

The logo for CALSTRS, featuring the text "CALSTRS" in a white, serif font with a registered trademark symbol, centered within a dark teal circular area. This circle is surrounded by a larger, semi-circular graphic composed of numerous thin, parallel lines in various shades of green and white, creating a textured, sunburst-like effect.

CALSTRS®

Fiscal year 2022–23

Sustainability Report

Reporting with reference to the Global Reporting Initiative Standards

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Our mission

Securing the financial future and sustaining the trust of California's educators.

Our vision

Your reward—
a secure retirement

Our reward—
getting you there

Introduction



CalSTRS at a glance

The California State Teachers' Retirement System was established by law in 1913 to provide retirement benefits to California's public school educators from prekindergarten through community college. CalSTRS is administered by our 12-member Teachers' Retirement Board. With approximately \$319 billion in total net position, and approximately 1,022,000 members and their beneficiaries as of June 30, 2023, we are the largest educator-only pension fund in the world and the second largest pension fund in the United States.

CalSTRS administers a hybrid retirement system consisting of a traditional defined benefit plan, cash balance plans

and a voluntary defined contribution plan. We also provide disability and survivor benefits. CalSTRS is governed by the California Education Code and other state and federal laws.

The Teachers' Retirement Fund is a trust fund that holds the assets of the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. The assets come from contributions by members, employers and the State of California. Contributions are invested to pay member benefits. Investment returns represent the largest income source used to pay benefits.



A message from CEO Cassandra Lichnock

CalSTRS is entrusted with providing a secure retirement for California’s educators. In carrying out our mission, we must navigate a complex and constantly changing landscape. By integrating sustainability into our strategic planning, we are better able to anticipate challenges.

In July 2022, we launched the *2022–25 Strategic Plan*, which guides us as we assess our organizational readiness and build capabilities toward our long-term vision.

Throughout this, our 10th annual sustainability report, we highlight the key topics that align our strategic plan and our commitment to sustainability. We assess and report our environmental, economic and social-related risks and impacts as we:

- Innovate to grow our resilience and efficiency to manage change in service of our members.
- Show our environmental stewardship through our net zero investment policies and sustainable operations.
- Commit to social sustainability through our dedication to developing and supporting our employees and championing diversity, equity and inclusion in our investments and throughout our organization.

This year’s report includes information on our progress, how we help prepare our members for retirement and handle information security.

The CalSTRS Funding Plan is expected to accomplish the goal of achieving full funding by 2046. When the Funding Plan was adopted in 2014, the funded status was projected to be 67.5% on June 30, 2022. Our funding status is 74.4% as of June 30, 2022, the most recent actuarial evaluation.

Our relationship with our members begins when they first enter the teaching profession and extends through their retirement. On average, CalSTRS members who retired in fiscal year 2022–23 received 56% of their final average compensation. This is one reason why supplemental savings are essential. We provide a variety of tools to educate members on the importance of saving early. We consistently look for ways to innovate our customer experience to reduce effort in service interactions and improve engagement.

We are constantly evolving our cybersecurity measures to better protect our data and member information. Our objective is to employ a cybersecurity program that keeps pace with risk and is prepared to address changes and disruptions.

CalSTRS has demonstrated our commitment to sustainability for decades, and we will continue to ensure a well-governed, resilient and financially sound trust fund serving California’s educators.

Sincerely,

Cassandra Lichnock

2022–23 fiscal year at a glance

As of June 30, 2023

\$319.0 billion

Net position

1,022,056

Total CalSTRS members and beneficiaries

\$18.2 billion

Benefits paid to members

458,645

Active CalSTRS members

6.3%

Time-weighted investment return (net of fees)

1,265

Total CalSTRS employees*

Historical funding sources

Breakdown of funding sources for the past 30 years, including fiscal year 2022–23.

Source	Percent
Investment earnings	61.4%
Employer contributions	15.9%
Member contributions	13.2%
State contributions	9.5%

*Source: CalSTRS Demographic Database



Approach to reporting

We voluntarily produce a sustainability report to evaluate our impacts and hold ourselves accountable to our members, employees and key stakeholders. This is our 10th annual report using standards and guidelines from the Global Reporting Initiative. GRI is an independent, international organization that helps businesses and other organizations take responsibility for their impacts by providing them with the global common language to communicate those impacts. The GRI Sustainability Reporting Standards increase organizational transparency.

This report includes data with reference to the GRI Standards for the fiscal year July 1, 2022, through June 30, 2023. Information outside the fiscal year is noted.

Sustainability reporting areas of focus



Economic impact

Part of our mission is to secure the financial future of California’s educators. We achieve that goal through member retirement education and ensuring a well-governed, financially sound trust fund.



Environmental impact

Climate change is one of the greatest threats to our future—impacting our planet, the environment, the global economy and everyone’s health and safety. We’re taking steps with our net zero action plan to make sure educators can enjoy a secure retirement.



Social impact

Our employees are the source of our success. We’re shaping a resilient workforce that reflects fully integrated diversity, equity and inclusion practices.

Sustainability vision and guiding beliefs

Our enterprise sustainability vision and guiding beliefs originated in 2014. Our Enterprise Sustainability Team, co-sponsored by our chief executive officer and chief operating officer, periodically reviews and updates our guiding beliefs.

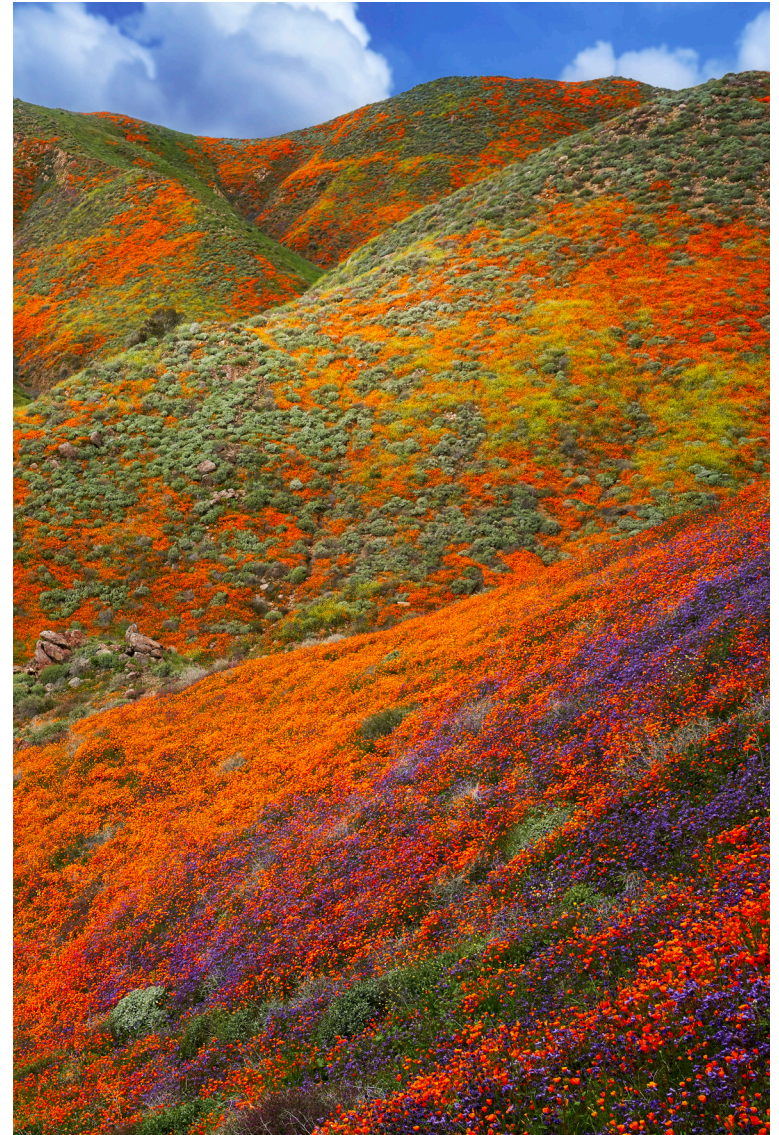
Sustainability vision

CalSTRS advances sustainability practices that promote long-term value creation, responsible investment strategies, stewardship of our natural resources and engagement with our stakeholder community.

Sustainability guiding beliefs

A focus on stewardship drives long-term organizational stability to secure the financial future of California's educators.

