

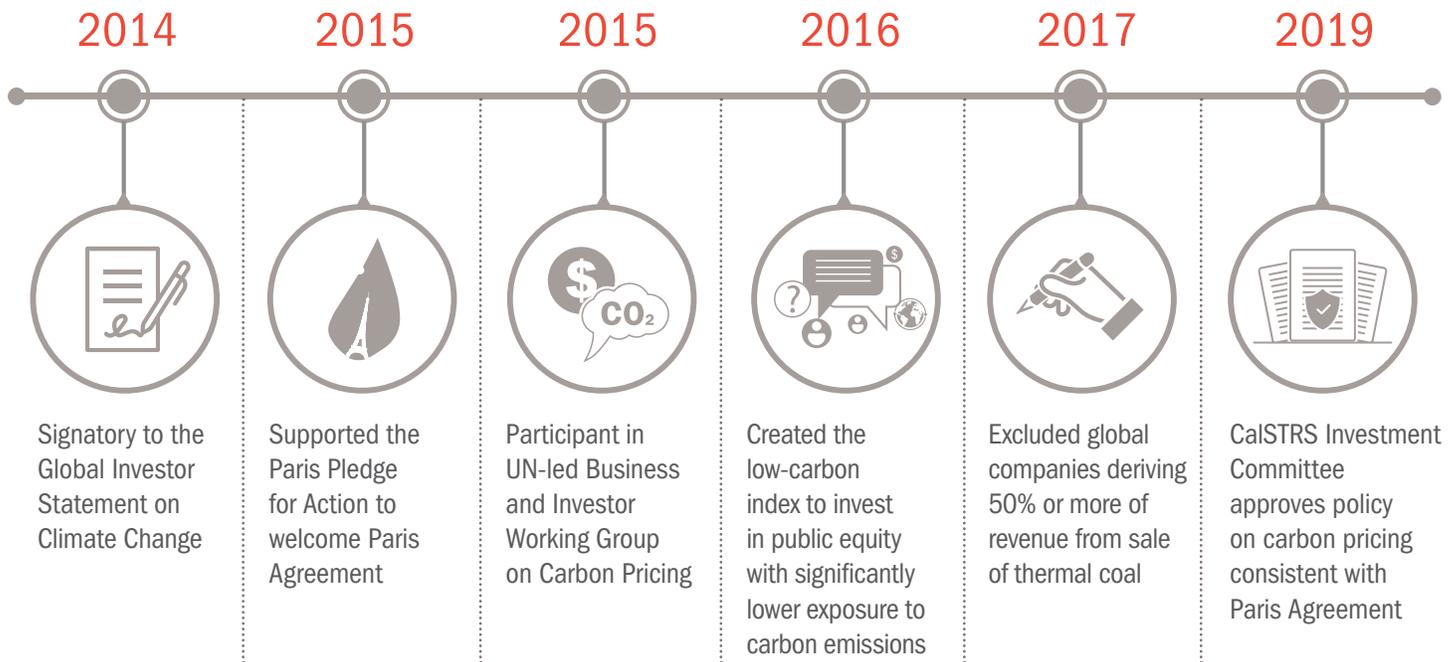
Preparing for Climate Change, Low-Carbon Economy Transition

Climate risk is often a significant topic of discussion at Teachers' Retirement Board meetings. Because consideration of climate risk is embedded in our investment strategies, board agenda items often highlight risks related to climate change. In addition, members of the public frequently provide testimony to share their concerns with the board.

Climate change poses material risks to people, the environment, the world economy and the CalSTRS investment portfolio. CalSTRS remains committed to supporting public policies like cap-and-trade, engaging with companies and investing in sustainable businesses while we fulfill our fiduciary duty to nearly 1 million of California's educators who will rely on their benefit for a secure retirement.

CalSTRS has joined a group of 360 global investors, with more than \$34 trillion in assets, that is fully committed to supporting the goals of the 2016 Paris Climate Accord policies that will help the world meet the agreement's carbon emission reduction targets. CalSTRS is evaluating our portfolio to analyze the risk of climate change on investments and identify profitable low-carbon, climate-resilient investment opportunities across asset classes. In May 2019, the board prioritized analyzing the impacts of a low-carbon economy on our investment portfolio. This analysis will inform the board on the best ways to capture low-carbon economic growth opportunities while also mitigating long-term risks.

CalSTRS believes that as a long-term investor committed to protecting the retirement security of California's educators, we have a fiduciary duty to set an example by taking a leadership role in addressing climate risk and encouraging companies to be good stewards of the Earth and its resources.



