

2025
**Ancillary
Investment
Program**

Annual Report



2025 Home Loan Program Portfolio Annual Report

As of December 31, 2025



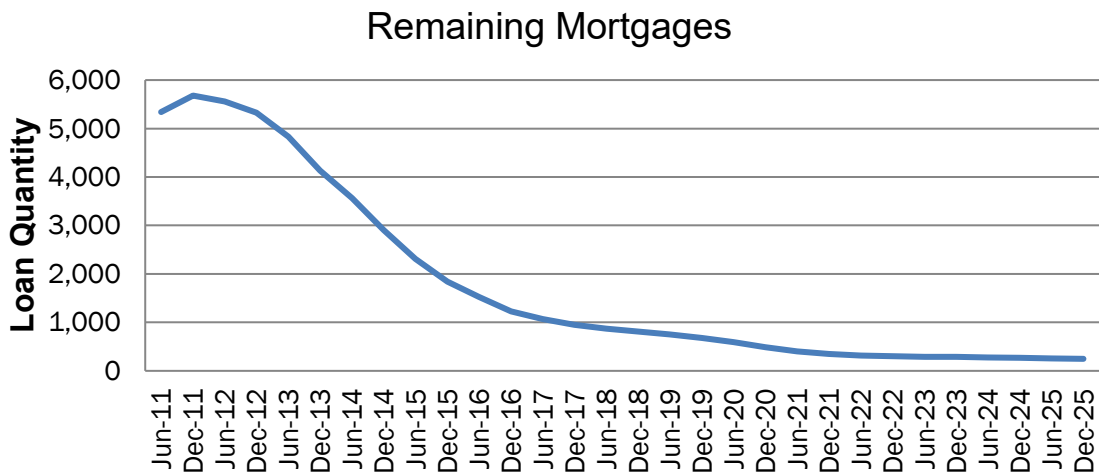
CalSTRS Home Loan Program 2025 Annual Report

Program Background

The California State Teachers’ Retirement System Home Loan Program (HLP), was originally created as a result of legislation in 1984. It was designed to add member value by providing CalSTRS members with access to homeownership in California via a market rate mortgage loan, while concurrently meeting CalSTRS investment goals by generating a mortgage asset. The HLP started with conventional 15 and 30 year fixed-rate products but evolved over the years in response to the needs of our members. This evolution resulted in the development of low down payment products such as the 95/5 and 80/17 Programs that support the practical homeownership ambitions of our members. In the fall of 2011, new mortgage originations were suspended due to the strategic decision by the program’s master servicing agent and program administrator to exit the correspondent lending business nationwide.

Recent Developments

With mortgage origination activity indefinitely suspended, the focus remains on servicing the existing portfolio of whole loans. Home price appreciation and low mortgage interest rates continued to drive payoff activity. The number of mortgages in the portfolio fell by approximately 8 percent during the calendar year (from 270 mortgages at the beginning of the year to 248 mortgages as of Dec 31, 2025).



Portfolio Performance

As of December 31, 2025, the net asset value of mortgage assets retained in the CalSTRS Home Loan Program portfolio was \$14 million.

	1 Year	3 Year	5 Year
Home Loan Program Portfolio	5.476%	6.344%	6.132%
Debt Opportunity Policy Benchmark	7.366%	4.920%	-0.124%

**As of December 31, 2025. Source: State Street*

2025 Securities Lending Program Portfolio Annual Report

As of December 31, 2025



CalSTRS Securities Lending Program 2025 Annual Report

Required Skills for Program Management

- Knowledge of asset/liability management methods
- Awareness of factors that influence the fixed income/equity finance markets
- Understanding of trading techniques associated with short-term fixed income assets

