



# Finance and Administration Committee Agenda Item 6a

February 14, 2017

**Item Name:** CalPERS 2017-2022 Strategic Plan and 2017-18 Business Plan

**Program:** Enterprise

**Item Type:** Action

## **Executive Summary**

The goal of this agenda item is to gain Board approval of the CalPERS 2017-22 Strategic Plan (Attachment 1) and 2017-18 Business Plan Initiatives (Attachment 2). These plans will commence July 1, 2017 and will allow the organization to set priorities and assist in the allocation of resources as well as align to the 2017-18 budget cycle.

## **Background**

Development of the new strategic plan was based on critical inputs and conversations throughout last year with the CalPERS Board of Administration, Executive Team, and internal and external stakeholders.

The proposed CalPERS 2017-22 Strategic Plan document includes a high level summary of the new vision and mission statements, core values, goals, objectives, measures, and targets that will guide our priorities over the next five years and allow us to measure our performance.

The proposed CalPERS 2017-18 Business Plan outlines the initiatives necessary to meet the strategic goals and objectives in the CalPERS 2017-22 Strategic Plan.

## **Analysis**

### **Strategic Plan Framework**

The plan was built using a comprehensive framework to ensure organizational success; which is outlined below:

- **Vision and Mission-** statements of intent, long term aspiration and purpose of the organization
- **Core Values-** beliefs that inspire our culture
- **Goals-** descriptive end-states that we want to achieve
- **Objectives-** how we will achieve our goals, measureable actions
- **Measures and Targets-** tracking progress of the objectives to meet our goals
- **Business Plan Initiatives-** means and major inputs by which we can accomplish the objectives

## **Strategic Plan Goals**

The 2017-22 Strategic Plan identifies five new goals for the Enterprise:

- Strengthen the long-term sustainability of the pension fund
- Transform health care purchasing and delivery to achieve affordability
- Reduce complexity across the enterprise
- Cultivate a risk-intelligent organization
- Promote a high-performing diverse workforce

## **Objectives, Measures and Targets**

Each objective will describe how we will achieve the goal; this provides the organization focused direction. As part of the strategic plan development process, 36 measures are identified and align to the objectives. These measures are central to measuring the effectiveness of meeting our goals and objectives, allocating resources, executing operations, and analyzing performance. The targets represent a commitment to pursuing a specific level and timing of results to be achieved.

Many of the measures have an established baseline and these details are highlighted within the Strategic Measures Dashboard (Attachment 4). Approximately 10 of the measure baselines are under development and are called out within the Alignment Map (Attachment 3) and the Strategic Measures Dashboard. These measures will continue to be refined and will be presented to the Board at the July off-site.

## **Business Plan Initiatives**

Each business plan initiative provides the means and major inputs to accomplish the goals and objectives of the strategic plan. The CalPERS team has identified 32 initiatives to begin the work needed to support the overall strategic direction of the organization.

## **Reporting Cycle**

A new reporting structure and approach will be introduced as we implement the 2017-22 Strategic Plan. This approach will include a quarterly reporting system that incorporates strategic measures, business plan initiatives, and other key performance indicators that support the overall success of the Enterprise. The focus of the reporting will be on exceptions and/or at-risk activities.

## **Enterprise Performance Reporting (EPR)**

The new EPR structure provides a multi-layered approach to communicating the overall health of the enterprise.

- The Alignment Map illustrates the high-level connection of the plan components and will be used to highlight what will be reported on at the committee session. This will be based on thresholds that create a range above and/or below the target.
  - Thresholds for each target will be introduced to the Board for feedback and direction at the July 2017 committee session.
- Presentations will focus on exceptions or at-risk activities, and provide root-cause analysis.
- The Strategic Measures Dashboard summarizes the measures, baselines, and targets.
- Measure Summary Pages will depict detailed information on each individual measure through visuals and narratives.

- The Business Plan Initiatives Dashboard will depict the status and progress of each initiative.
- Key Performance Indicators (KPIs) will provide a collection of performance indicators that monitor progress at the operational level.
  - KPIs are a new layer of performance measurements that the team is currently developing and these KPIs will be presented as part of the July off-site.

#### **EPR Timeline**

- **July 2017**- Present all available data related to measures, targets, and Business Plan Initiatives and introduce strategic measure thresholds and KPIs
- **February/March 2018**- Strategic Measures presentation of at-risk activities, and root-cause analysis
- **June 2018**- Business Plan Initiatives presentation of at-risk activities, and root-cause analysis
- **September 2018**- KPIs presentation of at-risk activities, and root-cause analysis

#### **Looking Ahead**

CalPERS team members will continue to reach out our external stakeholders, communicating the strategic direction, and identifying opportunities to collaborate on items of shared interest. Internally, we will be communicating and educating our team members to help them understand how their daily work connects to this new Plan.

#### **Budget and Fiscal Impacts**

Resources for the CalPERS 2017-22 Strategic Plan and 2017-18 Business Plan will be funded by redirecting existing internal resources or funds and will be requested through the annual budget planning process.

#### **Benefits and Risks**

The 2017-22 Strategic Plan will set a strategic direction for the enterprise for the next five years, assisting in the allocation of resources and communication of CalPERS' goals and objectives. The Plan is specifically designed to address the most significant risks and opportunities facing CalPERS, and will be regularly reviewed to respond to a changing environment.

The CalPERS 2017-18 Business Plan aligns with the CalPERS 2017-22 Strategic Plan. The alignment of operational activities with long-term strategic goals provides focus and clarity. This allows us to prioritize and guide our work as we keep the strategic plan at the forefront of our planning process.

**Attachments**

Attachment 1 – Proposed 2017-22 Strategic Plan

Attachment 2 – Proposed 2017-18 Business Plan Initiatives

Attachment 3 – Alignment Map

Attachment 4 – Strategic Measures Dashboard

---

**Sabrina Hutchins**

Chief

Enterprise Strategy and Performance Division

---

**Doug Hoffner**

Deputy Executive Officer

Operations and Technology