

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

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
- Increased employer access to information needed to prepare their financial reports under new accounting standards
- Evolve risk perspective for both private and public assets, and enhance risk reporting
- Conclude viability of implementing a risk-factor based allocation framework

| Initiative Title | Proposed Initiative Language | Completion Date |
|---|---|-----------------|
| (NEW) Governmental Accounting Standards Board (GASB) Statement 68 Reports | Enhance the current Actuarial Valuation System to produce accounting valuations that provide employers with the pension cost information they need to comply with Governmental Accounting Standards Board Statement 68. | December 2015 |
| Actuarial Valuation System Redesign and Enhance | Redesign and enhance the Actuarial Valuation System to increase computational capabilities, streamline processes and create a more robust valuation system to handle environmental changes such a my CalPERS, Public Employees’ Pension Reform Act and new Governmental Accounting Standards Board accounting statements. | June 2016 |
| Investment Risk Management | Enhance the comprehensive portfolio risk management framework with continued improvements within and across asset classes. | June 2016 |
| (NEW) Asset Allocation | Assess an Asset Allocation framework based on risk factors to determine the feasibility to implement a new framework within the Investment Office. | June 2016 |

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

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

Desired Outcomes

- Improved presence, voice and information sharing with stakeholder groups
- Increased employer access to information needed to prepare their financial reports under new accounting standards
- Provide employers and stakeholders with additional disclosure information to further enable them to make informed decisions about retirement
- Reduced incidence of disease and unwarranted care to improve health cost trends
- Increased number of covered lives
- Expand employer retiree healthcare funding through the California Employers’ Retiree Benefit Trust

| Initiative Title | Proposed Initiative Language | Completion Date |
|--|---|-----------------|
| (NEW) Enhance Employer Disclosures in Valuation | Improve information provided in actuarial valuation reports by adding prefunding options, projected rates and the normal cost by benefit formula in the annual valuations for June 30, 2013, and June 30, 2014. | December 2015 |
| (NEW) Explore Asset Allocation Options for Employers | Conduct a feasibility study for multiple asset allocation options to assist employers in taking a more active role in managing investment risk. | June 2016 |
| Employer Health Benefits | Assess the desire of contracting agencies for CalPERS to offer a more flexible health benefit design in order to attract and retain public agencies and school systems. | June 2015 |
| (NEW) California Employers' Retiree Benefit Trust Fund Growth Strategies | Develop and implement strategies to sustain the growth of the California Employers' Retiree Benefit Trust fund and enhance the delivery of service to our employers. | June 2015 |
| Improve Healthcare for Senior Members | Assess the needs of senior CalPERS members and develop specialized care management programs that improve quality and reduce costs. | December 2014 |

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

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
- Increase 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

| Initiative Title | Proposed Initiative Language | Completion Date |
|---|---|-----------------|
| Investment Performance | Utilize asset class benchmarks to maximize their alignment with the CalPERS investment objectives. | June 2015 |
| Cost Effectiveness | Improve cost effectiveness of the investment program to increase net returns on assets. | June 2015 |
| 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 Manager Programs | Implement the CalPERS five-year plan to provide opportunities for participation of emerging investment managers across the Investment Office. | June 2016 |
| Environmental, Social, Governance (ESG) Investment Strategy | Integrate relevant ESG risk considerations into investment decision making, investment manager expectations, corporate engagement and regulations for investor protection to achieve effective management of three forms of capital: financial, physical and human. | June 2016 |

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

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

| Initiative Title | Proposed Initiative Language | Completion Date |
|------------------------------|---|-----------------|
| Population Health Management | Standardize health plans' approach to population health management across the continuum of care for active and retired members. | June 2015 |

Objective – Create a lifestyle of wellness among members and employers

Desired Outcomes

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

| Initiative Title | Proposed Initiative Language | Completion Date |
|----------------------------------|--|-----------------|
| Employer Wellness Partnerships | Continue partnership with SEIU Local 1000, California State Controller's Office, California State Treasurer's Office and California Department of Human Resources to implement the Worksite Wellness pilot project and motivate employers to encourage wellness for members. | June 2015 |
| (NEW) Employer Wellness Platform | Identify, evaluate and recommend a comprehensive wellness strategy that appropriately engages employees and employers in improving member health status. | December 2014 |

