

CalPERS 2013-15 Business Plan

First Quarter Status Update

July 1, 2013 – September 30, 2013

Summary Dashboard

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

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

Initiative Title	Due Date	Status
<i>Funding Risk Appetite/Tolerances</i>	<i>July 2014</i>	
<i>Review of Actuarial Assumptions & Implementation of Potential New Assumptions</i>	<i>June 2015</i>	
<i>Investment Risk Management</i>	<i>June 2015</i>	

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

Initiative Title	Due Date	Status
<i>Actuarial Valuation System Redesign and Enhance</i>	<i>June 2015</i>	
<i>Health Care Customer Resources</i>	<i>June 2014</i>	
<i>Health Care Member Tools</i>	<i>June 2014</i>	
<i>Medicare Flexibility</i>	<i>June 2014</i>	
<i>Employer Health Benefits</i>	<i>June 2015</i>	
<i>Improve Health Care for Senior Members</i>	<i>December 2014</i>	
<i>LTC Strategy Implementation</i>	<i>June 2014</i>	

Strategic Objective | Deliver target risk-adjusted investment returns

Initiative Title	Due Date	Status
<i>Investment Performance</i>	<i>June 2015</i>	
<i>Cost Effectiveness</i>	<i>June 2015</i>	
<i>Organization, Systems, and Controls</i>	<i>June 2015</i>	
<i>Emerging Investment Manager Strategy</i>	<i>June 2015</i>	
<i>Environmental, Social, Governance (ESG) Investment Strategy</i>	<i>June 2015</i>	

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

Initiative Title	Due Date	Status
<i>Health Benefit Purchasing Structure</i>	<i>June 2014</i>	
<i>Integrated Health Models</i>	<i>June 2015</i>	
<i>Population Health Management</i>	<i>June 2015</i>	

Status Key:  Green – On Track  Yellow – At Risk  Red – Needs Management Attention  Blue – Completed

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Summary Dashboard (Cont.)

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

Initiative Title	Due Date	Status
<i>Employer Wellness Partnerships</i>	<i>June 2015</i>	
<i>Engaged Health and Wellness Platform</i>	<i>June 2014</i>	

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

Initiative Title	Due Date	Status
<i>Enterprise Content Management</i>	<i>June 2015</i>	
<i>Enterprise Internal Innovation</i>	<i>June 2014</i>	

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

Initiative Title	Due Date	Status
<i>End-to-End Business Intelligence</i>	<i>June 2015</i>	
<i>Service Delivery Transformation: Access</i>	<i>June 2014</i>	
<i>Service Delivery Transformation: Quality</i>	<i>June 2015</i>	
<i>Service Delivery Transformation: Effectiveness</i>	<i>June 2015</i>	
<i>Service Delivery Transformation: Service</i>	<i>June 2014</i>	

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

Initiative Title	Due Date	Status
<i>Knowledge Transfer, Insourcing, and Consultant Reduction</i>	<i>June 2014</i>	
<i>Workforce Strategic Plan Development</i>	<i>September 2013</i>	
<i>Workforce Strategic Plan Implementation</i>	<i>June 2014</i>	

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Summary Dashboard (Cont.)

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

Initiative Title	Due Date	Status
<i>Information Security Roadmap</i>	<i>June 2015</i>	
<i>Policy Management</i>	<i>June 2014</i>	
<i>Investment Expense Reporting</i>	<i>June 2014</i>	
<i>Investment Reconciliation Process</i>	<i>June 2014</i>	
<i>One Budget Model</i>	<i>June 2014</i>	
<i>Quarterly Reporting</i>	<i>December 2013</i>	
<i>Strategic Measures</i>	<i>June 2014</i>	
<i>Strategic Risk Measures</i>	<i>June 2015</i>	
<i>Municipal Bankruptcies</i>	<i>June 2015</i>	

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

Initiative Title	Due Date	Status
<i>Investment Beliefs</i>	<i>December 2013</i>	
<i>Pension Beliefs</i>	<i>June 2014</i>	

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

Initiative Title	Due Date	Status
<i>Strategic Partnerships</i>	<i>June 2015</i>	
<i>Thought Leadership</i>	<i>June 2015</i>	
<i>Demonstrate Industry Leadership</i>	<i>June 2015</i>	

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Initiatives Completed, at Risk and/or Needing Management Attention

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

Strategic Objective | Deliver target risk-adjusted investment returns

Organization, Systems, and Controls (June 2015)

Status: 

Accomplishments:

- Staff completed the testing of high-risk investment policies, and the Business Management Delegation Policy and Procedures were developed and approved.
- Staff completed Disaster Recovery/Business Continuity Plan testing of Charles River and Aladdin Systems at the Emergency Operations Center.

Next Steps:

- Establish a repository of minimum qualifications to be included for all Investment Office (INVO) requests for proposals (RFP) to assist staff in the development phase of the RFP process.
- Publish the Business Management Delegation Policy and Procedures on INVO's intranet website for INVO staff use and implement the INVO delegations.
- Complete contract negotiations, implement project plans, and begin work with the two new service providers.

