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# 2017-22 Strategic Plan

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California Public Employees' Retirement System

# A Message from Our Board President and Chief Executive Officer

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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 that will begin on July 1, 2017.

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

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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

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### 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.

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### 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.

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### 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.

## 2017-22 | Strategic Goals

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### 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.

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### 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	Integrity
Respect	Openness
Accountability	Balance



## FUND SUSTAINABILITY

### Strengthen the Long-Term Sustainability of the Pension Fund

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- Objective:** Fund the System through an integrated view of pension assets and liabilities
- 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
- Measure:** Funded status
- Target:** 100 percent funded with acceptable level of risk (timeframe to achieve this target is greater than 5 years)
- 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



## FUND SUSTAINABILITY

### Strengthen the Long-Term Sustainability of the Pension Fund

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- 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
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- 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
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- 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





## HEALTH CARE AFFORDABILITY

### Transform Health Care Purchasing and Delivery to Achieve Affordability

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Objective:	<b>Restructure benefit design to promote high-value health care</b>
Measure:	<b>Overall quality composite</b>
Target:	Establish a baseline followed by an upward trend
Measure:	<b>Access to primary and specialty care</b>
Target:	Establish a baseline followed by an upward trend
Measure:	<b>Total health care cost per member</b>
Target:	Establish a baseline followed by a downward trend
Objective:	<b>Improve the health status of our employees, members and their families, and the communities where they live</b>
Measure:	<b>Proportion of adults who are obese (BMI equal to or greater than 30)</b>
Target:	11 percent
Measure:	<b>Prevalence of diagnosed diabetes per 100 adults</b>
Target:	7 adults
Measure:	<b>Diabetes self-management</b>
Target:	Establish a baseline followed by an upward trend
Measure:	<b>Mental health and well being</b>
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:	<b>Overall health status reported to be good, very good, or excellent</b>
Target:	90 percent



## HEALTH CARE AFFORDABILITY

Transform Health Care Purchasing  
and Delivery to Achieve Affordability

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- 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

### Reduce Complexity Across the Enterprise

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- 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



## RISK MANAGEMENT

### Cultivate a Risk-Intelligent Organization

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- 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



## TALENT MANAGEMENT

### Promote a High-Performing and Diverse Workforce

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**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:** Increase the employee engagement survey score related to Diversity and Inclusion by 8 percent

**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



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