Investment Committee

Item number 8 – Open session

Subject: FY 2025-26 Global Investment Performance Standards (GIPS®) Asset Owner Report

Presenter(s): Chairperson

Item type: Consent information

Date and time: November 4, 2026 – 5 minutes

Attachment(s): GIPS® Asset Owner Report

PowerPoint presentation(s): None

Item purpose

This agenda item provides the Investment Committee with the CalSTRS GIPS Asset Owner Report and Independent Verifier's Report as of June 30, 2026.

Recommendation

Staff recommends that the Investment Committee receive the report for the record.

Executive summary

The GIPS standards are voluntary ethical standards for calculating and presenting investment performance based on the principles of fair representation and full disclosure. They provide transparency and comparability across peers claiming compliance with GIPS. The standards are developed, maintained, and promoted through the collaboration of volunteers from the investment community, CFA Institute, and GIPS Standards Sponsors in over 40 markets. CFA Institute is a global not-for-profit association of investment professionals with the mission of leading the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

The GIPS standards establish a standardized, industry-wide approach for asset managers and asset owners (i.e., CalSTRS) to calculate and present investment performance to oversight bodies such as the CalSTRS Investment Committee. The CFA's objectives of the standards include ensuring accurate and consistent data, promoting self-regulation, and helping to instill

stakeholder confidence. The GIPS standards are used to calculate the total fund performance including all asset classes, both public and private.

Background

CalSTRS investment performance is calculated systematically by the master custodian and derived from accounting records. **Claiming compliance with GIPS standards is aligned with CalSTRS fundamental methods used for calculating performance**. Claiming compliance with the GIPS standards entails three components for CalSTRS:

1. Documenting and abiding by a GIPS standards procedures document.
2. Creating an annual GIPS Asset Owner Report (Attachment 1).
3. Engaging a verification firm to perform a performance verification and examination.

The GIPS standards procedures document (available upon request) outlines CalSTRS requirements related to input data, valuation, and calculation. For CalSTRS, this included capturing all investment-related expenses as part of a ***Net-of-All-Fees return*** presented in the Asset Owner Report. This return will differ slightly from the ***published fiscal year-end Net-of-Manager-Fees return*** because it includes additional investment expenses reported through the Annual Investment Cost Report's process that are not typically included, specifically investment-related expenses (vendor, software fees, etc.), internal salaries, and other CalSTRS operating expenses.

One Year Returns as of June 30, 2026	
GIPS return (Net-of-All-Fees):	13.78%
Published return (Net-of-Manager-Fees):	13.86%

The GIPS Asset Owner Report (Attachment 1) is based on the requirements in the GIPS standards for presenting and disclosing investment performance. It presents a Net-of-All-Fees annual return along with policy and benchmark disclosures. CalSTRS is claiming compliance with the GIPS standards for the periods July 1, 2019, through June 30, 2026. Future reports will present an additional year of performance each year, building up to a minimum of 10 years of GIPS-compliant performance. After three years, these reports include the three-year annualized ex post standard deviation of the Total Fund and the Policy Benchmark. The asset class allocations shown in the GIPS Asset Owner Report include overlay funds, which may be different than other reporting which captures strategic overlay portfolios in a stand-alone grouping.

CalSTRS engaged TSG, formerly The Spaulding Group, to perform an independent verification and examination. The verification process includes a review of our written policies and procedures, a review of the GIPS Asset Owners Report, and sample composite testing around the components of the Total Fund return calculation. The examination process includes a full independent calculation of the Total Fund and Policy Benchmark performance returns, including tying out the results to source records, such as accounting and valuation.

Claiming compliance with the GIPS standards demonstrates staff's commitment to transparency and higher performance reporting standards for the Investment Committee, CalSTRS' Members, and the public. Benefits include independent guidance on standards, improved documentation and procedures, and better comparability across peers. In addition to the verification, the performance examination adds an added layer of confidence that the data being presented to the oversight body is consistent and transparent. Compliance helps ensure that the asset owner's investment performance is complete and fairly presented, regardless of whether assets are managed internally, externally, or both.

Strategic Plan linkage: Goal 1 of the CalSTRS Strategic Plan. Trusted stewards – Ensure a well-governed, financially sound trust fund.

Board Policy linkage: N/A

Optional reference material:

Investment terms glossary - CalSTRS – for a full listing of glossary terms and definitions.