
Strategic Planning for Fiscal Years (FY) 2022–25

PURPOSE

The purpose of this item is to reach consensus on the Board’s priorities for the 2022–25 three-year strategic plan—a document that records overarching goals, objectives to guide our collective direction, and measures to evaluate our success. To accomplish this aim, the board and executive staff will engage in a facilitated discussion led by the board’s governance consultant, Amy McDuffee of Mosaic Governance Advisors, LLC (Mosaic), and Cassandra Lichnock, CEO of CalSTRS.

BACKGROUND

Strategic planning, a governance best practice, is a continuous approach that is focused on the development of long-term goals that support the organization’s mission and accomplish its vision. The board and executive staff have a long-standing history of collaboratively engaging in strategic planning. In 2018, the board developed the current three-year strategic plan that will conclude in fiscal year 2021–22. Each new strategic plan is designed to maintain the viability of our fund and foster continuous improvement for the benefit of CalSTRS members and beneficiaries.

Strategic planning is a way for leaders to step out of the day-to-day activities of running the business in order to focus on long-term strategy. Strategy, by definition, is about making complex decisions under uncertainty, with substantive, long-term consequences. Therefore, it requires careful consideration. The following eight questions can serve as a helpful guide as we navigate this process:

1. What is the appropriate balance between efficiency, optimizing costs and delivery excellence?
2. Where might we be able to extend our capabilities?
3. Is there a better way to structure ourselves to deliver on our mission?
4. In what areas does an “insource versus outsource” decision come into play?
5. Are there any constraints that stand in the way of achieving our vision?
6. How can we leverage our strengths?
7. What risks must we address that might disrupt our purpose?
8. What long-standing assumptions and principles might need to be revisited?

DISCUSSION/SUMMARY

The facilitated discussion will center around the vision for CalSTRS future. Board and staff feedback, which was gathered by Mosaic and the CalSTRS Enterprise Strategy Management Team, will be presented for discussion.

The 2022–25 horizon is one of exciting opportunities. Not only does the board have a new CEO with her views of what the organization can do, but CalSTRS will also be at the crossroads of several major projects ending or nearing completion during the new strategic plan cycle. This could potentially free up resources to work on new projects to further advance CalSTRS as an industry leader and support our mission of securing the financial future and sustaining the trust of California’s educators for decades to come.

To develop the 2022–25 strategic plan, the board and executive staff will address progress made under the 2019–22 strategic plan. Attachment 1 presents executive staff’s recommendation as to the objectives that have been completed or operationalized under the 2019–22 plan and the items to carry forward to the 2022–25 strategic plan. The items that are carried forward create continuity between the planning cycles.

Attachment 2 presents the board and executive staff’s assessment of CalSTRS’ current environment, the SWOT Analysis, which identifies areas of strengths, weaknesses, opportunities, and threats. The SWOT Analysis was compiled by Mosaic using input provided through interviews with the board in Spring 2021 and subsequent strategy sessions with executive staff. The SWOT Analysis forms the basis of critical issues and risks that CalSTRS may likely face in the next three years and provides directional guidance on topics to consider in the 2022–25 strategic plan. Mosaic will facilitate the discussion on any needed adjustments to the SWOT Analysis and key observations.

Executive staff have identified themes from the SWOT Analysis that reflect critical issues to address within three broad focus areas. Harnessing organizational efforts to address the broad focus areas will create alignment with CalSTRS future vision. Mosaic will facilitate the board and executive staff’s discussion to reach consensus on the critical themes arising from the SWOT and the focus areas they reflect. The outcomes will subsequently be used to frame the 2022–25 strategic plan.

ATTACHMENTS

Attachment 1 - Executive staff recommendations regarding the 2022–25 strategic plan
Attachment 2 – 2021 SWOT Analysis

POWERPOINT

PowerPoint – Developing the Strategic Plan FY 2022–25

CALSTRS STRATEGIC PLAN

Fiscal Years 2019-22



GOAL 1: FINANCIAL/GOVERNANCE

Ensure a well-governed, financially sound trust fund.

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

B: Integrate CalSTRS' sustainable investment and stewardship strategies, which support long-term value creation and educate and inform interested parties.

C: Leverage investment cost information to yield long-term benefits. *(join w/D)*

D: Implement investment collaborative model leveraging all of CalSTRS resources. *(join w/C)*

E: Enhance board meeting effectiveness and efficiency.

GOAL 2: DIGITAL TRANSFORMATION

Leverage technology to securely transform business and service delivery models to maximize operational efficiency.

A: Implement and integrate a highly adaptive pension administration system.

