

Strategic Business Plans Align Long-Term Sustainability Efforts

CalSTRS maintains a steadfast commitment to long-term sustainability through diligent financial oversight, risk management, and organizational accountability. As such, the organization strives to align its efforts through a multi-year strategic plan, complimented by annual business plans and board work plans. These plans work together synergistically to provide a guiding direction toward fulfilling the organization's overall goals, mission and vision to secure the retirement futures for California's educators.

Last year, the Teachers' Retirement Board approved a multi-year strategic plan spanning fiscal years 2016 through 2019. The Strategic Plan is broken down into four goals established by the board (illustrated in the Strategy Map below), which work in tandem with CalSTRS' investment performance, long-term sustainability and risk management efforts to establish a higher level of accountability:

- » **Goal 1 – Financial:** Ensure a financially sound retirement system
- » **Goal 2 – Member/Employer:** Enhance services to members and employers
- » **Goal 3 – Business Transformation:** Drive operational excellence
- » **Goal 4 – Workforce Transformation:** Grow an engaged, highly skilled and diverse workforce

During the July meeting, the board was presented with the 2017-2018 Business Plan, including initiatives and key activities that delineate how staff will allocate time and resources to accomplish the strategic plan goals and objectives.

The board takes an active role in evaluating progress toward business plan initiatives through annual staff presentations of accomplishment reports. This level of review provides valuable insight on the effectiveness of long-term objectives, ongoing initiatives and performance metrics. More information on CalSTRS' business, strategic and workforce succession plans can be found on CalSTRS.com under the **About Us** tab.

STRATEGY MAP



Board Member Profiles:



Karen Yamamoto
Retiree Representative

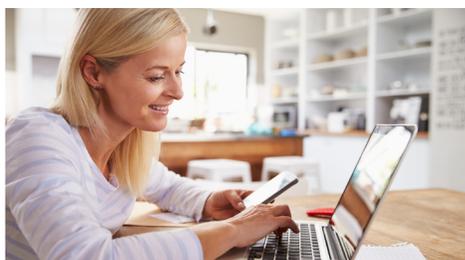
Karen Yamamoto is a retired elementary school teacher from West Sacramento. Ms. Yamamoto taught second grade for 15 years and retired in 2007. She was a member of the California Department of Education's Curriculum Development and Supplemental Materials Commission from 1999-2003, acting as Chair in 2003. Prior to beginning her career as an educator, Ms. Yamamoto also served as a Legislative Assistant to several Assembly Members in the California State Legislature from 1978-1991. She is currently active in the Asian Pacific Youth Leadership Program and the Japanese American Citizens League, Florin Chapter.



Nora Vargas
School Board Representative

Nora Vargas has served as the vice president of Community & Government Relations for Planned Parenthood of the Pacific Southwest since 2009. Ms. Vargas is president of the Southwestern Community College District Governing Board. She is the board chair of Hispanas Organized for Political Equality (HOPE), and has been active in public service since 1998, with a focus on access to education, healthcare and Latino issues. In 1997 and 1998, Ms. Vargas was a presidential appointee to the United States Selective Service System.

- Dana Dillon
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- Sharon Hendricks
Vice Chair
- John Chiang
Ex-Officio Member, State Treasurer
- Michael Cohen
Ex-Officio Member, Director of Finance
- Joy Higa
Public Representative
- Harry M. Keiley
K-12 Classroom Teacher
- Paul Rosenstiel
Public Representative
- Tom Torlakson
Ex-Officio Member, State Superintendent of Public Instruction
- Thomas Unterman
Public Representative
- Nora E. Vargas
School Board Representative
- Karen Yamamoto
Retiree Representative
- Betty Yee
Ex-Officio Member, State Controller



A Look Inside CalSTRS Member Communication and Outreach Strategies

Upholding and reinforcing member trust is of utmost importance to CalSTRS. And communicating clear, relevant and timely information is at the heart of successfully fulfilling the trust equation.

In July, the board was provided with an overview of the strategies and tactics that CalSTRS uses to reach members across their career stages through their retirement years.

CalSTRS leverages extensive research and member feedback to effectively speak to member life/career priorities, their communication preferences, and to identify what matters most to them as they work toward their retirement goals. Additionally, CalSTRS focuses on providing informative financial awareness education and tools to help members make informed decisions about saving for retirement over the course of their careers.

However, reaching members can sometimes be a challenge in the current climate of mass communication and the competition for attention from a variety of distracting sources. To address this issue, over six years ago, CalSTRS broadened its presence on social media and featured customized messaging to speak to the audience that is consuming the information. This strategy has proven instrumental in increasing outreach with the member population, especially the under 49 age group. Future strategies also being explored include expanded video usage, member webinars, and the potential for “gamification” through fun-to-use applications that will take the guesswork out of retirement planning.



All board items and videos are available on www.CalSTRS.com/teachers-retirement-board.

CalSTRS Voted at 7,889 Company Meetings During 2017 Proxy Season

While CalSTRS’ public market exposure is largely through passive index investments, the organization plays a very active role as a shareowner. In addition to directly engaging with portfolio companies, CalSTRS treats its proxy votes as assets of the system and uses its shareholder votes to support board directors and/or proposals to introduce governance or other changes believed to enhance companies’ long-term value.

On July 12, CalSTRS Corporate Governance Director Anne Sheehan provided the Investment Committee with results from the 2017 shareholder proxy season.

Altogether, CalSTRS voted on proposals at 7,889 companies’ annual meetings. These proposals included votes for, or against, specific board directors, advisory votes on executive pay, and shareholder proposals on governance reforms, environmental disclosure/mitigation, and requirements for increased disclosure/oversight related to corporate political activities. Among the higher profile successes were the adoption of climate change impact assessments at Occidental Petroleum Corporation and ExxonMobil.

Ms. Sheehan also provided updates on the results of CalSTRS’ engagement with portfolio companies on issues related to environmental risk mitigation and board/corporate diversity.



During the 2016-17 fiscal year, CalSTRS engaged 14 oil and gas production companies and 14 gas utility companies to encourage increased disclosure and mitigation of methane gas emissions, which are significantly more detrimental to the global warming crisis than carbon dioxide emissions.

CalSTRS also believes in the importance of diversity at the corporate board and senior leadership level within its portfolio companies. This is based on research indicating that companies with gender and ethnic diversity outperform their non-diverse industry peers by between 15 to 35 percent (see below).

To support the commitment to board diversity, CalSTRS partners with groups such as the Thirty Percent Coalition, the Coalition of Four, the California Initiative and more, to engage with and motivate companies to incorporate diversity on their corporate boards and in leadership positions. In fact, from July 2016 to June 2017, a total of 229 letters were sent to various corporations, and as a result, 43 companies took action by appointing 46 women to their boards.

More information on CalSTRS’ Corporate Governance engagement efforts can be found at www.CalSTRS.com/corporate-governance.

How diversity correlates with better financial performance

Likelihood of financial performance above industry median, by diversity quartile

15%

more likely to outperform

Gender-diverse companies

35%

more likely to outperform

Ethnically diverse companies

Source: 2015 “Why Diversity Matters” by McKinsey & Company, www.mckinsey.com



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