ALM Study Portfolio Recommendations

May 4, 2023

Themes

➢Meeting the liability risk preferences expressed by the Investment Committee at March 2023 meeting

➢Enhancing Portfolio Diversification to mitigate market risks

➢Focusing on long term versus current market environment

➢Leaning into CalSTRS Strengths with the Collaborative Model

➢Addressing the risk and opportunities with the Carbon Transition

Summary of portfolio options
Investment & liability metrics relative to current policy

	Option A (Recommended)	Option B	Option C	Option D
Expected return	→	→	↓	↓
Expected volatility	↓	↓	↓	↓
Probability of full funding	↑	↓	↓	↓
Risk of low funding	↓	↓	↓	↓
Contribution rates	→	↑	↑	↑

Recommendation & next steps

✓ Portfolio Option A as new asset allocation policy targets

✓ Present implementation plan & policy updates or return with additional analysis

Asset Class	Option A (Recommended)	Current Policy	Change
Global Equity	38%	42%	**-4%**
Private Equity	14%	13%	**+1%**
Real Estate	15%	15%	
Inflation Sensitive	7%	6%	**+1%**
Fixed Income	14%	12%	**+2%**
Risk Mitigating Strategies	10%	10%	
Cash	2%	2%	