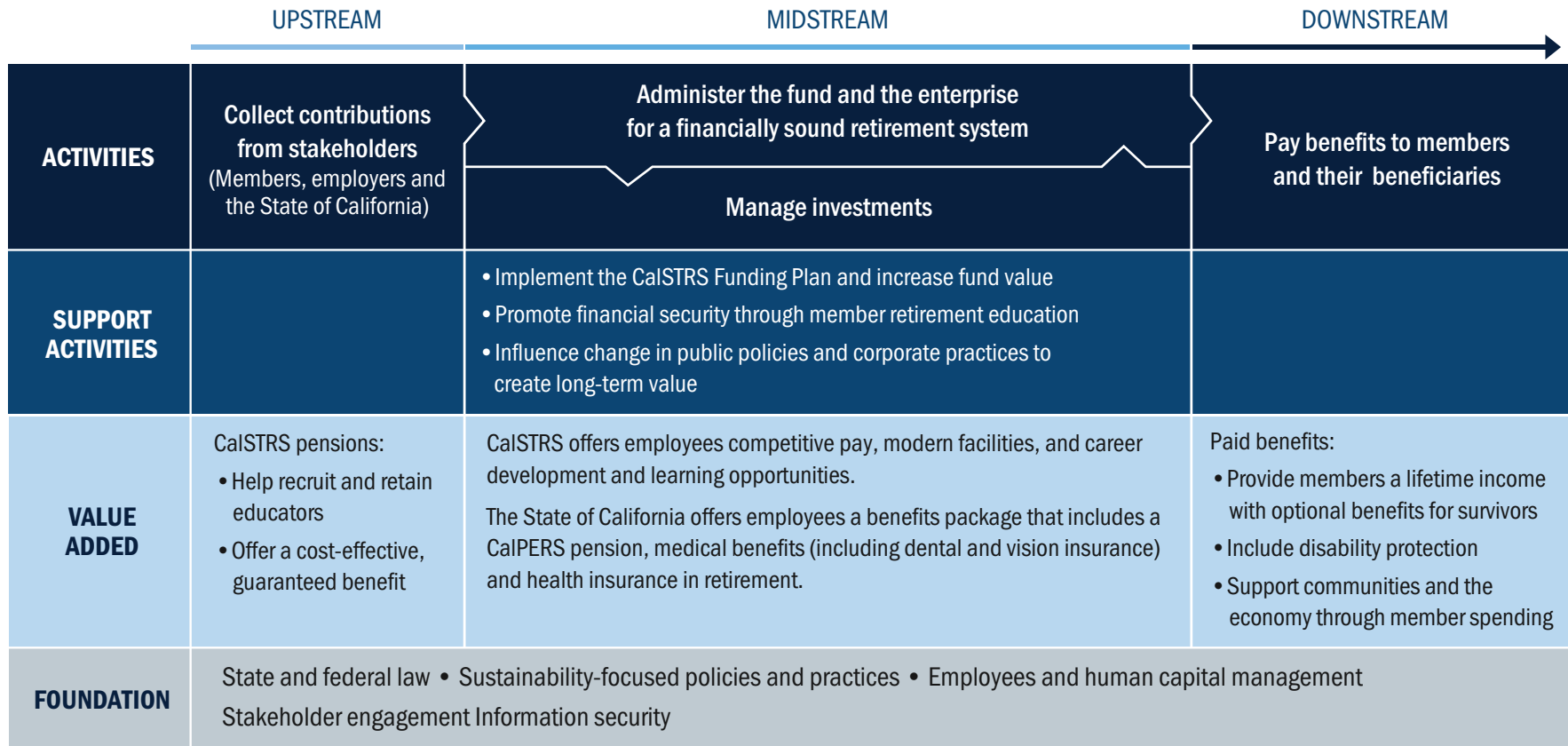
- We believe an enterprise based on sustainable values creates a blueprint for strong governance that protects the fund's assets.
- We influence and lead on environmental, social and governance issues to mitigate risk and capture opportunities that contribute to sustainable economic development.
- We know sustainability depends on committed employees operating in an engaging culture.
- We actively manage risk and establish internal controls for the long-term viability of CalSTRS.
- We identify sustainability topics and report performance data as part of our commitment to transparency.
- We engage with a diverse group of stakeholders to understand their perspectives and build a culture of trust.



Stakeholder engagement and topic selection

We engage a wide range of stakeholders in conversations related to fund and organizational sustainability. Our value chain map identifies several of our key stakeholders and provides an overview of where an organization maintains operational control. It helps us evaluate strategic decisions, including opportunities for innovation and creating additional services for our stakeholders.

Value chain map



Stakeholder engagement

Our staff has a comprehensive strategy to identify, engage and improve stakeholder communications. We use stakeholder engagement to help identify issues that shape the Teachers’ Retirement Board’s work plans, our strategic plan and business plan, investment strategies and operations.

Our stakeholders	Topics and concerns	
Active and retired members	<ul style="list-style-type: none"> • Member benefits • Contribution rates 	<ul style="list-style-type: none"> • Retirement security
Members’ employers: School districts, community college districts, county offices of education, regional occupational programs and charter schools	<ul style="list-style-type: none"> • Contribution rates • School funding and budgets • CalSTRS funding status 	<ul style="list-style-type: none"> • Employer reporting • Audits • Pension system technology project
Labor representatives and member organizations	<ul style="list-style-type: none"> • Member benefits • CalSTRS funding status 	<ul style="list-style-type: none"> • Preserving public pensions
CalSTRS employees and labor relations	<ul style="list-style-type: none"> • Pay and benefits • Career development 	<ul style="list-style-type: none"> • Employee working conditions
California Governor’s administration, Legislature, Congress and federal regulatory agencies	<ul style="list-style-type: none"> • California budget • CalSTRS funding status • State and employer contributions 	<ul style="list-style-type: none"> • Legislative and regulatory changes • Environmental, social and governance issues
Investment portfolio companies and asset classes	<ul style="list-style-type: none"> • Investment returns • Investor and shareholder relationships 	<ul style="list-style-type: none"> • Risk mitigation

2022–23 Sustainability Report topics

We identified the following topics as those that represent our most significant impacts on the economy, environment and society for our 2022–25 strategic plan cycle.

Identifying report topics

In fiscal year 2021–22, we engaged a sustainability consultant who:

- Benchmarked our sustainability-related topics against those reported by pension peers and best-practice organizations.
- Conducted subject matter expert interviews for each business unit representing members, employers and employee stakeholders.
- Validated the highest-priority topics with our executive sustainability team.

Economic impact



Member retirement education

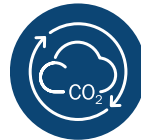


CalSTRS Funding Plan progress



Privacy and information security

Environmental impact



Path to net zero



Sustainable operations

Social impact



Diversity, equity and inclusion







Employees and human capital management

Commitment to improvement

In alignment with the CalSTRS 2022–25 *Strategic Plan*, we developed a three-year Sustainability Roadmap to advance organizational sustainability.

The progress status for fiscal year 2022–23 activities are below.

Activity	Status
Update sustainability measures using expanded standards and frameworks.	 Complete
Report on CalSTRS’ enterprise greenhouse gas emissions, includes estimated scope 3 emissions.	 Complete
Seek reduction opportunities for enterprise greenhouse gas emissions.	 In progress
Develop and deliver sustainability education opportunities for our employees.	 In progress



Teachers' Retirement Board

As of December 1, 2023

The board oversees strategic objectives related to sustainability.

For details on each board member's position, background and committees, see [Board members on CalSTRS.com/board-members](https://www.calstrs.com/board-members).



Harry M. Keiley
Board chair
K-12 classroom teacher
 Term: 01/01/20-12/31/23
 Appointing authority: Elected



Denise Bradford
Board vice chair
K-12 classroom teacher
 Term: 01/01/20-12/31/23
 Appointing authority: Elected



Malia M. Cohen
State controller
 Appointing authority:
 Ex officio member



Michael Gunning
Public representative
 Term: 04/26/22-12/31/25
 Appointing authority: Appointed



Sharon Hendricks
Community college instructor
 Term: 01/01/20-12/31/23
 Appointing authority: Elected



Fiona Ma
State treasurer
 Appointing authority:
 Ex officio member



William Prezant
Public representative
 Term: 01/20/23-12/31/26
 Appointing authority: Appointed



Joe Stephenshaw
Director of finance
 Appointing authority:
 Ex officio member



Ken Tang
School board representative
 Term: 11/04/21-12/31/23
 Appointing authority: Appointed



Tony Thurmond
State superintendent of public instruction
 Appointing authority:
 Ex officio member



Jennifer Urdan
Public representative
 Term: 08/12/20-12/31/23
 Appointing authority: Appointed



Karen Yamamoto
Retiree representative
 Term: 02/13/20-12/31/23
 Appointing authority: Appointed

Executive staff

As of December 1, 2023

CalSTRS executive staff is committed to administering the direction set by the Teachers' Retirement Board and is responsible for day-to-day operations. For details on each executive's position and background, see [Executive staff on CalSTRS.com](#).



Cassandra Lichnock
Chief executive officer



Christopher J. Ailman
Chief investment officer



Lisa Blatnick
Chief operating officer



Julie Underwood
Chief financial officer



Brian J. Bartow
General counsel



Scott Chan
Deputy chief investment officer



Melissa Norcia
Chief administrative officer



Ashish Jain
Chief technology officer



William "Bill" Perez
Chief benefits officer



Teresa Schilling
Chief public affairs officer



Economic impacts

Part of our mission is to secure the financial future of California's educators. We achieve that goal through member retirement education and ensuring a well-governed, financially sound trust fund.

Our key topics that represent significant economic impacts are:

- » Member retirement education
- » CalSTRS Funding Plan progress
- » Privacy and information security

Why it's important

Our mission is securing the financial future and sustaining the trust of California's educators.

Although inspiring our members to start saving early can be challenging because retirement is not always top of mind for new educators, supplemental savings are key to quality of life in retirement.

What guides us

- **Our core values**
 - » **Customer service:** We never compromise on quality as we strive to meet or exceed the expectations of our customers.
 - » **Trust:** We conduct ourselves with integrity, acting ethically in every endeavor.
- **CalSTRS 2022–25 Strategic Plan Goal 2 vision of success:** We are a sponsor of financial literacy and financial wellness solutions as demonstrated by engaged, educated and confident members and retirees.

