

# **CalPERS 2012-14 Business Plan**

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### CalPERS 2012-14 Business Plan Review - Timeline

<i>Item Presented to the Board</i>	<i>Action Taken</i>	<i>Date</i>
CalPERS 2012-14 Business Plan -First Reading	Approved by Board as first reading	March 13, 2012
CalPERS 2012-14 Business Plan -Second Reading	Approved by Board as second reading	April 18, 2012

## From the Desk of CalPERS CEO Anne Stausboll

On behalf of the dedicated employees and Executive Team of the California Public Employees' Retirement System (CalPERS), I am pleased to present the CalPERS 2012-14 Business Plan.

During these times of volatility in the investment, retirement and health care environment, it is important to be clear about our public purpose, business direction and operational priorities. The CalPERS 2012-14 Business Plan provides this clarity, along with a strong foundation for anticipating current and future risks and opportunities. This Business Plan is a departure from previous years in that it sets a business direction for two years rather than one. Looking at industry best practices and the reality of the scope of change facing us, it is important to take a long-term view, building the capacity to effectively plan and manage multi-year programs. Integral to that effort, the CalPERS Board of Administration is scheduled to release a new five-year Strategic Plan in the fall of 2012. That Strategic Plan will guide the development of future Business Plans.



The 2012-14 Business Plan is focused on three main priority areas: 1) *Leading in Retirement Security and Health Care*, 2) *Serving our Customers: Today & Tomorrow*, and 3) *Building Internal Strength*. For each priority area, Executive Leadership has identified specific, achievable objectives and initiatives that will measure progress for the next two years toward achieving CalPERS' mission and vision. This Business Plan will focus on our business operations and performance, and align with the mission and vision set by the CalPERS Board of Administration through our ongoing Strategic Planning process.

Our core values of *Quality, Respect, Integrity, Openness, Accountability, and Balance* continue to guide our progress and play a fundamental role in shaping our long-term strategies as we work together to accomplish our goals. This comprehensive Business Plan will support our future operations and help us accomplish our goals. As we rise to meet the challenges ahead, we will continue to provide retirement and health security to our members and employers.

We look forward to implementing this Business Plan and to working with our stakeholders to serve our members, employer agencies, and the State of California.

Anne Stausboll  
Chief Executive Officer

## CalPERS Vision, Mission, and Core Values

Each enterprise priority ties to the following CalPERS Vision, Mission, and Core Values:

### CalPERS Vision

Pride in our service – providing confidence for your future.

