



Agenda Item 5a

April 17, 2013

ITEM NAME: 2013-15 Business Plan (Second Reading)

PROGRAM: Enterprise

ITEM TYPE: Action

RECOMMENDATION

Approve the 2013-15 Business Plan as a second reading.

EXECUTIVE SUMMARY

In March 2013, the CalPERS Board of Administration (Board) approved the first reading of the 2013-15 Business Plan. Staff are now seeking final approval in this second reading.

STRATEGIC PLAN

The CalPERS 2013-15 Business Plan is designed to implement the goals articulated in the CalPERS 2012-17 Strategic Plan.

BACKGROUND

The 2013-15 Business Plan builds on the progress made over the past year, and offers an opportunity to plan for future business needs. We are continuing the two-year planning cycle that was implemented last year. The process provides for an incremental annual refresh process to align Business Planning with the CalPERS budget process and long-term strategic goals of the organization.

ANALYSIS

The CalPERS 2013-2015 Business Plan describes the work staff will undertake to support the organization's three Strategic Goals:

- **Strategic Goal A:** Improve long-term pension and health benefit sustainability
- **Strategic Goal B:** Cultivate a high-performing, risk-intelligent and innovative organization
- **Strategic Goal C:** Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

To achieve the long-term strategic goals, Senior Management has worked closely with staff to identify specific, achievable initiatives that will help us be successful and work proactively to address internal and external forces. During the first reading, the attached table was presented to show the initiatives (Attachment 1).

Since the first reading, staff developed a document that shows the Business Plan initiatives by Strategic Goal and Strategic Objective (Attachment 2).

As noted during the first reading, the Business Plan sharpens organizational focus, helps sustain the pension and health programs, enhances customer service, and strengthens our internal organization. Plan highlights include:

- Evolution of the asset liability management framework to include integration and more sophisticated risk analysis in adopting investment and actuarial policies
- Next steps in the CalPERS health platform to improve health care costs and encourage a lifestyle of wellness for our members
- Implementation of the customer service delivery initiatives to improve access, quality, effectiveness and service to our members and employers
- Development and implementation of a workforce strategy that incorporates succession planning, staff training and mentoring, and talent management
- Development and adoption of CalPERS pension beliefs to support engagement in State and national policy debates, and to inform decision making around asset liability management.

Consistent with current practice, staff will monitor progress on the CalPERS 2013-15 Business Plan, and provide quarterly updates to the Finance and Administration Committee.

BENEFITS/RISKS

The CalPERS 2013-15 Business Plan is aligned to the three goals in the CalPERS 2012-17 Strategic Plan. The alignment of operational activities to long-term strategic goals provides focus and clarity to prioritize and guide our work as we keep the Strategic Plan at the forefront of our planning process. The business plan initiatives are tied to budget resources to ensure that the budget process is connected to the planning cycle.

By allowing for longer term planning, a two-year business plan cycle with an incremental annual refresh process improves alignment to the operational realities and complexities in a large public organization.

The risk of accurately predicting future occurrences in a two-year business plan cycle is better managed by adopting an annual refresh process that allows for adjustments in the Business Plan. The current processes of ongoing review and adjustments will continue.

Approval of the 2013-15 Business Plan promotes the alignment of CalPERS business activities, thereby incorporating the benefits listed above.

ATTACHMENTS

2013-15 Business Plan Initiatives (Attachment 1)

2013-15 Business Plan Initiatives by Strategic Goal and Objective (Attachment 2)

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