

2023-24

Business Plan

CALSTRS

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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

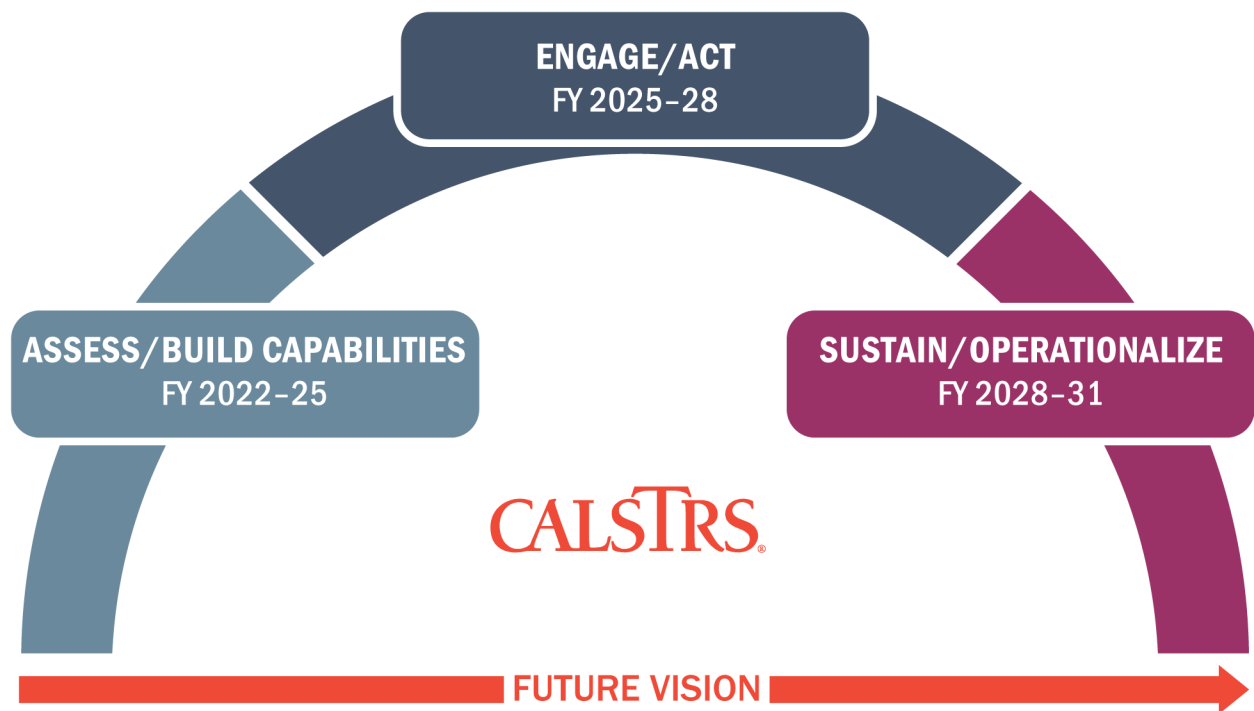
We recognize our fiduciary responsibility as the foundation for all decision-making.

About the Business Plan

OUR FUTURE VISION

The *2023–24 Business Plan* describes the specific actions we will take over the next year toward our 10-year vision of success, as described in the *2022–25 Strategic Plan*.

Our current focus is on assessing our readiness and building organizational capabilities.



STRATEGY MAP

Our mission, vision and core values are the foundation of our annual business plan. Each of the three goals within the plan reflect our attention to sustainability, risk management and people in everything we do.



Goal 1: Trusted stewards

Ensure a well-governed, financially sound trust fund.

The health of the Teachers' Retirement Fund is essential to our mission.

In fiscal year 2023–24, we are undertaking several initiatives to monitor, calibrate and communicate our investment strategies and our actuarial assumptions. These regularly scheduled activities ensure decision makers have a thorough understanding of the steps and risks associated with maintaining and enhancing the plans' financial health.

A significant cross-functional work effort supporting the Collaborative Model, the Pillars Project, was completed last year. This year, we will build on project successes by continuing to grow analytical expertise and developing opportunistic strategies to maximize portfolio value.