### CalPERS Mission

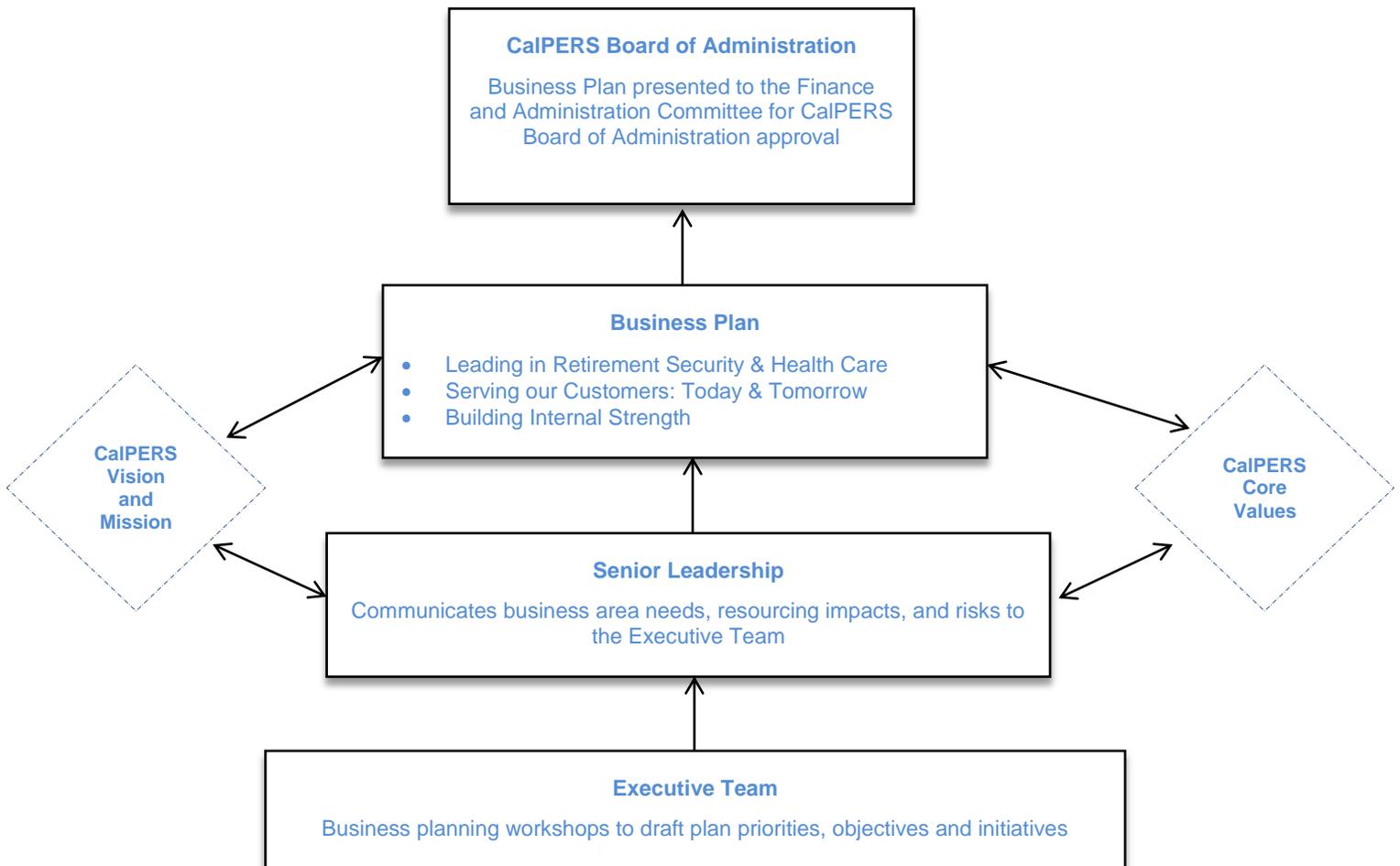
Our mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to those we serve.

### CalPERS Core Values

Quality | Respect | Accountability | Integrity | Openness | Balance

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## Business Plan Development Process



## Business Plan Development Process

With a focus on ensuring leadership accountability, the business plan development process is an Executive-led approach to establishing priorities, objectives, and initiatives for the enterprise. The main goal of this process is to focus the organization on identifying the critical work needed to make tangible progress in achieving the Vision, Mission, and Core Values here at CalPERS.

Previously, each business plan covered one fiscal year and a new plan was developed on an annual basis. Beginning in 2012, each business plan will cover two fiscal years and a new plan will be developed every two years. Based on the Strategic Plan adopted by the CalPERS Board of Administration, the Chief Executive Officer provides direction and long-term focus to Executive Staff for development of enterprise priorities and objectives. Then, planning workshops are conducted with the Chief Executive Officer and Executive Staff to establish the enterprise priorities and definitions, develop the business plan objectives and initiatives, and develop action plans and cross-functional teams to complete the objectives. Throughout the process, Senior Leadership and other key staff communicate business area needs, resourcing impacts, and risks to the Chief Executive Officer and Executive Staff.

The CalPERS 2012-14 Business Plan includes three essential enterprise priorities:

**1. Leading in Retirement Security and Health Care**

Protect our members' retirements by setting appropriate funding requirements, delivering sound investment results and adapting to changing conditions. Exercise leadership in health care by advocating for market changes to improve outcomes and contain costs. Provide industry leadership in pension, health, and financial market policies.

