

CalSTRS Divests of Non-U.S. Thermal Coal Holdings

Action follows prior divestment of U.S. thermal coal holdings

The Teachers' Retirement Board [took action](#) to divest the fund of non-U.S. thermal coal holdings, effective July 1, 2017.

Investment Committee Chair Harry Keiley called the decision, "...a statement to the global marketplace that we will not tolerate the deleterious effects of climate change, regardless of the recent actions taken by the federal government. In just the past year, CalSTRS has consistently reinforced our unwavering commitment to the Paris Climate Accord and our belief that climate risk is a drag on our portfolio's long-term performance."

"We will not tolerate the deleterious effects of climate change, regardless of the recent actions taken by the federal government."

—Investment Committee Chair Harry Keiley

The action completes a two-part divestment process, which began in 2015 when the board directed staff to evaluate the risks of investments in certain thermal coal companies prior to the October 2015 passage of [Senate Bill 185](#). The bill's provisions called for divestiture from publicly traded thermal coal companies that generate 50 percent or more of their revenue from the mining of thermal coal. In February 2016, the board [voted to divest the fund](#) of all U.S. thermal coal holdings (impacting approx. \$1.5 million) while staff conducted additional research on a global scale.

Charter Schools Analyzed in CalSTRS Research Study and Employer Audit

Two items focusing on charter schools were presented to the board, including results of an audit of multiple [charter school employers](#) and a 20-year statistical overview of charter schools spanning the state.

According to the CalSTRS research [study](#), there are currently more than 1,200 active charter schools in California. Ninety percent choose to participate in CalSTRS, encompassing approximately 33,000 members. Since the inception of charter schools in the early 1990s, the number of full-time charter school teaching positions throughout the state has grown each year, from 1.6 percent in 2000 to almost 10 percent today.

Additionally, the number of charter schools electing CalSTRS as their retirement option has steadily increased over the past two decades, ranging from 70 to 90 percent.

However, within the past two years, there has been a decline in participation, with only 66 percent of new charter schools electing to participate in CalSTRS. Instead, non-participating charter schools provide a combination of defined contribution plans (DC) and/or Social Security for retirement. The study recommends monitoring charter school participation in CalSTRS over time to examine potential implications for California educators' retirement security and CalSTRS funding levels.

Meanwhile, the Audit Services Division presented audit findings of employer reporting practices at eight charter schools. In accordance with its annual audit plan, Audit Services regularly assesses compensation reporting practices by employers to identify potential systemic issues and implement corrective action plans in an effort to prevent future errors.

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Board Member Profiles



Harry Keiley

Chair of the Investment Committee

Chair Harry 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.



Thomas Unterman

Vice Chair of the Investment Committee

Thomas Unterman is a founding partner of Rustic Canyon Partners, a Southern California-based venture

capital firm. Previously, he was executive vice president and chief financial officer of the Times Mirror Company. Prior to joining Times Mirror, he was a partner in two law firms: Morrison & Foerster; and Orrick, Herrington & Sutcliffe.

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

Thomas Unterman

Public Representative

Nora E. Vargas

School Board Representative

Karen Yamamoto

Retiree Representative

Betty Yee

Ex-Officio Member, State Controller

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While the charter schools showed a lower percentage of overall reporting errors than schools districts at large, the audit identified above average occurrences of charter schools misreporting members' compensation creditable to CalSTRS. CalSTRS auditors will conduct a separate risk assessment to identify high-risk charter schools to audit in 2018.

Board Meeting Dates and Committee Assignments for FY 2017-18

As part of their fiduciary commitment, the 12 members of the Teachers' Retirement Board participate on six committees, including:

- Appeals deliberates on member-specific matters relating to the Teachers' Retirement Law;
- Audits and Risk Management oversees financial reporting, internal controls, compliance and auditing;
- Benefits and Services considers items related to delivery of services to members;
- Board Governance develops board policies that ensure accountability and fair, open decision making;
- Compensation considers staff compensation policies, recruitment and retention strategies; and
- Investments determines the investment portfolio's asset allocation and sets, monitors and enforces investment policies.

