



Agenda Item 9a

February 18, 2015

ITEM NAME: CalPERS 2014-16 Business Plan – Mid-Year Update

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides the Board of Administration with a status report for the first and second quarters of the CalPERS 2014-16 Business Plan. We continue to enhance our customer service, processes, and procedures, as well as our pension, investment, and health functions, which result in our ability to continually support organizational success.

STRATEGIC PLAN

The CalPERS 2014-16 Business Plan (Attachment 4) outlines the initiatives required to achieve the Goals of the CalPERS 2012-17 Strategic Plan.

BACKGROUND

The CalPERS 2014-16 Business Plan builds on the progress made over the past three years since the CalPERS 2012-17 Strategic Plan was adopted in 2012. We are continuing the two-year business planning cycle, which includes an annual refresh process. This allows us to align business planning with the CalPERS budget process and the long-term strategic goals of the enterprise.

The Mid-Year Update of the CalPERS 2014-16 Business Plan includes the following:

- Dashboard summary that provides the status of all initiatives (Attachment 1)
- Detailed status report with information on initiatives that are completed, at risk, or in need of management attention (Attachment 2)
- Key accomplishments from the first and second quarters (Attachment 3)

ANALYSIS

One initiative was completed in the first quarter, ahead of schedule:

- Financial Market Reform Principles:
Staff created the CalPERS 2014-15 Policy Engagement Priorities and refreshed CalPERS' Financial Market Principles and presented both to the Investment Committee in September 2014. These Principles and Priorities will help guide and prioritize efforts to influence global legislative and regulatory engagement and policy development.

Three initiatives were completed in the second quarter:

- Improve Health Care for Senior Members:
Staff worked with third-party administrators, LTCG, Inc., and Anthem Blue Cross, to design and develop a specialized care plan to improve benefit coordination of care for seniors between health care providers and the CalPERS long-term care plan. This included creating a project charter, obtaining and assessing relevant data, finalizing the research evaluation design document, and obtaining baseline data for comparing future results. Staff completed the pilot participant enrollment initiation and the outcome evaluation phase will be included as a new initiative in the CalPERS 2015-17 Business Plan.
- Employer Wellness Platform:
Staff conducted extensive research and outreach to determine the scope of implementing a statewide wellness program for CalPERS employers, members, and providers. This included monitoring the Bay Area Rapid Transit's (BART) pilot wellness project to determine its usefulness as a model, and attending numerous focus groups, meetings, and workshops throughout the State. Staff presented their findings as an informational agenda item to the Pension & Health Benefits Committee in December 2014.
- Strategic Measures:
Staff developed measures and data collection processes to assist in assessing the effectiveness of CalPERS Strategic Plan Goals. This entailed developing and refining measures, processes, and support materials, and working closely with the Board of Administration and the Board Governance Committee to ensure that the measures will successfully utilize business intelligence tools to evaluate enterprise results. Remaining work transitioned to core workload in January 2015.

Two initiatives are currently reported as "at risk:"

- Governmental Accounting Standards Board (GASB) 68 Reports:
This initiative is at risk as the Actuarial Office (ACTO) has been experiencing difficulty in hiring additional actuaries, which has impeded its ability to produce GASB Statement 68 Accounting Valuations. In addition to ongoing recruitment efforts, staff is in the process of retaining consultant services to assist with updating the Actuarial Valuation System and producing the GASB reports.
- Enhance Employer Disclosures in Valuation:
This initiative is at risk as ACTO staffing vacancies have resulted in limited resource availability to incorporate the normal cost-by-benefit formula in the June 30, 2014, Actuarial Valuation Reports. The initiative's completion date will be extended from December 2015 to December 2016 to address this issue.

All remaining initiatives are on schedule.

BUDGET AND FISCAL IMPACTS

Resources for CalPERS 2014-16 Business Plan initiatives were funded by redirecting existing internal resources, or funds were requested through the annual budget planning process.

BENEFITS/RISKS

The CalPERS 2014-16 Business Plan is aligned with the CalPERS 2012-17 Strategic Plan. The alignment of operational activities with long-term strategic goals provides focus and clarity to prioritize and guide our work as we keep the Strategic Plan at the forefront of our planning process. The initiatives are tied to budget resources to ensure that the budget process is connected to the planning cycle.

This mid-year update ensures transparency in the business planning process. Competing organizational priorities and staff resources are identified as key risks that may potentially impact the completion of some initiatives by the planned completion dates.

ATTACHMENTS

- Attachment 1 – CalPERS 2014-16 Business Plan, Dashboard
- Attachment 2 – CalPERS 2014-16 Business Plan, Status Update
- Attachment 3 – CalPERS 2014-16 Business Plan, Key Accomplishments
- Attachment 4 – CalPERS 2014-16 Business Plan
- Attachment 5 – CalPERS 2012-17 Strategic Plan Overview

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