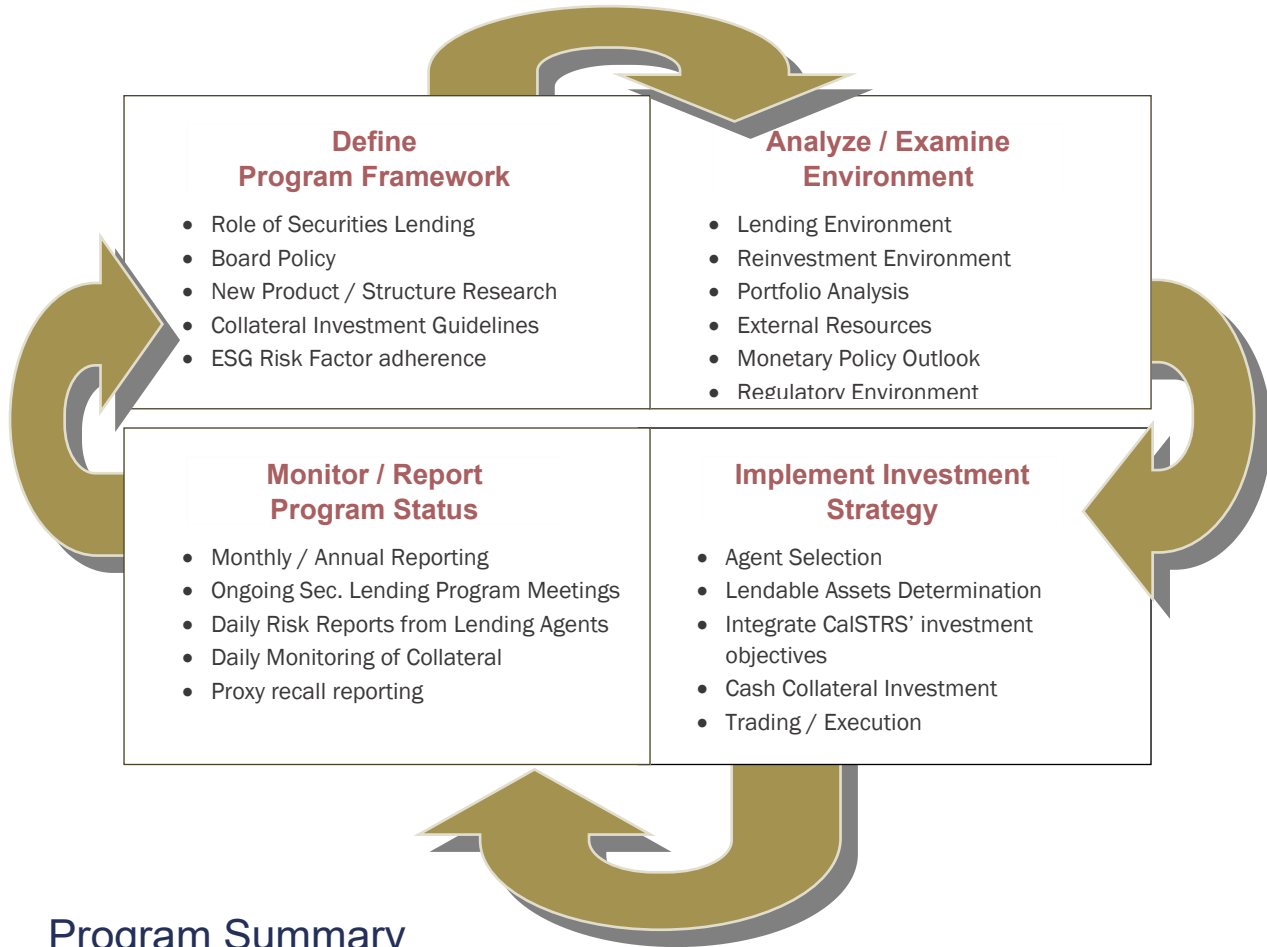
Director's Summary

The Securities Lending Program (Program) performed well during 2025, earning \$108.1 million. The Program has averaged \$94.2 million in earnings over the past 10 calendar years. Program earnings continue to be a steady source of incremental income, generating over \$2.3 billion for the System since its inception in 1988, adding on average, over four basis points (bps) annually to the total Portfolio.

