CalPERS 2014–16 Business Plan

CalPERS

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Business Plan Introduction

In 2012 the CalPERS Board of Administration adopted the CalPERS 2012-17 Strategic Plan that guides the development of our Business Plans. This comprehensive Business Plan supports and helps us accomplish our strategic goals, which are focused on three areas:

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

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

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

Our core values of *Quality, Respect, Accountability, Integrity, Openness* and *Balance* continue to guide our work. As we rise to meet the challenges ahead, we continue in our commitment to helping our members and employers build bright futures and live healthy lives. We are proud to serve those who serve California.

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.

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

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

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

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

Business Plan Initiatives
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 as 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)
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)

Desired Outcomes

- 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

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

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

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 Initiatives
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)
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)

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
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)
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)

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

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

Business Plan Initiative
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)

Desired Outcomes

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

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

Strategic Objective – Deliver target risk-adjusted investment returns

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 – Utilize asset class benchmarks to maximize their alignment with the CalPERS investment objectives (June 2016)
Cost Effectiveness – Improve cost effectiveness of the investment program to increase net returns on assets (June 2016)
Organization, Systems and Controls – Design, develop and implement a target operating model for the Investment Office that minimizes complexity, improves transparency and strengthens processes, systems, governance and controls with continued focus on portfolio management tools, performance management and operational risk mitigation (June 2016)
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)

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

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

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

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

Desired Outcomes

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

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

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

Business Plan Initiative
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)

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

Business Plan Initiative
Employer Wellness Platform – Identify, evaluate and recommend a comprehensive wellness strategy that appropriately engages employees and employers in improving member health status (December 2014)

Desired Outcome

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

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

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 (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)

Desired Outcomes

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

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

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

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

Business Plan Initiative
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)

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

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

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

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
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)
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)

Desired Outcomes

- Effective transition of consultant services to staff, to reduce future costs and provide organizational expertise
- Continuous development of supervisory and leadership talents
- An enterprise-wide strategic recruitment outreach approach
- Increased role clarity and accountability
- A high-performance and healthy organization and culture

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

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

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 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 Hardship / Insolvency – Develop and implement a strategy to protect the system and mitigate risks resulting from participating employer financial hardship or insolvency (June 2015)
Strategic Measures – Develop and implement strategic measures that utilize business intelligence tools to evaluate enterprise results and assess effectiveness of the CalPERS 2012-17 Strategic Plan; and to assist with the long-term strategic decision making and planning process (December 2014)
Financial Office Strategic Transformation – Develop and implement improved processes and data integrity, and improve policy management throughout the entire Financial Office (June 2016)
Treasury Management – Develop and implement enterprise treasury management function to enhance cash controls, cash integrity and liquidity management (June 2016)

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

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

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

Business Plan Initiatives
Financial Market Reform Principles – Develop financial market reform principles to influence global legislative and regulatory engagement and policy development (June 2015)
Investment and Pension Beliefs Communication Strategies – Develop and execute external communication and outreach strategies that foster a greater understanding of investment and pension beliefs, promote policy leadership, and strengthens confidence in CalPERS among key stakeholders (June 2016)

Desired Outcomes

- Increased engagement with policymakers on retirement issues
- Improved presence, voice and information sharing with stakeholder groups
- Increased usage of CalPERS messages and materials

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

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

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 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)

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 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)

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

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

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

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