CALSTRS INVESTMENTS

Shared Vision

Innovate. Adapt. Lead.

Agenda

Introduction

- **10 minutes**

Progress to date

- **30 minutes**
  - Drivers of change
  - Top global allocator 5 characteristics
  - Competitive landscape
  - Divisional reviews

Small groups exercise

- **80 minutes**

Break

- **2:30-2:45**

Bold goal discussion

- **50 minutes**

Closing discussion and next steps

- **10 minutes**

Shared vision purpose

- **Develop long-term vision of sustaining CalSTRS' position as a top global allocator.**
- **Determine how the investment branch must evolve as an organization.**

Shared vision: Board’s role

- Governance
- Oversight
- Policies
- Resources
- Culture

Drivers of change

External environmental factors

- Geopolitical shifts
- Product and market realignments
- New sources of capital and competitors
- Technological change

Internal factors

- Expanded portfolio complexity
- Increased diversification
- Greater internalization

Defining a top global allocator

Mission-driven mindset

World-class talent

Smart execution

Organizational agility

Partner of choice

The competitive landscape: 2036

New sources of competition

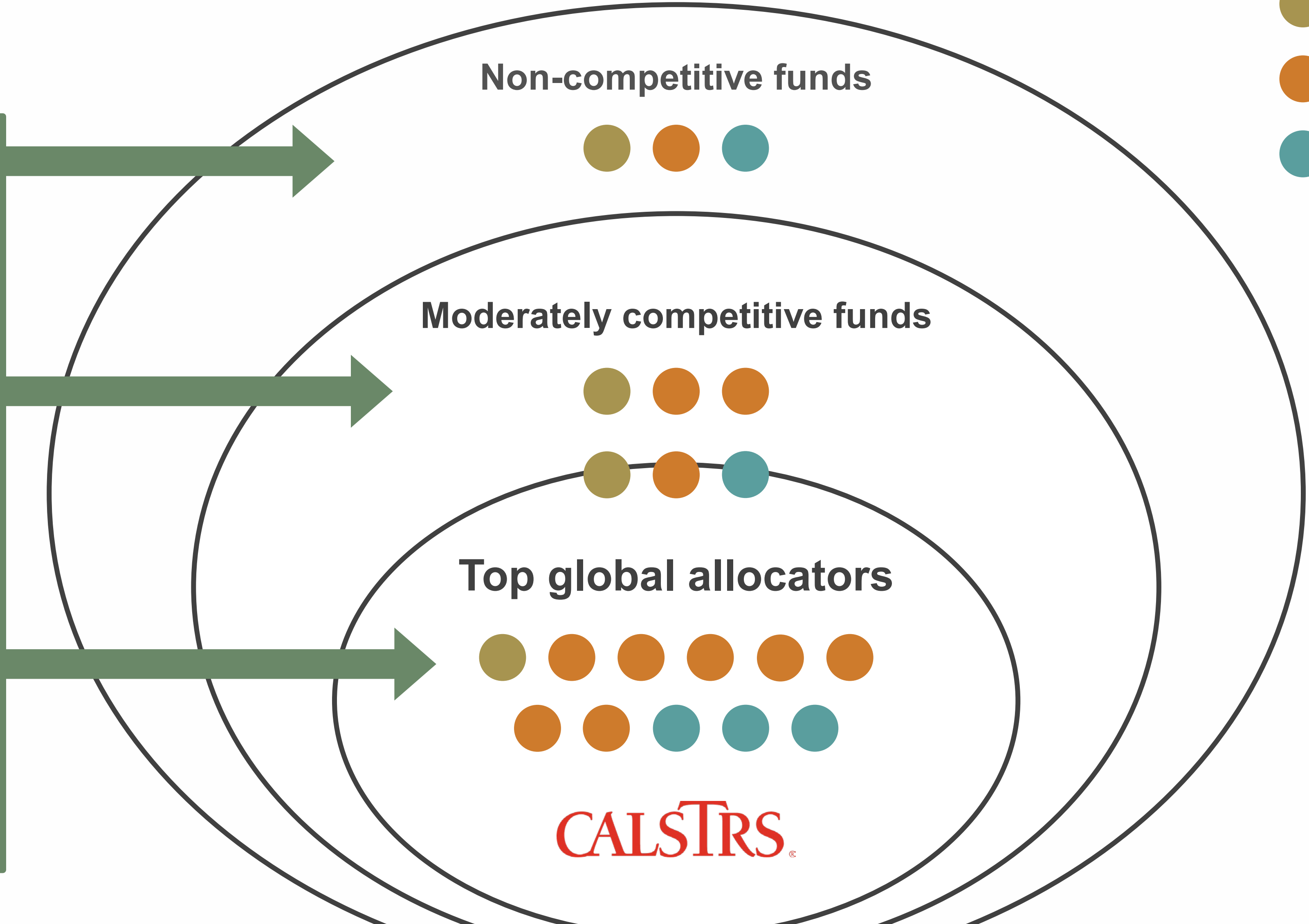
Ultra high net worth individuals

Retail investors

Insurance companies

Sovereign Wealth Funds

Direct investors moving to Collaborative Model



U.S. public pension funds

Global, public pension funds

Other global public funds

Divisional review themes

- Team and operating model evolution
- Technology dependencies
- Enterprise dependencies
- Geographic expansion
- Evolution of investment strategy
- Governance modernization

AI investment value chain

CALSTRS

LAYER 1	Raw materials & natural resources	Physical inputs the AI buildout consumes
LAYER 2	Semiconductors & chips	EDA / design, fabrication, equipment, memory, packaging, accelerators, networking silicon
LAYER 3	Power & energy systems	Generation, storage & grid, power equipment, cooling & water
LAYER 4	Data centers & physical AI infrastructure	Operators, REIT / wholesale, neoclouds, servers, construction
LAYER 5	Networking & connectivity	DC switching, optical interconnect, fiber & subsea, edge & wireless
LAYER 6	Cloud platforms & AI software stack	Models, APIs, infrastructure software, security
LAYER 7	AI-enabled companies & applications	Industries transformed by AI deployment
LAYER 8	Physical AI & robotics	AI embodied in the physical world — autonomous machines and systems

