

2022-23

Business Plan

CALSTRS®

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Our Mission

Securing the financial future and sustaining the trust of California’s educators

Our Vision

Your Reward—A secure retirement

Our Reward—Getting you there

Our Core Values

The CalSTRS Core Values are a set of attitudes, beliefs and behaviors that define CalSTRS and its employees.

CUSTOMER SERVICE

We never compromise on quality as we strive to meet or exceed the expectations of our customers.

ACCOUNTABILITY

We operate with transparency and accept responsibility for our actions.

LEADERSHIP

We model best practices in our industry and innovate to achieve higher standards.

STRENGTH

We ensure the strength of our system by embracing a diversity of ideas and people.

TRUST

We conduct ourselves with integrity, acting ethically in every endeavor.

RESPECT

We respect the needs of our members, co-workers and others, treating everyone with fairness, honesty and courtesy.

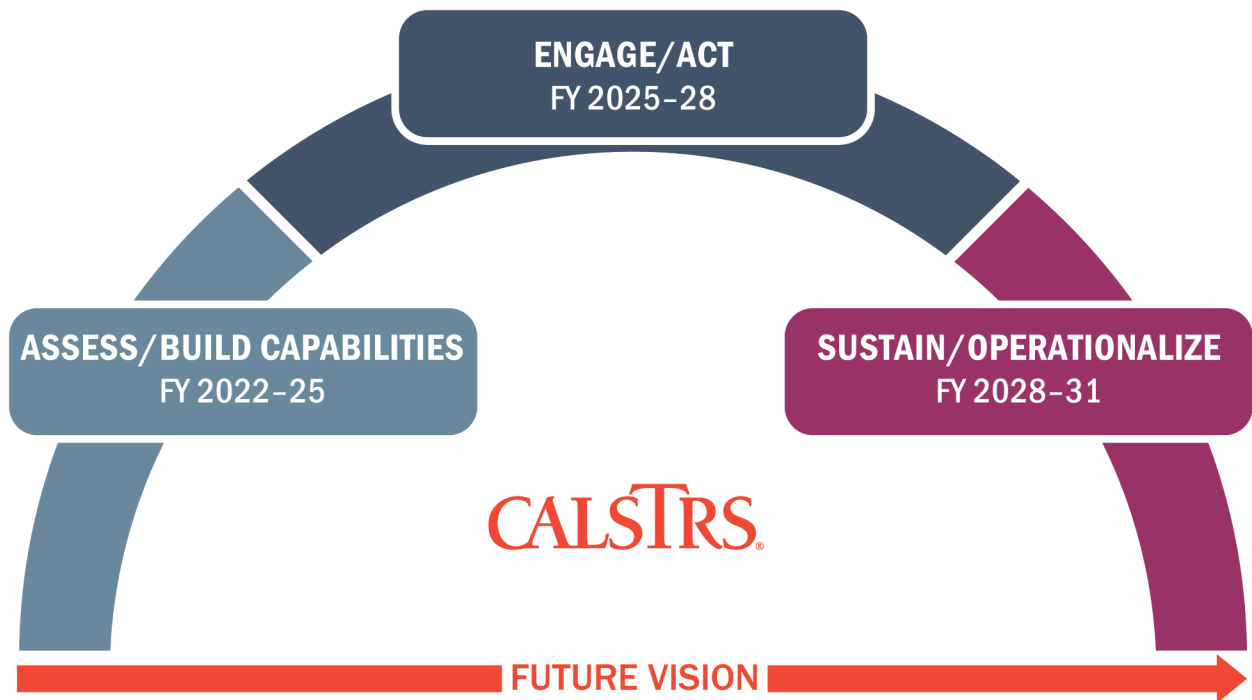
STEWARDSHIP

We recognize our fiduciary responsibility as the foundation for all decision-making.

