MEKETA

California State Teachers Retirement System (CalSTRS)

September 25, 2024

Semi-Annual General Consulting Executive Summary
(Open Session)

Key Takeaways

→ Meketa conducts a semi-annual review of each asset class.

- Formal RFI completed and interviews conducted.

→ The CalSTRS Investment Staff continues to operate at a high level.

- Measures for evaluation are overwhelmingly positive over relevant time periods.

As of June 30, 2024	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Total Portfolio	8.4	4.3	8.5	7.7
Policy Benchmark	*7.4*	*3.8*	*7.7*	*7.3*
St. Street Median (>$10B)	*10.6*	*4.5*	*8.5*	*7.5*
Reference Portfolio[1]	*13.5*	*2.5*	*7.3*	*6.3*

[1] Reference Portfolio: 70% MSCI ACWI IMI / 30% Bloomberg Aggregate.

Asset Class Highlights

Global Equity[1]

Returns (%)	5 Years	10 Years
Global Equity	10.7	8.9
Policy Benchmark	10.5	8.8
MSCI ACWI IMI	10.4	8.2
Peer Group Median	10.0	8.3

Sharpe Ratio	5 Years	10 Years
Global Equity	0.54	0.55
Policy Benchmark	0.53	0.54
MSCI ACWI IMI	0.53	0.50
Peer Group Median	0.45	0.45

Fixed Income[2]

Returns (%)	5 Years	10 Years
Fixed Income	0.4	1.9
Policy Benchmark	0.0	1.5
Bloomberg Aggregate	-0.2	1.3
Peer Group Median	0.9	2.3

Sharpe Ratio	5 Years	10 Years
Fixed Income	-0.26	0.10
Policy Benchmark	-0.32	0.02
Bloomberg Aggregate	-0.39	-0.03
Peer Group Median	-0.21	0.16

→ The two largest public market asset classes for CalSTRS, Global Equity and Fixed Income, have each produced strong long-term relative returns.

[1] Global Equity Peer Group – InvMetrics Public DB Global Equity.

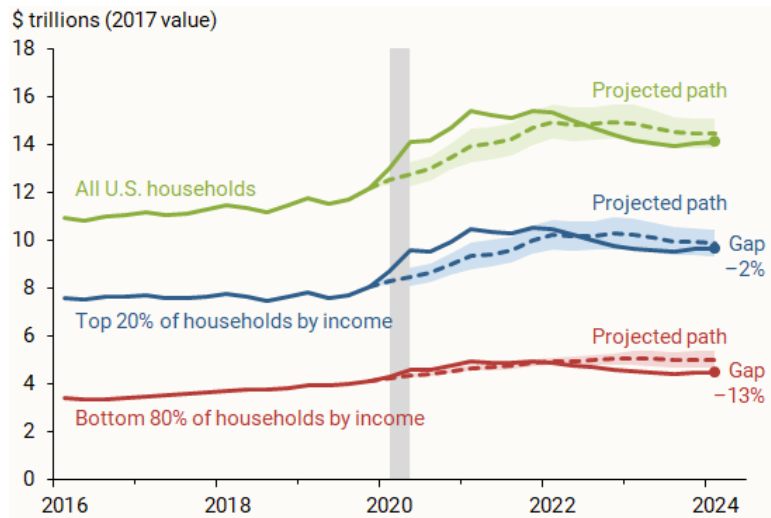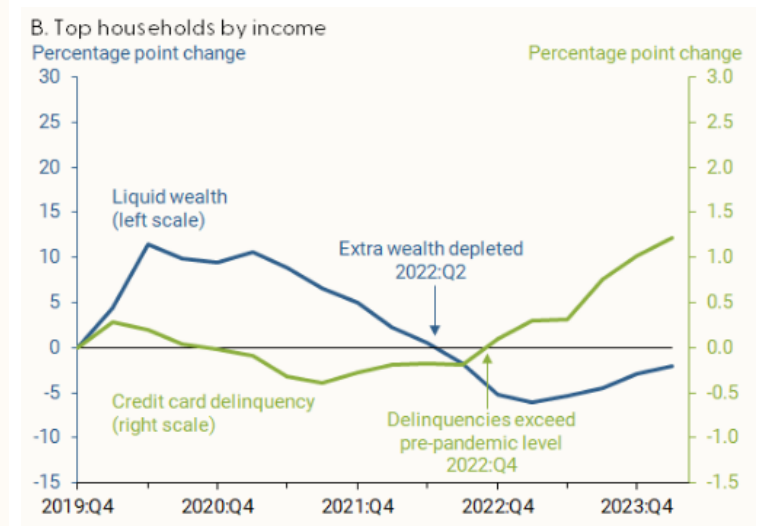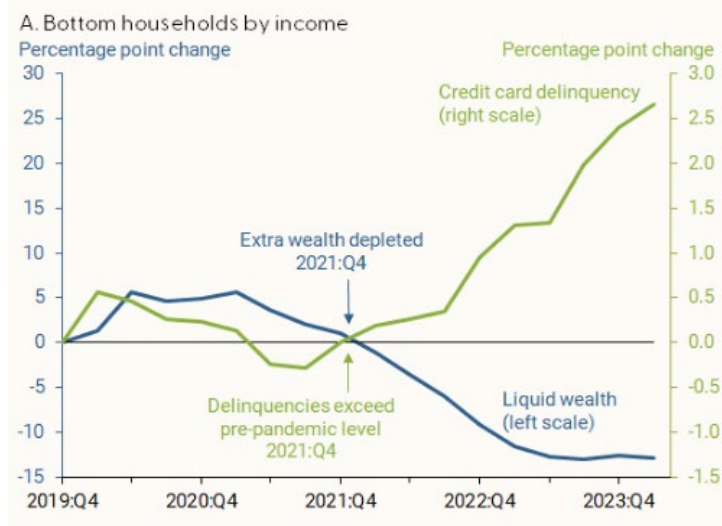[2] Fixed Income Peer Group – InvMetrics Public DB US Fixed Income.

