2017-22 Strategic Plan | Strategic Measures Summary

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

EPR Second Quarter Report: Strategic Measures Summary Dashboard

The CalPERS 2017-22 Strategic Plan encompasses 37 Strategic Measures (Measures) that enable us to track our progress towards achieving our strategic goals and objectives. The Strategic Measures Summary Dashboard provides a brief synopsis of how all 37 Measures are performing for the second quarter (October 1, 2017 – December 31, 2017). Additional performance details can be found on the summary sheets for each Measure.

Second Quarter Measure Performance:
- 2 On-Target (Green)
- 24 Pending refresh
- 5 Data not available
- 5 Under development
- 1 Presented in Closed Session

Thresholds have been established for each Measure that afford us the ability to assess performance and identify whether each respective Measure is On-Target, At-Risk, or Off-Target.

Enterprise Performance Reporting – Second Quarter Status
Strategic Measures

Fund Sustainability	Q1 Status	Q2 Status	Date (Pending refresh, Data not available)	Page Number
Probability of PERF falling below 50% funded over the next 30 years	🟢	✳	August 2018	5
Probability of sharp single year increase in employer contribution rates	🟢	✳	August 2018	7
Probability of high employer contribution rates	🟥	✳	August 2018	9
Funded Status	🟥	✳	August 2018	11
Projected Funded Status	✳	✳	August 2018	13
1-year total expected fund volatility	🔺	✳	August 2018	15
Annualized (5-year) excess investment returns relative to total fund policy benchmark	🟢	✳	August 2018	16
Stakeholder assessment survey - risk	✳	✳	Febuary 2018	18
Investment managers policies and procedures for ESG factor integration	✳✳	✳✳	August 2018	20

Health Care Affordability	Q1 Status	Q2 Status	Date (Pending refresh, Data not available)	Page Number
Rating of health care	🔺	✳	August 2018	22
Access to care	🟢	✳	August 2018	23
Health care cost annual increase	✳	✳	August 2018	24
Adult obesity	🟥	✳	August 2018	25
Adult diabetes	✳	✳	August 2018	26
Diabetes self-management	🟢	✳	August 2018	27
Mental health and well being	☐	☐	April 2018	28
Self-reported overall health status	🟢	✳	August 2018	29

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

CalPERS | Enterprise Strategy and Performance Division

Enterprise Performance Reporting – Second Quarter Status
Strategic Measures

			Date	
Opioids – dose	☐	☐	April 2018	30
Opioids – duration	☐	☐	April 2018	31
C-section rate	☐	☐	July 2018	32
Hospital readmissions	☐	☐	April 2018	33

Reduce Complexity	Q1 Status	Q2 Status	Date (Pending refresh, Data not available)	Page Number
CEM - pension complexity score	✳	✳	August 2018	34
Benefit payment timeliness	🟢	🟢		35
Customer satisfaction	🟢	🟢		36
External investment manager reduction strategy	🟢	✳	May 2018	37
CEM - cost per member	✳✳	✳✳	September 2018	38
Total overhead cost	✳✳	✳✳	May 2018	39
5-year net value added	🟢	✳	May 2018	40

Risk Management	Q1 Status	Q2 Status	Date (Pending refresh, Data not available)	Page Number
Stakeholder assessment survey - compliance	✳	✳	Febuary 2018	41
Risk & compliance employee awareness survey	✳✳	✳✳	April 2018	43
Risk & compliance program maturity assessment	✳✳	✳	January 2019	44
Composite security health score within range	N/A	N/A	Reported out in closed session	46

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

CalPERS | Enterprise Strategy and Performance Division

Enterprise Performance Reporting – Second Quarter Status
Strategic Measures

Talent Management	Q1 Status	Q2 Status	Date (Pending refresh, Data not available)	Page Number
Increase diverse recruitment channels	✶	✶	July 2018	47
Workforce diversity & inclusion	🟢	✶	December 2018	49
Employee engagement survey	✶✶	✶	December 2018	50
Proficiency in CalPERS leadership competencies	✶✶	✶✶	August 2018	51
Internal candidates selected to fill senior and executive recruitments	✶	✶	August 2018	52

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✶ Pending Refresh ✶✶ Data Not Available ☐ Measure Under Development

CalPERS | Enterprise Strategy and Performance Division

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

VISION: A respected partner, providing a sustainable retirement system and health care program for those who serve California
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FUND SUSTAINABILITY
Strengthen the long-term sustainability of the pension fund

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
Associated Initiative or Project	Project – The current ALM cycle concluded in 2017, and these measures will assist in analyzing the impact of any strategic asset allocation decisions.

Measure Description:
This measure represents the likelihood of the Public Employees' Retirement Fund falling below 50 percent 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.

Baseline:
State Miscellaneous: 6%
Schools: 3%
Public Agency Miscellaneous: 5%
CHP: 15%
State POFF: 6%
Public Agency Safety: 9%

Target:
Decrease in the probability of the PERF funded status falling below 50% over a 30-year time frame

Measure Narrative Status:
Each year a model is used to estimate the probability that the funding levels will fall below 50% at some point in the next 30 years. The measure is calculated separately for six subsets of the PERF: State Miscellaneous, Schools, Public Agency Miscellaneous, CHP, State POFF, and Public Agency Safety.

It is desirable for these probabilities to be low, but they will never be zero. The probability decreases when investment returns cause the funding level to increase and vice versa, but many other factors affect this metric.

Measure Owner: Scott Terando

Refresh Frequency: Annually, August

Reporting Range: Investment returns through the most recent fiscal year end (June 30, 2017) are combined with actuarial valuation results from the prior fiscal year end (June 30, 2016) to update the measures.

