






Risk Score Report As of December 31, 2021				Risk Status	
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Strategic Goals	Goal 1: Financial/Governance (G1: FG)	Strategic Objectives	A, B, C, D, E	Risk Responses	Avoid
	Goal 2: Digital Transformation (G2: DT)		A, B, C, D		Reduce
	Goal 3: Member/ Employer (G3: ME)		A, B, C, D, E		Share
	Goal 4: Organizational Strength (G4: OS)		A, B, C, D		Accept

1 Pension Fund - Investments					Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change	
Fund performance objectives not achieved as set in the Investment Policy and Management Plan.					22	No Change	18	No Change	
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	45%	The fund will not achieve the actuarially expected return over the long term (30 years/absolute return), which may prevent CalSTRS from reaching full funding by 2046.	G1: FG	A, B, C	Reduce	20	No Change	16	No Change
B	35%	CalSTRS will not be able to implement strategies and tools necessary to manage risk associated with a more complex and volatile investment environment which may hinder Investments Branch ability to capitalize on value added investment opportunities.	G1: FG	A, B, C, D	Reduce	32	No Change	28	No Change
C	20%	The fund will not add value above the total fund benchmarks return over the long term (Relative return), which may create stakeholder uncertainty in CalSTRS ability to effectively manage risk and implement investment strategies.	G1: FG	A, B, C	Reduce	12	No Change	9	No Change

2 Pension Funding - Actuarial					Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change	
Actuarial methodologies and assumptions vary from experience.					22	No Change	20	No Change	
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	80%	Over the long-term, actual experience significantly differs negatively from actuarial assumptions which could result in the inability to achieve full funding by 2046.	G1: FG	A	Reduce	24	No Change	24	No Change
B	10%	There is a risk that actuarial assumptions negatively differ from actuarial experience, caused by incorrect information underlying the actuarial assumptions, which could result in the inability to achieve full funding.	G1: FG	A	Reduce	18	No Change	9	No Change
C	10%	Inappropriate measures of actuarial obligations and costs, caused by invalid actuarial methodologies, could result in the inability to achieve full funding by 2046.	G1: FG	A	Reduce	9	No Change	6	No Change

3 Pension Fund - Contribution Rate					Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change	
Insufficient contribution rates to amortize unfunded actuarial liability.					20	No Change	15	No Change	
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	70%	The board's limited authority to change contribution rates per AB 1469 could result in insufficient contributions to reach full funding by 2046.	G1: FG	A	Reduce	24	No Change	20	No Change
B	30%	Failure of the board to exercise their authority to adequately fund the Defined Benefit Program to its fullest extent could result in insufficient contributions to reach full funding by 2046.	G1: FG	A, E	Reduce	12	No Change	6	No Change

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	Goal 3: Member/ Employer (G3: ME)		A, B, C, D, E		Share															
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4 Pension Administration						Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
Untimely and/or inaccurate delivery of benefits and services due to failure of or inadequate: processes, technology systems, staff actions or data.						35	No Change	25	
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	30%	CalSTRS is unable to ensure accurate and timely benefits due to the aged pension administration system's (START) failure to pay benefits timely.	G2: DT	A	Reduce	45	No Change	32	No Change
B	30%	During the transition period, the loss of mainframe knowledgeable staff may result in the inability to continuously maintain START and properly service members until the new pension administration system is fully operational.	G4: OS	D	Reduce	45	No Change	32	
C	20%	Inability to deliver timely benefits and services due to incomplete, inaccurate and late employer reporting.	G3: ME	C	Reduce	21	No Change	15	No Change
D	20%	Inaccurate benefit payments caused by current system limitations, manual processes and unknown system defects.	G2: DT	A	Reduce	24	No Change	16	No Change



5 Financial Reporting						Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
Incomplete or inaccurate financial information; weaknesses in internal control jeopardize an unqualified/unmodified audit opinion or result in significant non-compliance with standards.						20	No Change	8	
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	100%	Information received from subsidiary systems is recorded incorrectly in the general ledger, which could result in the financial statements being materially misstated and the external auditors issuing a modified opinion.	G3: ME	C	Reduce	20	No Change	8	

6 Information Security						Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
Loss of information security or compliance violations as a result of unauthorized or unintentional breaches.						49	No Change	38	No Change
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	90%	A highly volatile cyber-risk landscape and a limited number of staff could result in an information security breach or incident at CalSTRS.	G2: DT	B	Reduce	50	No Change	40	No Change
B	5%	The absence of proper Information Security Program management and oversight could result in an information security breach or incident at CalSTRS.	G2: DT	B	Reduce	36	No Change	24	No Change
C	5%	A lack of employee security awareness could result in an information security breach or incident at CalSTRS.	G2: DT	B	Reduce	40	No Change	24	No Change