We're also focused on our stakeholders, with multiple initiatives that will strengthen our strategic relationships in support of our mission.

GOAL 1: OBJECTIVE A

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

INITIATIVE 1

Develop long-term asset allocation targets in conjunction with the Teachers' Retirement Board.

Key activities in 2023–24

- Board adoption of a new asset allocation and corresponding Investment Policy and Management Plan updates.
- Begin to implement newly adopted board recommendations from the Asset Liability Management Study.

INITIATIVE 2

Revise the board policy related to the lump-sum death benefit for active and retired members.

Key activities in 2023–24

- Meet with stakeholders to gather input on potential changes to the board policy.
- Develop revised board policy.
- Obtain board approval of revised board policy.

INITIATIVE 3

Deliver second report to the Legislature on the progress of the CalSTRS Funding Plan.

Key activities in 2023–24

- Develop recommendations and obtain direction from the board on the content of the report at its January 2024 meeting.
- Finalize and provide progress report to the Legislature by June 30, 2024.

INITIATIVE 4

Perform a review of the actuarial assumptions used in the funding of the system.

Key activities in 2023–24

- Develop recommendations, present experience study report and obtain approval from the board on any revised actuarial assumptions at the January 2024 meeting.
- Implement any new actuarial assumptions in the June 30, 2023 actuarial valuations.

GOAL 1: OBJECTIVE B

Operationalize sustainable investment beliefs to create long-term value.

INITIATIVE 1

Implement initial steps to support the board's net zero pledge.

Key activities in 2023–24

- Establish a baseline measurement of existing portfolio emissions.
- Assess and incorporate new standards and methods of measuring portfolio emissions.
- Enhance engagement strategies with companies and policymakers to encourage further global emission reduction.
- Assess and monitor the path to net zero emissions with respect to current market conditions.

INITIATIVE 2

Refine mapping of CalSTRS' low-carbon and net zero transition-aligned investments.

Key activities in 2023–24

- Establish CalSTRS' definition of low-carbon and net zero transition-aligned investments.
- Determine optimum strategies to increase low-carbon assets in alignment with the fund's risk-return goals.

INITIATIVE 3

Integrate diversity, equity and inclusion across the Investments Branch.

Key activities in 2023–24

- Seek, pursue and invest with emerging managers and diverse managers that generate performance aligned with CalSTRS' financial and return objectives.

Note: Key activity revised in 2023–24 to include "seeking" managers.

- Expand engagement and outreach opportunities through various industry events.
- Influence global markets via industry and portfolio company engagement.
Note: Key activity revised in 2023–24 to include industry as well as company engagement.
- Comply with reporting requirements as mandated by Assembly Bill 890 (Chapter 472, Statutes of 2021) authored by Assemblymember Cervantes.
Note: Key activity revised in 2023–24 to include chaptered bill information.

GOAL 1: OBJECTIVE C

Execute the CalSTRS Collaborative Model 2.0 phase of the continuum.

ACCOMPLISHED INITIATIVE 1

Optimize cost and savings reporting related to the Collaborative Model.

Completed in 2022–23

ACCOMPLISHED INITIATIVE 2

Develop and implement a Collaborative Model Pillars Project transition plan to operationalize across the organization.

Completed in 2022–23

INITIATIVE 3

Transform technologies and services to advance investment analytics and decision-making capabilities.

Key activities in 2023–24

- Grow data and analytics expertise in the Investments Branch.
- Identify a governance structure to support advanced investment analytics and decision-making capabilities.
- Invest in technology to make data more streamlined, accessible and trusted, enabling self-service analytics and reporting.

INITIATIVE 4

Develop opportunistic investment strategies that capitalize on enhanced risk-return payoffs as well as cost savings from direct control and internal management.

Key activities in 2023–24

- Create framework, governance structure and implementation strategy for new opportunistic strategy within the current asset allocation plan.
- Recommend policy changes to expand flexibility in investing in opportunistic strategies across asset classes.

GOAL 1: OBJECTIVE D

Grow strategic relationships with policymakers, stakeholders and partner organizations.

INITIATIVE 1

Demonstrate our dedication to sustainability; diversity, equity and inclusion; and ethical principles.

