



Popular Annual Financial Report

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
A component unit of the State of California
For the fiscal year ended June 30, 2023

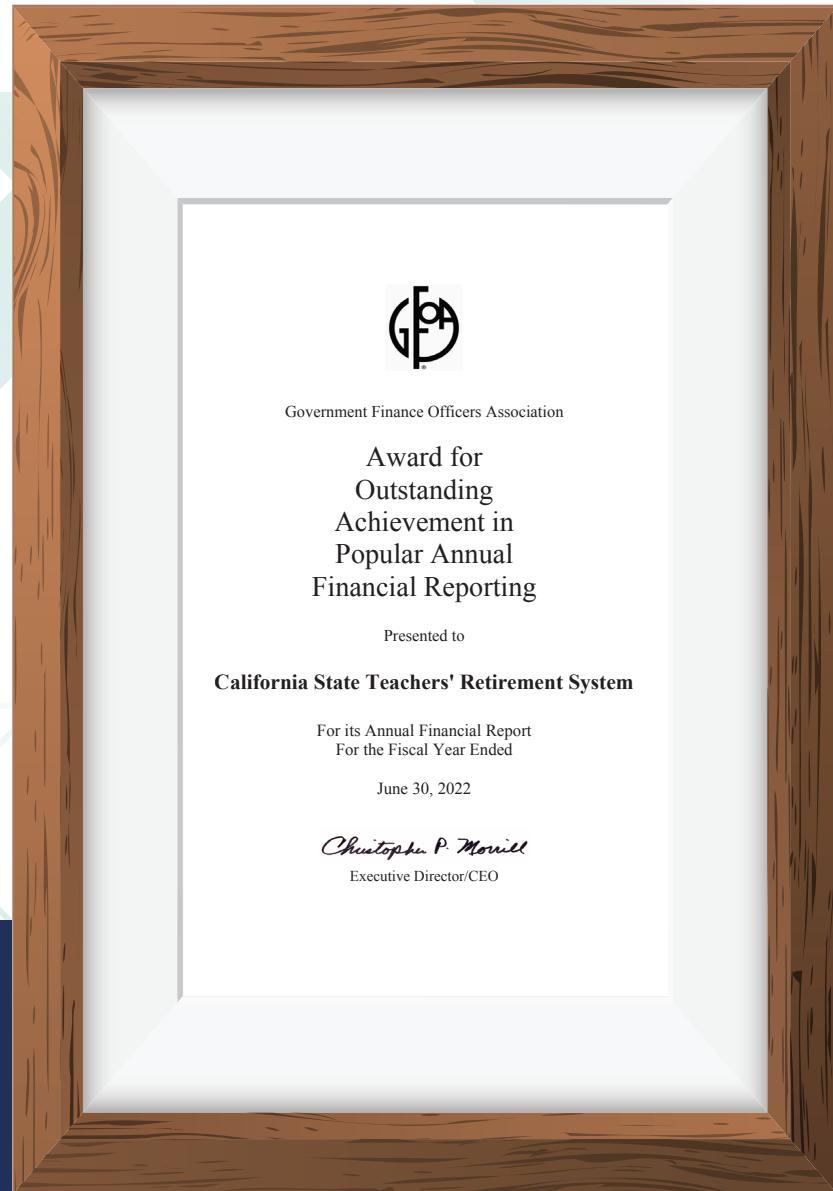
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This *Popular Annual Financial Report* summarizes our system's performance for the 2022–23 fiscal year. Although largely based on our 2022–23 *Annual Comprehensive Financial Report*, this report is not prepared in accordance with the United States Generally Accepted Accounting Principles. Only the financial data of certain plans (defined benefit and defined contribution plans) are included in this report. Additionally, information is presented in a summarized manner, and certain financial statements and note disclosures required by the Generally Accepted Accounting Principles are omitted. Our 2022–23 *Annual Comprehensive Financial Report* is available at CalSTRS.com/acfr.

The GFOA Popular Annual Financial Reporting Awards Program encourages and assists state and local governments to produce readily accessible and easily understandable reports for the general public and other interested parties without a background in public finance. CalSTRS is proud to announce we received this program's award for our *Popular Annual Financial Report* for the fiscal year ended June 30, 2022.

Award: GFOA Certificate



Message from the CEO



CalSTRS was established in 1913 as the pension plan for California's public school educators. We started by serving 120 retired members and 15,000 active members. Today, we are the largest educator-only pension fund in the world and the second largest pension fund in the United States, serving more than 1 million members and their beneficiaries. Our membership spans from new teachers just starting their career to educators enjoying their retirement years.

With approximately \$319.0 billion in net assets as of June 30, 2023, we model best practices in sustainable investment practices and customer service to our members. Our commitment to stewardship ensures we are here for our members as we continue to deliver on our mission: *securing the financial future and sustaining the trust of California's educators*.

Net zero investment portfolio pledge

We continue our commitment to achieving net zero emissions across the CalSTRS Investment Portfolio by 2050 or sooner. We are increasing investments in climate solutions, engaging corporations in our portfolio, influencing changes in public policies, and advancing sustainable business and investment practices to achieve this goal.

