

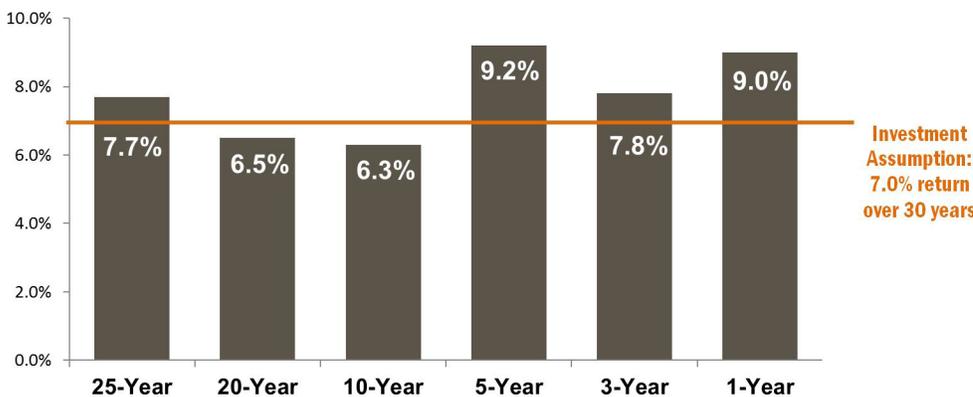
CalSTRS Reports 9.0 Percent Investment Return

CalSTRS posted a 9.0 percent return (net of fees) for the 2017-18 fiscal year, exceeding the investment assumption of 7.0 percent for the second consecutive year and helping advance the fund towards full funding in the decades ahead. As of June 30, 2018, the total fund value was \$223.8 billion.

"This year's positive investment performance is yet another testament to the long-term sustainability of a well-run pension fund guided by a committed board of trustees and a staff of diverse and talented investment experts," said Chief Executive Officer Jack Ehnes. "The fiscal year returns are only one part of CalSTRS' pursuit of long-term value creation. The CalSTRS Funding Plan, passed into law in July 2014, is the overarching model of shared responsibility, working in tandem with the positive return performance generated by the investment portfolio."

CalSTRS' returns reflect the following longer-term performance:

CalSTRS Investment Fund Performance
Long-Term, Historical Perspective
(Net of Fees - as of June 30, 2018)



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2019 Board Election Process Approved

The board took the first steps needed to begin the 2019 board election process. Since 2003, three of the 12 board seats have been elected by active members. Active CalSTRS members are eligible to run for election to the board. One seat is filled by a community college instructor and two seats are filled by employees of pre-K-12 schools. One of the latter two seats may be filled by an administrator.

The action taken at July's board meeting approves the election timeline and provides candidate information, including the necessary number of signatures required to qualify for candidacy. Petition signatures from active members and nomination certification completed by the candidate are due to CalSTRS by January 8, 2019. Ballots are mailed to members in late September 2019, and voting by mail, internet or phone runs from October 1, 2019, to November 30, 2019. The terms for all seats begin on January 1, 2020. More detailed information is available on calstrs.com.

Board Elects Chair and Vice Chair for 2018–19 Term

At the May 2018 board meeting, the trustees of the Teachers' Retirement Board elected Dana Dillon Board Chair and Sharon Hendricks as Vice Chair for the 2018–19 term. The board nominates and elects its chair and vice chair annually.



Dana Dillon

K-12 Classroom Teacher

Board Chair Dana Dillon is an elementary or K-8 school teacher from Weed. She has served on the board since 2003, including stints as chair and vice chair. Ms. Dillon has been

active in the California Teachers Association for 35 years, serving as state council representative and a member of the board of directors.



Sharon Hendricks

Community College Instructor

Vice Chair and Benefits & Services Committee Chair Sharon Hendricks is a communications studies professor with the Los Angeles Community College

District. She was elected to the Teachers' Retirement Board in 2011. She also serves as treasurer of the American Federation of Teachers, local 1521, Los Angeles College Faculty Guild. Ms. Hendricks is active in the Community College Council of the California Federation of Teachers.

Dana Dillon

Board Chair

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

Nora E. Vargas

School Board Representative

Karen Yamamoto

Retiree Representative

Betty Yee

Ex-Officio Member, State Controller

The Collaborative Model of Investments: Leveraging CalSTRS Strengths Toward Higher Returns

For the past year, the Investment Committee has been studying different investment models of institutional investors in and outside the U.S. with the goal of creating better net returns. Some CalSTRS peers have gravitated towards the Canadian model of direct investment without much success. At the recommendation of Stanford professor Ashby Monk, CalSTRS is developing a hybrid model that is a combination of in-house investment staff expertise and partnerships with external asset managers, a strategy that will be known as the “CalSTRS Collaborative Model” of investing.

Toward that end, the CalSTRS Real Estate asset class gave an informational presentation to the board in July, since they already participate in many of the hallmarks of collaborative investing: mature in-house expertise, long-standing relationships with external industry leaders, co-investments and other

innovative strategies that have distinct advantages over traditional fund structures.

“The ‘CalSTRS Collaborative Model’ will vary for each asset class, since the opportunities available and the structure of each differs,” said CalSTRS Chief Investment Officer Christopher J. Ailman. “The overall goal remains the same: we strive to create more efficient and effective structures to gain the same or higher return at a lower cost.”

In the future, each CalSTRS asset class will report to the board on how the collaborative model relates to them and how they envision implementing it. Plans include leveraging the strengths of CalSTRS current success as an investor with recommendations for ways to align the interests of external partners with ours while strengthening internal staff expertise via additional resources, policy changes and other processes.

Board Work Plan Lists Priorities for Coming Year

At the beginning of each fiscal year, the Teachers’ Retirement Board and its committees develop work plans to identify the issues and topics to be addressed during board meetings throughout the year. What follows are some of the highlights:

- Educational presentation on the “80 Percent Funding Myth” (September 2018)
- CalSTRS long-term facilities options (July, September and November 2018)
- Supplemental Benefit Maintenance Account information and discussion (September 2018)
- CalSTRS research on health care and retirement security (September 2018)
- Annual Member Satisfaction Survey results (November 2018)
- Review of Funding Levels and Risks (November 2018)
- Report to the Legislature on Funding Plan Progress (January 2019)
- Investment Asset Liability Study / Asset Allocation (beginning January 2019)
- June 30, 2018, Actuarial Valuations (May 2019)

For more on what’s ahead in the next 12 months, go [here](#).

Next board meeting dates: September 19–21, 2018, West Sacramento

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

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CalSTRS Reports 9.0 Percent Investment Return

“This year we beat the 7.0 percent goal and exceeded our benchmark,” said Chief Investment Officer Christopher J. Ailman. “We will rank high compared to similar funds, but it is only one year. We need to repeat that performance year in and year out, on average, over the next 30 years. No small feat, but our award-winning staff and our complex portfolio are designed to do just that. This is a marathon, not a sprint to the finish line. And, as a large, mature pension system, we must continue to explore, innovate and collaborate to build an efficient, successful portfolio for the long term.”

For more details on the 2017-18 returns including returns by asset class and benchmark performance over several years, go [here](#).



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