Key activities in 2023–24

- Review and prioritize recommendations provided by diversity, equity and inclusion consultant.
- Develop a stakeholder communication plan to socialize activities related to sustainability; diversity, equity and inclusion; and ethical principles.

INITIATIVE 2

Establish an organizational understanding of CalSTRS' audiences—including stakeholders, policymakers and partner organizations.

Key activities in 2023–24

- Use operational performance and business reviews to identify gaps and opportunities to improve our strategic relationships.

- Conduct a root cause analysis to identify where systemic internal perceptions and business processes are affecting external engagement and perceptions.

INITIATIVE 3

Assess and evolve communication mediums to reach our audiences where they are.

Key activities in 2023–24

- Present to the board annually, focusing on how communications and engagement activities support the organization and its mission, quantifying content delivered to targeted audiences through available mediums.
- Use operational performance and business reviews to identify gaps and opportunities.
- Expand proactive use of digital content across our mediums.
- Explore new mediums, including paid advertising for brand and member awareness, to fill the gaps that cannot be covered by earned media, social media or CalSTRS-owned mediums.

INITIATIVE 4

Explore options to promote consistent organizational principles related to plan design.

Key activities in 2023–24

- Explore options for a formalized cross-division unit on plan design.
- Create a repository that captures and documents past and future organizational decisions on principles and policies; inform and educate business areas on the decisions.

INITIATIVE 5

Establish an organizational framework to foster a balanced understanding among member and employer groups and CalSTRS business areas.

Key activities in 2023–24

- Expand training and education for business areas to show the interconnectivity between policy and business initiatives and “on the ground” impacts to members and employers.
- Explore new ways to bring stakeholders into decision-making on key policy and business changes.

INITIATIVE 6

Conduct an economic impact study demonstrating the effect of CalSTRS benefits on California’s economy.

Key activities in 2023–24

- Model economic impacts by Senate, Assembly and Congressional district.
- Conduct analysis of statewide impacts.

GOAL 1: OBJECTIVE E

Enhance how risks are defined, viewed and managed.

INITIATIVE 1

Assess the mandate and scope of the Enterprise Risk Management and Enterprise Compliance Services programs and identify opportunities to mature the programs.

Key activities in 2023–24

- Develop a roadmap to mature the overall Enterprise Risk Management and Enterprise Compliance Services framework based on industry best practices.
- Present implementation plan to the Audits and Risk Management Committee.
- Evaluate the existing board reporting structure for all Enterprise Risk Management and Enterprise Compliance Services programs and provide education and any recommendations to the Audits and Risk Management Committee.

Goal 2: Leading innovation and managing change

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

Superior service to our members and their employers is among our highest priorities. We're determining the most effective member service delivery mechanisms, educational channels and other tools to meet evolving customer needs.

Meanwhile, we are implementing technologies to support our hybrid workforce and pursuing continuous improvement of our processes. A focus on digital adoption and change management ensures our workforce is able to embrace those tools and continue to build new efficiencies.

We are also evolving our culture to support a strategic and innovation mindset. These efforts will help us grow our resilience to inevitable change in the future.

GOAL 2: OBJECTIVE A

Implement and integrate a highly adaptive pension administration system to modernize transactional capabilities.

INITIATIVE 1

Address implementation risks associated with the next phase of the pension administration system project.

Key activities in 2023–24

- Deliver transformation readiness activities.
- Incorporate root cause analysis and risk response action in implementation planning.
- Incorporate review of risk response strategy into ongoing project management to strengthen risk mitigation.

INITIATIVE 2

Enhance quality assurance capabilities.

Key activities in 2023–24

- Reexamine quality criteria and associated metrics.
- Strengthen mechanisms for identifying and addressing quality issues.
- Realign project status reporting to regularly report on quality metrics.

INITIATIVE 3

Identify business realignment opportunities.

Key activities in 2023–24

- Identify staff supporting the Pension Solution Project whose roles will transform post-implementation.
- Prepare realignment strategy for resource alignment and associated budget needs.

GOAL 2: OBJECTIVE B

Grow capabilities and culture to support a strategic and innovation mindset.

ACCOMPLISHED INITIATIVE 1

Engage an innovation expert to assess our current stage in the innovation maturity spectrum.