The [Teachers' Retirement Board Policy Manual](#) contains comprehensive information on board committee duties and responsibilities. Additionally, [six meetings](#) will take place during FY 17-18, including four at the CalSTRS West Sacramento Headquarters (in July, November, February and May) and two off-site meetings (in September and March).

To read more about board committee assignments, [go here](#).

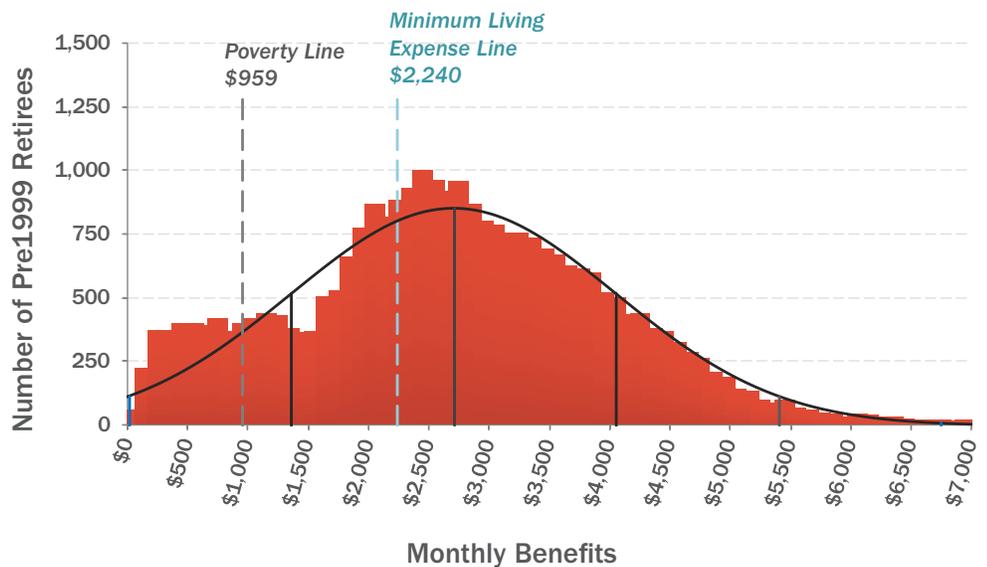
Adequacy Study Shows CalSTRS Benefits Fulfill Long-term Educators' Retirement Needs

CalSTRS periodically performs benefits [adequacy studies](#) to evaluate how member retirement benefits compare over time with estimated costs of living. Data is calculated by comparing the monthly Member-Only benefit to estimated monthly minimum living expenses for food, health insurance, housing, transportation and other basic necessities across specific geographic areas. This study analyzed pre-January 1, 1999 retirees as their benefits are more modest than those who retired after that time. The study also assumed that the CalSTRS pension is their sole source of monthly income.

The study's findings show that CalSTRS' benefit structure provides a greater level of benefits adequacy for longer term career educators. Retirees with a benefit above the minimum living expense line (statewide average = \$2,240/monthly) retired closer to age 60, thus maximizing their age factor. These retirees also spent more time as an educator, with 98 percent retiring after more than 20 years of service.

On the other hand, for many of the pre-1999 retirees who fall below the minimum living expense line, the findings noted that these members retired at the earliest age possible (age 55) and earned less service credit over their careers. More specifically, the benefit for about 36 percent of the pre-1999 retiree population—around 10,000 individuals statewide—was below the minimum living expense line in 2016. This further reinforces the importance of early retirement planning and taking proactive action to address any income gap in retirement by voluntarily investing in supplemental savings plans. More information on supplemental savings plans and retirement estimating tools can be accessed on CalSTRS site, [403bCompare.com](#).

Monthly Member-Only Benefit for Pre-1999 Retirees - 2016



Next board meeting dates: July 12-14, West Sacramento

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

CALSTRS

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