Today’s discussion

Which of the five characteristics must be prioritized for CalSTRS to **sustain its position as a top global allocator** over the next 10 years?

How CalSTRS became a top global allocator

Mission-driven mindset

World-class talent

Smart execution

Organizational agility

Partner of choice

{Characteristic}

{Describing this characteristic within a top global allocator}

CalSTRS' opportunities

- *{High priority opportunities, as presented at the March IC meeting}*

CalSTRS today

Minimal expression

Characteristic is minimally expressed in how the organization operates

Fully embedded

Characteristic is consistently embedded in how the organization operates

Mission-driven mindset

Top global allocators focus relentlessly on long-term fund sustainability.

CalSTRS' opportunities

- Navigating public pressure
- Balancing reporting and accountability

CalSTRS today

Minimal expression

Characteristic is minimally expressed in how the organization operates

Fully embedded

Characteristic is consistently embedded in how the organization operates

World-class talent

Top global allocators attract, grow and empower elite teams with the capabilities to compete globally.

CalSTRS' opportunities

- Further align staffing with an evolving marketplace

CalSTRS today

Minimal expression

Characteristic is minimally expressed in how the organization operates

Fully embedded

Characteristic is consistently embedded in how the organization operates

Smart execution

Top global allocators navigate market dynamics with strategic foresight.

CalSTRS' opportunities

- Data and technology
- Extending collaborative mindset

CalSTRS today

Minimal expression

Characteristic is minimally expressed in how the organization operates

Fully embedded

Characteristic is consistently embedded in how the organization operates

Organizational agility

Top global allocators operate with the flexibility and coordination needed to act decisively in changing markets.

CalSTRS' opportunities

- Creating capacity to navigate more complex markets
- Visionary thinking and real-time planning

CalSTRS today

Minimal expression

Characteristic is minimally expressed in how the organization operates

Fully embedded

Characteristic is consistently embedded in how the organization operates

Partner of choice

Top global allocators earn preferred access through trusted, high-value partnerships.

