



CALSTRS[®]

California State Teachers' Retirement System

Investment Policy Statement

September 2023

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Preamble

The California State Teachers’ Retirement System, through action of the Teachers’ Retirement Board Investment Committee, has established **Investment Beliefs** for the organization. These beliefs provide a foundational framework for CalSTRS investment decision-makers to invest in a manner that reflects CalSTRS’ unique views of the global investment markets and our vision for participating in these markets to accomplish our fiduciary goal. In this respect, the beliefs guide CalSTRS decision-makers to develop appropriate policies, procedures and investment plans for CalSTRS in a manner consistent with the adopted Investment Beliefs solely in the interest of CalSTRS members and their beneficiaries.

Executive summary

This *Investment Policy Statement*, along with other investment policies, are founded in CalSTRS Investment Beliefs and serve as the governing document to advance our mission of securing the financial future and sustaining the trust of California’s educators.

The California Constitution and Education Statutes provide the Teachers’ Retirement Board plenary authority over the administration of the pension system, including the investment of pension assets. With this authority, the board has established oversight functions, reporting requirements, limitations and controls consistent with their fiduciary obligations to CalSTRS members and their beneficiaries.

This document represents the foundation for which CalSTRS investment staff make decisions in the management of pension assets and provides a framework for which the CalSTRS investment function operates. While this document provides broad guidance for investment staff to manage the assets of the CalSTRS Investment Portfolio, it is meant to be applied in combination with other board-adopted investment policies, including those of the specific asset classes.

About CalSTRS

The California State Teachers’ Retirement System was established by law in 1913 to provide retirement benefits to California’s public school educators from prekindergarten through community college. Additional information about CalSTRS is available on **CalSTRS.com**.

The Teachers’ Retirement Fund, which is the primary trust fund through which CalSTRS deploys portfolio assets, is comprised of the Defined Benefit Program, the Defined Benefit Supplement Program and the Cash Balance Benefit Program. The Teachers’ Retirement Fund holds assets for the exclusive purpose of providing benefits to CalSTRS members and their beneficiaries.

For additional reference, a comprehensive **glossary** of investment terms used throughout this document is available on **CalSTRS.com**.

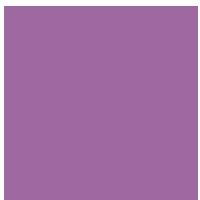
Purpose

The purpose of this *Investment Policy Statement* is to serve as a strategic guide in the planning and implementation of the CalSTRS investment program. This document sets forth the investment philosophy of the Teachers' Retirement Board and provides the framework for governance, decisions, objectives and risks associated with managing the portfolio.



Section 1

Governance and oversight



1.1 Board governance

Under the California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250, the board has the sole and exclusive fiduciary responsibility over the assets of the retirement system.

1.2 Fiduciary responsibility

Teachers' Retirement Board members discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of, providing benefits to participants and their beneficiaries minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. The board's duty to CalSTRS members and their beneficiaries takes precedence over any other duty. Moreover, board members shall discharge their duties with respect to the system with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

1.3 Standard of care

As a public pension fund, CalSTRS is not subject to the Employee Retirement Income Security Act (ERISA), which governs corporate pension plans. However, CalSTRS investment decision-making criteria are based on the “prudent expert” standard, for which the ERISA prudence standards serve as a basis. Additionally, the California Constitution, Article 16, Section 17, subsection (d) and Education Code Section 22250 (c) require diversification of risk across asset classes and minimization of employer costs.

1.4 Delegation of authority

Pursuant to California Education Code 22208 and the California Code of Regulations, title 5, section 20520, the Teachers’ Retirement Board may delegate any acts within its power to the CalSTRS Chief Executive Officer. Furthermore, the CEO may delegate any and all of the powers and authority as appropriate pursuant to Section 22301 of the Education Code. As such, the CEO has delegated to the Chief Investment Officer authority to execute all documents, and authorize the issuance of instructions to purchase, sell, convey, assign, incur debt, encumber assets or otherwise manage investments and assets, including, but not limited to, those involving real estate, mortgages, equities, fixed income, alternative investments, derivatives, credit enhancement, and special situations, in compliance with policy guidelines adopted by the board or its Investment Committee. Additional delegations have been granted to the Deputy Chief Investment Officer, senior investment directors and directors of the various asset classes and program areas pursuant to the same statutes. Additional information regarding the board’s delegation of authority is located in the *Teachers’ Retirement Board Governance Manual*.