About the Business Plan

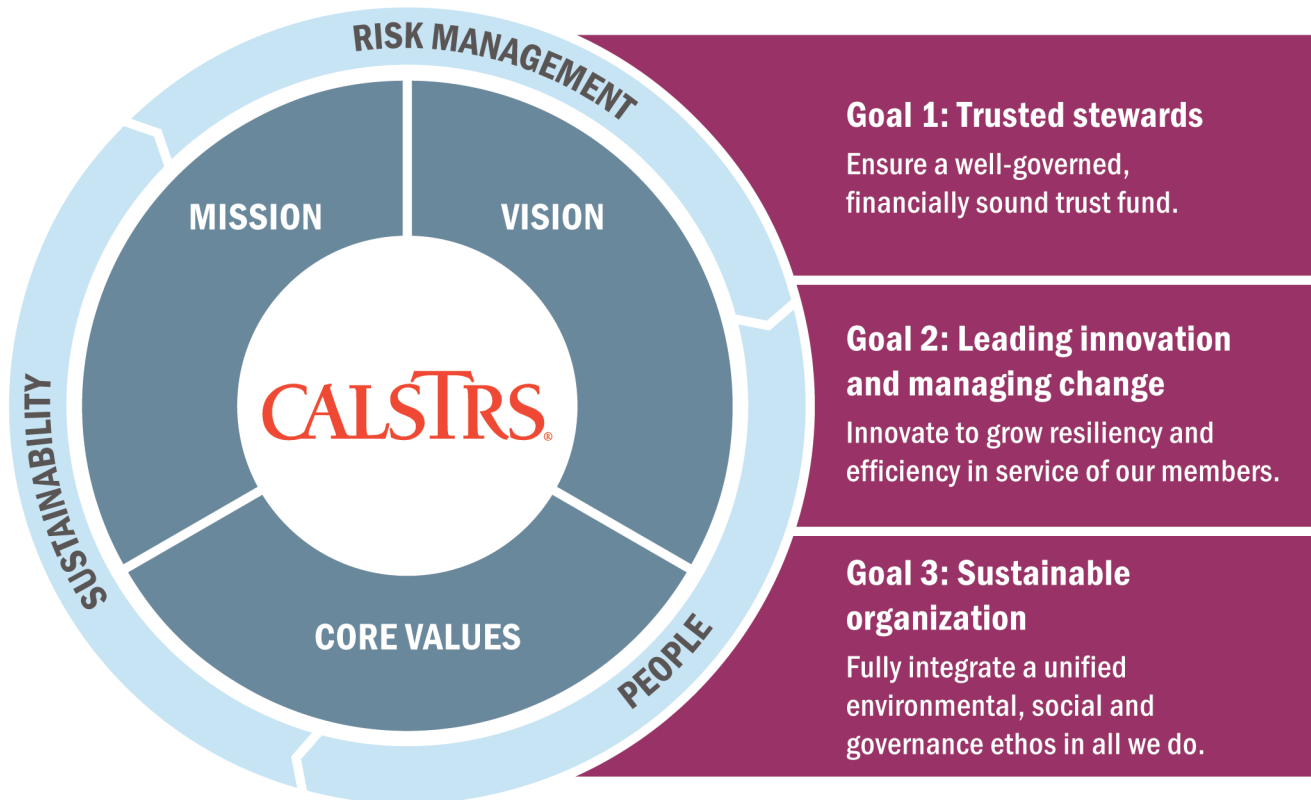
The 2022–23 *Business Plan* describes the specific actions we will take over the next year toward our 10-year vision of success, as described in the 2022–25 *Strategic Plan*. Our current focus is on assessing our readiness and building organizational capabilities.

Strategic Plan cycles



Our mission, vision and core values are the foundation of our annual business plan. Each of the three goals within the plan reflect our attention to sustainability, risk management and people in everything we do.

Strategy map



Goal 1: Trusted stewards

Ensure a well-governed, financially sound trust fund.

GOAL 1: OBJECTIVE A

Achieve full funding of the Defined Benefit Program by June 30, 2046.

