

2019-22

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

# STRATEGIC PLAN

ADOPTED MARCH 27, 2019



CALSTRS®



## TABLE OF CONTENTS

<b>3</b>	Introduction
<b>6</b>	Mission, Vision, Core Values
<b>7</b>	Strategy Map
<b>8</b>	Goal 1: Financial/Governance
<b>9</b>	Goal 2: Digital Transformation
<b>10</b>	Goal 3: Member/Employer
<b>11</b>	Goal 4: Organizational Strength

# INTRODUCTION

Jack Ehnes, Chief Executive Officer CalSTRS

CalSTRS has been securing the financial future of California's educators for over a century. In 1913 CalSTRS was founded with 120 retired members and 15,000 active members. At the time, average life expectancy was 55 for a woman and 50 for a man; and in 1910, the average annual per capita income in the United States was between \$300 and \$400. The value of the Dow Jones Industrial Average at the start of 1913 was 88.42.

During that time, the amenities we expect today were either nonexistent or rare. Thirty percent of Americans had a telephone; less than 20 percent had a stove; very few owned a refrigerator; almost no one owned a radio; and electricity and indoor plumbing were not standard. Within 60 years, clothes washers, dryers, air-conditioning, and television sets became household staples, and by the end of 1973 the Dow had "soared" in value to close at 850.86.

Forty years ago, no one owned a computer and a little over a decade ago, smartphones did not exist. Today the average life expectancy for future retirees is about 90 years, and the value of the Dow hovers around 25,000. The world continues to change exponentially. At CalSTRS, we understand adapting to the changing environment as an imperative to fulfill our mission.

We see opportunities on the horizon that could alter or change the way we do business. CalSTRS' strength lies in being organizationally nimble to adopt new investment strategies, adapt to digital change, respond to employer and member needs, and grow and support a 21st-century workforce that is agile and prepared for change.



**Ours is a strategic responsibility to manage, rather than react, to change.**

The 2019-22 Strategic Plan lays out a set of goals and measurable objectives that demonstrate how our mission and vision will be advanced over the next three years. Our plan was informed by employee survey feedback, interviews and facilitated conversations with CalSTRS leadership and the Teachers' Retirement Board. We are proud of the discovery and wide-ranging work completed in the development of this new plan that fuels our forward momentum and guides our future direction.

The 2019-22 Strategic Plan identifies four overarching goals:

## FINANCIAL/GOVERNANCE

Our steady focus on executing Assembly Bill 1469 (Bonta) to shore up the plan funding is one aspect of ensuring a sound trust fund. Our investment and governance practices as a board and staff contribute significantly. Additionally, we highlight board meeting effectiveness and efficiency.



## DIGITAL TRANSFORMATION

Over the next three years, staff and budgetary resources are specifically assigned to replace the legacy pension administration system with contemporary 21st-century functionality. As this major project is underway, we must explore new approaches, adapt our business models, and be aware of changing technology solutions.

## MEMBER/EMPLOYER

CalSTRS is committed to strengthening partnerships with employers and members who have a stake in our continued vitality. We seek to engage employers in recognizing the value of the defined benefit pension. We work with them to onboard new employees and to provide timely, accurate and complete data employees use to make informed decisions. We will communicate with our members, with whom we have relationships that long outlast their working years, the long-term value of a defined benefit—an insurance investment in their financial future. As they pour into the lives of California’s future, we are dedicated to preparing them to enjoy a future reward.

## ORGANIZATIONAL STRENGTH

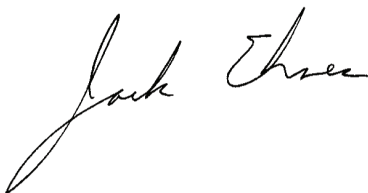
Our operational advantage lies in the competency of the board and staff to deepen capacity to wrestle with complex issues and to adapt to shifting landscapes.

We actively seek opportunities to streamline processes, break down silos, avoid waste of talent and time and operate efficiently.

The board work plans will be developed in alignment with this strategic plan. The annual business plans will delineate how we advance and achieve these strategic objectives through specific initiatives. This gives us the flexibility to be nimble and responsive to the current environment and industry trends as we set our sights on the attainment of our future vision of success.

From our beginnings in 1913 with just over 15,000 retired and active members, CalSTRS now serves over 949,000 public school educators and their beneficiaries. Our new Strategic Plan is designed to maintain the viability of our fund. The goals and objectives of this plan position us to accomplish our mission of securing the financial future and sustaining the trust of California’s educators for decades to come.