B: Secure the confidentiality and integrity of data and member information.

C: Enhance business resiliency capabilities.

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

GOAL 3: MEMBER/EMPLOYER

Strengthen partnerships and services to members, employers and stakeholders.

A: Educate and inform CalSTRS constituent groups on strategic priorities. *(becomes an initiative)*

B: Enhance collaborative partnerships with employers to increase alignment on key initiatives and increase awareness about the value of CalSTRS defined benefit plan.

C: Increase the accuracy, completeness and timeliness of employer reporting.

D: Provide educational opportunities to improve the retirement readiness of CalSTRS' members.

E: Grow Pension2 participation.

GOAL 4: ORGANIZATIONAL STRENGTH

Grow capacity and enhance efficiency in alignment with the mission and vision.

A: Develop board and staff competencies to respond to changing business environments.

B: Improve business processes and reduce costs.

C: Drive adoption of transforming business processes and technology.

D: Hire, develop and retain staff to meet the needs of our changing business models and growth expectations.

Key: Carry forward/as is=**bold** | Carry forward/modify=**blue** | Complete/operationalized=**red cross through**



2021

SWOT Analysis

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SWOT Analysis

A common exercise in strategic planning is a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis which assists in evaluating an organization's current strategic position. The purpose of this exercise is to help guide discussions on what goals are achievable and what new ideas can reasonably be pursued given the organization's resources and circumstances. A SWOT analysis addresses the following questions:

STRENGTHS

- What do we do well?
- What are our core competencies?
- Where do we excel?

WEAKNESSES

- What could use improvement?
- What is hindering us from performing?
- What are our deficiencies?

OPPORTUNITIES

- What has changed in our environment that can help us improve?
- What can we take advantage of?
- What unique circumstances exist?

THREATS

- What external factors might hurt us or stand in the way?
- What should we watch out for?
- Where are the risks?

Information related to the SWOT Analysis as presented on the following pages was gathered through various strategic planning activities conducted in Spring and Summer 2021 with the members of the Board, Executive Staff, and CalSTRS directors and staff. The SWOT Analysis forms the basis of critical issues that CalSTRS may likely face in the next three years and provides directional guidance on topics to consider for the FY 2022–2025 Strategic Plan. At the October 2021 Teachers' Retirement Board offsite, the Board and Executive Staff will engage in a facilitated discussion to identify any needed adjustments to the SWOT Analysis.

Strengths of the internal organization

Internal attributes that support a successful outcome.

Focus on prudent policy and process

- S-1) On a foreseeable route to full funding; there is more predictability in CalSTRS future.
- S-2) Stable asset allocation and low-cost investment management.
- S-3) Commitment to sustainability through well-developed investment and corporate governance practices; good stewards of the Fund.

Board and staff leadership linked to international reputation, healthy culture and diverse workplace

- S-4) Strong, recognizable CalSTRS brand.
- S-5) Board and staff leadership and collaboration; appropriate balance, alignment, trust and transparent communications between the board and staff.
- S-6) Organizational reputation for good governance; board and staff share a commitment to continuous improvement.
- S-7) A reputation of reliability; members can trust that they will receive their pension check.
- S-8) A recognized market mover and strong global partner.
- S-9) Continued positive relationships and reputation with external stakeholders including the Legislature and State agencies.
- S-10) Experienced, competent, credible investment team and organizational leaders with a global profile.

S-11) Resilient workforce that is highly engaged with the organization and its inspiring mission.

S-12) Purpose-driven organization from the board to staff.

S-13) Transparent, stakeholder sensitive, listen-first philosophy runs throughout the organization.

S-14) A workplace and employer of choice; optimum mixture of public and private sector elements attracts talent across sectors.

S-15) Strong, risk aware culture of excellence that aligns with core values; a reputation for ethics and integrity; solid work ethic, teamwork, and a focus on people such that staff feels recognized and appreciated.

S-16) Diversity is emphasized and promoted both internally and within the investment arena.

Developed and mastered skills and competencies to create a modern, sustainable organization

- S-17) Leadership environment characterized by thoughtful succession planning, stability, continuity.
- S-18) Mature onboarding program provides new hires a firm foundation to excel.
- S-19) Member-centric, with a focus on timely and accurate customer service and meeting individual needs.

- S-20) Well-developed external communications; strong advocate for retirement security for California educators and communicating the value of CalSTRS to members; proactive in telling the CalSTRS story.
- S-21) Able to cultivate talented staff; have a strong bench of qualified staff in critical areas.
- S-22) CalSTRS' statutory authority skillfully and diligently navigated.
- S-23) Discipline achieved by undertaking proactive and effective long-range planning practices.
- S-24) Strong performance management practices are based on clear goals and metrics, appropriate delegation, accountability, and a talent development mindset.
- S-25) Mature internal business process and operations are supported by a strong framework of internal controls, compliance and risk management.