INITIATIVE 1

Develop long-term asset allocation targets in conjunction with the Teachers' Retirement Board.

Key activities for 2022–23

- Begin process for the next Asset Liability Study while continuing to implement current allocation targets.

GOAL 1: OBJECTIVE B

Operationalize sustainable investment beliefs to create long-term value.

INITIATIVE 1

Implement initial steps to support the Teachers' Retirement Board's net zero pledge.

Key activities for 2022–23

- Establish a baseline measurement of existing portfolio emissions.
- Assess and monitor the path to net zero emissions with respect to current market conditions.
- Establish interim goals to measure greenhouse gas emission reduction progress along the path to net zero.
- Enhance engagement strategies with companies and policymakers to encourage further global emission reduction.

INITIATIVE 2

Refine mapping of CalSTRS' low carbon and net zero transition-aligned investments.

Key activities for 2022–23

- Establish CalSTRS' definition of low carbon and net zero transition-aligned investments.
- Determine optimum strategies to increase low-carbon assets in alignment with the fund's risk-return goals.

INITIATIVE 3

Integrate diversity, equity and inclusion across the Investments Branch.

Key activities for 2022–23

- Research, identify, offer and implement diversity, equity and inclusion practices within asset classes, programs and the branch.
- Continue progress on strategic roadmap to enhance the management, monitoring and reporting of diversity, equity and inclusion progress and accomplishments.
- Pursue and maintain emerging managers and diverse managers that generate performance aligned with CalSTRS' financial and return objectives to meet benefit obligations.
- Continue to influence global markets via company engagement.
- Expand engagement and outreach opportunities through the CalSTRS Diversity Forum and Beyond Talk Program.
- Comply with reporting requirements as mandated by Assembly Bill 890.

GOAL 1: OBJECTIVE C

Execute the CalSTRS Collaborative Model 2.0 phase of the continuum.

INITIATIVE 1

Optimize cost and savings reporting related to the Collaborative Model.

Key activities for 2022–23

- Evolve cost and savings reports through enhanced performance metrics, enabling more detailed investment cost and return analysis.
- Create a more holistic view of investment costs relative to respective returns, including trends over time.

INITIATIVE 2

Develop and implement a Collaborative Model Pillar Project transition plan to operationalize across the organization.

Key activities for 2022–23

- Complete project closeout and mapping document.
- Establish ongoing reporting plan using existing governance mechanisms and operational performance and business reviews.

INITIATIVE 3

Transform technologies and services to advance investment analytics and decision-making capabilities.

Key activities for 2022–23

- Grow data and analytics expertise in the Investments Branch.
- Develop an investment data foundations and analytics technology roadmap supporting a total fund view.

- Identify a governance structure to support advanced investment analytics and decision-making capabilities.
- Invest in technology to make data more streamlined, accessible and trusted, enabling self-service analytics and reporting.

INITIATIVE 4

Develop opportunistic investment strategies that capitalize on enhanced risk-return payoffs as well as cost savings from direct control and internal management.

Key activities for 2022–23

- Create framework, governance structure and implementation strategy for new opportunistic strategy within the current asset allocation plan.

GOAL 1: OBJECTIVE D

Grow strategic relationships with policymakers, stakeholders and partner organizations.

INITIATIVE 1

Demonstrate our dedication to sustainability; diversity, equity and inclusion; and ethical principles.

Key activities for 2022–23

- Identify core audiences, including CalSTRS members and the sustainability business community, and associated key messages for sustainability program communications.
- Review and prioritize recommendations provided by diversity, equity and inclusion consultant.
- Develop a stakeholder communication plan to socialize activities related to sustainability; diversity, equity and inclusion; and ethical principles.

INITIATIVE 2

Establish an organizational understanding of CalSTRS' audiences—including stakeholders, policymakers and partner organizations.

