A Message from Our Board President and Chief Executive Officer

The CalPERS 2017-22 Strategic Plan is the result of a year-long collaborative process between our Board of Administration and executive team that gives us a fresh look at the next five years. Our shared goal was to build a thoughtful and relevant plan for the future.

In developing the five goals within this plan, we went through an extensive process to gain an understanding of the major risks and opportunities facing CalPERS. We gathered valuable information and feedback from a variety of internal and external stakeholders.

After analyzing this input, we could see where we were and where we needed to go. The end result was five goals – each with its own set of objectives and measures for success – that will guide us for the next half-decade. The Strategic Plan is not meant to be a detailed roadmap, but a guide to steer us over the next several years.

Another outcome of our process was a refinement of our Vision and Mission statements to make them more reflective of our purpose and direction. When we link them to our Core Values, they provide a full picture of who we are and what we stand for. We share them with you in the pages ahead.

We will continue to use our business plan as the vehicle to put the Strategic Plan into action. It gives us the flexibility to be nimble and responsive to the current environment and industry trends, while still accomplishing the goals and objectives we have established.

To our Board members, team members, and senior leaders, as well as the employer associations, labor groups, retiree and pension associations, federal representatives, health and investment business partners, and state government officials who contributed to this process, we thank you for your time and valuable input.

We encourage you to make our new Strategic Plan come alive by exploring it and finding meaningful ways to connect it with the work you do. Together, we can continue our legacy of service to California and to our members.

Sincerely,

Rob Feckner
President, CalPERS Board of Administration

Marcie Frost
Chief Executive Officer
We Serve Those Who Serve California

To achieve this, we always keep OUR VISION in focus, which is to be a respected partner, providing a sustainable retirement system and health care program for those who serve California.

We are guided to do this by OUR MISSION, which is to deliver retirement and health care benefits to members and their beneficiaries.

What drives us is our OUR CORE VALUES, which are enduring, passionate, and distinctive beliefs that inspire our culture and our priorities.

Our Vision
A respected partner, providing a sustainable retirement system and health care program for those who serve California

Our Mission
Deliver retirement and health care benefits to members and their beneficiaries

Our Core Values
Quality
Respect
Accountability
Integrity
Openness
Balance
2017-22 | Strategic Goals

**FUND SUSTAINABILITY**
Strengthen the long-term sustainability of the pension fund

Keeping our promise of a secure pension is the cornerstone of our mission. It has been the reason for our existence since 1932. Long-term sustainability of the pension fund and availability of the funds for our members when they retire are the embodiment of that promise we made 85 years ago. To fulfill this promise, we strive to deliver targeted, risk-adjusted investment returns and to keep our stakeholders engaged and educated about how we balance risks and mitigations to achieve this goal.

**HEALTH CARE AFFORDABILITY**
Transform health care purchasing and delivery to achieve affordability

We aspire to transform health care purchasing and delivery, to make it affordable while providing the best value in health care to our members. We seek to understand rising health care costs and the impact of wellness on those costs.

**REDUCE COMPLEXITY**
Reduce complexity across the enterprise

CalPERS is a large organization, but large doesn’t have to mean complicated. We will focus on streamlining our operations, processes, and procedures over the next five years. We believe this will benefit us by gains in efficiency and improve productivity among our employees. By simplifying our benefit programs, we believe we can improve service delivery, decrease costs, and reduce risk.
RISK MANAGEMENT
Cultivate a risk-intelligent organization
We need to continue our efforts to be a risk-intelligent organization. This means protecting the data of our members and employers is paramount to us. We are keenly aware of the potential risks we face, and have robust risk mitigation methods in place for use on a daily basis. We also work to make our compliance and audit processes more strategic based on risk and trend analysis.

TALENT MANAGEMENT
Promote a high-performing and diverse workforce
We want and need a high-performing and diverse workforce. To achieve this, we want to ensure that our employees have the resources they need to provide outstanding service to our members, business partners, stakeholders, and staff. We will continue to step up our efforts to recruit and empower a broad range of talented employees to meet our organizational priorities.
Strategy Map

The Strategy Map illustrates our 2017-22 goals, along with our Vision, Mission, and Core Values.

Our Vision
A respected partner, providing a sustainable retirement system and health care program for those who serve California

Our Mission
Deliver retirement and health care benefits to members and their beneficiaries

Our Core Values
Quality
Respect
Accountability
Integrity
Openness
Balance
Strengthen the Long-Term Sustainability of the Pension Fund

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

**Measure:** Funded status
**Target:** 100 percent funded with acceptable level of risk (timeframe to achieve this target is greater than 5 years)

**Measure:** Probability of PERF* falling below 50 percent funded over the next 30 years
**Target:** Decrease in the probability of the PERF funded status falling below 50 percent over a 30-year time frame

**Measure:** Probability of sharp increase in employer contribution rates
**Target:** Low probability of a single year employer contribution rate increase of 5 percent of payroll for miscellaneous or 7 percent of payroll for safety

