



CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM



California State Teachers' Retirement System

CalSTRS and Clean Technology Investments

Real Desrochers, Director of Alternative Investments

European Energy Venture Fair 2005

Zurich -- 26 September 2005

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?



CALSTRS

California State Teachers'
Retirement System

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Overview of CalSTRS

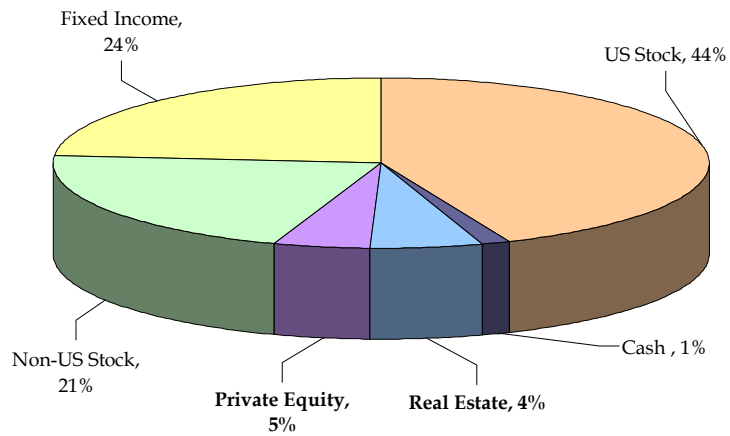
- Largest teachers pension fund in the U.S.
- \$134 billion in assets under management
- Over 755,000 teacher members and benefit recipients



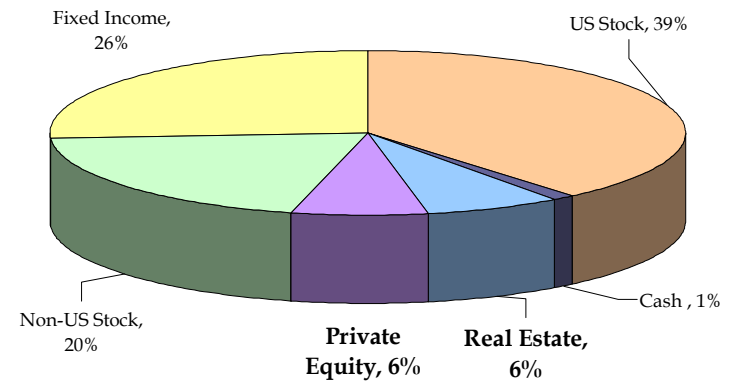
Overview of CalSTRS

July 31, 2005

Current Allocation



Target Allocation





Alternative Investments Overview

- Program established in 1988
- Mission: Provide enhanced investment returns over public markets
- Activities:
 - Private equity partnerships
 - Co-investments
 - Secondary interests



Alternative Investments Portfolio and Staff

- Committed: \$16.6 billion across 167 funds and 79 general partners
- Market Value: \$6.2 billion (as of June 30, 2005)
- Staff:
 - Director
 - 8 Portfolio Managers
 - 6 focused on partnership investing
 - 2 focused on co-invests and secondary investing



Alternative Investments Strategy

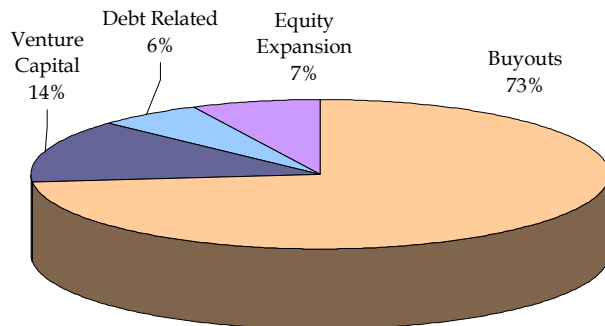
- Diversify across investment stage, vintage year, geography, and industry sector
- Invest only in managers expected to generate top quartile returns over the long-term.
- Commit large amounts with relatively fewer managers