Completed in 2022–23

INITIATIVE 2

Evaluate the future of work and retirement.

Key activities in 2023–24

- Conduct research to evaluate workforce and retirement trends.
- Evaluate student and teacher enrollment and trends in the teaching profession.

INITIATIVE 3

Enhance cost-conscious culture throughout the organization.

Key activities in 2023–24

- Prepare current state cost-conscious culture framework and conduct a gap analysis that identifies opportunities for improvement.

Note: Key activity revised to include gap analysis in 2023–24.

- Develop a roadmap to identify and monitor cost optimization efforts.
- Research budget analytics and reporting software tools.
- Integrate resource and budget considerations into strategic planning process for the plan effective in 2025.

INITIATIVE 4

Establish the CalSTRS innovation program.

Key activities in 2023–24

- Complete the assessment of CalSTRS' state of innovation readiness.
- Establish an innovation program roadmap.

GOAL 2: OBJECTIVE C

Enhance the customer experience to improve engagement and reduce effort.

INITIATIVE 1

Increase reliability and accuracy of member account data and final benefit components.

Key activities in 2023–24

- Continue exploration of contribution reporting laws and regulations for potential improvements.
- Add details, examples and specifics to employer education materials and explore employer field manual concept.

- Formalize Quality Management Program in Employer Services with dedicated resources.
- Formalize expansion of the Compensation Review Unit to address preretirement account analysis.

INITIATIVE 2

Determine the most effective member service environment to maximize service delivery.

Key activities in 2023–24

- Streamline and optimize technology in member service centers.
- Determine strategy for relocation, redesign or lease renegotiation for member service centers with upcoming lease expirations.

Note: Key activity revised to include strategies beyond footprint optimization in 2023–24.

- Execute and implement identified strategy for each member service center affected by upcoming lease expirations.

INITIATIVE 3

Explore opportunities to optimize and adapt educational services and their delivery channels.

Key activities in 2023–24

- Identify enhanced technological capabilities to expand digital interactivity, accessibility and effectiveness.

Note: This key activity replaces and continues the work from two prior year key activities in 2023–24, “Leverage technology trends and best practices to improve customer experience and access to educational services” and “Research delivery options and service modalities in alignment with member preferences as determined through customer experience planning activities.”

- Evaluate customer satisfaction survey practices to advance our ability to gather timely, actionable customer feedback.

INITIATIVE 4

Explore tools and methods to enhance service delivery.

Note: Initiative revised in 2023–24 to specify exploration of tools and methods to enhance service delivery.

Key activities in 2023–24

- Determine the viability, benefits and timing of acquiring a customer relationship management solution.
- Explore ways to better align with and measure customer expectations.
- Perform gap analysis between our current services and the services customers prefer.
- Document employer journeys as part of customer experience program and customer relationship management activities.
- Develop employer satisfaction measures to reflect more timely service interaction feedback.
- Document customer journeys for members and beneficiaries.

Note: Key activity revised in 2023–24 to differentiate from separate key activity documenting employer journeys.

- Leverage technology to expand communication channels.

INITIATIVE 5

Create a culture of customer experience throughout the organization.

Note: Formerly a key activity under 2C4.

Key activities in 2023–24

- Identify opportunities to coordinate customer experience-related research, survey findings and other efforts throughout the organization.

INITIATIVE 6

Optimize telephonic communications to enhance performance.

Note: Formerly a key activity under 2C4.

Key activities in 2023–24

- Migrate to cloud-based telephony platform.
- Redesign interactive voice response system.
- Implement skills-based routing.

GOAL 2: OBJECTIVE D

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

INITIATIVE 1

Expand data analytic capabilities to drive business decisions.

Key activities in 2023–24

- Evaluate and implement data integration tools for the business intelligence and data warehouse platform.
- Evaluate, prioritize and implement selected use cases.
- Expand business intelligence and data warehouse platform to support advanced cognitive computing.

INITIATIVE 2

Assess long-term strategy for CalSTRS' enterprise resource planning system and ancillary solutions.

Key activities in 2023–24

- Acquire implementation services to replace the existing procurement solution.
- Obtain software licenses for the selected procurement solution.
- Onboard the system implementation vendor.
- Evaluate existing enterprise resource planning system roadmap for current state and identify gaps.