Key activities for 2022–23

- Develop a primer that defines our target audiences, the roles they play in advancing our mission, and the mediums in which we reach and communicate with them.
- Use operational performance and business reviews to identify gaps and opportunities to improve our strategic relationships.

INITIATIVE 3

Assess and evolve communication mediums to reach our audiences where they are.

Key activities for 2022–23

- Use operational performance and business reviews to identify gaps and opportunities.
- Present to the board annually, focusing on how communications and engagement activities support the organization and its mission, quantifying content delivered to targeted audiences through available mediums.

GOAL 1: OBJECTIVE E

Enhance how risks are defined, viewed and managed.

INITIATIVE 1

Assess the mandate and scope of the Enterprise Risk Management and Enterprise Compliance Services programs and identify opportunities to mature the programs.

Key activities for 2022–23

- Perform Enterprise Risk Management and Enterprise Compliance Services maturity assessments to establish the current state of the programs.
- Develop a roadmap to mature the overall ERM and ECS framework based on industry best practices for risk management and compliance.
- Evaluate the existing board reporting structure for all ERM and ECS programs, and provide education and any recommendations to the Audits and Risk Management Committee.

Goal 2: Leading innovation and managing change

Innovate to grow resiliency and efficiency in service of our members.

GOAL 2: OBJECTIVE A

Implement and integrate a highly adaptive pension administration system to modernize transactional capabilities.

INITIATIVE 1

Address implementation risks associated with the next phase of the pension administration system project.

Key activities for 2022–23

- Incorporate root cause analysis and risk response action in implementation planning.
- Reassess critical success factors for the project.
- Adjust risk response strategy to strengthen risk mitigation.
- Deliver transformation readiness activities.

INITIATIVE 2

Enhance quality assurance capabilities.

Key activities for 2022–23

- Reexamine quality criteria and associated metrics.
- Strengthen mechanisms for identifying and addressing quality issues.
- Realign project status reporting to promote consistency.

INITIATIVE 3

Identify business realignment opportunities.

Key activities for 2022–23

- Continue to assess resourcing and associated budget needs.

GOAL 2: OBJECTIVE B

Grow capabilities and culture to support a strategic and innovation mindset.

INITIATIVE 1

Engage an innovation expert to assess our current stage in the innovation maturity spectrum.

Key activities for 2022–23

- Solicit services of an innovation expert.
- Conduct best practice research.
- Define innovation for CalSTRS.

INITIATIVE 2

Evaluate the future of work and retirement.

Key activities for 2022–23

- Conduct research to evaluate workforce and retirement trends.
- Study new member and community college faculty experiences and touchpoints.
- Evaluate student and teacher enrollment and trends in the teaching profession.

INITIATIVE 3

Enhance cost-conscious culture throughout the organization.

Key activities for 2022–23

- Prepare a multiyear capital expenditure plan.
- Research budget analytics and reporting software tools.
- Prepare current state cost-conscious culture framework.
- Develop a roadmap to identify and monitor cost optimization efforts.

GOAL 2: OBJECTIVE C

Enhance the customer experience to improve engagement and reduce effort.

INITIATIVE 1

Increase reliability and accuracy of member account data and final benefit components.

Key activities for 2022–23

- Pilot the quality management program in Employer Services.
- Continue exploration of contribution reporting laws and regulations for potential improvements.
- Add detail, examples and specifics to employer education materials and explore employer field manual concept.
- Continue Employer Reporting to Final Benefit proof-of-concept pilots to determine where to invest ongoing resources.

INITIATIVE 2

Determine the most effective member service environment to maximize service delivery.

Key activities for 2022–23

- Prepare an optimization plan for member service center footprints upon upcoming lease expirations.
- Streamline and optimize technology in member service centers.

INITIATIVE 3

Explore opportunities to optimize and adapt educational services and their delivery channels.

Key activities for 2022–23

- Research delivery options and service modalities in alignment with member preferences (for example, in-person, hybrid, self-service) as determined through customer experience planning activities.
- Leverage technology trends and best practices to improve customer experience and access to educational services.

