



Regular Meeting

Item number 11 – Open session

Subject: Chief Executive Officer Report

Presenter(s): Cassandra Lichnock

Item type: Information

Date and time: September 24, 2026 – 15 minutes

Attachment(s): 2025-26 Annual Ombuds Report

PowerPoint presentation(s): BenefitConnect update

Artificial Intelligence Governance and Oversight

The Board's work to strengthen its understanding and oversight of artificial intelligence (AI) is progressing on schedule. Following the Board-staff technology governance working group's engagement with external experts, public pension peers and academics, the work is now moving from education and discovery toward establishing a formal governance framework.

Board-Level AI Governance Principles. Building on the Guiding Principles development activity and Board discussion at the July offsite, staff are preparing the final draft of Board-level AI governance principles to establish a clear framework for the Board's responsibilities and oversight of AI at CalSTRS. The principles are on track for a first reading at the September Board meeting, with potential adoption in September or, if additional refinement is needed, November 2026.

Integration of AI into Enterprise Risk Management. AI risks and opportunities are being incorporated into the Enterprise Risk Management (ERM) program. At the September ARM Committee meeting, Dr. Peter Weill will provide Board education on AI risks and opportunities, and staff will outline how AI considerations have been integrated into the ERM framework. The discussion will help identify additional next steps, including development of a reporting framework aligned with the Board-level governance principles. Staff anticipate bringing forward a proposed reporting cadence and format between November 2026 and January 2027.

Board Education and Readiness. Board education continues to be an important component of this work. On September 2, OCERS Chief Technology Officer Darren Dang provided a presentation to the Board, adding to the education provided by Ashby Monk, Param Singh and Peter Weill. Recorded AI education sessions conducted during 2026 will also be made available to all Board members. Staff will seek Board direction on additional educational resources and will identify or develop an ongoing training curriculum to support continued Board education and effective AI governance.

AI Use and Organizational Readiness. Staff will develop a framework for an annual, high-level overview of AI use across the organization and CalSTRS' readiness to further adopt AI. In response to the Board's request at the July offsite for regular information on AI use cases, staff are also developing an approach for reporting material use cases. A future Board discussion will help establish what constitutes a "material" AI use case and inform the scope and format of ongoing reporting.

External Expertise. CalSTRS continues to leverage external expertise throughout this work and will seek additional subject-matter expertise as appropriate to support the Board's governance, risk oversight and understanding of AI.

BenefitConnect

September 23rd marks one year since the launch of BenefitConnect. From the broadest perspective, the year has been a success for maintaining continuity of income for our members and their beneficiaries: since go-live, the system processed \$18 billion in payments to more than 454,000 benefit recipients per month, and \$327 million to nearly 65,000 one-time payment recipients. It met our overall need as an engine for payments, and staff handled any exceptions with urgency.

The challenges we face come from the effort it takes to transact in the system and perform our normal business processes, which slows processing times below our previous standards and increases customer and employer inquiries. While more than 306,000 members and beneficiaries have signed up for the new myCalSTRS, the site has not yet provided the same level of self-service for our customers, causing additional calls and inquiries to our Contact Center and member service centers. Formally recognizing this as an emergency state and creating a dedicated cross-functional workgroup to reduce service interruptions show our singular focus to improve.

The same goes for our employer partners: more than 5,000 users registered to use the new Secure Employer Website across 1,844 organizations, a massive increase from our prior system. These additional users across more districts generate more inquiries, though we can reach a larger population of our employer partners and receive information more quickly. Our employer partners have challenges using the new employer portal, but contribution reporting and associated cash have been submitted timely at a high rate comparable to our previous system.

In the last two months, we have begun moving from an emergency response posture toward stabilization. Since late August, the speed of answering calls has dramatically improved and we have increased the total time we are available to answer these calls. More customers can reach us each day and fewer are having to call back multiple times or visit a member service center. Processes are moving faster, and updates to the system that increase efficiency and remove obstacles will help us get through backlogs, also reducing multiple calls or contacts. We continue to place resources in the business areas most impacted by service constraints. We plan to streamline the internal screens used by frontline staff so they can more quickly find the information that a customer needs, reducing our call times. Based on the immediate feedback we've received from our customers regarding the usability of myCalSTRS, we plan to make improvements before a more in-depth redesign that will directly involve our customers and formally gather their input. These deeper, facilitated conversations will allow us to make the changes that best address their needs and provide a myCalSTRS experience they deserve.