Collaborative Model

We are in the second phase of the CalSTRS Collaborative Model, which is an investment strategy to manage more assets internally—to reduce costs, control risks and increase expected returns. The main strategy is to search for long-term cost savings by leveraging strategic relationships in designing flexible investment structures from separately managed accounts all the way to ownership by CalSTRS. These efforts are projected to reduce costs and generate higher returns to support a strong investment portfolio that aligns with our mission.

Headquarters expansion

The expansion of our West Sacramento Headquarters campus with a new tower is designed to support employee wellness and sustainable green building practices, including sustainable construction, energy conservation and whole-building integrated energy efficiency measures. The additional space will accommodate future staffing growth and allow us to continue to meet the needs of our members. Although the project has experienced delays due to the unforeseen impacts resulting from the COVID-19 pandemic and construction delays, substantial completion is scheduled for December 2023.

Pension Solution

Pension Solution is a multiyear project that will replace our current pension administration system and auxiliary systems. The project's vision is to deliver a modern, flexible and sustainable solution that will enhance services to members, beneficiaries, employers and staff. Although the project has experienced delays, we adjusted and refocused the schedule to steer us toward implementation in fall 2025.

Enterprise risk management

We are maturing our Enterprise Risk Management and Enterprise Compliance Services programs in alignment with industry standards. We regularly review enterprise-level risks and focus on technological enhancements that support business continuity and disaster recovery. In addition, we protect our information systems by vigilantly detecting threats, proactively mitigating identified risks and adapting to the rapidly evolving cybersecurity landscape.

Funding

The CalSTRS Funding Plan, set in motion via Chapter 47, Statutes of 2014 (California Assembly Bill 1469-Bonta), established a schedule of contribution rate increases shared between members, employers and the State of California to bring CalSTRS toward full funding by 2046. The funding plan is a model of shared responsibility and works with investment portfolio performance to advance the system along the path of long-term sustainability. The funding plan has placed CalSTRS in a favorable position to withstand a recession in the next few years and keep the funding plan on track.

Helping members secure their financial future

We provide retirement tools, such as member service centers, in-person workshops, webinars, publications, videos and websites to support our members throughout their careers. As public school educators, our members have unique financial education needs—and we strive to be their trusted guide to retirement.

Respectfully submitted,



Cassandra Lichnock
Chief Executive Officer
CalSTRS

State Teachers' Retirement Plan financial summary

The State Teachers' Retirement Plan (STRP) provides retirement benefits to California's public school educators from prekindergarten through community college and consists of the Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. Assets held by the STRP are for the exclusive purpose of providing benefits to members of these programs and their beneficiaries.

Financial summary

The table to the right presents a condensed summary of the STRP's fiduciary net position (which represents assets and deferred outflows of resources minus liabilities and deferred inflows of resources) for fiscal years 2022–23 and 2021–22. Investment assets represent the majority of total STRP assets and increased 4.9% in fiscal year 2022–23 primarily due to positive investment returns.

Fiduciary net position

(Dollars in thousands)

Assets and deferred outflows of resources	2023	2022	Percent change
Investment assets	\$345,997,115	\$329,926,317	4.9%
Cash	205,676	253,397	(18.8%)
Receivables	12,823,127	17,951,660	(28.6%)
Capital assets	731,819	614,948	19.0%
All other assets and deferred outflows of resources	174,722	88,027	98.5%
Total assets and deferred outflows of resources	359,932,459	348,834,349	3.2%
<hr/>			
Liabilities and deferred inflows of resources			
Investment liabilities	27,839,685	26,220,213	6.2%
Investments purchased payable	6,652,763	13,014,265	(48.9%)
Loans and bonds payable	6,018,133	5,845,531	3.0%
All other liabilities and deferred inflows of resources	2,503,368	3,698,055	(32.3%)
Total liabilities and deferred inflows of resources	43,013,949	48,778,064	(11.8%)
Net position restricted for pensions	\$316,918,510	\$300,056,285	5.6%

State Teachers' Retirement Plan financial summary (continued)

The table to the right presents a condensed summary of changes in the STRP's fiduciary net position for the fiscal years ended June 30, 2023, and June 30, 2022. The STRP's fiduciary net position is impacted by additions to the plan (such as contributions and investment income and loss) and deductions from the plan (such as benefit payments and administrative expenses).

The STRP's ending net position for the fiscal year ended June 30, 2023, increased from the prior fiscal year primarily due to member, employer and state contributions as well as net investment income due to a positive investment return. Our time-weighted return (net of fees) for the fiscal year ended June 30, 2023, was 6.3%, which is up from -1.3% for the fiscal year ended June 30, 2022.

For complete versions of the statement of fiduciary net position and the statement of changes in fiduciary net position for the STRP, refer to our *Annual Comprehensive Financial Report* available at CalSTRS.com/acfr.

Other funds and programs

Certain financial information and membership data for the CalSTRS Pension2® Program are shown on page 7. Refer to our *Annual Comprehensive Financial Report* for complete financial statements of the Pension2 Program, Medicare Premium Payment Program and Teachers' Deferred Compensation Fund.

