

CalPERS 2013-15 Business Plan

Fourth Quarter Status Update

April 1, 2014 – June 30, 2014

Update Summary

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

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Funding Risk Appetite/Tolerances</i>	<i>July 2014</i>	★	No
<i>Review of Actuarial Assumptions & Implementation of Potential New Assumptions</i>	<i>June 2015</i>	★	No
<i>Investment Risk Management</i>	<i>June 2015</i>	●	Yes

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Actuarial Valuation System Redesign and Enhance</i>	<i>June 2015</i>	●	Yes
<i>Health Care Customer Resources</i>	<i>June 2014</i>	★	No
<i>Health Care Member Tools</i>	<i>June 2014</i>	★	No
<i>Medicare Flexibility</i>	<i>June 2014</i>	★	No
<i>Employer Health Benefits</i>	<i>June 2015</i>	●	Yes
<i>Improve Health Care for Senior Members</i>	<i>December 2014</i>	●	Yes
<i>LTC Strategy Implementation</i>	<i>June 2014</i>	★	No

Strategic Objective | Deliver target risk-adjusted investment returns

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Investment Performance</i>	<i>June 2015</i>	●	Yes
<i>Cost Effectiveness</i>	<i>June 2015</i>	●	Yes
<i>Organization, Systems, and Controls</i>	<i>June 2015</i>	●	Yes
<i>Emerging Investment Manager Strategy</i>	<i>June 2015</i>	●	Yes
<i>Environmental, Social, Governance (ESG) Investment Strategy</i>	<i>June 2015</i>	●	Yes

Status Key: ● Green – On Track ▲ Yellow – At Risk ■ Red – Needs Management Attention ★ Blue – Completed

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Update Summary (Cont.)

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Health Benefit Purchasing Structure</i>	<i>June 2014</i>	★	No
<i>Integrated Health Models</i>	<i>June 2015</i>	★	No
<i>Population Health Management</i>	<i>June 2015</i>	●	Yes

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Employer Wellness Partnerships</i>	<i>June 2015</i>	●	Yes
<i>Engaged Health and Wellness Platform</i>	<i>June 2014</i>	★	No

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Enterprise Content Management</i>	<i>June 2015</i>	●	Yes
<i>Enterprise Internal Innovation</i>	<i>June 2014</i>	●	Yes

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>End-to-End Business Intelligence</i>	<i>June 2015</i>	●	Yes
<i>Service Delivery Transformation: Access</i>	<i>June 2014</i>	●	Yes
<i>Service Delivery Transformation: Quality</i>	<i>June 2015</i>	●	Yes
<i>Service Delivery Transformation: Effectiveness</i>	<i>June 2015</i>	●	Yes
<i>Service Delivery Transformation: Service</i>	<i>June 2014</i>	●	Yes

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Update Summary (Cont.)

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Knowledge Transfer, Insourcing, and Consultant Reduction</i>	<i>June 2014</i>		Yes
<i>Workforce Strategic Plan Development</i>	<i>September 2013</i>		No
<i>Workforce Strategic Plan Implementation</i>	<i>June 2014</i>		Yes

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Information Security Roadmap</i>	<i>June 2015</i>		Yes
<i>Policy Management</i>	<i>June 2014</i>		No
<i>Investment Expense Reporting</i>	<i>June 2014</i>		No
<i>Investment Reconciliation Process</i>	<i>June 2014</i>		No
<i>One Budget Model</i>	<i>June 2014</i>		No
<i>Quarterly Reporting</i>	<i>December 2013</i>		No
<i>Strategic Measures</i>	<i>June 2014</i>		Yes
<i>Strategic Risk Measures</i>	<i>June 2015</i>		Yes
<i>Municipal Bankruptcies</i>	<i>June 2015</i>		Yes

Status Key:  Green – On Track  Yellow – At Risk  Red – Needs Management Attention  Blue – Completed

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Update Summary (Cont.)

