

# **California State Teachers’ Retirement System**

## **Investment Policy Statement**

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## **Preamble**

The California State Teachers' Retirement System (CalSTRS), through action of the Board's Investment Committee, have established [Investment Beliefs](#) for the organization. The Investment Beliefs provide a foundational framework for all of CalSTRS investment decision-makers to invest in a manner that reflects CalSTRS unique views of the global investment markets and its vision for participating in these markets to accomplish its fiduciary goal. In this respect, the Investment 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**

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

The California Constitution and Education Statutes provide the CalSTRS 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 the members and beneficiaries of the system. The IPS represents the foundation for which CalSTRS investment staff make decisions in the management of pension assets.

The IPS provides a framework for which the CalSTRS investment function operates. While the IPS provides broad guidance for investment staff to manage the assets of the Total Fund Portfolio (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 our public website.

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

For additional reference, a comprehensive [glossary](#) of investment terms used throughout this document is available on our public website.

## **Statement of Purpose**

The purpose of the IPS 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 CalSTRS 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 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**—The members of the Board of the retirement system 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 its participants and their beneficiaries take precedence over any other duty. Moreover, the members of the CalSTRS Board 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 CalSTRS Board may delegate any acts within its power to the CalSTRS Chief Executive Officer (CEO). 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 (CIO) 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 by its Investment Committee. Additional delegations have been granted to the Deputy Chief Investment Officer (DCIO) and directors of the various asset classes pursuant to the same statutes. Additional information regarding the Board’s Delegation of Authority is located in the [Teachers' Retirement Board Governance Manual](#).
- 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 CalSTRS liabilities, 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 Study 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 year-long process is a thorough collaboration between internal investment and actuarial staff along with the board’s external consultants. Additional information about the current [ALM](#) is available on our public website.

*Current Asset Allocation*

The following table displays the most current Board adopted long-term policy targets and ranges for the Portfolio.

**CalSTRS Long-term Policy Target and Ranges, Adopted November 2019**

Strategic Class	Asset Class/Strategy	Long-Term Target	Range
Economic Growth	Public Equity	42%	+/- 6%
	Private Equity	13%	+/- 3%
Real Assets	Real Estate	15%	+/- 3%
	Inflation Sensitive	6%	+/- 3%
	Innovative Strategies	0%	+/- 2.5%
Diversifying	Risk Mitigating Strategies	10%	+/- 3%
	Fixed Income	12%	+/- 3%
	Cash / Liquidity	2%	+/- 3%
	<b>Total Asset Allocation</b>	<b>100%</b>	

*Please note that 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**—Understanding that investment opportunities ebb and flow within financial markets, mandating a rigid timeline to shift to long-term policy targets is inefficient. CalSTRS Board approved an implementation plan that is expressed as a series of “steps” toward the long-term allocation targets. Every six months the asset mix will be revisited and the policy benchmark and allocation may be shifted to the next step if warranted and approved by the Investment Committee.

*Long-term Policy Target Implementation Plan*

The following table displays the most current Board adopted long-term target implementation plan.

Strategic Class	Asset Class/Strategy	Effective Date	Current Target	Effective Date	Effective Date	Long-Term Target
		7/1/2020	7/1/2021	1/1/2022	7/1/2022	
		Step 1	Step 2	Step 3	Step 4	
Economic Growth	Public Equity	49%	47%	45%	43%	42%
	Private Equity	10%	11%	13%	13%	13%
Real Assets	Real Estate	14%	14%	14%	15%	15%
	Inflation Sensitive	3%	4%	4%	5%	6%
Diversifying	Innovative Strategies	0%	0%	0%	0%	0%
	Risk Mitigating Strategies	9%	10%	10%	10%	10%
	Fixed Income	13%	12%	12%	12%	12%
	Cash / Liquidity	2%	2%	2%	2%	2%
	<b>Total Asset Allocation</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- 1.5.2 **Portfolio Rebalancing**—The asset mix may deviate from the targets and deviations greater than described and may require rebalancing within the range. The ranges approved for the allocation targets are intended to keep the actual allocation close to the targets while minimizing the

transaction costs that result from rebalancing. To control the risk and return relationship over time, each asset category is rebalanced to the strategic target. Rebalancing latitude is important and can significantly affect the performance of the Portfolio. Blind adherence to narrow ranges increases transaction costs without an expected increase in investment performance. The ranges seek to balance flexibility in the implementation (i.e. rebalancing), while also ensuring that the Portfolio is invested consistent with the long-term asset allocation targets and objectives.

The Board has 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.

The Board further authorizes the CIO to utilize 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 actual securities. The CIO will report rebalancing activities to the Board.

Due to the appraisal valuation and the illiquid nature of private assets, exceeding the maximum policy range allocation in those asset classes will trigger a focused review by the CIO, the specialty and general consultants, and the Investment Committee rather than an automatic rebalancing.

