



Investment Committee

Item Number 6 – Open Session

Subject: Operationalizing the Pillars Project

Presenter(s): Scott Chan, Lisa Blatnick, Vaishali Dwarka, April Wilcox, Kristel Turko, and Mike DiRe

Item Type: Information

Date & Time: January 26, 2023 – 25 minutes

Attachment(s): None

PowerPoint(s): Operationalizing the Pillars Project

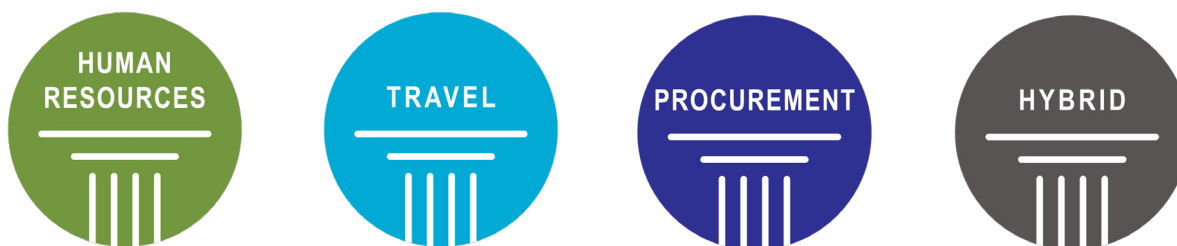
Item Purpose

The purpose of this item is to provide the Investment Committee a final update regarding the activity of the Pillars Project.

Executive Summary

Under the Collaborative Model, the Investment team focuses on becoming the “partner of choice” which allows us to capture the best investment opportunities globally. In other words, when one of CalSTRS’ partners has a suitable investment, we want to be one of the top three parties (amongst our peers) that is immediately considered to allocate capital. The Pillars Project supports CalSTRS Collaborative Model investment strategy by creating an organization-wide effort to increase efficiency and streamline processes, so that the Investments team can respond quickly to investment and market opportunities.

Four Pillars were identified as areas of process improvement: Human Resources, Travel, Procurement and a Hybrid category. The Hybrid Pillar was composed of Communication, Technology, Legal and Financial.



The Pillars Project Plan including the vision, objectives, deliverables, and action plans served as the framework for Board and Staff to monitor progress. The Pillars Project has broadly met its objectives and completed its planned work schedule on December 31, 2022. The majority of objectives are fully operationalized; therefore, the project has officially sunset and shifted to ongoing monitoring and maintenance of the beneficial goals and processes.

The Pillar teams have been focused on implementing enhanced processes created during the Pillars Project as part of ongoing daily operations. Oversight and monitoring of the operationalized processes are now conducted through quarterly Operational Performance Reviews (OPR) meetings, with participation from process owners, Directors and Executive staff.

The Pillars Project has been an outstanding model of teamwork providing a framework for communication and collaboration despite the challenge of a fully remote and hybrid work environments during most of the project's life. We believe the greatest enduring benefit of the project will be the relationships built across the business units, as well as a template for future organization-wide endeavors.

The Pillars Project consisted of 27 objectives, 111 deliverables and 609 action items. Also of note, 85 percent of overall objectives are accomplished and 95 percent of deliverables are accomplished. Below are a few of the most significant highlights on how each Pillar assisted the Investment team in becoming more responsive to the marketplace and achieved its vision with key process changes, deliverables and measurements.

PROCUREMENT

Vision: An open and flexible process that attracts and hires high-quality investment managers, consultants, advisors and other investment services within two to three months.

Vision accomplishments:

- Eliminated physical proposal requirements for vendors, streamlined document preparation, handling and approvals, which reduced overall processing time by 50 percent.
- Assembly Bill 539 (Cooley) was signed, which allowed the Teachers' Retirement Board to adopt an Investment Procurement Policy. The policy establishes the framework for a competitive and prudent procurement process while still upholding the governing principles of the state's contracting process.

Process changes:

- Developed a SharePoint bid submission portal for vendors and implemented DocuSign for electronic signing of documents.
- Developed a resource library containing examples and templates.
- Maximized efficiency with parallel processing through various steps of the procurement process.

Significant deliverable:

- Developed legislation in collaboration with the Executive, Investments, General Counsel, Public Affairs, Administrative Services and the Technology Services branches.

Continued measurement:

- Continue tracking Request for Proposal processing times through operational performance reviews.
- Report to the Investment Committee on the success and performance of the newly approved Procurement Policy, post implementation.

TRAVEL

Vision: Cost-rational travel policy that is efficient to manage and monitor, effective for the traveler and complies with state regulations.

Vision accomplishments:

- Established guiding principles for the development and implementation of enhancements to the CalSTRS travel program.
- Rewrote the *CalSTRS Travel, Expense and Reimbursement Manual* to simplify and enhance support for travelers, approvers and administrative support staff.
- Developed training programs and resources for the Travel process.

