

# CalPERS Annual Cost Efficiency Report

Finance and Administration Committee

Financial Office

November 18, 2014

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# Cost Efficiencies by Program Area

**Total cost efficiencies of \$176.1 million from FY 2011-12 through FY 2013-14**

**Investment Office ~ \$116.4 million**

- Bringing portfolio management in-house
- Contract re-negotiation with more favorable cost terms
- Transfer of work from consultants to State staff

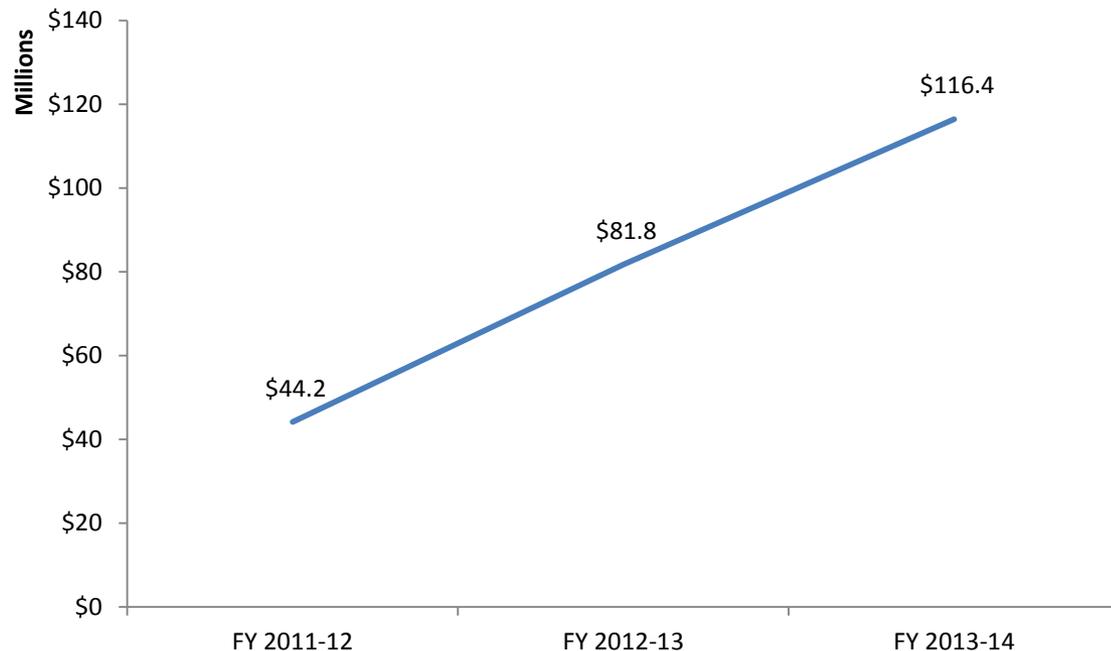
**Health Program ~ \$47.6 million**

- 5 new Health Plan options increase competition
- Dependent Eligibility Verification Audit
- Hip & Knee replacement efficiencies
- These savings are reflected in employer and member premiums.