- 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 through regular updates and reporting directly to the CalSTRS Board and the Investment Committee. As part of this transparency, the Investments Branch prepares periodic reporting, which includes the CIO Report, Semi-Annual Performance Reports and Semi-Annual Compliance Report. In addition to the aforementioned, staff also prepare various other reports that are publicly available on CalSTRS website and can be located at [CalSTRS Board Meeting Materials](#) and [CalSTRS Investment Reports](#).
- 1.8 **Additional Governance and Oversight**—The Board maintains governance over all CalSTRS' investment activities through the Board Manual, the IPS, Assets Class Specific policies and other ancillary investment program policies. Additional governance and oversight functions of the Board, including certain specified trading limits, are available on the CalSTRS [Investment Policies](#) website.

## Section 2 – Investment Objectives and Measurement

- 2.1 **General Investment Objectives**—The primary goal for CalSTRS 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 Portfolio.

<b>CalSTRS General Investment Objectives</b>	
1	<b>Provide for Present and Future Benefit Payments</b> – The CalSTRS Investment Program shall: provide liquidity to pay benefits to its participants and their beneficiaries in the amounts and at the times called for through the investment of contributions and other fund assets, strive to meet the assumptions built into the actuarial model and strive to maintain a fully funded pension system.
2	<b>Diversify the Assets</b> – 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 in order to manage the risk/return relationship through strategic asset allocation.
3	<b>The Reduction of CalSTRS' Funding Costs</b> – Within prudent levels of risk, the reduction of CalSTRS' funding costs shall be a consideration in the organization and structure of the investment portfolio.
4	<b>Maintain the Trust of the Participants and Public</b> – Manage the investment program in such a manner that will enhance the member and public's confidence in the CalSTRS Investment Program.
5	<b>Establish Policy and Objective Review Process</b> – A formal review of the CalSTRS Investment Policy and Management Plan will be conducted annually, with an updated financial projection developed every two years.
6	<b>Create Reasonable Pension Investments Relative to Other Pension Funds</b> – 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.
7	<b>Minimize Costs</b> – Management fees, trading costs, and other expenses will be aggressively monitored and controlled.
8	<b>Compliance with State and Federal Laws</b> – The 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 Portfolio Objectives**—The table below displays the Portfolio performance objectives.

<b>Investment Portfolio Performance Objectives</b>	
1	<b>Relative to the Actuarial Rate of Return</b> – The actuarial rate of return is an estimate of the long-term rate of growth of CalSTRS assets. Based upon various internal and consultant estimates, the actuarial rate of return is currently set at 7.0 percent, which represents an indicative multi-decade expected average return.
2	<b>Relative to CalSTRS' Liabilities</b> – Liabilities are future claims of the CalSTRS participants. The liability-related performance objective recognizes that liabilities must be paid in full and in a timely manner. The actuarial rate of return is used to discount the future value of the CalSTRS liabilities to calculate the funded ratio.
3	<b>Relative to Inflation</b> – The inflation related objective compares the investment performance against the rate of inflation as measured by the Consumer Price Index plus 4.25 percent. The inflation measure provides a link to CalSTRS' liabilities.
4	<b>Relative to Strategic Asset Allocation Targets (Policy Benchmark Index)</b> – The comparative benchmark reflects CalSTRS' unique asset allocation policy. This comparison identifies the contribution or detriment to performance caused by manager performance, market timing, and tactical asset allocation decisions.
5	<b>Relative to the Reference Portfolio</b> – The reference portfolio provide 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 the performance success of the over long time periods.

**2.2.2 Portfolio Measurements and Benchmarks**—To measure the performance of the Fund, CalSTRS utilizes three benchmarks as described below.

*Policy Benchmark Index* – This measure is used for performance attribution and risk measurement. It is 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. Since almost all of the asset class benchmarks are customized for CalSTRS exclusions and special mandates, they are not publicly available. 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 very similar to that of the 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 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 Plan is its 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 Plan 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 on our public website.

**2.3 Sustainability**— The CalSTRS Board is charged with maintaining a strong and stable Portfolio to provide benefits to CalSTRS members and their survivors. To fulfill that responsibility, CalSTRS leverages 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 CalSTRS [sustainability](#) activities is available on our public website.

**2.3.1 Sustainability Risks**—Consistent with its fiduciary responsibilities to CalSTRS members, the CalSTRS 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 our public website.

**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. CalSTRS activities are governed by CalSTRS' [Stewardship Priorities](#) and [Corporate Governance Principles](#) which can be found on our public website.



**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. CalSTRS believes that an engaged, healthy and stable workforce is a competitive advantage for any organization. Consistent with these beliefs, CalSTRS has established a culture of employee wellbeing, health and safety, career development and accountability. Furthermore, CalSTRS is committed to employee diversity, equity and inclusion, gender equality, and ensuring the workplace is safe and free of all forms of harassment, including sexual harassment.

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

Expanding beyond our own organization, CalSTRS is 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 in order to maximize returns and leverage opportunities for positive change. Additional information regarding CalSTRS [Diversity-in-the Management of Investments](#) can be found on our public website.

