

2022-25 | BOARD DRAFT

# Strategic Plan

CALSTRS

## Table of contents

Introduction	3
Our Mission, Vision and Core Values	6
Strategic goals	7
Goal 1: Trusted stewards	8
Goal 2: Leading innovation and managing change	10
Goal 3: Sustainable organization	12

## Introduction

### Cassandra Lichnock, Chief Executive Officer, CalSTRS

I am pleased to introduce the CalSTRS 2022–25 *Strategic Plan*—a bold and clear strategy that outlines our intentional focus about where CalSTRS is going and how we'll get there.

Our strategic plan is the product of more than a year of rigorous research, environmental scans including a stakeholder survey, and intensive discussions between executive staff and the board. The process compels us to look ahead 10 years into the future to establish a vision for success. The plan serves as an important connecting point as we move the organization forward.

Through our 2019–22 *Strategic Plan*, we dedicated significant effort and resources to several multiyear initiatives. We've been building the technical and digital competencies necessary to operate more effectively and efficiently with our customers—our members and employers. We started on our path to manage more assets in-house to optimize investment performance and save costs. We're expanding our headquarters to accommodate the change to our workforce anticipated as a result of our new technical, digital and investment capabilities.



In 10 years,  
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sustainable pension  
organization.

Cassandra Lichnock

Our progress has been steady, even in this time of unprecedented change. The COVID-19 pandemic presented challenges to our members, employers and internal operations. I am proud of the way our staff responded. They continued to serve customers with enthusiasm, dedication and teamwork. Our collective ability to collaborate in new ways, to thrive in evolving markets and to leverage new technologies creates exciting new opportunities that can become part of who we are and

how we operate as an organization going forward. Our board has provided the resolve and steadfast leadership needed to govern through change and beyond.

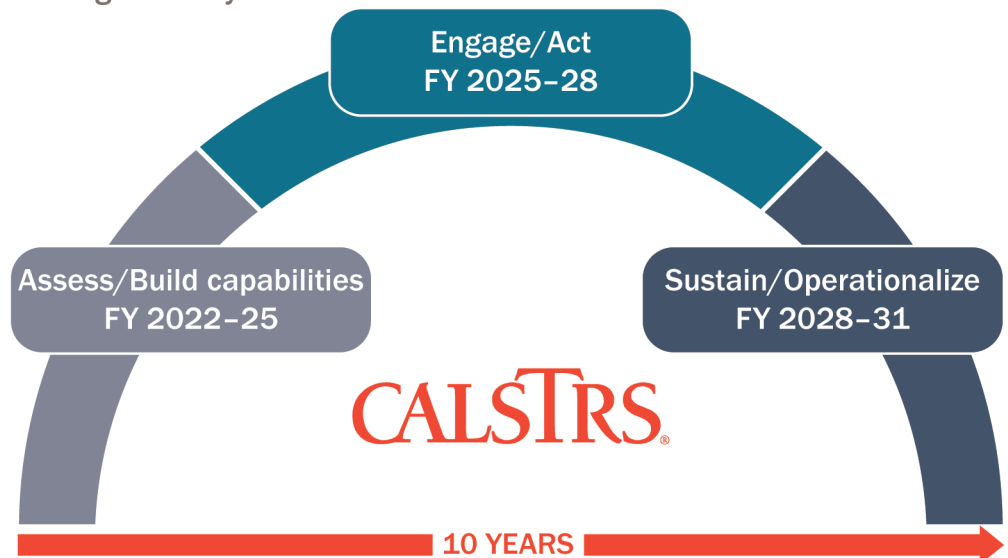
These traits will serve us well. In our world, change is the only constant, and the pace of change continues to accelerate. Yet, one element that does not change is CalSTRS' commitment to our core values of Customer Service, Accountability, Leadership, Strength, Trust, Respect and Stewardship. These beliefs define us and are the principles that guide everything we do.

We have been charged with ensuring that CalSTRS is here to secure the retirement of California's educators for centuries to come, serving as a model, world-class

pension system. This means balancing all the elements that have been essential to making CalSTRS exceptional in the past while anticipating those that the future will demand to sustain that level of excellence and achieve even greater heights.

We know that how people live, work, interact, communicate and experience retirement is in flux. This 2022-25 *Strategic Plan* serves as the blueprint for CalSTRS' continued evolution into this decade and beyond as we strive to actualize our future vision. In 10 years, we will be known as trusted stewards, innovators who adeptly manage change, and a sustainable pension organization. We will realize this lofty 10-year vision over the next three strategic plan cycles.