INITIATIVE 4

Improve services to enhance the customer experience.

Key activities for 2022–23

- Optimize Contact Center technology.
- Leverage technology to expand communication channels.
- Perform gap analysis between our current services and the services customers prefer.
- Explore ways to better align with and measure customer expectations.
- Create a culture of customer experience throughout the organization.
- Document customer journeys.
- Determine the viability, benefits and timing of acquiring a customer relationship management solution.

GOAL 2: OBJECTIVE D

Explore advanced technology to securely gain business agility and enhance user interface experience.

INITIATIVE 1

Expand data analytic capabilities to drive business decisions.

Key activities for 2022–23

- Evaluate, select and prioritize developed use cases.
- Build business intelligence and data warehouse platform.

INITIATIVE 2

Assess long-term strategy for CalSTRS' enterprise resource planning system and ancillary solutions.

Key activities for 2022–23

- Identify business requirements needed to enhance enterprise resource planning capabilities.
- Evaluate existing enterprise resource planning system roadmap for current state and identify gaps.

INITIATIVE 3

Implement technologies to support a hybrid workforce and enhance collaboration.

Key activities for 2022–23

- Deploy infrastructure to augment service modalities and modernize the IT Service Desk.
- Explore solutions to remotely manage board meeting equipment.
- Research and develop prototypes for teleconferencing solutions.
- Deploy infrastructure to enable and support utilization of ready-to-use workspaces.

INITIATIVE 4

Implement technologies to improve the effectiveness of CalSTRS' business operations.

Key activities for 2022–23

- Explore solutions to enhance capabilities.
- Implement additional human capital management system capabilities.
- Implement virtual assistant to support travel-related processes.

GOAL 2: OBJECTIVE E

Innovate, streamline and automate processes to increase efficiency.

INITIATIVE 1

Identify business processes to streamline or improve.

Key activities for 2022–23

- Identify business processes to focus on by leveraging operational performance and business reviews.

INITIATIVE 2

Conduct research to identify policy, technology or other strategies to promote efficiency.

Key activities for 2022–23

- Prioritize and submit a request to the Continuous Improvement Team to evaluate processes.
- Initiate identified process improvement projects.

GOAL 2: OBJECTIVE F

Transform business processes and drive digital adoption.

INITIATIVE 1

Enhance resource capacity planning and resource management capabilities.

Key activities for 2022–23

- Evaluate information technology governance practices.
- Refine information technology governance framework.
- Define structures to facilitate updated information technology governance framework.

INITIATIVE 2

Grow organizational change management capabilities.

Key activities for 2022–23

- Evaluate organizational change management capabilities and identify opportunities for improvement.
- Develop structure of organizational change management support at CalSTRS.

INITIATIVE 3

Increase digital adoption of newly implemented technologies.

Key activities for 2022–23

- Develop digital adoption framework.
- Establish governance to facilitate digital adoption strategy.
- Assess and support change readiness activities.

Goal 3: Sustainable organization

Fully integrate a unified environmental, social and governance ethos in all we do.

GOAL 3: OBJECTIVE A

Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity and inclusion practices.

INITIATIVE 1

Incorporate diversity, equity and inclusion into all CalSTRS practices.

Key activities for 2022–23

- Conduct an assessment and create a roadmap of consultant-recommended actions.
- Promote diversity, equity and inclusion principles and activities on Central and CalSTRS.com.

INITIATIVE 2

Evaluate current and anticipated staffing needs and volume, identify gaps and strategies to close them.

Key activities for 2022–23

- Assess current state and develop roadmap to mature strategic plan resource analysis process.

INITIATIVE 3

Support a hybrid workforce with updated tools, operational processes and infrastructure.

Key activities for 2022–23

- Identify culture-enhancing strategies through organizational assessments, best practice research and data collection methods.
- Provide tools to leaders to manage a hybrid workforce.
- Expand learning and development opportunities that support staff growth and leadership in the core competency of adaptability/flexibility.
- Explore opportunities to improve productivity, create flexibility and promote work-life balance.
- Identify opportunities for cross training.

