



Agenda Item 7a

February 20, 2013

ITEM NAME: CalPERS 2012-14 Business Plan Quarterly Update

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides the Board with a status report on the second quarter Business Plan initiatives.

STRATEGIC PLAN

The 2012-14 Business Plan (Attachment 3) was recently aligned with the 2012-17 Strategic Plan (Attachment 4). The Business Plan outlines the activities being undertaken to achieve the Strategic Objectives. The quarterly update is an opportunity to evaluate the progress on the Business Plan initiatives and whether adjustments are needed.

ANALYSIS

Two initiatives were accomplished during the second quarter (Attachment 1).

- Sensitivity Analysis and Termination Liabilities: CalPERS established processes to calculate hypothetical plan termination liabilities and provide estimated employer rates under different discount rate assumptions (sensitivity analysis). CalPERS added plan termination liabilities and sensitivity analysis sections to the 2011 Public Agency annual valuation reports. CalPERS added a sensitivity analysis section to the 2011 annual valuation reports for the State plans and the Schools pool. These sections will continue to be available in future annual valuation reports. The annual actuarial valuations were made available to employers and stakeholders on the CalPERS website.

By providing sensitivity analysis and termination liabilities to employers and stakeholders, CalPERS empowers employers and stakeholders with knowledge to make more informed decisions about their pension plans. In addition, covering various scenarios of investment returns and discount rate assumptions gives employers and stakeholders more information to create future budget projections. Empowering employers and stakeholders to make more informed decisions helps to improve the sustainability of the long-term pension fund, which aligns with Goal A of the 2012-2017 CalPERS Strategic Plan.

- Strategic Plan Business Plan Alignment: The alignment of the 2012-14 Business Plan with the 2012-17 Strategic Plan ensures that current business activities address the three new strategic goals for the organization. Staff aligned existing Business Plan initiatives to the three strategic goals, and created new initiatives where gaps were identified. A total of nine initiatives were added to the Business Plan to improve the sustainability of the pension system through our investments and actuarial policies, improve health care costs, and create a lifestyle of wellness for our members. Also included are initiatives to develop a robust talent management strategy, and be an honest and engaged advocate in State and national policy development. The Business Plan is aligned to the Strategic Plan to ensure the budget process is connected to the planning cycle. The updated Business Plan is posted on our internet site and has been shared with staff.

Two ongoing business plan initiatives are currently reported as “at risk.” Those initiatives are Investment Risk Management and Performance Management Dashboard and Metrics.

- Investment Risk Management: Investment Office staff initiated a search for a Senior Investment Officer (SIO) to assist with risk management efforts, but was unable to identify a qualified candidate. The Investment Risk team is unable to clearly define their initiatives and move forward until the SIO position is filled. As a result, the Investment Office has initiated a new search to fill this position.
- Performance Management Dashboard and Metrics: Staff recognized that developing a performance management dashboard is part of a larger effort that may be coordinated with the Strategic Performance Measures initiative.

The Strategic Performance Measures initiative (originally due September 2012) was missed. After this effort began, staff recognized that the process of developing performance measures is one part of a larger effort to foster a performance-directed culture at CalPERS. This framework takes time, effort, education, and communication across the enterprise. The work associated with developing Strategic Performance Measures is part of a larger performance management effort. Therefore, staff revised the due date for the Strategic Performance Measures initiative to June 2014.

All other initiatives in the Business Plan are on schedule. The progress made during the second quarter is reported in the CalPERS 2012-14 Business Plan Second Quarter Status Update (Attachment 2).

RISK/BENEFITS

This quarterly item ensures transparency around progress being made on the Business Plan. Competing organization priorities, staff resources, and legislative challenges with pension and health care reform have been identified as key risks which may impact the completion of some of the initiatives by the target dates.

ATTACHMENTS

Attachment 1 – CalPERS 2012-14 Business Plan – Initiatives Due in the Second Quarter

Attachment 2 – CalPERS 2012-14 Business Plan – Second Quarter Status Update

Attachment 3 – CalPERS 2012-14 Business Plan

Attachment 4 – CalPERS 2012-17 Strategic Plan Overview

VIVIAN GERLACH, Acting Chief
Enterprise Strategy and Performance Division

DOUGLAS HOFFNER
Deputy Executive Officer
Operations and Technology