

MEMORANDUM

TO: Investment Committee, CalSTRS
FROM: Stephen McCourt, Allan Emkin, Stephanie Sorg, Mika Malone, Meketa Investment Group
CC: Scott Chan
DATE: May 7, 2025
RE: Concurrence Memo – Sustainable Investment & Stewardship Strategies Program and Portfolio Policy Revision

Summary and Recommendation

In April 2025, Staff requested that Meketa Investment Group (“Meketa”) review a proposed revision to the Sustainable Investment & Stewardship Strategies Policy. After independently reviewing and evaluating the proposed revision, ***Meketa concurs with the proposed change suggested by Staff.*** The proposed change supports the Shared Vision Project and creates an efficient structure for the CalSTRS portfolio to scale over time, such that the SISS team is solely focused on expanding climate solutions across private markets opportunities. The specific policy revision removes the reference to the SISS Public and Private Portfolios within the policy effective July 1, 2025. In connection with the policy change, the SISS Public Portfolio would be migrated to the CalSTRS Global Equity Portfolio, and managed by that team.

Discussion

Since its inception, the role of the SISS Portfolio was to opportunistically improve CalSTRS’ risk and return characteristics and serve as a source of long-term capital appreciation for the Total Fund. The investment scope of the SISS Private Portfolio is broad and has evolved over the years (e.g., the inclusion of the Low Carbon Target Index within the SISS Portfolio in 2020 and subsequent graduation to the Global Equity Portfolio in 2023, the inception of the SISS Private Portfolio in 2021). The proposed policy revision and transition of the SISS Public Portfolio mirrors the path of the internally managed low-carbon target index, which graduated from the SISS Public Portfolio and scaled within Global Equity to help CalSTRS implement the net zero portfolio objectives. CalSTRS leadership, the Global Equity team, and the SISS team believe the integration of material sustainability factors in active public equity strategies has matured to the degree that it is now appropriate for the SISS Public Portfolio to migrate to the CalSTRS Global Equity Portfolio.

Importantly, the proposed revisions to the SISS Policy do not alter the stated program/performance objectives or structure of the Portfolio, and there are no substantive edits to the Stewardship Program part of the SISS Policy.

Meketa has reviewed the proposed change in the SISS Policy and concurs with Staff’s recommendation.

If you have any questions, please feel free to contact us at (760) 795-3450.

SBS/SPM/jls