INITIATIVE 3

Implement technologies to support hybrid workforce and enhance collaboration.

Key activities in 2023–24

- Deploy infrastructure to augment service modalities and modernize the IT Service Desk.
- Upgrade audio-visual equipment in the Control Room to support enterprise events.
- Implement teleconferencing solutions to support blended work environments.

INITIATIVE 4

Implement technologies to improve the effectiveness of CalSTRS' business operations.

Key activities in 2023–24

- Explore solutions to enhance capabilities.
- Implement virtual assistant to support travel-related processes.
- Implement additional human capital management system capabilities.
- Explore use cases and develop a roadmap for enterprise chatbot implementations.
- Explore and implement additional components of the workplace service delivery solution to enhance employee flexibility and productivity.
- Migrate to Microsoft Windows 11 to secure end-user devices.

GOAL 2: OBJECTIVE E

Innovate, streamline and automate processes to increase efficiency.

ACCOMPLISHED INITIATIVE 1

Identify business processes to streamline or improve.

Completed in 2022–23

INITIATIVE 2

Conduct research to identify policy, technology or other strategies to promote efficiency.

Key activities in 2023–24

- Develop options for improving efficiency for identified business processes.
- Identify costs and risks associated with potential solutions.
- Develop plans to implement process improvements.

GOAL 2: OBJECTIVE F

Transform business processes and drive digital adoption.

INITIATIVE 1

Enhance resource capacity planning and resource management capabilities.

Key activities in 2023–24

- Secure consultant to conduct assessment of CalSTRS resource management capabilities.
- Review consultant recommendations and develop an implementation roadmap for optimizing resource capacity planning and management.

INITIATIVE 2

Grow organizational change management capabilities.

Key activities in 2023–24

- Design CalSTRS' organizational change management structure.
- Develop organizational change management program.
- Integrate cross-functional partnerships.
- Build organizational change management team.

INITIATIVE 3

Increase digital adoption of newly implemented technologies.

Key activities in 2023–24

- Assess and support change readiness activities.
- Incorporate digital adoption framework into technology planning, development, deployment and post-implementation support activities.

Goal 3: Sustainable organization

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

Consistent with our fiduciary responsibility to our members, our policies are designed to create long-term value for the fund. Reducing environmental, social and governance risks—in our investments, operations and business partnerships—is a key part of our commitment to stewardship and sustainability.

Through our focus on being a sustainable organization and a premier employer, we'll continue to provide superior service to our members and achieve our financial objectives. We prioritize diversity, equity and inclusion efforts to attract, develop and retain a highly skilled and engaged workforce.

We are also focused on building our business continuity and security capabilities so we're ready to respond to challenges and disruptions, including cybersecurity risks.

GOAL 3: OBJECTIVE A

Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity and inclusion practices.

INITIATIVE 1

Incorporate diversity, equity and inclusion into all CalSTRS practices.

Key activities in 2023–24

- Conduct an assessment and create a roadmap of consultant-recommended actions.
- Identify roles and responsibilities in support of the program.
- Promote diversity, equity and inclusion principles and activities across CalSTRS.
- Participate in and incorporate statewide diversity, equity and inclusion efforts and best practices into CalSTRS strategies.
- Launch updated procurement process to include diversity, equity and inclusion survey.

INITIATIVE 2

Evaluate current and anticipated staffing needs and volume, identify goals and strategies to reach them.

Note: Initiative updated in 2023–24 to focus on staffing goals rather than gaps.

Key activities in 2023–24

- Identify critical positions and conduct an updated succession risk assessment.
- Support and complete prioritized activities identified in the Workforce and Leadership Development and Succession plans.

INITIATIVE 3

Support a hybrid workforce with updated tools, operational processes and infrastructure.

Key activities in 2023–24

- Identify culture-enhancing strategies through organizational assessments, best practice research and data collection methods.
- Expand learning and development opportunities that support staff growth and leadership in the core competency of adaptability/flexibility.