Thresholds:
🟢 10% or less
🔺 10% to 20%
🟥 20% or greater

Status:

＊

Status Key   🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ＊ Pending Refresh   ＊＊ Data Not Available   ☐ Measure Under Development

Measure Narrative Status continued:

For example, a more aggressive funding policy such as shorter amortization periods, a lower amortization payment escalation rate (or level dollar amortization), or shorter "ramp" would decrease (improve) this probability, but would have a negative impact on other strategic measures.

More conservative assumptions can have a negative impact on this measure initially but a positive impact in the long run. For example, reducing the discount rate lowers the current funding levels and can increase this probability for a plan that is already close to 50 percent funded. However, if a lower discount rate means a lower likelihood of actuarial losses in the future, this probability would be expected to decrease (improve) later.

One action that causes an immediate improvement in this metric is when an employer makes an additional payment towards the unfunded liability. Public agencies continue to make additional payments and this year the State is contributing $6 billion above the required contribution.

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

VISION: A respected partner, providing a sustainable retirement system and health care program for those who serve California
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FUND SUSTAINABILITY
Strengthen the long-term sustainability of the pension fund

Objective	Fund the System through an integrated view of pension assets and liabilities
Measure	Probability of sharp single year increase in contribution rates
Associated Initiative or Project	Project – The current ALM cycle concluded in 2017, and these measures will assist in analyzing the impact of any strategic asset allocation decisions.

Measure Description:
This measure represents the likelihood of sharp single year increases 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.

Baseline:
State Miscellaneous: 0%
Schools: 0%
Public Agency Miscellaneous: 0%
CHP: 1%
State POFF: 0%
Public Agency Safety: 0%

Target:
Low probability of a single year employer contribution rate increase of 5% of payroll for miscellaneous or 7% of payroll for safety

Measure Narrative Status:
Each year a model is used to estimate the probability that the employer contribution rates will increase by 5% of payroll (7% for Safety plans) in a single year at some point in the next 30 years. The measure is calculated separately for six subsets of the PERF; State Miscellaneous, Schools, Public Agency Miscellaneous, CHP, State POFF, and Public Agency Safety.

It is desirable for these probabilities to be low, but the goal is not for these probabilities to be zero. There will always be a chance that future extraordinary and/or successive actuarial losses will require a sharp increase in employer contribution rates.

Measure Owner: Scott Terando

Refresh Frequency: Annually, August

Reporting Range: Investment returns through the most recent fiscal year end (June 30, 2017) are combined with actuarial valuation results (June 30, 2016) to update the measures.

Thresholds:
🟢 10% or less
🔺 10% to 20%
🟥 20% or greater

Status:

✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

Measure Narrative Status continued:

Increases in employer contribution rates can occur when actuarial losses (particularly investment losses) occur, or there are changes in actuarial assumptions. Unfunded liabilities from these events are amortized over extremely long periods (30 years for losses and 20 years for assumption changes) precisely to avoid sharp increases in contribution rates.

There is also a 5 year ramp up and ramp down built into the amortization schedules, which further smooths the contribution rates. Increases in employer contribution rates can also occur with a change in actuarial methodology such as shortening the amortization period. The impact on employer contribution rates would be thoroughly analyzed before making any such change.

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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

Strengthen the long-term sustainability of the pension fund

Objective	Fund the System through an integrated view of pension assets and liabilities
Measure	Probability of high employer contribution rates
Associated Initiative or Project	Project – An ALM workshop was conducted with the Board in November 2017 to evaluate potential policy portfolios that best balance the long-term investment objectives, risk appetite and tolerances (thresholds), and liquidity constraints.

Measure Description:
This measure represents the likelihood 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.

Baseline:
State Miscellaneous: 73%
Schools: 4%
Public Agency Miscellaneous: 11%
CHP: 100%
State POFF: 69%
Public Agency Safety: 78%

Target:
Decrease in the probability of employer contribution rates exceeding 35% of payroll for miscellaneous or 55% of payroll for safety

Measure Narrative Status:
Each year a model is used to estimate the probability that the employer contribution rates will exceed 35% of payroll (55% for Safety plans) at some point in the next 30 years. The measure is calculated separately for six subsets of the PERF; State Miscellaneous, Schools, Public Agency Miscellaneous, CHP, State POFF, and Public Agency Safety.

It is desirable for these probabilities to be low, but they will never be zero. The probability decreases when investment returns cause the contribution rates to decrease and vice versa, but many other factors affect this metric.

Measure Owner: Scott Terando

Refresh Frequency: Annually, August

Reporting Range: Investment returns through the most recent fiscal year end (June 30, 2017) are combined with actuarial valuation results (June 30, 2016) to update the measures.

Thresholds:
🟢 10% or less
🔺 10% to 20%
🟥 20% or greater

Status:

✳

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

Measure Narrative Status continued:

A more aggressive funding policy such as shorter amortization periods can have a negative impact on this measure initially but a positive impact in the long run. For example, amortizing gains and losses over 10 years could cause this probability to increase, because a future loss would cause a larger increase in the employer contribution rate. Eventually though, in any given year the employer would only be paying for the previous 10 years of gains and losses rather than the previous 30 years.

One action that causes an immediate improvement in this metric is when an employer makes an additional payment towards the unfunded liability. Public agencies continue to make additional payments and this year the State is contributing $6 billion above the required contribution.

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

VISION: A respected partner, providing a sustainable retirement system and health care program for those who serve California
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FUND SUSTAINABILITY
Strengthen the long-term sustainability of the pension fund

Objective	Fund the System through an integrated view of pension assets and liabilities
Measure	Funded Status
Associated Initiative or Project	Business Plan Initiative - Alignment of asset liability management Project – An ALM workshop was conducted with the Board in November 2017 to evaluate potential policy portfolios that best balance the long-term investment objectives, risk appetite and tolerances (thresholds), and liquidity constraints.