Member retirement education



Our approach

Our relationship with our members begins when they first enter the teaching profession and extends through their retirement years. Several factors make our members' financial planning considerations unique:

- As California public school educators, CalSTRS members do not pay into Social Security and will not receive a Social Security benefit for CalSTRS-covered employment.
- CalSTRS members who retired in fiscal year 2022–23 received, on average, 56% of their highest salary.
- The majority of educators are female and live longer than the average U.S. population.

For CalSTRS members, this means supplemental savings are essential. To help ensure members have access to high quality supplemental savings plans, we offer the CalSTRS Pension2[®] voluntary low-cost 403(b), 457(b), Roth 403(b) and Roth 457(b) plans. We also administer the **403bCompare.com** website, a comprehensive resource that provides cost comparisons for 403(b) supplemental savings plans.

Through publications, webinars, videos and calculators and benefits planning sessions, we inform our members of the importance of saving early and provide retirement planning tools throughout our members' careers. As a complement to our financial education programs, we provide toolkits that explain CalSTRS benefits for our members' employers to use while onboarding new educators.

Member longevity

The majority of CalSTRS members live longer than the average U.S. population, making it essential that they have enough savings to last through retirement.

CalSTRS members over age 100

As of June 30, 2023

The oldest CalSTRS retiree was 108.5 years old, as of June 30, 2023.

Gender	Number of members
Female	357
Male	74
Total members over 100	431

Member longevity for CalSTRS vs. other retirement systems

Our members also live longer than members of other retirement systems. The expected longevity for members who retired at age 60 in 2023 is below.

Retirement system	Expected age at death	
	Female	Male
CalSTRS	91	88
CalPERS	88	85
Social Security	86	83

Highlights for fiscal year 2022–23

Measure	Result
Total Pension2 assets under management	Approximately \$2.1 billion
Total Pension2 participants	30,716
New Pension2 accounts for members age 44 and younger	1,645

What's next

CalSTRS *2022–25 Strategic Plan* Goal 2 Objective C: Enhance the customer experience to improve engagement and reduce effort.

The CalSTRS *2022–25 Strategic Plan* maintains our focus on service to our members and, in particular, on enhancing customer experience to improve engagement and reduce effort. We will explore opportunities to optimize our educational services, leverage trends in technology to align with our members' preferences and expand access to our educational services.

Members and beneficiaries at a glance

As of June 30, 2023



\$18.2 billion

Benefits paid to members. These include service retirement benefits, disability benefits, survivor benefits and purchasing power supplemental payments.

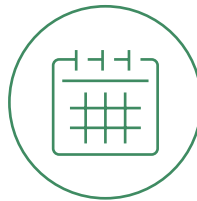
\$5,141

Average monthly Member-Only Benefit for those retiring in 2022-23



10,369

Number of service retirements during the fiscal year



24.6

Average years of member service credit



62.9

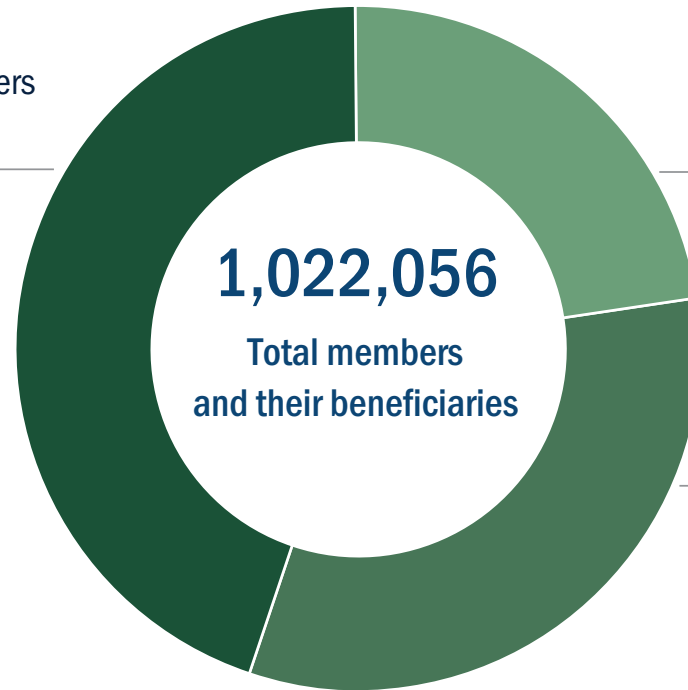
Average member age at retirement

458,645

active members

234,479

inactive members



1,022,056

Total members and their beneficiaries

328,932

retired members and their benefit recipients

Why it's important

One of our main goals is to ensure a well-governed, financially sound trust fund for California's public educators and their beneficiaries. Progress toward this goal was made possible in 2014 with the passage of the CalSTRS Funding Plan.

Prior to the adoption of the funding plan, the Defined Benefit Program was expected to run out of assets by 2046. As of the June 30, 2022, actuarial valuation, the funded status was 74.4% funded.

We continue to be slightly ahead of schedule in our goal of having the Defined Benefit Program reach full funding by 2046.

What guides us

- As a fiduciary, we act only in the interest of CalSTRS members and their beneficiaries for the purpose of providing benefits.
- **Our core value—Stewardship:** We recognize our fiduciary responsibility as the foundation for all decision-making.
- **CalSTRS 2022–25 Strategic Plan Goal 1 Objective A:** Achieve full funding of the Defined Benefit Program by June 30, 2046.

CalSTRS Funding Plan progress



Our approach

The CalSTRS Funding Plan reflects a shared commitment by members, employers and the State of California to fully fund the Defined Benefit Program and ensure the long-term sustainability of CalSTRS.

The funding plan set a measured schedule of contribution rate increases for members, employers and the state with the goal of achieving full funding by 2046. The plan also provided the board with limited authority to adjust rates to help keep the funding plan on schedule.

Significant changes in the past year

The Teachers’ Retirement Board continued to exercise its rate-setting authority to keep the funding plan on track for the Defined Benefit Program to reach full funding by 2046.

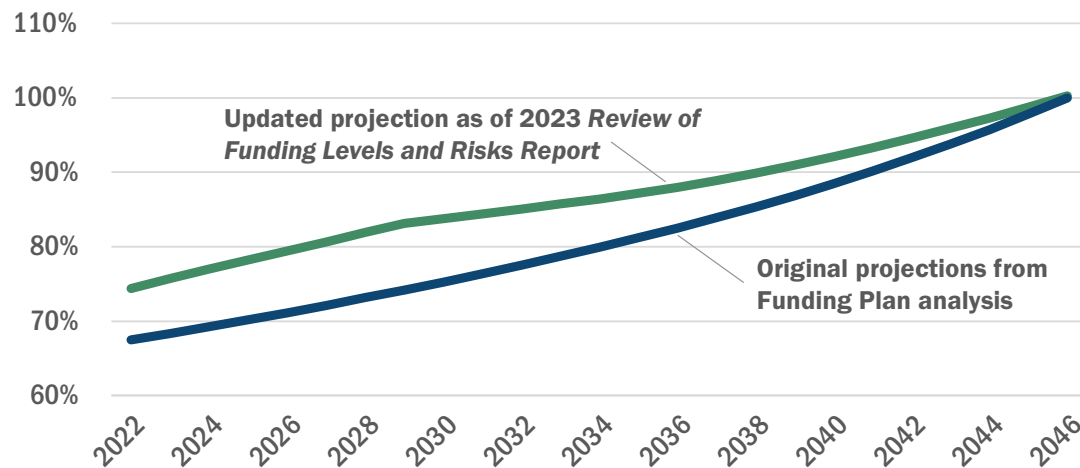
At the May 2023 meeting, the board voted to keep the state and employer contribution rates the same. Although both contribution rates could have been reduced and still allowed the Defined Benefit Program to reach full funding by 2046, the board took the prudent approach of keeping contribution rates at existing levels knowing the CalSTRS Investment Portfolio would likely earn less than its assumed 7% investment return in fiscal year 2022–23.

For fiscal year 2022–23, the portfolio earned below its 7% assumed return with a time-weighted investment return of 6.3% (net of fees). Despite falling short of meeting the investment return assumption, we remain slightly ahead of schedule in our goal of the Defined Benefit Program reaching full funding by 2046. This is due to the exceptional 27.2% investment return earned in fiscal year 2020–21.

The funded status was 74.4% as of the most recent actuarial valuation, dated June 30, 2022. The funded ratio increased by 1.4% from the prior year. When the funding plan was adopted in 2014, the funded status was projected to be 67.5% on June 30, 2022.

Projected funded status

The projections in the chart below assume all actuarial assumptions will be met in the future. Specifically, the projections assume the fund will earn 7% each year and that payroll will grow at 3.5% over the long term. A period of low investment returns could materially impact future funding levels.



Monitoring, reporting on funding progress

We continually monitor the funding plan and financial health of the fund. These activities ensure the board has a thorough understanding of the status of CalSTRS’ Defined Benefit Program and the steps and risks associated with maintaining and enhancing the program’s financial health.

- Formal assessments are presented to the board each spring through the annual actuarial valuation report and in the fall through the **Review of Funding Levels and Risks Report**.
- We update the board on the status of various funding-related risks as part of the semiannual *Enterprise Risk Management Report*, generally presented in March and September of each year.

Additional information and details can be found in the **2023 Review of Funding Levels and Risks Report**.

