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The CalSTRS 2016–19 Strategic Plan is the culmination of a year devoted to a comprehensive environmental scan to gain a broad understanding of the external and internal forces affecting the future of CalSTRS. For the scan, we gathered information and feedback from member questionnaires, employee focus groups, executive staff and the Teachers’ Retirement Board. In addition, we conducted a SWOT analysis and examined research briefings on the teacher pipeline, career patterns and workforce longevity, technology trends and the overall political climate.

The findings of a recent study also inspired the direction of our new strategic plan. The study, commissioned by CalSTRS and conducted by researchers at the University of California, Berkeley, compared the CalSTRS defined benefit plan to 401(k)-type plans. The results of the study confirmed that most of California’s educators are better off with a defined benefit plan, which is designed to reward teachers who stay for the long term. This reinforces the important role CalSTRS plays in the lives of California’s educators and their beneficiaries. The goals in the new 2016–19 strategic plan confirm our members’ interests remain at the heart of all we do.

This three-year plan has four goals that present a balanced approach to organizational strategies. Each goal has supporting objectives and measures of success. The plan is not a detailed road map or a step-by-step tactical plan with initiatives and activities—that’s reserved for our annual business plan. Instead, the strategic plan provides overarching goals, objectives to guide our collective direction, and measures to evaluate our success.

Risk management and sustainability continue to be important filters, which we apply to check all of our strategies. Whether discussing cybersecurity, succession planning or evaluation of future trends, these filters guide our approach. They provide a primary perspective that links the four strategic goals and are woven through the objectives and underlying initiatives in the business plan.
GOAL 1: FINANCIAL
Our primary goal continues to be ensuring a financially sound retirement system. We remain focused on achieving full funding of the CalSTRS Defined Benefit Program according to the plan established by the California Legislature in June 2014. We are committed to investing responsibly over the long term, while continuing to add value.

GOAL 2: MEMBER/EMPLOYER
Our vision is to ensure that our members understand their retirement benefits and make smart decisions today to secure their financial futures. We highlight our partners in this responsibility, our members’ employers. Accurate data and complete reporting of member information are just as critical to a secure retirement as the employer’s role in educating employees about their benefits.

GOAL 3: BUSINESS TRANSFORMATION
Our priority to update our systems and various business processes to better serve our members, employers and employees will result in tangible progress when we roll out the first phase of Pension Solution. This project will replace our current pension administration system. Three functional rollouts are expected during this plan period.

GOAL 4: WORKFORCE TRANSFORMATION
Creating a workplace that engages employees helps to deliver optimum service and efficient performance. We know an engaged workforce contributes to engaged members and initial research indicates a relationship between member engagement and retirement preparedness. We strive to hire the right individuals for the right job at the right time and provide an engaging and inclusive work environment.

Our 2016–19 strategic plan is designed with an eye toward the future, maintaining the viability of our fund in perpetuity and securing the financial future of California’s educators. The goals and objectives of this plan set us on course to ensure we will continue to accomplish our mission for many years to come.

Respectfully,

Jack Ehnes
Chief Executive Officer
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.
BOARD STRATEGIC GOALS

GOAL 1: Financial
Ensure a financially sound retirement system.

GOAL 2: Member/Employer
Enhance services to members and employers.

GOAL 3: Business Transformation
Drive operational excellence.

GOAL 4: Workforce Transformation
Grow an engaged, highly skilled and diverse workforce.
GOAL 1: FINANCIAL
Ensure a financially sound retirement system.

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

Measure
1. Funding ratio
   Target: 61%\(^1\) (2019): 100% (2046)
2. Investment portfolio absolute return
   Target: Earn a rate of return over time commensurate with risk to fully fund the system over 30 years

OBJECTIVE B
Lower the probability of downside risk to the CalSTRS Investment Portfolio.

Measure
1. Shortfall risk assessment
   Target: Median expected scenario reflects a fully funded status by 2046 (50th percentile)

OBJECTIVE C
Align CalSTRS’ investment beliefs, investment objectives and strategy implementation.

Measures
1. Adoption of the CalSTRS Investment Beliefs and refresh of the 21 Risk Factors
   Target: Board consensus around a set of core investment beliefs for the overall investment program
2. Adoption of a framework to explore special mandates the board finds significant and consistent with our investment beliefs
   Target: Development of a Special Mandate policy reflecting strategy rationale and risk and return objectives

OBJECTIVE D
Manage costs and efficiencies and seek to influence industry best practices.

Measures
1. Annual reporting and disclosure of costs associated with the management of the CalSTRS Investment Portfolio
   Target: Completion of an annual report to the Investment Committee reflecting direct and indirect costs associated with managing the investment portfolio
2. Ratio of internal/external asset management compared to global peers
   Target: Internal management of all strategies across the total fund\(^2\)
   Three year: 50% internal/50% external
   Longer term: 60% internal/40% external

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\(^1\) Changed from 66% to 61% on July 17, 2017
\(^2\) Updated wording to include all strategies across the total fund on July 17, 2017
GOAL 2: MEMBER/EMPLOYER
Enhance services to members and employers.

OBJECTIVE A
Increase the accuracy and completeness of employer reporting.

Measures
1. Number of payment adjustments annually
   Target: Maintain the average of 2015–16 levels over the three-year period
2. Amount of payment adjustments annually
   Target: Maintain the average of 2015–16 levels over the three-year period

OBJECTIVE B
Improve the retirement readiness of CalSTRS’ members.

Measures
1. Members indicating awareness that income in addition to their CalSTRS defined benefit pension may be needed to meet financial goals in retirement
   Target: 75% of survey respondents
2. Net member growth in Pension2 403(b) and 457(b) plans
   Target: Increase 20% year over year
3. Pension2 assets under management
   Target: Increase 15% per year adjusted for gain/loss on investment return

GOAL 3: BUSINESS TRANSFORMATION
Drive operational excellence.

OBJECTIVE A
Implement and integrate a new pension administration system for CalSTRS.

Measures
1. Prepare system functionality for production.
   Target: 25%
2. Legacy data is ready for conversion into the new pension administration system.
   Target: 25%

OBJECTIVE B
Continuously strengthen processes and resources to secure the confidentiality and integrity of member data and information.

Measures
1. High risks addressed
   Target: 100% within the approved timeframe

OBJECTIVE C
Continuously improve the quality and efficiency and maintain the cost effectiveness of CalSTRS’ business functions.

Measures
1. Cost per member
   Target: $165
2. Service performance objectives
   Target: 100% of established targets

OBJECTIVE D
Ensure the sustainability of critical business processes and systems through the oversight of risk and enterprise compliance.

Measures
1. Residual risk rating
   Target: Increase effectiveness of risk mitigations by 5% annually
2. Implementation of a CalSTRS enterprisewide compliance program
   Target: 100%
GOAL 4: WORKFORCE TRANSFORMATION
Grow an engaged, highly skilled and diverse workforce.

OBJECTIVE A
Broden recruitment and hiring practices to employ additional qualified individuals to support our business objectives.

Measures
1. Reduce time to fill
   Target: 52 calendar days\(^7\)
2. Hire candidate in the first recruitment
   Target: 75%

OBJECTIVE B
Advance engagement strategies that retain and develop employees to meet future business needs.

Measures
1. Employee engagement score
   Target: 58%
2. Organizational turnover at or below the annual target
   Target: 10%

OBJECTIVE C
Enhance organizational performance by strengthening strategies for leadership succession.

Measures
1. Transition plans in place for senior leaders
   Target: 100%
2. Leader development and readiness
   Target: 100%

\(^7\) Added the word “calendar” on July 17, 2017