Medal of Valor award recipient

CalSTRS attorney supervisor John Shipley was recently awarded California's Medal of Valor, the highest honor granted to public servants by the state. While volunteering as a coach for a little league baseball team in Davis, shots were fired at the nearby Picnic Day and John acted quickly and calmly to protect his players and get them out of harm's way. Congratulations to John for the well-deserved recognition of his bravery.

CalSTRS 2026–27 Annual Budget Report

CalSTRS released its 2026–27 Annual Budget Report in July 2026. The report was prepared in accordance with the Government Finance Officers Association of the United States and Canada standards and guidelines, which are recognized as best practices for governmental financial and budgetary reporting.

CalSTRS received the GFOA Distinguished Budget Presentation Award for its 2025–26 Annual Budget Report. To achieve the Distinguished Budget Award, the document must serve as an operational and policy guide, financial plan and communications device.



The *2026–27 Annual Budget Report* provides a comprehensive summary of the system's total board approved Operating Budget, including substantive detail on the key drivers of budgetary growth for the 2026-27 fiscal year. In addition, it provides an overview of CalSTRS' annual budget development process, policies, and branch level information.

CalSTRS' 2026–27 Operating Budget is \$447.2 million, including 1,491 authorized positions. Highlights include additional funding for 60 new positions, of which 33 positions are dispersed across the organization for enterprise-wide strategic support and 27 positions are dedicated to investment portfolio management, as well as funding for various information technology and innovation service contracts.

2025–26 Annual Ombuds Report

The CalSTRS Office of the Ombuds provides assistance in resolving problems and conflicts that are more complex in nature that require in-depth research and investigation. Established by law in 1984, the ombuds position was created to serve as an advocate for CalSTRS members and participants. Pursuant to Education Code section 22302, the CalSTRS Ombuds is required to make recommendations to the CEO regarding complaints made by school employees, members, employee organizations, the Legislature, or the public regarding actions of the employees of the system. The office is staffed by an ombuds (Mark Gini) and associate ombuds (Christina Nguyen) who practice in accordance with professional and ethical standards.

The *Annual CalSTRS Ombuds Report* (attached) provides the public with information regarding services provided by the office and demonstrates how this office serves the CalSTRS membership. The report will be posted on the CalSTRS Ombuds webpage (CalSTRS.com/ombuds).