Preliminary 2020–21 Budget Introduced

At the September 2019 meeting, the Teachers' Retirement Board received the 2020-21 preliminary Operating Budget. Guided by the *CalSTRS 2019-22 Strategic Plan*, the preliminary Operating Budget is \$361.7 million, reflecting a total net increase of \$71.3 million, or 25% relative to 2019-20.

The \$71.3 million increase is driven by additional funding authority for the Pension Solution Project and various organizational growth initiatives. The largest increase in the preliminary Operating Budget is attributable to a one-time \$47.2 million funding request for the Pension Solution Project. This request provides the remaining funding authority needed to complete the Pension Solution

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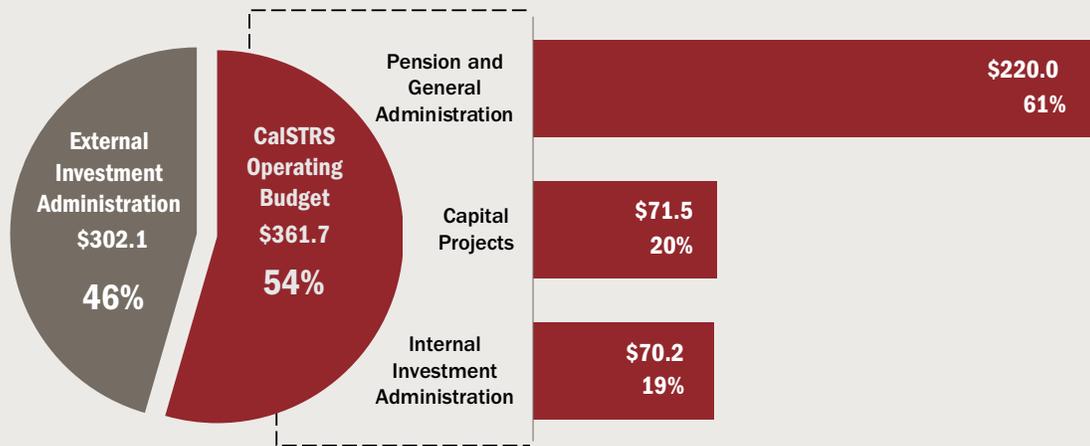
Preliminary 2020-21 Budget Introduced

Project within its updated budget of \$304.8 million, which was approved by the board at the July 2019 meeting. The second component of the preliminary Operating Budget increase relates to the natural growth of salaries and benefits for existing employees, state-mandated assessments and escalating costs for service contracts in the amount of \$24.1 million. In addition, this amount includes a request for 30 new authorized positions that will be deployed throughout the organization.

The 2020-21 preliminary Operating Budget will be revised based on board input, refined estimates and policy decisions. These updates will be included in the final budget to be presented to the board for adoption in November 2019.

Most importantly, the 2020-21 Operating Budget is a key step in the CalSTRS' 2019-22 Strategic Plan, which has four overarching goals:

- **Financial/Governance:** Ensure a well-governed, financially sound trust fund
- **Digital Transformation:** Use technology, like Pension Solution, to securely transform existing business and service models to maximize efficiency
- **Member/Employer:** Strengthen partnerships and services to members, employers and stakeholders
- **Organizational Strength:** Grow as an organization and enhance efficiency in alignment with CalSTRS' mission and vision



Adjustments to Dues and Deductions Program Coming

For more than 40 years, CalSTRS has given retired educators the option to have various insurance premiums and association dues deducted from monthly benefit checks. The Dues and Insurance Deductions program provides convenience and peace of mind. At the September meeting, CalSTRS staff informed the board of upcoming changes to the program.

CalSTRS plans to increase rates to insurance companies and associations because current service charges do not cover CalSTRS' administrative costs.

With the new rate structure, insurance companies will pay 16 cents per deduction (up from 7 cents) to automatically deduct their premiums from member retirement checks.

Associations will pay 8 cents per deduction (up from 4 cents) to automatically deduct their dues.

Since early 2019, CalSTRS staff has been communicating to representatives of stakeholder organizations about potential pricing changes to the Dues and Insurance Deductions program. CalSTRS will move forward with the rate changes and establishing a formal Terms of Service agreement with participating organizations. New rates will go into effect beginning summer 2020.

Retirees who would like to have premiums and dues deducted from their benefit checks should contact their insurance carrier or association to learn more.

Next board meeting dates:

November 6-8, 2019 West Sacramento

For board [minutes](#), [full items](#) and [video archives](#) of past meetings, go to calstrs.com/teachers-retirement-board.

Check out the new Board Highlights video online. CalSTRS fiduciary duty and the Pension Solution Project are both critical topics for California's educators. calstrs.com/video/teachers-retirement-board-september-2019-highlight.



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