Contribution rates

Based on current projections, contribution rate increases are not anticipated for fiscal year 2024–25.

Contributor	July 1, 2023 (FY 2023–24)	July 1, 2022 (FY 2022–23)	July 1, 2021 (FY 2021–22)
Employers	19.10%	19.10%	16.92%
State of California*	10.828%	10.828%	10.328%

*Includes 2.5% Supplemental Benefit Maintenance Account contribution rate.

Highlights for fiscal year 2022–23

Measure	Result
Achieve full funding of the Defined Benefit Program by June 30, 2046	On track for June 30, 2046, and slightly ahead of schedule
Achieve targeted funding ratio	74.4%—When the Funding Plan was adopted in 2014, the funded status was projected to be 67.5% on June 30, 2022.
Achieve a return that equals or exceeds the actuarial rate of return	7% actuarial assumption 1 year = 6.3% time-weighted investment return (net of fees) 30 year = 7.8% time-weighted investment return (net of fees)

What’s next

We will continue with CalSTRS 2022–25 *Strategic Plan* Goal 1 Objective A: Achieve full funding of the Defined Benefit Program by June 30, 2046.

Additional activities for fiscal year 2023–24 include:

- Every four years, we present the board with an experience study that will review and recommend updates to the economic and demographic actuarial assumptions. This helps ensure the actuarial assumptions remain reasonable and reflect the actual experience.
- Every five years, we are required by statute to provide a progress report to the California Legislature on the funding plan with the next report due by June 30, 2024. The board has the opportunity to consider whether the next report should include for consideration potential improvements to further strengthen the funding plan and our ability to reach full funding.

Why it's important

We are committed to ensuring the privacy and security of our members' personal information.

We ensure data confidentiality and integrity. These efforts improve staff access while increasing automation, efficiently enforcing our information security policies and protecting data.

What guides us

CalSTRS 2022-25 Strategic Plan

Goal 3 Objective D: Strengthen preparedness capabilities to address change and disruptions.

Privacy and information security



Our approach

Information security is everyone's responsibility. Protecting data requires technical solutions and human intervention. As part of the **2022-25 Strategic Plan**, the board identified a three-year progress indicator that our cybersecurity program keeps pace with risk.

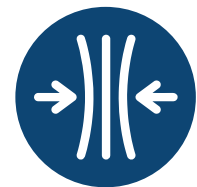
Initiatives on the **2022-23 Business Plan** that support this objective are:



Secure the confidentiality and integrity of data and member information



Enhance cybersecurity plans



Enhance business resiliency

Our approach (continued)

The CalSTRS Information Security Office is our authority on information security and cybersecurity matters. ISO protects CalSTRS' data assets from unauthorized access, use, misuse, disclosure, destruction, modification or disruption.

Since cyber threats evolve rapidly, ISO conducts ongoing security assessments for new and evolved computer security products and services. ISO also performs simulated cyberattacks to evaluate security, tabletop exercises for incident response planning, and security audits to determine the adequacy of system controls.

Preparing our workforce is key to incident prevention. All our employees complete mandatory annual security training that is tailored for each individual's role. For example, our system administrators have additional training for their privileged credentials.

Real world phishing campaigns and social engineering scams often use current events and sensitive topics, hoping to successfully phish people when their emotions are high and their guard is down. We manage these risks by continuously testing our workforce's ability to detect and respond to attacks. We conduct quarterly internal phishing campaigns with our employees and offer refresher training for those who need it.

ISO provides regular communications to employees throughout the year and supports Cybersecurity Awareness Month with communications and activities each October.

Data security incident

In June 2023, we responded to an incident at one of our vendors, PBI Research Services. PBI informed us that a vulnerability in a file transfer application was exploited and an unauthorized party acquired files containing certain members' information.

We carefully examined the files PBI reported were involved and determined they contained the names, Social Security numbers, dates of birth and ZIP codes of certain members and beneficiaries. We offered two years of free credit monitoring to all three credit bureaus for members whose information was involved in this incident.

This event did not involve unauthorized access to the CalSTRS secure network and no member or beneficiary *myCalSTRS* accounts or financial information was involved in this incident.

We've enhanced security measures related to the data we share with PBI and implemented additional layers of security and account monitoring. We continue to work to ensure all our service providers implement security measures that protect our members' information.



Monitoring, reporting on information security

Our staff provides the board with a semiannual *Enterprise Risk Management Report*. We monitor 10 risk categories, including information security and management activities, to mitigate risks. For the board meetings when the *Enterprise Risk Management Report* is not presented, emerging and existential risks are included as a regular item in the CEO's report to the board.

Additionally, ISO provides the board with regular information security updates during closed sessions.

What's next

Information security is always evolving and will remain a high operational priority under our strategic plan and annual business plans. Key activities for the **2023–24 Business Plan** include:

- Enhance cyber fraud detection, prevention and response.
- Ensure the continued evolution of security awareness education.
- Incorporate elements of an operations-based exercise within the annual tabletop exercise to more rigorously test the Emergency Operations Center team's ability to respond to a disruptive event.
- Enhance business continuity plans to reflect current workplace dynamics and emerging risks.



Environmental impacts

Climate change is one of the greatest threats to our future—impacting our planet, the environment, the global economy and everyone’s health and safety. We’re taking steps with our net zero action plan to make sure educators can enjoy a secure retirement.

Our key topics that represent significant environmental impacts are:

- » Path to net zero
- » Sustainable operations

Why it's important

Our mission is to secure the financial future of California's working and retired public educators and their beneficiaries. Our actions on climate change are rooted in this mission.

Climate change impacts health and safety, the environment and the global economy, which puts the CalSTRS Investment Portfolio at risk. Virtually all companies and assets in our portfolio are affected by climate risk and must prepare for climate change.

What guides us

- **2022–23 Business Plan Goal 1**
Objective B: Operationalize sustainable investment beliefs to create long-term value.
- Our pledge to achieve net zero portfolio emissions by 2050 or sooner is grounded in the goals of the Paris Climate Agreement and aligns with the broad climate goals of the State of California.
- In August 2022, Governor Gavin Newsom presented ambitious climate proposals to the California Legislature, including a goal for the state to achieve carbon neutrality as soon as possible, and no later than 2045.

Path to net zero



View our *Path to Net Zero* video for details on our net zero portfolio commitments.

Our approach

We conducted a comprehensive study on how the transition to a low-carbon economy impacts companies and investment portfolios by creating risks and opportunities. Our study confirmed global economies were accelerating the movement toward reducing and eliminating carbon emissions with many governments, companies and investors committing to net zero emissions.

In September 2021, the Teachers' Retirement Board pledged to achieve net zero greenhouse gas emissions across the CalSTRS Investment Portfolio by 2050 or sooner. Net zero means the amount of greenhouse gases emitted is offset by the amount taken away.

In August 2022, the board approved a package of investment actions to enhance our efforts to achieve a net zero emissions investment portfolio, address climate change and support the retirement security of California's public educators.

Core strategies

We have three core strategies for implementing our net zero portfolio emissions pledge with multiple support activities. The highlights for fiscal year 2022–23 are:



Manage and reduce portfolio emissions

- Allocated capital within the Public Equity Portfolio to a low-carbon target index to manage risk and reduce emissions by approximately 14%. Given the large size of the shift of assets, the team has a two-year implementation plan to reach the intended 20% allocation.
- Received board approval of a plan that aims to reduce emissions in the corporate credit portion of the Fixed Income Portfolio by 12% while preserving expected returns.
- Integrated climate scenarios into our asset-liability modeling framework using the Network for Greening the Financial System to help assess risks of the low-carbon transition.



Influence global shift to net zero economy

- Escalated efforts to hold global companies accountable for failing to address and disclose climate change risks by voting against 2,035 boards of directors in the 2023 proxy season. See the Proxy voting section on page 28 for more information.
- Engaged multiple oil and gas companies and urged them to join the Oil and Gas Methane Partnership 2.0, a framework that fosters accurate reporting of methane emissions, which connects to strategic mitigation actions.



Increase investments in low-carbon solutions

- Deployed more than \$1.3 billion into a dedicated low-carbon solutions private assets portfolio managed by the Sustainable Investment and Stewardship Strategies unit. The portfolio identifies low-carbon investment opportunities that provide attractive risk-adjusted returns and demonstrate positive contributions to a more sustainable global economy.
- These opportunities include:
 - » An investment strategy supporting the energy transition by funding critical energy infrastructure, technology and low-carbon solutions.
 - » A software solution that allows more residential and utility customers to access renewable power.
 - » A development project to decarbonize a city's carbon emissions by delivering clean and renewable hydropower.

Proxy voting

Each year, we cast approximately 100,000 proxy votes at more than 10,000 company shareholder meetings. We vote our proxies with diligence and care in the best interest of our members and their beneficiaries. Our proxy votes are an important part of our engagement strategy to assess risk and influence portfolio companies. We support proposals that help us make informed decisions and manage the portfolio so we can continue to provide a secure retirement for California's educators.



View our *How CalSTRS Uses Proxy Voting to Drive Sustainability* video and our [proxy voting records](#) to learn more.

Monitoring, reporting on net zero progress

The Teachers' Retirement Board is focused on overseeing the continued implementation of our net zero pledge. We regularly report to the board on progress relating to the three pillars of our net zero strategy.