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Investment Beliefs</i>	<i>December 2013</i>	★	No
<i>Pension Beliefs</i>	<i>June 2014</i>	★	No

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

Initiative Title	Due Date	Status	Transitioned to 2014-16 Plan
<i>Strategic Partnerships</i>	<i>June 2015</i>	●	Yes
<i>Thought Leadership</i>	<i>June 2015</i>	●	Yes
<i>Demonstrate Industry Leadership</i>	<i>June 2015</i>	●	Yes

Status Key: ● Green – On Track ▲ Yellow – At Risk ■ Red – Needs Management Attention ★ Blue – Completed

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Initiatives Completed, at Risk and/or Needing Management Attention

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

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

Funding Risk Appetite/Tolerances (July 2014)

Status: ★

Accomplishments:

- Contracted with a vendor that completed a review of the Asset Liability Management framework.
- In February 2014, staff used information from the Asset Liability Management (ALM) Model in Adoption of New Demographic and Economic Actuarial Assumptions.

Next Steps:

- Initiative completed in the third quarter.

Risks / Issues:

- Initiative completed in the third quarter.

Review of Actuarial Assumptions & Implementation of Potential New Assumptions (June 2015)

Status: ★

Accomplishments:

- Staff developed new actuarial assumptions by completing an Experience Study from 1997-2011.
- Staff performed stakeholder outreach on the ALM project and proposed assumption changes.
- Staff collaborated with the Investment Office (INVO) on the ALM project.
- CalPERS Board of Administration approved changes to Economic and Demographic assumptions for the Public Employees' Retirement Fund (PERF) and the Judges' and Legislators' Retirement Systems (JLRS).
- Staff implemented new actuarial assumptions for PERF and JLRS member benefit calculations and Service Credit Purchase calculations.
- Staff implemented new actuarial assumptions into 2013 actuarial valuations for State, Schools, and Public Agency plans.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

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Health Care Customer Resources (June 2014)

Status: 

Accomplishments:

- The Health Policy Research Division (HPRD), Center for Innovation (CFI), and Health Plan Administration Division (HPAD) met with Castlight Health and Anthem Blue Cross to discuss an internal CalPERS questionnaire completed by Castlight Health. In addition, they discussed the logistics of the CalPERS|Compare online tool (powered by Castlight Health), which would allow subscribers to shop for medical services and prescriptions, and to compare options, which will result in better informed decision-making by our members.
- Staff met with Anthem Blue Cross and Castlight Health to cover all items related to platform configuration and data integration, along with the development of a detailed project schedule.
- Staff worked with Castlight Health to strategize communication/marketing methods on the online tool for Preferred Provider Organization (PPO) members.
- Staff provided a demonstration of the CalPERS|Compare online tool and functionalities at the February 2014 Pension & Health Benefits Committee (PHBC) meeting.
- Staff developed the CalPERS|Compare online tool that launched in July 2014.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

Health Care Member Tools (June 2014)

Status: 

Accomplishments:

- Staff met with Castlight Health and Anthem Blue Cross in September 2013 to discuss an internal CalPERS questionnaire completed by Castlight Health. In addition, they discussed the logistics of the CalPERS|Compare online tool (powered by Castlight Health).
- Staff met with Anthem Blue Cross and Castlight Health to cover all items related to platform configuration and data integration, along with the development of a detailed project schedule.
- Staff provided a demonstration of the CalPERS|Compare online tool and functionalities at the February 2014 PHBC meeting.
- Staff completed the CalPERS|Compare online tool that launched in July 2014. This tool is designed to allow subscribers to shop for medical services and prescriptions, and to compare options, which will result in better informed decision-making by our members.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

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Medicare Flexibility (June 2014)

Status: 

Accomplishments:

- Staff identified partners for a pilot project to develop Medicare-only health care exchange for out-of-state CalPERS Medicare members.
- Staff met with Mercer in November to discuss the marketplace (e.g. vendors) and identify potential complications or issues with the exchange approach, and presented an agenda item to the PHBC in February 2014.
- Staff presented an agenda item with the flexibility to offer Medicare supplement health plans information to the PHBC in June 2014, which resulted in the Board approving staff's recommendation that careful analysis of the benefits and challenges is still needed.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

