

2013-2014 PERFORMANCE PLAN – Chief Executive Officer (A. Stausboll)

All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Executive and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.

Quantitative Performance Measure

Weight	Factor	Performance Measure	Incentive Schedule
5 %	Total Fund Performance	Excess return in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5
5 %	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
55 %	Business Plan / Enterprise Objectives	By June 30, 2014, implement the objectives set forth for FY 13-14 in the Board approved 2013-15 Business Plan. (See Attachment A)	Significantly Exceeds Standards: 1.5 Exceeds Standards: 1.25 Meets Standards: 1.0 Meets Some, Not All Standards: .5 Does Not Meet Standards: 0
40 %	Leadership	By June 30, 2014 <ul style="list-style-type: none"> • Continue to develop and implement communication and advocacy programs, to educate stakeholders and influence pension, health, and financial market policies. • Continue to enhance accountability within the organization through development of performance metrics to measure implementation and progress on strategic and business planning. • Develop and lead initiatives to ensure a healthy and high-performing organization, based on results of 2013 Organizational Health Index. • Lead and develop internal talent management efforts that support core values and foster a diverse and inclusive workforce. • Continue to work with the Board on succession planning for the CEO and CIO positions, and oversee succession planning to establish and grow an internal pipeline for executive level vacancies. • Continue to work with the Board President to enhance the Board and Committee agenda planning process and content and to ensure the effective and efficient flow of pertinent information. • Demonstrate the Leadership Expectations in the CalPERS Executive Leadership Expectations Guide (Attachment B). 	Significantly Exceeds Standards: 1.5 Exceeds Standards: 1.25 Meets Standards: 1.0 Meets Some, Not All Standards: .5 Does Not Meet Standards: 0

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95 %	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

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CalPERS Vision, Mission, and Core Values

For more than eight decades, CalPERS has built retirement and health security for people who invest their lifework in the State. We are proud to serve those who serve California.

Each of the CalPERS Strategic Goals tie to the following CalPERS Vision, Mission, and Core Values:

CalPERS Vision

A trusted leader respected by our members and stakeholders for our integrity, innovation and service

CalPERS Mission

Provide responsible and efficient stewardship of the System to deliver promised retirement and health benefits, while promoting wellness and retirement security for members and beneficiaries

CalPERS Core Values

Quality | Respect | Accountability | Integrity | Openness | Balance

Overview of Strategic Objectives

Goal A – Improve long-term pension and health benefit sustainability

Strategic Objectives

- Fund the System through an integrated view of pension assets and liabilities
- Educate employers and other stakeholders to make informed decisions about retirement security and health care
- Deliver target risk-adjusted investment returns
- Ensure high-quality, accessible and affordable health benefits
- Create a lifestyle of wellness among members and employers

Goal B – Cultivate a high-performing, risk-intelligent and innovative organization

Strategic Objectives

- Use a focused approach to generate, test, refine, and implement new ideas
- Deliver superior end-to-end customer service that is adaptive to customer needs
- Recruit, retain, develop and empower a broad range of talents against organizational priorities
- Actively manage business risks with an enterprise-wide view

Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

Strategic Objectives

- Clarify and communicate CalPERS perspective on pension, health, and financial markets
- Provide education and engagement opportunities to shape policy agenda and expand impact

Goal A – Improve long-term pension and health benefit sustainability

Strategic Objective – Fund the System through an integrated view of pension assets and liabilities

Desired Outcomes

- Develop a better understanding of Board pension funding risk tolerances
- Actuarial policies and asset allocations in line with accepted risk tolerance
- Clear communication of balance between funded status, contribution rates, and volatility

Strategic Initiative – Actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy

Business Plan Initiatives

Funding Risk Appetite/Tolerances – Improve understanding of funding risk appetite, tolerances, targets and limits (July 2014)

Review of Actuarial Assumptions & Implementation of Potential New Assumptions – Review actuarial assumptions to verify adequate funding of the pension system and apply actuarial assumption changes found during review of demographic assumptions to Benefit Administration procedures and systems (June 2015)

Investment Risk Management – Establish a comprehensive portfolio risk management system and practices to measure, manage, and communicate investment risks (June 2015)

Strategic Objective – Educate employers and other stakeholders to make informed decisions about retirement security and health care

Desired Outcomes

- Stable Long-Term Care rates
- Low Long-Term Care investment volatility
- Improved presence, voice and information sharing with stakeholder groups
- Increased employer access to information needed to prepare their financial reports under new accounting standards
- Strong health information technology infrastructure and sustainability of health programs
- Reduced incidence of disease and unwarranted care to improve health cost trends
- Increased number of covered lives

Strategic Initiative – Provide employers and other stakeholders with thorough, risk-based information about the expected course and variability of future pension contribution requirements

Business Plan Initiative

Actuarial Valuation System Redesign and Enhance – Redesign and enhance the Actuarial Valuation System to support reporting requirements introduced by GASB 68 and support the changes imposed by pension reform legislation (June 2015)

Goal A – Improve long-term pension and health benefit sustainability (cont.)