Measure Description:
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 overall Funded Status for the 3 major components of the Public Employees' Retirement Fund (PERF): State, Schools and Public Agency employers.

Baseline:
PERF: 68%
State: 66%
Schools: 70%
Public Agencies: 69%
These figures are based on the valuation data at June 30, 2016 rolled forward to 6/30/17 and are based on the new demographic assumptions and a 7% discount rate.

Target:
Long-term funded status of 100% to be achieved over 30 years

Measure Narrative Status:
The Actuarial Office will provide the Funded Status as of 6/30/2016 and the projected Funded Status as of 6/30/2017. This measure will refresh annually in August.

Measure Narrative Status continued:
The inputs for this metric are influenced by five main factors:

Measure Owner: Charles Asubonten

Refresh Frequency: Annually, August

Reporting Range: Investment returns through the most recent fiscal year end (June 30, 2017) are combined with actuarial valuation results (June 30, 2016) to update the measures.

Thresholds:
🟢 >100% Funded Status

🔺 80% to < 100% Funded Status

🟥 < 80% Funded Status

Status:

✳

Status Key	🟢 On-Target	🔺 At-Risk	🟥 Off-Target	✳ Pending Refresh	✳✳ Data Not Available	☐ Measure Under Development

- Payment of unfunded liabilities
- Actual vs. expected investment returns
- Change in actuarial methods and assumptions
- Benefit changes
- Actuarial experience

As part of the CalPERS ALM cycle, the Board will examine the current Funded Status of the system and make decisions in alignment with the goal of strengthening the long-term sustainability of the pension fund. CalPERS is also focused on reducing complexity and system costs which will contribute positively to the Funded Status of the PERF.

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Objective	Fund the System through an integrated view of pension assets and liabilities
Measure	Projected Funded Status
Associated Initiative or Project	Business Plan Initiatives – Alignment of asset liability management; Employer contracting and collection reporting; Redesign and enhance the actuarial valuation system

Measure Description:
Monitoring the actual vs. projected Funded Status of the PERF to determine if CalPERS' goal of 100% funding is on track.

Baseline:
PERF: 68%
State: 66%
Schools: 70%
Public Agencies: 69%
These figures are based on the valuation data at June 30, 2016 rolled forward to 6/30/17 and are based on the new demographic assumptions and a 7% discount rate.

Baseline for the PERF will be established annually in August using annual actuarial valuation reports.

Target:
Meet or exceed projected funded status based on actuarial valuation reports.

Measure Narrative Status:
The Actuarial Office will provide the Funded Status as of 6/30/2016 and the projected Funded Status as of 6/30/2017. This measure will refresh annually in August.

The inputs for this metric are influenced by five main factors:
- Payment of unfunded liabilities
- Actual vs. expected investment returns
- Change in actuarial methods and assumptions
- Benefit changes
- Actuarial experience

Measure Owner: Charles Asubonten

Refresh Frequency: Annually, August

Reporting Range: Investment returns through the most recent fiscal year end (June 30, 2017) are combined with actuarial valuation results (June 30, 2016) to update the measures.
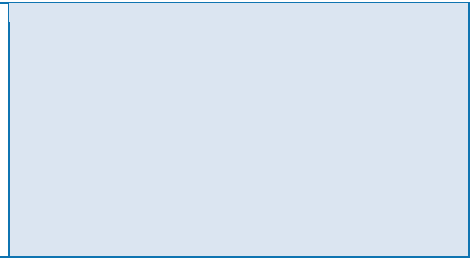
Thresholds:
🟢 Not more than 1.0% below projected funded status
🔺 1.0% - 3.0% below projected funded status
🟥 More than 3.0% below projected funded status

Status:

✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

Measure Narrative Status continued:
Annually, the Actuarial Office produces valuation reports for the State, Schools and Public Agency employers to determine minimum employer contribution requirements and the Funded Status of each plan. Because Funded Status changes slowly over time, it is important to monitor performance trends to indicate if long-term funding goals are on track.

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Objective	Mitigate the risk of significant investment loss
Measure	1-year total expected fund volatility
Associated Initiative or Project	Business Plan Initiative – Invesment risk management and performance attribution

Measure Description:
The total (gross) risk of the Total Fund expressed in the standard deviation (1-yr) of the funds' total return distribution, expressed in percent. Reported on a fiscal year-end basis, the metric will measure the expected volatility of the Total Fund returns

Baseline:
Current Barra volatility estimate for PERF is 8.3%, as of June 30, 2016

Target:
Current total expected fund volatility is 8% or less; target derived through the capital market assumption process used in the most recent Asset Liability Management (ALM) Process which is set every four years. A new target is expected to be set with the November 2017 ALM Cycle, to be effective July 1, 2018

Current target was established in 2016, when based upon expected long-term capital markets outlook and CalPERS' risk tolerance, the Investment Committee approved changes to the interim Asset Allocation Targets to reduce the Total Fund risk. *Timeframe to achieve this target is greater than 5 years.

Measure Narrative Status:
Current forecast volatility of 8.3% vs. 10.4% in prior year
- 0.5% risk reduction from asset allocation changes
- Recent low-volatility market conditions explain remainder of reduction in forecast
- Implies 24% chance of negative returns in a given year
- Growth assets, especially public equities, remain the primary drivers of total volatility
- Forecast active tracking error of 0.5% is within guidelines of 1.5%

Measure Owner: Ted Eliopoulos

Refresh Frequency: Annually, August

Reporting Range: FY 2016-17

Thresholds:

🟢 Equal to or less than the target
🔼 1- 50 basis points excess of target
🟥 51 basis points or more excess of target

Status:

✱

Status Key 🟢 On-Target 🔼 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Objective	Deliver target risk-adjusted investment returns
Measure	Annualized (5-year) excess investment returns relative to Total Fund policy benchmark
Associated Initiative or Project	Business Plan Initiatives – Enhance capital allocation framework; Enhance investment platform and controls; Investment program long-term planning

Measure Description:
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.

