

# 2013-2014 3<sup>rd</sup> QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

## Quantitative Performance Measures

### Total Fund Performance

Weight	Performance Measure	Incentive Schedule	3 <sup>rd</sup> 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	+15 bps {9.57 – 9.42}

## 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
<p><b>Status:</b></p> <p>During the third quarter of the 2013-14 year, staff has accomplished the following in furtherance of the 2012-17 Strategic Plan and the 2013-15 Business Plan:</p> <p><b>Goal A – Improve Long-Term Pension and Health Sustainability</b>  <b>Fund the System through an integrated view of pension assets and liabilities.</b></p> <ul style="list-style-type: none"> <li>Working in close collaboration, the Actuarial, Investment, and Financial Offices finalized their analysis and recommendations on Asset Liability Management and presented them to the Board in February 2014. The Board adopted changes to the assumptions as well as to the strategic asset allocation. This is the first time CalPERS has used an integrated asset liability management approach. The final Board presentation and decisions followed numerous workshops as well as an extensive stakeholder engagement process.</li> </ul> <p><b>Educate employers and other stakeholders to make informed decisions about retirement security and health care.</b></p> <ul style="list-style-type: none"> <li>Completed Requirements Phase for Actuarial Valuation System (AVS) redesign.</li> <li>Continued work on Castlight Health project to develop communication/marketing methods and finalize confidentiality infrastructure; provided overview and demonstration at the February 2014 Pension and Health Benefits Committee meeting. Tool is scheduled for July 1, 2014 launch.</li> <li>Developed and distributed a survey in January 2014 to understand what stakeholder groups want in the benefits of their health plans; data to be used in assessing need for flexibility in public agency plans.</li> <li>Continued development of pilot project to improve health care for senior members: developed research design protocols, identified data to be used to set baseline measures, and identified Long Term Care participants in the Anthem Blue Cross PPO to target for participation.</li> <li>Finalized LTC (Long Term Care) 4 package and guidelines and publicly announced launch on February 6, 2014; mailed over 10,000 open application kits and electronically distributed over 100 employer kits; issued first LTC4 policies. Initiated formal communication to LTC participants subject to the 2014 five percent premium increase.</li> </ul> <p><b>Deliver target risk-adjusted returns.</b></p> <ul style="list-style-type: none"> <li>Supported Investment Office Roadmap initiatives.</li> <li>Engaged with stakeholders and developed plans for Emerging Managers Forum scheduled for April 1, 2014.</li> <li>Delivered the One Year Annual Report on the Emerging Manager Five-Year Plan to all Members of the CA Legislature; and provided in person briefings to Chairs and staff of the legislative minority caucuses.</li> </ul> <p><b>Ensure high-quality, accessible and affordable health benefits.</b></p> <ul style="list-style-type: none"> <li>Launched six regional and statewide HMO plans and one PPO health plan for 2014-2018. This effort was a complex, cross-organizational effort months in the making. Member impact was minimal and we achieved a significant migration of members between plans.</li> <li>The Dependent Eligibility Verification Project (DEV) project continues to exceed expectations with the results generated. All Cycles up to this point have been implemented on time.</li> <li>Continued to expand integrated health models - established teams of clinical and administrative staff to work with health plans to align activities with the Health Data Warehouse; standardized health plan reports; and identified current and future levels of health plan Integrated Health Models (IHM) as well as current and future state of shared savings, Electronic Health Record connectivity and transition care programs.</li> </ul>	

## 2013-2014 3<sup>rd</sup> QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

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- Continued to work towards standardizing health plans' approach to population health management (PHM) - met with each health plan and solicited health plan models for their PHM programs; assessed status of population health within PPO/Health Maintenance Organization (HMO) plans; documented plans' activities around provider engagement; and initiated strategy to develop a comprehensive PHM model and formed a committee made up of clinical and research staff that evaluated PHM models from the health plans to inform model development.

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

- Continued to support Healthier U State Employee Worksite Wellness Pilot Project.
- Presented expert panel on wellness at January 2014 Board Offsite.

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

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

- In February 2014, launched an internal social media platform (the "Spark") to enhance internal CalPERS business communications across the enterprise, generate the free flow of information, and facilitate cross organization collaboration. The launch was very successful and as of March 30th, 1,423 accounts were active.
- Continued migration to new "Inside CalPERS" Intranet, which is designed to improve and streamline internal communication.

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

- Continued to enhance services available to employers. Implemented four new Computer Based Training events for employers on topics such as EPMC, Health Billing, and Payroll. The new Employer Response Team continues to be successful, with over 200 contacts closed in the third quarter. Other improvements included my/CalPERS design modifications to improve the employer's ability to locate on-line information. Introduced the Employer Response Dialogues.
- Conducted training session on CalPERS audit process for local agencies.
- Introduced enhancements to the Interactive Voice Response system.
- Developed and implemented new customer service surveys, along with survey data collection methodology, to better gauge customer satisfaction; scheduled to go live in April 2014.
- Developed Life Cycle Education program for upcoming CalPERS Benefits Education Events.
- Following extensive stakeholder engagement, developed regulations to implement pensionable compensation aspect of PEPR, to be presented to the Pension and Health Benefits Committee in April.
- Continued development of internal infrastructure and governance for Business Intelligence program. Examples of Business Intelligence initiatives included providing updated metrics for my/CalPERS member self-service utilization and enhancing audit risk assessment process to identify high risk employers.
- Made progress on development of new external website.

