Jack Ehnes
Chief Executive Officer

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

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Retirement System
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January 8, 2018

The Honorable Richard Pan
California State Capitol, Room 5114
Sacramento, CA 95814

Dear Senator Pan:

CalSTRS was established more than 100 years ago to provide retirement benefits for California's public school teachers and is the largest educator-only pension fund in the world. The CalSTRS portfolio is currently valued at approximately $221.7 billion, which we carefully invest, as patient capital with a long-term investment horizon, to meet the retirement needs of more than 933,000 plan participants and their families.[1]

Thank you for providing an opportunity for CalSTRS to outline the impacts of divestment on the Teachers' Retirement Fund, share our engagement practices and demonstrate how we use our influence as a shareholder to advance positive change. CalSTRS is a passive investor and an active shareholder, meaning we invest across the markets, minimize trading and transactional costs on the fund and advocate on behalf of our beneficiaries in the boardroom. Today, CalSTRS has a financial stake in approximately 8,000 portfolio companies in domestic and international markets around the world.

We understand the public pressures to strictly align CalSTRS' investments with public policy goals, such as combating climate change and reducing violence in our communities. Although these issues are also important to CalSTRS and our beneficiaries, CalSTRS maintains the belief that divestment should be undertaken as a last resort because of its high cost and marginal benefit for educators, employers and taxpayers. We also believe we can effect change more efficiently by engaging companies as a stakeholder inside the boardroom.

Divestment is costly because each divestment proposal restricts the universe of investable assets for the fund. A loss of diversification in our portfolio introduces risk into the fund, which may cause the board to lower the fund's expected investment return (currently set at 7 percent) and trigger increased state, employer and member contributions to the fund. CalSTRS actuaries estimate that a reduction of 0.1 percent in the expected investment return would increase our unfunded liability by $3.5 billion and would require an additional $18.7 billion to address new costs to the fund by 2046, the end of the CalSTRS Funding Plan

[1] California State Teachers' Retirement System Current Investment Portfolio as of November 30, 2017. https://www.calstrs.com/current-investment-portfolio and At-a-Glance https://www.calstrs.com/calstrs-glance

enacted by Chapter 47, Statutes of 2014 (Assembly Bill 1469–Bonta). In this scenario, the additional costs would be borne by additional contributions from the state and employers. A reduction of as much as 0.25 percent in the expected investment return could also lead to an increase in the normal cost of the plan that would cause the contribution rate for members subject to the Public Employees' Pension Reform Act to increase by 0.5 percent of creditable compensation.

For the large cost of divestment, it arguably has no effect on individual companies. When CalSTRS is directed to divest from a company, the company has already realized the financial gain associated with the sale of their stock in the primary market. By divesting, CalSTRS sells and transfers the company's stock to another institutional investor in the secondary market. Although CalSTRS is a large investor, our holdings in individual companies are relatively small, and transactions on the secondary market do not affect the company's finances or profitability. The impacts of divestment are not equivalent to government sanctions or a product boycott, both of which affect a company's profits. In addition to having little impact, CalSTRS' divested holdings may be purchased by a less scrupulous investor who does not engage on a company's risks or influence the company to improve its business practices.

As part of our fiduciary duty to provide retirement benefits to our beneficiaries, CalSTRS engages our investment managers, partners and portfolio managers to identify and mitigate environmental, social and governance risks that could affect the long-term value of our investments. CalSTRS casts approximately 7,800 votes each year on proposals covering a variety of issues and has filed more than 300 shareholder proposals in the past five years. Engagement allows CalSTRS to fund educator pensions through the pursuit of good governance, operational accountability and positive financial returns, while advancing positive social change within the companies in which we invest.

Thank you again for the opportunity to share this information with you. If you have questions or need additional information, please contact Grant Boyken, Public Affairs Executive Officer, at (916) 414-1100.

Sincerely,

Jack Ehnes

Jack Ehnes
Chief Executive Officer

Enclosures

CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

CalSTRS Investment Beliefs

Legal Framework

Under California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250:

The board has plenary authority and fiduciary responsibility for investment of moneys of the retirement system, and the sole and exclusive fiduciary responsibility over the assets of the retirement system. The board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries.