Reported on a fiscal year-end basis, the metric will measure the effectiveness of the Investment Office in meeting the objective of achieving superior investment performance relative to relevant targets. The actual performance generated by the portfolio is affected by both the active under- or over-weighting of the asset classes within their policy ranges, as well as the performance of the individual asset classes vs. their specified policy benchmark.

Baseline:
As of June 30, 2017, the Public Employees' Retirement Fund (PERF) outperformed the Total Fund policy benchmark by 23 bps, for the 5-year period.

Target:
Meet or exceed the Total Fund policy benchmark.

Policy benchmark weights are fixed and do not vary except by Investment Committee action, such as the approval of interim target weights.

Measure Narrative Status:
Relative to the policy benchmark, the PERF generated solid returns over the five-year period, 8.83 percent which exceeded the actuarial target of 7.5 percent, and a Total Net Rate Return of 8.83 which exceeded the policy benchmark by 23 basis points.

Measure Owner: Ted Eliopoulos

Refresh Frequency: Annually, August

Reporting Range: FY 2012-13 through FY 2016-17

Thresholds:
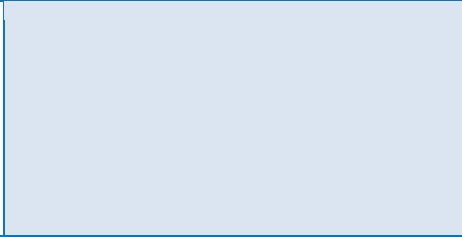🟢 Exceed Total Fund Policy Benchmark
🔺 Meet or Trail Total Fund Policy Benchmark by up to 10 basis points
🟥 Trail Total Fund Policy Benchmark by 10 basis points or more

Status:

✱

Status Key   🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

Measure Narrative Status continued:
The Investment Office executive staff developed the INVO 2020 Vision, which is a 5-year strategic plan that defines long-term direction and support of the CalPERS Strategic Plan while addressing management of the CalPERS Investment portfolio in a cost-effective, transparent, and risk-aware manner.

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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

Objective	Educate employers, members, and stakeholders on system risks and mitigation strategies
Measure	Stakeholder assessment survey - risk
Associated Initiative or Project	Business Plan Initiative – Stakeholder education on system risks & mitigation

Measure Description:

The measure scores the overall stakeholder perception of CalPERS' success in explaining and mitigating risks to the System. Data is gathered through the annual Stakeholder Perception Survey in response to the statement "I understand the risks inherent in the System and I am confident CalPERS is taking steps to reduce the risks."

Baseline:

5.17 out of 7 possible points

Target:

Five-year goal: achieve a score of 5.43 out of 7; a 5% increase from the baseline. Annual increases of 1% (0.05 points). This target will be met through continued stakeholder engagement, proactive communications with our various member/employer/retiree populations, and through focused efforts to share our risks and risk mitigation strategies.

Measure Narrative Status:

5.17 is the cumulative score for active members, employers, retired members, employer leaders, inactive members and stakeholder leaders. The breakdown of each stakeholder group is:

Segment	Mean
Active Members	5.01
Employers	5.29
Retired Members	5.48
Employer Leaders	4.86
Inactive Members	4.82
Stakeholder Leaders	4.93
Total (ALL)	**5.17**

Measure Owner: Brad Pacheco

Refresh Frequency: Annually, February

Reporting Range: January 2016 – December 2016

Thresholds: The five-year goal is an increase of 5%, giving us a target of 1% increase annually.

🟢 Annual increase of 0.05 + points

🔼 Annual increase of 0.0 - 0.04 points

🟥 Decrease from 5.17 or failure to increase 1% from the previous year

Status:

✱

Status Key   🟢 On-Target   🔼 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

Measure Narrative Status continued:
5.17 indicates that stakeholders "somewhat agree" that CalPERS is doing a good job explaining and mitigating risk.

Stakeholder sentiment is based on the work we do with them directly (communication and engagement) and perceptions they develop through exposure to media, political affiliation, their own associations, and other external factors.

The following is being done to improve upon this metric:
- Increased communication and messaging on steps being taken to ensure long-term sustainability.
- Increased engagement with senior employer leaders
- Developing additional touch points for stakeholders
- Continuing to clarify roles in the administration of pensions through editorial board meetings, op-eds and letters to the editor
- Op-ed pieces rebutting mischaracterizations
- Participation in industry conferences and events

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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

Objective	Integrate environmental, social, and governance considerations into investment decision making
Measure	Investment managers policies and procedures for ESG factor integration
Associated Initiative or Project	Business Plan Initiative – Investment beliefs and environmental, social, and governance risk integration

Measure Description:
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:
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.

Launched in May 2015, the Pilot Program trialed asset class-specific Sustainable Investment Practice Guidelines with respective internal and external investment managers. These guidelines utilized common governance elements applied across the Total Fund, such as the Investment Beliefs and Global Governance Principles, while adapted to the particular strategies of each asset class; qualitative findings were reported in December 2016.

Target:
100% of internal and external investment managers have policies and procedures in place to integrate ESG factors into investment decisions.

Measure Narrative Status:
To be reported at the end of FY 2017-18, the metric will measure total percentage of internal and external investment managers with ESG factors incorporated into investment processes and decisions.

