



Agenda Item 8a

June 18, 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 third quarter Business Plan initiatives.

STRATEGIC PLAN

The CalPERS 2012-14 Business Plan (Attachment 2) outlines the activities being undertaken to achieve the Strategic Goals and Objectives in the CalPERS 2012-17 Strategic Plan (Attachment 3). The quarterly update evaluates the progress on the Business Plan initiatives.

ANALYSIS

In the third quarter, four initiatives were due and three initiatives were completed:

- Pension Reform Implementation: Staff implemented required changes in my|CalPERS and presented a draft regulatory package to the Board in February 2013. Staff also conducted outreach with external stakeholders to educate them on changes related to specific pension reform questions, completed necessary changes to publications, and provided frequently asked questions on the CalPERS website for impacted members and employers.
- Member Self-Service: Member Self-Service Release Three (3) was successfully deployed in January 2013. The release included several new self-service functions including the ability to apply for retirement on-line, change health dependents, and maintain benefit payment options.
- Personal Trading Platform: The Personal Trading Regulation was approved by the Office of Administrative Law and filed with the Secretary of State in December 2012. By January 2013, CalPERS had achieved 100 percent compliance on "Initial Personal Trading Affirmations." The personal trading system platform, Compliance 11 (software solution), was launched on December 1, 2012, and is now tracking transaction activity on 647 brokerage accounts of Covered Persons.

Also in the third quarter, two initiatives were completed early:

- Long-Term Care (LTC) Strategy Development (June 2013): Staff obtained Board approval for plan design changes for LTC4, which is a new product that will be offered in an open application period for the LTC Program. Staff also obtained Board approval to expand eligibility to adult children and other qualified persons by amending the Long-Term Care Act which is subject to Legislative approval toward the end of 2013.
- Public Records Accessibility (PRA) Policy (June 2014): Staff successfully built a tool to host and display member pension data on CalPERS On-line, and launched the CalPERS Pension Database to serve as a single-source of member data. The CalPERS PRA Policy is now available on CalPERS On-line along with a Web submission tool to assist the public in making PRA requests.

Four ongoing initiatives are currently “at risk”. Those initiatives are: 1) Investment Risk Management; 2) Organizations, Systems, and Controls; 3) Investment Expense Reporting; and 4) Investment Reconciliation Process.

- Investment Risk Management: The Investment Office (INVO) initiated a search for a Senior Investment Officer for the Risk Management and Asset Allocation Program. To date, INVO staff have not been successful in recruiting a qualified candidate to fill this key leadership position and are continuing their search.
- Organization, Systems, and Controls: The magnitude of critical projects and initiatives underway require a significant amount of dedicated INVO and enterprise resources, in addition to a vigorous timeline.
- Investment Expense Reporting and Investment Reconciliation Process: Due to competing priorities for the Financial Office, staff may be unable to meet timelines for identifying all Investment and Fund Accounting Books of Record for the public market assets. As a result, staff may be unable to document roles, responsibilities, and the reconciliation process for public market assets.

The Performance Management Dashboard and Metrics initiative that was due in the third quarter was missed. Staff recognized the development of a performance management dashboard is part of a larger effort. This framework takes time, effort, education, and communication across the enterprise. As a result, this initiative is being incorporated into the Strategic Measures Project and will be further developed with the CalPERS 2013-15 Business Plan.

Thirty-six (36) initiatives from the CalPERS 2012-14 Business Plan have been modified, extended, or carried forward to the approved CalPERS 2013-15 Business

Plan. A portion of the 36 initiatives have been combined into other initiatives. Some examples include: 1) Enhanced Asset Liability Framework is now part of the Strategic Risk Measures initiative; 2) GASB 68 has been combined with Actuarial Valuation System Redesign; and 3) Capital Market Stability has been combined with the Environmental, Social, Governance Investment Strategy.

All other initiatives in the Business Plan are on schedule. A summary dashboard identifying the current status of all the initiatives along with detailed information on completed, at risk, and initiatives needing management attention is provided. The attachment also includes a section that highlights key accomplishments for the quarter (Attachment 1).

RISK/BENEFITS

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. A two-year business planning cycle with an incremental annual refresh process improves alignment to the operational realities and complexities in a large public organization.

This quarterly report ensures transparency regarding the Business Plan progress. Competing organization priorities, staff resources, and challenges with pension and health care reform are 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 – Third Quarter Status Update
Attachment 2 – CalPERS 2012-14 Business Plan
Attachment 3 – CalPERS 2012-17 Strategic Plan Overview

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