The board also delegates trading limit authorities to the CIO, which are listed below. These limitations apply with respect to noncumulative daily trade limits. Noncumulative refers to individual limits that cannot be combined with the limits of other investment staff. The CIO may prudently delegate these trading limits to staff and such delegations will be provided to the board annually.

The board delegated trading limits are:

- Up to 10% of each public market portfolio, for example Global Equity and Fixed Income.
- Up to 10% of all non-U.S. holdings for currency management.
- Up to \$1.5 billion in outgoing cash for private assets.

1.5 Asset allocation overview

One of the most important governance functions performed by the board is setting the portfolio asset allocation. The board’s asset allocation strategy directs how investment staff allocate portfolio assets to the various asset classes. To help the board adopt a long-term asset allocation that also reflects the CalSTRS Funding Plan, staff conduct an Asset Liability Management Study (ALM) every four years. The ALM seeks to ensure alignment of the long-term asset allocation with benefit obligations in a prudent and cost-effective manner.

Since the 2019 study, the ALM and the review of the fund’s actuarial experience study and valuations have been aligned, which helps ensure the ALM is using the same assumptions for both assets and liabilities, in addition to having the latest financial and demographic assumptions. The process is a thorough collaboration between internal investment and actuarial staff along with the board’s external consultants.

The 2023 study increased the allocation to private assets and increased the allocation to Fixed Income to accommodate an allocation to Direct Lending. Further, the board approved the asset allocation to be implemented consistently within the Defined Benefit Program, the Defined Benefit Supplement Program and the Cash Balance Program. Additional information about the current ALM is available on CalSTRS.com.

Current asset allocation

The following table displays the most current board-adopted, long-term policy targets and ranges for the CalSTRS Investment Portfolio.

Long-term policy target and ranges, adopted May 2023

Strategic class	Asset class/Strategy	Long-term target	Range
Economic growth	Public Equity	38%	+/- 6%
	Private Equity	14%	+/- 3%
Real assets	Real Estate	15%	+/- 3%
	Inflation Sensitive	7%	+/- 3%
Diversifying	Innovative Strategies	0%	+/- 2.5%
	Risk Mitigating Strategies	10%	+/- 3%
	Fixed Income	14%	+/- 3%
	Cash / Liquidity	2%	+/- 3%
Total asset allocation		100%	

NOTE: The allocated, but not funded, portion of Private Equity and Real Estate will be invested in accordance with the Strategic Asset Allocation Plan.

1.5.1 Long-term policy targets implementation

Generally, the Teachers’ Retirement Board approves an implementation plan that is expressed as a series of “steps” toward the long-term allocation targets. To the extent that the long-term targets have not been achieved, the asset mix will be reviewed at least annually and the allocation may be shifted to the next step if warranted and approved by the board’s Investment Committee.

The following table displays the most current board-adopted, long-term target implementation plan for the portfolio.

Revised long-term policy targets and implementation plan

Strategic class	Asset class/ Strategy	Current target	Step 1	Step 2	Step 3	Step 4	Long-term target
			Effective date 7/1/23	Effective date 7/1/24	Effective date 7/1/25	Effective date 7/1/26	
Economic growth	Public Equity	42%	41%	40%	39%	38%	38%
	Private Equity	13%	14%	14%	14%	14%	14%
Real assets	Real Estate	15%	15%	15%	15%	15%	15%
	Inflation Sensitive	6%	6%	6%	6%	7%	7%
Diversifying	Innovative Strategies	0%	0%	0%	0%	0%	0%
	Risk Mitigating Strategies	10%	10%	10%	10%	10%	10%
	Fixed Income	12%	12%	13%	14%	14%	14%
	Cash/Liquidity	2%	2%	2%	2%	2%	2%
Total asset allocation		100%	100%	100%	100%	100%	100%

