



DRAFT - Under Development

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

MISSION: Deliver retirement and health care benefits to members and their beneficiaries

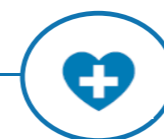
CORE VALUES: Quality, Respect, Accountability, Integrity, Openness, Balance



FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Strategic Goal	FUND SUSTAINABILITY Strengthen the long-term sustainability of the pension fund		
Measure	Measure Description	Target	Current Status As of January 20, 2017 If no changes, Current Status may become Baseline
Objective: Fund the System through an integrated view of pension assets and liabilities			
Probability of PERF falling below 50% funded over the next 30 years	Low funding levels represent risk to the members in that it shows the level of assets is not at the target level.	Decrease in the probability of the PERF funded status falling below 50% over a 30-year time frame	28% - 36% for miscellaneous 34% - 43% for safety
Probability of sharp Increase in employer contribution rates	Sharp increases in contribution rates can impose financial strain on employers and may increase the risk that employers fail to make their required contributions.	Low probability of a single year employer contribution rate increase of 5% of payroll for miscellaneous or 7% of payroll for safety	0% - 3% for miscellaneous 5% - 9% for safety
Probability of high employer contribution rates	High employer contribution rates impose significant financial stress and may increase the risk the employers will default and be unable to make their required contributions.	Decrease in the probability of employer contribution rates exceeding 35% of payroll for miscellaneous or 55% of payroll for safety	18% - 63% for miscellaneous 57% - 86% for safety
Funded status	Funded status is a measure of a pension system's health. It is measured as the market value of assets divided by the actuarial accrued liability for the PERF.	100% funded with acceptable level of risk (timeframe to achieve this target is greater than 5 years)	Projected funded status 2015-16: 68%
Objective: Mitigate the risk of significant investment loss			
Total expected fund volatility	This measure is derived through the capital market assumption process used in ALM.	Total expected fund volatility is 8% or less (timeframe to achieve this target is greater than 5 years)	Current ALM capital market assumption measurement of 10.83%
Objective: Deliver target risk-adjusted investment returns			
Annualized (3-year) excess investment returns relative to policy benchmark	This measure targets the effectiveness of the Investment Office in meeting the objective of achieving superior investment returns when compared against the policy benchmark.	Meet or exceed the policy benchmark	Current policy benchmark: (As of 10-31-16) 3 year is 4.9% (20 bps under)
Objective: Educate employers, members, and stakeholders on system risks and mitigation strategies			
Stakeholder assessment survey*	Further development and research around using more than just this one question for the Stakeholder Assessment Survey Example question: "I understand the risks inherent in the System and I am confident that CalPERS is taking steps to reduce the risks."	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	Survey development in process
Objective: Integrate environmental, social, and governance considerations into investment decision making			
Managers have policies and procedures (survey)	A new measure, with pilot phase completed and reported in the December 2016 Investment Committee. Prospectively, the Investment Office's new Investment Manager Engagement Program (IMEP) will monitor and report asset classes' progress on establishing and implementing documented procedures for integrating sustainability considerations throughout the lifecycle of investments by internal and external managers.	100% of internal and external managers have policies and procedures in place to integrate ESG considerations into investment decision making	Pilot phase completed and reported in December 2016. IMEP will monitor and report as procedures are established and implemented.



HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Strategic Goal			
Measure	Measure Description	Target	Current Status <small>As of January 20, 2017 If no changes, Current Status may become Baseline</small>
Objective: Restructure benefit design to promote high value health care			
Overall quality composite*	A framework that combines several HEDIS-like indicators into a single composite score that reflects quality of care across a variety of domains with a single metric.	Establish a baseline followed by an upward trend	On a scale of 1-10, 81% of respondents rated quality at 8 or above
Access to primary and specialty care*	The “Getting Care Quickly” composite measure provides insight into how accessible health care is for enrollees who need immediate care and routine care.	Establish a baseline followed by an upward trend	Need to decide on how to combine scores of 3 questions
Total health care cost per member*	Total cost of care per member per month indicates the average risk-adjusted costs borne by health plans and their members.	Establish a baseline followed by a downward trend	\$521.92 (allowed amount PMPM for basic plans)
Objective: Improve the health status of our employees, members and their families, and the communities where they live			
Proportion of adults who are obese (BMI equal to or greater than 30)	Obesity is associated with higher rates of chronic health conditions, making this an excellent population health measure. BMI has been shown to be a reasonably proxy for obesity.	11%	28.6%
Prevalence of diagnosed diabetes per 100 adults	Diabetes is a major cause of heart disease, kidney failure, blindness, stroke, and death. People with diagnosed diabetes, on average, have medical expenditures approximately 2.3 times higher than what expenditures would be in the absence of diabetes.	7 adults	13.34 adults
Diabetes self-management*	This measure assesses percentage of enrollees with diabetes performing daily self-monitoring of blood glucose levels.	Establish a baseline followed by an upward trend	58.33% of respondents indicate that they check their blood for glucose or sugar at least once a day
Mental health and well being	Poor mental health is associated with rapid social change, stressful work conditions, gender discrimination, social exclusion, unhealthy lifestyle, risks of violence, and physical ill-health. Depression may cause changes in sleep, appetite, energy level, concentration, daily behavior, or self-esteem. This measure assesses the proportion of adults and adolescents with a major depressive episode.	7% for adolescents 12-17 years old with major depressive episode 5% for adults 18 years and older with a major depressive episode	12-17 years old: 5.1% 18 years and older: 6.3%
Overall health status reported to be good, very good, or excellent	An extensive body of international research demonstrates that this single question measure is significantly and independently associated with specific health problems, use of health services, changes in functional status, recovery from episodes of ill health, mortality, and sociodemographic characteristics.	90%	89% of respondents rate their overall health status as good, very good, or excellent
Objective: Reduce the overuse of ineffective or unnecessary medical care			
Opioid prescription volume*	Prescription opioid misuse is a public health problem that can lead to long-term health consequences, including limitations in daily activity, impaired driving, mental health problems, trouble breathing, overdose, and death.	Establish a baseline followed by a downward trend	645,699
C-section rate	Although cesarean births can be life saving and medically optimal, far too many are performed for non-medically indicated reasons, and the rise in these procedures has resulted in significant health, social and economic costs for American women, their babies, and the general public.	Each hospital and/or health system will meet C-section rate of 23.9% or below for low risk, first time, single births	Estimation of the primary C-section rate is still in progress. Need to determine whether the strategic measure is for C-section overall or primary cesarean rate.
Preventable hospitalizations, per 100,000	Measuring potentially avoidable hospital admissions may identify adverse outcomes related to the mismanagement of chronic conditions, which has both cost and quality implications.	727 hospitalizations	3,023 hospitalizations



REDUCE COMPLEXITY

Reduce complexity across the enterprise

Strategic Goal			
Measure	Measure Description	Target	Current Status <small>As of January 20, 2017 If no changes, Current Status may become Baseline</small>
Objective: Simplify programs to improve service and/or reduce cost			
CEM pension administration benchmarking survey -- pension complexity score	Total complexity score equals the weighted average of the complexity by cause, before scaling, from the annual CEM Pension Administration Benchmarking Survey.	Reduce the weighted average CEM complexity score by 3%	71 (weighted average) for 2015
Benefit payment timeliness	Captures the timeliness of four essential customer benefit payment streams: Service Retirement, Refunds, Disability Retirement, and Survivor Benefits. Timely payments are essential to a positive customer experience.	Issue 98% of all benefit payments within service levels timeframes	90% as of November 2016
Customer satisfaction	Consolidates various customer surveys into categories according to the topic they measure. The combined scores of the categories make up the overall score for the measure.	Achieve an overall satisfaction rate/customer experience for key business processes of 95%	86% as of November 2016
Reduce number of external investment managers	Based on the data from the Investment Manager Engagement Program, reduce the number of strategic, and transition external managers.	100 or fewer external strategic and transition managers	160
Objective: Streamline operations to gain efficiencies, improve productivity, and reduce costs			
CEM pension administration benchmarking survey – cost per member	From the annual CEM Pension Administration Benchmarking Survey, reduce cost per member, exclusive to pension administration, and does not include health and investment.	Reduce by 2% annually	Data from end of FY2016-17 used to calculate
Total overhead cost	Total overhead costs calculated for pension administration and health.	Reduce by 1.5-2% annually	Data from end of FY2016-17 used to calculate
Net value added	Net value added relative to an appropriate peer universe median return adjusted for composition of asset allocation and after expenses.	Exceed the median U.S. peer on investment cost and returns	2014: 5-year net value add: -0.1% 2014: 3-year net value add: -0.1% 2014: 1-year net value add: -0.018% *Note: data is one-year lagged



