



California State Teachers' Retirement System

BUSINESS PLAN

Fiscal Year 2020-21

Last updated September 15, 2020



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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.

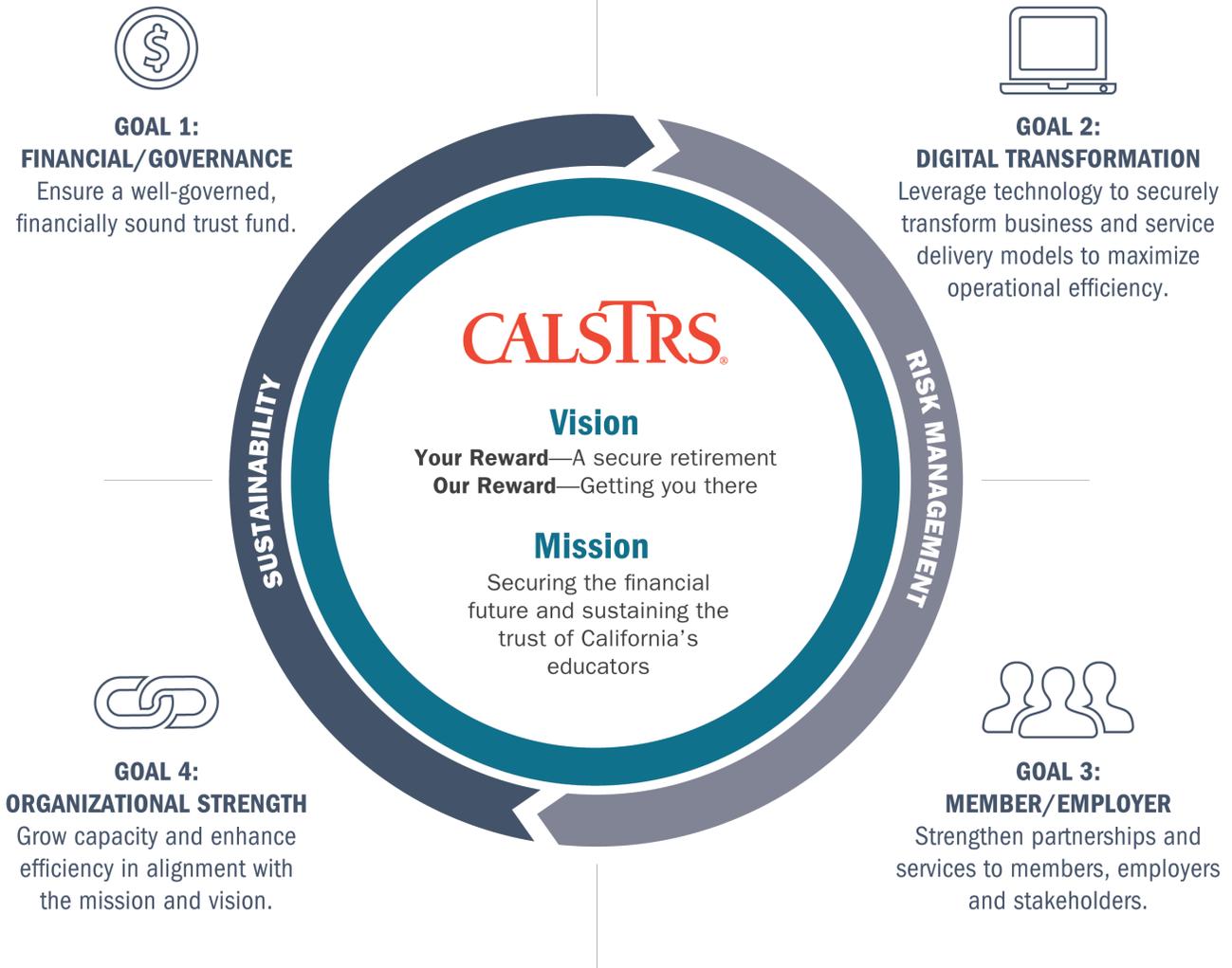
Respect

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.

