

CalPERS 2012-14 Business Plan

First Quarter Status Update

July 1, 2012 – September 30, 2012

Priority 1 | Leading in Retirement Security and Health Care

Objective 1.1 | Influence State and federal retirement policy and plan design

Executive Owner: Ann Boynton (BPPP)

Project Lead: Stacie Walker (RRPD)

Top Items

- CalPERS provided policy perspective on four retirement bills (SB 987 - McLeod, AB 1184 -Gatto, AB 1819 - Ammiano, SB 27 - Simitian) in 2011-2012.
- Executive Staff, Board Members and Division Chiefs were keynote and subject matter expert presenters at various retirement policy forums and industry conferences that reached nearly 2,000 pension professionals and stakeholders (e.g. CALAPRS, NASRA and California School Employees' Association).
- Retirement Research and Planning Division and the Enterprise Strategy and Performance Division hosted a kick-off and charter development meeting for the Research Enterprise Analysis and Leadership (REAL) workgroup.

Objective 1.2 | Enable the delivery of strategic investment priorities

Executive Owner: Joe Dear (INVO)

Project Lead: Kami Niebank (PBSB)

Top Items

- Created a comprehensive and consolidated expense report for the Investment Office that allocates all costs within the new accounting and organizational structure.
- Completed three Roadmap projects around External Manager Due Diligence and Monitoring, Financial Technical Training, and Investment Delegations.
- Continued focus on the cost effectiveness roadmap initiative resulted in cost reductions in consulting and management fees of \$33.7 million for fiscal year 2011-12.

Status Key:  Green – On Track
 Yellow – At Risk
 Red – Needs Management Attention

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Objective 1.3 | Influence State and federal health care policy to improve the cost effectiveness of the health program and health outcomes

Executive Owner: Ann Boynton (BPPP)

Project Lead: Doug McKeever (HRPD)

Top Items

- Staff has developed the necessary requirements in Phase I and Phase II of the Health Benefits Purchasing Review procurement initiatives. Project is on track for completion of Request For Proposals by June 2013.
- The Health Plan Administration Division and the Health Policy Research Division are developing high-level procedures for risk adjustment to be presented to the Pension and Health Benefits Committee in February/March 2013.

Objective 1.4 | Stabilize and sustain the Long-Term Care Program

Executive Owner: Ann Boynton (BPPP)

Project Lead: Kathy Donneson (HPAD)

Top Items

- Staff has completed a review of Long Term Care (LTC) Fund investment portfolio. The result is reduced equity distribution from 44 percent to 15 percent and a new discount rate.
- On track to present LTC rate increase proposal to Pension and Health Benefits Committee in October for 2015 rate increase.
- A number of risks and issues exist for the LTC Strategy development and implementation; however, mitigation procedures are being developed to facilitate the successful completion of all initiatives.

Objective 1.5 | Enhance the quality and accessibility of financial, actuarial, and program information for stakeholders

Executive Owner: Alan Milligan (ACTO)

Project Lead: Bill Karch (ACTO)

Top Items

- All changes necessary to implement the discount rate sensitivity analysis and hypothetical termination liability reporting in the public agency annual valuations were completed in the quarter.
- Changes to actuarial processes resulting from the review of risk pooling, presented to the Board in June 2012, were implemented in the quarter.

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Objective 1.6 | Integrate asset liability frameworks into investment and actuarial policies

Executive Owner: Joe Dear (INVO)

Project Lead: Kami Niebank (PBSD)

Top Items



- Built and tested the Asset Liability Management (ALM) tool. This tool included cash flow projections, smoothing and amortization methods, and expected investment returns.
- Developed Board Workshop Presentation which introduced the CalPERS Board to the ALM tool which was demonstrated at July 2012 Board Offsite.
- Staff and CalPERS Board members had extensive discussion on risk tolerances at the July Board Offsite. Additional discussions are scheduled for the January 2013 Board Offsite with the goal of having the CalPERS Board approve risk tolerances in the Spring 2013. These tolerances will then be used in future decision making on asset allocation and actuarial policies.

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Priority 2 | Serving our Customers: Today & Tomorrow

Objective 2.1 | Strengthen the strategic and technological foundations necessary to support customer services priorities

Executive Owner: Donna Lum (CSS)

Project Lead: Joe Caffrey (CSS)

Top Items

- Release 1 for Member Self-Service (MSS) was successfully launched on July 29, 2012. This first of three MSS launches delivered real-time account details, open enrollment health plan changes for retirees, secure messaging and a new education resource area. The second launch is on-track to release on October 29, 2012.
- Three-year Customer Service Delivery Transformation Roadmap was completed and will be presented to the Board in October.
- Scheduled myCalPERS enhancements for the first quarter have been completed. Enhancements for the remaining 2012/2013 quarters have been identified for future releases.
- The identification and finalization of the core business processes this team will focus on has been completed and the implementation to align technology with these processes has begun.