RISK MANAGEMENT

Cultivate a risk-intelligent organization

Strategic Goal			
Measure	Measure Description	Target	Current Status <small>As of January 20, 2017 If no changes, Current Status may become Baseline</small>
Objective: Enhance compliance and risk functions throughout the enterprise			
Stakeholder assessment survey*	Annual stakeholder survey to members, employers, and other stakeholder groups. Establish baseline in 2016 survey. Example question: "CalPERS has effective functions and programs to address compliance and risk."	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	Working to establish baseline
Employee survey*	Annual employee survey. Establish baseline in 2017 survey. Example question: "I am aware of CalPERS compliance and risk programs. I incorporate these functions into my daily work."	Responses to 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	Working to establish baseline
Benchmark survey of risk and compliance awareness	Pension Compliance Workgroup does annual survey and supplies benchmarking reporting for participants.	Top 25 percent of survey participants regarding risk and compliance awareness	First time survey (baseline TBD)
Objective: Enhance cyber security program			
Cyber security risk rating	Annual cyber security assessment conducted by qualified third party.	Annual information security assessment results are within Board-approved pre-designated risk levels	Closed session in March



TALENT MANAGEMENT

Promote a high-performing and diverse workforce

Strategic Goal			
Measure	Measure Description	Target	Current Status <small>As of January 20, 2017 If no changes, Current Status may become Baseline</small>
Objective: Recruit and empower a broad range of talents to meet organization priorities			
Increase recruitment channels	Increase the number of channels used to broadcast open positions across the enterprise. Baseline inventory will be established in 2016.	Increase by 25%	Working to establish baseline inventory
Workforce diversity	Enhance and promote Diversity and Inclusion and work to achieve and maintain established target. Example question: "CalPERS fosters a work environment that values individual differences and contributions."	Increase the employee engagement survey score related to Diversity and Inclusion by 8% by 2022	Based on the 2016 OHI survey results, 60% of team members agree that CalPERS fosters a work environment that values individual differences and contributions. There is an opportunity to increase that to 100% through enterprise Diversity and Inclusion efforts.
Employee survey*	Enhance employee engagement and work to achieve and maintain established targets.	Responses to survey question on employee engagement will establish a baseline in the first year, followed by an upward trend in score	This measure will capture the engagement drivers and overall engagement score to identify areas of improvement. Data from the first engagement survey conducted in 2017 will be compared to the 2016 survey results.
Objective: Cultivate robust leadership competencies and develop succession plans across the enterprise			
Leadership proficiency assessments*	Increased proficiency in leadership competencies as identified in 360 assessments.	Establish a baseline, followed by an upward trend	This measure will be reported as the percentage of participants with an increase in overall proficiency. No data will be available until Executive program participants are re-evaluated in Spring/Summer 2017 and Senior Leader program participants in early 2018.
Participation in succession planning program	Participation of eligible leaders in CalPERS Succession Planning Program.	50% participation of eligible leaders	25%
Utilization of development plans for succession planning program	Participants in Succession Planning Program with development plans.	100%	50% *Note: development plans are currently being drafted for Senior Leader program participants

NOTE:
Shading and asterisk (*) denote measures currently under development