INITIATIVE 4

Position CalSTRS to attract, acquire and retain top talent.

Key activities for 2022–23

- Review and update onboarding, development and performance resources aligned with refreshed competencies.
- Update Investments Branch structure with new investment management classifications in support of the CalSTRS Collaborative Model.
- Continue assessing compensation program in alignment with the CalSTRS Collaborative Model.

GOAL 3: OBJECTIVE B

Integrate and align environmental, social and governance principles across the organization.

INITIATIVE 1

Prepare a plan to integrate and align environmental, social and governance principles throughout the organization.

Key activities for 2022–23

- Leverage the Corporate Sustainability Team to identify and align ESG functions within the organization.
- Identify ESG-related strengths and weaknesses.
- Evaluate opportunities for integrated sustainability reporting.
- Review updated industry frameworks and align our reporting.
- Develop and define sustainability program goals, opportunities and successes.
- Present sustainability updates related to investments and the organization to the board.
- Prioritize and implement sustainability consultant-recommended actions.

GOAL 3: OBJECTIVE C

Complete headquarters expansion and transition activities.

INITIATIVE 1

Effectively manage space optimization.

Key activities for 2022–23

- Conduct space optimization for new facility.
- Assign staff in accordance with optimization.

- Relocate staff into new building workspaces.
- Identify tenants to occupy vacant space in the existing building.
- Prepare existing building for leasing (tenant improvements).
- Create policy and enforcement mechanisms pertaining to tenants and the headquarters expansion.

INITIATIVE 2

Determine funding gap and secure bond financing.

Key activities for 2022–23

- Once the headquarters expansion is substantially complete, determine the final amount of financing required to complete the project.
- Complete the bond financing process for the second bond issuance.

INITIATIVE 3

Complete Headquarters Expansion Project deliverables on time and on budget.

Key activities for 2022–23

- Monitor project costs through monthly reconciliation reports.
- Ensure timely approvals of change requests, submittals and completed designs.
- Provide ongoing evaluation of staffing resources to effectively meet the schedule and budget.
- Revise staff occupancy analysis to align with a blended workplace model.
- Implement change management activities to support workplace transitions.

GOAL 3: OBJECTIVE D

Strengthen preparedness capabilities to address change and disruptions.

INITIATIVE 1

Secure the confidentiality and integrity of data and member information.

Key activities for 2022–23

- Enhance cyber-fraud detection, prevention and response.
- Automate technology asset and software inventory.

INITIATIVE 2

Enhance cybersecurity plans.

Key activities for 2022–23

- Ensure the continued evolution of security awareness education.
- Complete data management training for all employees.