Weaknesses of the internal organization

Internal attributes and resources that are perceived as working against a successful outcome.

Inhibitors to change

- W-1) A culture of excellence is not always fertile soil for innovation.
- W-2) Lack of process automation and limited data analytics.
- W-3) Continuous possibility for board turnover inherent in the governance model creates uncertainty.
- W-4) Recruitment, retention, and leadership training for employees in specialized pension management roles.
- W-5) Fast-paced changes and the “administrative burden” needed to accomplish them.
- W-6) State government framework that creates effectiveness and efficiency for the State may inhibit the achievement of CalSTRS’ business objectives.
- W-7) The available benefits package may not always align with the recruitment needs of a competitive labor market.
- W-8) Perceived salary inequities can inhibit effectiveness.

Areas for further development

- W-9) The path forward to a blended work environment needs continual focus, monitoring, and updates.
- W-10) Additional performance tools and training are needed to manage a workforce in a blended work environment.
- W-11) Stronger cross-functional collaboration is needed across branches.
- W-12) CalSTRS needs to further streamline its operating model.
- W-13) Further communications emphasis needed on the value created through CalSTRS initiatives and associated expenditures.
- W-14) Internal performance measurement environment is undergoing evolution. More robust productivity metrics are needed; however, some programs are challenging to measure.
- W-15) Pace of projects and workload volume can seem unbalanced at times.

Opportunities in the External Environment

External factors that the organization can capitalize on to its advantage.

See the “customer” through different, but interlinked lenses to deliver on the CalSTRS mission of serving members.

- 0-1) Reach CalSTRS’ membership, employers, and stakeholders through new mediums.
- 0-2) Expand financial literacy and financial wellness programming in alignment with member preferences.
- 0-3) Identify common ground between members and employers and synchronize communications efforts.
- 0-4) Resolve benefits reporting challenges to further enhance benefit stability.

Identify and leverage advantages

- 0-5) Determine how CalSTRS’ blended work environment could positively impact recruitment and retention efforts.
- 0-6) Diversity, equity and inclusion are now appropriately front and center; they reflect topics that CalSTRS has long-embraced and prioritized, with further integration on the horizon.
- 0-7) Amplify CalSTRS’ global leadership role in sustainable investing and as a model for social responsibility.
- 0-8) Review and refine existing business processes in light of new technologies.
- 0-9) Continue implementing high priority projects to:
 - expand lease revenues and operational resources,

- provide products and services to members and employers in alignment with their needs and preferences, and
- achieve investment cost savings.

- 0-10) Take actions in alignment with deeply held organizational values and proactively communicate.
- 0-11) Leverage strong, productive working relationships with stakeholders and peer networks to achieve business objectives.
- 0-12) Infuse lessons learned from the pandemic into enhanced board operations and meetings.
- 0-13) Leverage stable workforce and talent development programs to thoughtfully address succession risk.

Monitor, appropriately size, and anticipate forces that could create high-impact change or risk to the membership or organization

- 0-14) A rapidly changing labor market.
- 0-15) Environmental and shareholder friendly administration in Washington, D.C.
- 0-16) Evolving State fiscal condition and supportive Administration.
- 0-17) The rise in interest and popularity of ESG topics with the younger generation.
- 0-18) Broad-based calls for immediate divestment of certain industries or investments.
- 0-19) Understand and anticipate the future of work and retirement.

Threats in the External Environment

External factors that could jeopardize the organization's success.

Ability to meet investment assumptions

- T-1) Market risks are ever present; uncertainty about interest rates, inflation, and concern of potential economic downturn.
- T-2) Competition in the institutional investment space is increasing; markets are moving faster, which in turn, increases the speed of change.
- T-3) Travel limitations.