The Big Risks:
US Consumer Under Stress?

→ Pressures building on the US consumer.

Household Liquid Wealth vs. "No-pandemic" Estimates[1]

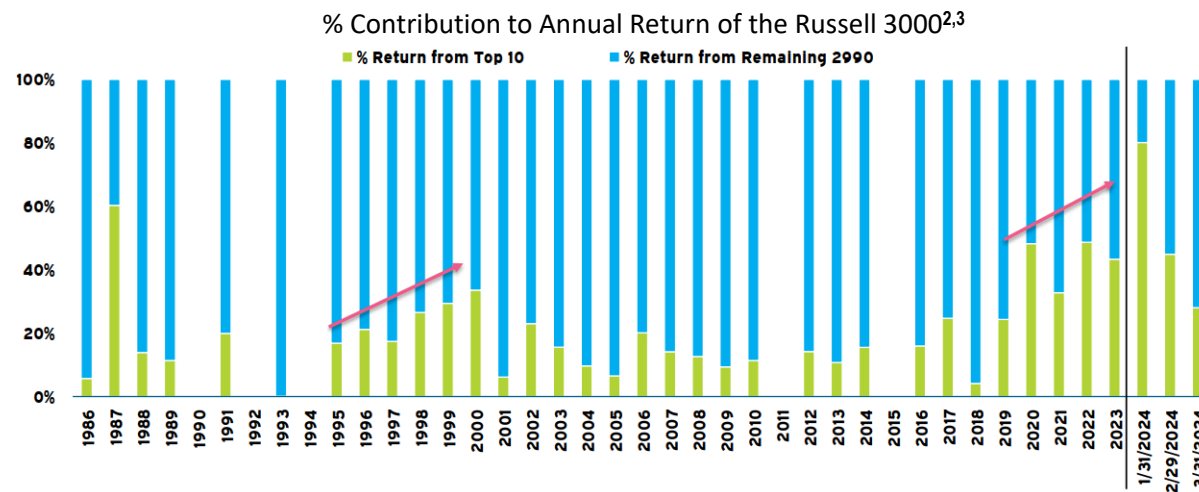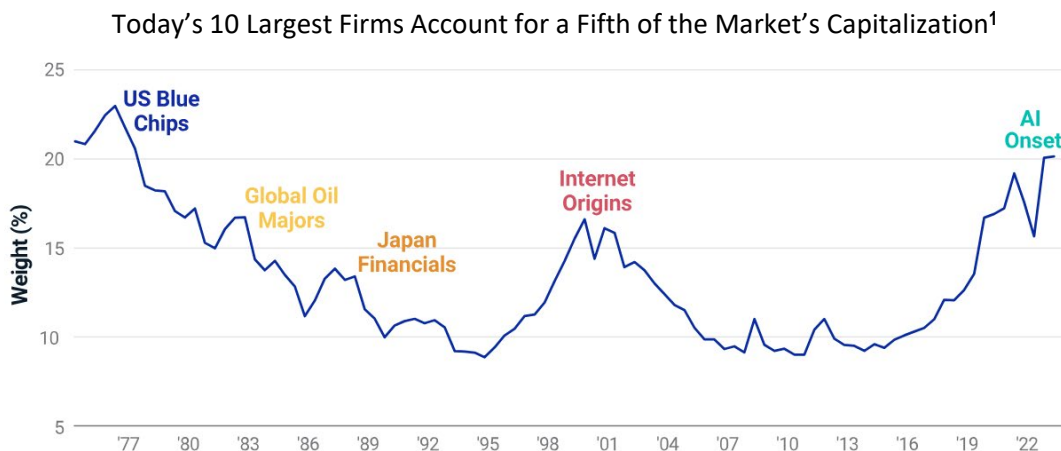Credit Card Delinquencies / Pandemic-era Liquid Assets[1]

The Big Risks:
US Equity Market Concentration/Valuation – Tech Bubble?

→ Since 2018, the top ten constituents' influence on the Russell 3000's returns have grown markedly.

→ The AI-driven rally has pushed today's market concentration to levels not seen since the 1970s.

Today's 10 Largest Firms Account for a Fifth of the Market's Capitalization[1]

% Contribution to Annual Return of the Russell 3000[2,3]

[1] Source: MSCI, "AI's Moment and Insights from Themes Past," August 9, 2023.
[2] Source: FactSet, as of March 31, 2024. Note that Alphabet Class A and C were combined into one category for this analysis.
[3] In years 1990, 1992, 1994, 2011, and 2015, the top 10 and the rest moved in opposite directions, making the stacked column not meaningful; hence they were excluded from the chart.

The Big Risks:
Political Risk

→ At the CalSTRS Board off-site meeting, the Board received information about political risks heading up to the 2024 presidential election.

→ Political risks (and geopolitical risks) are at most times a meaningful risk in the capital markets and for CalSTRS.

→ Political risks can be divided into two types:

- Policy risks
- Disruption risks