Objective 2.2 | Optimize staff competencies to enhance customer services delivery

Executive Owner: Donna Lum (CSS)

Project Lead: Joe Caffrey (CSS)

Top Items

- Gap and Task analysis was completed to identify the common tasks that require training to ultimately enhance customer service, analytical training, analytical thinking and communication.
- Focus groups were conducted and pilot areas were identified.
- The prioritization and creation of the training content has started.

Objective 2.3 | Achieve customer services level improvements

Executive Owner: Donna Lum (CSS)

Project Lead: Joe Caffrey (CSS)

Top Items

- Completed Death Benefits backlog.

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Priority 3 | Building Internal Strength

Objective 3.1 | Enhance and integrate compliance functions across the organization

Executive Owner: Kathleen Webb (OERM)

Project Lead: Larry Jensen (ERMD)

Top Items 
<ul style="list-style-type: none">• Developed proposed Personal Trading Regulation, received Board approval, and submitted the Regulation to the Office of Administrative Law for review and approval. Acquired and implemented the personal trading on-line platform.• Phase I of the Security Roadmap Program is underway and addresses improvements to several aspects of CalPERS information technology infrastructure. A Security Roadmap Program framework, including project governance, charters, plans, and security requirements were developed. Began 5 projects in Phase 1; Mobile Device Management, Malicious Mobile Code, United States Government Configuration Baseline (USGCB) Compliance, Mobile Device Management, Develop Procedures for Periodic Security Assessments, and Update Security Practices. A new project for Identity and Access Management Coordination was added to Phase I.• An automated tool for IT investigations was purchased and other tools to enhance the Enterprise Risk Management Division's (ERMD) e-discovery capabilities are being evaluated.• ERMD is establishing a centralized Policy Management Section. A policy management repository was implemented to automate policy development and management.

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Objective 3.2 | Develop and implement a new enterprise Strategic Plan that is realistic and outcomes-based with defined and measureable performance targets

Executive Owner: Douglas Hoffner (OPT)

Project Lead: Sean Tracy (ESPD)

Top Items

- Strategic Plan was finalized and adopted by the Board in August 2012.
- The current 2012-14 Business Plan was realigned to the new five year Strategic Plan and this work was presented to the Finance and Administration Committee in October 2012.
- Development of target performance measures for the Strategic Plan is underway. Staff has determined this project is more extensive than originally anticipated and the September target date was not feasible. Staff will report back with a more realistic timeline.

Objective 3.3 | Enable the delivery of enterprise financial process priorities by implementing key Financial Office Initiatives

Executive Owner: Russell Fong (FINO)

Project Lead: David Rubio (FINO)

Top Items

- Cash Management: Completed Annual Cash Forecasts for the Public Employees' Retirement Fund (PERF), Legislators' Retirement Fund (LRF), Judges' Retirement Fund (JRF), and Judges Retirement Fund II (JRS II).
- Worked with the Investment Office to develop Investment Expense Reports.
- Enterprise Strategy and Performance Division is coordinating components for knowledge transfer, insourcing, and annual five percent consulting and professional expenditures reduction.
- CalPERS distributed letters to contractors that requested a five percent consultant reduction. To date, 16 percent of CalPERS contractors agreed to some level of a five percent reduction.

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Objective 3.4 | Promote cultural diversity and inclusiveness in our workforce and business relationships

Executive Owner: Douglas Hoffner (OPT)

Project Lead: Lindy Plaza (CDOP)

Top Items

- The first of four Diversity & Inclusion (D & I) Professional Development events was hosted by the CalPERS Diversity and Outreach Program.
- D & I conducted outreach to regional offices and divisions during the first quarter.
- Newly launched web-based D & I professional development resource and training has been completed by 66 employees during the first quarter.
- Phase 1 of the CalPERS Emerging Manager Five-Year Plan was approved by the Investment Committee at the August 2012 meeting.

Objective 3.5 | Continue to enhance workforce development, information sharing, and collaboration across the enterprise

Executive Owner: Douglas Hoffner (OPT)

Project Lead: Katie Hagen (HRSD)

Top Items

- The Automated Applicant Tracking System and PeopleSoft Upgrade were successfully developed and implemented during the first quarter.
- High-level information architecture and Enterprise Content Management governance plan was initiated.
- PeopleSoft Time and Labor: Project scope is now being updated to reflect recent State Controller's Office (SCO) changes and project schedule is being re-baselined due to extended negotiations with the SCO. The negotiations are focused around needed system interfaces to support automation and MyCalPAYS (21st Century Project).

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