



## Agenda Item 6a

August 20, 2013

**ITEM NAME:** CalPERS 2012-14 Business Plan – Fourth Quarter Update and Closeout

**PROGRAM:** Enterprise

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

Over the past year, significant achievements were made on the CalPERS 2012-14 Business Plan. We enhanced our governance processes, customer service, and our pension, investment, and health functions allowing us to support continued organizational success.

### **STRATEGIC PLAN**

The CalPERS 2012-14 Business Plan outlines the activities being undertaken to achieve the Strategic Goals and Objectives in the CalPERS 2012-17 Strategic Plan. A detailed report of the initiative accomplishments for the CalPERS 2012-14 Business Plan can be found in the July 2013 Annual Report for the CalPERS 2012-17 Strategic Plan (Attachment 1). The Annual Report was provided to the Board at the July Board Offsite and reflects Plan achievements and key accomplishments.

### **BACKGROUND**

The CalPERS 2012-14 Business Plan focuses on three Strategic Goals:

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

Staff reports initiative progress made quarterly to the Finance and Administration Committee, and the following information reflects the fourth quarter update and close out. The Fourth Quarter Status Update (Attachment 2) is the summary dashboard that identifies the current status of all initiatives, and provides information on initiatives that are completed, at risk, or needing management attention for the CalPERS 2012-14 Business Plan (Attachment 3).

## **ANALYSIS**

In the fourth quarter, 18 initiatives were due to be completed. Of those 18 initiatives, 12 were successfully completed and six were transitioned to the CalPERS 2013-15 Business Plan.

### Completed

- Actuarial Policies Update
- Long-Term Care Strategy Development (completed in the third quarter)
- Health Benefits Purchasing Review and Procurement Strategies
- Center for Innovation
- Backlog Reduction Strategies
- Business Intelligence
- Chief Financial Officer (CFO) Classification and Structure
- Investigation Process and Tools
- Policy Repository and Compliance
- Financial Reports
- Cash Management
- Retirement Research and Planning

The following six initiatives were originally due to be completed in the fourth quarter, but were transitioned to the new CalPERS 2013-15 Business Plan:

- Funding Risk Appetite/Tolerances
- Emerging Investment Manager Strategy
- Employer Wellness Partnerships
- Enterprise Internal Innovation
- Technology Security Improvements
- Strategic Partnerships

Three ongoing initiatives in the Plan are currently “at risk”. Those initiatives are:

- Organizations, Systems, and Controls (Investment Office)
- Investment Expense Reporting
- Investment Reconciliation Process

The Strategic Performance Measures initiative, due in the first quarter and the Performance Management Dashboard and Metrics initiative, due in the third quarter were missed. These initiatives were combined into the Strategic Measures initiative in the CalPERS 2013-15 Business 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 CalPERS 2012-14 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 report ensures transparency regarding initiative progress made for the reporting period. Competing organization priorities, staff resources, and challenges with pension and health care reform are identified as key risks which may potentially impact the completion of some initiatives by the target dates.

#### **BUDGET AND FISCAL IMPACTS**

Resources for the CalPERS 2012-14 Business Plan initiatives were funded by redirecting existing internal resources or funds were requested through the annual budget planning process. No additional funds are being requested at this time.

#### **ATTACHMENTS**

- Attachment 1 – CalPERS 2012-17 Strategic Plan Annual Report – July 2013
- Attachment 2 – CalPERS 2012-14 Fourth Quarter Status Update
- Attachment 3 – CalPERS 2012-14 Business Plan

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