
CALSTRS BOARD FISCAL YEAR 2022-23 WORKPLAN

Translating Strategy into Priorities

Attachment(s): Attachment 1 - Small Group Breakout Discussion

Attachment 2 – CalSTRS 2022-25 Strategic Plan

PowerPoint(s): None

TODAY'S DISCUSSION

The purpose of this discussion is to attain consensus on a set of board priorities arising from the board approved 2022-25 Strategic Plan.

Attachment 1 provides the list of board approved goals and objectives from the 2022-25 Strategic Plan. Mosaic has provided a suggested starting point for the board to discuss and attain consensus on a slate of board priorities. Objectives assigned a board priority would likely require more of a time allocation on future board/committee agendas than those receiving routine oversight. Having a consensus view of board priorities arising from the Strategic Plan will inform the development of the FY 22/23 board/committee workplans.

In this session, Amy McDuffee and Catherine Jackson, Mosaic Governance Advisors, LLC will facilitate a discussion among the board and executive staff. The intention is to have consensus on a limited number of board priorities from the Strategic Plan so as to be manageable. No action is being sought; only board direction.

BACKGROUND

The CalSTRS Board has a long-standing practice of adopting an annual workplan each fiscal year to guide the development of its regular board and committee meeting agendas during that year. This is an important planning practice and a best practice in governance.

Further, the board maintains a slate of consensus priorities that inform individual board and committee meeting agenda development. With the recent adoption of the 2022–25 Strategic Plan (see Attachment 2), an opportunity exists to refresh the board priorities and at the same time, better align the 2022-25 Strategic Plan with the board workplan.

As context, an effective board workplan sets a slate of the routine, required, strategic and significant risk related items that a board and its committees intend to address over the coming year through board meetings. It serves as “the board’s plate” -- the work that the board intends to undertake to fulfill its purpose and satisfy its key organizational oversight responsibilities of strategy, risk, performance, and people. Individual board and committee meeting agendas are developed based on the board’s plate. Since the annual workplans are adopted by the board, they also provide an opportunity for all trustees to contribute to the agenda setting process.

The *2022-25 Strategic Plan*, approved by the board at its March meeting, sets out a refreshed 10-year vision and new goals and objectives for the organization over the next three-year period. All the objectives will be executed by the staff under the direction of the CEO and CIO with board oversight; however, there may be some objectives where the board prefers to take a more active role.

Defining Board Priorities

Mosaic has observed, based on the board's current practices, that the board's oversight of the *Strategic Plan* objectives has generally taken one of three forms as follows:

- The practice of **board leadership** has been used to advance a strategic objective where the organization is entering or considering entering a new or expanded area. In practice, this generally means the board provides direct leadership. It receives and discusses pertinent education on topics of strategic importance, and then sets direction, definitions, or principles through policy.

The type of strategic objectives that fall within this area are those that could impact the organizational culture and/or be affected by the regulatory environment in which the organization operates. They typically require extensive time for board discussion in the areas of strategy, risk, organizational performance, and people. An example would be the Collaborative Model.

- **Enhanced oversight** has been used to advance a strategic objective where the organization is taking on a high-profile project with significant budget expenditure and/or reputational consequences. It is perceived as requiring a higher level of, or more frequent cadence to, ongoing monitoring. In practice this means that the objective is usually discussed at every board meeting while it is an ongoing concern. In some cases, a board committee of two has been assigned to serve as a conduit for board direction in working with staff between board meetings to provide collaborative leadership.

The pension administration system implementation and headquarters expansion are examples. Other strategic objectives in this area of enhanced oversight may be those where individual board member positions can aid in bridging interests between the organization and stakeholder needs or where a heightened level of board communication is necessary.

- The board has performed **routine oversight** for strategic objectives that require the board's role as monitor. This reflects strategic objectives of significant stakeholder interest where the board's direct or active leadership role has been fulfilled, or where the strategic objective reflects execution or projects spanning broad areas of the business operation with a material, but not significant budget impact. Here, the board performs monitoring to ensure continued success of the objective.

Examples of this type of strategic objective include those related to the funding plan and sustainable investment beliefs, both of which received previous direct leadership from the board and are now in the execution phases. Examples of operational projects include those related to streamlining business processes and enhancing the customer experience.

Strategic objectives where the board takes the more active roles of board leadership or enhanced oversight are labeled for purpose of this discussion as Board Priorities.