

**CalPERS 2012-14 Business Plan
Aligned to
2012-17 Strategic Plan**

October 2012

CalPERS 2012-14 Business Plan Aligned to 2012-17 Strategic Plan

For more than eight decades, CalPERS has built retirement and health security for people who invest their lifework in the State. We are proud to serve those who serve California.

CalPERS Vision, Mission, Strategic Goals, and Core Values

CalPERS Vision

A trusted leader respected by our members and stakeholders for our integrity, innovation and service

CalPERS Mission

Provide responsible and efficient stewardship of the System to deliver promised retirement and health benefits, while promoting wellness and retirement security for members and beneficiaries

CalPERS Strategic Goals

Goal A: Improve long-term pension and health benefit sustainability

Goal B: Cultivate a high-performing, risk-intelligent, and innovative organization

Goal C: Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

CalPERS Core Values

Quality | Respect | Accountability | Integrity | Openness | Balance

This document shows the alignment of the CalPERS 2012-14 Business Plan to the Board approved 2012-17 Strategic Plan. As the alignment occurred between the 2012-14 CalPERS Business Plan and the 2012-17 Strategic Plan, Business Plan initiatives were moved to align with the Strategic Plan goals.

Legend	
Blue	= Strategic Goals
Gold	= Strategic Objectives and Initiatives
Black	= Business Plan Initiatives
New	= New Initiatives

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Goal A – Improve long-term pension and health benefit sustainability

Strategic Objective

Fund the System through an integrated view of pension assets and liabilities

Strategic Initiative: Actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy

- 1.6.a **Asset Liability Framework Workshop:** Conduct a Board workshop to set overall funding risk levels using the new asset liability framework (July 2012)
- 1.6.b **Actuarial Policies Review:** Review and update if necessary actuarial amortization and rate smoothing policies (December 2012)
- 1.6.c **Asset Liability and Risk Workshop:** Conduct an asset liability workshop leading to potential revisions to the asset allocation by applying new risk framework (June 2013)
- 1.5.e **Asset Liability Framework Implementation:** Implement changes that resulted from the review of risk pooling and the review of actuarial amortization and rate smoothing policies (June 2014)

Strategic Objective

Educate employers and other stakeholders to make informed decisions about retirement security and health care

Strategic Initiative: Provide employers and other stakeholders with thorough, risk-based information about the expected course and variability of future pension contribution requirements

- 1.5.d **Governmental Accounting Standards Board (GASB) 25 & 27:** 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.a **Sensitivity Analysis and Termination Liabilities:** Include Sensitivity Analysis and Termination Liabilities in annual actuarial valuation reports for public agencies (November 2012)

Strategic Initiative: Expand member and employer access to information regarding the cost and quality of health care and ways to impact those trends

- New** **Health Care Customer Resources:** Provide members with useful information and tools that lead to shared decision-making for our members and employers (June 2014)

Strategic Initiative: Provide existing and prospective Long-Term Care (LTC) Program policy holders with premium and other information to improve decision making

- 1.4.a **LTC Strategy Development:** 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 **LTC Strategy Implementation:** Implement Board-approved strategies (June 2014)

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- New** **Pension Reform Implementation:** Clarify and define Pension Reform legislation, statutes, and regulations for implementation into all CalPERS policies, process, and systems including revising and changing member rates, enhancing our external website, developing staff training, and building myCalPERS functionality (January 2013)

Strategic Objective

Deliver target risk-adjusted investment returns

Strategic Initiative: Implement programs and initiatives that improve investment performance and ensure effective systems, operations and controls are in place

- 1.2.a **Investment Performance:** Deliver consistent risk-adjusted investment returns (June 2014)
- 1.2.b **Capital Allocation:** Implement a risk based, dynamic asset allocation approach (June 2014)
- 1.2.c **Investment Risk Management:** Establish a comprehensive portfolio risk management system and practices to measure, manage, and communicate investment risks (June 2014)
- 1.2.d **Cost Effectiveness:** Enhance cost effectiveness of the investment program to improve net returns on assets (June 2014)
- 1.2.f **Investment Target Operating Model:** 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)
- 3.4.c **Emerging Investment Manager Strategy:** Draft a five-year plan to provide opportunities for participation of emerging investment manager across all asset classes (June 2013)
- 3.4.d **Emerging Investment Manager Reporting:** Improve reporting on the performance and cost of the investment emerging manager and diversity programs (June 2013)
- 3.4.e **Environmental, Social, Governance (ESG) Investment Strategy:** Develop a total fund process for integrating sustainability issues (June 2014)

