



Strategic Goal

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

Measure	Measure Description	Baseline	Target	Threshold
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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 employers and the members. Low funding levels will result in either high contributions or further deterioration of the funding levels. Low funding levels can lead to contribution requirements that are beyond the employer's ability to pay and a risk to the members that benefits will not be paid in full when due.	Established Fall 2017	Decrease in the probability of the PERF funded status falling below 50% over a 30-year time frame	Established Fall 2017
Probability of sharp single year increase in 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	Established Fall 2017	Low probability of a single year employer contribution rate increase of 5% of payroll for miscellaneous, or 7% of payroll for safety	Established Fall 2017
Probability of high employer contribution rates	High employer contribution rates impose significant financial stress and may increase the risk that employers will default and be unable to make their required contributions	Established Fall 2017	Decrease in the probability of employer contribution rates exceeding 35% of payroll for miscellaneous or 55% of payroll for safety	Established Fall 2017
Funded Status	Funded status is a measure of a pension system's health and is determined by dividing the market value of assets by the actuarial accrued liability. This measure will evaluate the overall funded status for the 3 major components of the PERF (65%): State (62%), Schools (68%), and Public Agency employers (66%).	Established Summer 2017	Long Term: Funded Status of 100% to be achieved over 30 years	Green: Equal to or greater than 90% funded status Yellow: 80% - 89% funded status Red: Less than 80% funded status
Projected Funded Status	Monitoring the actual vs. projected Funded Status of the PERF to determine if CalPERS' goal of 100% funding is on track	Established August 2017	Meet or exceed projected funded status based on actuarial valuation reports	Green: Greater than PY funded status - 1.0% Yellow: PY funded status -1.0% to -3.0% Red: Less than funded status -3.0%

Objective: Mitigate the risk of significant investment loss

1-year total expected fund volatility	The total (gross) risk of the Total Fund expressed in the standard deviation (1-yr) of the funds' total return distribution, expressed in percent	Established August 2017, following the release of FY 2016-17 returns	Total expected fund volatility is 8% or less	Green: Equal to or less than target of 8% Yellow: 1-50 bps excess of target Red: 51 bps or more excess of target
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Objective: Deliver target risk-adjusted investment returns

Annualized (5-year) excess investment returns relative to total fund policy benchmark	Measures annualized 5-Year excess investment returns relative to the Total Fund policy benchmark, which is a composite established by the Investment Committee-assigned asset class benchmarks and the target weights derived from the Asset Liability Management (ALM) process	Established August 2017, following the release of FY 2016-17 returns	Meet or exceed the Total Fund policy benchmark	Green: Exceed Total Fund policy benchmark Yellow: Meet or trail Total Fund policy benchmark by up to 10 bps Red: Trail Total Fund policy benchmark by 10 bps or more
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Objective: Educate employers, members, and stakeholders on system risks and mitigation strategies

Stakeholder assessment survey	Increase Stakeholder Awareness and Understanding % for Stakeholder Assessment Survey Fund	5.17 out of 7	Five-year goal: 6.2 out of 7. This target will be met through increased stakeholder engagement, proactive communications with stakeholder leadership, and continued dialogues with member and employer leaders.	Green: Annual increase of 0.21+ points Yellow: Annual increase of 0.15-0.20 points Red: Annual increase less than 0.15 points or no increase
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Objective: Integrate environmental, social, and governance considerations into investment decision making

Investment managers policies and procedures for ESG factor integration	Annual survey to determine percentage of internal and external managers that have policies and procedures articulating how environmental, social, and governance (ESG) risk and opportunity considerations are incorporated into investment processes and decisions	Baseline will be established at the end of FY 2017-18 by the INVO Investment Manager Engagement Programs (IMEP) staff responsible for central monitoring, external communication, and establishment of measurement processes and reporting	100% of internal and external investment managers have policies and procedures in place to integrate ESG factors into investment decisions	Green: Any positive progress greater than 3 managers in total count Yellow: Positive progress of 1-2 managers in total count Red: No progress
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Strategic Goal

HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Measure	Measure Description	Baseline	Target	Threshold
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	82%	90%	Green 85% + Yellow 80-84.9% Red Below 80%
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	87.8%	90%	Green 85% + Yellow 80-84.9% Red Below 80%
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	\$535.29	Control annual cost increases to Consumer Price Index for Medical Care plus 3%	Green Consumer Price Index for Medical Care plus 2.1-3% Yellow 3.1-5.0% Red 5.1% +
Objective: Improve the health status of our employees, members, and their families, and the communities where they live				
Proportion of adults who are obese	Obesity is associated with higher rates of chronic health conditions, making this an excellent population health measure. Body Mass Index (BMI) has been shown to be a reasonable proxy for obesity.	28.7%	11%	Green 11-20% Yellow 20.1-29% Red 29.1% +
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.	13.3%	7%	Green 7-10% Yellow 10.1-15% Red 15.1% +
Diabetes self-management	This measure assesses percentage of enrollees with diabetes performing daily self-monitoring of blood glucose levels	55.97%	70%	Green 60% + Yellow 50-59.9% Red Below 50%
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.	Adolescents 4.08%, Adults 6.12%	3% for adolescents 12-17 years old with major depressive episode; 5% for adults 18 years and older with a major depressive episode	Adolescents Green: 4% or less Yellow: 4-5% Red: 5% + Adults Green: 6% or less Yellow: 6-7% Red: 7% +
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 socio-demographic characteristics	88.5%	90%	Green 85% + Yellow 80-84.9% Red Below 80%
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	To be determined	600,000 followed by a downward trend	Green 600,000-625,000 Yellow 625,100-650,000 Red 650,100+
C-section rate for low risk, first time, single births	Although cesarean births can be lifesaving 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	To be determined	23.90%	Green 15-23.9% Yellow 24-31% Red 31.1% +
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	To be determined	727 hospitalizations per 100,000	Green (per 100,000) 600-700 Yellow 701-800 Red 801 +



Strategic Goal

REDUCE COMPLEXITY
Reduce complexity across the enterprise

Measure	Measure Description	Baseline	Target	Threshold
Objective: Simplify programs to improve service and/or reduce cost				
CEM pension administration benchmarking survey - pension complexity score	The total Cost Effectiveness Measurement (CEM) complexity score represents the weighted average of CEM's complexity measure by cause, before scaling, from the annual CEM Pension Administration Benchmarking Survey	71 (weighted average from 2016)	Reduce the weighted average CEM complexity score by 3 percent	Green: Reduced by 3% or more Yellow: Reduced by 2%-2.9% Red: Anything below 2% reduction
Benefit payment timeliness	This measure captures the timeliness of four payment types: Service Retirement, Refunds, Disability Retirement, and Survivor Benefits (Lump Sum and ASAP payments)	90% as of November 2016	Issue 98% of all benefit payments within service level timeframes	90% Exception reporting occurs when any individual survey performs below the 90% exception threshold
Customer satisfaction survey	This metric reflects data from our customer satisfaction surveys. Collecting satisfaction data through surveys allows us to utilize the full value of customer feedback and increases our flexibility and responsiveness to their needs.	86% as of November 2016	Achieve an overall satisfaction rate of 95%, reflecting a positive customer experience across multiple business processes	85% Exception reporting occurs when any individual survey performs below the 85% exception threshold
External investment manager reduction strategy	Annual evaluation of the number of strategic and transition external managers	151	100 or fewer external strategic and transition managers	Green: Decrease by 5 or more managers per year Yellow: Decrease by 4 or less managers per year Red: No reduction or an increase in number of managers
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	Baseline to be established in October to December 2017 (Data from end of FY2016-17 used to calculate) This measure's baseline will be established with the most recent data to provide an accurate starting point. With new employee contracts shifting operating costs it is critical that this measure start with the most relevant data available.	Reduce by 2% annually	Green: Reduced by 2% annually Yellow: Reduced by 1.5%-1.99% annually Red: Reduced by less than 1.5% annually
Total overhead cost	Total overhead costs calculated for pension administration and health	Baseline to be established in October to December 2017 (data from end of FY2016-17 used to calculate). This measure's baseline will be established with the most recent data to provide accurate starting point.	Reduce by 1.5-2% annually	Green: Reduced by 1.5%-2% annually Yellow: Reduced by 1.0%-1.49% annually Red: Reduced by less than 1.0% annually
5-year net value added	5-Year Net value added relative to an appropriate peer universe median return adjusted for composition of asset allocation and after expenses	5-year net value-added relative to an appropriate United States' (US) peer universe median return, adjusted for composition of asset allocation and after expenses, is 0%. CalPERS is cost advantaged vs our peers by 9.1 bps.	Exceed the median US peer on investment cost and returns	Green: Exceed the US peer median Yellow: Meet the US peer median Red: Fall below the US peer median