Impacts to CalSTRS organizational purpose and mission

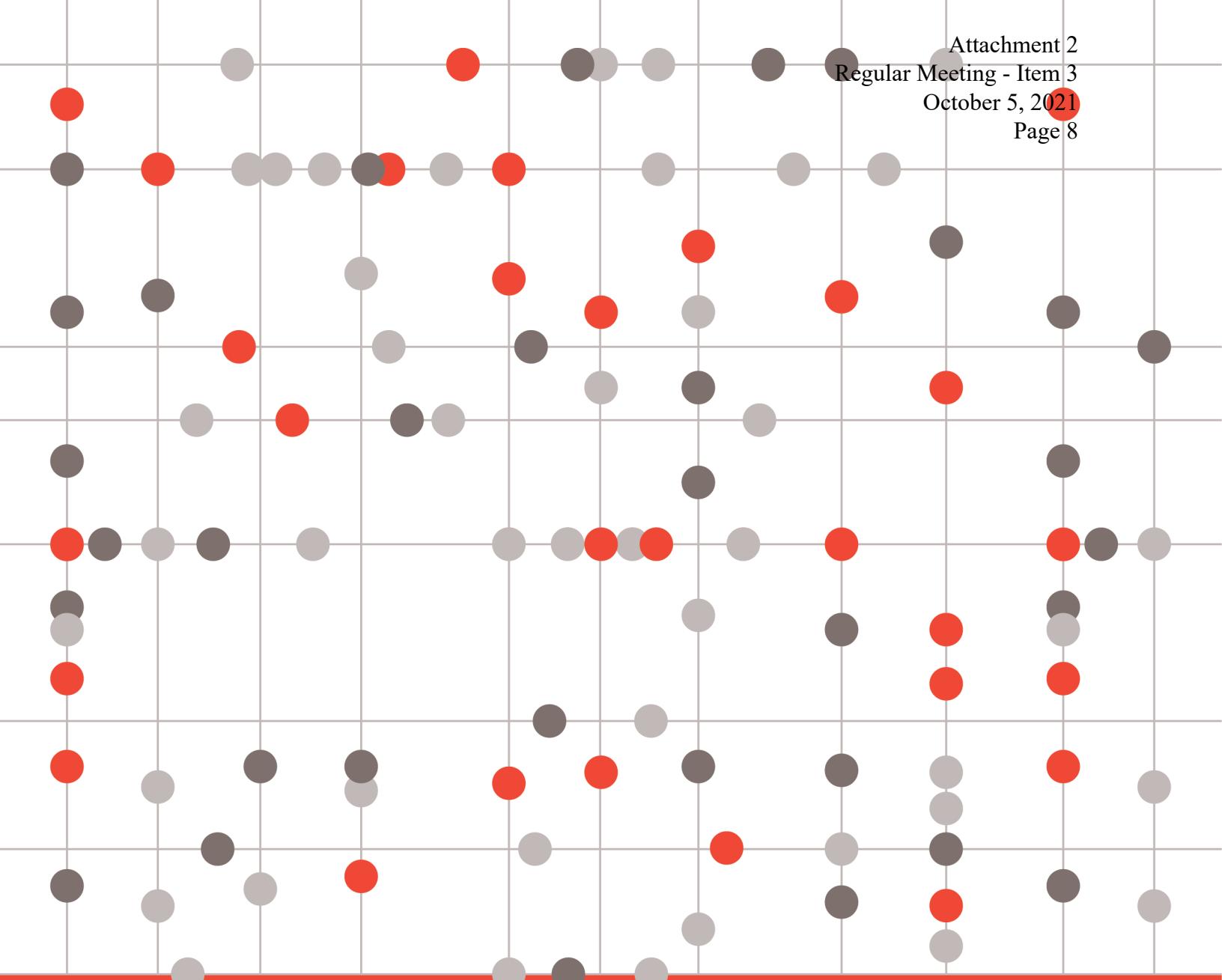
- T-4) Uncertain political environment within and outside of California, and increased capacity to organize on political initiatives, e.g., recall election.
- T-5) Potential for distraction by external forces and pressures, including anti-public pension sentiment and overabundance of data and information.
- T-6) Narrow interpretations of fiduciary restraint.
- T-7) Cybersecurity threats are increasing in frequency and sophistication; other retirement systems across the country have been impacted.
- T-8) Changes to the education delivery model, charter schools, and resulting demographic shifts in the teacher population, including fewer new teachers, more retirements and increased longevity.

- T-9) Level of public trust in government and publicized failures.

- T-10) Potential for another crisis.

Impacts to the Workforce

- T-11) Differences exist between CalSTRS and the State in organizational purpose and priorities: impact of budget demands on State and local government and competition for available monies.
- T-12) Virtual working environments make it challenging to maintain quality human connections and high-functioning organizational cultures.
- T-13) Fast-changing technology landscape, communication modes, digital divide and ability to keep pace; effective adoption.
- T-14) Alignment between labor market preferences and what CalSTRS can deliver impacts recruitment, retention, and reputation as an employer.
- T-15) Prolonged impact of the pandemic.
- T-16) Pace of change.



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