Respectfully,



Jack Ehnes

Chief Executive Officer CalSTRS



## 2028 VISION OF SUCCESS

For each goal, CalSTRS has looked ahead to the next decade and defined a 2028 vision of success.

### GOAL 1: FINANCIAL/GOVERNANCE

Ensure a well-governed, financially sound trust fund.

#### Vision of Success:

- Defined Benefit Program is on track to full funding.
- Board and investments staff are focused on returns and making the right asset allocation moves.
- CalSTRS is recognized as an upholder of good corporate governance standards.
- Leadership is competent and recognized as industry influencers.
- CalSTRS is a transparent and accountable organization.

### GOAL 2: DIGITAL TRANSFORMATION

Leverage technology to securely transform business and service delivery models to maximize operational efficiency.

#### Vision of Success:

- CalSTRS has improved efficiencies and system costs.
- CalSTRS has a contemporary technological environment, including Pension Solution.
- Systems are in place to securely protect member information.
- CalSTRS is recognized as a business innovator.
- Members, employers and CalSTRS staff have access to optimized services.

### GOAL 3: MEMBER/EMPLOYER

Strengthen partnerships and services to members, employers and stakeholders.

#### Vision of Success:

- Members, employers, and general public understand the value of the CalSTRS benefit.
- Stakeholder relationships are healthy and productive.
- The board and staff are attuned and connected to the complex political environment at the local, state, national and global levels.
- CalSTRS is recognized as an advocate for the preservation of retirement security.
- Members are engaged, educated and prepared for retirement.

### GOAL 4: ORGANIZATIONAL STRENGTH

Grow capacity and enhance efficiency in alignment with the mission and vision.

#### Vision of Success:

- The board is engaged, well-trained, and active.
- CalSTRS is recognized as a forward-looking retirement security thought-leader.
- CalSTRS is a high-integrity organization.
- Long-term workspace facilities needs are addressed.
- High-quality staff are rooted in service mindset.
- CalSTRS is a unified organization whose growth is matched to the mission of paying benefits to educators.
- CalSTRS is recognized as an employer of choice.
- CalSTRS is operationally nimble.



