

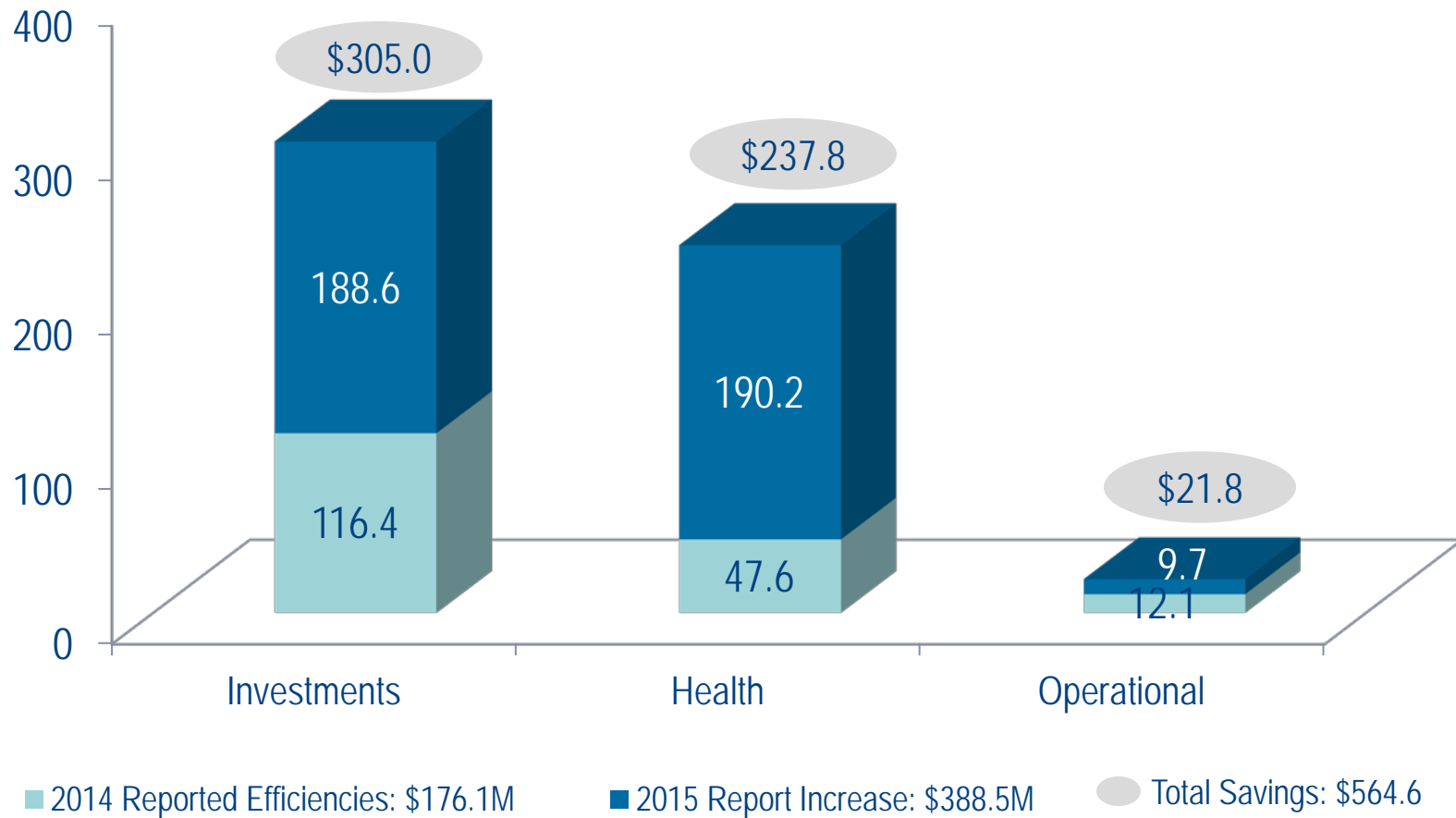
# Annual Cost Efficiency and Effectiveness Report