Strategic Initiative – Expand member and employer access to information regarding the cost and quality of health care and ways to impact those trends

Business Plan Initiatives

Health Care Customer Resources – Provide members with useful information and tools that lead to shared decision-making for our members and employers (June 2014)

Health Care Member Tools – Identify tools that help members make informed health care decisions (June 2014)

Medicare Flexibility – Develop recommendations for the CalPERS Board of Administration for a Medicare only health care plan (June 2014)

Employer Health Benefits – Create flexibility for growth within public agency and school employer provided health programs (June 2015)

Strategic Initiative – Provide existing and prospective Long-Term Care Program policy holders with premium and other information to improve decision making

Business Plan Initiatives

Improve Health Care for Senior Members – Assess the needs of senior CalPERS members and develop specialized care management programs that improve quality and reduce costs (December 2014)

LTC Strategy Implementation – Implement Board-approved strategies (June 2014)

Strategic Objective – Deliver target risk-adjusted investment returns

Desired Outcomes

- Deliver target risk-adjusted investment performance at the total fund level and in each asset class
- Increased operational efficiencies and cost effectiveness for investments
- Enhanced integrity and analysis of investment office data
- A culture that proactively identifies and acts to manage risk exposure

Strategic Initiative – Implement programs and initiatives that improve investment performance and ensure effective systems, operations and controls are in place

Business Plan Initiatives

Investment Performance – Restructure the portfolio to deliver consistent risk-adjusted investment returns (June 2015)

Cost Effectiveness – Improve cost effectiveness of the investment program to increase net returns on assets (June 2015)

Goal A – Improve long-term pension and health benefit sustainability (cont.)

Organization, Systems, and Controls – Design, develop and implement a target operating model that minimizes complexity, improves transparency and strengthens processes, systems, governance and controls (June 2015)

Emerging Investment Manager Strategy – Implement a five-year plan to provide opportunities for participation of emerging investment managers across all asset classes (June 2015)

Environmental, Social, Governance (ESG) Investment Strategy – Integrate environmental, social and governance risk considerations into investment decision making by supporting regulations for investor protection and effectively engaging companies, investment managers and policy makers to promote stable capital markets (June 2015)

Strategic Objective – Ensure high-quality, accessible and affordable health benefits

Desired Outcomes

- Strong health information technology infrastructure and sustainability of health programs
- Reduced incidence of disease and unwarranted care to improve health cost trends
- Increased number of covered lives

Strategic Initiative – Implement new approaches and expand efforts already proven to reduce health care costs and improve health outcomes, including changing how we contract with health plans

Business Plan Initiatives

Health Benefit Purchasing Structure – Communicate and implement changes to health benefit purchasing structure (June 2014)

Integrated Health Models – Expand integrated health models that promote evidence-based protocols and electronic health records to improve provider cost effectiveness and quality of care (June 2015)

Population Health Management – Standardize health plans' approach to population health management across the continuum of care for active and retired members (June 2015)

Strategic Objective – Create a lifestyle of wellness among members and employers

Desired Outcome

- Reduced incidence of disease and unwarranted care to improve health cost trends

Strategic Initiative – Establish partnerships that focus on increasing public and private sector focus on wellness

Goal A – Improve long-term pension and health benefit sustainability (cont.)

Business Plan Initiative

Employer Wellness Partnerships – Establish partnerships based on a comprehensive wellness strategy that provides tools for employers to engage their employees (June 2015)

Strategic Initiative – Develop and administer an independent wellness platform that ensures the active engagement of employees and employers

Business Plan Initiative

Engaged Health and Wellness Platform – Utilize evidence based programs with outcomes and measurement to create an independent wellness platform with flexible options that engage employers, members and providers (June 2014)

Goal B – Cultivate a high-performing, risk-intelligent and innovative organization

Strategic Objective – Use a focused approach to generate, test, refine and implement new ideas

Desired Outcomes

- Enhanced consistency and quality of communication between divisions
- Improved operational efficiencies

Strategic Initiative – Adopt methodologies that empower staff to quickly test, vet and refine ideas that improve internal and external performance and service

Business Plan Initiatives

Enterprise Content Management – Implement an Enterprise Content Management system to centralize enterprise content, improve content structure and establish governance process to improve Intranet usability (June 2015)

Enterprise Internal Innovation – Develop and implement a responsive innovation program that will inspire staff to share innovative ideas and solutions that improve performance and service (June 2014)

Strategic Objective – Deliver superior end-to-end customer service that is adaptive to customer needs