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7 Operational					Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change	
Inability to achieve business objectives due to lack of compliance with internal controls, lack of accessibility to technology systems, and/or loss of critical staff knowledge.					31	No Change	20	No Change	
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response				
A	15%	In the event of a disaster or disruption CalSTRS may not be able to provide mission critical business processes to our members due to inaccessibility to technology systems.	G2: DT	C	Reduce	36	No Change	24	No Change
B	15%	Solutions are not in place to mitigate a major technology system outage or partial building outage without bringing down all HQ systems.	G2: DT	C	Reduce	32	No Change	24	No Change
C	15%	CalSTRS may not be able to effectively support the Collaborative Model due to the inability to provide resources needed to fully execute the Pillars Project, which could result in missed opportunities to reduce investment management costs.	G1:FG G4:OS	A B, D	Reduce	28	No Change	15	No Change
D	15%	There is a risk that the transition to a blended working model may result in operational disruptions and a potential adverse shift in CalSTRS' culture caused by changes to how we communicate and collaborate.	G2: DT G4: OS	C, D D	Reduce	36	No Change	21	No Change
E	10%	There is a risk that the transition to a new CEO could result in a loss of confidence of members, stakeholders, investors and business partners, and employees caused by unsuccessful execution of established communication and transition plans.	G4: OS	D	Reduce	28	No Change	18	No Change
F	5%	CalSTRS lacks the ability to meet critical business functions due to recruitment challenges.	G4: OS	D	Reduce	28	No Change	18	No Change
G	5%	CalSTRS is unable to meet critical business functions or maintain service levels due to potential loss of subject matter experts and lack of CalSTRS knowledge transfer.	G4: OS	B	Reduce	32	No Change	21	No Change
H	5%	Staff and leadership turnover could result in loss of long-term business stability and sustainability.	G4: OS	D	Reduce	24	No Change	15	No Change
I	5%	CalSTRS may fail to identify risks caused by staff not being fully engaged for various reasons including competing priorities, which could result in CalSTRS being unprepared for future risks.	G4: OS	D	Reduce	36	No Change	15	No Change
J	5%	CalSTRS may not establish or maintain the proper health and safety strategies, measures, training, etc., resulting in compromised employee health and safety.	G4: OS	D	Reduce	32	No Change	21	No Change
K	5%	CalSTRS is unable to complete the Headquarters Expansion Project within the established scope, schedule and budget due to delays with construction (i.e. inspections, approvals or materials) and the additional costs and timeframes associated with those delays.	G4: OS	D	Reduce	24	↑ ₃	21	↑ ₃

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8 Reputational			Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change			
Loss of confidence in CalSTRS as a respected fiduciary of public funds.			29	No Change	20				
Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	25%	A board or staff member engages in unethical behavior resulting in reputational damage.	G4: OS	A	Avoid	28	No Change	24	No Change
B	25%	CalSTRS is unable to implement transformational efforts, such as the Pension Solution, could impact stakeholders, members, staff and public confidence.	G4: OS	B, C	Reduce	32	No Change	24	
C	20%	Investments may be perceived as conducting business in an imprudent and unethical manner due to a lack of transparency in CalSTRS environmentally focused investment efforts, resulting in a loss of public trust.	G1: FG	E	Reduce	30	No Change	24	No Change
D	10%	Inaccurate external reporting of long-term financial assumptions could result in misperceptions of CalSTRS actuarial-calculated funding status and loss of trust within CalSTRS member base.	G4: OS	A	Reduce	27	No Change	9	No Change
E	10%	CalSTRS is unable to meet member service expectations due to resource constraints resulting from competing priorities.	G4: OS	A	Reduce	21	No Change	12	No Change
F	5%	Perceived pension abuses (i.e., spiking) may result in negative news articles and the perception that CalSTRS is not upholding its fiduciary responsibility.	G3: ME	B	Reduce	21	No Change	12	No Change
G	5%	CalSTRS hires an individual whose qualifications are misinterpreted or misrepresented during the hiring process resulting in reputational damage.	G4: OS	D	Reduce	32	No Change	18	No Change

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9	Transformational Change	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
CalSTRS is unable to accomplish major transformational change initiatives.		34		31	

Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	40%	CalSTRS is unable to successfully implement a new pension administration system and transform the associated data and business processes within the established scope, schedule and budget due to ongoing delays.	G2: DT	A	Reduce	36		36	
B	30%	There is a risk that the vendor's staffing issues and limited pension industry experience may result in schedule delays or cost increases to the Pension Solution Project.	G2: DT	A	Reduce	36		36	
C	15%	Loss of CalSTRS subject matter experts and challenges associated with replacing them may result in the inability to successfully implement Pension Solution.	G4: OS	D	Reduce	32	No Change	21	No Change
D	5%	The procured vendor does not follow the agreed upon project-related processes to provide the results and functionality necessary to meet CalSTRS' business needs.	G2: DT	A	Reduce	28	No Change	24	No Change
E	5%	Lack of cohesive project governance and communication practices within business areas could result in uninformed decision-making on transformational efforts.	G2: DT	A	Reduce	24	No Change	21	No Change
F	5%	Inability of the Pension Solution Project to achieve desired results due to lack of readiness to the transformed business processes.	G3: ME	A	Reduce	28	No Change	15	

10	Third Parties	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
There is a risk that CalSTRS fails to appropriately manage risks associated with third parties which could result in operational disruption, financial loss, reputational damage, compliance violations or failure to reach strategic goals.		32	No Change	21	No Change

Sub-Risk	Weight	Sub-Risk Statement	Strategic Goal	Strategic Objective	Risk Response	Inherent Risk Score	Inherent Period Change	Residual Risk Score	Residual Period Change
A	100%	An absence of third-party risk management program governance could result in duplication of efforts or assurance gaps which could result in operational disruption, financial loss, reputational damage, compliance violations or failure to reach strategic goals.	All	All	Reduce	32	No Change	21	No Change