CalSTRS' opportunities

- Improving speed of execution
- New partnerships

CalSTRS today

Minimal expression

Characteristic is minimally expressed in how the organization operates

Fully embedded

Characteristic is consistently embedded in how the organization operates

How we will engage today

- Small group exercise (45 minutes)
- Individual reflection (10 minutes)
- Large group discussion (20 minutes)

Small group exercise

For each of the five characteristics, answer the following questions:

- What would success look like in 10 years?
- In what ways must CalSTRS evolve to get to your definition of success?
  - What skills and capabilities does CalSTRS need to build?
  - What new tools will be needed?
  - What new structures need to be in place?

Small groups

Group A

- Denise Bradford
- Office of the Director of Finance
- Ken Tang
- Scott Chan
- Julie Underwood
- Jeff Zimmer

Group B

- Harry Keiley
- Office of the State Superintendent
- Cassandra Lichnock
- David Lamoureux
- Teresa Schilling
- Geraldine Jimenez

Group C

- Office of the State Controller
- Michael Gunning
- Karen Yamamoto
- Ashish Jain
- Melissa Norcia
- Kirsty Jenkinson

Group D

- Sharon Hendricks
- Steve Juarez
- Office of the State Treasurer
- Brian Bartow
- Lisa Blatnick
- April Wilcox

Individual exercise

- **2 Red stickers**
  - The 2 characteristics that, in your view, CalSTRS most needs to **prioritize (e.g., greater focus, resources and leadership attention)** over the next decade.

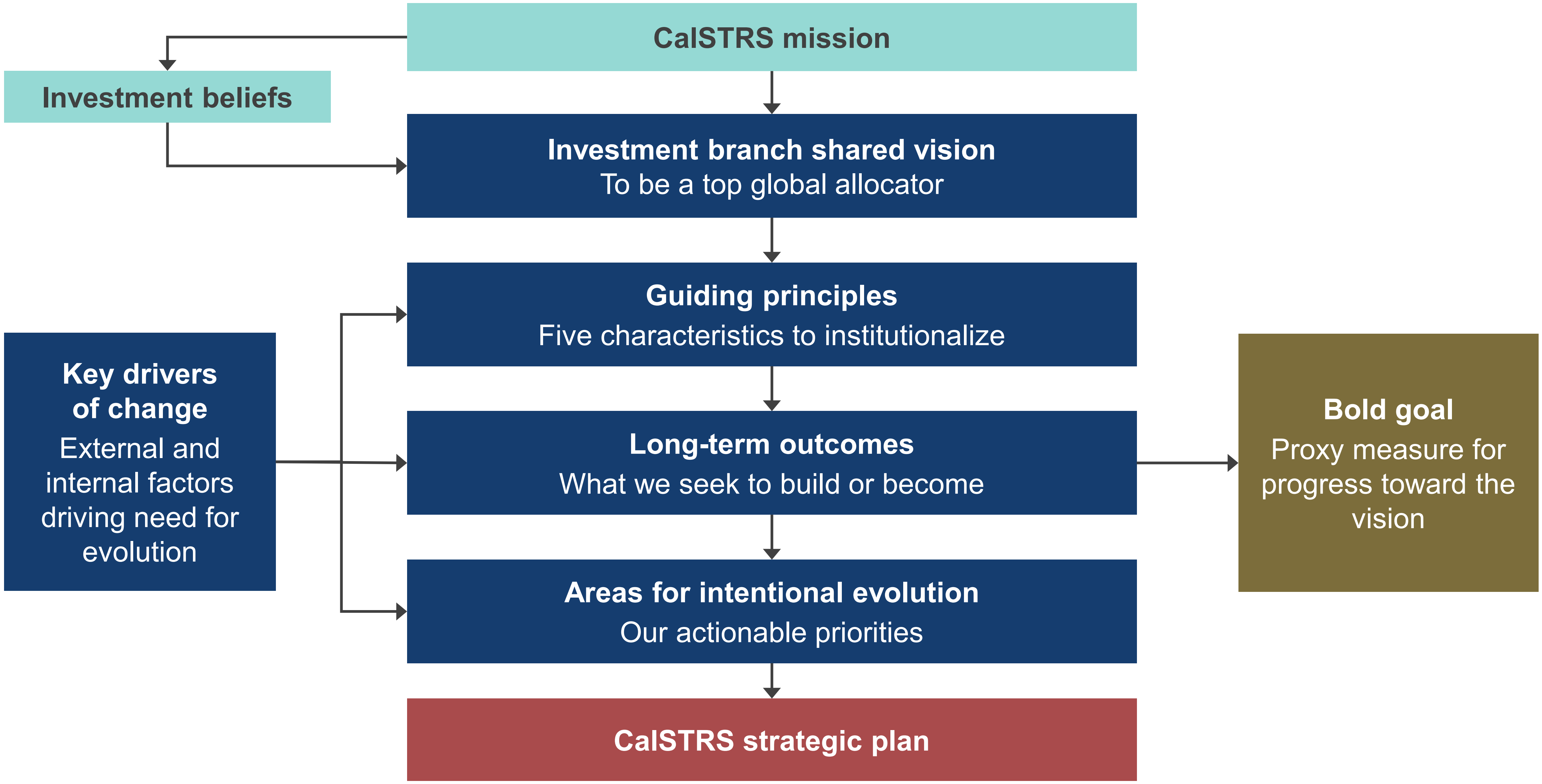
- **3 Blue stickers**
  - The 3 characteristics that, in your view, CalSTRS should **protect and incrementally improve** over the next decade.