- Explore opportunities to improve productivity, create flexibility and promote work-life balance.
- Provide training and additional tools to leaders to manage a hybrid workforce.
- Migrate business data to cloud storage for improved reliability and resiliency.
- Migrate business files to the cloud to enable greater collaboration in hybrid environment.
- Modernize device setup and delivery to streamline new hire process.

INITIATIVE 4

Position CalSTRS to attract, acquire and retain top talent.

Key activities in 2023–24

- Identify opportunities to enhance or strengthen current recruitment and retention strategies.
- Implement strategies to recruit, engage, develop and retain staff.

GOAL 3: OBJECTIVE B

Integrate and align environmental, social and governance principles across the organization.

INITIATIVE 1

Prepare a plan to integrate and align environmental, social and governance principles throughout the organization.

Key activities in 2023–24

- Leverage the Enterprise Sustainability Team to identify environmental, social and governance functions to align across the organization.

Note: Key activity revised to focus on identification of functions in 2023–24. Alignment is covered under Initiative 3B2.

- Present sustainability updates related to investments and the enterprise to the board.
- Prioritize and implement sustainability consultant-recommended actions.

INITIATIVE 2

Embed environmental, social and governance principles across the organization.

Key activities in 2023–24

- Establish measures and metrics to advance sustainability using standardized industry frameworks.
- Gain consensus on voluntary disclosures to add to the *2023–24 Sustainability Report* to strengthen our transparency.
- Complete an assessment of Senate Bill 1203 (Chapter 368, Statutes of 2022) and its implications for our operations and reporting.
- Develop enterprise net zero strategy.

GOAL 3: OBJECTIVE C

Complete headquarters expansion and transition activities.

INITIATIVE 1

Effectively manage space optimization.

Key activities in 2023–24

- Identify tenants to occupy vacant space in the existing building.
- Create policy and enforcement mechanisms pertaining to tenants and the headquarters expansion.
- Relocate staff into new building workspaces.
- Prepare existing building for leasing (tenant improvements).

- Create optimization plan, including growth chart, current staffing levels and campus capacity.
- Develop and initiate actions based on the results of the optimization plan.
- Continue change management activities to support workplace transitions.

ACCOMPLISHED INITIATIVE 2

Determine funding gap and secure bond financing.

Completed in 2022–23

INITIATIVE 3

Complete Headquarters Expansion Project deliverables on time and on budget.

Key activities in 2023–24

- Implement change management activities to support workplace transitions related to the completion of the Headquarters Expansion Project.

Note: Key activity revised in 2023–24 to specify these change management activities are specific to the Headquarters Expansion Project.

- Provide ongoing evaluation of staffing resources to effectively meet the schedule and budget.
- Monitor project costs through monthly reconciliation reports.
- Revise staff occupancy analysis to align with a blended workplace model.
- Ensure timely approvals of change requests, submittals and completed designs.

GOAL 3: OBJECTIVE D

Strengthen preparedness capabilities to address change and disruptions.

INITIATIVE 1

Secure the confidentiality and integrity of data and member information.

Key activities in 2023–24

- Automate technology asset and software inventory.
- Enhance cyber-fraud detection, prevention and response.

INITIATIVE 2

Enhance cybersecurity plans.

Key activities in 2023–24

- Complete data management training for all employees.
- Ensure the continued evolution of security awareness education.

INITIATIVE 3

Enhance business resiliency.

Key activities in 2023–24

- Incorporate elements of an operations-based exercise within the annual tabletop exercise to more rigorously test the Emergency Operations Center team’s ability to respond to a disruptive event.