STRATEGY MAP





GOAL 1: FINANCIAL/GOVERNANCE

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

Complete Asset Liability Study. (Completed 2019–20)

INITIATIVE 2

Implement steps toward new long-term asset allocation targets.

Key Activities for FY 2020–21:

- Move toward the long-term target allocation as market conditions and opportunities warrant a shift.

INITIATIVE 3

Monitor and assess funding risks by ensuring future contribution levels are sufficient and actuarial assumptions are appropriate.

Key Activities for FY 2020–21:

- Conduct annual review of funding levels and risks report.
- Perform annual actuarial valuations.

GOAL 1: OBJECTIVE B

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

INITIATIVE 1

Integrate environmental, social and governance risks into each investment asset class policy.

Key Activities for FY 2020–21:

- Update relevant investment policies to reflect changes in the Investment Policy for Mitigating Environmental, Social and Governance Risks and Sustainable Investment and Stewardship Strategies policies.

INITIATIVE 2

Evaluate effectiveness of reporting mechanisms and ensure they reach appropriate audience. (Completed 2019–20)

INITIATIVE 3

Use the outcomes of the board's low-carbon transition study to guide staff's work plan to integrate climate risks and opportunities into the CalSTRS Investment Portfolio.

Key Activities for FY 2020–21:

- Provide board education around a low-carbon future.
- Create a Sustainable Investment and Stewardship Strategies private assets portfolio.
- Conduct low-carbon transition readiness assessments in different asset classes.
- Communicate regularly to the board and stakeholders on low-carbon work plan.



GOAL 1: OBJECTIVE C

Leverage investment cost information to yield long-term benefits.

INITIATIVE 1

Explore meaningful investment cost and return trend analysis to identify and increase cost savings related to the CalSTRS Collaborative Model.

Key Activities for FY 2020–21:

- Explore ways to effectively communicate investment cost trends for asset classes including capture ratio analysis as it relates to the CalSTRS Collaborative Model.
- Use the cost reports to analyze the baseline and estimates to actual investment costs as they relate to onboarding steps of the CalSTRS Collaborative Model.
- Report on the cost savings derived by implementing the CalSTRS Collaborative Model strategies.

GOAL 1: OBJECTIVE D

Implement investment collaborative model leveraging all of CalSTRS resources.

INITIATIVE 1

Explore investment strategies that provide cost savings and direct control while increasing internal management related to the CalSTRS Collaborative Model.

Key Activities for FY 2020–21:

- Implement CalSTRS Collaborative Model strategies into each asset class.

INITIATIVE 2

Expand internal business services to support successful implementation of the CalSTRS Collaborative Model.

Key Activities for FY 2020–21:

- Transform business and service processes to maximize operational efficiency in support of the CalSTRS Collaborative Model.
- Procure resources to assess and recommend enhancements and efficiencies.
- Provide a report on the progress of the Collaborative Model Pillar Project to the board at least twice a year.

GOAL 1: OBJECTIVE E

Enhance board meeting effectiveness and efficiency.

INITIATIVE 1

Develop a decision chart and workflow to apply a consistent framework for ESG priorities.
(Completed 2019–20)

INITIATIVE 2

Develop proposal for new public comment framework and go through the regulatory process.

Key Activities for FY 2020–21:

- Adopt a final public comment regulation.



GOAL 2: DIGITAL TRANSFORMATION

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

GOAL 2: OBJECTIVE A

Implement and integrate a highly adaptive pension administration system.

INITIATIVE 1

Complete Functional Rollout 1 successfully. (Completed 2019-20)

INITIATIVE 2

Complete Functional Rollout 2 successfully.

Key Activities for FY 2020-21:

- Complete FR2 User Acceptance Test.

INITIATIVE 3

Complete Functional Rollout 3 successfully.

Key Activities for FY 2020-21:

- Complete FR3 Contractor Acceptance Test.

INITIATIVE 4

Execute change readiness and training activities for stakeholders.

Key Activities for FY 2020-21:

- Provide training implementation support.
- Provide organizational change management and readiness support.
- Provide technical support for system and business migration to the new system.

GOAL 2: OBJECTIVE B

Secure the confidentiality and integrity of data and member information.