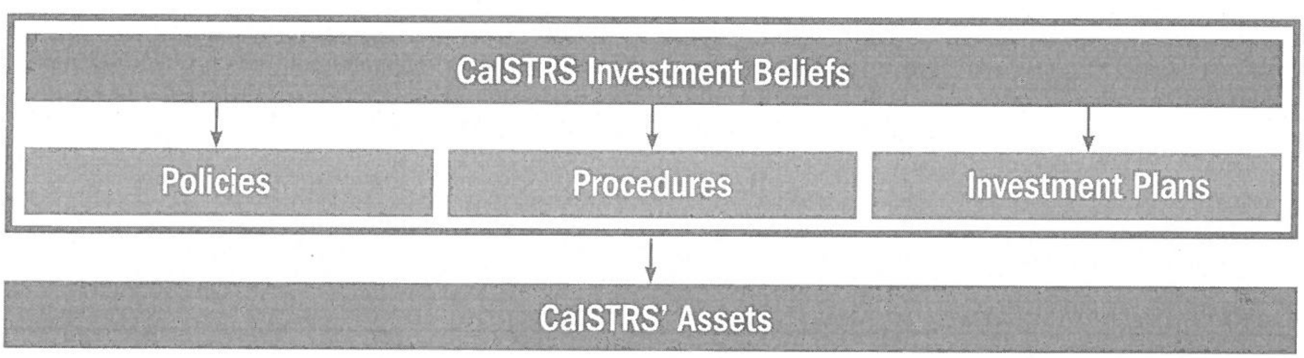
The assets of the retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering the system.

The board shall discharge its duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. The board shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

The board's duty to its members and their beneficiaries shall take precedence over any other duty.

Preamble

Consistent with these Constitutional and statutory prescriptions, CalSTRS has broad discretion over the investment of the assets of the fund. These Investment Beliefs provide a foundational framework to all of CalSTRS' investment decision-makers to invest in a manner that reflects CalSTRS' unique view of the global investment markets and its vision for participating in these markets to accomplish its fiduciary goal. In this respect, these Investment Beliefs should help to guide CalSTRS' policy leaders and other decision makers to develop appropriate policies, procedures, and investment plans for CalSTRS' assets.



Belief Statements

Belief 1 **Diversification Benefits**	Diversification improves the risk-adjusted profile of an investment portfolio.
Belief 2 **The Global Public Investment Markets are Largely, but Not Completely, Efficient.**	Historically, a large percentage of the CalSTRS portfolio has been passively or semi-passively managed, approximating 80% of publicly-traded assets. In today's internet era, information is processed rapidly at very low cost and acted upon quickly by millions of market players. As a result, there is significant academic and practitioner experience indicating the difficulty in outperforming passive management after fees. In light of this competitive dynamic, there are certain segments of the markets where information processing is more challenging and costly. In these areas astute and well-resourced investors (such as CalSTRS) can utilize unique investment styles and methods to generate net-of-fee returns in excess of those available to a passive buy-and-hold market exposure.
Belief 3 **Long-term Benefits of Managing Investment Costs.**	Investment costs, if not managed appropriately, can have a significant (rather than frictional) impact upon overall portfolio performance. CalSTRS, as a large-scale investor, should focus on measuring, monitoring, and minimizing all relevant investment costs.
Belief 4 **Internal Management is a Critical Capability.**	In contrast to other investors, CalSTRS commands significant resource flexibility to enable it to execute its investment activities internally. Where feasible, CalSTRS should seek to utilize internal management to best harness and direct its resources.
Belief 5 **CalSTRS can potentially capture an illiquidity risk premium.**	Illiquid investments offer investors a return premium due to the inability to quickly buy or sell (or convert such assets to cash) as quickly as liquid or freely traded assets. CalSTRS believes it can capture this risk premium by investing in real estate, private equity and other similar assets.
Belief 6 **Managing short-term drawdown risk can positively impact CalSTRS' ability to meet its long-term financial obligations.**	As a system, CalSTRS is in a deficit funding position and experiences ongoing negative cash outflows (benefits paid out exceed contributions received during a fiscal year). Given this status, the system is particularly sensitive to periods when its investments produce negative returns. In such situations, CalSTRS may be required to sell assets (due to its negative cash outflow status) when asset values are declining. In contrast, plans that exhibit positive cash inflows can purchase at a discount during such periods. As a result of this sensitivity, periods of significant negative asset returns will actually impair CalSTRS' chances of achieving its long-term funding objectives, even assuming investment markets will recover in later periods. Therefore, CalSTRS must attentively manage short-term drawdown risk when developing the long-term asset allocation and when shifting or rebalancing the portfolio.
Belief 7 **Responsible corporate governance, including the management of environmental, social and governance (ESG) factors, can benefit long-term investors like CalSTRS.**	CalSTRS believes that, in addition to traditional financial metrics, timely consideration of material environmental, social, and governance (ESG), factors in the investment process for every asset class, has the potential, over the long-term, to positively impact investment returns and help to better manage risks. Proxy rights attached to shareholder interests in public companies are additional "plan assets" of the system. As a largely long-term investor, CalSTRS can enhance the value of its plan assets by taking a leadership role by voting proxies.