**Information Technology ~ \$12.1 million**

- Consultant knowledge transfer to State staff
- Reduction of temporary staff

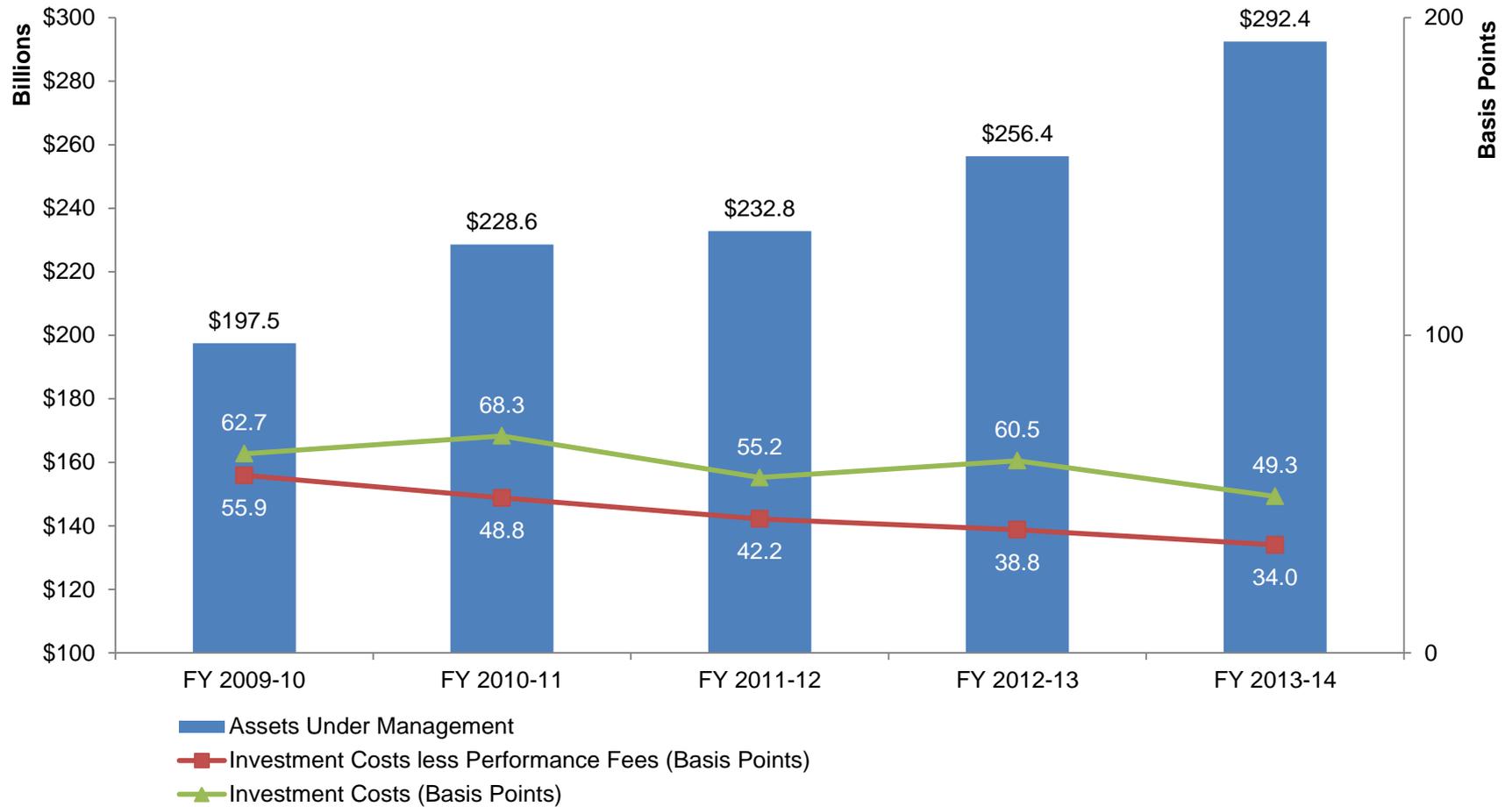
# Investment Office Cost Efficiencies



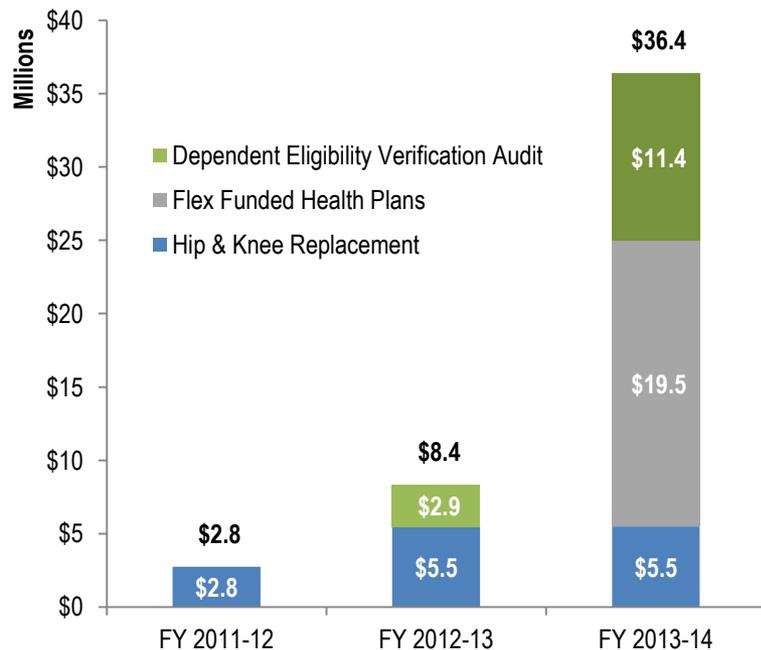
- CalPERS Investment Belief # 8 that “costs matter and need to be effectively managed”
- Focused on cost effective portfolio management
- 3-Year Savings of \$116.4 million