INITIATIVE 1

Implement a cloud access security broker to secure access and protect data. (Completed 2019-20)

INITIATIVE 2

Procure and implement a cloud-based internet gateway. (Completed 2019-20)

INITIATIVE 3

Procure and implement an enterprise information management tool. (Completed 2019-20)

INITIATIVE 4

Structure CalSTRS information security policies to proactively address risks.

Key Activities for FY 2020-21:

- Engage a third party to develop top-level policy language.
- Prioritize policies and standards.
- Execute roadmap for policy and standards conversion.



INITIATIVE 5

Procure and implement a governance, risk, and compliance tool to automate and improve current information security oversight, review and reporting processes.

Key Activities for FY 2020–21:

- Select the GRC product that best aligns with CalSTRS business, technical and security requirements.
- Engage in a proof-of-concept evaluation of the selected GRC product.
- Conduct User Acceptance Testing.

GOAL 2: OBJECTIVE C

Enhance business resiliency capabilities.

INITIATIVE 1

Use multimodal data center solution for business continuity and disaster recovery.

Key Activities for FY 2020–21:

- Prepare new environment and migrate applications to the multimodal data center solution.
- Enhance technology infrastructure to expand remote network capacity and capabilities.

GOAL 2: OBJECTIVE D

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

INITIATIVE 1

Implement technologies to improve the effectiveness of CalSTRS business operations.

Key Activities for FY 2020–21:

- Explore solutions to enhance capabilities.
- Develop business cases to outline the rationale for business solution investments and the anticipated business benefits.
- Implement technologies to support and/or enhance business capabilities, processes, services and user experience.
- Implement enterprisewide collaboration tools.

INITIATIVE 2

Research and assess customer relationship management solutions.

Key Activities for FY 2020–21:

- Develop a business case for CRM solution and implementation strategy.

INITIATIVE 3

Complete business intelligence and data warehouse assessment and implementation.

Key Activities for FY 2020–21:

- Define supporting business and technical architecture and develop implementation roadmap.
- Implement high-priority use cases within BI and DW solution.

GOAL 3: MEMBER/EMPLOYER

Strengthen partnerships and services to members, employers and stakeholders.

GOAL 3: OBJECTIVE A

Educate and inform CalSTRS constituent groups on strategic priorities.

INITIATIVE 1

Encourage participation and refresh agendas for the Client Advisory Committee.

Key Activities for FY 2020-21:

- Evaluate the effectiveness of the new CAC meeting schedule that allows board members and their designees to attend.
- Evaluate the public meeting requirements should more than two board members or their designees attend a CAC meeting.
- Solicit feedback from attendees to evaluate new format, platform and the attendance of board member and their designees.

INITIATIVE 2

Develop stakeholder feedback platform.
(Completed 2019-20)

INITIATIVE 3

Create annual communication and outreach plan including key messages.

Key Activities for FY 2020-21:

- Develop and implement a 2020-21 communication and outreach strategy that includes strategic and proactive messaging on key issues.

- Assess execution and effectiveness of the plan and make necessary adjustments during quarterly strategy meetings.
- Provide key external communications, marketing messages and other communication tools and resources for use in individual branch and division communications.

GOAL 3: OBJECTIVE B

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

INITIATIVE 1

Develop a strategy to increase alignment between CalSTRS and employers with respect to the value of the CalSTRS Defined Benefit Program and other CalSTRS products and services.

Key Activities for FY 2020-21:

- Develop an annual employer communication plan with strategic key messaging, including the value of the CalSTRS Defined Benefit Program products and services, and information about the new file format benefits.
- Conduct quarterly assessments of the employer communication plan.
- Add or enhance key messages about the value of a defined benefit in existing CalSTRS training materials and programs.



INITIATIVE 2

Deliver key messages to all primary employers, leveraging all communication channels.

Key Activities for FY 2020–21:

- Coordinate quarterly Employer Advisory Committee meetings.
- Conduct regular meetings with identified key county offices of education and large school districts.
- Conduct regular employer outreach and education sessions, including systemic audit trainings that incorporate key messages.
- Coordinate quarterly meetings with key employer lobbyists and other employer representatives.
- Coordinate possible CalSTRS participation in CalPERS Educational Forum event.

