CALSTRS

Audits and Risk Management Committee

Item number 8 – Open session

Subject: Enterprise Risk Reporting Refresh

Presenter(s): Lynn Bashaw

Item type: Information

Date and time: September 24, 2026 – 15 minutes

Attachment(s): None

PowerPoint presentation(s): Enterprise Risk Reporting Refresh

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Item purpose

The purpose of this item is to support the ARM Committee's risk management oversight responsibilities by introducing our modernized enterprise risk taxonomy and enhanced reporting approach. This report outlines the transition from our previous manual processes to an automated, software-driven approach, highlights the benefits of the new taxonomy and updating scoring approach, and prepares the ARM Committee for the enhanced semi-annual ERM report in November.

This work directly supports Strategic Plan Goal 3—Sustainable Organization—to mature how risks are defined, viewed, and managed across the enterprise. With this refreshed framework, CalSTRS can better anticipate emerging challenges, strengthen oversight and ensure our risk practices continue to evolve in alignment with the organization's complexity and the needs of our members.

Recommendation

This is an information item only.

Executive summary

The ERM program has undergone a significant transformation, shifting from manual, spreadsheet-based risk updates to a conversation-driven, software-enabled process using Riskonnect. The ERM team used this opportunity to overhaul the risk program, reassessing all processes with input from risk champions and executives to focus on adding value. Over the past year, we conducted a comprehensive review of industry best practices and collaborated extensively with stakeholders to redesign our risk taxonomy, risk statements, meeting cycles, information collection, and reporting processes. These efforts are designed to strategically position CalSTRS and its risk management program to proactively address the evolving landscape of enterprise risks, which continue to grow in complexity and frequency. Ultimately, this modernization delivers greater transparency, improved resilience, and actionable insights for leadership and the board.

Background

Benefits of the enhanced ERM approach

By continuing to mature our risk program, we are enhancing our ability to anticipate and respond to emerging threats, strengthening oversight, and ensuring that our risk management practices remain robust and aligned with organizational objectives.

The previous risk taxonomy served us well in the early phases of the enterprise risk program; however, we believe this updated approach will increase depth and holistic coverage. The new taxonomy, designed to be mutually exclusive and collectively exhaustive, provides a common language, consistency and comparability across the organization. Riskonnect enables real-time risk management, reduces administrative burden and improves data quality. Table 1 summarizes the impact and benefits of our enhanced ERM approach.

Table 1: Benefits of the enhanced ERM approach

Aspect	Previous Approach	New Approach
Distinct categories and subcategories	Limited	Robust
Automated processes	No	Yes
Dedicated ERM risk liaisons	No	Yes
Strategic plan mapping	No	Yes
Trend analysis	Limited	Robust
Reporting	Static	Dynamic

To support this work, we partnered closely with the executive team and our risk champions to design an updated enterprise framework grounded in clarity, consistency and usability. The resulting structure positions CalSTRS to anticipate trends more effectively, adapt to emerging risks, and communicate risk posture in a timely and actionable manner. We look forward to bringing you updated reporting in November and to your feedback and engagement as we continue to mature the enterprise risk program to meet your needs.

Improved impact scoring and risk calculation methodology

As part of our program enhancements, impact scoring now spans multiple categories, and risk calculation is based on likelihood and impact, with velocity removed to reflect real-time data. To help illustrate the improvements in our risk scoring and calculation methodology, the following table summarizes the key differences between our previous approach and the new, modernized framework.

Table 2: Updated enterprise risk scoring methodology

Aspect	Previous methodology	New methodology
Risk score calculation	= Impact x (Probability + Velocity) x Weighting factor	= Likelihood x Impact
Score range (min-max)	1-50	1-25
Impact scoring	One impact type: Operational	Multiple impact types: Strategic, Operational, Financial, Compliance, Reputation, and Legal.

The improved scoring methodology will help simplify the risk scoring process by focusing exclusively on likelihood and impact, making it easier to assess risks without the complexity of velocity and weightings. This streamlined approach allows us to spend less time on scoring mechanics and more time actively managing and mitigating risks. As a result, we can focus on addressing the most significant threats and supporting organizational resilience, rather than navigating cumbersome calculations.

Next steps

We've only scratched the surface in implementing Riskonnect's features and capabilities. We will continue to improve risk statements, scoring, control linkage, control validation, key risk indicator development, strategic plan alignment and policy connections as we expand the tool's capabilities. Here is what we plan to focus on in the coming year:

- Continued configuration of Riskonnect and importing risk data
- Training and rollout for risk champions and executives
- Development of risk reports for the Executive Risk & Compliance Committee, ARM Committee and Board.
- Ongoing refinement during FY 2026–27 as we monitor adoption and reporting needs

Strategic Plan linkage: Goal 3—Sustainable Organization—to mature how risks are defined, viewed, and managed across the enterprise.

Board Policy linkage: Board Governance, Section G. Risk Management Policy