Full group discussion

Break

The bold goal

Shared vision strategic framework



What is a bold goal?

CALSTRS

- Target component of the shared vision
- Measurable goal that is ambitious but attainable
- Added value through execution without additional risk
- Aligns CalSTRS mission to total fund success

WHAT IT TAKES

Five characteristics behind the bold goal

1 Mission-driven mindset
Relentless focus on fund sustainability

2 World-class talent
Elite teams that compete globally

BOLD GOAL VALUE ADD
$38B
over 10 years

3 Smart execution
Strategic foresight in markets

4 Organizational agility
Flexibility to act decisively

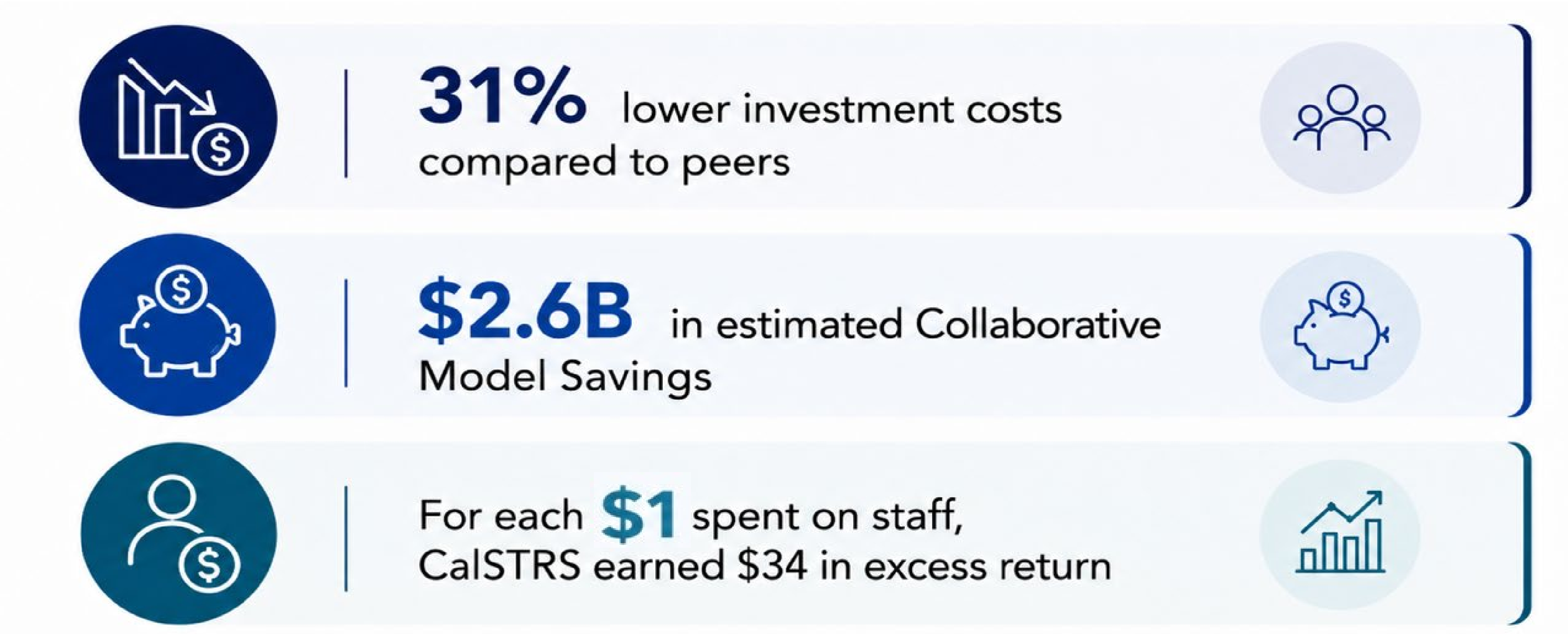
5 Partner of choice
Trusted, high-value partnerships