**Measure:** Probability of high employer contribution rates
**Target:** Decrease in the probability of employer contribution rates exceeding 35 percent of payroll for miscellaneous or 55 percent of payroll for safety

**Objective:** Mitigate the risk of significant investment loss

**Measure:** Total expected fund volatility
**Target:** Total expected fund volatility is 8 percent or less (time frame to achieve this target is greater than 5 years)

* Public Employees Retirement Fund
Strengthen the Long-Term Sustainability of the Pension Fund, continued

**Objective:** Deliver target risk-adjusted investment returns

**Measure:** Annualized (3-year) excess investment returns relative to policy benchmark

**Target:** Meet or exceed the policy benchmark

**Objective:** Educate employers, members, and stakeholders on system risks and mitigation strategies

**Measure:** Stakeholder assessment survey

**Target:** Responses to survey question “I understand the risks inherent in the System and I am confident that CalPERS is taking steps to reduce the risks” will establish a baseline in the first year, followed by an upward trend in score for this question

**Objective:** Integrate environmental, social, and governance (ESG) considerations into investment decision making

**Measure:** Managers have policies and procedures (survey)

**Target:** 100 percent of internal and external managers have policies and procedures in place to integrate ESG considerations into investment decision making
Transform Health Care Purchasing and Delivery to Achieve Affordability

Objective: Restructure benefit design to promote high-value health care

Measure: Overall quality composite
   Target: Establish a baseline followed by an upward trend

Measure: Access to primary and specialty care
   Target: Establish a baseline followed by an upward trend

Measure: Total cost per member
   Target: Establish a baseline followed by a downward trend

Objective: Improve the health status of our employees, members and their families, and the communities where they live

Measure: Proportion of adults who are obese (BMI equal to or greater than 30)
   Target: 11 percent

Measure: Prevalence of diagnosed diabetes per 100 adults
   Target: 7 adults

Measure: Diabetes self-management
   Target: Establish a baseline followed by an upward trend

Measure: Mental health and well being
   Target: 7 percent for adolescents 12-17 years old with major depressive episode
   Target: 5 percent for adults 18 years and older with major depressive episode

Measure: Overall health status reported to be good, very good, or excellent
   Target: 90 percent
Transform Health Care Purchasing and Delivery to Achieve Affordability, continued

**Objective:** Reduce the overuse of ineffective or unnecessary medical care

**Measure:** Opioid prescription volume  
**Target:** Establish a baseline followed by a downward trend

**Measure:** C-section rate  
**Target:** Each hospital and/or health system will meet C-section rate of 23.9 percent, or below, for low risk, first-time, single births

**Measure:** Preventable hospitalizations per 100,000  
**Target:** 727 hospitalizations
Reduce Complexity Across the Enterprise

Objective: Simplify programs to improve service and/or reduce cost

Measure: CEM* pension administration benchmarking survey — pension complexity score
Target: Reduce the weighted average CEM complexity score by 3 percent

Measure: Benefit payment timeliness
Target: Issue 98 percent of all benefit payments within service levels timeframe

Measure: Customer satisfaction
Target: Achieve an overall satisfaction rate/customer experience for key business processes of 95 percent

Measure: Reduce number of external investment managers
Target: 100 or fewer external strategic and transition managers

Objective: Streamline operations to gain efficiencies, improve productivity, and reduce costs

Measure: CEM pension administration benchmarking survey — cost per member
Target: Reduce by 2 percent annually

Measure: Total overhead cost
Target: Reduce by 1.5-2 percent annually

Measure: Net value added
Target: Exceed the median U.S. peer on investment cost and returns

* Cost Effectiveness Measurement
Cultivate a Risk-Intelligent Organization

Objective: Enhance compliance and risk functions throughout the enterprise

Measure: Stakeholder assessment survey
Target: Responses to survey question “CalPERS has effective functions and programs to address compliance and risk” will establish a baseline in the first year, followed by an upward trend in score for this question

Measure: Employee survey
Target: Responses to the survey question “I am aware of CalPERS’ compliance and risk programs. I incorporate these functions into my daily work” will establish a baseline in the first year, followed by an upward trend in score for this question

Measure: Benchmark survey of risk and compliance awareness
Target: Top 25 percent of survey participants regarding risk and compliance awareness

Objective: Enhance cyber security program

Measure: Cyber security risk rating
Target: Annual information security assessment results are within Board approved pre-designated risk levels
Promote a High-Performing and Diverse Workforce

Objective: Recruit and empower a broad range of talents to meet organization priorities

Measure: Increase recruitment channels
Target: Increase by 25 percent

Measure: Workforce diversity
Target: Annual reporting of workplace diversity and demographics

Measure: Employee survey
Target: Responses to survey question on employee engagement will establish a baseline in the first year, followed by an upward trend in score

Objective: Cultivate robust leadership competencies and develop succession plans across the enterprise

Measure: Leadership proficiency assessments
Target: Establish a baseline, followed by an upward trend

Measure: Participation in succession planning program
Target: 50 percent participation of eligible leaders

Measure: Utilization of development plans for succession planning program
Target: 100 percent