**2. Serving our Customers: Today and Tomorrow**

Deliver quality customer services that meet or exceed the evolving needs and expectations of our members and employers.

**3. Building Internal Strength**

Support an environment that promotes accountability, integrity, transparency, responsiveness, innovation, and inclusion across the organization. Further develop staff competencies to create a high-performing employee team with a broad and diverse range of skills, ideas, and perspectives.

For each of these priorities, Executive Staff and the Senior Leadership team identify specific, achievable objectives and initiatives for the next two fiscal years. The business planning process concludes with the Chief Executive Officer and Executive Staff presenting the proposed plan to the Finance and Administration Committee for CalPERS Board of Administration approval. Periodic business plan progress updates are presented at the Finance and Administration Committee.

## **Business Plan Overview**

### ***Priority 1 – Leading in Retirement Security and Health Care***

Protect our members' retirements by setting appropriate funding requirements, delivering sound investment results, and adapting to changing conditions. Exercise leadership in health care by advocating for market changes to improve outcomes and contain costs. Provide industry leadership in pension, health, and financial market policies.

***Objective 1.1*** – Influence State and federal retirement policy and plan design (Page 8)

***Objective 1.2*** – Enable the delivery of strategic investment priorities (Page 8)

***Objective 1.3*** – Influence State and federal health care policy to improve the cost effectiveness of the health program and health outcomes (Page 9)

***Objective 1.4*** – Stabilize and sustain the Long-Term Care Program (Page 9)

***Objective 1.5*** – Enhance the quality and accessibility of financial, actuarial, and program information for stakeholders (Page 10)

***Objective 1.6*** – Integrate asset liability frameworks into investment and actuarial policies (Page 10)

### ***Priority 2 – Serving our Customers: Today & Tomorrow***

Deliver quality customer service that meet or exceed the evolving needs and expectations of our members and employers.

***Objective 2.1*** – Strengthen the strategic and technological foundations necessary to support customer service priorities (Page 11)

***Objective 2.2*** – Optimize staff competencies to enhance customer service delivery (Page 11)

***Objective 2.3*** – Achieve customer service level improvements (Page 12)

## **Business Plan Overview**

### ***Priority 3 – Building Internal Strength***

**Support an environment that promotes accountability, integrity, transparency, responsiveness, innovation, and inclusion across the organization. Further develop staff competencies to create a high-performing employee team with a broad and diverse range of skills, ideas, and perspectives.**

***Objective 3.1 – Enhance and integrate compliance functions across the organization (Page 12)***

***Objective 3.2 – Develop and implement a new enterprise Strategic Plan that is realistic and outcomes-based with defined and measurable performance targets (Page 13)***

***Objective 3.3 – Enable the delivery of enterprise financial process priorities by implementing key Financial Office Initiatives (Page 13)***

***Objective 3.4 – Promote cultural diversity and inclusiveness in our workforce and business relationships (Page 14)***

***Objective 3.5 – Continue to enhance workforce development, information sharing, and collaboration across the enterprise (Page 14)***

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## Priority 1 – Leading in Retirement Security and Health Care

**Protect our members' retirements by setting appropriate funding requirements, delivering sound investment results, and adapting to changing conditions. Exercise leadership in health care by advocating for market changes to improve outcomes and contain costs. Provide industry leadership in pension, health, and financial market policies.**

### **Objective 1.1**

#### ***Influence State and federal retirement policy and plan design***

- 1.1.a Operationalize Retirement Research and Planning Division to expand leadership and policy expertise to members, employers, policymakers, partners, media and taxpayers on retirement issues (June 2013)
- 1.1.b Increase outreach opportunities for CalPERS Board Members and Executives to demonstrate industry leadership (June 2014)

#### **Desired Outcomes:**

- Increased engagement with policymakers on retirement issues
- Increased usage of CalPERS messages and materials
- Legislative language based on clear understanding of retirement policy and implementation issues
- Recognized leadership in pension industry
- Increased Board and Executive involvement with media and pension industry conferences