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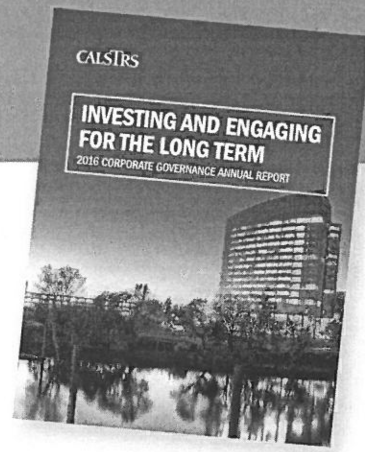

Executive Summary: 2016 Corporate Governance Report

Investing and Engaging for the Long Term

Summary

CalSTRS' engagement on environmental, social and governance issues covers a wide spectrum of activities and issues. The goal of engagement is to protect the long-term value of the assets we invest on behalf of our members and their families by ensuring potential risks to our investments are adequately addressed.

More information can be found on our website, **www.CalSTRS.com**, under the Corporate Governance and Sustainability tabs. You can also download the 2016 Corporate Governance Annual Report, *Investing and Engaging for the Long Term*, by visiting this link: **http://www.calstrs.com/corporate-governance-annual-report**.

Collaborative Partnerships with Other Institutional Investors

One of the ways in which CalSTRS pursues its corporate governance objectives is by working collaboratively with other institutional investors through organizations that allow our investment staff to be broadly engaged with a variety of financial market participants across a large spectrum of issues.

- CalSTRS is an active member of the **Ceres Investor Network on Climate Risk and Sustainability.** This coalition is comprised of a $13 trillion network of more than 100 institutional investors to promote better understanding of the financial risks and opportunities posed by climate change. The network helps shape strategies and policies institutional investors employ in their efforts to mitigate risks associated with climate change and other environmental issues.

- In 2016, CalSTRS joined the **Human Capital Management (HCM) Coalition.** Led by the United Auto Workers, HCM is a group of 25 institutional investors with more than $2.6 trillion in assets that came together to engage companies on the importance of investing in human capital as a driver of long-term performance. Human capital management encompasses a broad range of corporate practices related to the management of employees such as hiring and retention, compensation, training, health and safety, ethics, contracting and fair labor practices

- CalSTRS is a signatory of the **United Nations Principles for Responsible Investment (PRI)**, a $62 trillion network of international investors working together to promote responsible investment practices. PRI's principles reflect the view that environmental, social and governance issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors as part of their fiduciary duty.