Measure Owner: Ted Eliopoulos

Refresh Frequency: Annually, August

Reporting Range: FY 2017-18
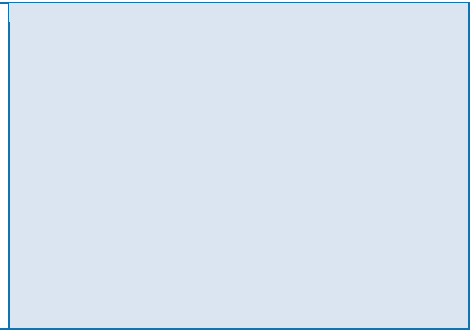
Thresholds:

🟢 80% and above

🔺 50 – 79%

🟥 Less than 50%

Status:

✳✳

Status Key: 🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✳ Pending Refresh   ✳✳ Data Not Available   ☐ Measure Under Development

Measure Narrative Status continued:

CalPERS team members continue to develop a framework to conduct an annual survey of internal/external managers on their policies and procedures related to ESG risk and opportunity considerations. This was established as a Strategic Priority in August 2016 as part of CalPERS' Environmental Social and Governance (ESG) strategy. Asset classes are continuing to refine and evolve ESG integration efforts, including continued sharing of best practices internally and amongst external investment managers.

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

Objective	Restructure benefit design to promote high-value health care
Measure	Rating of health care
Associated Initiative or Project	Business Plan Initiative – Value-based insurance design: feasibility

Measure Description:
Percent of CalPERS members who rate all their health care in the past 12 months at 8 or higher on a 0 to 10 scale with 10 being the best health care possible.

Baseline:
80.3% (survey conducted in 2016 covering experience in 2015)

Target:
90%

Measure Narrative Status:
81.9% (survey conducted in 2017 covering experience in 2016).
This metric represents the percentage of CalPERS members who rated their health care as positive. A higher percentage is considered good. Factors that can influence this measure include enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2016

Thresholds:
🟢 85% and above
🔼 80-84.9%
🟥 Below 80%

Status:

✱

Status Key 🟢 On-Target   🔼 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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

HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Objective	Restructure benefit design to promote high-value health care
Measure	Access to care
Associated Initiative or Project	Business Plan Initiative – Site of care management

Measure Description:
Percent of CalPERS members responding that they received immediate and routine care as soon as they needed it in the last 12 months.

Baseline:
86.0% (survey conducted in 2016 covering experience in 2015)

Target:
90%

Measure Narrative Status:
86.4% (survey conducted in 2017 covering experience in 2016).
This metric represents the perception of CalPERS members' access to care when needed. A higher percentage is considered good.

Factors that can influence this measure include enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2018

Thresholds:
🟢 85% +
🔺 80 – 84.9%
🟥 Below 80%

Status:

✱

Status Key 🟢 On-Track 🔺 At-Risk 🟥 Off-Track ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

Objective	Restructure benefit design to promote high-value health care
Measure	Health care cost annual increase
Associated Initiative or Project	Business Plan Intiatives – Value-based insurance design: feasibility; Pharmacy benefit design pilot; Reference pricing expansion

Measure Description:
This measure assesses the annual aggregated percent increase in premiums.

Baseline:
3.24% based on change between 2016 and 2017

Target:
Control annual premium cost increase to Consumer Price Index (CPI) for Medical care plus 3%. The amount changes annually. Between 2015 and 2016, the annual CPI for Medical Care increased 3.79%, so the target is 6.79%.

Measure Narrative Status:
This measure is pending refresh of annual CPI data. Health and claims data is received, analyzed, and utilized during the cyclical work performed by the health team to annually develop CalPERS health plan rates. This metric represents the year-over-year increases in premiums. Keeping this amount flat or on a downward trend is considered good.

Factors that can influence this measure include member utilization, unit costs, and contract negotiations based on the data, help to constrain health care costs.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2017

Thresholds:
🟢 CPI for Medical Care plus 3% or less
🔺 CPI for Medical Care plus 3.1 – 5%
🟥 CPI for Medical Care plus 5.1% or higher

Status:

✳

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

Objective	Improve the health status of our employees, members and their families, and the communities where they live
Measure	Adult obesity
Associated Initiative or Project	Business Plan Initiative – Population health alignment with *Let's Get Healthy California* taskforce report dashboard

Measure Description:
This measure assesses the percent of adult members who have a Body Mass Index (BMI) higher than 30 based on self-reported weight and height.

Baseline:
28.3% (survey conducted in 2016 covering experience in 2015)

Target:
11%

Measure Narrative Status:
28.3% (survey conducted in 2017 covering experience in 2016). This metric represents the percentage of CalPERS members who have a BMI of 30 or above based on self-reported height and weight in the annual Health Plan Member survey. A lower percentage is considered good.
Factors that can influence this measure include:
- Provider and member behavior (e.g., diet and exercise)
- Enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners. For example, obese members who have prediabetes may be eligible for Diabetes Prevention Programs that can help them to lose weight.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2016

Thresholds:
🟢 11-15%
🔺 16-20%
🟥 21% +

Status:

✴

Status Key 🟢 On-Track   🔺 At-Risk   🟥 Off-Track   ✴ Pending Refresh   ✴✴ Data Not Available   ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

Objective	Improve the health status of our employees, members and their families, and the communities where they live
Measure	Adult diabetes
Associated Initiative or Project	Business Plan Initiative – Population health alignment with *Let's Get Healthy California* taskforce report dashboard

Measure Description:
This measure assesses the prevalence of diagnosed diabetes per 100 adults.

Baseline:
13.3% (based on 2016 data)

Target:
7.0%

Measure Narrative Status:
This metric represents diabetes specific diagnosis codes reported by the health plans for Basic members. Lowering this metric is considered good.