In December 2022, we published our *Addressing Climate-Related Financial Risk Report* in response to California Senate Bill 964 (Allen). This bill mandates we report to the California Legislature every three years on our efforts to measure and manage climate risk in our public market investment portfolio.

We report our net zero efforts and climate-related activities at [CalSTRS.com](https://www.calstrs.com). For more information, see our [Path to net zero](#) webpage, [Engagements in action](#) reports and [Fulfilling our mission while addressing climate change](#) infographic.

What's next

For fiscal year 2023–24, we continue our core strategies to implement the board's net zero portfolio emissions pledge.

Key activities include:

- Continuing to implement the emissions reduction targets approved by the board for our Public Equity and Fixed Income portfolios.
- Expanding on our Stewardship Priorities to engage and encourage climate disclosures and standards and emissions reductions in the highest-emitting global companies.
- Deploying additional capital into low-carbon solutions that meet our risk-return goals.

Why it's important

We promote stewardship of our natural resources and engagement with our stakeholders, including our employees, the communities in which we operate and the State of California.

We also align the enterprise sustainability strategies with the Investments Branch's sustainability strategy of a low-carbon transition and net zero pledge.

What guides us

- California executive orders and green initiatives for state agencies.
- **2022–25 Strategic Plan**
 - » **Goal 3 Objective B:** Integrate and align environmental, social and governance principles across the organization.
 - » **Goal 3 Objective C:** Complete headquarters expansion and transition activities.

Sustainable operations



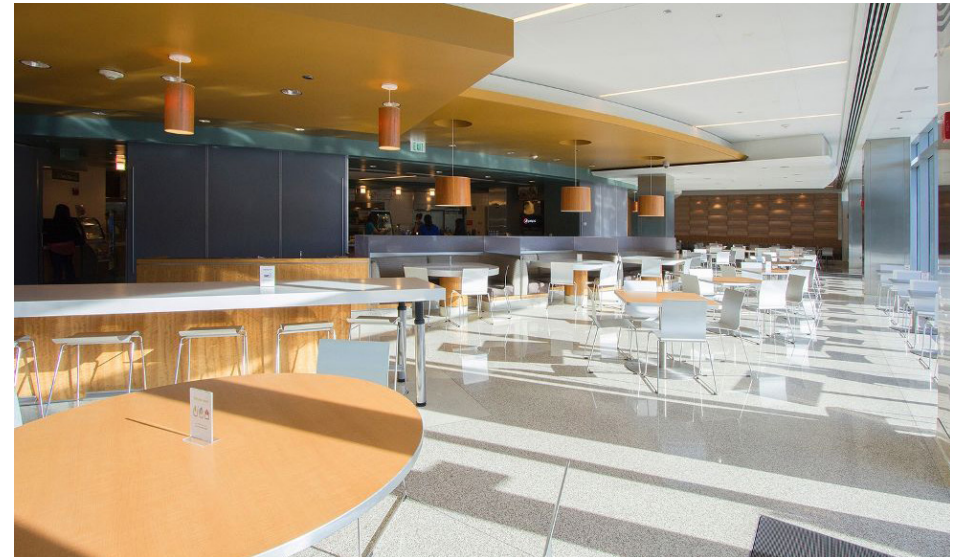
Our approach

CalSTRS' environmental performance is driven by our commitment to sustainability and stewardship of natural resources. We comply with State of California Executive Orders B-18-12 and N-19-19 for state facilities, regulations from CalRecycle and certification guidelines for LEED v4.1. We regularly monitor performance and communicate results internally and to the State of California.

2022–23 Headquarters activities

In 2023, CalSTRS Headquarters in West Sacramento recertified as LEED v4.1 Operations and Maintenance Platinum based on performance scores across five categories: energy, water, waste, transportation and human experience.

We maintain the WELL Health-Safety Rating for Facility Operations and Management with recertification in 2023. The rating empowers building operators to take the necessary steps to prioritize the health and safety of staff and visitors. Additionally, our Energy Star rating is 98 out of 100.



Headquarters environmental performance

Category	FY 2022–23	FY 2021–22	FY 2020–21
Energy			
Electricity (kWh)	4,239,595	4,092,212	3,840,726
Natural gas (therms)	42,203	25,578	15,041
Water (gallons)	3,570,989	3,378,260	2,715,801
Waste diversion	88%	94%	98%
Alternative transportation (% employees, contractors using)	45%	44%	51%
Environmentally preferred purchasing	79%	51%	70%

Greenhouse gas protocol scopes and emissions across the value chain

California state agencies are required to report scope 1 (direct emissions from gas and fuel) and scope 2 greenhouse gas emissions (indirect emissions from electricity) annually in the Climate Registry Information System, which we have done since 2005.

We'll continue to seek opportunities to reduce enterprise GHG emissions, which will help us comply with Senate Bill 1203 (Chapter 368, Statutes of 2022). The bill declared the intent of the Legislature that state agencies aim to achieve net zero emissions of greenhouse gases resulting from their operations by January 1, 2035, or as soon as possible thereafter. Each state agency will be required to publish a plan that describes its current greenhouse gas inventory for scopes 1 and 2 and its planned actions for achieving net zero emissions.

Headquarters greenhouse gas emissions, scopes 1 and 2

We report enterprise emissions for our West Sacramento headquarters annually for the prior calendar year. These are for building operations only and exclude emissions from the investment portfolio.

Scope	Metric tons CO ₂ e		
	2022	2021	2020
Total net scope 1 and 2 emissions (headquarters)	366	374	124
Scope 1: Fuel	179	108	124
Scope 2: Electricity	977	864	919
Scope 2 net after purchased renewable energy certificates applied	187	266	0

Estimated scope 3 greenhouse gas emissions

In 2021, we began aligning the investment and enterprise sustainability strategies. Following the net zero pledge for the investment portfolio, we're striving to become a leader among pension funds by creating a comprehensive inventory of our enterprise greenhouse gas emissions.

Scope 3 indirect emissions come from upstream supply chain and downstream end-use activities. We engaged a sustainability consultant to inventory our relevant enterprise scope 3 categories based on models from the U.S. Environmental Protection Agency and the World Resources Institute's Greenhouse Gas Protocol. These emissions represent our enterprise operations only and exclude emissions from the portfolio.

We recognize the challenges with tracking scope 3 emissions. An estimated inventory is a starting point. We'll refine our reporting using available data models while expecting emissions calculation methodologies to improve over time.

Scope 3 category	Metric tons of CO ₂ e	Source information
Employee commute	1,821	Includes emissions of commutes by car, alternative commute methods and telecommuting.
Business travel	944	Includes air travel, rental cars, rail transport, use of personal vehicles and hotel stays.
Fuel- and energy-related activities	290	Represents emissions related to the production of fuels and energy we purchase and use.
Waste	25	Includes trash, mixed recycling, organics and paper.
Upstream leased assets	8	Emissions from energy to operate the six member service centers outside the West Sacramento Headquarters location.
Total estimated scope 3 emissions	3,088	

Headquarters expansion

We are expanding our West Sacramento headquarters campus with five floors of office space. The entire campus is designed to support sustainable green building practices, including sustainable construction, energy conservation and whole-building integrated energy efficiency measures with onsite renewable energy generation. The campus will continue to foster employee wellness through a second fitness center to promote physical activity; a second café to provide healthy, locally sourced food; day care services for infants, toddlers and preschoolers; abundant natural light sources; flexible space to accommodate various working styles; and sit-stand desks and active stairwells to encourage movement.

This project has been designed and is on track to meet a number of environmental standards. We anticipate the new building will achieve LEED Platinum, WELL Gold, and Living Building Challenge materials, beauty and place Petals, as well as Zero Net Energy for state buildings. The project is financed through tax-exempt lease-revenue green bonds issued through a conduit issuer, the California Infrastructure and Economic Development Bank.



What's next

- Publish the *CalSTRS 2022–2023 Sustainability Roadmap*, which includes accomplishments and progress toward meeting the state's sustainability goals and targets. The roadmap will appear on the Green California website under **Department Sustainability Roadmaps**.
- Seek and evaluate opportunities to reduce enterprise greenhouse gas emissions.

Social impacts

Our employees are the source of our success. We're shaping a resilient workforce that reflects fully integrated diversity, equity and inclusion practices.

Our key topics that represent significant social impacts are:

- » Employees and human capital management
- » Diversity, equity and inclusion

Why it's important

We are dedicated to sustaining and investing in the development of our most valuable asset—our employees—to continue to build a strong, adaptable and diverse workforce to serve our members—California's educators.

What guides us

- **CalSTRS 2022–25 Strategic Plan Goal 3 vision of success:** Premier employer that attracts top talent and develops internal staff.
- **CalSTRS Workforce Plan 2022–25**
- **CalSTRS Leadership Development and Succession Plan 2022–25**

Employees and human capital management



Our approach

In alignment with our mission, vision and core values, the board, leadership and Human Resources support us in meeting goals through our most valuable resource—our people.

Our Human Resources team provides tools for identifying competencies needed in the workforce and for recruiting, developing, retaining or placing employees to build the workforce of the future.

In September 2022, our Human Resources team published the **CalSTRS Workforce Plan 2022–25**. The plan was developed as a collaborative process with employees and stakeholders. The plan serves as a high-level analysis of the organization's workforce to address current and future needs. It introduces new initiatives based on data-driven examination of current and future workforce challenges and opportunities in support of our long-term strategic and annual business plans.