Changes in fiduciary net position

(Dollars in thousands)

Additions	2023	2022	Percent change
Contributions	\$15,770,718	\$14,868,846	6.1%
Net investment income (loss)	19,674,901	(7,390,290)	366.2%
Other income	303,053	130,195	132.8%
Total additions	35,748,672	7,608,751	369.8%
Deductions			
Benefit payments and refunds of contributions	18,383,839	17,526,669	4.9%
All other expenses	502,608	319,250	57.4%
Total deductions	18,886,447	17,845,919	5.8%
Increase (decrease) in net position	16,862,225	(10,237,168)	264.7%
Net position - beginning of the year	300,056,285	310,293,453	(3.3%)
Net position - end of the year	\$316,918,510	\$300,056,285	5.6%

State Teachers' Retirement Plan financial summary (continued)

How benefits are funded

Over the last 30 years, approximately 61.4% of retirement benefits have been funded by investment returns with the remainder coming from a combination of member, employer and state contributions, as shown in the graphic to the right.

Contributions and benefit payments

The bottom right chart compares STRP contributions to benefit payments for the last decade and shows annual contributions generally fall short of annual benefit payments. It's normal for a mature pension plan to have benefit payments exceed contributions coming into the system. Investment income and the associated cash generated on our investments have historically been sufficient to cover the gap between contributions and benefit payments.

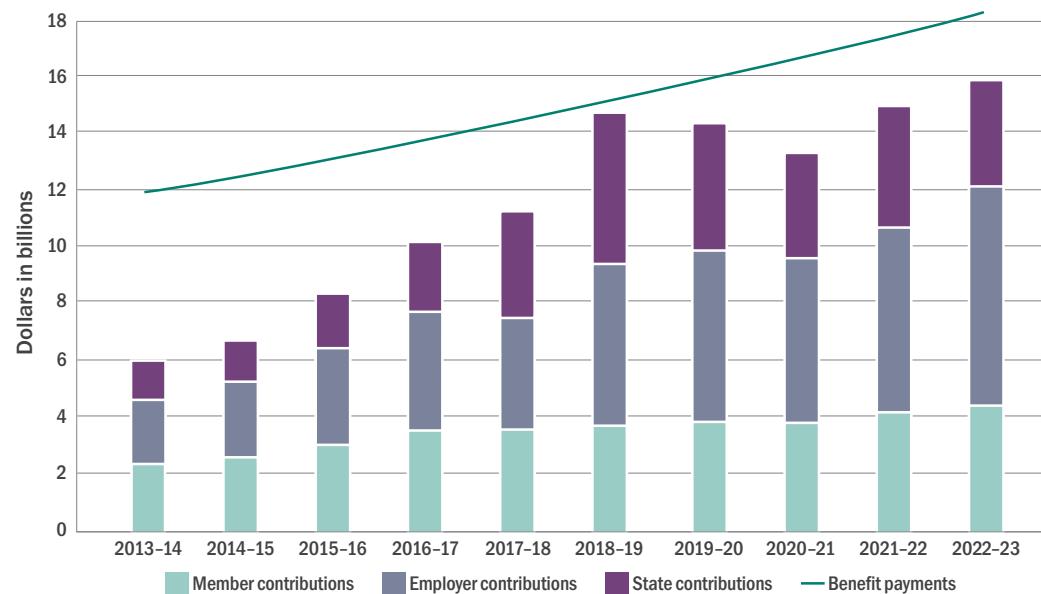
As shown in the chart, the gap began to decrease as a result of increased contribution rates beginning in fiscal year 2014–15 and was significantly reduced when the state made supplemental contribution payments of approximately \$2.2 billion and \$1.1 billion in fiscal years 2018–19 and 2019–20, respectively. However, those supplemental payments were one-time, nonrecurring contributions. Going forward, the gap between contributions and benefit payments is expected to increase in perpetuity in line with a maturing pension plan.

As a pension plan matures, having negative cash flows is expected and does not necessarily imply the system will have to sell assets to make benefit payments. Through the end of the CalSTRS Funding Plan, cash generated from investment income (such as dividends, coupons on bonds and rental income on real estate holdings) would need to be at least 2.5% of total assets to avoid having to sell assets to pay benefits. Enough cash is currently generated from investment income to cover this gap and has averaged 2.7% over the last 30 years.

Funding for benefit payments by source (last 30 years)



STRP contributions and benefit payments



Note: Each data set shown by fiscal year in the chart above is presented in the order of state contributions on top, employer contributions in the middle and member contributions on the bottom.

Pension2 information

The CalSTRS Pension2 Personal Wealth Plan (Pension2) is our voluntary defined contribution plan that allows participants to invest tax-advantaged payroll deductions in high-quality, low-cost 403(b), Roth 403(b), 457(b) and Roth 457(b) supplemental savings plans for additional retirement savings. Pension2 is designed to complement members' retirement benefits, and the program assets are an accumulation of contributions and earnings on investments, which are participant-directed. Some financial highlights of Pension2 are shown to the right.

As investments within Pension2 are participant driven, investment assets and net investment gains and losses are dependent upon each member's investment choices. Total membership within Pension2 has shown a steady increase over the past 10 years and was at 30,716 participants as of June 30, 2023. Contributions to the plans are voluntary and require no minimum limitations.