Risks / Issues:

- Private Equity Portfolio Management, Accounting and Data Services: Lack of Investment Office (INVO) resources needed to support level of effort for the duration of the project.
- Public Markets Portfolio Management: Complexity of integration and interfaces with State Street, Charles River and Barra, scope changes impacting data requirements and level of user testing could affect project timeline to meet Milestone 1 deliverables.

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

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

Workforce Strategic Plan Development (September 2013)

Status: 

Accomplishments:

- Workforce Strategic Plan
 - Staff completed best practices research in July 2013.
 - The Workforce Strategic Plan was completed in September 2013 and presented to the Performance, Compensation, and Talent Management Committee.
- Organizational Health Index (OHI) Survey:
 - The Chief Executive Officer shared the OHI survey results with the Enterprise in July 2013.
 - In August 2013, staff conducted eight Branch workshops with Executives, Division Chiefs and Assistant Division Chiefs. Each Branch selected one high-level OHI outcome to focus on in the upcoming year.
- A Board agenda item outlining the results of the 2013 OHI survey was presented at the September 2013 Board meeting.

Next Steps:

- Initiative Completed.

Risks / Issues:

- Initiative Completed.

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Key Accomplishments (by Strategic Objective)

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

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

- **Funding Risk Appetite/Tolerances**
 - A Board Workshop on Funding Risk was conducted in July 2013, and a Board Workshop on the Currency Hedging Program, including other Asset Liability Management related topics, was conducted in September 2013.
- **Review of Actuarial Assumptions & Implementation of Potential New Assumptions**
 - The decrement experience (the rates of people changing status in the pension plan due to disability, death and termination) was examined and compared to assumptions, and preliminary recommendations were developed.
 - Staff prepared an October 2013 Board Workshop on Projecting Mortality Improvements, and began examining salary scale rates.
- **Investment Risk Management**
 - Staff completed initial information gathering on peer pension funds for the Board Risk Reporting Project and a draft of the Derivatives Policy.

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

- **Actuarial Valuation System Redesign and Enhance**
 - Staff completed the planning phase of the Actuarial Valuation System (AVS) Assessment and Planning Project, issued a Statement of Work, scored responses, interviewed potential vendors and selected an on-boarded M Corp consultant team.
 - Staff provided information to the Information Technology Services Branch (ITSB) to design the Governmental Accounting Standards Board (GASB) 68 Report Billing and Tracking System.
- **Health Care Customer Resources / Health Care Member Tools**
 - Staff from the Health Policy Research Division (HPRD), Center for Innovation (CFI), and Health Plan Administration Division (HPAD) met with Castlight and Anthem Blue Cross on September 3, 2013, to discuss a pilot project and an internal CalPERS survey completed by Castlight. Staff used the survey information for discussion purposes, and to obtain direction on pursuing the pilot project, at the October 2013 Pension and Health Benefits Committee meeting. In addition, HPRD, CFI, and HPAD discussed the logistics of a one-year pilot to launch Castlight for the CalPERS Anthem Preferred Provider Organization (PPO) members.

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Strategic Objective | Deliver target risk-adjusted investment returns

- **Investment Performance**
 - The Hedge Funds portfolio was restructured for an annual savings of \$3 million.
 - A framework and approach were defined for implementing the Emerging Manager Program.
 - Approximately \$910 million worth of fixed income securities was purchased for two different portfolios.
 - Staff completed negotiations with an emerging market partner, and completed an attribution model and initial Real Estate return attribution reports.

- **Cost Effectiveness**
 - The 2012 Cost Effectiveness Measures Cost and Benchmarking Illiquid Asset Surveys were finalized.
 - Staff delivered summary and detailed May/June preliminary expense management reports to asset classes generated from expenses captured in PeopleSoft, and partnered with the investment accounting team in Fiscal Services to implement the new monthly accounts payable invoice review and adjustment process.
 - The third revision of fiscal year (FY) 2013-14 budget projections was prepared and reviewed with each program area. In addition, an action plan was developed with multiple self-funding alternatives to address the increased administrative budget line items (e.g. training and travel).

- **Emerging Investment Manager Strategy**
 - On August 8, 2013, staff hosted the CalPERS Legislative Roundtable Workshop to educate key legislative staff on INVO Emerging and Diverse Manager initiatives.
 - The Global Equity Internal Broker Diversity Survey was developed and posted on CalPERS website.

- **Environmental, Social, Governance (ESG) Investment Strategy**
 - Staff met with the Honorable Mary Jo White, newly appointed Chair of the US Securities and Exchange Commission (Commission) and urged the Commission to continue its work and mission to improve accountability, transparency, and ethical responsibility in the capital marketplace. Staff also advocated for the Commission to advance a number of priorities including universal proxy access, enhanced disclosure for board quality and diversity, completion of Dodd-Frank rulemaking tied to executive compensation provisions, climate risk disclosure, and disclosure of policies for corporate board decision making on charitable and political expenditures.
 - CalPERS received a Commendation for the Best Responsible Investment Report by as Large Pension Fund from Responsible Investor for the System's recent publication, "Toward Sustainable Investment: Taking Responsibility." CalPERS is the only North American fund to be honored for an award in all pension categories.