Finance and Administration Committee

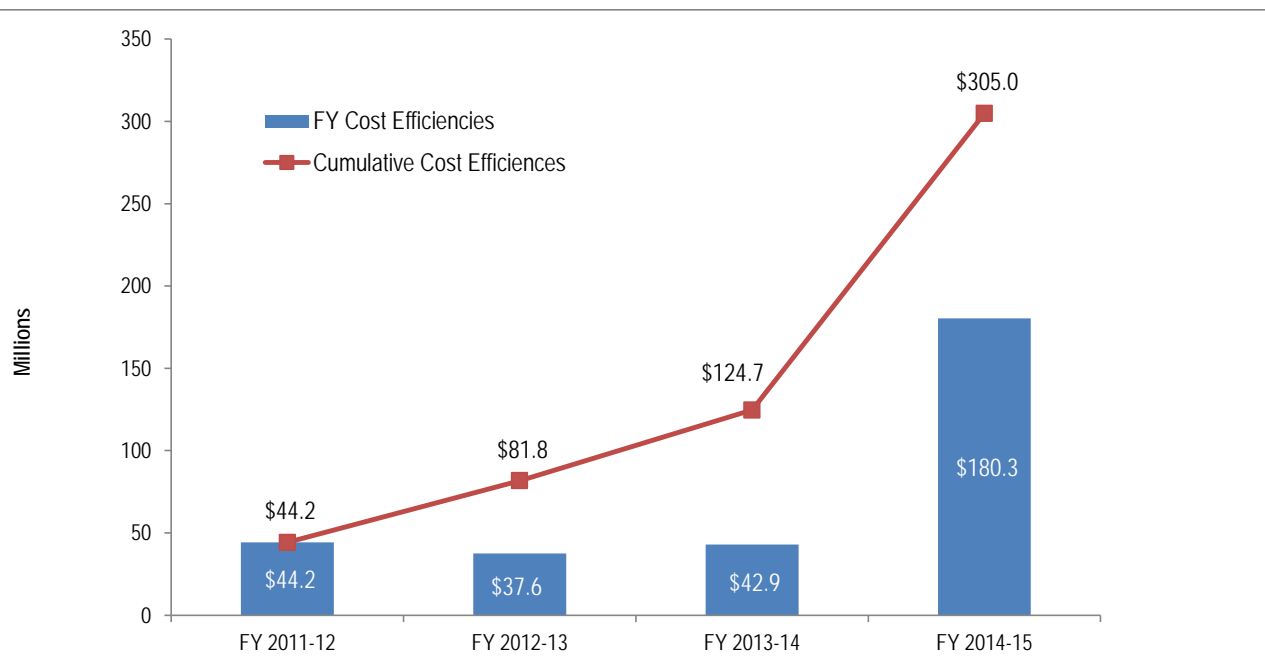
Financial Office

November 17, 2015

# Cost Efficiencies by Program - Total \$564.6 million



# Investment Office Cost Efficiencies - \$305.0 million

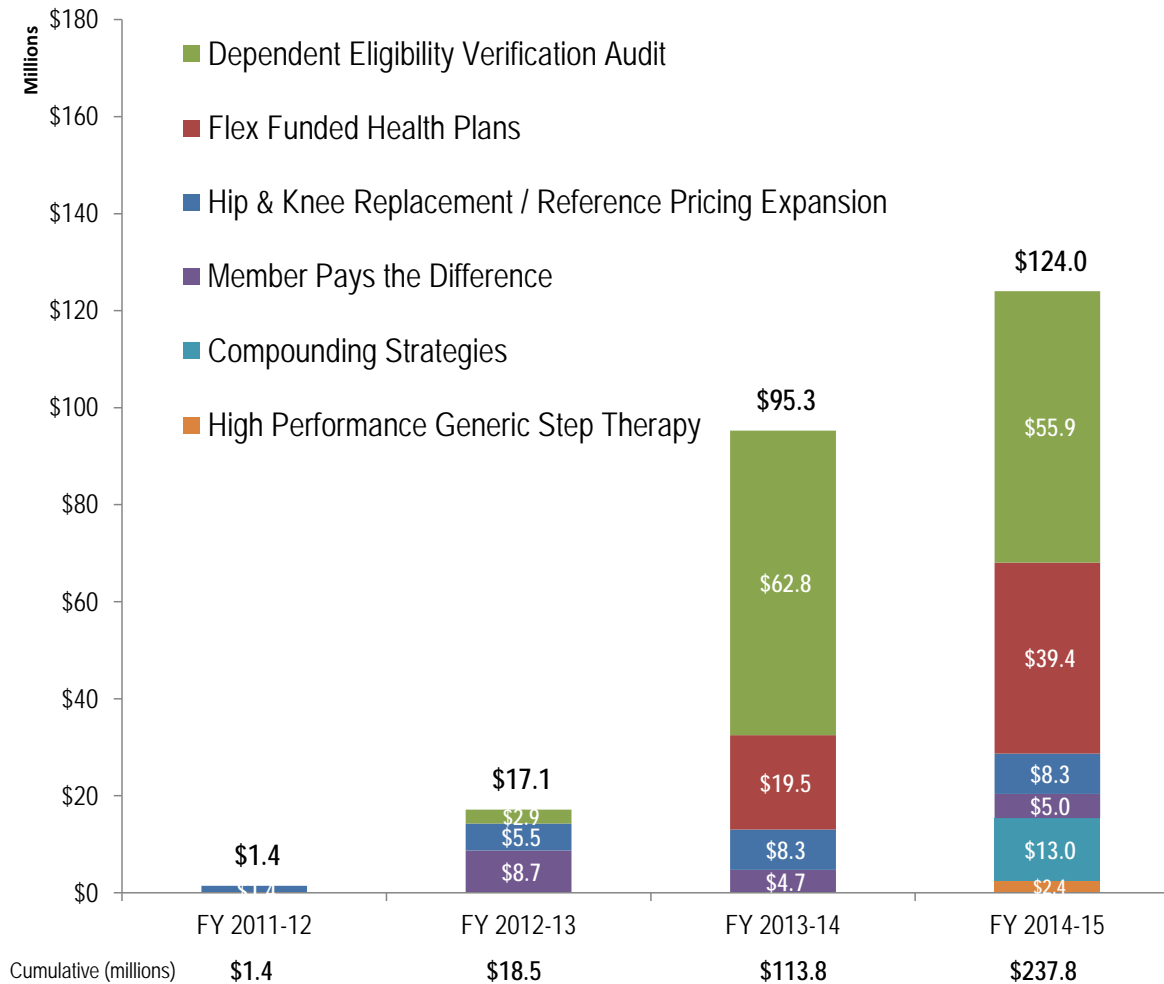


FY 2014-15 savings primarily due to:

- Winding down the Absolute Return Strategy Program
- Focused on cost effective portfolio management and continued reduced reliance on external consultants
- Contract re-negotiation of existing relationships with more favorable cost terms

In millions	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	Cumulative Total
Total Consulting & Management Fee Decrease	\$ 47.3	\$ 47.8	\$ 57.6	\$ 196.0	\$ 348.7
Total Personnel Cost Increase	\$ (3.1)	\$ (10.2)	\$ (14.7)	\$ (15.7)	\$ (43.7)
Estimated FY Cost Efficiencies	\$ 44.2	\$ 37.6	\$ 42.9	\$ 180.3	\$ 305.0
Cumulative Cost Efficiencies	\$ 44.2	\$ 81.8	\$ 124.7	\$ 305.0	

# Health Benefits Cost Efficiencies - \$237.8 million



CalPERS continues to be an industry leader in developing innovative methods to generate cost savings while still providing members quality care.