Factors that can influence this measure include:
- Provider and member behavior (e.g., diet and exercise)
- Enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners. For example, members who have prediabetes may be eligible for Diabetes Prevention Programs that can help them prevent the onset of diabetes.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2018

Thresholds:
🟢 7-10%
🔺 10-13%
🟥 13% +

Status:

✳

Status Key: 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Objective	Improve the health status of our employees, members and their families, and the communities where they live
Measure	Diabetes self-management
Associated Initiative or Project	Business Plan Initiative – Population health alignment with *Let's Get Healthy California* taskforce report dashboard

Measure Description:
This measure assesses the proportion of diabetics who report that they check their blood glucose or sugar at least once a day.

Baseline:
67.3% (survey conducted in 2016 covering experience in 2015)

Target:
70%

Measure Narrative Status:
64.1% (survey conducted in 2017 covering experience in 2016). This metric represents the percentage of CalPERS members with diabetes who indicated that they check their blood for glucose or sugar at least once a day, based on the Annual Health Plan Member survey. A higher percentage is considered good.

Factors that can influence this measure include:
- Provider and member behavior.
- Enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners. For example, many health plans have disease management programs through which members receive advice and coaching on diabetes by telephone.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2016

Thresholds:
🟢 60% and above
🔺 50-59.9%
🟥 Below 50%

Status:

✳

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

Objective	Improve the health status of our employees, members and their families, and the communities where they live
Measure	Mental health and well being
Associated Initiative or Project	Business Plan Initiative – Population health alignment with *Let's Get Healthy California* taskforce report dashboard

Measure Description:
Poor mental health is associated with rapid social change, stressful work conditions, gender discrimination, social exclusion, unhealthy lifestyle, risk of violence, and physical ill-health.

Baseline:
Measure under development. CalPERS team members are working to select an appropriate measure, with an anticipated completion date of April 2018.

Target:
Measure under development. CalPERS team members are working to select an appropriate measure, with an anticipated completion date of April 2018.

Measure Narrative Status:
Previously-suggested measures in this area have problems; for example, data on major depressive episodes in people with depression are not available. CalPERS team members are working to select an appropriate measure, with an anticipated completion date of April 2018.

Factors that can influence this measure include:
- Provider and member behavior, access to care.
- Enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners. For example, some health plans screen members in disease management programs for depression.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2018

Thresholds:
🟢
🔺
🟥

Status:
⬜

Status Key 🟢 On-Track 🔺 At-Risk 🟥 Off Track ✳ Pending Refresh ✳✳ Data Not Available ⬜ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Objective	Improve the health status of employees, members and their families, and the communities where they live
Measure	Self-reported overall health status
Associated Initiative or Project	Business Plan Initiatives – Population health alignment with *Let's Get Healthy California* taskforce report dashboard; Partner with health plans to engage in community activities

Measure Description:
This measure assesses the proportion of CalPERS member who rate their overall health as good, very good, or excellent.

Baseline:
88.4% (survey conducted in 2016 covering experience in 2015)

Target:
90%

Measure Narrative Status:
87.8% (survey conducted in 2017 covering experience in 2016). This metric represents the percentage of CalPERS members who rated their overall health as good, very good, or excellent on the annual Health Plan Member survey. A higher percentage is considered good.

Factors that can influence this measure include enforcement of contractual requirements and collaborative efforts with CalPERS health plan partners.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January – December 2016

Thresholds:
🟢 85% and above
🔺 80-84.9%
🟥 Below 80%

Status:

✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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

Transform health care purchasing and delivery to achieve affordability

Objective	Reduce the overuse of ineffective or unnecessary medical care
Measure	Opioids – dose
Associated Initiative or Project	Business Plan Initiative – Statewide collaboration through *Smart Care California*

Measure Description:
This is a new strategic measure that captures morphine milligram equivalents (MME) per member, per year

Baseline:
Measure under development. CalPERS team members are developing the methodology to calculate the measure, with an anticipated completion date of April 2018.

Target:
Below 608

Measure Narrative Status:
The federal Centers for Disease Control and Prevention (CDC) reported that the average daily morphine milligram equivalents (MME) of opioids prescribed per capita in the United States increased from 180 in 1999, to 782 in 2010, then decreased to 640 in 2015. CalPERS team members are developing the methodology to calculate the measure, with an anticipated completion date of April 2018.

The target and thresholds where chosen on the basis of the national average minus 10%, the national average minus 5%, and the national average, but may need adjustment after CalPERS-specific data are calculated.

Reducing this measure is generally seen as good, but the appropriateness of the prescribing is the most important component.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, April

Reporting Range: January – December

Thresholds:
🟢 Below 608
🔺 608-639
🟥 640 and above

Status:
☐

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Objective	Reduce the overuse of ineffective or unnecessary medical care
Measure	Opioids - duration
Associated Initiative or Project	Business Plan Initiative – Statewide Collaboration through *Smart Care California*

Measure Description:
Prescription opioid misuse is a public health problem that can lead to long-term health consequences, including death.

Baseline:
Measure under development. CalPERS team members are currently researching the feasibility of calculating this measure using a "HEDIS-like" methodology, with an anticipated completion date of April 2018, versus selecting another measure.

Target:
Measure under development. CalPERS team members are currently researching the feasibility of calculating this measure using a "HEDIS-like" methodology, with an anticipated completion date of April 2018, versus selecting another measure.

Measure Narrative Status:
CalPERS management requested a measure related to duration of opioid use. The only known relevant nationally-accepted, common measure is the Healthcare Effectiveness Data and Information Set (HEDIS) measure "Use of Opioids at High Dosage." A new measure for 2018, this is defined as "For members 18 years and older, the rate per 1,000 receiving prescription opioids for greater than or equal to 15 days during the measurement year at a high dosage (average morphine milligram dose (MED) greater than 120mg). CalPERS team members are currently researching the feasibility of calculating this measure using a "HEDIS-like" methodology, with an anticipated completion date of April 2018, versus selecting another measure. As the measure is new, national comparative data to establish a target and thresholds will not be available until 2019.

