

## 2013-14 – 1<sup>st</sup> QUARTER & 2<sup>nd</sup> QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

### Quantitative Performance Measures

#### Total Fund Performance

Weight	Performance Measure	Incentive Schedule	Quarter Status
5%	Excess return in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPSTO2IC}  *Cost-adjusted Benchmark	0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5	1st Quarter Total Fund Performance:  +66 bps {8.37 – 7.70}  2nd Quarter Total Fund Performance:  +54 bps {9.59 – 9.05}

### Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

#### Business Plan / Enterprise Objectives

Weight	Performance Measure
55%	By June 30, 2014, implement the objectives set forth for FY 13-14 in the Board approved 2013-15 Business Plan. (See Attachment A)

#### Status:

During the first two quarters of the 2013-14 year, staff has accomplished the following in furtherance of the 2012-17 Strategic Plan and the 2013-15 Business Plan:

#### Goal A – Improve Long-Term Pension and Health Sustainability

##### Fund the System through an integrated view of pension assets and liabilities.

- Working in close collaboration, the Investment, Actuarial, and Financial Offices developed and presented Asset Allocation and Risk Management strategies to the Board at the July Offsite, the November ALM Workshop, and the December Board meeting. Engaged in significant and high level stakeholder education and interaction throughout the process. On track to present final recommendations to the Board at its February 2014 meetings. External review of the actuarial assumption experience study is underway and will be completed in time for the February item.
- Financial Office spearheaded an evaluation of the cash management function, with the goal of mitigating risk and liquidity issues in this area.

##### Educate employers and other stakeholders to make informed decisions about retirement security and health care.

- Completed all (over 2000) annual local agency employer valuations.
- Launched open enrollment for the Long Term Care program in December.
- At the October Employer Forum, collected input from employers on their needs regarding health benefit plans.
- Worked with Anthem Blue Cross and Castlight Health to develop pilot project on member health care tools.
- Worked with League of Cities to launch new Cities Pension Work Group.

##### Deliver target risk-adjusted returns.

- See Chief Investment Officer's Report.

##### Ensure high-quality, accessible and affordable health benefits.

- Selected plans and completed contract negotiations for Health Maintenance Organization and Preferred Provider health plans for 2014-18. Standardized Integrated Health Models contract language is in place for all plan contracts.
- Initiated pharmacy review to improve Specialty Pharmacy Programs under medical management that will coordinate benefits between health plans and Pharmacy Benefit Managers.

##### Create a lifestyle of wellness among members and employers.

- Participated in Worksite Wellness Project Steering Committee.
- Developed expert panel on wellness programs for January 2014 Offsite.

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

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

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- Continued roll-out of new Intranet, which is designed to improve and streamline internal communication
- Developed The Spark, an internal social media platform, scheduled for launch in early 2014, which is also designed to generate the free flow of communication and cross organization collaboration.
- Cross-organizational work group researched and developed recommendations for an approach to an Internal Innovation Program

### Deliver superior end-to-end customer service that is adaptive to customer needs

- By webcasting the retirement planning fairs, increased our reach by 1200 members
- Developed and delivered 13 new webinar based training programs for members
- Developed the Employer Response Team (announced at the October Employer Forum) to resolve sensitive and time sensitive employer issues
- Developed a variety of new surveys to better gauge customer satisfaction (and inform enhancements)
- Conducted member and employer focus groups to identify website usability improvements, to use in redesigning our website
- Developed numerous enhancements for member self-service
- Continued to promote greater utilization of my/CalPERS and member self-service features

### Recruit, retain, develop and empower a broad range of talents against organizational priorities

- First ever 5-year strategic workforce plan was presented to the Board in September.
- Over the last year, hired 82 of the “99 positions” for my/CalPERS; each employee has an Individual Development Plan
- Contract and procurement staff training was updated to include knowledge transfer requirements
- Launched nationwide General Counsel search
- Recruited and hired Chief of Information Technology and Chief of Enterprise Strategic & Performance Division
- Significant classification request for Investment and Financial Office staff is pending at CalHR

### Actively Manage business risks with an enterprise view

- Continued to implement additional security measures to strengthen data loss prevention.
- One Budget model was integrated into budget planning process to provide more holistic view of budget, and 2014-15 budget presentation will be based on this new model.
- Continued to represent CalPERS’ interests in the San Bernardino and Stockton bankruptcy cases.
- Presented Board Workshops on the Bagley-Keene Act and on Fiduciary Responsibility.

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

#### Clarify and communicate CalPERS perspective on pension, health and financial markets

- Board adopted Investment Beliefs in Fall 2013. With adoption completed, integration and communication of the beliefs will be an ongoing process.
- Began development of Pension Beliefs with a Board Workshop in October 2013. Based on input received, staff will present a follow up workshop at the January 2014 Offsite.