Employee demographics for fiscal year 2022–23

As of June 30, 2023

A record of employee information is stored in the CalSTRS Demographics Database. No staff at CalSTRS have self-identified as nonbinary as of June 30, 2023.

	Total	Female	Male	Nonbinary
Total full-time employees	1,252	711	541	0
Total part-time employees	13	10	3	0
Total employees	1,265	721	544	0

The **CalSTRS Workforce Plan 2022–25** includes detailed demographic analysis of CalSTRS’ workforce by age, generation, retirement risk and gender. California has a diverse population, and we regularly analyze the ethnicity of our employees compared to the state population and civil service workforce. See the **CalSTRS Workforce Plan 2022–25** for details.

Human capital management plans

We identify strategies for leadership competency, retention and recruitment and succession planning:

- **Leadership competencies:** We track year-over-year ratings from annual performance reviews in an effort to identify competency gaps within the organization. Our leaders are rated as consistently meeting expectations.
- **Retention:** In an age where employee tenure appears to be dropping and loyalty shifting, we focus on our employees’ growth and development to help retain employees.
- **Recruitment:** We’ve made strides in enhancing the candidate experience by implementing best practices in recruitment and selection, which resulted in a reduction in the time it takes to fill vacancies and increased quality of hires.

Highlights for fiscal year 2022–23

Measure	Target	Result
Annual performance review completion date	100%	99%
Retention rate	90.0%	88.4%
Percentage of employees who remained from the first day of the fiscal year to the last day of the fiscal year.		

Succession planning

Our succession planning policy safeguards the organization against unplanned and unexpected change. The goal of succession planning is for every key or mission critical position to have at least one person ready to successfully assume or compete for the roles and responsibilities of the position.

The board is responsible for succession planning for the chief executive officer and chief investment officer positions, and those positions are responsible for organizing and overseeing a stable, competent and succession-ready workforce.

Investing in leadership and staff development and succession management is crucial to our long-term performance, growth and continued success in fulfilling our mission. Leadership development continues to be a key component in achieving strategic goals, maintaining optimal business operations and cultivating an engaged and diverse workforce. The *CalSTRS Leadership Development and Succession Plan 2022–25* details our initiatives and activities.

What's next

For 2023–24, our business plan initiatives for employees and human capital management include:

- Evaluate current and anticipated staffing needs and volume; identify goals and strategies to reach them.
- Support a hybrid workforce with updated tools, operational processes and infrastructure.
- Position the organization to attract, acquire and retain top talent.

Why it's important

We have a long history of supporting diversity, equity and inclusion practices internally, with our partners and across the investment industry.

Diversity, equity and inclusion are a fundamental part of CalSTRS culture. We uphold the belief that diverse teams perform best, earn better investment returns and minimize risk to the Teachers' Retirement Fund.

What guides us

- **Our core value—Strength:** We ensure the strength of our system by embracing a diversity of ideas and people.
- **CalSTRS 2022–25 Strategic Plan Goal 3 Objective A:** Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity and inclusion practices.
- **CalSTRS Corporate Governance Principles:** Diversity in board composition in the companies we invest in is critical for company boards to properly oversee management, business strategy and risk mitigation. Company boards should be composed of diverse individuals with the skills, education, experiences, expertise and personal qualities appropriate for the company's current and long-term business needs.
- **Executive Order N-16-22:** Directs California state agencies and departments to take additional actions to embed equity analysis and considerations in their mission, policies and practices.

Diversity, equity and inclusion



Our approach

We welcome and embrace diversity of thinking, background and experience to enhance our culture and drive business success. By working together to respect, value and include each individual's perspectives, we empower staff to perform their best work toward the fulfillment of our mission.

Differences give people unique ways of thinking and problem solving, which is an advantage to our organization. Diversity of thought leads to innovative solutions to historical problems, greater efficiency, and happier, healthier and more engaged employees, which drives more successful organization.

A commitment to diversity, equity and inclusion helps grow and foster an engaged workforce, resulting in a sustainable organization. Our diversity, equity and inclusion activities across the enterprise and outreach programs within the industry are an integral part of our sustainability efforts.

Diversity in investments

Building teams and external relationships that exhibit diversity, equity and inclusion are essential in achieving our financial and return objectives.

We publish an annual *Diversity in the Management of Investments Report* to show measurement and management of the Investments Branch's activities.

Building on nearly three decades of integrating diversity in the management of investments, we continue our momentum through three core pillars.



Internal investments branch

Attract diverse professionals who will drive innovation

This includes attracting, hiring, developing, educating, promoting, paying, partnering with and investing in a diverse array of practitioners within CalSTRS and across the financial markets.



Industry and portfolio company engagement

Engage with companies in our portfolio and investment leaders on a global scale

Through our decades-long efforts, we've earned and maintained collaborative relationships with investment industry partners that work on solutions that drive inclusion and diversity. These partnerships include the CFA Institute, the Milken Institute, the Toigo Foundation, Girls Who Invest, the National Association of Securities Professionals and other affiliations with diverse memberships.

We also collaborate with diversity-oriented investors in the Thirty Percent Coalition, the Human Capital Management Coalition and California Investors for Effective Board Diversity to advance corporate board diversity.



Portfolio management

Engage, pursue and invest in emerging and diverse managers

We made our first capital commitment to emerging managers more than 30 years ago. Since then, diversity within investments was formally established in our Investment Policy and Management Plan.

We comply with Assembly Bill 890 (Cervantes), which requires we submit an annual report to the California Legislature regarding participation of emerging or diverse asset managers in our portfolio.

Diversity, equity and inclusion activities

A focus on diversity, equity and inclusion is imperative in engaging and retaining a diverse workforce, ensuring our employees have the flexibility to make both work and homelife successful. We support this with employee-focused activities and initiatives.

We demonstrate our commitment to DEI through regular leadership engagement and communication. Our chief executive officer shares a monthly video message to all staff about DEI, and the employee intranet features a webpage celebrating DEI principles and promoting upcoming events.

Our Inclusion Council is sponsored by our chief administrative officer and meets monthly. The council works collaboratively to promote, pursue and engage a culture that fosters diversity, equity and inclusion through respect, understanding and compassion. The group is made up of employees who are passionate about DEI, with representatives from each branch and various identity groups.

In fiscal year 2022–23, the council worked to define equity within CalSTRS. To define what equity means to us, the council looked at best practice organizations, legal definitions and other private and public state agencies' definitions and policies. We anticipate this activity will be finalized in fiscal year 2023–24.

The **CalSTRS Workforce Plan 2022–25** includes detailed initiatives and activities to assess and expand our DEI in alignment with our employee and human capital management goals and activities. One activity is to review and update all organization policies to incorporate DEI best practices.

What's next

We continue to prioritize diversity, equity and inclusion internally and in our engagements with other companies, which is reflected in our latest strategic and business plans.

For 2023–24, our diversity, equity and inclusion initiatives include:

- Incorporate diversity, equity and inclusion into all CalSTRS practices.
 - » Participate in and incorporate statewide diversity, equity and inclusion efforts and best practices into our strategies.
 - » Launch an updated procurement process to include a diversity, equity and inclusion survey.
- Position CalSTRS to attract, acquire and retain top talent.
- Integrate diversity, equity and inclusion across the Investments Branch.
 - » Influence global markets via industry and portfolio company engagement.
 - » Seek, pursue and invest with emerging managers and diverse managers that generate performance aligned with our financial and return objectives.
 - » Continue working collaboratively with industry partners to learn and build thought leadership, helping us create and adopt investment industry best practices.

Global Reporting Initiative content index

Disclosure	Location of information or response
STATEMENT OF USE	CalSTRS has reported the information cited in this GRI content index for the period July 1, 2022, through June 30, 2023, with reference to the GRI Standards.
GRI 1 USED	GRI 1: Foundation 2021

Disclosure	Location of information or response
GRI 2: GENERAL DISCLOSURES 2021	
2-1 Organizational details	<p>CalSTRS, the California State Teachers' Retirement System, is a component unit of the State of California. The headquarters is located at 100 Waterfront Place, West Sacramento, CA, 95605. Operations are within the state of California, United States of America.</p> <p>In fiscal year 2022-23, CalSTRS operated member service centers in Fresno, Glendale, Irvine, Riverside, San Diego, Santa Clara and West Sacramento.</p>
2-2 Entities included in the organization's sustainability reporting	<p>CalSTRS is a single entity as a component unit of the State of California. We publish several reports to convey the sustainability progress of CalSTRS: <i>CalSTRS Annual Comprehensive Financial Report</i>, <i>CalSTRS Popular Annual Financial Report</i>, <i>Addressing Climate-Related Financial Risk Report</i>, <i>Sustainability Report</i> and <i>Diversity in the Management of Investments Report</i>, all of which are available at CalSTRS.com.</p> <p>The <i>Sustainability Report</i> provides enterprisewide reporting on economic, environmental and social information with reference to GRI Standards.</p>
2-3 Reporting period, frequency and contact point	<p>This annual report is for the fiscal year July 1, 2022, through June 30, 2023, which aligns with the 2023 CalSTRS <i>Annual Comprehensive Financial Report</i> period. Information in this report that falls outside the fiscal year is noted. This <i>Sustainability Report</i> was published in February 2024.</p> <p>For questions regarding this report, email Sustainability@CalSTRS.com.</p>
2-4 Restatements of information	This report does not include restatements of information from previous reporting periods.
2-5 External assurance	<p>CalSTRS strives to provide accurate, transparent information regarding our performance.</p> <p>The CalSTRS Internal Audit Services team performed an independent and objective review of the information submitted in this report and has provided a limited level of assurance over measurable statements and facts.</p> <p>Information from the financial statements and related notes of the <i>CalSTRS Annual Comprehensive Financial Report</i> are audited by an independent auditor.</p>
2-6 Activities, value chain and other business relationships	<p>CalSTRS is a public-sector component of the State of California. CalSTRS provides retirement, disability and survivor benefits for full-time and part-time California public school educators through a hybrid retirement system consisting of the Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs, and a voluntary defined contribution plan called CalSTRS Pension2. See CalSTRS.com/understand-your-benefits for details.</p> <p>Page 9, Value chain</p>
2-7 Employees	Page 36, Employee demographic for fiscal year 2022-23