Five characteristics of a top global allocator behind the value add — **not all require dollars**.

CALSTRS

Looking back: What we’ve accomplished

CalSTRS collaborative model

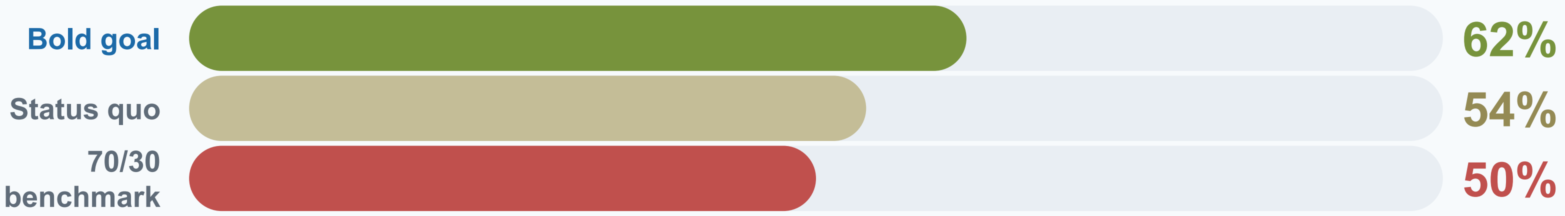


Liability-model impact

Likelihood of full funding?

Chance the plan reaches 100% funded by 2046

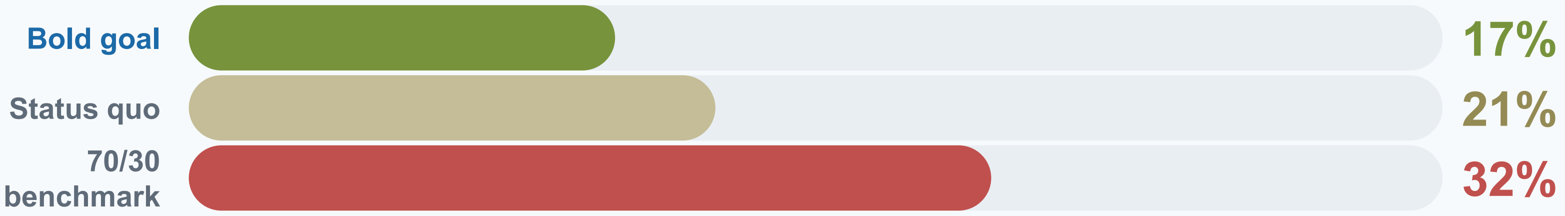
↑ Higher is better



How big is the risk of a deep shortfall?