 - The INVO Global Governance Program launched an engagement of 19 energy sector portfolio companies to address the integration of sustainability performance into corporate executive compensation packages and incentive plans.

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

- **Integrated Health Models**
 - Standard contract provisions for 2014 were developed to require implementation or expansion of Integrated Health Models (IHMs).
 - Staff assessed current collaborative practice models and locations of IHMs, in addition to overseeing health plan implementation.

- **Population Health Management**
 - Standard contract provisions for 2014 were developed in the areas of medical management, health and disease management and pharmacy medical management (specialty drugs), and contract negotiations are in progress to standardize and align provider agreements.
 - Staff developed standard performance measures for 2014 health contracts, including systems and data reporting, provider network access, and medical management.
 - A population health model approach was developed, and the population health management model development was initiated.

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

- **Employer Wellness Partnerships**
 - The Center for Innovation continues to partner with the State Controller's Office, State Treasurer's Office, and SEIU 1000 to implement a Worksite Wellness Pilot Program.

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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

- **Enterprise Content Management**
 - Staff developed a Content Migration Plan to prioritize migration of content for remaining divisions and identified approach for content evaluation and training.
 - Information Technology staff completed training for SharePoint 2013 upgrade.
- **Enterprise Internal Innovation**
 - Staff kicked off an employee-focused innovation OHI workgroup to develop employee-driven innovation strategies. In addition, collaborated with the enterprise in developing social media guidelines, a training plan, a communication plan, and a platform governance policy for an Idea Management System.
 - An initial program design based on best practices research and Executive Sponsor feedback was developed.

Strategic Objective | Deliver superior end-to-end customer services that is adaptive to customer needs

- **End-to-End Business Intelligence**
 - Staff released a scope of work and reviewed initial vendor responses for securing a contractor to integrate Business Intelligence (BI) into the enterprise.
 - Prioritization of initial 2013-15 Business Plan Initiative BI data needs was completed.
- **Service Delivery Transformation: Access**
 - Staff are developing a CalPERS mobile application and piloting an on-line forum for employers to enable contracting entities to interact with each other and CalPERS staff in a controlled virtual environment.
 - An independent assessment of Interactive Voice Response (IVR) capabilities was completed and staff is determining methods of streamlining and expanding self-service to better serve customers.
 - Staff hosted live web events at the September 2013 Retirement Planning Fair, and developed and delivered business rules webinars for State employers.
- **Service Delivery Transformation: Service**
 - Staff created a process flow document to assist in the early identification of complex cases.
 - Staff identified examples of life cycle events for Members and Business Partners, discussed existing education, and developed a new marketing and training concept that ties Life Cycle events to CalPERS customer interactions.

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

- **Workforce Strategic Plan Implementation**
 - Informal Mentoring: Staff developed a project plan for second year activities. An Executive and Senior management toolkit was developed and presented at the Division Chief Counsel.
 - Executive Succession Planning: Staff completed Executive Assessment Panels for Executive succession candidates and worked to establish Leader Development Plans.
 - PeopleSoft Time & Labor: The Electronic Timesheet pilot was increased from 150 to 700 participants and an enterprise-wide deployment schedule was developed.
 - HR Automated Applicant Tracking System: Staff developed a recruitment training process and conducted a quarterly Personnel Liaison meeting which supports liaison education.

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

- **Policy Management**
 - Staff identified a draft Policy Management Framework based on industry models and introduced the Policy Management Policy and process maps to the Policy Advisory Council and Division Chief Council for review and input.
 - Staff recruitment was initiated for the Enterprise Policy Administrative Section (EPAS) and Enterprise Compliance Division (ECOM).
 - An initial skills-based training plan was implemented for ECOM staff and a customized training program to build knowledge and capacity for compliance monitoring was developed.
- **One Budget Model**
 - Information for the FY 2012-13 year-end Actual to Budget Report agenda item was developed and presented to the Finance and Administration Committee in September 2013.
- **Strategic Measures**
 - Presented proposed measures for Strategic Goals A, B, and C at the July 2013 Board Offsite and received Board support to move forward with measure development.
 - Presented a Strategic Measures update to the Board Governance Committee in September 2013.
- **Municipal Bankruptcies**
 - Ongoing legal representation of the System was provided in the San Bernardino and Stockton bankruptcies.
 - Staff participated in California League of Cities Pension Workgroup meeting as part of stakeholder outreach efforts.
 - A team of internal stakeholders met weekly to ensure an informed, focused and integrated approach to municipal bankruptcy.

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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

- **Investment Beliefs**
 - The CalPERS Investment Committee adopted a set of 10 Investment Beliefs in September 2013.
- **Pension Beliefs**
 - Staff secured a speaker to provide the Board with context and framework for pension beliefs.
 - A facilitation strategy and presentation was developed for the October 2013 Pension Belief Board Workshop.

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

- **Thought Leadership**
 - Three white paper topics were identified by staff. Train-the-trainer training was secured for Retirement Research and Planning Division staff.
 - Staff identified technology resources to support SharePoint Research Resource Center development.

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