LTC Strategy Implementation (June 2014)

Status: 

Accomplishments:

- Staff obtained program metrics from LTCG, Inc. regarding the number of applications received and approved as part of the new enrollments into the Long-Term Care Insurance program. Metrics were also obtained regarding the rate of conversion from comprehensive lifetime to fixed-term policies. Staff drafted and mailed education letters for rate increases in April 2014.
- Staff finalized and coordinated communication plan with the Office of Public Affairs on LTC communication strategy regarding rate increase letters.
- Staff finalized Mainstreamed Inflation Project for LTC participants electing to convert lifetime with automatic built-in inflation protection policies to fixed term coverage plans which exceeded the estimated policy conversion expectations by 11.2 percent. Accelerated marketing efforts with five newspaper articles, three days of radio advertisements on two separate stations, and social media advertisements.
- Staff increased stakeholder communications via staff attendance at retirement and educational fairs and articles in two trade publications in an effort to educate, inform and promote LTC Open Application and the new LTC4 generation product offering.
- Staff mailed over 13,000 LTC open application kits, received 820 completed applications, approved 47 percent for coverage, and developed enhanced reporting metrics for new fourth-generation LTC product.
- Staff enhanced website to include eApplication, Employer Kits, Cost of Care Calculator, and testimonial videos.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

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Health Benefit Purchasing Structure (June 2014)

Status: 

Accomplishments:

- Staff identified partners for a pilot project to develop Medicare-only health care exchange for out-of-state CalPERS Medicare members.
- Staff met with Mercer to discuss the marketplace (e.g. vendors) and identify potential complications or issues with the exchange approach, and presented an agenda item to the PHBC in February 2014.
- Staff presented an agenda item with the flexibility to offer Medicare supplemental health plans information to the PHBC in June 2014, which resulted in the Board approving staff's recommendation that careful analysis of the benefits and challenges is still needed.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

Integrated Health Models (June 2015)

Status: 

Accomplishments:

- Staff standardized all HMO and PPO health plan contract language, in an effort to be consistent, for 2014 Integrated Health Models (IHM) development which included IHM performance metrics.
- Staff collaborated with the CFI on the IHM evaluation framework based on the Blue Shield of California/Dignity Health/Hill Physicians Accountable Care Organization.
- Staff identified current and future levels of IHM integration, electronic health records and transition care programs and developed IHM road map and structural framework that would support a population health model.
- Staff assessed program coordination of care management including Patient Centered Medical Homes to identify health plan and provider approaches to managing patients across the care continuum and transitions of care for the vulnerable population.
- In coordination with Anthem Blue Cross PPO, staff closed out pilots (with triple aim components) that will assist with the development of its PPO population health model which incorporated lessons learned from Priority Care Pilot in Humboldt County, Accountable Care Organizations, provider attribution model development, clinical provider case management, payment innovations, and patient centered primary care into its comprehensive IHM program.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

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Engaged Health and Wellness Platform (June 2014)

Status: 

Accomplishments:

- Staff distributed the Public Agency Health Benefit Design Needs Assessment survey, which contained questions designed to gauge employer interest in, and determine current implementation of, wellness programs.
- Staff conducted focus groups to solicit feedback from employers on ways to implement a statewide wellness platform on seven occasions between March and May 2014.
- Presented agenda item on the progress of the wellness platform based on survey and focus group summaries and research on best practices for wellness programs to the PHBC in June 2014.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

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

Workforce Strategic Plan Development (September 2013)

Status: 

Accomplishments:

- Workforce Strategic Plan
 - Completed best practices research in July 2013.
 - Workforce Strategic Plan (WSP) completed in September 2013 and presented as a Board agenda item to the Performance, Compensation & Talent (PCTM) Committee.
- Organizational Health Index (OHI) Survey:
 - CEO shared the OHI survey results with the Enterprise in July 2013.
 - In August 2013, HRSD staff conducted eight Branch workshops with Executives, Division Chiefs and Assistant Division Chiefs. Each Branch selected one high-level OHI outcome to focus on in the upcoming year.
- Board agenda item outlining the results of the 2013 OHI survey was presented at the September 2013 Board meeting.