Total Pension2—as of June 30, 2023

Investment assets

\$2.1 billion

Net investment income

\$175.7 million

Total contributions

\$253.6 million

Distributions and withdrawals

\$115.3 million

Pension2 participants vs. investment assets



Funded ratio and net pension liability

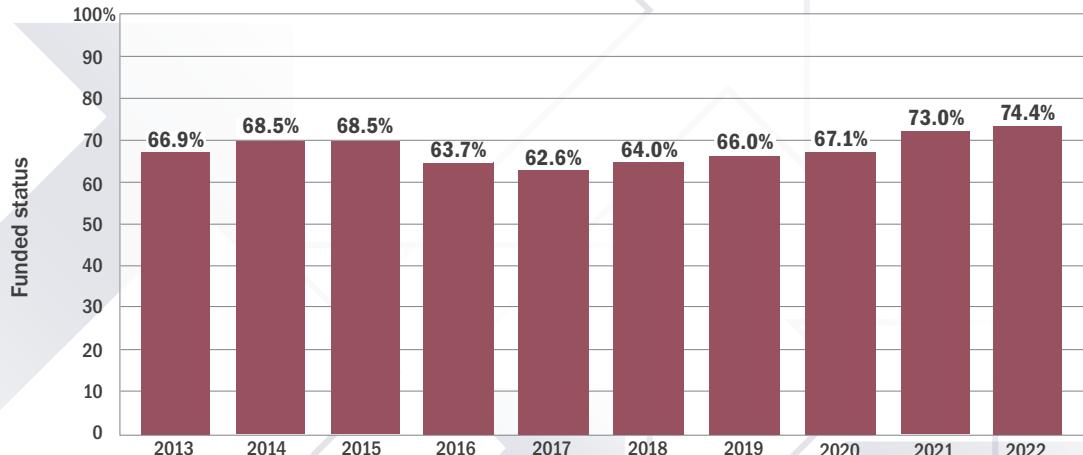
The June 30, 2022, actuarial valuation, which is the most recent valuation available, showed a decrease of \$1.2 billion in the unfunded actuarial obligation of the Defined Benefit Program to a total of \$88.6 billion and an increase in the funded ratio from 73.0% to 74.4%. The funded ratio, which is the amount of assets on hand to pay for obligations, is projected to gradually increase under the funding plan as additional contributions flow into the system with steady progress toward full funding by 2046.

Net pension liability

The net pension liability for the State Teachers' Retirement Plan (Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit and Replacement Benefits programs) represents the excess of the total pension liability over fiduciary net position. The net pension liability is a calculation based on Governmental Accounting Standards Board requirements and reflects total accrued benefits earned by plan members through the employment-exchange process less the value of plan assets available to fund the liability.

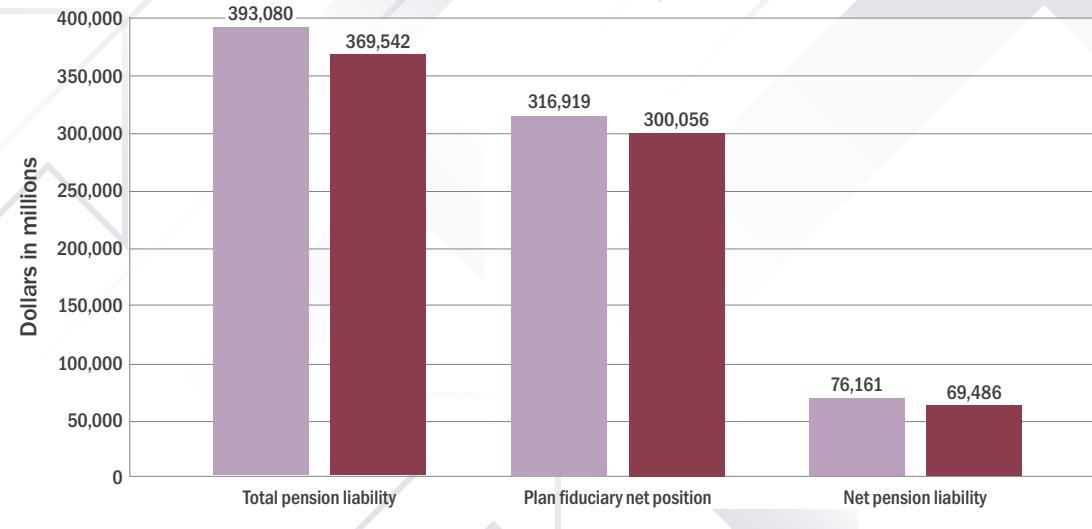
The net pension liability increased by 9.6% from the prior fiscal year because the increase in the total pension liability outpaced the increase in fiduciary net position for the STRP.

Defined Benefit Program funded ratio



State Teachers' Retirement Plan

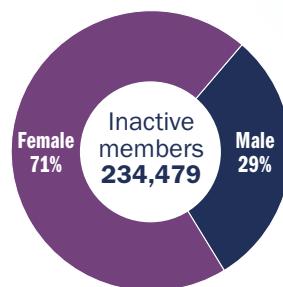
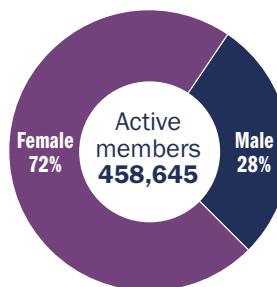
Net pension liability of employers and nonemployer contributing entity



Members

Defined Benefit Program

Membership in the Defined Benefit Program includes California public school employees (prekindergarten through community college) involved in activities that support public education, including teaching, mentoring, selecting and preparing instructional materials, providing vocational or guidance counseling, or supervising people engaged in those activities. Membership is in effect as long as contributions remain on deposit with CalSTRS. As of June 30, 2023, members are employed by approximately 1,800 public school districts, community college districts, county offices of education, charter schools, state agencies and regional occupational programs.