INITIATIVE 3

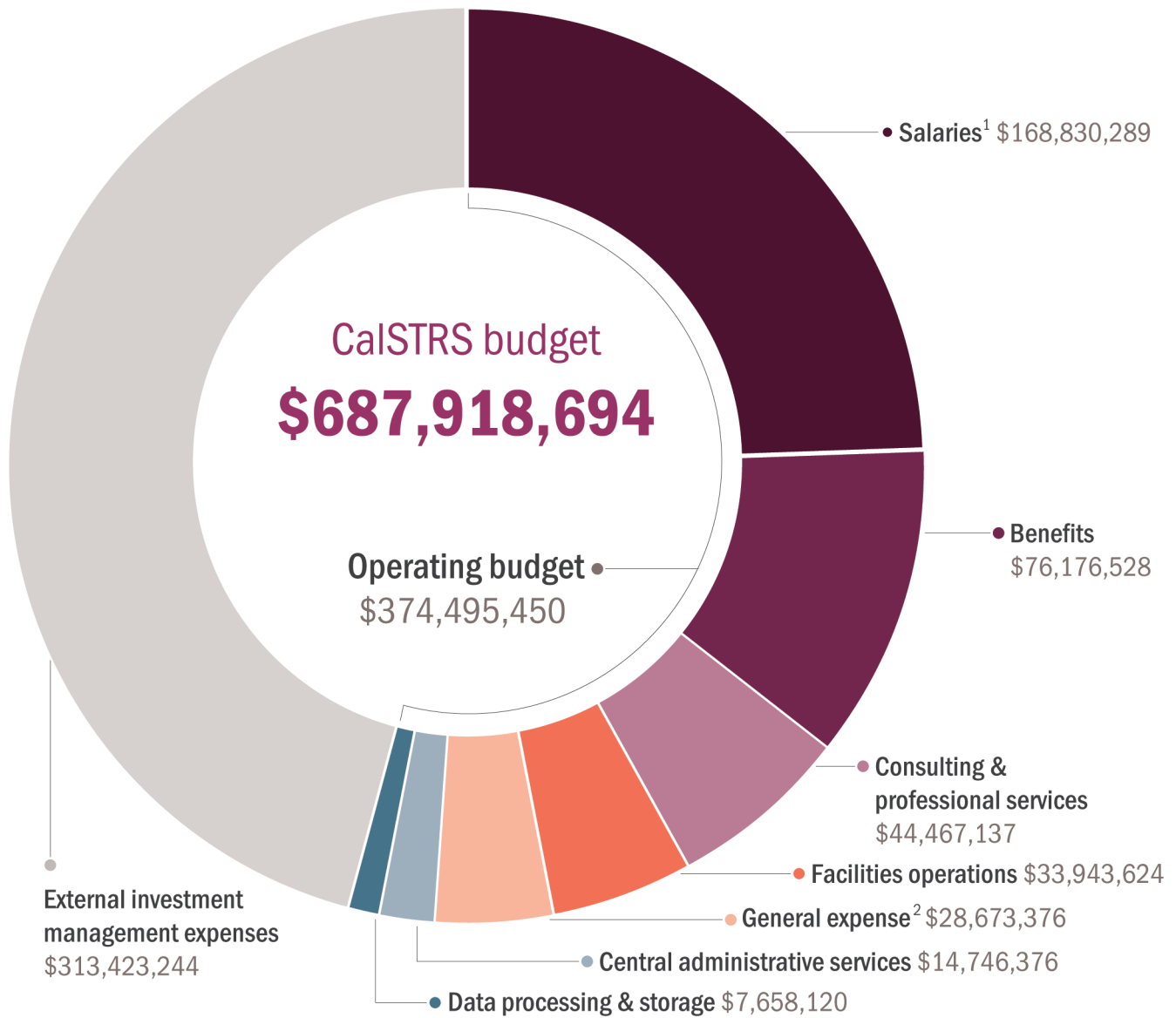
Enhance business resiliency.

Key activities for 2022–23

- Modernize business continuity functional and table-top exercises and testing.
- Enhance business continuity plans to reflect current workplace dynamics and emerging risks.
- Continue to migrate pertinent business applications to cloud-hosted data center solution.