### **Objective 1.2**

#### ***Enable the delivery of strategic investment priorities***

- 1.2.a Deliver consistent risk-adjusted investment returns (June 2014)
- 1.2.b Implement a risk based, dynamic asset allocation approach (June 2014)
- 1.2.c Establish a comprehensive portfolio risk management system and practices to measure, manage, and communicate investment risks (June 2014)
- 1.2.d Enhance cost effectiveness of the investment program to improve net returns on assets (June 2014)
- 1.2.e Enhance the ability of the Investment Office to recruit, develop and retain a high skilled, diverse and motivated team to ensure success (June 2014)
- 1.2.f Design, develop and implement a robust, integrated operating model that minimizes complexity, improves transparency, and strengthens processes, systems, governance and controls of the Investment Office (June 2014)

#### **Desired Outcomes:**

- Deliver target risk-adjusted investment performance at the total fund level and in each asset class
- Increased operational efficiencies and cost effectiveness for investments
- Enhanced integrity and analysis of investment office data
- A culture that proactively identifies and acts to minimize risk exposure
- A high performance and healthy organization and culture

## Priority 1 – Leading in Retirement Security and Health Care (cont.)

### **Objective 1.3**

***Influence State and federal health care policy to improve the cost effectiveness of the health program and health outcomes***

- 1.3.a Implement the initial elements of the Health Benefits Purchasing Review, developing and releasing a tailored HMO and PPO procurement that creates a competitive, cost-efficient, member-engaged health benefits program (June 2013)
- 1.3.b Establish a Center for Innovation to assist with health and pension reform readiness (June 2013)
- 1.3.c Communicate and implement changes to health benefit purchasing structure (June 2014)

**Desired Outcomes:**

- Capacity to coordinate implementation of health reform
- Recognized leadership in health care industry
- Increased Board and Executive involvement with media and industry conferences
- Strong health IT infrastructure and sustainability of health programs
- Reduced incidence of disease and unwarranted care to improve health cost trends
- Increased number of covered lives

### **Objective 1.4**

***Stabilize and sustain the Long-Term Care Program***

- 1.4.a Develop and present to the Board strategies, including asset allocation and program modifications, designed to stabilize member rates and sustain the program over time (June 2013)
- 1.4.b Implement Board-approved strategies (June 2014)

**Desired Outcomes:**

- Stable rates
- Low investment volatility
- Clear road to program reopening

## Priority 1 – Leading in Retirement Security and Health Care (cont.)

### Objective 1.5

*Enhance the quality and accessibility of financial, actuarial, and program information for stakeholders*

- 1.5.a Include Sensitivity Analysis and Termination Liabilities in annual actuarial valuation reports for public agencies (November 2012)
- 1.5.b Develop relationships with academia, California business community, and financial industry partners, through thought leadership initiatives (June 2013)
- 1.5.c Develop a policy of increased transparency for California Public Records Act requests (June 2014)
- 1.5.d Make necessary changes to systems, processes, and procedures to conform to transparency and disclosure revisions to Governmental Accounting Standards Board (GASB) statements 25 & 27 (June 2014)
- 1.5.e Implement changes that resulted from the review of risk pooling and the review of actuarial amortization and rate smoothing policies (June 2014)

#### Desired Outcomes:

- Increased transparency and communication of risks associated with asset liability management
- Improve the disclosure and consistency in reporting of public pension plans
- Improved timeliness in responses to public records requests
- Improved presence, voice and information sharing with stakeholder groups
- Determine and implement services provided to employers regarding GASB 27

### Objective 1.6

*Integrate asset liability frameworks into investment and actuarial policies*

- 1.6.a Conduct a Board workshop to set overall funding risk levels using the new asset liability framework (July 2012)
- 1.6.b Review and update if necessary actuarial amortization and rate smoothing policies (December 2012)
- 1.6.c Conduct an asset liability workshop leading to potential revisions to the asset allocation by applying new risk framework (June 2013)

#### Desired Outcomes:

- Identified pension funding risk tolerance
- Actuarial policies and asset allocations in line with accepted risk tolerance
- Clear communication of balance between funded status, contribution rates, and volatility

## Priority 2 – Serving our Customers: Today & Tomorrow

Deliver quality customer service that meet or exceed the evolving needs and expectations of our members and employers.