- CalSTRS is an active member of the **Thirty Percent Coalition**, a national organization consisting of more than 80 members committed to reaching the goal of having women – including women of color – hold 30 percent of the seats on corporate boards across the country. The coalition works to influence corporations to create awareness and strengthen their efforts to increase the number of women on their boards.

- In 2011, CalSTRS and CalPERS worked with leading corporate governance experts to develop a new digital resource devoted to finding untapped diverse talent to serve on corporate boards. The **Diverse Director DataSource**, or "3D", offers shareholders, companies and other organizations a resource from which to locate and recruit diverse individuals whose experience, skills and knowledge qualify them to be a candidate for a director's seat.

- CalSTRS is also an active participant, and founding member, of the **Sustainability Accounting Standards Board (SASB).** Incorporated in 2011, SASB's mission is to develop and disseminate sustainability accounting standards that help public companies disclose material information to investors. SASB is developing sustainability accounting standards for approximately 80 industries in 10 sectors of the economy. CalSTRS Chief Executive Officer Jack Ehnes serves on the SASB Foundation Board and CalSTRS Chief Investment Officer Christopher J. Ailman chairs SASB's investor working group.

Voting Our Shares

Shareholder voting, otherwise known as proxy voting, is one of the primary means by which shareholders can influence a company's operations and governance, and work to ensure the company is properly disclosing and mitigating risks associated with environmental, social and governance issues. CalSTRS believes it has a fiduciary duty to treat our proxy votes as assets of the plan. CalSTRS proxy votes can be used to support certain corporate directors or shareholder proposals in order to introduce necessary changes that will enhance companies' long-term value.

CalSTRS casts approximately 7,800 votes each year, and has filed more than 300 shareholder proposals in the past five years. Votes are cast on proposals that cover a wide range of issues including accounting and auditing practices, disclosure of climate and other environmental risks, corporate political spending, executive compensation, board composition and diversity, and a variety of other important issues.

Direct Engagement with Companies in our Portfolio

Direct engagement with companies is one of the key tools CalSTRS uses to influence change in the marketplace on a variety of issues.

A number of CalSTRS engagement initiatives have focused on **diversity**. Evidence increasingly confirms that companies with diversity in their management staff and on their corporate boards attain better financial results on average than companies who lack diversity. A 2015 McKinsey & Company study, "Why Diversity Matters," found, for example, that gender-diverse companies and ethnically-diverse companies are 15 percent and 35 percent more likely, respectively, to financially outperform their industry mean.

When Facebook was pursuing its initial public offering in 2012, CalSTRS took notice that the proposed composition of the board included only Caucasian males in the same age group. This was inconsistent with best practices and completely illogical for a company whose customers are more than 50 percent female. CalSTRS lead the effort to engage with Facebook's leaders on multiple occasions, and as a result, a woman was added to the board of directors in 2012. And now, the Facebook corporate board includes two women with a strong, active voice at the table.

CalSTRS has also engaged in initiatives to increase companies' disclosure and mitigation of **climate and environmental risks**. Beginning in 2015, for example, CalSTRS partnered with a company called ClimateWorks Australia in an effort to get more of the companies in our portfolio focused on carbon emissions management and, at the same time, drive cost savings to improve value by promoting energy efficiency considerations at large U.S. companies. CalSTRS sent engagement letters to seven U.S. companies: Ford Motor Company; American Airlines, Inc.; Delta Airlines, Inc.; Dow Chemical Company; International Paper Company; and United States Steel Corporation. CalSTRS received responses from five of the seven companies and concluded its first round of calls with the companies in 2016. This work continues in 2017.

Recognizing that methane, the primary component of natural gas, is a climate pollutant 84 times more powerful than carbon dioxide, CalSTRS staff initiated a **methane emissions engagement initiative** in 2015. This began with the identification of 14 oil and gas companies believed to be most in need of engagement on implementing and disclosing their methane emissions risk management strategy efforts. The initial engagement letters sent to these companies outlined CalSTRS belief that the companies needed to be aware of evolving Environmental Protection Agency regulations, that incorporating methane emissions risk management initiatives into business plans would be beneficial from a business and reputational standpoint, and that disclosure of companies' efforts to prevent "fugitive" methane emissions could be improved.

