

# CALSTRS

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**CALIFORNIA STATE TEACHERS'  
RETIREMENT SYSTEM**

**CALIFORNIA INVESTMENTS  
POLICY**

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**INVESTMENT BRANCH  
JULY 2019**

## K. California Investments Policy

### **EXECUTIVE SUMMARY**

The Investment Committee of the California State Teachers' Retirement System Board is responsible for recommendations to that Board regarding the investment policy and overall investment strategy of the management of the Teachers' Retirement Fund. The Committee is also responsible for establishing all policies regarding the structure and objectives of the Fund. Within this authority, the Investment Committee hereby establishes a policy and guidelines for investments within the State of California. CalSTRS California Investment portfolio assets are to be invested, administered and managed in a prudent manner for the sole benefit of its participants and beneficiaries, in accordance with the California Constitution, the Teachers' Retirement Law, and other applicable statutes. No investment instrument or activity prohibited by the Investment Policy & Management Plan (IPMP) shall be authorized for the Fund.

CalSTRS believes that environmental, social, and governance, ESG, issues can affect the performance of its investments. As a result, the CalSTRS ESG Policy has been included within the IPMP as a tool that both internal and external investment managers are expected to use to assess the impact of ESG risk when making an investment on behalf of CalSTRS.

This policy cannot be altered without explicit direction from the Board.

### **Laws and Statutes**

All investments, including those under this policy, must be in accordance with the California Constitution Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law Chapter 4, Section 22250 et al, and the Board approved CalSTRS Investment Beliefs and the Investment Policy and Management Plan.

### **PROGRAM OBJECTIVES**

As the defined benefit fund for all California's public school teachers, and one of the largest pools of investment capital in the state, the Investment Committee recognizes the importance of the State of California. While the exclusive purpose of any investment is to achieve the desired return, at a prudent level of risk, and achieving proper diversification, the Committee recognizes that many investment activities may have the ancillary benefit of creating economic value and activity that benefit the state and its citizens. Therefore, within the investment activity of each asset class, if all things are equal, especially regarding risk, return, and diversification, CalSTRS will give preference to investments focused or based in California.

## **PROGRAM STRUCTURE**

### **Investment Approach and Parameters**

- i. All California investments shall be consistent with the Committee's fiduciary obligations and approved investment policies and guidelines.
- ii. California investments shall receive the same level of due diligence, as any other investment, whether conducted by staff, designated outside advisors or consultants within the CalSTRS Investment Portfolio.
- iii. California investments, whether in a stand-alone portfolio or incorporated with like investments (which have no emerging market-targeted orientation), shall be priced at current market prices and shall be subject to applicable performance measurements.

## **MONITORING AND REPORTING**

Investment Committee: As it deems appropriate, may request a report on the amount of investments in the State of California and specifically investments in underserved urban and rural areas.

## **BOARD REVIEW**

*Originally Adopted by the Teachers' Retirement Board on October 10, 2001*

*Revised on July 10, 2002*

*Revised to annual report September 4, 2008*

*Revised to include ESG language and infrastructure June 6, 2014*

*Revised to reflect negative cash flow and revised the underserved program objective, July 20, 2018*

*Revised to update format to new policy format, revised to remove two percent requirement from Policy, revised to remove redundant reference to Education Code, July 11, 2019*