Membership in 2023¹

Fiscal year (ended June 30)	2023	2022
Active members	458,645	449,418
Inactive members	234,479	227,163
Total active and inactive members	693,124	676,581
Service retirement benefits	288,494	285,704
Disability benefits	9,809	9,885
Survivor benefits	30,629	29,879
Total retirees and beneficiaries	328,932	325,468
Total members, retirees and beneficiaries	1,022,056	1,002,049

¹ The figures presented in the table above differ from those presented in the Financial section of the *Annual Comprehensive Financial Report*, which are rounded for presentation purposes.

Members retiring in 2023

Fiscal year (ended June 30)	2023	2022
Number retiring	10,369	11,754
Average age	62.9	63.0
Average years of service	24.6	24.2
Average annual final compensation	\$105,672	\$100,836
Average annual Member-Only Benefit	\$61,692	\$57,708

Average active member age and years of service

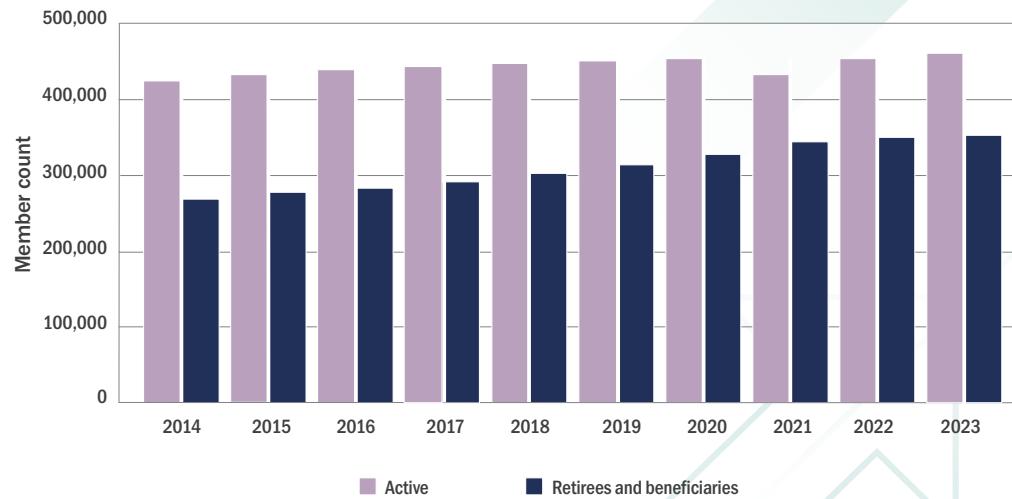
Fiscal year (ended June 30)	2023	2022
Average age	45.1	45.1
Average years of service	12.5	12.5
Average annual salary	\$90,481	\$85,302

Members (continued)

Defined Benefit Program

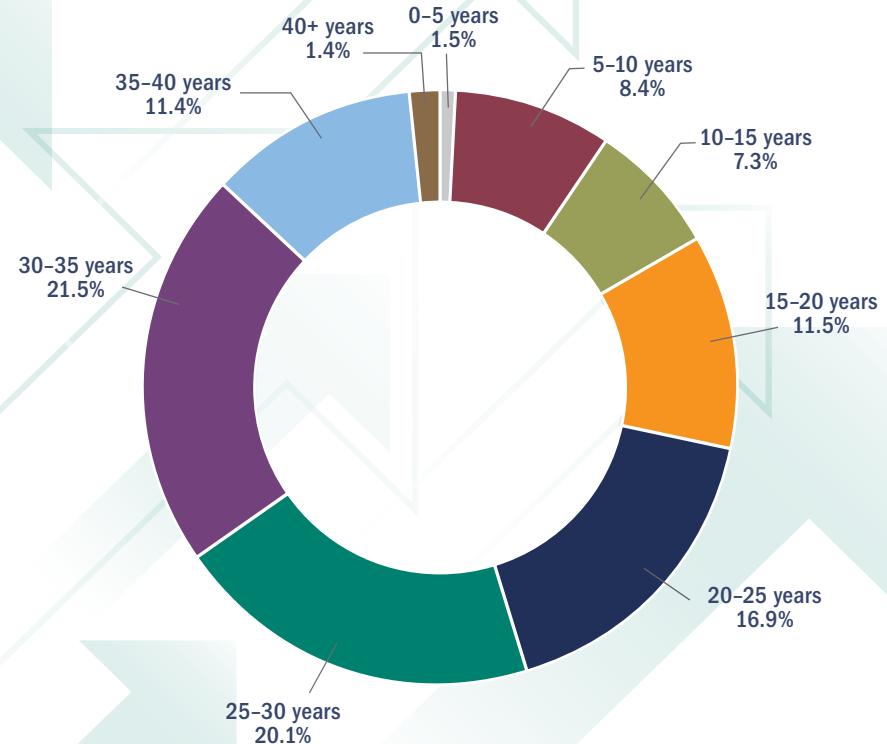
Over the last 10 years, the number of active members making contributions has increased 9%, from about 421,000 to 459,000, and the number of retirees and beneficiaries collecting benefits has increased 19.2%, from about 276,000 to 329,000.