Budget and resources

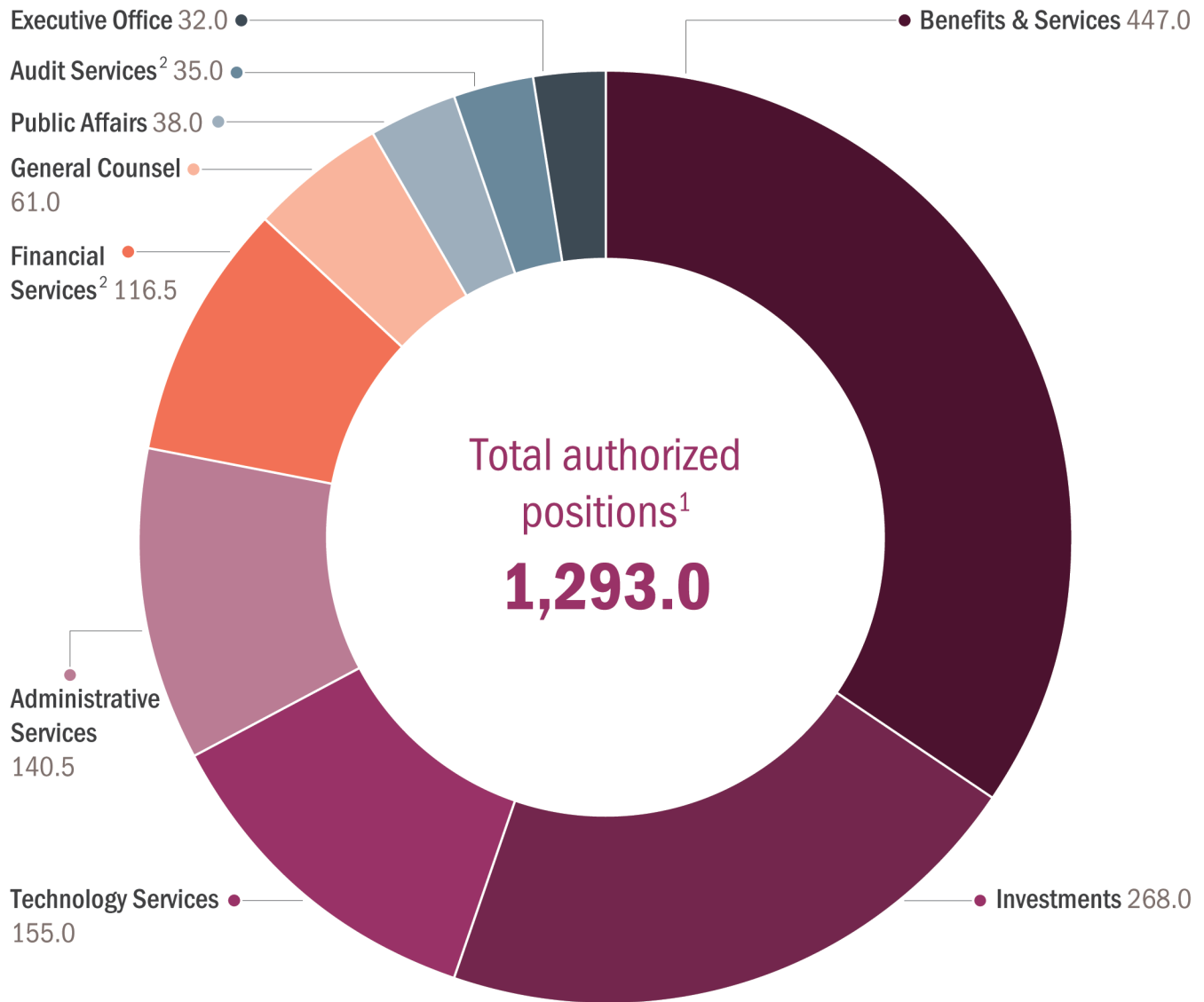
FISCAL YEAR 2022-23 CALSTRS BUDGET



¹ Figure includes \$24.5 million for incentives and \$189,000 for overtime.

² Figure includes printing, communications, postage, insurance, travel in and out of state, training, indirect cost, equipment over \$5,000, and special items of expense.

FISCAL YEAR 2022–23 AUTHORIZED POSITIONS BY BRANCH



¹ In support of the CalSTRS Collaborative Model, a Multi-Year Internal Investment Management Plan was approved by the Teachers' Retirement Board that established 109 authorized positions to be dispersed across fiscal years 2021–22 through 2025–26. Of the total, 30 were distributed in 2021–22, and 24 are included in the 2022–23 budget. The remaining 55 positions will be dispersed across fiscal years 2023–24 through 2025–26.

² Effective April 1, 2022, Enterprise Compliance Services moved from Audit Services to the Financial Services Branch.



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