Program Overview

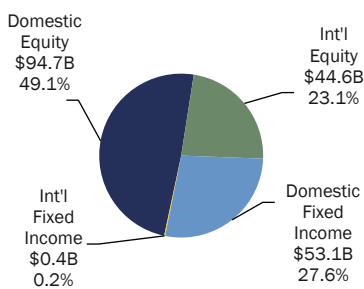
Securities Lending is an agreement between a lender (CalSTRS) and a borrower to transfer ownership of a security temporarily, in exchange for collateral, in order to earn incremental income and generate Plan liquidity, utilizing long-term holdings. Borrowers include broker/dealers, market makers, and hedge funds that need securities to settle trades and meet their delivery commitments. The California State Teachers' Retirement System (CalSTRS, Fund) Securities Lending Program (Program), which was established in 1988, represents CalSTRS' first non-core investment program. It was designed to enable the Fund to use its existing asset base and investment expertise to generate a steady source of incremental income, adding around four bps to the entire Fund on a regular basis over the long term. While this income is not risk-free, processes have been put into place to help mitigate the risks associated with securities lending. In addition, Program staff collaborate with other asset classes to ensure the Program is managed within the established governance framework to support CalSTRS' broader investment objectives.

Program Management Process

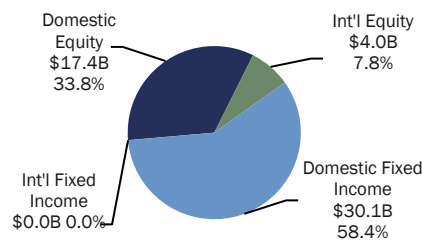


Program Summary

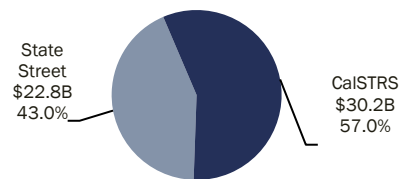
CalSTRS Lendable Assets by Asset Class
\$192.8 billion
December 31, 2025



CalSTRS Loans by Asset Class
\$51.5 billion
December 31, 2025

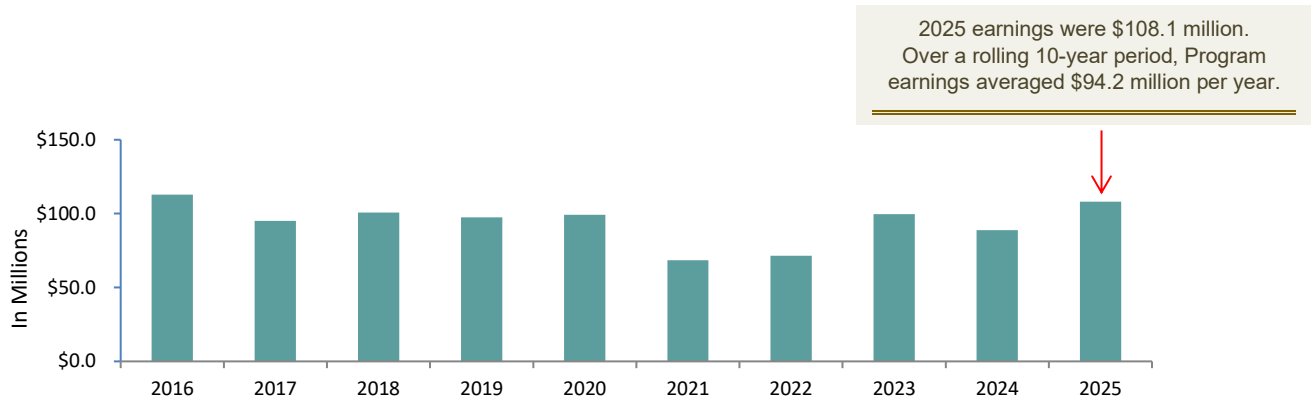


CalSTRS Collateral by Participant
\$53.0 billion
December 31, 2025



Performance Results

CalSTRS' Securities Lending Program earnings (in millions) as of December 31, 2025 \$2.3 billion (\$8.3 billion, compounded annually*) since inception (1988)



*Compounded annually using total fund return.

Securities Lending has been viewed as a valuable source of steady incremental income and liquidity for the total Plan. The Program has averaged around four basis points (4.0) annually, since inception.

Contributing Factors:

Factors that contribute to the net income of the Program:

- The negotiated lending terms at the outset of the loan, and
- The return generated from the management of the cash taken as collateral for the loan.

