



## Regular Meeting

### Item Number 17 – Open Session

**Subject:** Review Board Priorities for FY 2024-25

**Presenter(s):** Cassandra Lichnock / Amy McDuffee, Mosaic Governance Advisors, LLC

**Item Type:** Information

**Date & Time:** May 2, 2024 – 10 minutes

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**Attachment(s):** Recommended Board Strategic Plan Priorities for the FY 24/25 Board and Committee Workplans

**PowerPoint(s):** None

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#### **PURPOSE**

The purpose of this item is to seek direction from the board regarding the list of priorities outlined in the *2022-25 CalSTRS Strategic Plan* for FY 2024/25. While structured as an information item, the board may choose to act to adopt the recommendations if it is prepared to do so. The outcomes of this item will guide the refinement of the board and committee workplans for FY 2024/25.

#### **RECOMMENDATION**

Mosaic and staff recommend the board provide input and direction on the recommended changes to “leadership priorities” for FY 24/25.

#### **DISCUSSION/SUMMARY**

Attachment 1 shows the recommended *Strategic Plan* priorities for the board to focus on for the next fiscal year. These priorities help determine how much time should be allocated for discussion in board and committee meetings to achieve the objectives of the *Strategic Plan*. The objectives are labeled as “routine oversight,” “enhanced oversight,” or “leadership priority.” Generally, those marked “leadership priority” mean they will need the most time in board or committee meetings to work on them throughout the year.

To develop the recommendations, Mosaic Governance Advisors, LLC, the board’s governance consultant, and staff reviewed the leadership priorities from this fiscal year (FY 2023/24). We made recommendations for changes based on the progress made with the *Strategic Plan*.

Of the fifteen total *Strategic Plan* objectives, six objectives were affirmed by the board as “leadership priorities” for 2023/24. The following chart lists those objectives, briefly describes the activities undertaken with the board or relevant committee, and offers recommendations for change, where appropriate, for FY 2024/25.

Objective	Description of Activities Undertaken	Recommendation for FY 2024/25
<b>Goal 1. Objective C. Execute the CalSTRS Collaborative Model 2.0 phrase of the continuum.</b>	At every regular Investment Committee meeting, staff and consultants provide updates on the progress of implementation.	<b>Reclassify</b> to “Enhanced Oversight”
<b>Goal 1. Objective D. Grow strategic relationships with policymakers, stakeholders, and partner organizations.</b>	The board supervised and provided input on the organization's hiring of a new consultant to help with community outreach and engagement.	<b>Reclassify</b> to “Routine Oversight”
<b>Goal 1. Objective E. Enhance how risks are defined, viewed, and managed.</b>	The ARM committee received a third-party assessment of the maturity of the enterprise risk and compliance programs. Now, staff is putting the recommendations received into action, with the ARM committee overseeing the process. This work is anticipated to continue into FY 2024/25.	Maintain as “Leadership Priority”
<b>Goal 2. Objective B. Grow capabilities and culture to support a strategic and innovation mindset.</b>	The board participated in an innovation workshop with executives during its July 2023 offsite and received updates on progress throughout the fiscal year 2023/24. The innovation process will still need input from the board as it moves forward. Additionally, the organization is assessing artificial intelligence within its innovation framework. This assessment is expected to pick up speed in the fiscal year 2024/25.	Maintain as “Leadership Priority”
<b>Goal 3. Objective A. Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity, and inclusion practices.</b>	The board participated in a DE&I workshop with executives during its July 2023 offsite and received updates on progress from staff throughout the fiscal year 2023/24. A third-party assessment of enterprise practices was presented, along with a roadmap containing recommendations for implementation. This objective will still need input from the board as it moves forward.	Maintain as “Leadership Priority”

<b>Goal 3. Objective D. Strengthen preparedness capabilities to address change and disruptions.</b>	The initiatives associated with this objective are related to advancing security measures for information security and preparedness of the organization in the event of threats or breaches. The board maintains an active role in hearing and understanding the issues and activities associated with potential disruptors to the organization. While the work remains ongoing, the objective would benefit from enhanced board oversight.	<b>Reclassify to</b> “Enhanced Oversight”
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In summary, we recommend adjusting the status of three objectives. Instead of all three being labeled as 'leadership priorities,' we suggest reclassifying two as 'enhanced oversight' and one as 'routine oversight'. This means they'll still be discussed in board and committee meetings, but they won't receive (or need) as much time allocated to them as they did in FY 2023/24.

During this board/committee meeting cycle, the board and its committees will review the draft workplans for the next fiscal year. It's timely to receive input from the board to ensure that focus is placed on the right *Strategic Plan* priorities as we finalize the workplans.

### **BACKGROUND**

Board and committee workplans serve as the foundation for crafting individual board and committee meeting agendas. They encompass three primary elements: 1) strategic plan objectives, 2) routine matters, and 3) those mandated by applicable laws, board policies, or committee charters.

Following the adoption of the *Strategic Plan*, the board instituted an annual practice of reviewing the *Strategic Plan* objectives. This practice ensures that objectives requiring significant board or committee discussion time, beyond routine updates, are adequately accounted for. Essentially, this practice serves as a mechanism for ensuring tighter alignment in the allocation of the board's meeting time.

While all *Strategic Plan* objectives are deemed critical and prioritize organizational goals, some may necessitate focused board or committee meeting time—more than that required for routine updates. This is particularly true during the initial stages of exploration or assessment. Discussions concerning priority objectives may involve the receipt and deliberation of education and information, collaboration with staff and consultants, and the establishment of direction, definitions, or principles crucial to objective implementation. These are board activities typically demanding more time than mere oversight updates.

The consensus slate of board priorities has served as a crucial linkage to the development of board and committee workplans. Additionally, it has been instrumental in scheduling board and committee meetings to ensure alignment with and facilitation of board priorities.

### **Defining Board Priorities**

The board's oversight of *Strategic Plan* objectives generally takes one of three forms:

1. **Board Leadership Priority:** This approach is utilized to propel a strategic objective forward, especially when the organization is venturing into new or expanded areas. The board engages in receiving and discussing pertinent education on strategically significant topics, followed by setting direction, definitions, or principles through policy enactment.

Such strategic objectives often hold the potential to impact the organization in a way that spans across the organization and/or impacts the culture more broadly. They typically necessitate extensive board discussion covering strategy, risk, organizational performance, and people (talent). For instance, the objective on innovation (Goal 2., Objective B) serves as an example.

2. **Enhanced Oversight:** This method is employed to advance a strategic objective involving a high-profile project with substantial budgetary allocation and/or reputational implications. It's perceived as requiring a heightened level of ongoing monitoring, often discussed at every board meeting during its active phase. In some instances, a dedicated board committee may be tasked with providing collaborative board leadership by facilitating interactions between the board and staff outside of formal board meetings.

Examples of such strategic objectives include the execution of the Collaborative Model, the pension administration system implementation, and the headquarters expansion.

3. **Routine Oversight:** This form of oversight is conducted for strategic objectives where the board's role is primarily that of a monitor. It pertains to objectives where the board has previously exercised direct or active leadership, or where the strategic objective involves executing projects across divisions and with a material budget impact. Here, the board ensures continued success through ongoing monitoring.

Examples include strategic objectives related to the funding plan and sustainable investment beliefs, which previously received direct leadership from the board and are now in the execution phase.