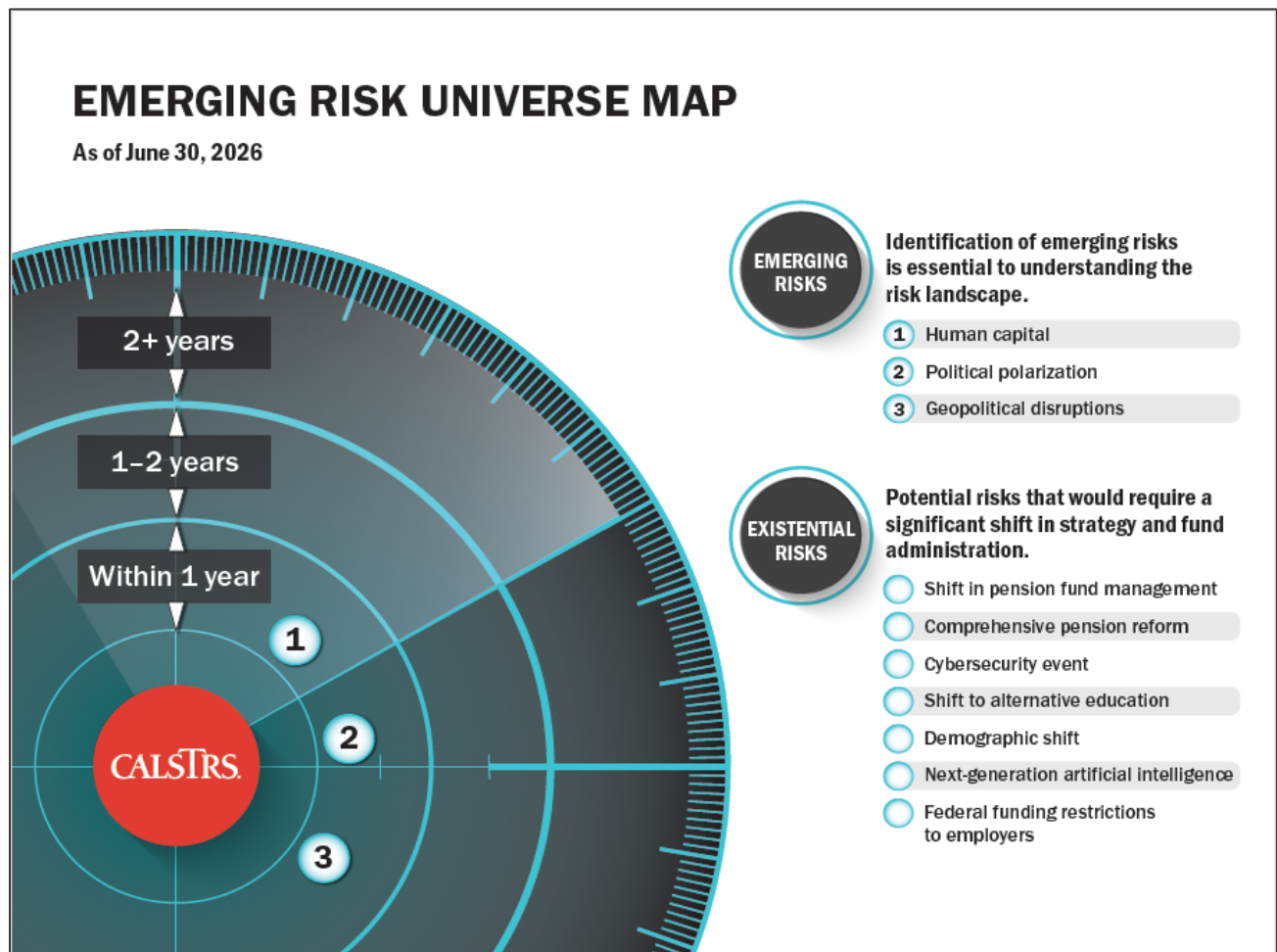
One of the roles of the ombuds is to provide feedback to executive leadership to proactively address service delivery questions, concerns and issues. In this way, the office serves as a valuable early warning system for CalSTRS to identify trends and systemic matters to help leadership successfully manage risk and ensure CalSTRS' values and mission are not compromised.

As the Office of the Ombuds celebrates its 43rd year, it remains committed to serving CalSTRS and its stakeholders in a capacity that reflects their guiding principles—Independence, Impartiality, Confidentiality, and Informality.

Emerging and Existential Risks

The Emerging Risk Universe Map has not changed since it was last reported in the July CEO Report. See [here](#) to view the July board item. As part of the quarterly assessment cycle, the Enterprise Risk Management team evaluates potential emerging and existential risks for inclusion or revision. Identified risks and proposed updates are subsequently discussed with the Executive Team through the Executive Risk and Compliance Committee.

The Emerging Risk Universe Map displayed below shows the risks and their placement as of June 30, 2026. The updated map continues to emphasize emerging and existential strategic, operational and reputational risks.



As part of the risk assessment cycle, the Enterprise Risk Management team continuously scans the internal and external environment to identify 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. This ongoing analysis provides executives with early insights into potential shifts in the risk landscape, supporting more informed and proactive decision-making. As events continue to unfold and our understanding of these emerging risks continue to evolve, staff will modify the map accordingly.

On the Gen AI risk governance front, we are continuing to execute the recommendations from the May board meeting and are incorporating Gen AI risk education as part of the Audits and Risk Management Committee meeting in September. Dr. Peter Weill, Senior Research Scientist at MIT Sloan School of Management, will provide board education on Gen AI risk governance, covering the board's role and practical aspects of oversight in this area.