Disclosure	Location of information or response
GRI 2: GENERAL DISCLOSURES 2021	
2-8 Workers who are not employees	Workers who are not employees are contract-based for specialized projects, such as the replacement of our pension administration system, or perform ongoing services, and include staff for our building operations, security, custodial services and café.
2-9 Governance structure and composition	<p>Page 13, Teacher’s Retirement Board</p> <p>CalSTRS is administered by our 12-member Teachers’ Retirement Board. The board sets the policies, makes rules for the system and is responsible for ensuring benefits are paid in accordance with law. The board is a fiduciary and acts only in the interest of CalSTRS members and their beneficiaries for the purpose of providing benefits. For details on each board member’s position, background and committees, see Board members on CalSTRS.com.</p> <p>The board has six standing committees: Appeals, Audits and Risk Management, Benefits and Services, Board Governance, Compensation, and Investment. The committees responsible for decision-making on environmental, economic and social issues include:</p> <p>Audits and Risk Management: Assists the board in fulfilling its fiduciary oversight responsibilities for financial reporting, risk management framework, internal control, compliance, internal audit, external audit of the financial statements and engagements with other external firms.</p> <p>Compensation: Provides oversight to our compensation policies and plan that support the successful recruitment, development and retention of talent to meet our business objectives.</p> <p>Investment: Oversees all matters relating to the investment of our assets and investment management. The committee is charged to oversee our assets for the exclusive purpose of providing benefits to our members and their beneficiaries and to maximize financial stability in an efficient and cost-effective manner.</p>
2-10 Nomination and selection of the highest governance body	<p>The board chair is selected by the board from its 12 members and is not a CalSTRS senior executive. The election of the board chair and vice-chair is held at the regularly scheduled board meeting in May of each calendar year as the first agenda item.</p> <p>The Teachers’ Retirement Board Governance Manual on CalSTRS.com contains information on election and committee selection processes.</p> <p>In July 2022, Joe Stephenshaw was appointed as director of the California Department of Finance by Governor Gavin Newsom.</p> <p>In November 2022, Malia M. Cohen was elected state controller. She joined the board as an ex officio member in January 2023.</p> <p>In January 2023, William Prezant was reappointed to the board by Governor Gavin Newsom. The new term lasts through December 31, 2026.</p> <p>In May 2023, the trustees of the California State Teachers’ Retirement System reelected Harry Keiley as chair and elected Denise Bradford as vice chair of the board for the fiscal year 2023–24 term.</p>
2-11 Chair of the highest governance body	Harry M. Keiley serves as board chair.

Disclosure

Location of information or response

GRI 2: GENERAL DISCLOSURES 2021

<p>2-12 Role of the highest governance body in overseeing the management of impacts</p>	<p>The board and CalSTRS executives partner to set a future vision and maintain the organization’s mission, vision and core values. The board adopts the strategic plan and aligns the board and committee work plans to it. One of the three key strategic areas of focus on the <i>CalSTRS 2022–25 Strategic Plan</i> is a sustainable organization. The chief executive officer seeks input from internal and external stakeholders and monitors implementation, promptly informing the board of any obstacles to progress. The chief executive officer also provides an annual progress report to the board.</p> <p>The board’s Investment Committee monitors compliance with applicable investment policies and investment resolutions, including those regarding environmental, social and governance risks. The committee reviews emerging and significant risks within its area of responsibility and reports those risks to the board.</p> <p>The board hears from members of the public through its board meetings in compliance with the Bagley-Keene Open Meeting Act. The board considers most investment matters in open session unless it would jeopardize execution of the investment or cause harm to the economic value of the investment.</p> <p>The Board Governance Committee oversees the board’s governance manual by developing processes to ensure policies are current and that CalSTRS’ actions are compliant with such policies. The policies in the <i>Teachers’ Retirement Board Governance Manual</i> are reviewed at least once every three years.</p>
<p>2-13 Delegation of responsibility for managing impacts</p>	<p>The board’s Investment Committee is responsible for monitoring the compliance of CalSTRS’ investments with applicable investment policies and investment resolutions, including those regarding environmental, social and governance risks and the system’s investment policies.</p> <p>Investment staff provide transparency of investment activities by regularly reporting directly to the Teachers’ Retirement Board and its Investment Committee and by updating CalSTRS.com. Reports are publicly available on our Teachers’ Retirement Board Meeting Materials and CalSTRS Investment Reports webpages.</p> <p>CalSTRS believes responsible corporate governance, including the management of environmental, social, and governance factors, can benefit long-term investors. Investments staff engage with the companies we invest in to ensure they are sustainable and have considered and addressed risks and opportunities that could affect the livelihood of the business.</p> <p>Consistent with its fiduciary responsibilities, CalSTRS adopted the Investment Policy for Mitigating Environmental, Social and Governance Risks to ensure that the corporations and entities in which CalSTRS invests strive for long-term sustainability in their operations.</p>

Disclosure

Location of information or response

GRI 2: GENERAL DISCLOSURES 2021

2-14 Role of the highest governance body in sustainability reporting	<p>The <i>Sustainability Report</i> is presented annually to the board by the chief executive officer. The process of reviewing and approving the information contained in this report, including the selection of material topics, is delegated to the chief executive officer. The chief executive officer and chief operating officer are co-sponsors of the Enterprise Sustainability team.</p> <p>Decisions related to the material topics are part of the Teachers’ Retirement Board’s normal business and the strategic planning process. Information related to the material topics are shared informationally or action is taken during regular board meetings or committees.</p>																
	<table border="1"> <thead> <tr> <th data-bbox="480 511 1291 544">Report topic</th> <th data-bbox="1291 511 2009 544">Board committee responsible</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 544 1291 592">Member retirement education</td> <td data-bbox="1291 544 2009 592">Benefits and Services Committee</td> </tr> <tr> <td data-bbox="480 592 1291 633">CalSTRS Funding Plan progress</td> <td data-bbox="1291 592 2009 633">Regular meeting</td> </tr> <tr> <td data-bbox="480 633 1291 673">Privacy and information security</td> <td data-bbox="1291 633 2009 673">Regular meeting (closed sessions)</td> </tr> <tr> <td data-bbox="480 673 1291 714">Path to net zero</td> <td data-bbox="1291 673 2009 714">Investment Committee</td> </tr> <tr> <td data-bbox="480 714 1291 755">Sustainable operations, specifically headquarters expansion</td> <td data-bbox="1291 714 2009 755">Regular meeting</td> </tr> <tr> <td data-bbox="480 755 1291 795">Employee management</td> <td data-bbox="1291 755 2009 795">Regular meeting (open and closed sessions)</td> </tr> <tr> <td data-bbox="480 795 1291 852">Diversity, equity and inclusion</td> <td data-bbox="1291 795 2009 852">Regular meeting and Investment Committee</td> </tr> </tbody> </table>	Report topic	Board committee responsible	Member retirement education	Benefits and Services Committee	CalSTRS Funding Plan progress	Regular meeting	Privacy and information security	Regular meeting (closed sessions)	Path to net zero	Investment Committee	Sustainable operations, specifically headquarters expansion	Regular meeting	Employee management	Regular meeting (open and closed sessions)	Diversity, equity and inclusion	Regular meeting and Investment Committee
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Path to net zero	Investment Committee																
Sustainable operations, specifically headquarters expansion	Regular meeting																
Employee management	Regular meeting (open and closed sessions)																
Diversity, equity and inclusion	Regular meeting and Investment Committee																
2-15 Conflicts of interest	<p>All Teachers’ Retirement Board members are subject to the disclosure and reporting requirements of our Conflict of Interest Code and Fair Political Practices Commission regulations. Any board member that receives a gift, honoraria or travel expenses (paid or reimbursed), or the actual transportation and related lodging and subsistence from any third party other than either CalSTRS or the State of California has the responsibility to determine whether the receipt of the same must be disclosed and reported. See the Conflicts of interest section in the <i>Teachers’ Retirement Board Governance Manual</i> for details.</p>																
2-16 Communication of critical concerns	<p>During board meetings, issues of critical concern can be addressed in open or closed session.</p> <p>The board limits the business it conducts in closed session to those matters specifically authorized by the Bagley-Keene Act. Pursuant to the act, matters properly considered in closed session include conferring with or receiving advice from legal counsel regarding pending litigation when discussion in open session concerning those matters would prejudice the position of the board in the litigation or on matters relating to security threats and privacy.</p> <p>The board is prohibited from discussing the content of a closed session matter in public session. However, notice of the general nature of a closed session matter is reported to the public prior to any action being taken. If the closed session matter involves the appointment, employment or dismissal of a public employee, any action taken is required to be reported publicly at a subsequent public meeting.</p>																
2-17 Collective knowledge of the highest governance body	<p>The <i>Teachers’ Retirement Board Governance Manual</i> contains information on board education policy and onboarding new members. The board receives ongoing education including educational conferences, in-house education sessions, annual fiduciary education and state ethics training. Ongoing education includes sharing best management practices among pension peers.</p>																