Eight of the 14 companies contacted as part of the methane emissions engagement demonstrated a commitment to enhancing their risk management activities, or at least improving disclosure of their methane emissions risk management efforts. The remaining six companies received shareholder proposals from CalSTRS calling on them to improve their risk management activities. And subsequently, two of the six companies chose to engage with CalSTRS, and the proposals for those companies were withdrawn as a result. CalSTRS continued to engage with the remaining four companies in 2016.

In 2015, before Governor Brown signed SB 185, which required CalSTRS, subject to fiduciary duty, to divest of certain thermal coal companies, the Teachers' Retirement Board requested a comprehensive review of CalSTRS' thermal coal investments under its Divestment Policy. The board's policy requires staff to engage on an issue, confirm all avenues of influence have been exhausted, and deliver an in-depth report to the board prior to making a decision that could financially affect the teachers' retirement fund. ***CalSTRS views divestment as a last resort because it carries the risk of adversely affecting an investment portfolio and severs any chance to advance positive change through shareholder advocacy.***

CalSTRS completed its engagement and review of U.S. thermal coal companies in 2015 and the board made the decision to divest of U.S. thermal coal companies in February 2016. The CalSTRS Investment Portfolio has been free of U.S. thermal coal holdings as of May 9, 2016.

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Fact Sheet

CalSTRS Funding Plan

The CalSTRS Funding Plan enacted by Chapter 47, Statutes of 2014 (Assembly Bill 1469–Bonta), puts the CalSTRS Defined Benefit Program on the path to full funding in 32 years through incremental shared contribution increases among the program's three contributors: CalSTRS members, employers and the State of California.

Prior to this historic legislation, contributions for members had not been increased in 42 years. The contribution rates established in the funding plan would fully fund the Defined Benefit Program based on the actuarial assumptions in place at the time it was designed in 2014. Those assumptions are periodically adjusted by the Teachers' Retirement Board based on experience. The funding plan gives the board limited authority to adjust employer and state contribution rates accordingly.

CalSTRS Member Contribution Rate Increases

Member contribution increases were phased in over three years. Contribution rates increased by an additional 2.25 percent of payroll for CalSTRS 2% at 60 members, and an additional 1.205 percent for CalSTRS 2% at 62 members. The rate prior to the funding plan was 8 percent.

Effective Date	CalSTRS Funding Plan Increases	
	2% at 60 Members	2% at 62 Members*
July 1, 2014	8.15%	8.15%
July 1, 2015	9.20%	8.56%
July 1, 2016	10.25%	9.205%
July 1, 2017	10.25%	9.205%

***The contribution rate for CalSTRS 2% at 62 members is based, in part, on the normal cost of benefits and may increase or decrease in future years. This rate is expected to increase on July 1, 2018, to 10.205 percent.**

CalSTRS members who perform creditable service on or after January 1, 2014, will receive a guarantee of the existing 2 percent Annual Benefit Adjustment, also referred to as the improvement factor. Under the funding plan, the 2 percent improvement factor cannot be reduced for members who retire on or after January 1, 2014. For members who retired prior to January 1, 2014, the funding legislation does not change the improvement factor benefit.

CalSTRS Employer Contribution Rate Increases

Employer contributions are being phased in over seven years. In 2021–22, the funding plan provides limited authorization to the Teachers' Retirement Board to adjust the employer contribution rate, if necessary, to fully fund the remaining unfunded liability by 2046. Those adjustments are limited to 1 percent annually, not to exceed 20.25 percent. The rate prior to the implementation of the funding plan was 8.25 percent.

Effective Date	CalSTRS Funding Plan Increases	
	Increase	Total
July 1, 2014	0.63%	8.88%
July 1, 2015	2.48%	10.73%
July 1, 2016	4.33%	12.58%
July 1, 2017	6.18%	14.43%
July 1, 2018	8.03%	16.28%
July 1, 2019	9.88%	18.13%
July 1, 2020	10.85%	19.10%
July 1, 2046	Increase from prior rate ceases in 2046–47	

With the 13.4 percent investment return in 2016–17 and other actuarial assumptions, including a 7 percent annual rate of return, the employer contribution rate is projected, at this point in time, to be 18.1 percent in 2021–22. Projections may change based on actual experience.