1.5.2 Portfolio rebalancing

Market movements may cause asset class weights to deviate from policy targets over time. To ensure portfolio implementation is consistent with long-term policy objectives, the board establishes allowable ranges around the long-term policy targets. The ranges seek to balance the importance of the long-term policy allocation policy with the flexibility required to manage the portfolio in a prudent, cost-efficient manner. The board delegates authority to the CIO to rebalance within the allowable ranges and to rebalance back to allowable ranges when the market values of assets fall outside of policy ranges, including utilizing derivative products across the portfolio. The CIO will report rebalancing activities to the board.

The board delegated the CIO authority to rebalance the asset allocation across asset classes and investment strategies when market values of assets fall outside policy ranges or to shift allocations within the ranges. The timing of the rebalancing and shifts will be based on market opportunities and with consideration of transaction costs, and therefore need not occur immediately. Since global financial markets and portfolio conditions are dynamic, rebalancing will be done with prudence and consideration given to the portfolio’s risk and return profile.

Due to the appraisal valuation and the illiquid nature of private assets, exceeding the minimum or maximum policy range allocation in those asset classes may be unavoidable. In the instances where the CIO is unable to rebalance the asset class back into the approved range, the CIO will provide a rebalancing plan to the Investment Committee and specialty and general consultants.

The board further authorizes the CIO to use derivative products to maintain target range exposure in asset classes and to reduce transaction costs that would otherwise be incurred by the buying and selling of physical securities.

1.6 Valuation activities

CalSTRS valuation activities include the establishment of processes and controls to provide assurance in the accuracy and reliability of the portfolio value. Such activities include the implementation of a pricing source hierarchy, establishment of the CalSTRS Investment Valuation Committee with the Financial Services Branch, and ongoing oversight of our pricing vendors and master custodian by Investment Services.

1.7 Investment reporting

Investment staff provide transparency of investment activities by regularly reporting directly to the Teachers’ Retirement Board and its Investment Committee and by updating **CalSTRS.com**. As part of this transparency, the Investments Branch and board consultants prepare periodic reporting, which includes the *CIO Report*, semiannual performance reports and the semiannual *Compliance Report*. In addition, staff prepares other reports that are publicly available on our **Teachers’ Retirement Board Meeting Materials** and **CalSTRS Investment Reports** webpages.

In addition to formal board reporting, Investments staff also produce numerous internal and external investment reports. Depending on the intended audience of the report, the basis for reporting investment values may differ.

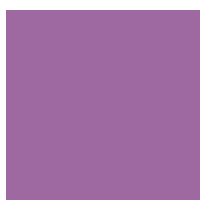
1.8 Additional governance and oversight

The Teachers’ Retirement Board maintains governance over all CalSTRS’ investment activities through the *Board Manual*, this *Investment Policy Statement*, asset class-specific policies and other ancillary investment program policies. Additional governance and oversight functions of the board are available at **CalSTRS.com/investment-policies**.



Section 2

Investment objectives and measurement



2.1 General investment objectives

CalSTRS' primary goal is to maintain a financially sound retirement system. Within this context, the following general investment objectives are designed in consideration of the CalSTRS Investment Beliefs to establish a framework for the operation of the CalSTRS Investment Portfolio.

2.1.1. General investment objectives

The general investment objectives of the portfolio are to:

Provide for present and future benefit payments — The CalSTRS Investment Program shall provide liquidity to pay benefits to CalSTRS members and their beneficiaries in the amounts and at the times called for through the investment of contributions and other fund assets, aim to meet the assumptions built into the actuarial model and strive to maintain a fully funded pension system.