Disclosure	Location of information or response
GRI 2: GENERAL DISCLOSURES 2021	
2-18 Evaluation of the performance of the highest governance body	<p>It is best practice for public retirement boards of trustees and corporate boards of directors to regularly set aside time to candidly discuss the boards' performance and make continuous improvements in board governance. The Teachers' Retirement Board engages in self-evaluation to assess how well it is carrying out its fiduciary and statutory responsibilities and to continually refine its governance practices.</p> <p>The chair and vice chair of the board are jointly responsible for implementing this policy. They decide on the method and criteria used to evaluate the board's performance and may seek advice and assistance from the board's governance consultant. All trustees are responsible for taking part in the self-evaluation.</p> <p>See the <i>Teachers' Retirement Board Governance Manual on CalSTRS.com</i> for details.</p>
2-19 Remuneration policies	<p>The board Compensation Committee is responsible for ensuring the compensation program is properly designed to support organizational objectives. The committee also develops for board adoption administrative procedures that document the compensation plan and administrative procedures based on the board's compensation philosophy.</p> <p>The board-adopted compensation program for executive management and Investments Branch staff is designed to be internally equitable, externally competitive and incentive-based.</p> <p>The compensation program consists of the following: base pay, incentive pay, recruitment pay differential, educational incentive and relocation.</p> <p>See the <i>Teachers' Retirement Board Governance Manual on CalSTRS.com</i> for details.</p>
2-20 Process to determine remuneration	<p>The board has a duty to direct and carefully monitor the CEO's and CIO's performance. The board sets direction cyclically by adopting established criteria and evaluating results against those criteria. See the <i>Teachers' Retirement Board Governance Manual on CalSTRS.com</i> for details.</p> <p>All California civil service classes have salary ranges with minimum and maximum rates. After each 12 months of satisfactory performance, employees receive a 5% merit salary adjustment until they reach the maximum salary for the class. See About salaries on CalHR.ca.gov for details.</p>
2-21 Annual total compensation ratio	<p>For the 2022 calendar year, the ratio of the annual total compensation for our highest paid individual's compensation to the median total compensation for all employees was 18:1.</p> <p>CalSTRS staff calculated the ratio using data from the State Controller's Office. The SCO's report produced the total compensation paid to each employee in the January 2022 through December 2022 pay periods. The total compensation produced by SCO's information management system included: the employee's base salary, pay differentials, overtime, stipends, health payments and any leave credits cashed out.</p> <p>Incentive payments awarded in 2022, if any, were added to the SCO's produced total compensation amount to determine the employee's annual total compensation for 2022.</p> <p>Employees whose total annual compensation was less than the minimum salary range (times 12 months) of their classification were removed from the report. To determine the median annual total compensation for all employees, the report was sorted by salary, from lowest to highest.</p>

Disclosure	Location of information or response
GRI 2: GENERAL DISCLOSURES 2021	
2-22 Statement on sustainable development strategy	Page 4, A message from CEO Cassandra Lichnock Page 11, Identifying report topics 2-12 Role of the highest governance body in overseeing the management of impacts 2-13 Delegation of responsibility for managing impacts 2-23 Policy commitments
2-23 Policy commitments	<p>Consistent with its fiduciary responsibilities, the board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for long-term sustainability in their operations. CalSTRS incorporates sustainable actions into its ownership policies and practices.</p> <p>Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity decade after decade, short-term gains at the expense of long-term gains are not in the best interest of the fund. Sustainable returns over long periods are in the economic interest of the fund. Conversely, unsustainable practices that hurt long-term profits are risks to the CalSTRS Investment Portfolio.</p> <p>To assist CalSTRS staff and external investment managers in their investment analysis and decision-making, CalSTRS developed the Investment Policy for Mitigating ESG Risks for managers to include within the financial analysis of any investment decision.</p>
2-24 Embedding policy commitments	<p>All CalSTRS investment partners are required to attest their adherence to the Investment Policy for Mitigating ESG Risks on an annual basis.</p> <p>CalSTRS expects all investment managers, both internal and external, to assess the risk of each of the environmental, social and governance factors when making an active investment. The investment manager needs to balance the rate of return with all the risks, including consideration of the specific investments exposure to each factor in each country in which that investment or company operates.</p> <p>The board also approves the CalSTRS Corporate Governance Principles, as needed, and the CalSTRS Stewardship Priorities, every three years, to guide CalSTRS proxy voting and engagement activities with publicly traded companies.</p> <p>A list of our investment policies is available on CalSTRS.com.</p>
2-25 Processes to remediate negative impacts	<p>The CalSTRS ombuds is an advocate ombuds, serving as an advocate for members and participants in resolving problems and conflicts that are not solved through the usual CalSTRS channels.</p> <p>The ombuds provides independent, impartial, confidential and informal assistance to those who contact the office. The ombuds provides upward feedback to leadership to proactively address service-delivery questions, concerns and issues. The ombuds office serves as a valuable early warning system for CalSTRS to identify trends and systemic matters to help leadership successfully manage risk. For details, see the 2022–23 <i>Annual CalSTRS Ombuds Report</i>.</p> <p>Additionally, members may appeal the determination by CalSTRS staff of a right to a benefit or obligation. The California Education Code authorizes CalSTRS to hold a hearing for the purpose of determining any question presented to it involving any right, benefit or obligation.</p> <p>The regulations govern the process that occurs before a hearing is held by CalSTRS. The regulations reflect a structure that guides the member through an administrative remedy process and are designed to assist the member in moving their request or contention forward within CalSTRS.</p> <p>The board’s Appeals Committee is a dedicated body to hear, deliberate upon and decide appeals of system determinations pursuant to the Administrative Procedure Act. See the <i>Teachers’ Retirement Board Governance Manual on CalSTRS.com</i>.</p>

Disclosure

Location of information or response

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2-26 Mechanisms for seeking advice and raising concerns	<p>CalSTRS is committed to providing a professional work environment free from discrimination, harassment and retaliation. Our commitment to Equal Employment Opportunity applies to all aspects of employment and employment-related decisions including hiring, placement, assignment, promotion, transfer, demotion, layoff, reinstatement, recruitment, compensation, benefits, training, adverse action, termination and general treatment during the course of employment.</p> <p>If a person believes someone has violated the EEO policy, they can contact a manager, Human Resources, or the EEO officer by phone or email. They may also report a concern anonymously by submitting a written complaint to the EEO officer by mail.</p> <p>Employees in certain bargaining units may have additional options to raise workplace concerns through the grievance process.</p> <p>The Compliance and Ethics Hotline provides a forum for our employees and external stakeholders to anonymously report irresponsible, noncompliant or unethical activity. Reporters can discuss the situation with a manager or Human Resources, call a toll-free number or use a website to file a confidential and anonymous report.</p> <p>The Compliance and Ethics Hotline is supported by an independent, third-party administrator to ensure anonymity. The hotline is available 24 hours a day, 365 days a year.</p> <p>The Compliance and Ethics Hotline is separate and independent of the State Auditor’s enforcement of the California Whistleblower Protection Act, which authorizes the California State Auditor to receive complaints from state employees and members of the public regarding improper governmental activity.</p>
2-27 Compliance with laws and regulations	<p>CalSTRS is a state governmental pension plan that administers the Teachers’ Retirement Law and is exempt from the federal Employee Retirement Income Security Act (ERISA). As an enforcement agency, CalSTRS is not subject to fines, whether criminal or civil, or nonmonetary sanctions regarding the application of the Teachers’ Retirement Law. As for significant instances of noncompliance outside of the Teachers’ Retirement Law, CalSTRS does not have any information to report. If CalSTRS does have information to report in this regard, it will be presented to the board at a publicly noticed meeting.</p>
2-28 Membership associations	<p>Members of the Teachers’ Retirement Board and CalSTRS staff hold strategic leadership roles in several organizations dedicated to advancing sustainable principles and practices. These include Ceres, Climate Action 100+, Council of Institutional Investors, Human Capital Management Coalition, Institutional Investors Roundtable, the Principles for a Responsible Civilian Firearms Industry, Principles for Responsible Investment and the Thirty Percent Coalition.</p>
2-29 Approach to stakeholder engagement	<p>Page 10, Stakeholder engagement</p>
2-30 Collective bargaining agreements	<p>As of June 30, 2023, 62% of our 1,265 employees were covered by bargaining units.</p> <p>Collective bargaining agreements, also called memoranda of understanding, between employee organizations (unions) and the state define wages, hours and conditions of employment affecting employees assigned to one of the state’s 21 bargaining units.</p> <p>Employees designated managerial, supervisory, confidential or other excluded designations are not covered by collective bargaining agreements. CalHR is responsible for defining wages, hours and conditions of employment for these employees.</p> <p>See details on collective bargaining at Where do I fit in? at CalHR.ca.gov.</p>



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