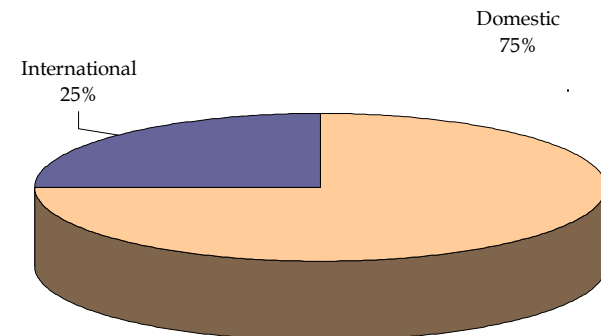
Alternative Investments Diversification

July 31, 2005

Asset Allocation



Geographic Allocation



Market value of AI Portfolio: \$6.2 billion

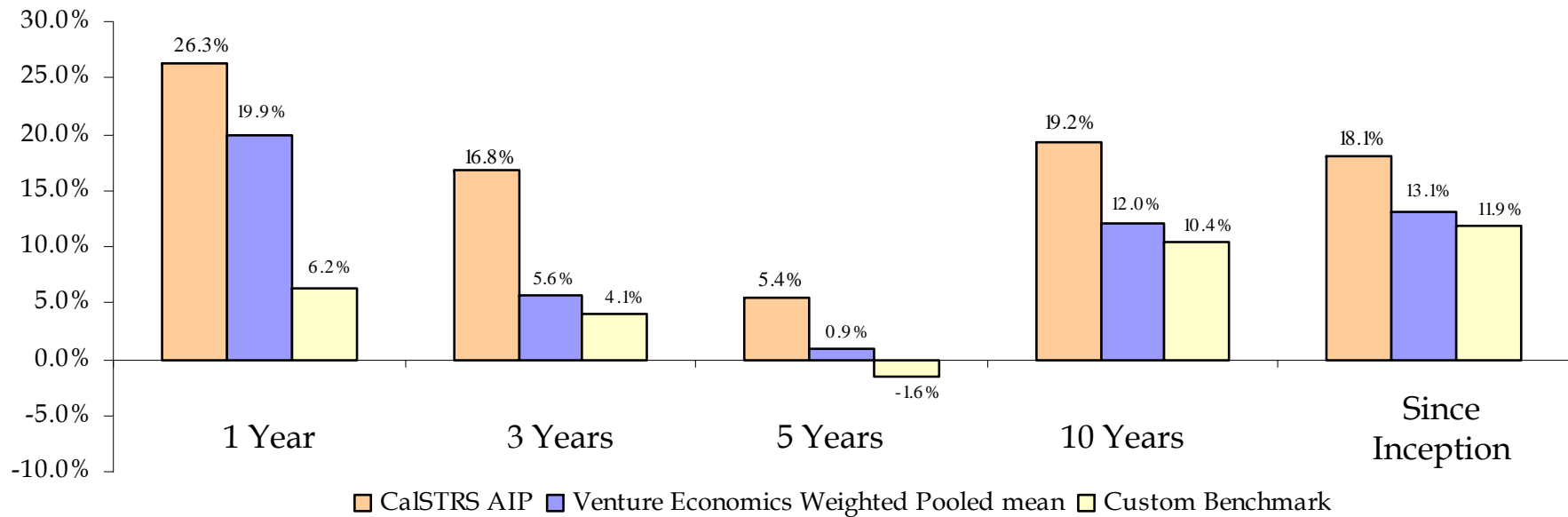


Manager selection is based on the following criteria:

- **30%** Past performance
- **25%** Alignment of interests
 - GP investment
 - Flat share of carry
 - Long vesting period
- **20%** Continuity and history of management team
- **15%** Investment strategy and pace
- **10%** Strategic fit with CalSTRS portfolio



Investment Performance Alternative Investments Program Performance (Net IRR %) As of 3/31/05



* CalSTRS custom benchmark is a composite of the Russell 3000 Index and 90-day Treasury Bill. A 500 bp premium is added to the Russell 3000



CalSTRS Environmental Focus

1. Targeted Private Equity Investment
2. Targeted Public Equity Investment
3. Demand Environmental Disclosure and Accountability
4. Analyze Energy Efficiency of Real Estate Portfolio



Alternative Investments: Clean Technology & Energy

1. Sector study by Cambridge Energy Research Associates completed in June 2004
2. Clean Tech Advisory Board established October 2004
3. Over 70 fund investment opportunities identified; 5 investments extensive due diligence conducted
4. Approximately 12 co-investment opportunities identified



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Thank You!