Factors that have affected recent earnings:

- Less intrinsic lending opportunities and lower spreads,
- Stable cash reinvestment year-over-year, and
- Improved distribution of lendable assets, generated more reinvestment opportunities and higher income.

2025 Cash Collateral Portfolios Annual Returns	CalSTRS 4.85%	State Street 4.65%
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2025 State Lands Program Portfolio Annual Report

As of December 31, 2025



CalSTRS State Lands 2025 Annual Portfolio Report

Required Skills for Program Management

- Knowledge of activities of the State Lands Commission (SLC)
- Ongoing Engagement with SLC Staff

Director's Summary

The School Land Bank Fund (SLBF) transferred \$6,365,726 in net revenue to CalSTRS fund for fiscal year 2024-25. Revenues decreased by approximately 9% year over year, while expenses remained relatively stable at \$1,120,000.

Program Overview

The California State Lands Commission manages approximately 458,843 acres of school lands held in fee ownership by the State of California and the reserved mineral interests on approximately 790,000 acres of school lands where the surface estate has been sold. These interests are what remain of the 5.5 million acres granted by Congress in 1853. Most of the original school lands were sold by the State during the first 130 years of statehood. Management of the Commission's School Lands Program is divided between the Mineral Resources Management Division (MRMD) and the Land Management Division (LMD). The MRMD is responsible for geothermal, solid minerals, oil and gas leasing on school lands and for geothermal resource development, mining activities, and oil and gas development. The LMD is responsible for managing surface activities on school lands.

School lands were placed into a statutory trust in 1984 when the Legislature enacted the School Land Bank Act (Act) and created the School Land Bank Fund. The Commission is the trustee of the Fund. Sections 8700 through 8716 of the Public Resources Code establish management guidelines for school lands. The Act states that school lands and attendant interests are to be proactively managed and enhanced to provide an economic base in support of public schools. The Act further requires the Commission to take all action necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base. Public Resources Code § 8701 contains findings and declarations that emphasize developing school lands into a permanent and productive resource base and underscore that all transactions, including exchanges, sales, and acquisitions, should be implemented for revenue generating purposes.

The California State Lands Commission staff are developing a plan to invest in California real estate with the capital from the School Land Bank Fund. The goal of the investment plan is to acquire new revenue generating properties for the Fund. The commission has contracted an external firm to develop an investment strategy for the Fund. The external advisor has submitted a report intended to help staff identify, evaluate, and compare land investment options in California. CalSTRS Real

Estate staff has engaged with the School Lands to explore collaboration consistent with the shared mission of School Lands and CalSTRS.

Renewable Energy

The Commission continues to expand its renewable energy portfolio, focusing on projects that align with California's clean energy and greenhouse gas emission reduction goals. To reach a wider applicant pool and promote the leasing of school lands for renewable energy projects, the Commission contracted with two online listing services, Land Gate and Energy Net. In May 2024, the Commission began listing parcels online with Land Gate, with Energy Net listings beginning later in 2024. These services are provided at no cost to the State.

The Commission is processing several substantial solar energy applications: the Stagecoach Solar project (200 megawatts on 1,950 acres in San Bernardino County), Argos Renewables' project (350 megawatts on 2,400 acres in San Bernardino County), and Naturgy Candela's project (1,745 megawatts on 10,257 acres in San Bernardino County). In the wind energy sector, Johnson Valley Wind, LLC applied in April 2023 for a 150-megawatt renewable wind energy project on 2,658 acres of school land and BLM owned land in San Bernardino County. In July 2025, they amended their application to include photovoltaic (PV) solar and a battery energy storage system alongside wind energy production.