### Strategic Plan cycles



Our 2022–25 *Strategic Plan* is primarily characterized by assessing organizational readiness and building capabilities. The plan reaffirms our commitment to sustaining the trust of California’s educators as we focus on plan funding and evolve the customer experience by creating greater efficiencies. We will build capacity and increase resiliency through shared and collaborative services. We will inspire greater innovation throughout the organization while supporting a cost-conscious culture and creating long-term value through our sustainable investment beliefs.

With this strategic plan, we deepen our commitment to being a sustainable organization. This means maturing as a destination employer, cultivating internal talent and prioritizing equity, diversity and inclusion in the workplace. Our belief is that without equity, efforts to promote diversity and inclusion are commendable, but not sustainable. This plan paves the way for creating an intentional and sustainable cultural shift that demonstrates our commitment and dedication to supporting diversity and ethical principles throughout the organization and the Teachers’ Retirement Board.

To capitalize on today's greatest changes and deliver in the best interests of our

members, innovation is more essential than ever. It is important to improve our operations and services, and we must develop and execute a successful long-term strategy. As we embrace a tradition of leadership and continuous improvement, we do so with an intention of integrating environmental, social and governance principles throughout the organization.

Guided by this document, the executive staff will develop and implement annual business plans outlining specific activities to accomplish the 2022–25 strategic plan goals and objectives. We will assess the effectiveness of our actions against these strategies quarterly and through the annual *Strategic Plan Accomplishments Report*.

There has never been a more critical time to plan for the future and to set an aspirational course that ensures continued success for years to come. This plan presents our pathway forward. I invite you to join us with your support.

Respectfully,



Cassandra Lichnock  
Chief Executive Officer, CalSTRS

## 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.

## Strategic goals

### Goal 1

#### Trusted stewards

Ensure a well-governed, financially sound trust fund.

### Goal 2

#### Leading innovation and managing change

Innovate to grow resiliency and efficiency in service of our members.

### Goal 3

#### Sustainable organization

Fully integrate a unified environmental, social and governance ethos in all we do.

## Goal 1: Trusted stewards

Ensure a well-governed, financially sound trust fund.

Pursuing this goal will put CalSTRS on the path to realizing our 10-year future vision as follows:

2031 vision of success measures	As demonstrated by
Funding plan on track	<ul style="list-style-type: none"> <li>Targeted funding ratio achieved.</li> <li>Cost savings and portfolio value with an implemented CalSTRS Collaborative Model.</li> </ul>
Risk and return-focused fund	<ul style="list-style-type: none"> <li>Asset allocation supports benefit payments and actuarial rate of return.</li> </ul>
Members, employers and policymakers support the value of the defined benefit	<ul style="list-style-type: none"> <li>Productive relationships with key stakeholders.</li> <li>Proactive, trusted presence in political environments.</li> <li>CalSTRS plans, programs and policies support the long-term viability of the fund.</li> </ul>
Board culture of excellence in governance	<ul style="list-style-type: none"> <li>Knowledgeable, engaged and participatory trustees.</li> <li>Cohesive policy board focused on strategy, risk, performance and people.</li> </ul>
Distinct and trusted identity	<ul style="list-style-type: none"> <li>Trusted by funding partners, members, employers and the State of California.</li> <li>Known for transparency and accountability.</li> </ul>
Industry influencers	<ul style="list-style-type: none"> <li>Recognized staff, corporate and board governance leadership.</li> <li>Considered as a benchmark organization.</li> <li>Global investment partner of choice.</li> </ul>

### Objectives

The following slate of objectives will be undertaken during this three-year strategic plan cycle to advance progress toward the goal:

- A.** Achieve full funding of the Defined Benefit Program by June 30, 2046.
- B.** Operationalize sustainable investment beliefs to create long-term value.
- C.** Execute the CalSTRS Collaborative Model 2.0 phase of the continuum.
- D.** Grow strategic relationships with policymakers, stakeholders and partner organizations.
- E.** Enhance how risks are defined, viewed and managed.



### Three-year progress indicators

The following indicators will help us gauge our success for this three-year strategic plan cycle:

- Achieve targeted funding ratio.
- Demonstrated Collaborative Model cost savings and portfolio value.
- Achieve a return that equals or exceeds the actuarial rate of return.
- Portfolio carbon measurements defined and interim targets set based on risk-return profile.
- External engagement mechanisms are defined and determined.
- Strategic relationships contribute to positive outcomes to advance CalSTRS' mission.
- Completed plan to mature the risk management model.

