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### **CalSTRS alters investment strategy**

#### ***Significantly reduces investment in commodity markets in response to public pressure***

In response to public pressure, the second largest pension fund in the country has decided to reduce its planned investments in commodities by close to 95 percent.

In June, CalSTRS, the California State Teachers' Retirement System, [announced its intention to allocate \\$2.5 billion into direct commodity investment](#), which would have placed them among the largest institutional allocators into commodities.

In response to this announcement, a large number of commodity market end users, religious, development, consumer, and small-scale farmer organizations joined together to write to CalSTRS asking them to reconsider their intentions, citing poor returns (due mostly to "negative roll-yield" on futures-based investment strategies), and providing data and expert testimony linking direct commodity investment to more volatile food and energy prices.

“We were very concerned that if CalSTRS decided to shift part of its portfolio into commodity markets, they would draw even more institutional investors to do the same,” said David Kane, associate for Latin America and Economic Justice in the Maryknoll Office for Global Concerns, “and we have already seen what a drastic effect these investors have had in commodity markets. Excessive speculation, especially from large institutional investors, was a significant factor behind the energy and food commodity bubbles of 2008 that drove an additional 130 million people into hunger.”

CalSTRS was very responsive, and engaged in correspondence with the group, which can be accessed [here](#) and [here](#). Following this correspondence, and after hearing a presentation from one of the social justice groups' representatives at the CalSTRS board meeting last Thursday, the board of CalSTRS decided to abandon its initial plan to invest \$2.5bn directly into commodities.

Instead, the board has agreed to test a far smaller pilot scheme of \$150 million over the next 18 months. Board members expressed concern over both the potential poor returns of direct commodity investing, and also the wider social impact. They pledged to monitor the ongoing discussion of the link between institutional investment in commodities and volatile food and energy prices, and to discontinue the pilot program if their worries in that regard are not adequately resolved.

David Frenk, Research Director of Better Markets Inc, who represented the coalition of groups at CalSTRS board meeting said, “While not everyone on the board agreed with our arguments, there was enough concern to drastically reduce their initial investment to a relatively small sum as a pilot project. We are hopeful this is just the first step towards CalSTRS and other large institutional investors abandoning direct investment in commodities entirely. The long-only investment strategies they are being sold, which require constant rolling, are bad for the pension funds, bad for commodity markets, and bad for society. We will continue to approach other pension funds and university endowments in coming months as part of a larger campaign to convince investors to divest from commodities and their derivatives.”