have progressed out of committee.

CalSTRS members represent the largest single group of state and local government employees in the country who do not participate in Social Security. In supporting the legislation, the board's policy is to seek to repeal or reform, in a prudent manner, those Social Security benefit offsets as a means of addressing concerns about their impact on educators.

# 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)