Diversify assets — Seek to diversify the assets to achieve the desired rate of return at a prudent level of risk. The asset structure must provide for diversification of risk between asset classes to manage the risk/return relationship through strategic asset allocation.

Reduce funding costs — Within prudent levels of risk, the reduction of CalSTRS’ funding costs shall be a consideration in the organization and structure of the portfolio.

Maintain the trust of our members and the public — Manage the investment program in such a manner that will enhance the member and public’s confidence in the CalSTRS Investment Program.

Establish policy and objective review process — A formal review of the CalSTRS *Investment Policy Statement* will be conducted annually, with an updated financial projection developed every two years.

Create reasonable pension investments relative to other pension funds — The selection of investment vehicles and policies will be judged against other private and public pension funds. Investment performance, asset management costs, staffing and overall expenses will be compared to other public and corporate pension plans, with special emphasis on comparisons with other large public funds.

Minimize costs — Management fees, trading costs and other expenses will be diligently monitored and controlled.

Comply with state and federal laws — The CalSTRS Investment Program must operate in compliance with all applicable state and federal laws and regulations concerning the investment of pension assets.

2.2 Investment performance objectives and measurements

The general investment objectives provide a framework for the operation of the investment function. CalSTRS analyzes and monitors investment performance at three levels:

(1) performance objectives for the portfolio, (2) performance objectives for each asset class, and (3) performance objectives for the individual investment managers within each asset class. Asset class performance objectives and measurements are documented within their respective policy documents.

2.2.1 Performance objectives

Portfolio performance objectives are:

Relative to the actuarial rate of return — The actuarial rate of return is an estimate of the long-term rate of growth of CalSTRS assets. Based on various internal and consultant estimates, the actuarial rate of return is currently set at 7.0%, which represents an indicative multi-decade expected average return.

Relative to CalSTRS’ liabilities — Liabilities are future claims of CalSTRS members. The liability-related performance objectives recognize liabilities must be paid in full and in a timely manner. The actuarial rate of return is used to discount the future value of CalSTRS liabilities to calculate the funded ratio.

Relative to inflation — The inflation-related objective compares the investment performance against the rate of inflation as measured by the Consumer Price Index plus 4.25%. The inflation measure provides a link to CalSTRS’ liabilities.

Relative to strategic asset allocation targets (Policy Benchmark Index) — The comparative benchmark reflects our unique asset allocation policy. This comparison identifies the contribution or detriment to performance caused by manager performance, market timing and tactical asset allocation decisions.

Relative to the CalSTRS reference portfolio — The reference portfolio provides a comparison of the CalSTRS total fund investment performance to a similar risk level portfolio. The reference portfolio is also the most appropriate performance measurement tool to measure performance success over long time periods.

2.2.2 Portfolio measurements and benchmarks

To measure the performance of the fund, CalSTRS utilizes the following benchmarks:

Policy benchmark index

This measure is used for performance attribution and risk measurement. It’s developed by taking each of the respective asset classes’ custom benchmarks weighted by the policy target asset allocation at the end of the specific time period. Most asset class benchmarks are customized for CalSTRS exclusions and special mandates. Additionally, because the portfolio utilizes long-term illiquid securities, benchmark comparisons become difficult over shorter time periods. Many of the illiquid asset classes are not investible options for the members and public. Specific asset class benchmark information is documented within the respective policies as provided in **Section 4**.

Reference portfolio

The reference portfolio is the **Morningstar Moderate Target Risk Index**, which is designed to help measure target date mutual funds with a long investment horizon and risk level similar to that of the CalSTRS Investment Portfolio. This measure is designed to allow members and the public to compare the portfolio investment performance to a similar risk level portfolio they could utilize within their personal retirement accounts. This measure will be used in external publications to provide comparison that is publicly available and clearly defined. The reference portfolio is also the most appropriate performance measurement tool to measure the performance success of the portfolio over long time periods.

