
November 15, 2017**Item Name:** Enterprise Performance Reporting (EPR) – First Quarter Report**Program:** Enterprise**Item Type:** Information**Executive Summary**

This agenda item provides the first quarter report (July 1, 2017 through September 30, 2017) for the new CalPERS Enterprise Performance Reporting (EPR) system, which is comprised of Strategic Measures (Measures), Business Plan Initiatives (Initiatives), and Key Performance Indicators (KPIs). The Measures and Initiatives are part of CalPERS 2017-22 Strategic Plan, and allow us to measure progress towards achieving our strategic goals and objectives. The KPIs are the third and newest EPR component, and serve as a collection of performance indicators that measure the effectiveness of our efforts at the operational level. As a system, EPR focuses on the ongoing monitoring and reporting of all three components, and provides information as to how well the organization is progressing towards strategic goals and objectives, as well as operational targets.

The focus of this agenda item will be on At-Risk and Off-Target Measures and Initiatives (Attachment A), updates to the Health Care Affordability Measures, and Measures that have been revised since the July 2017 Board Offsite. The EPR first quarter report will also include supplemental performance data for On-Target Measures and Initiatives, as well as for the KPIs (Attachment D).

Strategic Plan

This agenda item specifically aligns to the goals and objectives in the CalPERS 2017-22 Strategic Plan, as we measure our strategic and operational progress through the duration of the plan.

Background

In early 2016, we began the journey to develop our new five-year Strategic Plan, and to refine our Mission and Vision statements. These efforts resulted in a year-long collaborative process that yielded valuable information and feedback from a variety of internal and external stakeholders. These inputs, coupled with a rigorous period of analysis, helped us identify our strategic goals - each with its own set of objectives and measures. In February 2017, the Board approved the CalPERS 2017-22 Strategic Plan, and the 2017-18 Business Plan - which serves as a vehicle to put the Strategic Plan into action.

Shortly following the passage of the Strategic Plan in February 2017, efforts began to develop the KPIs and implement the EPR system. Through collaborative working sessions with the executive team and others, KPIs were identified and developed for all areas of the organization, and the EPR system was implemented in-tandem with the commencement of the Strategic Plan on July 1, 2017.

The EPR system will provide a comprehensive view of strategic and operational performance through quarterly reports that will reflect status indicators of On-Target (green), At-Risk (yellow) and Off-Target (red), however, the presentations to the Board of Administration will focus on At-Risk and Off-Target Measures, Initiatives, and KPIs. This will include open discussions related to root-causes, as well as potential constraints and mitigation strategies currently underway. The intent of this system is to reinforce CalPERS' desire to be transparent and accountable in support of our strategic goals, objectives, and operational expectations.

As the EPR system continues to progress, the following status designations will appear on several Measures and KPIs:

- Pending refresh- a baseline is established and the metric is awaiting completion of a data refresh cycle
- Data not available- a baseline, target, or thresholds are currently not available; establishment dates have been noted on summary sheets
- Under development- efforts to solidify methodology are underway

Analysis

This agenda item will focus on three items: 1) Measures revised since the Board Offsite in July 2017; 2) Health Care Affordability Measure Updates; and 3) At-Risk and Off-Target Measures and Initiatives.

July Board Offsite Revisions

At the Board Offsite in July 2017, all three EPR components were presented to the Board for review and feedback. The presentation focused primarily on Measure baselines, targets, and thresholds, as well as on the recently developed KPIs. Based on discussion between the Board and the executive team, the following Measures have been refined in varying degrees, and additional details are included in Attachment B.

- Fund Sustainability:
 - Projected funded status
 - 1-year total expected fund volatility
 - Investment managers' policies and procedures for ESG factor integration
- Health Care Affordability:
 - Opioids – duration
 - Opioids – dose
 - Mental health and well being
 - C-section rate
 - Hospital readmissions
- Reduce Complexity:
 - CEM pension benchmarking survey – pension complexity score
 - Total overhead cost
- Talent Management:
 - Increase diverse recruitment channels
 - Proficiency in CalPERS leadership competencies
 - Internal candidates selected to fill senior and executive recruitments

Strategic Measures

The 2017-22 CalPERS Strategic Plan encompasses 37 Measures. In looking at first quarter performance data, 32 Measures are currently On-Target, pending data refresh, or in development, and eight are At-Risk or Off-Target. Additional details are included in Attachment B.



- At-Risk Measures:
 - 1-year total expected fund volatility
 - Rating of health care
- Off-Target Measures:
 - Probability of high employer contribution rates
 - Funded status
 - Adult obesity

Business Plan Initiatives

The CalPERS 2017-18 Business Plan encompasses 37 Initiatives. In looking at first quarter data, 35 Initiatives are currently On-Target, and two are At-Risk. Additional details are included in Attachment C.

- At-Risk Initiatives:
 - Alignment of Asset Liability Management (ALM)
 - Investment Beliefs and ESG risk integration

Budget and Fiscal Impacts

Resources for our strategic and operational needs were funded by existing internal resources, and by funding requested through the annual CalPERS budget planning process.

Benefits and Risks

The alignment of the Measures, Initiatives, and KPIs along with our long-term strategic goals, provides focus and clarity that prioritizes and guides our work as we keep the Strategic Plan at the forefront of our planning process. The EPR system is specifically designed to address the most significant risks and opportunities facing CalPERS, and will be regularly reviewed to respond to a changing environment.

Attachments

Attachment A – Strategic Plan Alignment Map
Attachment B – Strategic Measure Summary Sheets
Attachment C – Business Plan Initiative Summary Sheets
Attachment D – KPI Summary Sheets

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