Process changes:

- Standardized and streamlined travel request and approval, and expense report/reimbursement processes across business areas.
- Streamlined approval hierarchy.

Significant deliverable:

- Revised CalSTRS travel policy to allow for reasonable flexibility regarding outcomes of cost, efficiency, compliance and optics while maintaining accountability of travelers and approvers.

Continued measurement:

- Launched CalSTRS Travel survey in partnership with Survey, Research and Analysis team to collect qualitative data and metrics in multiple areas.

HUMAN RESOURCES

Vision: Effectively and efficiently hire, develop, and retain a highly skilled, diverse investment team to support investment strategies.

Vision accomplishments:

- Enhanced recruitment processes, succession planning, classification strategies and the workforce experience.
- Established and grew strong partnerships between Human Resources and Investments to promote a mutual understanding of each other's business and desired outcomes.

Process changes:

- Eliminated redundant administrative processes to reduce personnel action request approval times.
- Human Resources established positions focused solely on supporting the needs of the Investments Branch. These positions work directly with hiring managers to develop strategies for finding talent, as well as managing existing talent.
- Developed and implemented a sustainable succession-readiness strategy.
- Enhanced structured team building events and a formal branch onboarding process.

Significant deliverable:

- Established an expanded succession-readiness plan that expands beyond critical positions.

Continued measurement:

- HR will have investment staffing data more readily available to quickly address any gaps.

COMMUNICATION

Vision: CalSTRS is viewed by key audiences as a partner of choice, a thought leader in institutional investing and a trusted provider of a secure retirement.

Vision accomplishments:

- Developed a clear definition of the Collaborative Model that was used as the basis for all communications materials.
- Produced a suite of key messages and communications materials that were used for outreach and presentations to support the budget requests and communication with member groups.

Process changes:

- Built additional relationships between the Communications and Investments divisions and improved on processes for creating communications materials.

Significant deliverable:

- Established consistent messaging about the project and presentation materials.

Continued measurement:

- Activities in the communications pillar will be folded into regular operations.

TECHNOLOGY

Vision: An innovative and secure technological environment to gather and share detailed, accurate investment data that can be easily accessed, analyzed, used and trusted to provide comprehensive information to support informed and timely decisions.

Vision accomplishments:

- Accelerated visioning process involving stakeholder input and surveys, resulting in identifying personas and a blueprint.
- Established the Investment Data Solutions group.
- Implemented multiple applications to improve efficiency across the Investments Branch.

Process changes:

- Expanded Investments Branch resources with the unique set of skills to support investment data and technology initiatives.
- Developed skills of staff who know both the investment and technology sides of the business.

Significant deliverables:

- Established an investment technology vision and drafted a road map to help the Investment Data Solutions group developed a long-term strategy

Continued measurement:

- Continued reporting will fall under the expanded Investment Data Solutions group.

LEGAL

Vision: Office of General Counsel has the expertise and resources to support the CalSTRS Collaborative Model.

Vision accomplishments:

- Assigned dedicated internal counsel to each asset class to transition CalSTRS investment attorneys from generalization to specialization.
- Developed of a formal legal request intake process and working dashboard.

Process changes:

- Introduced asset class specialization to develop a more in-depth understanding of the unique legal needs of each asset class. Prior to the Pillars Project, requests for legal services were varied and numerous and, as a result, limited the ability of the investment attorneys to gain a deep understanding of the intricacies of each asset class.

- Centralized and streamlined workflow, serving as a repository of decisions and providing visibility into the status of requests.

Significant deliverable:

- Created the environment for better collaboration, support and consistency by assigning attorneys to a particular asset class.

Continued measurement:

- The legal dashboard measures key data points and allows leadership to anticipate resource needs.

FINANCIAL

Vision: Streamlined fiscal processes to support the CalSTRS Collaborative Model to provide efficient and effective services, enhanced financial transparency and accountability while preserving key internal controls.

Vision accomplishments:

- Completed a white paper with identified opportunities for enhancing the cash position and forecasting tool, including recommendations to transition to a new treasury management system.
- Completed a review of fair-value measurement and reporting of private asset investment processes and policies with a consultant, which were determined to be in alignment with industry standards.

Process changes:

- Identified and implemented short-term mitigation strategies to address risks identified in our cash forecasting process.

Significant deliverable:

- Completed the enhancement of BusinessDirect that added electronic Cash Flow Module as another method of payment for investment vendors meeting certain criteria.

Continued measurement:

- Continued tracking of the cost savings related to the Collaborative Model with reporting on the comprehensive costs and cost effectiveness.

Strategic Plan Linkage: [CalSTRS Strategic Plan 2022-2025](#)

Optional Reference Material: (prior board items, supplemental educational materials, etc.)

None.