Next Steps:

- Initiative completed in the first quarter.

Risks / Issues:

- Initiative completed in the first quarter.

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Policy Management (June 2014)

Status: ★

Accomplishments:

- Staff developed a plan to update existing policies for divisions that have migrated to SharePoint.
- Staff developed a formal Policy Management training program with All Staff Training and Development.
- Staff collaborated with PAOF to implement and align the communication plan with Enterprise Content Management/SharePoint rollout.
- Board approved the FY 2014-15 Annual Compliance Plan based on the results of the risk-based compliance assessment.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

Investment Expense Reporting (June 2014)

Status: ★

Accomplishments:

- Staff produced a monthly investment expense report to be more transparent about investment related costs and allow INVO to track changes from year to year while identifying areas of improvement.
- Staff incorporated refinements and made improvements to the monthly investment expense report.
- Staff identified gaps in Absolute Return Strategies (ARS) and Corporate Governance (CG) expense reporting, determined solutions to close those gaps, and implemented the changes necessary to incorporate ARS and CG expenses to the report.
- The July 2014 Investment Expense Report included ARS and CG expenses.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

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Investment Reconciliation Process (June 2014)

Status: ★

Accomplishments:

- Staff documented the various accounting books of record for CalPERS financial data to communicate how the data is derived and the source of the data, which includes both State Street Bank and outside vendors.
- Staff determined accounting approach for reconciliation of ARS and CG financial data.
- Staff determined resources required to implement the accounting approach for reconciliation of ARS and CG financial data.
- Staff finalized timeline for reconciliation implementation, informed stakeholders of timeline, and communicated necessary process changes.
- Staff developed reconciliation procedures that were implemented on July 1, 2014.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

One Budget Model (June 2014)

Status: ★

Accomplishments:

- The One Budget Model was incorporated into the FY 2014-15 Annual Budget Proposal as presented and approved in the April 2014 Board meeting. FINO now utilizes the One Budget model approach and presents this holistic view to senior management and the Board for more informed decision making.
- Staff worked with PAOF to communicate the One Budget Model to the public through venues such as Facts at a Glance and other modes of communication.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.

Quarterly Reporting (December 2013)

Status: ★

Accomplishments:

- Produced a Quarterly Financial Summary Report comparing current quarter financial data to prior year quarter financial data for enhanced reporting.

Next Steps:

- Initiative completed in the second quarter.

Risks / Issues:

- Initiative completed in the second quarter.

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

Investment Beliefs (December 2013)

Status: 

Accomplishments:

- Investment Beliefs that provide clear direction and a philosophy for investment decisions were adopted by the Board in October 2013.

Next Steps:

- Initiative completed in the second quarter.

Risks / Issues:

- Initiative completed in the second quarter.

Pension Beliefs (June 2014)

Status: 

Accomplishments:

- Staff facilitated the development of Pension Beliefs to articulate CalPERS' views on public pension design, funding, and administration by:
 - Conducting an October 2013 Board workshop to gain input on Pension Belief Statement key considerations.
 - Presenting draft pension beliefs at the January 2014 Board Offsite for Board input.
 - Presenting draft pension beliefs to stakeholders for input at two February 2014 meetings.
 - Presenting draft pension beliefs to the CalPERS Board for input during the March 2014 PHBC meeting.
 - Presenting Draft Pension Beliefs to the CalPERS Board for input during April 2014 PHBC meeting.
- The Board adopted Pension Beliefs during the May 2014 PHBC meeting.

Next Steps:

- Initiative completed.

Risks / Issues:

- Initiative completed.