#### Provide education and engagement opportunities to share policy agenda and expand impact

- Held successful Employer Education Conference in October.
- Planning underway for April 1, 2014 Emerging Manager Conference.
- Developed proposal and made progress on possible 2014 or 2015 Investment Entity Finance Conference to be hosted by CalPERS and a strategic partner.
- Numerous Board and Executive speaking engagements on key issues including investment beliefs, pension reform and PEPR, emerging managers, health care and wellness, sustainability

### Leadership

Weight	Performance Measure
40%	By June 30, 2014 <ul style="list-style-type: none"> <li>• Continue to develop and implement communication and advocacy programs, to educate stakeholders and influence pension, health, and financial market policies.</li> <li>• Continue to enhance accountability within the organization through development of performance metrics to measure implementation and progress on strategic and business planning.</li> <li>• Develop and lead initiatives to ensure a healthy and high-performing organization, based on results of 2013 Organizational Health Index.</li> <li>• Lead and develop internal talent management efforts that support core values and foster a diverse and inclusive workforce.</li> </ul>

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- 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).

### Status:

#### Continue to develop and implement communication and advocacy programs, to educate stakeholders and influence pension, health, and financial programs.

- With the focus the first half of the year on the Asset Liability Management, we have emphasized communication and education on this issue. We held numerous briefings, developed a new pension work group with the League of Cities, and heightened Executive Staff involvement in the engagement process. Although the issue is inherently challenging, we believe the communication effort has been effective.
- There was also significant attention to the Emerging Manager issue during this period, with numerous briefings for interested parties including legislators. As a result of this effort the proposed audit was dropped, and relations with stakeholders are much improved. A CalPERS hosted Emerging Managers Conference is scheduled for April 2014.
- The Investment Beliefs, adopted in Fall 2013, have been featured in numerous articles and speaking engagements.
- Senior staff have made numerous presentations on a variety of topics, including our Asset Liability Management initiative as well as our Risk Management work
- Hosted Employer Focus Groups at Employer Conference in October.
- Hosted Board/Constituent Meet & Greet in September.

#### Continue to enhance accountability within the organization through development of performance metrics to measure implementation and progress on strategic and business planning.

- Made progress on developing metrics to measure progress on our five-year Strategic Plan. At July Offsite, the Board considered several measures. The consideration of health-related measures is scheduled for the January Offsite.
- Staff is participating in the CEM benchmarking on benefits administration, which will provide baseline data for future use.

#### Develop and lead initiatives to ensure a health and high performing organization, based on results of the 2013 Organizational Health Index (OHI)

- Overview of the OHI was presented to the Board in September, along with plans to undertake two organizational initiatives on Innovation and Accountability. Two action planning teams were formed with employees from all parts and levels of the organization to research and make recommendations on these initiatives. This work will be presented to the senior management in January 2014 with a follow up report to the Board.
- In addition, each Executive has identified an area of focus for their branch and will be working with staff to implement organizational enhancements.

#### Lead and develop talent management efforts that support core values and foster a diverse and inclusive workforce

- CalPERS' first ever five-year workforce management plan was finalized and presented to the Board in September. I provided an overview of the plan at the CalHR conference in September.
- Filled several key positions: Chief of Information Technology Services Branch, Chief of Enterprise Strategy and Performance Division, Senior Investment Officer of Asset Allocation and Risk Management. Launched recruitment for General Counsel.
- Held four All Staff-Forums in August, to acknowledge staff for the prior year's accomplishments and provide information on the upcoming year.
- Held several other staff events including a Wellness Fair, the first ever All Staff Diversity and Inclusion day, an annual career fair, and the annual Ice Cream Social.
- Sponsored community giving activities including the California State Employees Charitable Campaign and Susan B. Komen events.
- Continued to highlight our Informal Mentoring Initiative ("Share What You Know")
- Hosted Quarterly Leadership Forums for all managers and supervisors
- I continue to speak at numerous staff events and activities including New Employee Orientation, Leaders training sessions, staff meetings, staff recognition events, and other forums

#### 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

- I continue to work with my direct reports (with the support of Human Resources staff) regarding their Leadership Development Plans for the CEO position.
- During this period we engaged in an Executive Leadership discussion regarding the full Executive level; this will be covered at the January 2014 Offsite.

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**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 communication**

- The Board President and I meet weekly to discuss Board and Committee agendas, and the Board President's Advisor attends the Executive Staff monthly agenda planning meetings
- Developed a Board Presentation Skills workshop for staff who present at Board and Committee meetings