

# CalPERS 2016-17 Business Plan





## Table of Contents

Business Plan Introduction.....	3
CalPERS Vision, Mission, and Core Values .....	4
Overview of the CalPERS 2012-17 Strategic Plan.....	5
CalPERS 2016-17 Business Plan	
Strategic Goal A.....	6
Strategic Goal B.....	9
Strategic Goal C.....	12



## Introduction

For more than eight decades, CalPERS has built and managed retirement and health security for people who invest their lifework in the State of California. Our Strategic and Business Plans provide us direction as we deliver on our promise to serve with the highest level of commitment.

Guided by the CalPERS Vision, Mission, and Core Values, the CalPERS 2012-17 Strategic Plan focuses on three main areas:

- Improve the sustainability of long-term pension and health benefits;
- Create an organization that is high-performing, risk-intelligent, and innovative; and
- Engage in State and national policy development to increase effectiveness and long-term sustainability of our programs.

The Business Plan is the vehicle we use to implement our Strategic direction based on the goals within our 2012-17 Strategic Plan. With this Business Plan, we are moving into the final year of our current Strategic Plan. Accomplishments for the first four years of our five-year Strategic Plan can be found in the following reports:

- [2012-17 Strategic Plan, Annual Report, 2013](#)
- [2012-17 Strategic Plan, Annual Report, 2014](#)
- [2012-17 Strategic Plan, Annual Report, 2015](#)
- [2012-17 Strategic Plan, Annual Report, 2016](#)

As we rise to meet the challenges ahead, we continue in our commitment to helping our members and employers build bright futures and live healthy lives. We are proud to serve those who serve California.

## CalPERS Vision, Mission, and Core Values

The CalPERS Vision, Mission, and Core Values are the concepts that guide us as we create our Strategic and Business Plans.

### Vision

A trusted leader respected by our members and stakeholders for our integrity, innovation, and service

### Mission

Provide responsible and efficient stewardship of the System to deliver promised retirement and health benefits, while promoting wellness and retirement security for members and beneficiaries

### Core Values

Quality | Respect | Accountability | Integrity | Openness | Balance

### CalPERS 2012-17 Strategic Plan

An overview of the goals and objectives in our Strategic Plan can be found on page five.

### CalPERS 2016-17 Business Plan

The initiatives we are working on over the next year to close out our current Strategic Plan begin on page six.

## Overview of the CalPERS 2012-17 Strategic Plan

The following is an overview of the Goals and Objectives in the Strategic Plan that shape our five-year direction:

### Goal A – Improve long-term pension and health benefit sustainability

#### Strategic Objectives:

- Fund the System through an integrated view of pension assets and liabilities
- Educate employers and other stakeholders to make informed decisions about retirement security and health care
- Deliver target risk-adjusted investment returns
- Ensure high-quality, accessible, and affordable health benefits
- Create a lifestyle of wellness among members and employers

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

#### Strategic Objectives:

- Use a focused approach to generate, test, refine, and implement new ideas
- Deliver superior, end-to-end customer service that is adaptive to customer needs
- Recruit, retain, develop, and empower a broad range of talents against organizational priorities
- Actively manage business risks with an enterprise-wide view

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

#### Strategic Objectives:

- Clarify and communicate CalPERS perspective on pension, health, and financial markets
- Provide education and engagement opportunities to shape policy agenda and expand impact

## CalPERS 2016-17 Business Plan

### Goal A – Improve long-term pension and health benefit sustainability

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

**Strategic Initiative – Actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy**

#### Business Plan Initiatives

**Investment Risk Management and Performance Attribution** – Build effective investment risk and performance attribution review and decision processes within and across asset classes to ensure risks are fully understood, intended, and compensated (June 2017)

**Risk Factor Development for Asset Liability Management** – Develop a model that identifies and analyzes risk factors driving assets and liabilities and explore the potential for risk factor-based allocation (June 2017)

**Redesign and Enhance the Actuarial Valuation System** – Redesign and enhance the Actuarial Valuation System to increase capabilities, streamline processes, and create a more robust valuation system (June 2017)

**Enhance Capital Allocation Framework** – Enhance the Capital Allocation framework through improved risk factor modeling and greater understanding and ownership of trust-level investment risk and performance (June 2017)



## Goal A – Improve long-term pension and health benefit sustainability (cont.)

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

**Strategic Initiative** – Provide employers and other stakeholders with thorough, risk-based information about the expected course and variability of future pension contribution requirements

### Business Plan Initiative

**CalPERS Pension Prefunding Trust** – Explore alternatives and provide recommendations for a funding mechanism for employers to invest in a pension prefunding trust (June 2017)

**Strategic Initiative** – Expand member and employer access to information regarding the cost and quality of health care and ways to impact those trends

### Business Plan Initiatives

**Promote Access to High-Value Health Care Services** – Explore feasibility to introduce incentives to promote access to quality and preventive services, increase treatment adherence, and adopt healthy behaviors (June 2017)

**Sustain the Growth of the California Employers' Retiree Benefit Trust Fund and Improve Service to Our Employers** – Develop and implement strategies to sustain the growth of the California Employers' Retiree Benefit Trust fund and enhance the delivery of service to our employers (June 2017)

**Provide Health Costs Education and Outreach** – Provide employers with aggregate views of health data to identify major health care costs and assess impacts (December 2016)