Change in number of active members vs. retirees and beneficiaries



Years of service at retirement in 2023

The following chart shows a range of service credit (in years) for all members who retired during fiscal year 2022–23.



Investments

CalSTRS' primary goal is to maintain a financially sound retirement system. Our philosophy is long-term patient capital—investing for long-term net cash flows and capital gain potential at a reasonable price. The presentation of investment values and related returns in this section is based on investment industry practices and provides timely information easily comparable to benchmarks and peer results.

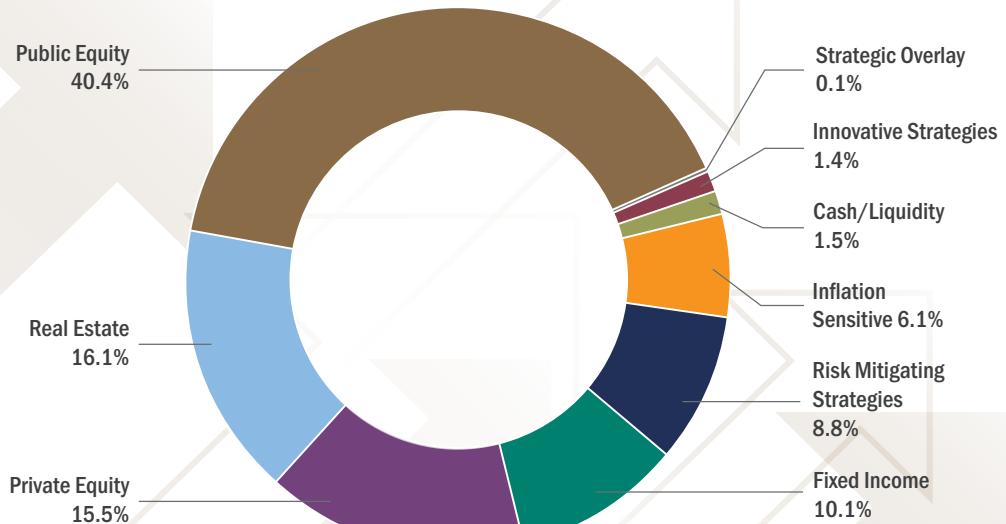
These values and returns may not match the Financial section of the *Annual Comprehensive Financial Report*, which presents this same information in accordance with generally accepted accounting principles. For more current investment information, as well as videos detailing key aspects of the investment portfolio, see [CalSTRS.com/investments](#).

Investment allocation

The Teachers' Retirement Board adopts long-term strategic allocation targets to be implemented over several years. These charts provide the distribution of the STRP investments based on portfolio allocation and net asset value of investments.

Asset allocation as of June 30, 2023

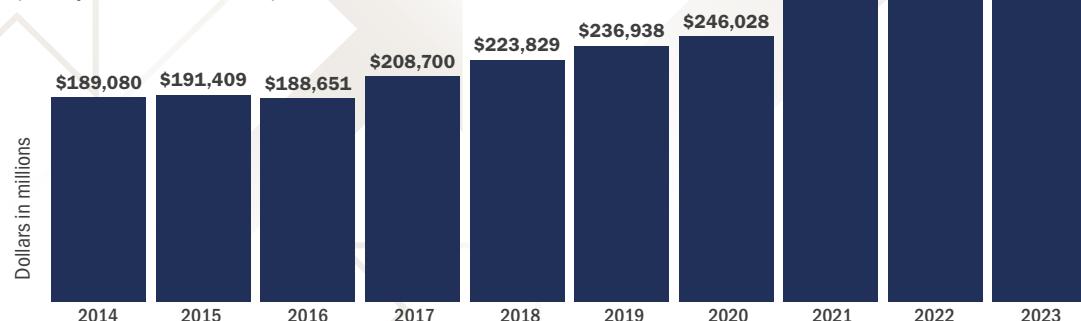
Total investment portfolio of \$315.6 billion¹



¹ Public Equity, Private Equity and Innovative Strategies include Sustainable Investment and Stewardship Strategies public and private investments of \$10.0 billion.

Net asset value of investments

(fiscal years ended June 30)



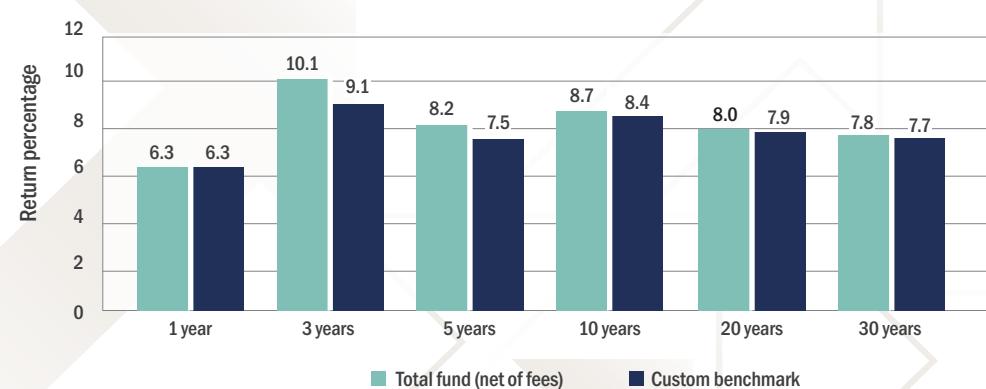
Investments (continued)

Investment performance

The CalSTRS Investment Portfolio (total fund) posted a 6.3% one-year return calculated on a net of fees time-weighted return basis for the fiscal year ended June 30, 2023. These charts show CalSTRS' returns versus custom benchmarks as of June 30, 2023. Benchmarks are goals and standards used to measure investment performance.