## 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.

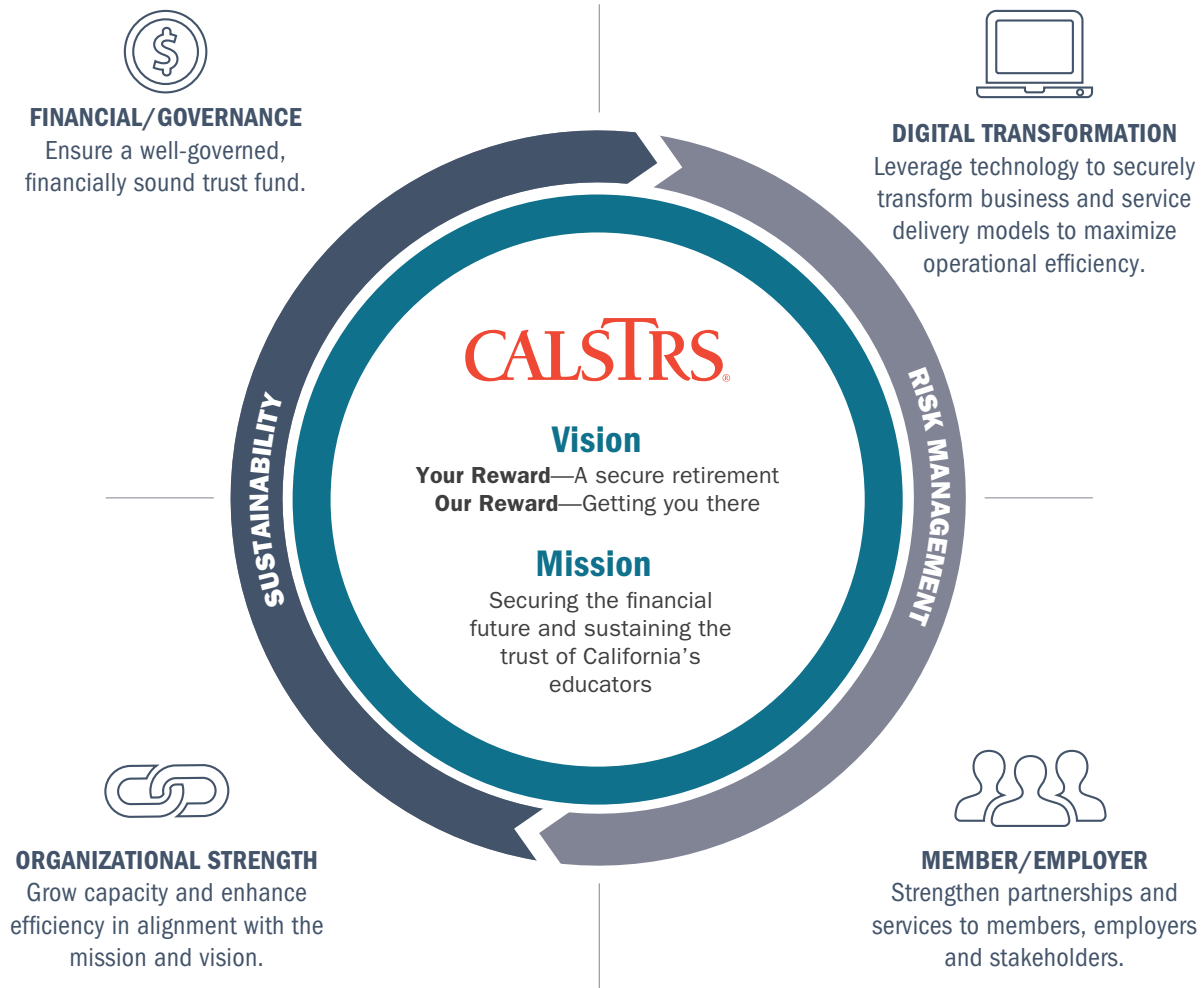
### RESPECT

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.

# STRATEGY MAP





# CALSTRS STRATEGIC PLAN

Fiscal Years 2019–22

## GOAL 1: FINANCIAL/GOVERNANCE

Ensure a well-governed, financially sound trust fund.

### OBJECTIVE A

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

#### MEASURE & TARGET

1. Funding ratio achieved

**TARGET:** 68% (2022), 100% (2046)

2. Investment portfolio absolute return

**TARGET:** Earn a rate of return over time commensurate with risk to fully fund the system over 30 years

### OBJECTIVE B

Integrate CalSTRS' sustainable investment and stewardship strategies, which support long-term value creation and educate and inform interested parties.

#### MEASURE & TARGET

1. Investment Policy for Mitigating Environmental, Social and Governance Risks (ESG) integrated into each investment asset class policy

**TARGET:** 100%

2. Produce and distribute regular updates on sustainable investment and stewardship activities

**TARGET:** 4 annually

### OBJECTIVE C

Leverage investment cost information to yield long-term benefits.

#### MEASURE & TARGET

1. Optimize trend analysis data in the comprehensive investment cost report

**TARGET:** Annually

### OBJECTIVE D

Implement investment collaborative model leveraging all of CalSTRS resources.

#### MEASURE & TARGET

1. Generate net returns above the Total fund benchmark

**TARGET:** Actual Total fund net returns > Total fund benchmark

2. Increase level of internal investment management

**TARGET:** ≥45% total assets under management

### OBJECTIVE E

Enhance board meeting effectiveness and efficiency.

#### MEASURE & TARGET

1. Board self-evaluation reflects perceived improvement in board meeting effectiveness and efficiency

**TARGET:** Majority of board members agree or strongly agree

2. Achieve board consensus on applying a consistent framework to identify and respond to ESG priorities

**TARGET:** By June 30, 2020

3. Establish a public comment framework

**TARGET:** By December 31, 2021



## GOAL 2: DIGITAL TRANSFORMATION

Leverage technology to securely transform business and service delivery models to maximize operational efficiency.

### OBJECTIVE A

Implement and integrate a highly adaptive pension administration system.

#### MEASURE & TARGET

1. % of project deliverables accepted within the established timeframe

**TARGET:** 100%

2. % of Pension Solution functional rollouts successfully deployed according to schedule

**TARGET:** 100%

3. % of employer report sources using the system by Functional Rollout #2 go-live

**TARGET:** 100%

4. % of employer report sources reporting in the new file format by Functional Rollout #2 go-live

**TARGET:** ≥50%

### OBJECTIVE B

Secure the confidentiality and integrity of data and member information.