Strategic Objective

Ensure high-quality, accessible and affordable health benefits

Strategic Initiative: Implement new approaches and expand efforts already proven to reduce health care costs and improve health outcomes, including changing how we contract with health plans

- 1.3.a **Health Benefits Purchasing Review Procurement Strategies:** 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.c **Health Benefit Purchasing Structure:** Communicate and implement changes to health benefit purchasing structure (June 2014)

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Strategic Objective

Create a lifestyle of wellness among members and employers

Strategic Initiative: *Establish partnerships that focus on increasing public and private sector focus on wellness*

New **Employer Wellness Partnerships:** Establish partnerships based on a comprehensive wellness strategy that provides tools for employers to engage their employees (June 2013)

Strategic Initiative: *Develop and administer an independent wellness platform that ensures the active engagement of employees and employers*

New **Engaged Health and Wellness Platform:** Utilize evidence based programs with outcomes and measurement to create an independent wellness platform with flexible options that engages employers, members, and providers (June 2014)

Goal B – Cultivate a high-performing, risk-intelligent and innovative organization

Strategic Objective

Use a focused approach to generate, test, refine and implement new ideas

Strategic Initiative: *Adopt methodologies that enable quick testing, vetting, and refinement of ideas that improve internal and external performance and service*

1.3.b **Center for Innovation:** Establish a Center for Innovation to assist with health reform readiness (June 2013)

3.5.c **Enterprise Content Management:** Implement an Enterprise Content Management system to centralize enterprise content and improve content structure, and establish governance process to improve Intranet usability (June 2014)

New **Enterprise Internal Innovation:** Create an enterprise and employee-focused strategy to inspire, invent, and implement innovative ideas (June 2013)

Strategic Objective

Deliver superior, end-to-end customer service that is adaptive to customer needs

Strategic Initiative: *Promote the use of business intelligence throughout the organization to provide superior customer service delivery*

2.1.b **Business Intelligence:** Implement a business intelligence service that uses customer service delivery data to improve member and employer service delivery (June 2013)

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Strategic Initiative: Enhance business processes to achieve high-quality, timely, effective and efficient customer service delivery to our members and employers

- 2.1.a **Member Self-Service:** Implement my|CalPERS member self-service releases (January 2013)
- 2.1.c **Service Delivery Transformation:** Develop a three-year roadmap and implementation plan for service delivery transformation, and complete identified milestones (June 2014)
- 2.1.e **my|CalPERS Efficiencies:** Align identified core business processes with the my|CalPERS system efficiencies and maximize the full capabilities of the technology (June 2014)
- 2.1.d **my|CalPERS Enhancements:** Expand customer and staff capabilities through ongoing enhancements to my|CalPERS computer systems (June 2014)
- 2.3.a **Backlog Reduction Strategies:** Develop and implement strategies to decrease backlogs in core business areas (June 2013)

Strategic Objective

Recruit, retain, develop and empower a broad range of talents against organizational priorities

Strategic Initiative: Develop and implement a comprehensive talent management strategy that includes recruitment, knowledge transfer, and succession planning

- 3.3.e **Knowledge Transfer, Insourcing, and Consultant Reduction:** Reduce aggregate enterprise consulting and professional service expenses by five percent each fiscal year (June 2014)
- 3.5.a **Automated HR System:** 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 **Leadership Continuity & Mentoring:** Implement a Leadership Continuity plan for Senior and Executive staff, and informal mentoring program for all CalPERS employees (June 2013)
- 2.2.a **Staff Training for my|CalPERS:** Design and begin implementing a training plan to optimize program staff competencies and promote success in the new my|CalPERS business environment (June 2013)
- 1.2.e **Investment Office Talent Management:** Enhance the ability of the Investment Office to recruit, develop and retain a high skilled, diverse and motivated team to ensure success (June 2014)
- 3.4.a **Diversity and Inclusion:** 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 **Enhanced Competition and Inclusion:** 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)
- New** **Talent Management Initiatives:** Develop a human resources strategy to address recruitment, development, and retention across the enterprise (June 2014)