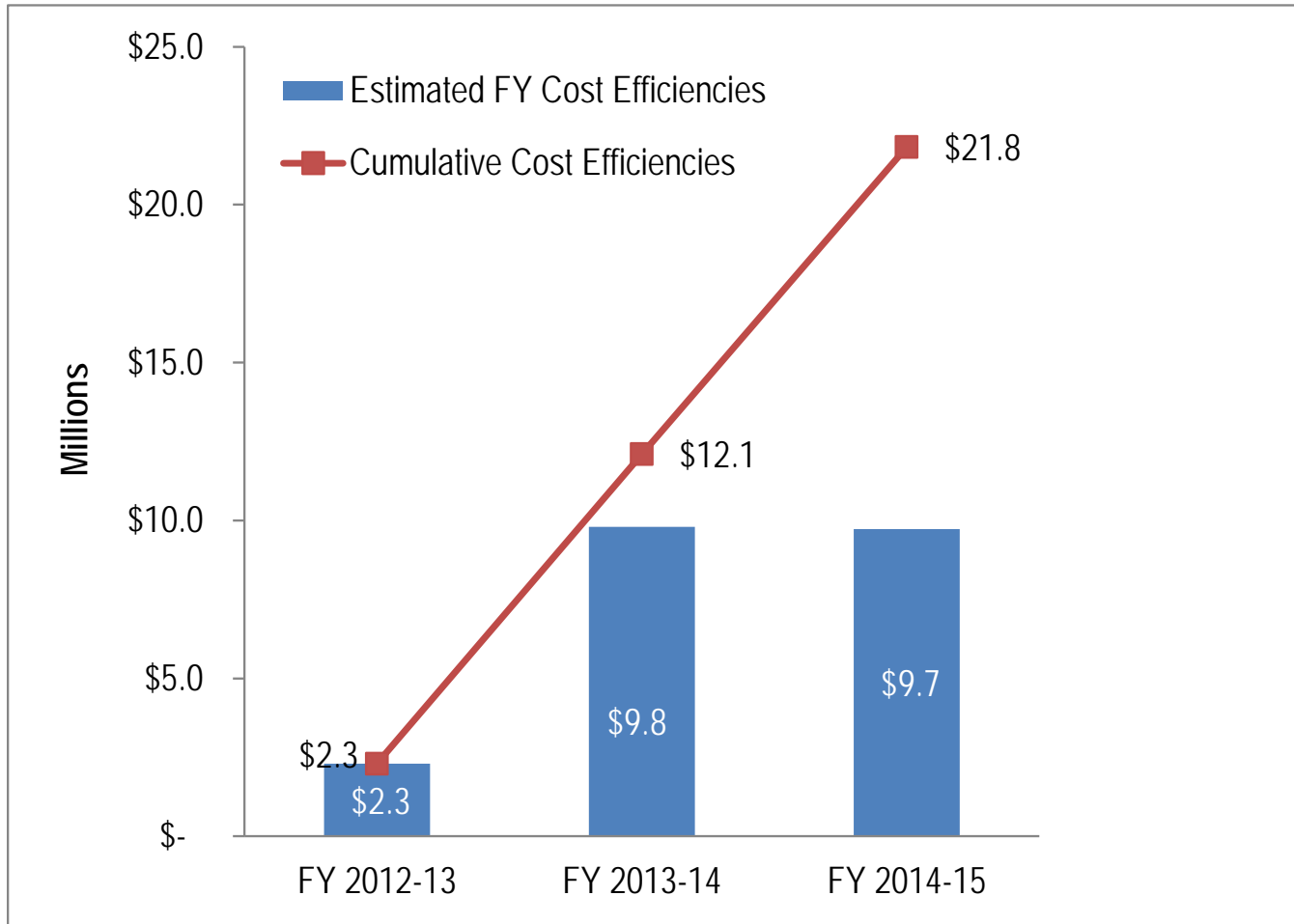


These savings are reflected in employer and member premiums

# Health Benefits Cost Efficiencies - \$237.8 million

<b>Dependent Eligibility Verification Audit</b>	<b>\$121.6M</b>	<b>Member Pays the Difference</b>	<b>\$18.4M</b>
Savings achieved through removal of ineligible dependents from the employee health plans.		Members must pay cost difference between brand name and generic equivalent drugs.	
<b>Flex Funded Health Plans</b>	<b>\$58.9M</b>	<b>Compounding Strategies</b>	<b>\$13.0M</b>
Reductions achieved in administrative fees with the implementation of these new plans in FY 2013-14.		Eliminated use of custom medications that required manual compounds made in the pharmacy due to unproven results and safety.	
<b>Hip and Knee / Reference Pricing Expansion</b>	<b>\$23.5M</b>	<b>High Performance Generic Step Therapy</b>	<b>\$2.4M</b>
Worked with Health Plan partners to eliminate unnecessary emergency room visits and improve outpatient care management.		Members are required to use generic medication options prior to trying a more expensive brand.	

# Operational Cost Efficiencies - \$21.8 million



CalPERS continues to generate annual cost savings primarily due to hiring state staff instead of IT consultants

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# Operational Cost Efficiencies - \$21.8 million

<b>my CalPERS State Staff vs IT Consultants</b>	<b>\$21.4M</b>
Annual cost savings of \$9.0 million ongoing due to hiring state staff instead of relying on consultants.	
<b>Information Technology Efficiencies</b>	<b>\$235K</b>
Aligned personal computer specifications to match Department of General Services to obtain lowest prices(\$54k), consolidated security technology for encrypted link between CalPERS and customer Browsers (\$150k), and a PeopleSoft upgrade that reduced cost by automating analysis of the maintenance processes (\$31k).	
<b>Educational Forum</b>	<b>\$154K</b>
Increased the number of participants to the forum and reduced costs with state rates on hotel rooms and reduced overtime costs.	
<b>Human Resources Talent Management</b>	<b>\$37K</b>
Restructure of the new employee orientation, and training classes being brought in-house, reducing consultant and travel costs.	

# Effectiveness Improvements

## **Timesheet Automation - Human Resources**

Provides easier access, timelier processing and more information to managers and staff.

## **On-line Application Tracking - Human Resources**

Provides system enhancements to the hiring process, more and faster access to information for hiring managers and improves stakeholder efficiency.

## **Procurement Automation - Operations Support Services**

Procurement database system addresses audit findings, reduces enterprise risk by providing electronic routing and approvals, and more comprehensive reports.

## **Reduction in Call Response times - Customer Service Performance**

improvements by reducing customer call wait time by 409 seconds, a 71% reduction, from 577 seconds in 2013 to 168 seconds in 2014.