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

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

| Initiative Title | Proposed Initiative Language | Completion Date |
|--------------------------------|---|-----------------|
| Enterprise Content Management | Implement an Enterprise Content Management system to centralize enterprise content (documents, web content, electronic media), improve the Intranet organization and searchability of content and establish governance process to improve Intranet usability. | December 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 2016 |

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

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

| Initiative Title | Proposed Initiative Language | Completion Date |
|----------------------------------|---|-----------------|
| 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 |
| Service Delivery Transformation | Enhance the customer experience by improving customer access, effectiveness and quality of our services through process improvements, people and the optimization of technology | June 2016 |

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

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

Desired Outcomes

- Continuous development of supervisory and 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
- An enterprise-wide strategic recruitment outreach approach
- Increased role clarity and accountability

| Initiative Title | Proposed Initiative Language | Completion Date |
|--|---|-----------------|
| Workforce Investment, Knowledge Transfer and Consultant Reductions | Develop and enhance the CalPERS workforce and reduce the reliance on third party consultants by recruiting skilled staff, increasing retention, improving processes and providing staff with training and knowledge transfer opportunities. | June 2016 |
| Workforce Strategic Plan Implementation | Continue implementation of the five-year Strategic Workforce Plan to incorporate succession planning, recruitment outreach and marketing, Supervisory Skills Enhancement and talent management strategies that focus on role clarity, accountability and support diversity and inclusion. | June 2016 |
| (NEW) Compensation Policy Review | Conduct a comprehensive review of all compensation programs and policies governed by the CalPERS Board of Administration including all Executives, Senior Managers designated in a Career Executive Assignment, and select investment staff to ensure the Boards' policies, philosophy and rationale remain appropriate and relevant. | June 2015 |

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

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

Desired Outcomes

- Improved security of CalPERS information assets
- Improved monitoring and oversight of information security
- Increased efficiency in managing information security
- Increased protection against fraud, waste and abuse
- Reduced exposure to legal liability
- Support effective governance of CalPERS
- Timely and accurate management financial reports, improved business processes and centralized policy management
- Preserve the soundness and integrity of the pension system

| Initiative Title | Proposed Initiative Language | Completion Date |
|---|--|-----------------|
| Information Security Roadmap | Implement risk mitigation strategies to enhance management of security events, access to information and data loss prevention to safeguard information assets. | June 2016 |
| Strategic Risk Measures | Create a direct link between the organization's strategic measures and the enterprise top risks using key risk indicators to enhance risk-informed decision making and achievement of strategic goals. | June 2015 |
| Participating Employer Financial Hardships/Insolvency | Develop and implement a strategy to protect the system and mitigate risks resulting from participating employer financial hardship or insolvency. | June 2015 |

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

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

Desired Outcomes

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- Improved monitoring and oversight of information security
- Increased efficiency in managing information security
- Increased protection against fraud, waste and abuse
- Reduced exposure to legal liability
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| Initiative Title | Proposed Initiative Language | Completion Date |
|---|---|-----------------|
| 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. | December 2014 |
| (NEW) Financial Office Strategic Transformation | Develop and implement improved processes and data integrity, and improve policy management throughout the entire Financial Office. | June 2016 |
| (NEW) Treasury Management | Develop and implement enterprise treasury management function to enhance cash controls, cash integrity and liquidity management. | June 2016 |

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

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

Desired Outcomes:

Under development

| Initiative Title | Proposed Initiative Language | Completion Date |
|--|--|-----------------|
| Financial Market Reform Beliefs | Under development. Will be presented at the second reading in April. | Pending |
| Investment and Pension Beliefs Communication Strategies | Under development. Will be presented at the second reading in April. | Pending |

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

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

| Initiative Title | Proposed Initiative Language | Completion Date |
|---------------------------------|--|-----------------|
| Strategic Partnerships | Develop relationships with academia, California business community and financial industry partners, through thought leadership activities and events, such as collaborating with the National Association of Corporate Directors, the Investment Equity Finance Conference for international Chief Financial Officers and partnering with the University of California, Berkeley on a value based pricing design program analysis, to support the effectiveness of our retirement, health and investment programs. | June 2015 |
| Thought Leadership | Identify, evaluate and as appropriate, conduct research activities including a defined contribution pilot project, evaluation of the economic impact of benefit payments and longitudinal analysis to CalPERS retirement data. This information will enhance the development of our retirement and health care policy. | June 2015 |
| Demonstrate Industry Leadership | Develop a framework for coordinated engagement and leadership in industry policy. | June 2015 |