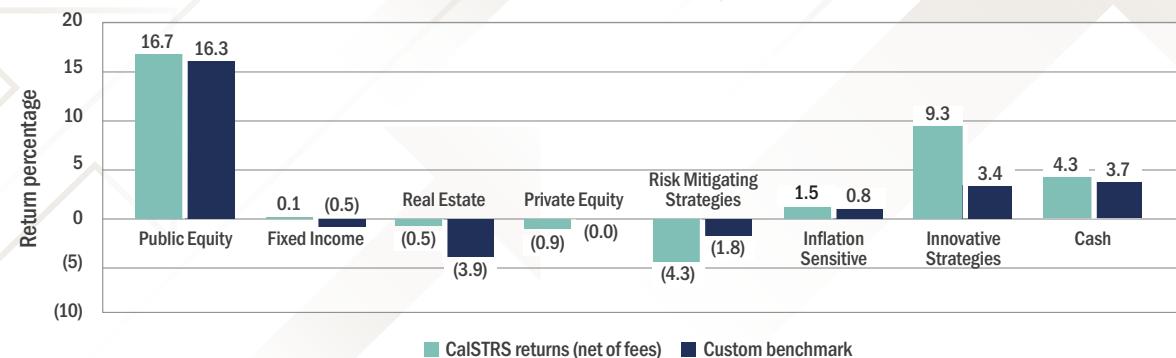
Time-weighted portfolio returns

as of June 30, 2023



Time-weighted one-year portfolio returns

as of June 30, 2023



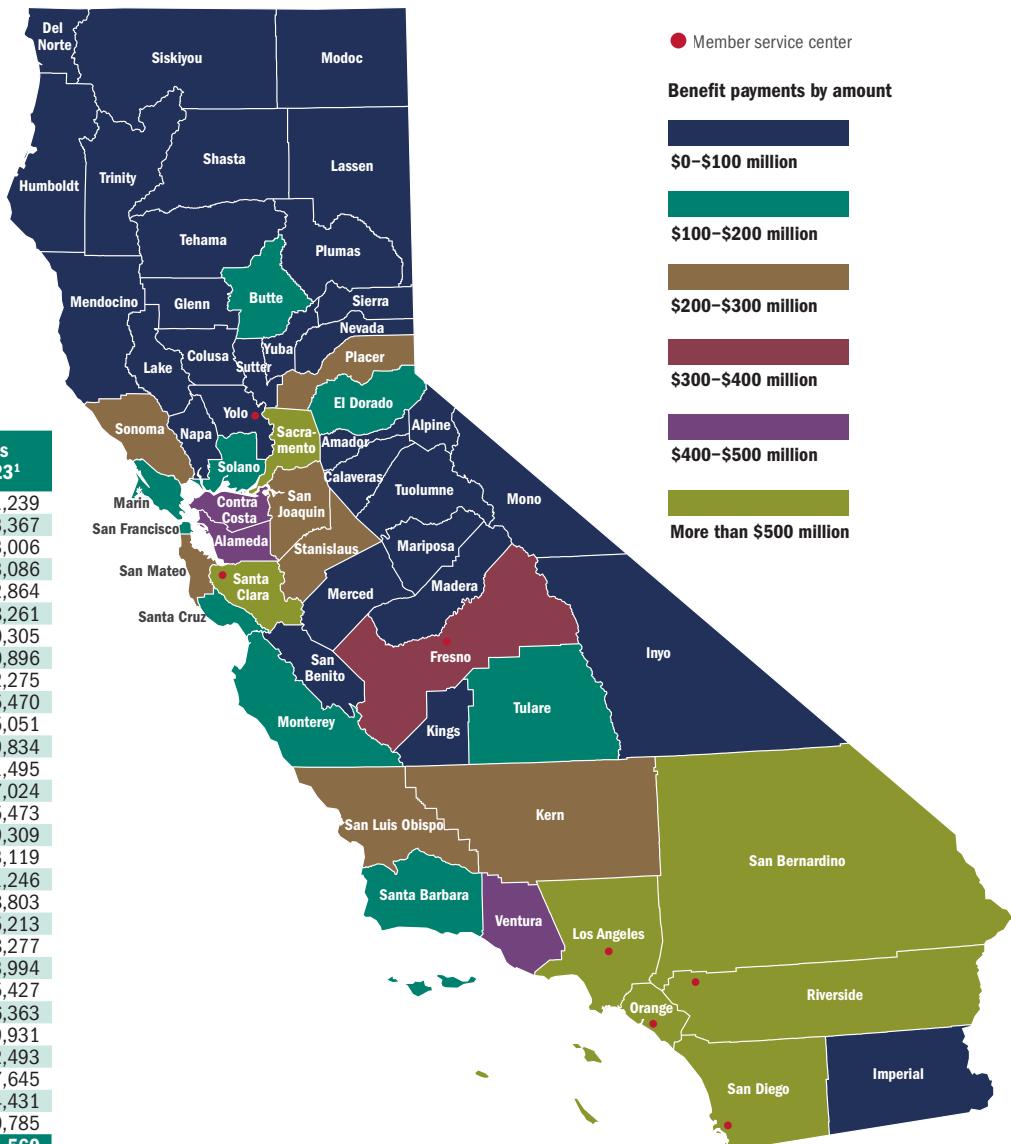
CalSTRS' impact on California's economy

CalSTRS contributes to California's economy through the benefits we pay to our members, who may then spend that money in the communities in which they live. We paid an estimated \$13.95 billion in benefits to 238,274 retirees living in California during fiscal year 2022–23. This chart and map show the number of retired members living in each county and a range of the amount of benefits paid to those members, as well as the locations of the CalSTRS member service centers.

Defined Benefit Program

Retirees who live in California—characteristics by county

County	Number of retirees	Estimated benefits paid in FY 2022-23 ¹	County	Number of retirees	Estimated benefits paid in FY 2022-23 ¹
Alameda	7,707	\$451,853,860	Orange	21,979	1,471,601,239
Alpine	12	570,024	Placer	4,681	263,013,367
Amador	454	22,265,895	Plumas	318	14,493,006
Butte	2,257	114,742,187	Riverside	14,129	833,423,084
Calaveras	616	31,036,662	Sacramento	9,774	527,832,864
Colusa	115	5,707,116	San Benito	331	19,578,261
Contra Costa	7,736	430,437,350	San Bernardino	10,264	614,600,305
Del Norte	264	12,771,361	San Diego	22,381	1,303,450,890
El Dorado	2,388	131,073,389	San Francisco	2,975	163,802,275
Fresno	6,772	382,025,176	San Joaquin	4,214	244,815,470
Glenn	138	7,135,346	San Luis Obispo	4,716	251,485,051
Humboldt	1,458	63,955,529	San Mateo	3,794	237,099,834
Imperial	900	58,293,931	Santa Barbara	3,120	172,211,495
Inyo	161	7,311,643	Santa Clara	9,162	574,857,024
Kern	4,570	269,789,206	Santa Cruz	3,055	163,625,473
Kings	629	36,325,801	Shasta	1,709	84,349,309
Lake	499	23,253,894	Sierra	62	2,973,119
Lassen	225	11,112,767	Siskiyou	640	28,631,246
Los Angeles	44,568	2,727,795,687	Solano	3,263	175,838,803
Madera	1,445	77,181,297	Sonoma	4,669	247,975,213
Marin	2,356	122,571,614	Stanislaus	3,354	203,868,277
Mariposa	262	12,324,397	Sutter	781	45,253,994
Mendocino	1,140	53,772,760	Tehama	786	39,945,427
Merced	1,617	96,237,855	Trinity	118	4,976,363
Modoc	90	3,596,134	Tulare	3,201	189,039,931
Mono	194	10,257,629	Tuolumne	717	36,702,493
Monterey	3,336	188,690,948	Ventura	7,483	441,647,645
Napa	1,415	78,429,421	Yolo	1,282	65,624,431