**Strategic Initiative** – Provide existing and prospective Long-Term Care Program policy holders with premium and other information to improve decision making

### Business Plan Initiative

**Complete Pilot to Improve Long-Term Care Hospital Transition Care for Senior Members** – Assess the specialized hospital transition care management program to improve quality and reduce hospital readmissions for Preferred Provider Organization Health Plan members with Long-Term Care policies (September 2016)

## Goal A – Improve long-term pension and health benefit sustainability (cont.)

**Strategic Objective – Deliver target risk-adjusted investment returns**

**Strategic Initiative – Implement programs and initiatives that improve investment performance and ensure effective systems, operations, and controls are in place**

Business Plan Initiatives
<b>Investment Program Long-Term Planning</b> – Explore long-term planning considerations including private assets business model, talent management, and office locations (June 2017)
<b>External Manager Monitoring, Expectations, and Reduction Strategy</b> – Develop enhanced governance and protocols to improve efficiencies and controls in assessing and engaging external managers and migrating additional asset types in house (June 2017)
<b>Enhance Business Effectiveness, Resource Allocation, and Efficiency of Investment Programs</b> – Enhance cost effectiveness, resource allocation, and efficiency of the investment program to increase net returns on assets (June 2017)
<b>Enhance Investment Platform and Controls</b> – Enhance the investment platform and internal controls environment to achieve optimum efficiency (June 2017)
<b>Investment Beliefs and Environmental, Social, and Governance (ESG) Risk Integration</b> – Develop a framework for the integration of CalPERS Investment Beliefs and ESG risk considerations into the investment decision-making process (June 2017)

## **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**

**Strategic Initiative – Adopt methodologies that empower staff to quickly test, vet, and refine ideas that improve internal and external performance and service**

### **Business Plan Initiative**

**Complete Cost Effectiveness Measurement (CEM) Evaluation and Identify Enhancements –** Evaluate and analyze CEM Benchmarking reporting data to identify the feasibility of pension administration cost savings and performance improvements (June 2017)

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

**Strategic Initiative – Promote the use of business intelligence throughout the organization to optimize customer service and delivery**

### **Business Plan Initiative**

**Improve the Use of Data to Drive Business Insights –** Provide self-service access and education to business intelligence data to support risk mitigation, planning, innovation, and organizational performance (June 2017)

**Strategic Initiative – Enhance business processes to achieve high-quality, timely, effective, and efficient customer service delivery to our members and employers**

### **Business Plan Initiatives**

**Capture Customer Feedback –** Utilize customer surveys to collect customer satisfaction data, and analyze the survey data to track and improve customer service (June 2017)

**Improve Customer Engagement and Communications –** Review core business processes and publications to enhance customer engagement and the overall end-to-end experience (June 2017)



## Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization (cont.)

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

**Strategic Initiative – Enhance business processes to achieve high-quality, timely, effective, and efficient customer service delivery to our members and employers**

### Business Plan Initiatives

**Implement Financial Literacy Education for Members** – Implement a plan to enhance members' understanding of key concepts related to financial literacy through increased education and training (June 2017)

**Implement Digital Communication Strategy** – Enhance digital communications capabilities to support outreach and communication to members, employers, and other stakeholders (June 2017)

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

**Strategic Initiative – Develop and implement a comprehensive talent management strategy that includes recruitment, knowledge transfer, succession planning, and a methodology to regularly gauge employee satisfaction**

### Business Plan Initiatives

**Emerging Leader** – Develop and implement a journey-level training program to prepare non-supervisory employees for future leadership roles (December 2016)

**Organizational Health Index** – Assess the Organizational Health Index survey results and identify and address high priority improvements to CalPERS culture (June 2017)

**Expand Diversity Program** – Develop and implement a plan to expand the Diversity and Inclusion Program to increase outreach and engagement (June 2017)

**Compensation Policy Review** – Develop recommendations to the incentive compensation programs and policies governed by the CalPERS Board of Administration (June 2017)

## Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization (cont.)

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

**Strategic Initiative – Develop a robust risk-intelligent culture through enhanced governance, risk assessment, risk assessment and mitigation, and collaboration with stakeholders**

### Business Plan Initiatives

**Master Enterprise Business Continuity Plan** – Update master Business Continuity Program that accounts for enterprise priorities and can be executed post a major disruption (December 2016)

**Align Technology Planning to Business Priorities** – Establish an approach to ensure technology planning aligns to business priorities (June 2017)

**Enhance Enterprise Compliance Capabilities and Internal Controls** – Implement enhancements to enterprise compliance capabilities and internal controls throughout the organization as described in the five-year compliance plan (June 2017)

**Enhance Cyber Security Program** – Implement risk mitigation strategies to enhance management of security events, access to information and data loss prevention to safeguard information assets (June 2017)

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

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

**Strategic Initiative – Develop a series of thought leadership initiatives that promote CalPERS priorities and policies**

### **Business Plan Initiatives**

**Enhance External Partnerships** – Develop partnerships with industry experts, the business community, employers, and stakeholders on key policy issues to strengthen awareness and understanding of CalPERS long-term strategic priorities and goals, and forge solutions in the best interests of the system's members and employers (June 2017)

**Employer Excise Tax** – Assess appropriately the impacts of excise tax and execute an outreach plan that provides stakeholders information on the excise tax policy and other Affordable Care Act components (June 2017)