State Contribution Increases

The CalSTRS Funding Plan maintains the state's base contribution rate of 2.017 percent and the purchasing power benefit contribution of 2.5 percent. It replaces the portion of the state contribution rate that was formerly dedicated to paying for the 1990 benefit structure with an amount that fully funds those benefits over 32 years. The total state contribution rate, including the purchasing power benefit contribution, increased to 8.828 percent in 2016–17. In 2017–18, the funding plan provides limited authorization to the Teachers' Retirement Board to adjust the state contribution rate; however, the rate can be increased by no more than 0.5 percent each year. As of July 1, 2017, the state's contribution rate is 9.328 percent.

Other Provisions of the CalSTRS Funding Plan

- CalSTRS is required to submit a funding status report to the Legislature every five years, starting July 1, 2019, to ensure the plan continues to sustain an appropriately funded benefit program.
- Increased contributions under the funding plan are only payable for compensation that is creditable to the Defined Benefit Program. Compensation creditable to the Defined Benefit Supplement Program continues to be credited with member and employer contribution rates of 8 percent each.
- Excess contributions CalSTRS receives for Defined Benefit Supplement compensation that are attributable to increases under the funding plan are returned to employers. Employers then return excess member contributions to their employees, and the returned pre-tax contributions are considered taxable income in the year they are received by the employee. This occurs regardless of when the contribution was initially paid.

Contribution Rates Comparison

Employer Contribution Rates	2017-18	2018-19	2019-20	2020-21
CalPERS School	15.53%	18.10%*	20.80%*	23.80%*
Social Security	6.20%	6.20%	6.20%	6.20%
Total For CalPERS School Employers	21.73%	24.30%	27.00%	30.00%
CalSTRS	14.43%	16.28%	18.13%	19.10%
Difference in Employer Contribution Rates	**7.30%**	**8.02%**	**8.87%**	**10.90%**

***CalPERS projected employer contribution rates based on June 20, 2016, annual Schools Pool valuation.**

The Value of CalSTRS Engagements

Corporate engagement is one of the key tools CalSTRS uses to influence change in the marketplace. Each year, Corporate Governance staff, under direction from the Teachers' Retirement Board, determines key issues to engage portfolio companies on over the next fiscal year. Each issue must be consistent with the CalSTRS Corporate Governance Program and Portfolio Policy and its 21 Risk Factors for assessing environmental, social and governance risk.

CalSTRS prefers engagement over divestment as it upholds our rights as a shareholder and allows us to discuss issues with companies that impact the long-term value of the fund. The board will consider divestment as a last resort, but only after pursuing engagement and conducting careful financial analysis.

Divestment is heavily weighed and carefully considered because it could have a negative impact on the fund. To date, the estimated loss to the CalSTRS fund from divestments and investment restrictions is approximately $5.5 billion from the first restriction in 2000 through October 31, 2017.

Current Engagement Efforts:

Methane Gas Emission and Leak Reduction

During 2016-17, CalSTRS engaged four oil and gas companies and 15 utility companies around their efforts to manage methane leaks in operations and infrastructure, which led to the filing of four shareholder proposals asking for improved leak detection and repair disclosure. All four oil and gas companies agreed to improve their methane leak capture efforts, including Cimarex and Gulfport.

Oil Industry

Exxon Mobil: At the annual 2017 shareholder meeting, 62 percent of shareholders, including CalSTRS, voted to support a climate change proposal calling to evaluate and disclose the viability of its portfolio under the 2-degrees scenario—the concept of limiting the average global temperature increase to 2 degrees Celsius. In 2016, shareholders succeeded in the appointment of a climate-competent board member.