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

- Continued General Counsel search and interviewed candidates.
- Finalized hire for Chief Operating Investment Officer.
- Interviewed firms for Chief Investment Officer search, developed documents and marketing materials.
- Continued implementation of 5-year Strategic Workforce Plan, for example:
  - Continued emphasis on and enhancements to the Informal Mentoring Program, to develop bench strength throughout organization. Released Informal Mentoring Conversation videos on Inside CalPERS to highlight how staff incorporates informal mentoring into their daily activities.
  - Followed up to address Organizational Health Index (OHI) finding; recommendations regarding initiatives on Innovation and Accountability were presented at the March Performance, Compensation and Talent Management Committee (PCTM).
  - Implementation of Human Resource Automated Applicant Tracking System (NEOGOV) system upgrade in February 2014, to assist in sorting and matching applicants to job requirements.
  - Implemented new wellness activities for staff including 8-session lunch time Nutrition Works series and 4-session Running Works Initiative; held a Heart Math class.
  - Began developing new online Diversity & Inclusion e-learning modules; held Quarterly Professional Development session on Diversity & Inclusion for managers and supervisors.

#### **Actively manage business risks with an enterprise view**

- Implemented additional information security protections: expanded data loss prevention capabilities to safeguard member information; put in place new tools to monitor for information that could pose a potential security risk in non-CalPERS web-based email and storage; implemented tool to streamline Public Records Acts response times and increase responsiveness to litigation holds.
- Continued to represent CalPERS interests in San Bernardino and Stockton bankruptcy cases.
- Incorporated new One Budget Model into 2014-15 Budget presentation and recommendations to the Finance and Administration Committee. The new model increases transparency and accountability, and provides a comprehensive view of enterprise finances.
- Continued work on Strategic Performance Measures: presented update at January 2014 Board Offsite; developed workbook tool to guide development efforts for each measure.

# 2013-2014 3<sup>rd</sup> QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

- Continued aggressive hiring for IT positions, worked with program staff to develop individual knowledge transfer and training plans unique to each employee.
- Presented the transition plan and operational efficiencies proposal for my/CalPERS at the February 2014 Finance and Administrative Committee.
- Made additional refinements to monthly investment expense reporting

## **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**

- Communicated adoption of Investment Beliefs through a variety of forums including social media, articles, and speeches.
- Continued development of Pension Beliefs: held workshops at January 2014 Board Offsite and March Board meeting; engaged with stakeholders.

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

- Completed second annual State of the System presentation for Board President.
- Cosponsored roundtable with the Northern California Chapter of the National Association of Corporate Directors, on "Diversity in the Corporate Boardroom."
- Completed planning and preparations for April 1 Emerging Managers Conference.
- Developed agenda and plans for September 2014 Investment Entity Finance Conference, to be hosted by CalPERS at UC Davis. This will be the first time this international conference will be held in the United States.
- Numerous Board and Executive Speaking engagements including among others the Green California Summit, the CECP 2014 Board of Boards Roundtable, CA Municipal Treasurers Association, and various employee and retiree organizations meetings on key issues including sustainability, investment beliefs, CalPERS mission and priorities, health care and wellness.
- Promoted three CalPERS research studies resulting in coverage in the Sacramento Bee, Benefitspro.com, Sacramento Business Journal and Public CEO.com.

## Leadership

Weight	Performance Measure
40%	<p>By June 30, 2014</p> <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> <li>• 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.</li> <li>• 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.</li> <li>• Demonstrate the Leadership Expectations in the CalPERS Executive Leadership Expectations Guide</li> </ul>
<p><b>Status:</b></p> <p><b>Continue to develop and implement communication and advocacy programs, to educate stakeholders and influence pension, health, and financial programs.</b></p> <ul style="list-style-type: none"> <li>• Continued extensive stakeholder engagement on the Asset Liability Management initiative. Other topics with far-reaching engagement included the interpretation of the PEPRA provisions on pensionable compensation, the Dependent Eligibility Verification Project, Long Term Care, and the Emerging Managers program. Although all of these issues have posed challenges, we believe the stakeholder engagement has been effective in improving mutual understanding.</li> <li>• Continued forums such as quarterly Employer Roundtables, numerous employee and retiree stakeholder briefings, and legislative briefings.</li> </ul> <p><b>Continue to enhance accountability within the organization through development of performance metrics to measure implementation and progress on strategic and business planning.</b></p> <ul style="list-style-type: none"> <li>• Continued to make progress to develop metrics to measure progress relative to the Strategic Plan. Health-related measures were presented at the January Offsite.</li> </ul>	

## 2013-2014 3<sup>rd</sup> QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

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- Staff is preparing a presentation for the July Offsite that includes sixteen strategic performance measures linked to the three goals of the Strategic Plan. We anticipate a robust discussion with the Board around targets and how to evolve the measures.

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

- Developed plans to follow up to OHI findings around improving innovation and accountability, these were presented to the March Performance, Compensation, and Talent Management Committee. The launch of the Spark (internal social media platform) this quarter was an important step in facilitating innovation and cross organization communication.
- In addition, each branch has identified and is working on a follow up item unique to the findings for the branch.

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

- Filled Chief Operating Investment Officer position, made significant progress in filling General Counsel position, and laid groundwork to launch Chief Investment Officer search.
- Continued to highlight the Informal Mentoring Initiative through a series of videos featuring staff's experiences.
- Hosted Quarterly Leadership Forum on Innovation for all managers and supervisors.
- I continue to speak at numerous staff activities and events including New Employee Orientation, Leaders Training, 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**

- Continued to work with direct reports on leadership development. Succession Planning effort has been expanded to include second level (positions reporting to CEO), and Leadership Development Plans have been put in place. Reported to Board at January 2014 Offsite.
- Put plans in place for national CIO search.

### **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**

- Continued to meet weekly with Board President to discuss Board and Committee issues and agendas; Board President's Advisor also attends monthly Board Agenda review meetings
- Continued training sessions for staff who present at Board and Committee meetings