



Agenda Item 8a

May 20, 2014

ITEM NAME: 2013-15 Business Plan Update

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides the third quarter status report for the CalPERS 2013-15 Business Plan.

STRATEGIC PLAN

The CalPERS 2013-15 Business Plan (Attachment 2) outlines the 44 initiatives being undertaken to achieve the Strategic Goals and Objectives in the CalPERS 2012-17 Strategic Plan (Attachment 3).

BACKGROUND

To successfully implement the Strategic Goals articulated in the CalPERS 2012-17 Strategic Plan, the CalPERS Board of Administration approved the first CalPERS two-year business plan in 2012.

The purpose of a two-year business plan is to help manage complex enterprise projects. The two-year business planning development includes an annual refresh process. The annual refresh process helps align business planning with the CalPERS budget process and long-term strategic goals of the organization.

ANALYSIS

A summary dashboard identifying the current status of all the initiatives and detailed information on completed, at risk, and initiatives needing management attention is attached (Attachment 1). There are no initiatives due to be completed and no initiatives identified at-risk for the third quarter.

One initiative was completed ahead of schedule.

- *Funding Risk Appetite/Tolerances (July 2014)*: The Financial, Investment and Actuarial Offices collaborated to develop the Asset Liability Management (ALM) Model to help fund the System through an integrated view of pension assets and liabilities. Staff applied information from the ALM Model to support Board funding decisions and conducted multiple workshops to discuss funding risk and options for de-risking the pension fund. Information from the ALM Model has facilitated much clearer communication about the balance between

funded status, Employer contributions, and volatility of Employer contributions in funding risk discussions.

Through discussions and workshops, staff developed a better understanding of the Board's pension risk tolerances. While staff and the Board have completed the scope of work in this initiative, explicit funding risk appetite preferences will need to be developed in the future to verify that actuarial policies and asset allocations are in line with the Board's accepted risk tolerance.

The remaining 40 initiatives are progressing on schedule.

This third quarter report ensures transparency on the Business Plan progress. Competing organization priorities and staff resources are identified as key risks which may impact the completion of some of the initiatives by their target date.

BUDGET AND FISCAL IMPACTS

Resources for the CalPERS 2013-15 Business Plan initiatives are being funded by existing internal resources and through the annual budget process.

ATTACHMENTS

- Attachment 1 – CalPERS 2013-15 Business Plan – Third Quarter Summary Report
- Attachment 2 – CalPERS 2013-15 Business Plan
- Attachment 3 – CalPERS 2012-17 Strategic Plan Overview

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