### **Objective 2.1**

*Strengthen the strategic and technological foundations necessary to support customer service priorities*

- 2.1.a Implement my|CalPERS member self-service releases (January 2013)
- 2.1.b Implement a business intelligence service that uses customer service delivery data to improve member and employer service delivery (June 2013)
- 2.1.c Develop a three-to-five year roadmap and implementation plan for service delivery transformation, and complete identified milestones (June 2014)
- 2.1.d Expand customer and staff capabilities through ongoing enhancements to my|CalPERS (June 2014)
- 2.1.e Align identified core business processes with the my|CalPERS system efficiencies and maximize the full capabilities of the technology (June 2014)

#### **Desired Outcomes:**

- In-depth business intelligence data analysis and enhanced reporting for line and senior management
- Increased utilization of self-service capabilities
- Improved efficiency and timeliness in core business processes

### **Objective 2.2**

*Optimize staff competencies to enhance customer service delivery*

- 2.2.a Design and begin implementing a training plan to optimize program staff competencies and promote success in the new my|CalPERS business environment (June 2013)

#### **Desired Outcomes:**

- Improved efficiency, timeliness, and quality in core business processes
- Increased customer satisfaction

## Priority 2 – Serving our Customers: Today & Tomorrow (cont.)

### Objective 2.3

#### *Achieve customer service level improvements*

2.3.a Develop and implement strategies to decrease backlogs in core business areas (June 2013)

#### Desired Outcomes:

- Timely customer service
- Increased customer satisfaction

## Priority 3 – Building Internal Strength

**Support an environment that promotes accountability, integrity, transparency, responsiveness, innovation, and inclusion across the organization. Further develop staff competencies to create a high-performing employee team with a broad and diverse range of skills, ideas, and perspectives.**

### Objective 3.1

#### *Enhance and integrate compliance functions across the organization*

3.1.a Implement Personal Trading Platform (January 2013)

3.1.b Reduce security risks and vulnerabilities through improving protection from malicious internet threats, enhancement of data loss prevention technologies, security for mobile devices, and proactive security assessment processes (June 2013)

3.1.c Develop and implement CalPERS streamlined investigations process (June 2013)

3.1.d Implement an automated tool for investigations and enhance e-Discovery capabilities (June 2013)

3.1.e Implement policy repository to guide compliance activities (June 2013)

#### Desired Outcomes:

- Improved security of CalPERS information assets
- Increased efficiency and reduced outsourcing of investigations and compliance monitoring
- Increased protection against fraud, waste, and abuse
- Reduced exposure to legal liability

## Priority 3 – Building Internal Strength (cont.)

### Objective 3.2

*Develop and implement a new enterprise Strategic Plan that is realistic and outcomes-based with defined and measurable performance targets*

- 3.2.a Develop target performance measures for the Strategic Plan (September 2012)
- 3.2.b Create, receive Board approval, and deploy the 2012-17 Strategic Plan (September 2012)
- 3.2.c Make necessary adjustments to align 2012-14 Business Plan with 2012-17 Strategic Plan (October 2012)
- 3.2.d Develop enterprise performance management dashboard and metrics to support the Board governance initiative (March 2013)

#### Desired Outcomes:

- Board Performance dashboard to support effective governance of CalPERS
- Strategic outlook in planning and decision-making
- Shared vision and mission between stakeholders and staff
- Alignment of enterprise strategy, budget, and operations
- Ability to resource and respond to environmental changes and unanticipated events