GOAL 3: OBJECTIVE C

Increase the accuracy, completeness and timeliness of employer reporting.

INITIATIVE 1

Assess the analytics on high-risk employers to improve financial oversight.

Key Activities for FY 2020–21:

- Assess effectiveness of employer tracking system information.
- Monitor the variances between contributions and accruals to identify when employer outreach and/or training is required.

INITIATIVE 2

Improve financial oversight of employers.
(Combined with 3-C-1)

INITIATIVE 3

Implement New File Format. (NFF regulations codified on July 1, 2020)

INITIATIVE 4

Increase penalties and interest visibility.

Key Activities for FY 2020–21:

- Develop additional training and outreach opportunities related to penalties and interest.
- Assess training and outreach impact in first year and adjust outreach efforts accordingly.
- Incorporate the Penalties and Interest Dashboard into all employer specific outreach meetings and training events.

GOAL 3: OBJECTIVE D

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

INITIATIVE 1

Develop annual member communication plan focused on retirement readiness.

Key Activities for FY 2020–21:

- Increase engagement with retired members.
- Survey key stakeholders regarding their experience in retirement.

INITIATIVE 2

Produce products and services targeting members aged 44 and younger.

Key Activities for FY 2020–21:

- Grow participation of school districts and county offices of education offering CalSTRS onboarding education.
- Develop additional education modules to be offered in continuing onboarding school programs.



INITIATIVE 3

Redesign CalSTRS.com.

Key Activities for FY 2020–21:

- Develop new design.

GOAL 3: OBJECTIVE E

Grow Pension2 participation.

INITIATIVE 1

Grow Pension2 participation by targeting rollovers.

Key Activities for FY 2020–21:

- Negotiate terms of recordkeeping contract to incorporate Roth IRA product.
- Begin legislative process to add traditional IRA product.

INITIATIVE 2

Penetrate markets through outreach using hybrid specialists and increasing marketing.

Key Activities for FY 2020–21:

- Enhance defined contribution service model by developing and implementing enrollment, rollover and exchange one-on-one session meetings.
- Implement hybrid specialists to counteract CalSTRS impersonators.
- Develop and launch educational marketing materials detailing hybrid specialist services to send to district administrators.



GOAL 4: ORGANIZATIONAL STRENGTH

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

GOAL 4: OBJECTIVE A

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

INITIATIVE 1

Implement mission-critical position plan.

Key Activities for FY 2020–21:

- Develop succession and recruitment strategies for prioritized positions.

INITIATIVE 2

Develop learning strategies and resources for a mobile workforce.

Key Activities for FY 2020–21:

- Introduce education, learning and resources that support a mobile work environment.

INITIATIVE 3

Establish a framework to support trustee onboarding and development curriculum.

Key Activities for FY 2020–21:

- Update the education policy in the Board Governance Manual.
- Develop a framework for consistent tracking of compliance with the education policy.

GOAL 4: OBJECTIVE B

Improve business processes and reduce costs.

INITIATIVE 1

Develop process improvements for service performance objectives and key performance indicators not meeting target.

Key Activities for FY 2020–21:

- Design streamlined Human Resources and Procurement processes.
- Develop implementation plans.
- Collect data and analyze results.

INITIATIVE 2

Implement human capital management system solution.

Key Activities for FY 2020–21:

- Implement the core component of the HCM system, Employee Central and Learning Module.
- Provide organizationwide training to all staff on use of HCM.
- Implement additional approved HCM components.

INITIATIVE 3

Assess comparative methodologies and implement a cost measuring system for noninvestment activities.

Key Activities for FY 2020–21:

- Complete analysis and provide recommendations.
- Socialize the recommendations and integrate into strategic planning and existing cost management processes.



INITIATIVE 4

Increase online member transactions.

Key Activities for FY 2020–21:

- Implement communication plan that supports member use of current online transactions.
- Implement policy for online transactions.
- Implement paperless process.

INITIATIVE 5

Develop multiyear capital expenditure plan for Information Technology projects and Facilities Operations to accurately forecast for large capital project expenditures.

