



Agenda Item 7b

February 17, 2016

ITEM NAME: CalPERS 2016-17 Business Plan (First Reading)

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item includes the proposed CalPERS 2016-17 Business Plan (first reading) for review and comment by the Finance & Administration Committee. The second reading of the CalPERS 2016-17 Business Plan will be presented for approval in March 2016.

STRATEGIC PLAN

The CalPERS 2016-17 Business Plan identifies the initiatives required to achieve the goals of the CalPERS 2012-17 Strategic Plan.

BACKGROUND

The 2016-17 Business Plan describes the initiatives staff will undertake to support the organization's three Strategic Goals:

- **Goal A:** Improve long-term pension and health benefit sustainability
- **Goal B:** Cultivate a high-performing, risk-intelligent and innovative organization
- **Goal C:** Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

ANALYSIS

The proposed plan reflects the new draft initiatives (Attachment 1) to focus on during the final year of the Strategic Plan. Facilitating a one-year planning cycle will allow CalPERS to coincide with the closeout of the 2012-17 Strategic Plan. This will ensure the development of additional business plan initiatives align with the new Strategic Plan Goals and desired future state.

The 2012-17 Strategic Plan Implementation Overview (Attachment 2) provides a high-level visual of all the initiatives that we have undertaken to complete the current Strategic Plan. The Executive team worked collaboratively to identify specific, achievable initiatives that will enable us to achieve our long-term strategic goals.

The following are highlights from the proposed Business Plan that will sharpen organizational focus, sustain the pension and health programs, enhance customer service, and advance policy development:

- Improve risk factor modeling and greater understanding and ownership of trust-level investment risk and performance
- Implement funding mechanism for employers to invest in a pension prefunding trust
- Integrate CalPERS Investment Beliefs and Environmental, Social and Governance risks into the investment decision-making process
- Improve efficiencies and controls for engagement with external managers
- Utilize CEM Benchmarking data to identify pension administration cost savings opportunities
- Enhance internal compliance practices and controls
- Utilize customer service data and core business processes to track and improve customer service
- Evaluate and develop recommendations to ensure compensation policies, philosophy and rationale remain appropriate and relevant
- Expand Diversity and Inclusion program
- Enhance cyber security program
- Implement a training program to prepare staff for future leadership roles

Consistent with current practice, staff will monitor progress on the CalPERS 2016-17 Business Plan and provide a semi-annual update to the Finance & Administration Committee.

BUDGET AND FISCAL IMPACTS

Resources for the CalPERS 2016-17 Business Plan initiatives are being funded by existing internal resources, or funds that were requested through the annual budget planning process.

BENEFITS/RISKS

The CalPERS 2016-17 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.

Competing organizational priorities and staff resources may be identified as key risks that could potentially impact the completion of some initiatives by the planned completion dates.

ATTACHMENTS

Attachment 1 – CalPERS 2016-17 New Business Plan Initiatives
Attachment 2 – 2012-17 Strategic Plan Implementation Overview

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