Occidental Petroleum: In May 2017, CalSTRS supported a shareholder proposal at Occidental Petroleum to require it to report on the business impacts of climate change. The proposal passed with a 67 percent approval over the objections of the board and the company.

Royal Dutch Shell: In December 2017, Shell announced plans to measure and disclose the lifecycle level of carbon emissions associated with the exploration, production, distribution and use of their energy products after engagement with shareholders, including CalSTRS. Shell also committed to trying to reduce their lifecycle carbon levels by 50 percent by 2050.

Task Force on Climate-related Financial Disclosure

In 2017, CalSTRS began a multi-year engagement effort focused on building corporate support for the Task Force on Climate-related Financial Disclosure guidance on how to better align climate risk management disclosures in financial statements. CalSTRS expects to engage approximately 20 companies a year for the next five years around this issue.

Diversity

CalSTRS believes that board and c-suite diversity should be a primary focus of engagement. Staff continues to engage companies on their diversity programs and the overall impact of developing diverse executive staff as well as increasing the pipeline of diverse candidates who will be able to serve on corporate boards. In the last year, staff engaged 87 of our portfolio companies without any women on their boards, and as a result, 25 women were appointed to boards of directors.

Pipeline Monitoring

Amid public protests regarding the Dakota Access Pipeline (DAPL), CalSTRS and other plan sponsors met with the Sioux Tribe in February 2017 to have a conversation about the tribe's concerns. CalSTRS then engaged DAPL builder, Energy Transfer Partners (ETP), to better understand how the company determines pipeline sites and what process is used to consult with indigenous people who live where the company proposes to build. In July 2017, CalSTRS staff visited ETP's pipeline control center to see firsthand how they implement pipeline safety processes and procedures. In November and December 2017, CalSTRS met with several of the banks identified by AB 20 (Kalra) as financing the DAPL to discuss how they incorporate social issues into their investment decision-making process.

In addition, CalSTRS continues to monitor issues surrounding the Keystone XL, Atlantic Coast and Trans Mountain pipelines. Staff is engaging portfolio companies in the oil, gas and utilities sectors and tracking risks associated with pipeline integrity, focusing on a company's leak detection and repair protocol, as well as the approval processes and financing of these projects.

Equator Principles

CalSTRS is engaging financial institutions concerning their adherence to the Equator Principles, which provide protection of indigenous peoples' rights. CalSTRS is following up with banks that finance pipeline projects and are signatories to the Equator Principles to make sure the process for consulting indigenous people is being followed. CalSTRS met with several European banks in November and December 2017 regarding the Equator Principles and voted for the indigenous peoples report at recent annual meetings for Wells Fargo and Enbridge.

Investors for Opioid Accountability

In 2017, CalSTRS joined the Investors for Opioid Accountability in asking for independent directors to review and report on how boards are managing the legal, financial and reputational risks their companies face as a result of their involvement with opioids.

Wells Fargo

In 2017, CalSTRS voted its 11.6 million shares against long-tenured board members because of the board's failure to identify risk/oversight mechanisms following wide-spread fraud perpetrated against the company's own customers. CalSTRS continues to actively engage with the company, and CalSTRS' director of corporate governance was recently appointed to the Wells Fargo Stakeholder Relations Group.

K12

CalSTRS staff continues to engage K12, a company that provides kindergarten through 12th grade curriculum and online school programs, on the company's leadership, strategy and compensation issues through written letters to the company and in-person meetings at the company's headquarters.

Private Prisons

CalSTRS has engaged with private prisons such as GEO Group and CoreCivic about political contributions and the treatment of inmates and detainees. Staff met and discussed the companies' policies and procedures to prevent human rights abuses within their facilities. Staff also engaged the European private prison operators G4S, Serco and Sodexo to discuss their operations and differences between the U.S. and European models.

Gun Retailers

CalSTRS staff is reviewing the portfolio for exposure to manufacturers and retailers of firearm products and accessories that are illegal in the state of California. Staff plans to engage the identified companies on their policies for product selection and controls to prevent products illegal in certain jurisdictions from being sold illegally or transferred into areas they are illegal.