Funding level

Ultimately, CalSTRS’ mission is to ensure a financially sound retirement system for our members and their beneficiaries. A key measure in the soundness of the Defined Benefit Program is the funded status: the difference between current assets and obligations, also known as the actuarial unfunded obligation. Pursuant to the CalSTRS Funding Plan (Chapter 47, Statutes of 2014, Bonta), the Defined Benefit Program is anticipated to reach full funding by 2046. The most important factor in reaching full funding is to meet or exceed the actuarial assumed investment rate of return. Additional information regarding CalSTRS’ current funded status, assumed rate of return and other actuarial information is located at [CalSTRS.com/actuarial-valuations](https://www.calstrs.com/actuarial-valuations).

Total public equity

The Total Public Equity Portfolio represents public assets from Innovative Global Equity, our Sustainable Investments and Stewardship Strategies Program and Global Equity. The Total Public Equity Portfolio is measured against the Global Equity benchmark reflected within the Global Equity policy.

Cash and liquidity

The cash and liquidity allocation is measured relative to the 90-day Treasury Bill Index.

2.3 Sustainability

The Teachers’ Retirement Board is charged with maintaining a strong and stable portfolio to provide benefits to CalSTRS members and their beneficiaries. To fulfill that responsibility, we leverage our influence as a significant global investor to promote sustainable business practices and public policies that support long-term value creation. We engage publicly traded companies to mitigate risk to the portfolio and the overall financial markets. Additional information regarding our sustainability activities is available at [CalSTRS.com/sustainability](https://www.calstrs.com/sustainability).

2.3.1 Sustainability risks

Consistent with our fiduciary responsibilities to CalSTRS members, the Teachers’ Retirement Board has an obligation to strongly encourage corporations and entities in which we invest to meet a high standard of conduct and strive for sustainability in their operations, including the management of environmental, social and governance-related risks. Additional information regarding CalSTRS’ process for mitigating **sustainability risks** are available on [CalSTRS.com](https://www.calstrs.com).

2.3.2 Stewardship plan and priorities

CalSTRS leverages our significant ownership stakes in global companies to influence change and drive long-term value creation. Our activities are governed by CalSTRS’ **Stewardship Priorities** and **Corporate Governance Principles**, which can be found at [CalSTRS.com](https://www.calstrs.com).

2.4 Human capital management

CalSTRS believes human capital is the most important asset within our organization, our partners and the businesses in which we invest. We believe an engaged, healthy and stable workforce is a competitive advantage for any organization. Consistent with these beliefs, we've established a culture of employee well-being, health and safety, career development and accountability. We are committed to employee diversity, equity and inclusion, gender equality, and ensuring the workplace is safe and free from all forms of harassment, including sexual harassment.

2.4.1 Diversity, equity and inclusion

Expanding beyond our own organization, we are committed to setting best practice precedents, implementing innovative diversity and inclusion principles, motivating positive change, and advancing the world's investment markets. This is accomplished by establishing collaborative relationships across a vast network of investment managers, portfolio companies and industry associations to maximize returns and leverage opportunities for positive change. Additional information regarding CalSTRS' **diversity in the management of investments** can be found at [CalSTRS.com](https://www.calstrs.com).

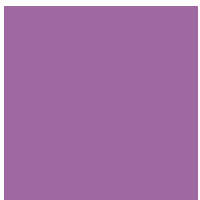
2.4.2 Diversity definition statement

CalSTRS believes diversity of experience, background, skills, gender, race, culture and all the aspects people can differ from one another, visibly or not, produces a diversity of thought and action that leads to superior decision-making and results.

We are committed to measuring and managing our progress in educating, attracting, hiring, developing, promoting, paying, partnering with and investing in a diverse array of practitioners within CalSTRS and across financial markets.



Section 3 Investment risk



3.1 Investment risk philosophy

Taking and managing risks are fundamental to achieving investment objectives, and CalSTRS carefully analyzes risks and opportunities for all investments. We take measured risks in investments with the expectation of being rewarded with commensurate investment returns. Additional information regarding total return and risk estimates and asset class correlation is located on [CalSTRS.com](https://www.calstrs.com).