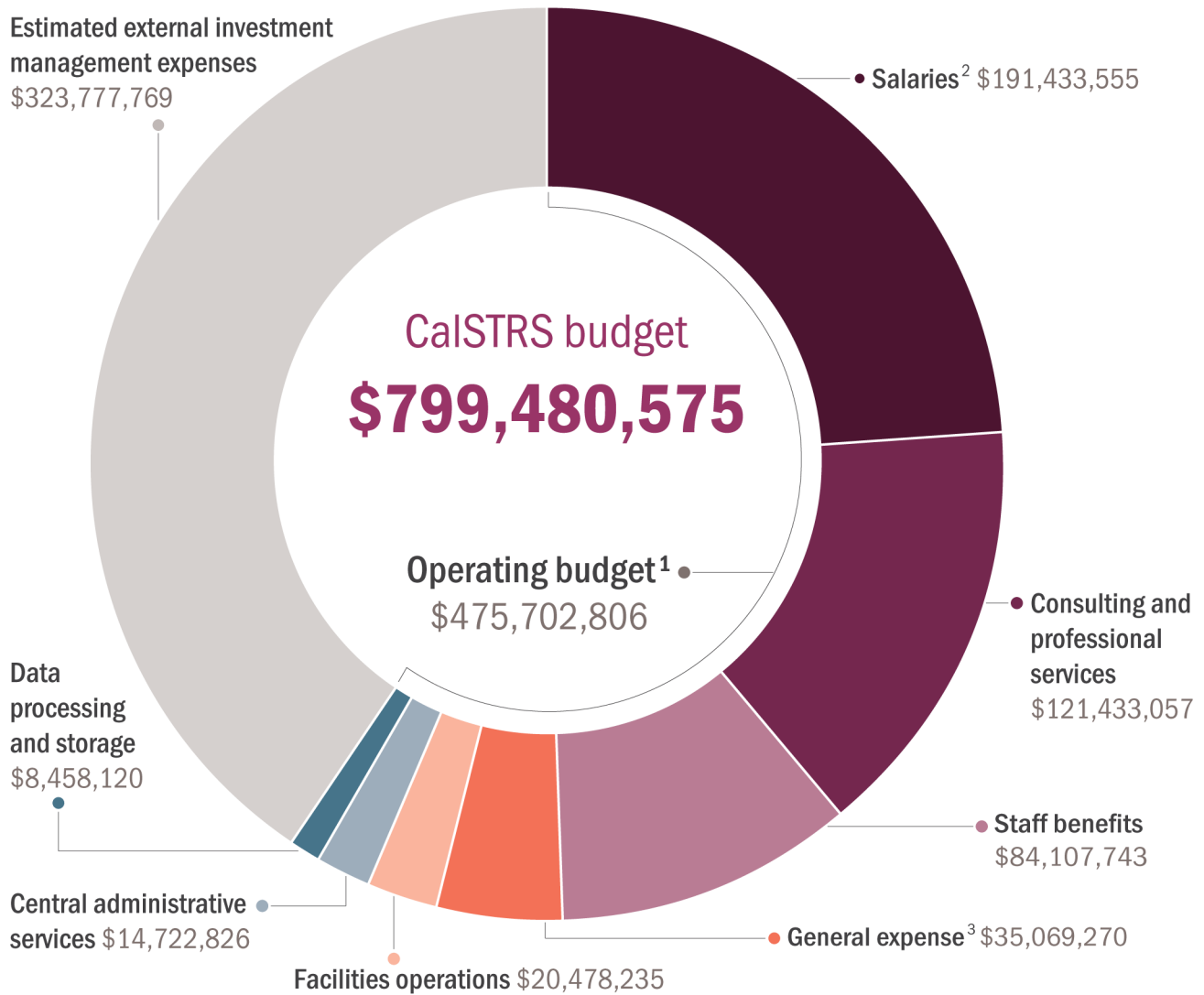
Note: Key activity revised in 2023–24 to be more specific (previously, “Modernize business continuity functional and table-top exercises and testing”).

- Continue to migrate pertinent business applications to cloud-hosted data center solution.
- Implement a new Emergency Mass Notification System.