Key Activities for FY 2020–21:

- Conduct benchmark research on best practices for multiyear capital expenditure plans.
- Develop a conceptual model for the multiyear capital expenditure plan.
- Make a recommendation to senior leadership regarding a multiyear capital expenditure plan.

INITIATIVE 6

Deploy a new software solution to compile financial statements.

Key Activities for FY 2020–21:

- Research a software solution for compiling financial statements.
- Implement the new solution including data conversion, procedures and training.

GOAL 4: OBJECTIVE C

Drive adoption of transforming business processes and technology.

INITIATIVE 1

Train employers in preparation for soft launch and Functional Rollout 2.

Key Activities for FY 2020–21:

- Deliver computer-based training through the Pension Solution Learning Management System to supplement on-site, in-person training.
- Provide employer readiness activities to measure employer success criteria using the Employer Readiness Environment.

INITIATIVE 2

Train employees in preparation for Functional Rollout 1 soft launch. (Completed 2019–20)

INITIATIVE 3

Train employees in preparation for Functional Rollout 2.

Key Activities for FY 2020–21:

- Complete the FR2 Train-the-Trainer program.

INITIATIVE 4

Develop and implement a plan that responds to pandemic and impact on staff, operations and service delivery.

Key Activities for FY 2020–21:

- Assess the impact of pandemic on staff, operations and service delivery.
- Provide necessary tools for employees to complete business processes safely, accurately and timely.
- Keep CalSTRS culture thriving.

- Respond to increased security risks related to mobile workforce.
- Establish protocols to reopen building with a new work environment that safely accommodates staff.
- Develop and implement plan for member service centers.

GOAL 4: OBJECTIVE D

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

INITIATIVE 1

Develop and execute classification and compensation strategy plan to support the CalSTRS Collaborative Model.

Key Activities for FY 2020–21:

- Review and update key investment management classifications in support of the CalSTRS Collaborative Model.
- Conduct assessment of compensation program in alignment with the CalSTRS Collaborative Model.
- Assess current investment branch organizational structure for future state in support of the CalSTRS Collaborative Model.
- Review and update onboarding, development and performance resources aligned with refreshed competencies.

INITIATIVE 2

Implement statewide classification consolidation recommendations. (Completed 2019–20)

INITIATIVE 3

Implement human capital and Pension Solution business alignment plan.

Key Activities for FY 2020–21:

- Identify impacts on roles and duties as phases of Benefit Connect are implemented.

INITIATIVE 4

Execute targeted Headquarters Expansion Project deliverables on budget.

Key Activities for FY 2020–21:

- Monitor construction costs through monthly reconciliation reports.
- Monitor change orders.
- Examine building information modeling to provide more accurate predictions on how changes will affect the overall project.

INITIATIVE 5

Execute targeted Headquarters Expansion Project deliverables on time.