Desired Outcomes

- Improved access to accurate CalPERS data and information to enhance customer service
- Increased utilization of self-service capabilities
- Improved access, effectiveness and quality in core business processes and service delivery
- Increased customer satisfaction
- Timely customer service
- Improve customer understanding and knowledge of CalPERS benefits and services

Strategic Initiative – Promote the use of business intelligence throughout the organization to optimize customer service and delivery

Business Plan Initiative

End-to-End Business Intelligence – Enhance end-to-end services through the use of business intelligence by enhancing enterprise research, innovation and organizational performance (June 2015)

Strategic Initiative – Enhance business processes to achieve high-quality, timely, effective and efficient customer service delivery to our members and employers

Goal B – Cultivate a high-performing, risk-intelligent and innovative organization (cont.)

Business Plan Initiatives

Service Delivery Transformation: Access – Improve availability and ease of customer access to our services through the enhancement of access channels, webinars and computer-based training expansion, and self-services expansion (June 2014)

Service Delivery Transformation: Quality – Enhance the quality of service to ensure it is value-added, accurate and follows customer care principles by developing core competency training, streamlining core business processes, and developing full voice of the customer satisfaction picture (June 2015)

Service Delivery Transformation: Effectiveness – Implement business intelligence analytics, member self-service enhancements, and improved marketing that ensure resources are efficiently utilized to deliver timely, helpful and effective services (June 2015)

Service Delivery Transformation: Service – Improve services offered by delivering a complex case management process, phase one of the life cycle education and other products and information that are responsive to customer needs (June 2014)

Strategic Objective – Recruit, retain, develop and empower a broad range of talents against organizational priorities

Desired Outcomes

- Reduced time to fill vacancies through online application process
- Identification and management of talent pools
- Continuous development of leadership talents
- A high-performance and healthy organization and culture
- Effective transition of consultant services to staff, to reduce future costs and provide organizational expertise
- Operational efficiencies and extensive reporting capabilities

Strategic Initiative – Develop and implement a comprehensive talent management strategy that includes recruitment, knowledge transfer, succession planning, and a methodology to regularly gauge employee satisfaction

Business Plan Initiatives

Knowledge Transfer, Insourcing, and Consultant Reduction – Develop staff competencies and encourage insourcing by transferring workload from consultants to State staff, resulting in a reduction in consultant expenditures and a more skilled workforce (June 2014)

Workforce Strategic Plan Development – Create an enterprise-wide, strategic workforce development plan that supports high-performance and a healthy organization and culture (September 2013)

Goal B – Cultivate a high-performing, risk-intelligent and innovative organization (cont.)

Workforce Strategic Plan Implementation – Implement the Strategic Workforce Development Plan that incorporates succession planning, an automated Human Resources system, staff training and mentoring, and talent management strategies that support diversity and inclusion (June 2014)

Strategic Objective – Actively manage business risks with an enterprise-wide view

Desired Outcomes

- Improved security of CalPERS information assets
- Increased efficiency and reduced outsourcing of investigations and compliance monitoring
- Increased protection against fraud, waste, and abuse
- Reduced exposure to legal liability
- Support effective governance of CalPERS
- Efficient and accurate cash management
- Appropriate reconciliation and allocation of investment expenses
- Efficient use of investment expenses
- Timely and accurate management financial reports
- Preserve the soundness and integrity of the pension system

Strategic Initiative – Develop a robust risk-intelligent culture through enhanced governance, risk assessment and mitigation, and collaboration with stakeholders

Business Plan Initiatives

Information Security Roadmap – Implement Information Security Roadmap to enhance security measures designed to protect information assets (June 2015)

Policy Management – Develop a Policy Management framework to establish an enterprise-wide policy oversight approach and compliance function (June 2014)

Investment Expense Reporting – Design and implement the Financial Office functions to account and report on Investment Expenses (June 2014)

Investment Reconciliation Process – Develop and implement improved Investment Reconciliation processes (June 2014)

One Budget Model – Develop one Enterprise budget to support enhanced resource management, Board oversight and operational efficiency, transparency, and accountability (June 2014)

Quarterly Reporting – Develop and implement quarterly fund reports (December 2013)

Goal B – Cultivate a high-performing, risk-intelligent and innovative organization (cont.)