### Objective 3.3

*Enable the delivery of enterprise financial process priorities by implementing key Financial Office Initiatives*

- 3.3.a Establish a cash management functional group and activities that support the Chief Financial Officer to monitor and ensure CalPERS financial stability (June 2013)
- 3.3.b Develop and implement enhanced monthly internal financial reports for the organization (June 2013)
- 3.3.c Design and implement the Financial Office functions to account and report on Investment Expenses (June 2014)
- 3.3.d Develop and implement improved Investment Reconciliation processes (June 2014)
- 3.3.e Reduce aggregate enterprise consulting and professional service expenses by five percent each fiscal year (June 2014)

#### Desired Outcomes:

- Efficient and accurate cash management
- Appropriate reconciliation and allocation of investment expenses
- Efficient use of investment expenses
- Timely and accurate management financial reports
- Effective transition of consultant services to staff to reduce future costs and provide organizational expertise

## Priority 3 – Building Internal Strength (cont.)

### Objective 3.4

#### *Promote cultural diversity and inclusiveness in our workforce and business relationships*

- 3.4.a Develop and implement strategies, tools, training, and methods for management to integrate and sustain Diversity and Inclusion competencies with their staff (December 2013)
- 3.4.b Implement and assess initiative for the engagement of outside law firms that will enhance the quality and diversity of legal services provided to the system (June 2013)
- 3.4.c Draft a five-year plan to provide opportunities for participation of emerging investment manager across all asset classes (June 2013)
- 3.4.d Improve reporting on the performance and cost of the investment emerging manager and diversity programs (June 2013)
- 3.4.e Develop a core set of Environmental, Social, and Governance integration questions regarding policies and practices of internal and external investment managers (June 2014)

#### **Desired Outcomes:**

- Increased integration of diversity and inclusion in all aspects of CalPERS operations
- Increased retention of diverse law firms
- Engagement of all outside law firms on diversity and inclusion issues

### Objective 3.5

#### *Continue to enhance workforce development, information sharing, and collaboration across the enterprise*

- 3.5.a Improve the overall efficiency of our hiring process by updating the existing automated HR system and adding new automated services (June 2013)
- 3.5.b Implement a Leadership Continuity plan and Leadership Mentoring program for Executive and Senior Staff positions (June 2013)
- 3.5.c Implement an Enterprise Content Management system to centralize enterprise content and improve content structure, and establish governance process to improve Intranet usability (June 2014)

#### **Desired Outcomes:**

- Reduced time to fill vacancies through online application process
- Operational efficiencies and extensive reporting capabilities
- Identification and management of talent pools
- Continuous development of leadership talents
- Enhanced consistency and quality of communication between divisions

## Acknowledgments

**The CalPERS 2012-14 Business Plan was developed with the guidance and support of the CalPERS Executive Team:**

*Anne Stausboll, Chief Executive Officer*

*Ann Boynton, Deputy Executive Officer, Benefit Programs Policy and Planning*

*Joseph A. Dear, Chief Investment Officer*

*Russell G. Fong, Acting Chief Financial Officer, Financial Office*

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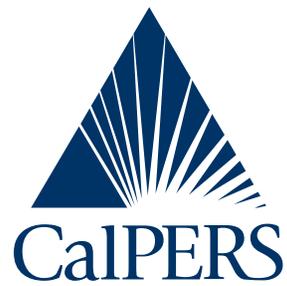
*Alan Milligan, Chief Actuary*

*Peter H. Mixon, General Counsel*

*Janine Guillot, Chief Operating Investment Officer, Investment Office*

*Dale Jablonsky, Assistant Executive Officer, Information Technology Services*

**The CalPERS 2012-14 Business Plan was developed by management and staff of the Enterprise Strategy and Performance Division (ESPD) with input from senior management across the organization.**



For more information about the CalPERS Business Plan, visit CalPERS On-Line at [www.calpers.ca.gov](http://www.calpers.ca.gov) or call ESPD at (916) 795-3976.

Revised: 6/12/12