



California State Teachers' Retirement System  
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### **CalSTRS Divests from U.S. Thermal Coal Companies**

*CalSTRS board moves to divest from U.S. thermal coal companies  
and to engage with foreign firms*

**WEST SACRAMENTO, Calif.** – The Board of the California State Teachers' Retirement System voted today to divest from U.S. thermal coal companies and to initiate engagement with non-U.S. companies.

The financial impact of today's decision is estimated at \$1.5 million from affected holdings in CalSTRS' U.S. Equity and Fixed Income Portfolios, as of December 31, 2015. The board found that divestment was consistent with both CalSTRS' fiduciary duty and the provisions passed in Senate Bill 185 (de León) calling for divestment from thermal coal companies. CalSTRS decision is the culmination of a 10-month research and engagement process, initiated by the CalSTRS' Investment Committee in April 2015.

“We determined that given the financial state of the industry, the movement of the regulatory landscape and coal's impact on the environment, its presence reflects a loss of value,” said Investment Committee Chair Sharon Hendricks. “We will now move ahead to determine the fiduciary appropriateness of non-U.S. thermal coal companies in the CalSTRS portfolio and make an additional decision based on those findings.”

CalSTRS holdings in U.S. thermal coal companies have been limited to its passively-held equity index portfolio and fixed income securities. CalSTRS active managers have not selected these holdings and have mostly chosen not to own them over the past several years. The affected companies are: Cloud Peak Energy; Hallador Energy Company; Peabody Energy Corporation; and Westmoreland Coal Company.

Using its [21 Risk Factors](#), CalSTRS has a well-established policy to assess environmental, social and governance investment risks – such as climate change impacts related to coal production – in addition to a formal divestment policy. Both policies emphasize engagement first – an approach that was well received by the affected companies.

In the review of CalSTRS' portfolio of domestic thermal coal companies, models comparing the actual portfolio with a hypothetical coal-free portfolio, showed divestment would pose an insignificant impact on fund performance over a three-, five-, or 10-year period.

CalSTRS divestment process began in April 2015, well before the October 2015 signing of Senate Bill 185 (de León) into law. Under the legislation, CalSTRS has until July 1, 2017 to evaluate, engage and determine the fate of foreign thermal coal companies in its investment portfolio.

“Any effort to remove thermal coal companies from the portfolio has to first meet the Investment Committee’s standards of fiduciary care,” Ms. Hendricks said. “CalSTRS’ priority is, and always has been, safeguarding the financial futures of our members.”

The [California State Teachers’ Retirement System](#), with a portfolio valued at \$186.1 billion as of December 31, 2015, is the largest educator-only pension fund in the world. CalSTRS administers a hybrid retirement system, consisting of traditional defined benefit, cash balance and voluntary defined contribution plans. CalSTRS also provides disability and survivor benefits. CalSTRS serves California's 896,000 public school educators and their families from the state’s 1,700 school districts, county offices of education and community college districts. Follow us on Twitter @CalSTRS