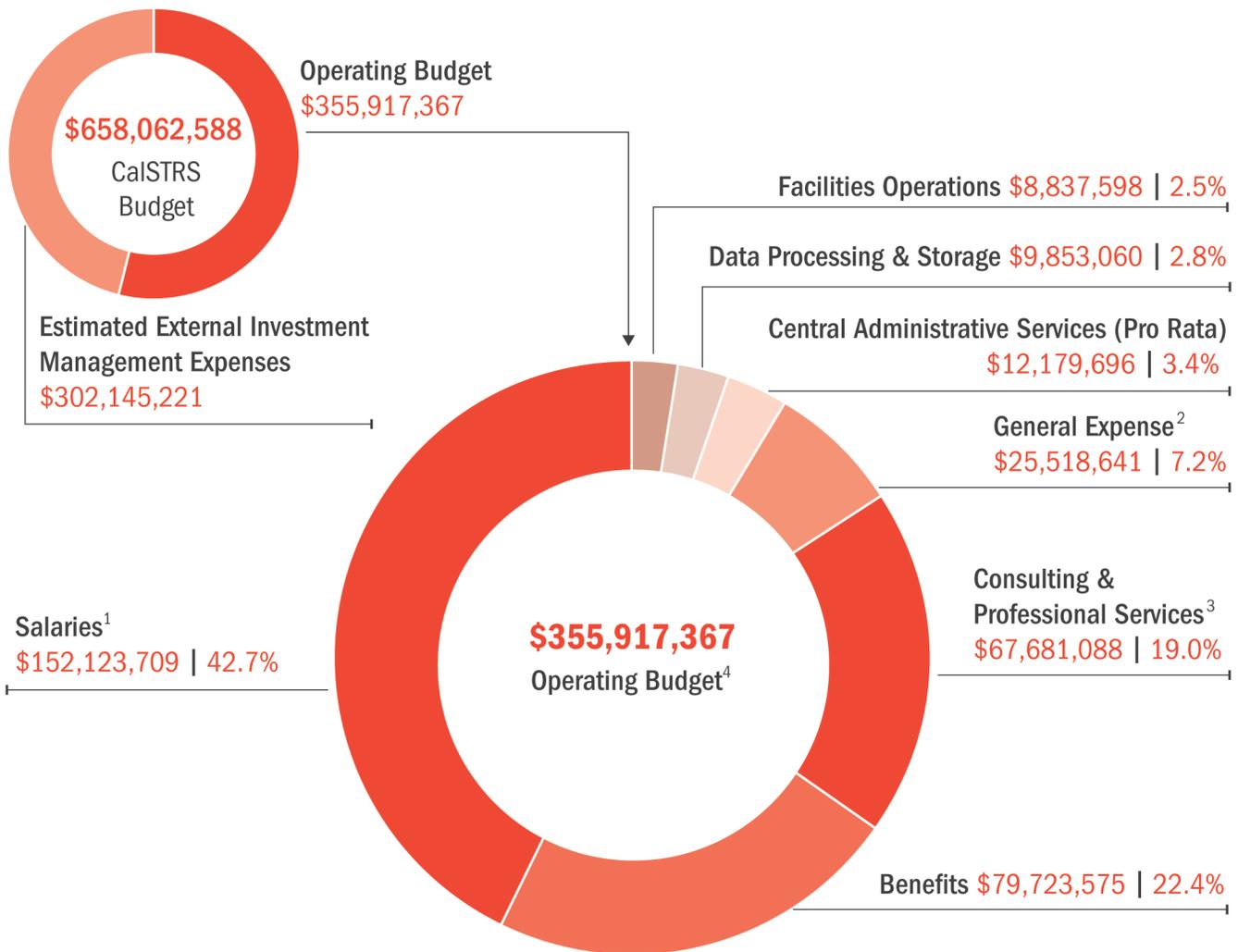
Key Activities for FY 2020–21:

- Carry out communication plan with internal and external stakeholders as project progresses.
- Develop and implement change management activities to introduce new sustainability standards.
- Develop and approve furniture selections for workstations that support employee health, well-being and functionality.
- Participate in change order discussions, review submittals and provide approvals.
- Monitor construction milestones through monthly reports.
- Monitor and manage bond proceeds.
- Provide change management and readiness support.

BUDGET AND RESOURCES

The 2020-21 Operating Budget is as of the date of this report and is anticipated to change based on adjustments to employee compensation pursuant to collectively bargained union agreements. The precise impact of these adjustments will not be known until the fall of 2020 and will be incorporated into this document at that time.