3.2 Portfolio risk

We are constantly monitoring and responding to risks within the investment markets. These risks include, but are not limited to, market, liquidity, concentration, credit, currency and inflation. Operational risks, including governance, ethics, due diligence and third-party risks, are also regularly monitored, mitigated and reported to the Teachers' Retirement Board on a regular basis.

3.3 Risk mitigation

Consistent with our risk philosophy, there is an expectation of greater investment returns when accepting higher levels of risk. To monitor risks and returns, we have implemented policies and controls to protect the portfolio from uncompensated risks. The following activities listed are not comprehensive, yet they represent key functions to mitigate investment risk. Additional controls can also be identified within each of the respective asset class policies.

3.3.1 Strategic asset allocation

As described in Section 1, the Teachers’ Retirement Board adopts a strategic asset allocation for the investment of the portfolio. This allocation sets the primary parameters and structure for investments to be made consistent with the CalSTRS Funding Plan. See **Section 1.5** for additional information.

3.3.2 Liquidity risk

No more than 55% of the CalSTRS Investment Portfolio shall be invested in instruments not regularly publicly traded on a daily basis.

3.3.3 Maximum investment

No more than 3% of the portfolio shall be invested or exposed to any one security or corporation, with the exception of the United States Treasury or agency obligations. No more than 15% of any asset class may be invested in any one security, with the exception of United States Treasury or agency obligations. Exceptions may be granted with permission from the board’s Investment Committee.

3.3.4 Tactical risk allocation committee

A tactical risk allocation committee is established by the CIO with the primary function of monitoring, recommending and active rebalancing of the portfolio consistent with the board-approved allocation policy. The committee is authorized to instruct trades related to cash management, allocation rebalancing, tactical positioning and value trades to generate alpha. Through the board’s delegated authority, the CIO may utilize derivative products to allocate the portfolio within the allowable policy ranges.

3.3.5 Active risk

Active risk is also referred to as tracking error and measures how closely the portfolio’s returns track its benchmark over time. Specifically, active risk measures the degree to which portfolio implementation is consistent with the board’s long-term objectives.

3.3.6 Internal control environment

We have established a robust system of internal controls surrounding all aspects of the investment life cycle for each asset class. From due diligence to execution, all elements of the investment process are documented and carefully considered from a risk and control perspective. Controls are established for each risk and updated annually based on the most current processes and procedures. Controls are tested annually for effectiveness by both internal and external auditors.



Section 4

Investment assets, programs and strategies



4.1 Investment portfolio structure

In addition to this policy statement, the Teachers’ Retirement Board also adopted individual asset class policies and specific investment program policies that provide additional guidance and boundaries that will ensure prudence and care in the management of the portfolio. This structure enables sufficient flexibility in the management process to capture investment opportunities and mitigate risk. This policy statement maintains precedence over the asset class and investment program policies. These policies are available at [CalSTRS.com/investment-policies](https://www.calstrs.com/investment-policies).

The various asset classes and investment programs included in the CalSTRS Investment Portfolio are:

Cash/Liquidity — The investment objective for the Cash/Liquidity function is to facilitate cash needs, to minimize the cost of raising cash and limit the effect on investment managers.

Fixed Income — The Fixed Income Portfolio shall be invested to improve diversification, enhance risk adjusted return, preserve capital and liquidity, generate current income and facilitate cash needs.

Global Equity — Global Equity assets shall be invested to improve the diversification of the total portfolio and to enhance

the risk-adjusted total return. The assets shall be managed to provide long-term capital appreciation as well as generate current income.

Inflation Sensitive — The objective of the Inflation Sensitive Portfolio is to provide diversification to the total portfolio, lower the macroeconomic risks that pervade other major asset classes, and positively capture long-term changes in inflation.

Innovative Strategies — The Innovative Strategies Portfolio provides the structure for incubating new ideas and investing in strategies seeking to improve the diversification of the portfolio, enhance the risk-adjusted total return, capture capital appreciation, provide new sources of current income and explore innovative investment structures with better alignment of economic interests.

