



Regular Meeting

Item number 6 – Open session

Subject: Chief Executive Officer Report

Presenter(s): Cassandra Lichnock

Item type: Information

Date and time: January 9, 2025 – 15 minutes

Attachment(s): None

PowerPoint presentation(s): None

Investment Awards and Accolades

CalSTRS has been named one of the “*Best Places to Work in Money Management*” by Pension and Investments for the tenth time. According to Pensions & Investments, the companies named to this year’s Best Places to Work list demonstrate a commitment to building and maintaining a strong workplace culture. As Scott noted in our news release, the culture at CalSTRS is one of our biggest competitive advantages, and you can see the respect and teamwork throughout the organization, whether someone is an executive or a recent hire.

Financial Statement Reports

The CalSTRS Annual Comprehensive Financial Report (ACFR) is published annually to provide a detailed review of CalSTRS’ financial, investment and actuarial related activities for a given fiscal year. The ACFR for the year ended June 30, 2024, is now available online at [CalSTRS.com](https://www.calstrs.com) and was submitted timely to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting program.

CalSTRS also published a Popular Annual Financial Report (PAFR), which provides a summary of the information found in the Annual Comprehensive Financial Report. The PAFR for the year ended June 30, 2024, is now available online at [CalSTRS.com](https://www.calstrs.com). It was submitted to the Government Finance Officers Association for the PAFR Award program.

Pension2 Extends Recordkeeping Contract with Voya

After a competitive bid process, CalSTRS Pension2 has entered into a new contract with Voya Financial to continue to provide recordkeeping services for the program, effective November 1,

2024. The contract extends the partnership for an additional six years, with the potential for further extensions, and provides continuity of service for plan participants.

Pension2 participants will enjoy a contracted guaranteed 4% interest rate on the Voya Fixed Plus III stable value option until 2027 and additional licensed representatives to support demand for statement comparisons and in-person/virtual services. The contract terms also include establishing a team of specialized contact center representatives to support the Pension2 customer service line. Additionally, Voya has committed to a renewed focus to engage educators and employers through marketing, outreach, and education efforts.

Pension2 currently serves over 34,000 participants in its 403(b) and 457(b) plans. The defined contribution program has experienced rapid growth and demand over the past decade, surpassing a \$2.5 billion milestone for assets under management in June of this year. Voya has been a vital partner in supporting Pension2's mission to offer a low-cost, voluntary supplemental savings option to meet the evolving needs of California's educators.

Emerging and Existential Risks

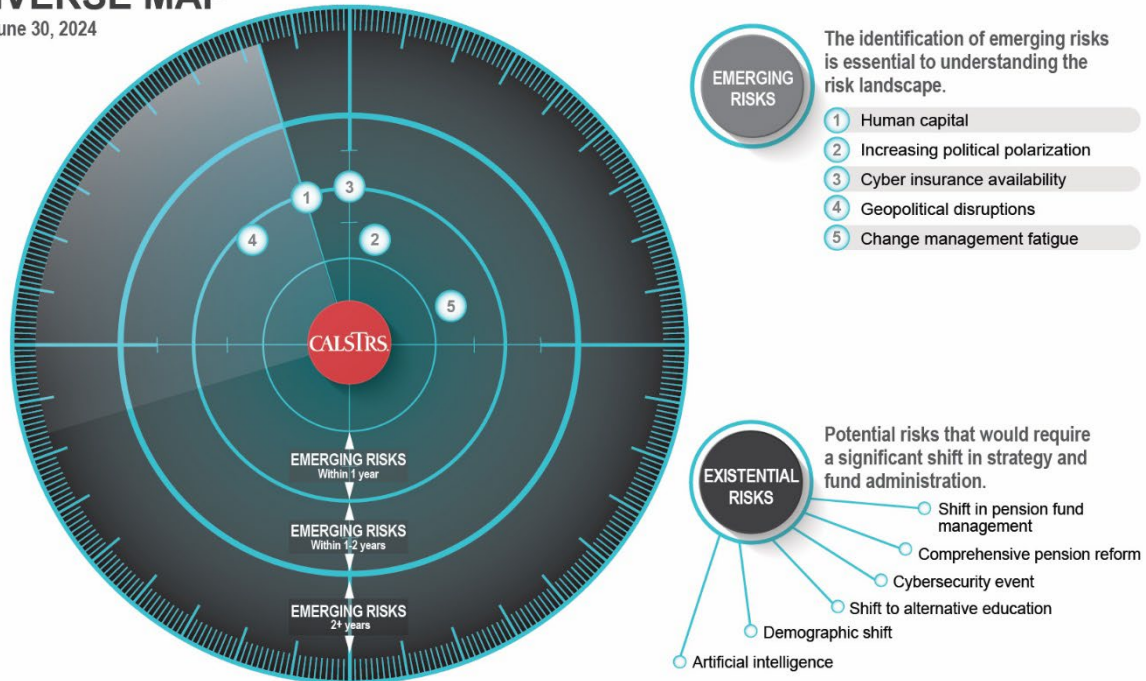
For this update, the risks shown in the Emerging Risk Universe Map below have not changed since the September Audits and Risk Management committee meeting. See [here](#) to view the committee item. Discussions at the December Executive Risk and Compliance Committee (ERCC) included the following emerging risks:

- *Increasing Political Polarization*: In September, this risk was added to the emerging risk universe map, due to political experts forecasting a contested election, which would result in expected volatility to the legal, regulatory, social and economic environment. However, due to the election results, this risk has materially decreased. This risk will be monitored as the new presidential administration takes office.
- *Cyber Insurance Availability*: This risk remains on the emerging risk universe map as the organization considers and monitors appropriate mitigation strategies to address this risk.
- *Geopolitical Disruptions*: This risk remains on the emerging risk universe map as conflicts continue across the globe.
- *Change Management Fatigue*: This risk remains an emerging risk as CalSTRS is still in the process of implementing Pension Solution and implementing Gen AI. In future ERCC meetings, we plan to discuss if Change Management Fatigue should be moved to our enterprise risk matrix.

These types of imminent risks are monitored and mitigated by the affected business areas as part of regular operations, including the recognition of the risk(s) in our enterprise risk matrix when appropriate. The Emerging Risk Universe Map displayed below shows the risks and their placement as they were reported in September.

EMERGING RISK UNIVERSE MAP

As of June 30, 2024



The ERM team continues to regularly evaluate emerging and existential risks to determine whether these risks require active mitigations, revision, active monitoring for future consideration or no action needed until the next identification cycle. As events continue to unfold and our understanding of these emerging risks continue to evolve, staff will modify the map accordingly. We expect to provide an updated Emerging Risk Universe Map to the Audits and Risk Management committee in May 2025.

CalSTRS DEI Update

CalSTRS DEI consultant, Guidehouse, has completed its contracted work, ending in December 2024. During the final weeks of the contract, Guidehouse facilitated a knowledge transfer session to share expertise and to pass on critical information to the DEI stakeholders.

The CalSTRS Voices project added two additional staff stories to the series. Daymian Helms, from Customer Service, [shared his story for Veteran's Day](#) in November, about his service in the United States Air Force that included two overseas deployments. In December, Malekka Reedburg also from Customer Service, [shared her story about celebrating Kwanzaa](#) with her family. [December's CEO video message](#) focused on our achievements for 2024, including our move to 200 Waterfront, DEI, Innovation and the Pension Solution Project.

CalSTRS offered our staff two virtual workshops from Stanford's VMware Women's Leadership Innovation Lab. November's session was entitled "Creating equitable, color conscious workplaces where all employees thrive," and focused on identifying the informal and often

invisible dynamics that can derail efforts to create racially inclusive workplaces. December's session was entitled "Inclusion unlocked: A guide for leaders to act." During this session, University of Virginia's Darden School of Business professor and author Melissa Thomas-Hunt shared insights and actionable strategies from her book "Inclusion unlocked: A guide for leaders to act" and participated in a fireside chat with Professor Shelley J. Correll and Lori Nishiura Mackenzie.

In December, CalSTRS Investments attended a Toigo Foundation event to celebrate the Foundation's 35th anniversary. The Toigo Foundation primarily supports diverse professionals in finance by fostering engagement with some of the most respected institutional investors—including CalSTRS. During the event, CalSTRS former CIO Chris Ailman was honored with Toigo's Legacy of Leadership Award. Chris served on Toigo's Advisory Board for 22 years. CalSTRS current CIO Scott Chan was honored with Toigo's 2024 Inspiring Leadership Award. The "Toigo Inspiring Leadership Award" recognizes individuals who have demonstrated: (1) exceptional leadership qualities within their career and (2) commitment to inclusive leadership at CalSTRS through industry board roles, like Toigo. Scott Chan is a member of TOIGO's Governing Board and Geraldine Jimenez recently joined TOIGO's Advisory Board.