Chance the plan drops below 30% funded

↓ Lower is better

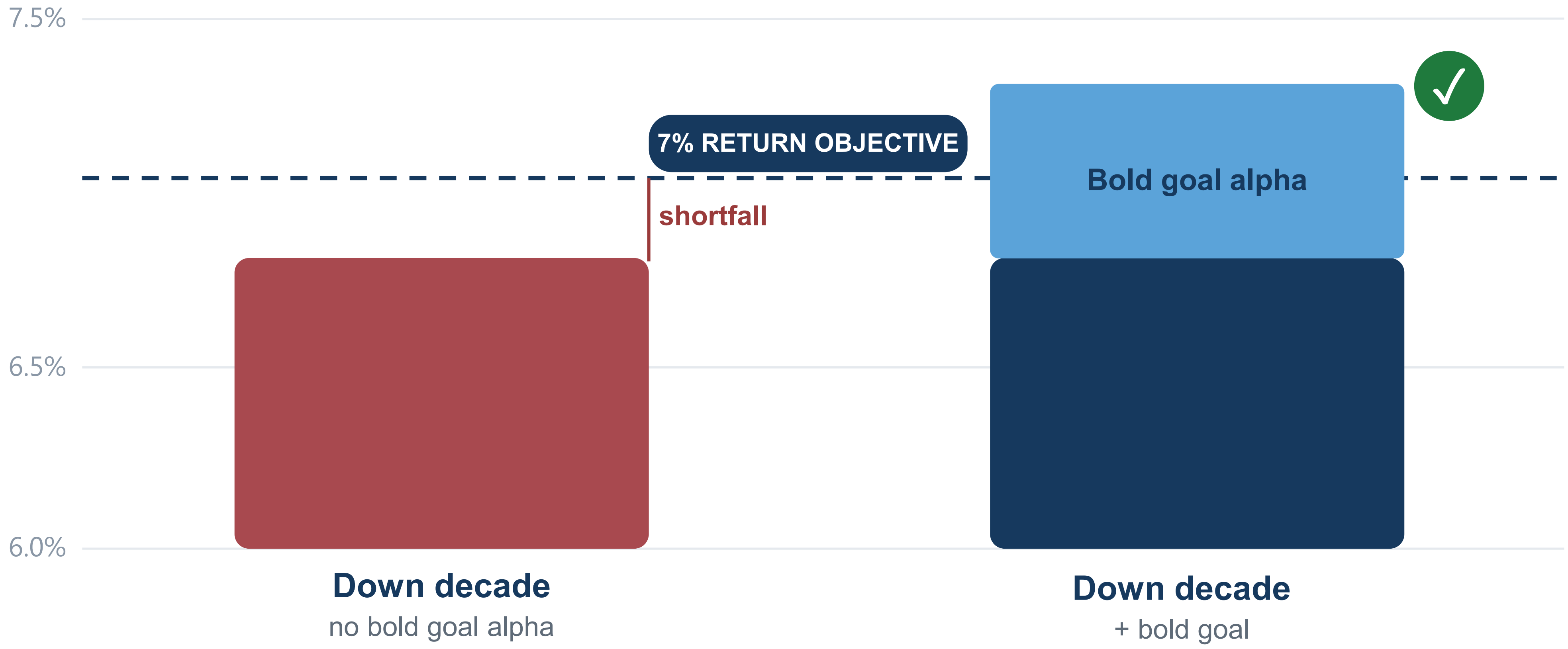


Bold Goal helps fund the pension sooner, with a higher chance of success and less downside risk.

Downside protection

In a weak decade, alpha is the difference

Bottom-quintile decade, 70/30 portfolio: 6.8% average, short of the 7% objective. Bold goal alpha closes the gap.



Bottom-20% rolling 10-year geometric return, 70/30 portfolio, 1950–present. Vertical axis starts at 6.0% to show the margin.

In the toughest decades, a small edge is the difference between meeting the objective and missing it.

Questions?

Shared vision timeline

March 4-5, 2026

Research insights

May 27-28, 2026

Future focus

July 21-23, 2026

Deep dive: Putting it all together

September 22-24, 2026

Shared Vision first reading

Proposed 2027-28 Operating Budget first reading

Education on current governance framework

November 4-5, 2026

Shared Vision second reading/approval

Proposed 2027-28 Operating Budget second reading/approval

Implementation plan

CalSTRS Strategic Plan

Thank you