Reducing this measure is generally seen as good, but the appropriateness of the prescribing is the most important component.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, April

Reporting Range: January – December

Thresholds:
🟢
🔺
🟥

Status:
☐

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Objective	Reduce the overuse of ineffective or unnecessary medical care
Measure	C-section rate
Associated Initiative or Project	Business Plan Initiative – Statewide Collaboration through *Smart Care California*

Measure Description:
Although cesarean births can be lifesaving and medically optimal, far too many are performed for non-medical reasons.

Baseline:
In 2016, 28.8% of all deliveries for CalPERS members were performed by C-section.

Target:
Measure under development. In January 2018, CalPERS team members inquired with Smart Care California, and there was no support for a 'not-NTSV-specific' C-section rate. We are seeking another method of addressing this objective, with an anticipated completion date of July 2018.

Measure Narrative Status:
Nationally and in California, the preferred measure for C-sections is called the "NTSV" rate. "NTSV" stands for "nulliparous" (i.e., first time), "term" (i.e., not preterm or post-term), "single" (i.e., not twins, triplets, etc.), and "vertex" (i.e., not breech) births. California has set an NTSV C-section rate target. Unfortunately, CalPERS-specific NTSV C-section data are unavailable.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January - December

Thresholds:
🟢
🔺
🟥

Status:
⬜

Status Key 🟢 On-Track 🔺 At-Risk 🟥 Off-Track ✳ Pending Refresh ✳✳ Data Not Available ⬜ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Objective	Reduce the overuse of ineffective or unnecessary medical care
Measure	Hospital readmissions
Associated Initiative or Project	Business Plan Initiative – Research and expand evidence-based medicine

Measure Description:
Reducing hospital readmissions is important because they are associated with unfavorable patient outcomes and high financial costs. Nevertheless, a measure must be chosen carefully because not all readmissions are "bad readmissions."

Baseline:
Measure under development. CalPERS team members are currently researching the feasibility of calculating this measure using a current "HEDIS-like" methodology in a way comparable with national data (e.g., HMO vs PPO), with an expected completion date of April 2018.

Target:
Measure under development. CalPERS team members are currently researching the feasibility of calculating this measure using a current "HEDIS-like" methodology in a way comparable with national data (e.g., HMO vs PPO), with an expected completion date of April 2018.

Measure Narrative Status:
CalPERS team members are currently researching the feasibility of calculating this measure using a current "HEDIS-like" methodology in a way comparable with national data (e.g., HMO vs PPO), with an expected completion date of April 2018.

Measure Owner: Liana Bailey-Crimmins

Refresh Frequency: Annually, August

Reporting Range: January - December 2018

Thresholds:
🟢
🔺
🟥

Status:
☐

Status Key   🟢 On-Track   🔺 At-Risk   🟥 Off-Track   ✳ Pending Refresh   ✳✳ Data Not Available   ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Simplify programs to improve service and/or reduce cost
Measure	CEM pension administration benchmarking survey – pension complexity score
Associated Initiative or Project	Business Plan Initiative – CEM complexity score reduction

Measure Description:
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.

Baseline:
A score of 71 (Weighted Average from 2016)

Target:
Reduce the weighted average CEM complexity score by 3 percent

Measure Narrative Status:
This annual measure compares the complexity of CalPERS business to other pension systems in our peer group. Each year CalPERS has participated in this benchmarking activity, our total relative complexity has remained the highest in CEM's global database. Some factors that contribute to our overall complexity and the performance of this measure include:
-Total number of employers: the total number of employers we serve is more than twice the peer average.
-Diversity of employers: types of employers we serve include state agencies, schools, and local public agencies.
-Diversity of programs: the wide variety of programs we administer requires that our staff spend additional time and money serving our customers to ensure they understand their individual benefits.
-Legislative environment: the passage of PEPRA (Public Employees' Pension Reform Act) and other legislation related to public pension benefits has necessitated continuing expenditures of time and money.
We are committed to assessing and identifying opportunities to reduce complexity in our business processes in an effort to gain efficiency in the services we provide to our members and business partners and reduce our overall CEM Complexity Score.

Measure Owner: Donna Lum

Refresh Frequency: Annually, August

Reporting Range: August - June

Thresholds:
🟢 Reduced by 1 % or more annually or target met
🔺 Reduced by less than 1% annually
🟥 Any increase

Status:

✳

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Simplify programs to improve service and/or reduce cost
Measure	Benefit Payment Timeliness
Associated Initiative or Project	Business Plan Initiative – Improve pension benefit payment timeliness

Measure Description:
This measure captures the timeliness of four payment types: Service Retirement, Refunds, Disability Retirement, and Survivor Benefits (Lump Sum and ASAP payments).

Baseline:
FY 2017-18, Quarter 1: 95%

Target:
Issue 95% of benefit payments within service level timeframes.

Measure Narrative Status:
This measure reflects stable performance meeting the target. We continue to closely monitor the timeliness of survivor benefits payments, which has trended upward over the past few months as we fill vacant positions and train new team members.

Measure Owner: Donna Lum

Refresh Frequency: Quarterly

Reporting Range: October 1- December 31, 2017

Thresholds:

🟢 87% or above

🔺 79-87%

🟥 Below 79%

Status:

🟢

Status Key 🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Simplify programs to improve service and/or reduce cost
Measure	Customer Satisfaction
Associated Initiative or Project	Business Plan Initiative – Customer satisfaction – actionable feedback

Measure Description:
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.

Baseline:
FY 2017-18, Quarter 1: 86%

Target:
Achieve an overall satisfaction rate of 90 percent, reflecting a positive customer experience across core business processes.