#### MEASURE & TARGET

1. % of high risks addressed annually within the approved timeline

**TARGET:** 100%

### OBJECTIVE C

Enhance business resiliency capabilities.

#### MEASURE & TARGET

1. % of identified critical business processes addressed in the business impact analysis by disaster recovery program

**TARGET:** 100%

### OBJECTIVE D

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

#### MEASURE & TARGET

1. # of emerging technology reviews conducted annually in alignment with CalSTRS business needs

**TARGET:** 2

2. # of new digital services and/or enhancements initiated annually

**TARGET:** 1



### GOAL 3: MEMBER/EMPLOYER

Strengthen partnerships and services to members, employers and stakeholders.

#### OBJECTIVE A

Educate and inform CalSTRS constituent groups on strategic priorities.

##### MEASURE & TARGET

1. % of annual stakeholder communication and outreach plan activities completed by June 30  
**TARGET:** 100%
2. % of Teachers' Retirement Board meetings with pre-briefings conducted to inform key stakeholders  
**TARGET:** 100% annually

#### OBJECTIVE B

Enhance collaborative partnerships with employers to increase alignment on key initiatives and increase awareness about the value of CalSTRS defined benefit plan.

##### MEASURE & TARGET

1. % of employer report sources participation in School Business Officials Symposium  
**TARGET:** 50% annually
2. Briefings with employers and employer representatives  
**TARGET:** 4 annually

#### OBJECTIVE C

Increase the accuracy, completeness and timeliness of employer reporting.

##### MEASURE & TARGET

1. % reduction in penalties and interest assessed over the 3-year period  
**TARGET:** 10%
2. % of employer reporting submitted prior to the delinquent date, by unit  
**TARGET:** 100%

#### OBJECTIVE D

Provide educational opportunities to improve the retirement readiness of CalSTRS' members.

##### MEASURE & TARGET

1. % annual net increase of members aged 44 and younger who participate in a new educator day event or financial awareness workshop annually  
**TARGET:** 33%
2. % open rate of *CalSTRS Connections*  
**TARGET:** ≥35% (49 and under) annually  
≥45% (50 and older) annually

#### OBJECTIVE E

Grow Pension2 participation

##### MEASURE & TARGET

1. % of annual net member growth in Pension2 403(b) and 457(b) plans based on previous year net new funded participant accounts  
**TARGET:** 20%
2. % of annual growth of Pension2 assets under management based on previous year actual net cash flow  
**TARGET:** 15%



## GOAL 4: ORGANIZATIONAL STRENGTH

Grow capacity and enhance efficiency in alignment with the mission and vision.

### OBJECTIVE A

Develop board and staff competencies to respond to changing business environments.

#### MEASURE & TARGET

1. % of critical position competencies assessed  
**TARGET:** 100% of those requiring assessment
2. Refreshed trustee onboarding and development curriculum  
**Target:** By December 31, 2020
3. % of identified competencies incorporated within current or new classifications to support the investment collaborative model  
**TARGET:** 100%

### OBJECTIVE B

Improve business processes and reduce costs.

#### MEASURE & TARGET

1. Non-investment system cost measurement implemented  
**TARGET:** By June 30, 2020
2. % of service performance objectives meeting or exceeding established targets annually  
**TARGET:** Maintain the fiscal year 2018–19 service levels over the three-year period
3. % of operations key performance indicators meeting or exceeding established targets annually  
**TARGET:** 80%
4. # of days to complete procurement process  
**TARGET:** <120

### OBJECTIVE C

Drive adoption of transforming business processes and technology.

#### MEASURE & TARGET

1. % of employer report sources that successfully complete training for the new pension administration system by Functional Rollout #2 go-live  
**TARGET:** 100%
2. % of CalSTRS key internal users who successfully complete new pension administration system training by Functional Rollout #2 go-live  
**TARGET:** 100%
3. % of agreement from CalSTRS key internal users that Pension Solution meets the most critical business needs of the organization by system implementation (2022)  
**TARGET:** ≥50%

### OBJECTIVE D

Hire, develop and retain staff to meet the needs of our changing business models and growth expectations.

#### MEASURE & TARGET

1. % of engaged employees  
**TARGET:** 58%
2. % of annual organizational turnover  
**TARGET:** ≤10%
3. \$ sum of Headquarters Expansion Project actual costs  
**TARGET:** Target value budget at commencement of construction not to exceed \$300M
4. Certificate of Occupancy for headquarters expansion  
**TARGET:** TBD (target date will be determined by August 2019)



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