## Goal 2: Leading innovation and managing change

Innovate to grow resiliency and efficiency in service of our members

Pursuing this goal will put CalSTRS on the path to realizing our 10-year future vision as follows:

2031 vision of success measures	As demonstrated by
Culture supports strategic vision	<ul style="list-style-type: none"> <li>• People interactions and coordination.</li> <li>• Responsiveness to change.</li> </ul>
Sponsor of financial literacy and financial wellness solutions	<ul style="list-style-type: none"> <li>• Engaged, educated and confident members and retirees.</li> </ul>
Operational excellence	<ul style="list-style-type: none"> <li>• Leader of pension industry peers for optimized administrative cost and service value, efficiency, productivity, accuracy and effectiveness.</li> </ul>
Technologically modern, secure operating platform	<ul style="list-style-type: none"> <li>• Known for accuracy, efficiency, reliability and intuitiveness.</li> <li>• Cybersecurity program keeps pace with risk.</li> <li>• Customer experience benchmarks on par with financial services technology peers.</li> </ul>

### Objectives

The following slate of objectives will be undertaken during this three-year strategic plan cycle to advance progress toward the goal:

- A.** Implement and integrate a highly adaptive pension administration system to modernize transactional capabilities.
- B.** Grow capabilities and culture to support a strategic and innovation mindset.
- C.** Enhance the customer experience to improve engagement and reduce effort.
- D.** Explore advanced technology to securely gain business agility and enhance user interface experience.
- E.** Innovate, streamline and automate processes to increase efficiency.
- F.** Transform business processes and drive digital adoption.

### Three-year progress indicators

The following indicators will help us gauge our success for this three-year strategic plan cycle:

- Implement BenefitConnect.
- Completed optimization plan for member service center footprints.
- Engaged members.
- Effort required by members, employers and beneficiaries in service interactions is reduced.
- Defined and determined employer engagement mechanisms.
- Completed customer experience planning.
- Completed innovation readiness planning.

## Goal 3: Sustainable organization

Fully integrate a unified environmental, social and governance ethos in all we do.

Pursuing this goal will put CalSTRS on the path to realizing our 10-year future vision as follows:

2031 vision of success measures	As demonstrated by
Unified ESG principles embedded as the operating norm	<ul style="list-style-type: none"> <li>• Successfully completed integration plan with defined metrics.</li> </ul>
Diversity, equity and inclusion efforts drive organizational outperformance	<ul style="list-style-type: none"> <li>• Employee engagement survey results.</li> <li>• Benchmarking against industry peers.</li> <li>• Optimized investment returns.</li> </ul>
Premier employer that attracts top talent and develops internal staff	<ul style="list-style-type: none"> <li>• Optimized employee benefit offerings.</li> <li>• Quality candidate pools.</li> <li>• Retention rate.</li> <li>• Promotion rate.</li> <li>• Employee engagement—attract and retain for the following reasons:               <ul style="list-style-type: none"> <li>» Ethical culture.</li> <li>» Cost-consciousness.</li> <li>» Continuous improvement.</li> <li>» Blend of public and private practices.</li> <li>» Mission driven.</li> <li>» Diversity, equity and inclusion.</li> <li>» Internal talent development.</li> </ul> </li> </ul>
Adaptable, blended work environment	<ul style="list-style-type: none"> <li>• Alignment with long-term workspace needs and members' service preferences.</li> <li>• Skills and tools to respond effectively to unexpected working conditions.</li> </ul>
Prepared to address change and disruptions with appropriate urgency	<ul style="list-style-type: none"> <li>• Refreshed business continuity capabilities.</li> <li>• Cybersecurity program keeps pace with risk.</li> </ul>

## Objectives

The following slate of objectives will be undertaken during this three-year strategic plan cycle to advance progress toward the goal:

- A.** Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity and inclusion practices.
- B.** Integrate and align ESG principles across the organization.
- C.** Complete headquarters expansion and transition activities.
- D.** Strengthen preparedness capabilities to address change and disruptions.

## Three-year progress indicators

The following indicators will help us gauge our success for this three-year strategic plan cycle:

- Completed ESG integration planning.
- Completed DEI integration planning.
- Engaged employees.
- High rate of retention.
- Cybersecurity program keeps pace with risk.



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