



Consent

Agenda Item 3d

June 11, 2012

ITEM NAME: 2012-14 Business Plan

PROGRAM: Enterprise

ITEM TYPE: Consent Action

RECOMMENDATION

Approve proposed enterprise consulting and professional services reduction target in the 2012-14 Business Plan.

EXECUTIVE SUMMARY

In April 2012, the CalPERS Board of Administration (Board) approved the second reading of the 2012-14 Business Plan (Plan). Since that time, project leads and teams have been identified for each objective and are working to develop action plans, identify business impacts and risks, and create performance measures for the desired outcomes by July 1, 2012. Staff is also proposing an annual five percent reduction target for enterprise consulting and professional service expenses.

BACKGROUND

In April 2012, the Board approved the 2012-14 Business Plan. The Plan includes three central priorities:

- Leading in Retirement Security and Health Care
- Serving our Customers: Today and Tomorrow
- Building Internal Strength

For each priority, Executive Leadership has identified specific, achievable objectives and initiatives for the next two years which will align our day-to-day operations with the 2012-17 Strategic Plan and measure progress toward achieving the new CalPERS Vision, Mission, and Goals.

During the March and April readings of the Plan, staff pledged to return in June with a more complete definition for the initiative to "*Reduce enterprise consulting and professional services and expenses (June 2014).*"

The Plan will launch on July 1, 2012, and continue through June 30, 2014.

ANALYSIS

Project leads have been identified and are responsible for the completion of each objective, along with the teams that will be responsible for successful implementation of the Plan initiatives and tactics. Project teams are developing action plans to detail the work that will be completed on each objective, identifying business impacts and risks, and developing performance measures to monitor progress on objectives and desired outcomes.

Staff proposes a five percent target for reducing enterprise-wide consulting and professional service expenditures.

The original language for this initiative was:

Objective 3.3.e – Reduce enterprise consulting and professional services and expenses (June 2014).

The proposed language for this initiative is:

Objective 3.3.e – Reduce aggregate enterprise consulting and professional service expenses by five percent each fiscal year (June 2014).

Staff will report to the Finance and Administration Committee regularly to identify risks, present mitigations, and report success for the Plan.

BENEFITS/RISKS

Approval of the recommended change to the Plan (Objective 3.3.e) will set a specific and measurable target for the reduction of enterprise consulting and professional services and expenses over the next two fiscal years.

Approval of the recommended spending reduction may inhibit staff from using consultants in situations where a business case is justified. As the environment continues to change, staff will monitor risks for all of the objectives and initiatives, and recommend revisions to the Plan if needed.

To enhance reassurance of our approach to monitor, manage, and mitigate risk in the Plan, the Office of Enterprise Risk Management and the Office of Audit Services have agreed to serve as internal oversight and support along with the Enterprise Strategy and Performance Division, executive owners, and project leads.

ATTACHMENTS

2012-14 Business Plan with proposed changes (Attachment 1)

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