Nevada	1,640	82,319,002	Yuba	352	17,600,785
Total		238,274			\$13,953,154,560



¹ The annualized benefits based on the June 2023 monthly benefits, which also include purchasing power protection payments from the Supplemental Benefit Maintenance Account.

Teachers' Retirement Board

HARRY M. KEILEY

Board Chair
K-12 Classroom Teacher
Term: January 1, 2020–
December 31, 2023

DENISE BRADFORD

Board Vice Chair
K-12 Classroom Teacher
Term: January 1, 2020–
December 31, 2023

MICHAEL GUNNING

Public Representative
Term: April 26, 2022–
December 31, 2025

WILLIAM PREZANT

Public Representative
Term: January 20, 2023–
December 31, 2026

TONY THURMOND

State Superintendent
of Public Instruction
Ex Officio Member

SHARON HENDRICKS

Community College Instructor
Term: January 1, 2020–
December 31, 2023

JOE STEPHENSHAW

Director of Finance
Ex Officio Member

MALIA M. COHEN

State Controller
Ex Officio Member

FIONA MA

State Treasurer
Ex Officio Member

KEN TANG

School Board Representative
Term: November 4, 2021–
December 31, 2023

JENNIFER URDAN

Public Representative
Term: August 12, 2020–
December 31, 2023

KAREN YAMAMOTO

Retiree Representative
Term: February 13, 2020–
December 31, 2023

The Teachers' Retirement Board administers CalSTRS and sets policies and rules to ensure benefits are paid according to the law.

The 12-member board is composed of:

- Three active CalSTRS members elected by current educators.
- One retired CalSTRS member appointed by the Governor and confirmed by the Senate.
- Three public representatives appointed by the Governor and confirmed by the Senate.
- One school board representative appointed by the Governor and confirmed by the Senate.
- Four board members who serve in an ex officio capacity by virtue of their office: Director of Finance, State Controller, State Superintendent of Public Instruction and State Treasurer.

The board appoints a chief executive officer to administer CalSTRS consistent with the board's policies and rules and selects a chief investment officer to direct the CalSTRS Investment Portfolio in accordance with board policy.

Note: Board members are listed as of the date this report is issued.

CalSTRS resources



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Pension2.com

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