Growing interest in lithium development from geothermal operations presents another opportunity, particularly in Imperial County. The Commission is processing an application from Hell's Kitchen Geothermal LLC for lithium development, which could provide a new revenue stream while supporting California's renewable energy production goals. SB 125 (Senate Budget Committee, Chapter 63, Statutes of 2022) created a tax on lithium extraction on a per metric ton basis and made other changes to enact lithium-related proposals



Beacon Point Solar Panel Array in Barstow, California. Photo courtesy of Los Angeles Department of Water and Power/photographer Chris Corsmeier

Performance Results

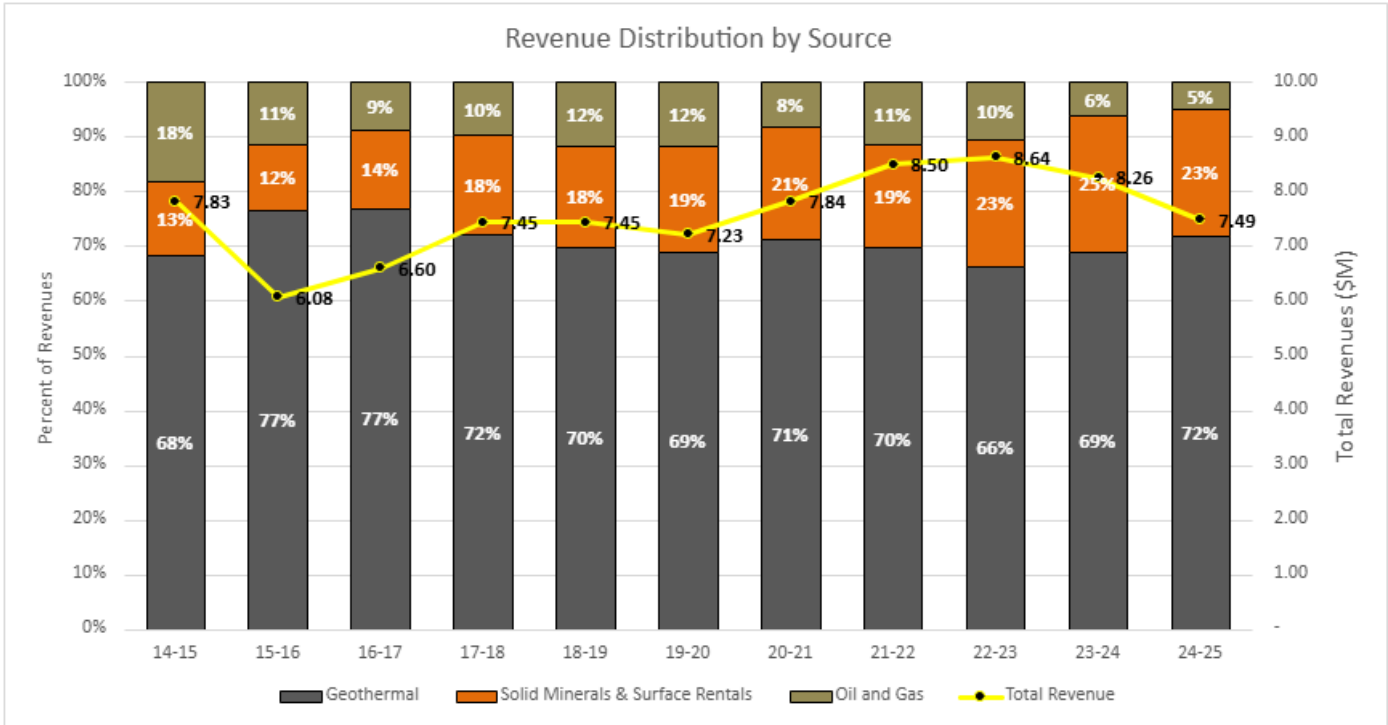
In fiscal year 2024-25, school lands generated gross revenues of \$7,485,726 for CalSTRS. Geothermal royalties continue to be the largest revenue source at \$5,394,549 (approximately 72% of total revenue), generated entirely from the Geysers leases held by Calpine Corporation.

A notable development is the GreenFire Energy Inc. project, which received a \$2.7 million grant from the California Energy Commission to partner with Calpine Corporation to install steam-dominated GreenLoop Technology at the Geysers. This innovative technology produces electrical power without extracting water from the geothermal resource, using a downhole heat exchanger to extract only heat. If successful, this technology could increase geothermal power production and potentially enhance revenue for CalSTRS. This project is expected to start in the coming year.



Calpine's Geysers Sonoma Unit 3 power plant at The Geysers. Photo courtesy of the © 2025 Calpine Corporation. All Rights Reserved.

Revenue Distribution by Source



CALSTRS
INVESTMENTS