Strategic Measures – Develop and implement strategic measures that utilize business intelligence tools to evaluate enterprise results and assess effectiveness of the CalPERS 2012-2017 Strategic Plan; and to assist with the long-term strategic decision making and planning process (June 2014)

Strategic Risk Measures – Create risk appetite statements, tolerances, and key risk indicators for strategic goals and top risks of the organization (June 2015)

Municipal Bankruptcies – Provide legal representation to the system and develop and implement a strategy to protect the system and mitigate risks (June 2015)

Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

Strategic Objective – Clarify and communicate CalPERS perspective on pension, health and financial markets

Desired Outcome

- Improved presence, voice and information sharing with stakeholder groups

Strategic Initiative – Establish principles and beliefs to guide public policy engagement by the System

Business Plan Initiatives

Investment Beliefs – Adopt investment beliefs and incorporate into investment policy and decision making (December 2013)

Pension Beliefs – Develop and adopt pension beliefs to inform State and national policy debates, as well as funding strategy (June 2014)

Strategic Objective – Provide education and engagement opportunities to shape policy agenda and expand impact

Desired Outcomes

- Increased engagement with policymakers on retirement issues
- Increased usage of CalPERS messages and materials
- Increased Board and Executive involvement with media and pension industry conferences
- Recognized leadership in health care industry

Strategic Initiative – Develop new strategic partnerships with academic institutions, governmental organizations, non-profits, the financial sector and the California business community

Business Plan Initiative

Strategic Partnerships – Develop relationships with academia, California business community and financial industry partners, through thought leadership initiatives to support the effectiveness of our retirement, health and investment programs (June 2015)

Strategic Initiative – Develop a series of thought leadership initiatives that promote CalPERS priorities and policies

Business Plan Initiative

Thought Leadership – Identify, evaluate, and as appropriate, conduct research initiatives that enhance the development of our retirement and health care policy (June 2015)

Strategic Initiative – Elevate the profile of CalPERS Board of Administration and Executive Leadership through strategic involvement at industry and stakeholder events

Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs (cont.)

Business Plan Initiative

Demonstrate Industry Leadership – Develop a framework for coordinated engagement and leadership in industry policy (June 2015)

For more information about the CalPERS Business Plan, visit CalPERS
On-Line at www.calpers.ca.gov or call ESPD at (916) 795-3976.

July 2013

CalPERS Executive Leadership Competencies

The CalPERS Executive Leadership team will exemplify these essential attributes and competencies in working together to achieve the strategic objectives of the organization while cultivating a risk intelligent culture:

Ethics and Integrity

- Exhibits ethical, honest and professional behavior at all time with all staff, customers, and stakeholders
- Chooses the right course of action, even in the face of opposition or influence
- Takes responsibility for own actions and for those of the group, team or organization
- Exemplifies the CalPERS core values of quality, respect, integrity, openness, accountability and balance

Building Coalitions

- Develops networks and builds alliances; collaborates with customers and stakeholders to build strategic relationships and address needs
- Creates and manages a positive perception of the organization and its programs and services
- Performs effectively in an open public setting and serves as a trusted advisor and educator to customers and stakeholders
- Builds relationships of trust, confidence, and respect with members of the Board
- Works effectively with the Board to develop and manage strategic initiatives that accomplish objectives and meet CalPERS fiduciary responsibility

Leading People

- Fosters an inclusive workplace that values diversity and respects and recognizes individual contributions
- Promotes continuous learning and the development of self and others to achieve maximum potential
- Fosters and maintains cooperative and productive relationships across all levels and functions
- Seeks to understand concerns, emotions, feelings, and differing viewpoints to resolve conflicts constructively
- Inspires commitment, pride and trust by modeling CalPERS core values
- Applies broad and extensive Executive/senior level management experience to establish and achieve strategic goals

Leading Change

- Formulates strategic goals and objectives and implements plans consistent with CalPERS long-term interests
- Builds a shared vision and influences others to translate vision into action
- Encourages new ideas and innovation; designs and implements new or cutting edge programs/processes
- Demonstrates maturity, resiliency and sound judgment when dealing with organizational challenges
- Cultivates a risk intelligent culture, and assesses and mitigates risk when making decisions or recommending organizational strategies and tactics

Results Driven

- Recognizes when a decision must be made and acts in a thoughtful and timely manner
- Makes decisions that produce high quality results by applying technical knowledge, analyzing problems and calculating risks
- Deals effectively with ambiguity and learns from success and failure
- Anticipates and meets the needs of both internal and external customers; delivers high-quality products and services
- Understands and ensures appropriate application of principles, strategies, requirements, regulations, and policies related to pension administration, health benefit purchasing and administration, financial markets and institutional investment programs

Business Acumen

- Strategically manages human, financial/investment, material and information resources and assets
- Understands the organization's financial processes and effectively manages program budgets using cost-benefit thinking to set priorities and achieve results
- Builds and manages the workforce based on organizational goals, budget considerations, and staffing needs
- Keeps up-to-date on technological developments and effectively uses technology to achieve results

CalPERS Executive Leadership Competencies

The CalPERS Executive Leadership team will exemplify these essential attributes and competencies in working together to achieve the strategic objectives of the organization while cultivating a risk intelligent culture:

