CALSTRS

Regular Meeting

Item number 13 – Open session

Subject: Board-Level AI Governance

Presenter(s): Cassandra Lichnock / Dr. Param Vir Singh, Carnegie Mellon University / Amy McDuffee and Natasha Smith, Mosaic

Item type: Information

Date and time: September 24, 2026– 20 minutes

Attachment(s):

Attachment 1 – Revised Board-Level AI Governance Foundational Beliefs and Principles

Attachment 2 – Redlined Board-Level AI Governance Statements *(for trustee reference)*

Attachment 3 – Staff AI Policy *(for trustee reference)*

Attachment 4 – AI Governance at CalSTRS: Summary of Findings from the Board-Staff Working Group on Technology Governance *(for trustee reference)*

PowerPoint presentation(s):

Board-Level AI Governance Foundational Beliefs and Principles

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Item purpose

This item is for information and board discussion. The purpose of this session is to present a revised board-level AI governance statements (including foundational beliefs and principles) for further board discussion and possible approval.

Summary

Artificial intelligence (AI) is increasingly embedded in the systems, processes, and vendor relationships that support CalSTRS' operations, investment activities, and service delivery. As a

result, AI introduces both new opportunities and new risks across areas already subject to board oversight.

Consistent with its fiduciary responsibilities, the board's role is not to manage AI or direct its implementation but to govern its use by setting direction, establishing boundaries, and ensuring appropriate accountability and delegation.

In May 2026, the Board-Staff Working Group on Technology Governance recommended that the board develop board-level AI governance principles **(Attachment 4)**. These principles are intended to play a clarifying and boundary-setting role by guiding how the board and staff approach decisions about AI over time. In practice, they are designed to:

- Set direction by articulating values and expectations without prescribing tools or implementation approaches;
- Provide a stable reference point as technologies, risks, and use cases evolve;
- Support consistent oversight and shared expectations between the board and staff; and
- Enable the board to exercise oversight without engaging in operational detail.

Mosaic Governance Advisors, the board's governance consultant, collaborated with Dr. Param Vir Singh of Carnegie Mellon University's Tepper School of Business to develop draft board-level foundational beliefs and governance principles. The draft statements were designed to harmonize with the existing staff-level operational policy governing AI use **(Attachment 3)**. These draft statements were informed by surveys of board members and CalSTRS' executive staff. The survey findings indicated broad alignment on the key concepts reflected in the materials.

The draft foundational belief statements and governance principles were presented to the board at the July Offsite. Board members and executive staff members engaged in a scenario-based exercise to further refine the draft governance principles. The discussion created an opportunity to test and suggest refinements to the principles to ensure they are clear, durable, and appropriate for board-level governance.

After the July Offsite, Mosaic and Dr. Singh incorporated the board's feedback and suggested changes into revised statements **(Attachment 2)**. The purpose of this session is to present revised board-level AI governance statements **(Attachment 1)** for further board discussion and possible approval. Please review Attachments 1 and 2 in advance of the meeting to ensure the board's direction was accurately and completely captured in the revised statements.

Once approved, we suggest that the board review these statements at least once every three years, or sooner if material changes in technology, law, risk, or CalSTRS' use of AI warrant.

About the Working Group

In October 2025, CalSTRS convened the Board-Staff Working Group on Technology Governance to clarify the board's responsibilities for overseeing technology at CalSTRS, with a particular focus on artificial intelligence.

Between October 2025 and April 2026, the Working Group met with leading public pension organizations globally and engaged academic experts and external advisors to explore approaches to technology and AI governance across both pension administration and investment operations. These discussions allowed the Working Group to explore approaches to technology and AI governance as well as to gather insights from peers that were farther ahead in their learning journey than CalSTRS.

Members of the working group included:

- Denise Bradford (Board Chair)
- Harry Keiley (Investment Committee Chair)
- Cassandra Lichnock (Chief Executive Officer)
- Ashish Jain (Chief Technology Officer)
- April Wilcox (Senior Investment Director)
- Dylan Pletcher (Chief Information Security Officer)

Trustees Michael Gunning and Karen Yamamoto served as alternates. The board's governance consultant, Mosaic Governance Advisors, supported and advised the working group's efforts.

Strategic Plan linkage: Goal 1, Trusted Stewards, Objective E., Enhance board practices to evolve excellence in governance.

Board Policy linkage: Teachers Retirement Board Charter (BGM Section 3)

Optional reference material:

March 2026 Regular Meeting Item 3: CEO Report

March 2026 Regular Meeting Item 2: Governing in the Age of AI: Defining the Board's Role

May 2026 Regular Meeting Item 11: Board/Staff AI – Technology Working Group Outcomes and Recommendations

July 2026 Regular Meeting Item 14: Development of AI Governance Principles