### **Section 3 – Investment Risk**

**3.1 Investment Risk Philosophy**—Taking and managing risks are fundamental in CalSTRS achieving its investment objectives. Risks and opportunities are carefully analyzed for all investments. CalSTRS takes 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 in located on CalSTRS.com.

**3.2 Portfolio Risk**—CalSTRS is 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. Furthermore, operational risks including governance, ethics, due diligence and third-party are also regularly monitored, mitigated and reported to the CalSTRS Board on a regular basis.

**3.3 Risk Mitigation**—Consistent with CalSTRS risk philosophy, there is an expectation of greater investment returns when accepting higher levels of risk. To monitor risks and returns, CalSTRS has implemented polices and controls to protect the Portfolio from uncompensated risks. The following activities listed are not comprehensive, however; they represent key functions to mitigate CalSTRS 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 CalSTRS 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 achieving the actuarial assumed rate of return and the highest probability of reaching full funding of the Defined Benefit Plan. See section 1.5 for additional information.

- 3.3.2 **Liquidity Risk**—No more than 50 percent of the Portfolio shall be invested in instruments that are not regularly publicly traded on a daily basis.
- 3.3.3 **Maximum Investment**—No more than 3 percent 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 percent 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 the permission from the IC.
- 3.3.4 **Trading Approval Limits**—The CalSTRS Board sets limits for both internally managed public portfolio trading and private portfolio transactions. Specific details regarding limits by asset or program type and also by investment staff classification level can found on CalSTRS public website. In addition to these limits, individual asset class policies also set parameters and controls for investments transactions. Asset class policies are provided in Section 4 of the IPS.
- 3.3.5 **Risk Allocation Committee**—The Risk Allocation Committee (RAC), 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. RAC is authorized to instruct trades related to cash management, allocation rebalancing, tactical positioning, and value trades to generate alpha.
- 3.3.6 **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 and manages strategy implementation consistent with the Board’s long-term objectives. The concept of an active risk budget was first introduced in 2019 and since that time certain asset classes and strategies within the Portfolio have adopted an active risk budget within their respective policies.
- 3.3.7 **Internal Control Environment**—CalSTRS has 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 **Asset Allocation Structure**—The table below summarizes CalSTRS’ various asset classes and investment programs included within the Portfolio. In addition to the IPS, the CalSTRS 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. Moreover, this structure enables sufficient flexibility in the management process to capture investment opportunities. The IPS maintains precedence over the asset class and investment program policies. These [Investment Policies](#) are available on CalSTRS public website.

<b>Asset Allocation Structure</b>	
<b>Description</b>	
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 the investment managers.
Fixed Income	The CalSTRS 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	The Global Equity assets shall be invested to improve the diversification of the total investment portfolio and to enhance its 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 Inflation Sensitive portfolio is to provide diversification to the CalSTRS Total Fund, 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 Total Fund, enhance its 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 program 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 CalSTRS Total Investment Portfolio.
Risk Mitigating Strategies	The objective of Risk Mitigating Strategies (RMS) is to provide protection to the Total Fund 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 active positioning of the Total Plan.
Sustainable Investment & Stewardship Strategies	The SISS program shall be a catalyst in transforming the financial markets to focus on long-term value creation that fully integrates sustainability considerations and uses CalSTRS' influence as a significant global investor to promote sustainable business practices and public policies.

4.2 **Other Investment Programs and Policies**—The table below summarizes CalSTRS' Other Investment Programs and Policies that support the investment of the Portfolio. Consistent with the various asset class and investment program policies displayed in the Asset Allocation Structure, the IPS maintains precedence over these Other Investment Programs and Policies. These [Investment Policies](#) are available on CalSTRS public website.

<b>Other Investment Programs and Policies</b>	
<b>Description</b>	
California Investment	CalSTRS recognizes that 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, CalSTRS will give preference to investments focused or based in California.
Credit Enhancement	Credit Enhancement is an off-balance sheet activity that does not affect the CalSTRS asset allocation. The primary objective of the program is to earn fee income. The bond transactions are either governmental or private activity, which have a public purpose.
Currency Management Program	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 USD environment and the facilitation of currency positions for the acquisition/disposition of non-U.S. denominated investments.
Divestment	This policy sets forth CalSTRS' 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	The strategic objective for CalSTRS' Home Loan Program is to meet the investment goals of the System by generating a mortgage asset, while providing the opportunity for home ownership to qualified participants. The Home Loan Program was discontinued for new investments effective June 30, 2012.
Infrastructure Investment	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	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	This policy describes how CalSTRS incorporates Environmental, Social, and Governance (ESG) considerations into its analysis of the riskiness of its investment decisions and its ownership policies and practices, to the extent that ESG factors are material to the long-term success of an investment.
Pension2	The strategic objective of Pension2 is to offer participants a range of investment options to allow
Responsible Contractor	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'
Securities Lending	The strategic objective for the Securities Lending Program is to assist CalSTRS in meeting its investment goals by generating incremental income through collateralized, low-risk, short-term loans using a portion of the lendable assets within the total investment portfolio.
Special Mandates	This policy sets forth CalSTRS' policy and procedures for considering special mandates and related investment strategies.