OVERVIEW FY 2020-21 CALSTRS BUDGET



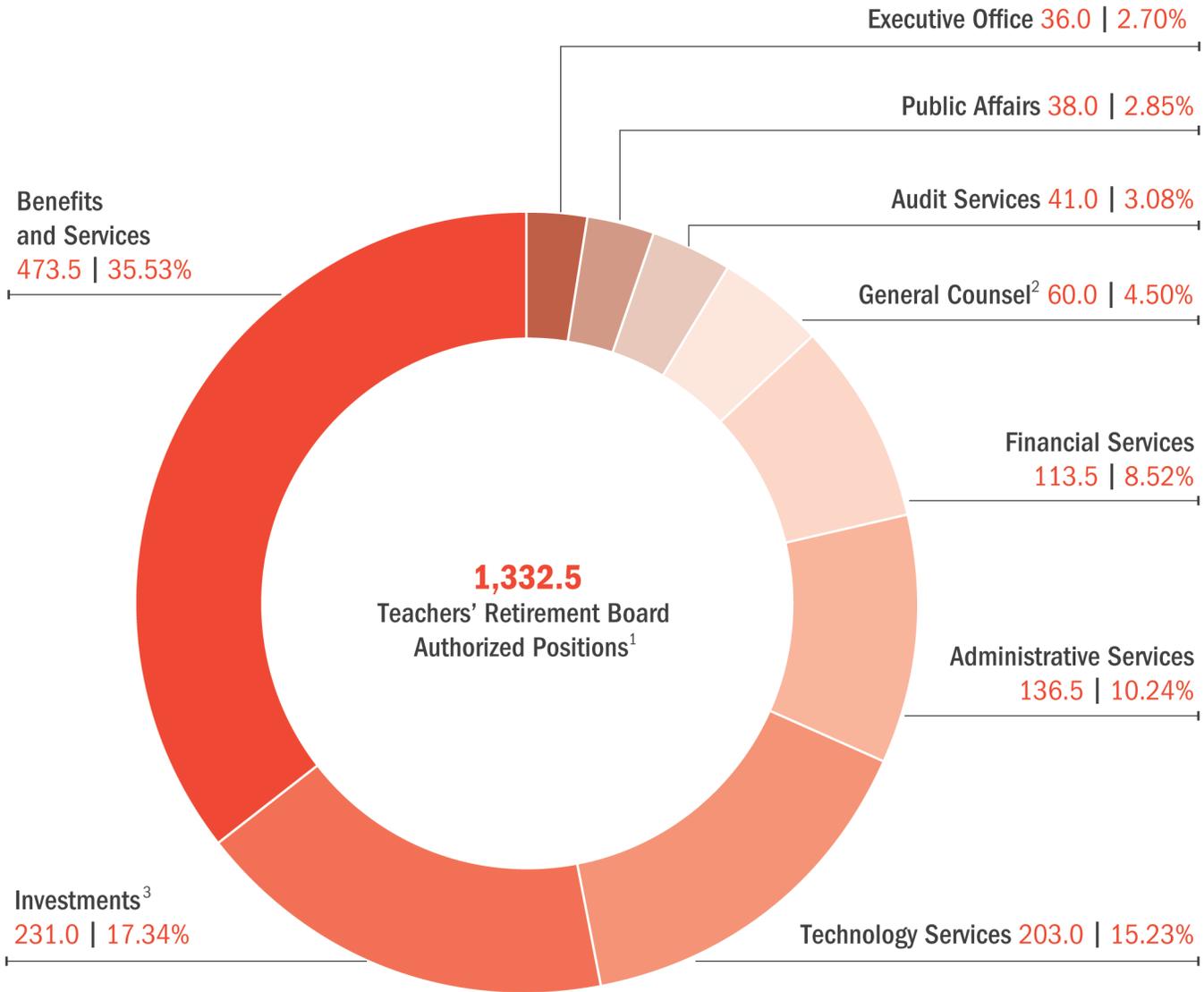
¹ Figure includes salaries for authorized positions (\$130.8M), incentives (\$15.6M), overtime (\$0.26M) and blanket positions (\$5.4M).

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

³ Figure includes significant information technology consulting resources for the Pension Solution project.

⁴ Figure includes \$15.42M pursuant to the FY 2018-19 multiyear budget change proposal. Of this amount, \$3.40M was allocated in FY 2018-19, \$7.03M is allocated in FY 2019-20 and the remaining \$4.99M is allocated in FY 2020-21.

FY 2020-21 AUTHORIZED POSITIONS BY BRANCH



¹ Figure includes blanket positions.

² Pursuant to the FY 2018-19 multiyear budget change proposal, one position is allocated in FY 2020-21.

³ Figure includes 55 positions pursuant to the FY 2018-19 multiyear budget change proposal. Of these positions, 12 were allocated in FY 2018-19, 27 were allocated in FY 2019-20 and the remaining 16 are allocated in FY 2020-21.



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