Strategic Goal

RISK MANAGEMENT

Cultivate a risk-intelligent organization

Measure	Measure Description	Baseline	Target	Threshold
Objective: Enhance compliance and risk functions throughout the enterprise				
Stakeholder assessment survey	Increase Stakeholder Awareness and Understanding % for Stakeholder Assessment Survey	5.16 out of 7	Five-year goal: 6.2 out of 7. This target will be met through increased stakeholder engagement, proactive communications with stakeholder leadership, and continued dialogues with member and employer leaders.	Green: Annual increase of 0.21+ points Yellow: Annual increase of 0.15-0.20 points Red: Annual increase less than 0.15 points or no increase
Employee survey	Annual Employee survey. Example question: "I am aware of my role in CalPERS' compliance and risk functions, and I incorporate compliance and risk practices into my decision making."	Establish a baseline after the initial survey is administered in FY 2017-18. Analysis will take approximately 2 months to complete once survey is administered.	The target will be set based on the initial survey and baseline. Enterprise Compliance (ECOM) and Enterprise Risk Management (ERMD) will set a target of an increase in X percentage of respondents agreeing with the benchmark question.	Established in FY 2017-18
Benchmark survey of risk & compliance program maturity	Compliance and risk program maturity model assessments are completed annually	Establish a baseline after the initial assessment is conducted in FY 2017-18	CalPERS risk management and compliance maturity assessment scores increase annually from the baseline set in FY 2017-18. The final targets and thresholds will be established after the initial assessment is conducted.	Established in FY 2017-18
Objective: Enhance cyber security program				
Cyber security risk rating	The total number of successful and unsuccessful blocking of attacks across the enterprise. A description of any successful attacks and their level of risk (low/medium/critical) based upon the impact of the attack. Mitigation measures provided.	Confidential	99.9% successful blocking of attacks	Confidential



TALENT MANAGEMENT

Promote a high-performing and diverse workforce

Strategic Goal

Measure	Measure Description	Baseline	Target	Threshold
Objective: Recruit and empower a broad range of talents to meet organizational priorities				
Increase recruitment channels	Increase the number of channels used to broadcast open positions across the enterprise	As of July 1, 2017, the Human Resources Division actively engages in 7 recruitment channels	Increase recruitment channels by 25%	Green: Annual increase of 2 or more channels Yellow: Annual increase of 1 channel Red: No increase
Workforce diversity & inclusion	Enhance and promote Diversity & Inclusion and work to achieve and maintain established target	On average, 62% of team members agree that CalPERS fosters a work environment that values individual experiences and contributions and educates employees that our differences are our strengths.	Increase the Engagement Survey score average related to Diversity & Inclusion by 8% by 2022	Green: Annual increase of 1.6% or more Yellow: Annual increase of 1%-1.5% Red: Annual increase of less than 1% or no increase
Engagement survey	Enhance employee engagement and work to achieve and maintain established targets	A baseline engagement measure will be determined in December 2017, after the first engagement survey is conducted in September 2017	Responses to survey questions on employee engagement will establish a baseline by December 2017, followed by an upward trend in score	Established in December 2017
Objective: Cultivate robust leadership competencies and develop succession plans across the enterprise				
Leadership proficiency assessments	Increase proficiency in leadership competencies as identified in 360 assessments.	This measure will be reported as the percentage of participants with an increase in overall proficiency. No data will be available to calculate the measure until early to mid-2018, at which time we can compare the 2017 results with a subsequent evaluation for both the executive and senior leader programs.	Once a baseline is established with data in 2018, it will be followed by an upward trend	Established in early to mid-2018
Participation in succession planning program	Participation of eligible leaders in CalPERS Succession Planning Programs	25% currently participate in the Executive and Senior Program, specifically 23% Executive participation and 27% Senior participation	50% participation of eligible leaders	Green: Annual increase of 5% or more Yellow: Annual increase of 4%-4.9% Red: Annual increase of less than 4% or no increase
Active development plans for succession planning program participants	Participants in Succession Planning Program with a completed development plan	81% of Executive and Senior program participants have a plan in place	100% participation of eligible leaders	Green: Annual increase of 3.8% or more Yellow: Annual increase of 3%-3.7% Red: Annual increase of less than 3% or no increase