Private Equity — The Private Equity Portfolio seeks to capture attractive risk-adjusted long-term investment returns by investing in private assets and securities. Relative to publicly traded investment securities, attractive investment opportunities are presented as a result of inefficient markets, longer investment horizons and advantageous corporate governance structures.

Real Estate — The Real Estate Portfolio objectives are to generate an enhanced yield to actuarial rate assumption, provide stable cash flows, hedge against inflation and improve diversification of the total portfolio.

Risk Mitigating Strategies — The objective of Risk Mitigating Strategies is to provide protection to the total portfolio during deep and extended equity market downturns. RMS maintains a level of portfolio risk that is prudent and allows the program to fulfill its mandate of providing diversification over a full business cycle.

Strategic Overlay — The Strategic Overlay account is used for currency management, tactical positioning and trades related to managing overall risk.

Sustainable Investment and Stewardship Strategies — The Sustainable Investment and Stewardship Strategies Program shall be a catalyst in transforming the financial markets to focus on long-term value creation that fully integrates sustainability considerations and uses our influence as a significant global investor to promote sustainable business practices and public policies.

4.2 Other investment programs and policies

Consistent with the various asset class and investment program policies noted in **Section 4.1**, this policy statement maintains precedence. These investment policies are available at [CalSTRS.com/investment-policies](https://www.calstrs.com/investment-policies).

Other CalSTRS investment policies and programs that support the investment of the total portfolio are:

California Investments Policy — We recognize many investment activities may have the ancillary benefit of creating economic value and activity that benefit the state and its citizens. Therefore, within the investment activity of each asset class, if all things are equal, especially regarding risk, return and diversification, we will give preference to investments focused or based in California.

Credit Enhancement Program Policy — Credit enhancement is an off-balance sheet activity that does not affect the CalSTRS asset allocation. The program’s primary objective is to earn fee income. The bond transactions are either governmental or private activity, which have a public purpose.

Currency Management Program Policy — The strategic objectives for the Currency Management Program include the preservation of the diversification benefits of holding foreign denominated assets, return enhancement in a declining U.S. dollar environment, and the facilitation of currency positions for the acquisition and disposition of non-U.S. denominated investments.

Divestment Policy — This policy sets forth our policy for responding to external or internal initiatives to divest of individual or groups of securities for purposes of achieving certain goals that do not appear to be primarily investment related.

Home Loan Program Policy — The strategic objective of the CalSTRS Home Loan Program is to meet our investment goals by generating a mortgage asset while providing the opportunity for home ownership to qualified participants. This program was discontinued for new investments effective June 30, 2012.

Infrastructure Investment Policy — Strategic objectives of the Infrastructure Portfolio are to provide improved diversification to the total fund, generate an enhanced yield, produce stable cash flows, hedge for long-term liabilities and inflation, preserve investment capital and be a responsible steward of infrastructure investments. Infrastructure is a component of the Inflation Sensitive asset class.

Investment Procurement Policy — This policy establishes the requisite elements of the competitive process by which CalSTRS staff solicits, procures and contracts with qualified investment managers and advisers.

Mitigating Environmental, Social and Governance Risks Policy — This policy describes how we incorporate environmental, social and governance considerations into our analysis of the riskiness of our investment decisions and ownership policies and practices to the extent that environmental, social and governance factors are material to the long-term success of an investment.

Pension2 Investment Policy — The strategic objective of Pension2® is to offer participants a range of investment options that allow them to save for retirement and supplement their defined benefit pension.

Responsible Contractor Policy — This policy supports and encourages fair wages and fair benefits for workers employed by CalSTRS' contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on CalSTRS investments.

Securities Lending Program Policy — The Securities Lending Program's strategic objective is to help meet our investment goals by generating incremental income through collateralized, low-risk, short-term loans using a portion of the lendable assets within the total portfolio.

Special Mandate Policy — This policy sets forth our policy and procedures for considering special mandates and related investment strategies.