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Strategic Objective

Actively manage business risks with an enterprise-wide view

Strategic Initiative: *Develop a robust risk-intelligent culture through enhanced governance, risk assessment and mitigation, and collaboration with stakeholders*

- 3.1.b **Technology Security Improvements:** 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.a **Personal Trading Platform:** Implement Personal Trading Platform (January 2013)
- 3.1.c **Investigation Process:** Develop and implement CalPERS streamlined investigations process (June 2013)
- 3.1.d **Investigation Tools:** Implement an automated tool for investigations and enhance e-Discovery capabilities (June 2013)
- 3.1.e **Policy Repository and Compliance:** Implement policy repository to guide compliance activities (June 2013)
- 3.2.d **Performance Management Dashboard and Metrics:** Develop enterprise performance management dashboard and metrics to support the Board governance initiative (March 2013)
- 3.3.b **Financial Reports:** Develop and implement close for monthly internal financial reports for the organization (June 2013)
- 3.3.a **Cash Management:** 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.c **Investment Expense Reporting:** Design and implement the Financial Office functions to account and report on Investment Expenses (June 2014)
- 3.3.d **Investment Reconciliation Process:** Develop and implement improved Investment Reconciliation processes (June 2014)
- New** **One Budget Model:** Develop one Enterprise budget to support enhanced resource management, Board oversight and operational efficiency, transparency, and accountability (June 2014)

Goal C – Engage in state and national policy development to enhance the long-term sustainability and effectiveness of our programs

Strategic Objective

Define CalPERS perspective on pension, health and financial markets

Strategic Initiative: *Establish principles and beliefs to guide public policy engagement by the System*

- New** **Investment Beliefs:** Define and communicate investment beliefs (July 2013)
- New** **Market Reform Priorities:** Define and communicate market reform priorities (February 2014)

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Strategic Objective

Provide education and engagement opportunities to shape policy agenda and expand impact

Strategic Initiative: Develop new strategic partnerships with academic institutions, governmental organizations, non-profits, the financial sector and the California business community

- 1.5.b **Thought Leadership Initiatives:** Develop relationships with academia, California business community, and financial industry partners, through thought leadership initiatives (June 2013)

Strategic Initiative: Develop a series of thought leadership initiatives that promote CalPERS priorities and policies

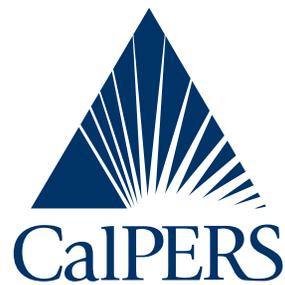
- 1.1.a **Retirement Research and Planning:** Operationalize Retirement Research and Planning Division to expand leadership and policy expertise to members, employers, policymakers, partners, media and taxpayers on retirement issues (June 2013)

Strategic Initiative: Elevate the profile of CalPERS Board of Administration and Executive Leadership at strategic industry and stakeholder events

- 1.1.b **Outreach:** Increase outreach opportunities for CalPERS Board Members and Executives to demonstrate industry leadership (June 2014)
- 1.5.c **Public Accountability and Transparency:** Demonstrate through policies, practice, and tools an approach that increases transparency for California Public Records Act requests that will continue to build confidence in open government, accountability and responsiveness to the media and public. (June 2014)

Strategic Plan Development and Administration:

- 3.2.a **Target Performance Measures:** Develop target performance measures for the Strategic Plan (September 2012)
- 3.2.b **2012-17 Strategic Plan:** Create, receive Board approval, and deploy the 2012-17 Strategic Plan (September 2012)
- 3.2.c **Strategic Plan Business Plan Alignment:** Make necessary adjustments to align 2012-14 Business Plan with 2012-17 Strategic Plan (October 2012)



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