(\$ in millions)	FY 2011-12	FY 2012-13	FY 2013-14	Total
Total Consulting & Management Fee Decrease	\$47.3	\$47.8	\$49.3	\$144.4
Total Personnel Cost Increase	(\$3.1)	(\$10.2)	(\$14.7)	(\$28.0)
<b>Total Cost Efficiencies</b>	<b>\$44.2</b>	<b>\$37.6</b>	<b>\$34.6</b>	<b>\$116.4</b>
Cumulative Cost Efficiencies		\$81.8	\$116.4	

# Cost Efficiencies Per Basis Points



# Health Benefits Cost Efficiencies



**Dependent Eligibility Verification Audit \$14.3M**  
 Achieved through removal of ineligible dependents from State of California employee health plans

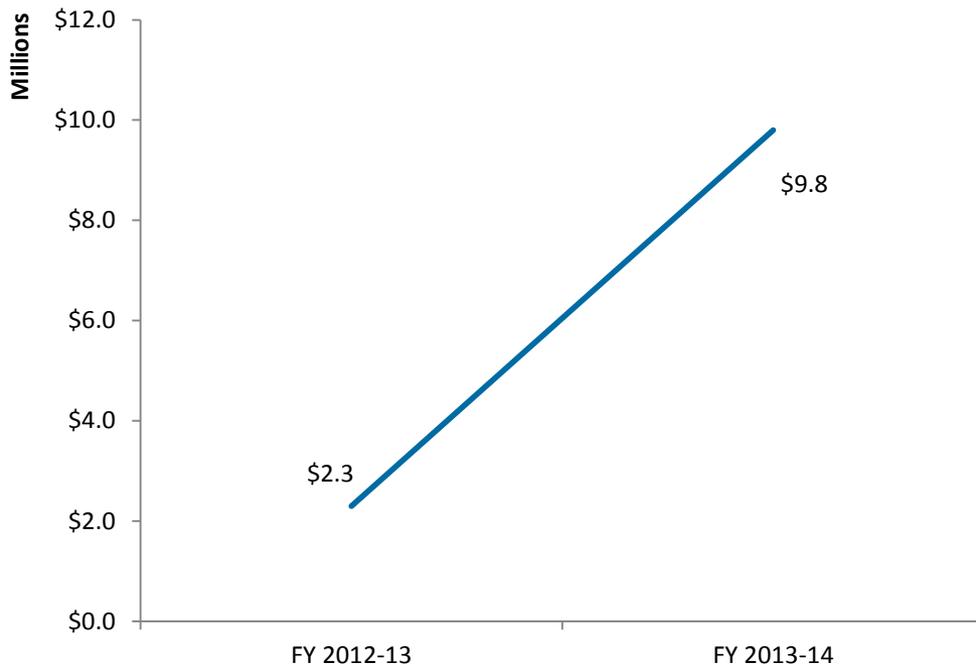
**Flex Funded Health Plans \$19.5M**  
 Achieved reductions in administrative fees with implementation of new plans in FY 2013-14

**Hip and Knee replacement \$13.8M**  
 Worked with Health Plan partners to eliminate unnecessary emergency room visits and improved outpatient care management

	FY 2011-12	FY 2012-13	FY 2013-14	Totals
Dependent Eligibility Verification Audit	-	\$2.9	\$11.4	\$14.3
Flex Funded Health Plans	-	-	\$19.5	\$19.5
Hip & Knee Replacement	\$2.8	\$5.5	\$5.5	\$13.8
<b>Annual Cost Efficiencies</b>	<b>\$2.8</b>	<b>\$8.4</b>	<b>\$36.4</b>	<b>\$47.6</b>
Cumulative Cost Efficiencies		\$11.2	\$47.6	

These savings are reflected in employer and member premiums

# Information Technology Cost Efficiencies



- CalPERS is reducing their reliance on consultants for my|CalPERS maintenance by hiring State Personnel

Transition to state staff	FY 2012-13	FY 2013-14	Total
my CalPERS Consultant Costs	\$5.0	\$19.8	\$24.8
my CalPERS Personnel Costs	(\$2.7)	(\$10.0)	(\$12.7)
<b>Projected Cost Efficiencies</b>	<b>\$2.3</b>	<b>\$9.8</b>	<b>\$12.1</b>
Cumulative Cost Efficiencies		\$12.1	