



Agenda Item 9a

May 13, 2013

ITEM NAME: 2012-2017 Strategic Plan, Strategic Measures Update

PROGRAM: Total Fund

ITEM TYPE: Business Plan/Roadmap – Information

EXECUTIVE SUMMARY

This agenda item is an update on the development of Strategic Measures for the CalPERS 2012-2017 Strategic Plan. Staff is seeking feedback from the Investment Committee on measures to prepare for the Strategic Plan working session at the July Board and Executive Staff Offsite.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Strategic Measures help build a framework that allows CalPERS to evaluate how well the organization meets the goals in our Strategic Plan and provides the linkage from business strategy to execution.

BACKGROUND

In August 2012, the CalPERS Board of Administration (Board) approved the CalPERS 2012-2017 Strategic Plan (Plan). To assist the Board in evaluating the success of the Plan, Executive and Program staff is proposing an initial set of Strategic Measures as part of a larger effort to support the use of enterprise-wide measurements to guide the organization.

The Strategic Measures Project is using a phased approach as outlined below and in Attachment 1:

- Phase One: January – June 2013, staff is proposing measures that have data availability
- Phase Two: July – December 2013, staff will propose measures that have limited data availability
- Phase Three: January – July 2014, staff will work on less mature measures that need further analysis

ANALYSIS

The subject areas staff has explored in Phase One include: investment returns, funded status, workforce information, the Asset Liability Framework, customer service satisfaction, and media coverage.

To collect data and develop the measures the Project Team has continued to work across the enterprise using the following approach:

- Focus on key areas of the enterprise that directly link to the Strategic Objectives in the CalPERS 2012-2017 Strategic Plan
- Identify and define currently available measures
- Determine key measures that inform the strategic discussion
- Begin to develop and evolve measures

This iterative approach will be repeated for Phases Two and Three with the goal to develop a complete set of Strategic Measures by July, 2014.

The Project Team is proposing nine Strategic Measures that evaluate the success of the Plan. These nine measures are listed in Attachment 2. This item includes two of the measures related to the Investment Committee. Additionally, two measures will be presented at the May 2013 Pension and Health Benefits Committee. Details for these four measures are in Attachment 3. In June 2013, staff will return to other Board Committees to present the remaining five measures listed in Attachment 2.

Below are the two Strategic Measures within the purview of the Investment Committee. Additional information is available in Attachment 3.

Strategic Measures: Goal A, *Improve long-term pension and health benefit sustainability*

1. Percentage of net annualized investment returns relative to the return assumptions and benchmarks
2. Percentage of net value added achieved through CalPERS management of the portfolio relative to benchmark data

Staff requests that the Investment Committee review and provide further feedback to develop these Strategic Measures for discussion at the Strategic Plan working session at the July Board and Executive Staff Offsite.

BENEFITS/RISKS

- Informs the strategic discussion
- Evaluates the success of the CalPERS Strategic Plan
- Links strategy to execution
- Facilitates continued improvement of our strategy
- Ensures the Strategic Plan is relevant to CalPERS staff and stakeholders

ATTACHMENTS

Attachment 1 – Strategic Measurement Development Phases (Groups)

Attachment 2 – Strategic Measures Schedule

Attachment 3 – Strategic Measures Overview (Draft)

Attachment 4 – CalPERS 2012-2017 Strategic Plan (one page)

DOUGLAS HOFFNER
Deputy Executive Officer
Operations and Technology

JOSEPH A. DEAR
Chief Investment Officer