Budget and resources

FISCAL YEAR 2023-24 CALSTRS BUDGET

As of March 1, 2023



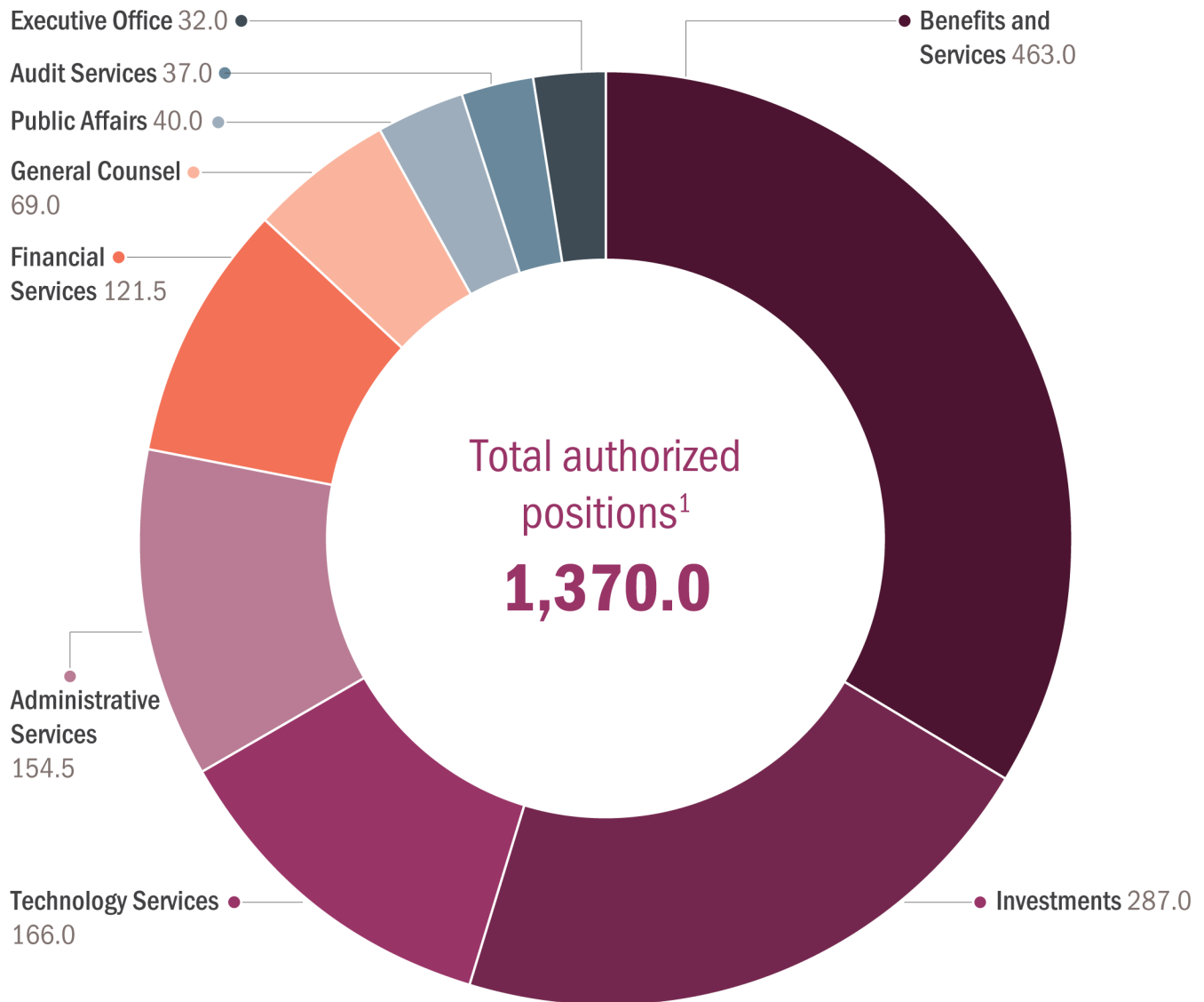
¹ On March 1, 2023, the board approved an increase of \$87.2 million to the 2023-24 operating budget to continue implementation activities for the new pension administration system.

² Figure includes \$27.7 million for incentives and \$189,000 for overtime.

³ Figure includes printing, communications, postage, insurance, travel in and out of state, training, indirect cost, equipment over \$5,000, and special items of expense.

FISCAL YEAR 2023-24 AUTHORIZED POSITIONS BY BRANCH

As of March 1, 2023



¹ In support of the CalSTRS Collaborative Model, a Multi-Year Internal Investment Management Plan was approved by the Teachers' Retirement Board that established 109 authorized positions to be dispersed across fiscal years 2021-22 through 2025-26. Of the total, 30 were distributed in 2021-22, 24 were distributed in 2022-23, and 21 are included in the 2023-24 budget. The remaining 34 positions will be dispersed across fiscal years 2024-25 through 2025-26.



CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

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