Measure Narrative Status:
Customer Services and Support (CSS) administers an extensive range of surveys, delivered online, by mail, in person, and through email measuring overall satisfaction with the core process or services we offer. Our customer satisfaction metric consistently displays on-target performance, indicating our customers' high satisfaction with the services we provide. These surveys enable us to continually refine our customer satisfaction measurement techniques through accessible, cost-effective, and inclusive surveys and leverage the feedback we receive.

Measure Owner: Donna Lum

Refresh Frequency: Quarterly

Reporting Range: October 1-December 31, 2017

Thresholds:
🟢 80% or above
🔺 70-79%
🟥 69% and below

Status:
🟢

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Simplify programs to improve service and/or reduce costs
Measure	External investment manager reduction strategy
Associated Initiative or Project	Business Plan Initiative – External manager monitoring, expectations, and reduction strategy

Measure Description:
Annual evaluation of the number of strategic and transition external managers.

Baseline:
151 external strategic and transition managers

Target:
100 or fewer external strategic and transition managers

Measure Narrative Status:
This metric examines the total population of strategic and transition external managers retained to manage assets on behalf of CalPERS. Significant progress has been made over the last year, as of September 2017, the Investment Office is on track to decrease 5 or more managers for FY 2017-18, as current count is 147 (-4 from last count). Transparent, robust, fair and competitive ongoing evaluation processes are driving this metric.

The INVO 2020 Vision, a 5-year strategic plan, focuses on reducing management fees and complexity, enhancing governance and manager expectations, and moving to fewer but more strategic partnerships.

Measure Owner: Ted Eliopoulos & Wylie Tollette

Refresh Frequency: Annually, May

Reporting Range: FY 2017-18

Thresholds:

🟢 Decrease of 5 or more managers per year

🔺 Decrease of 4 or less managers per year

🟥 No reduction, or increase in # of managers

Status:

✳

Status Key 🟢 On Track 🔺 At Risk 🟥 Off Track ✳ Pending Refresh ✳✳ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Streamline operations to gain efficiencies, improve productivity, and reduce costs
Measure	CEM pension administration benchmarking survey – cost per member
Associated Initiative or Project	Business Plan Initiatives – Develop and implement continuous process improvement framework; Reduce system costs and improve efficiencies

Measure Description:
From the annual CEM Pension Administration Benchmarking Survey, reduce cost per member, exclusively to pension administration, and does not include health and investment.

Baseline:
Baseline will be established September 2018 (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.

Target:
Reduce by 2% annually

Measure Narrative Status:
The total cost per member is calculated by taking the total members divided by the total pension overhead operating costs. There are several variables that impact the increase or decrease of these costs, including those that are out of our control. For example, if our membership numbers go down, and our operating costs remain the same, costs per member will go up. Employee salary increases drive up the costs per member, determined by collective bargaining. The Financial Office will produce a baseline based on the average of the two previous fiscal years of CEM data.

In efforts to reduce costs per member, process improvement efforts are being developed to increase efficiencies. Working cross-divisionally the Financial Office will identify enterprise cost drivers for the organization and produce a baseline report. Based on the report, the Executive team can look at assessing the members return on investment for the customer service provided and identify possible ways to reduce costs.

Measure Owner: Charles Asubonten

Refresh Frequency: Annually, September

Reporting Range: FY 2016-17

Thresholds:
🟢 Reduced by 2.0% annually

🔺 Reduced by 1.5-1.99% annually

🟥 Reduced by less than 1.5% annually

Status:

✲✲

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✲ Pending Refresh ✲✲ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

VISION: A respected partner, providing a sustainable retirement system and health care program for those who serve California
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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Streamline operations to gain efficiencies, improve productivity, and reduce costs
Measure	Total overhead cost
Associated Initiative or Project	Business Plan Initiatives – Develop and implement continuous process improvement framework; Reduce system costs and improve efficiencies

Measure Description:
Total overhead costs calculated for pension administration and health.

Baseline:
Baseline to be established in Annual Budget. This measure's baseline will be established with the most recent budget data to provide accurate starting point in May 2018.

Target:
Reduce by 1.5-2% annually

Measure Narrative Status:
Working cross-divisionally the Financial Office will work to identify enterprise cost drivers for the organization and produce a baseline report. Cost drivers can vary in significance of impact. Once a baseline is established, a root cause analysis will be conducted to determine the main drivers impacting overhead costs and a priority analysis will be used to determine which ones the enterprise will address first. By identifying and prioritizing, efforts can be made to minimize those selected cost drivers to strive for this measures target.

Data will be available in FY 2017-18, Quarter 4.

Measure Owner: Charles Asubonten

Refresh Frequency: Quarterly

Reporting Range: Quarterly

Thresholds:
🟢 Reduced by 1.5-2.0% annually
🔺 Reduced by 1.0-1.49% annually
🟥 Reduced by less than 1.0% annually

Status:

✱✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

2017-22 Strategic Plan | Strategic Measure Summary (as of 12/31/17)

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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective	Streamline operations to gain efficiencies, improve productivity, and reduce costs
Measure	5-year net value added
Associated Initiative or Project	Business Plan Initiative – Enhance business effectiveness, resource allocation, and efficency of investment programs

Measure Description:
5-year net value added relative to an appropriate peer universe median return adjusted for composition of asset allocation and after expenses.

Baseline:
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 7 bps.
Each year, INVO participates in a CEM Benchmarking (CEM) survey which independently analyzes costs against a customized peer group.

Target:
Exceed the median US peer on investment cost and returns

Measure Narrative Status:
This measure is the analysis of INVO's cost drivers and cost structure versus US peers. The most recent data available indicates CalPERS did exceed the US Peer median.

INVO is cost-advantaged compared to its US peers, primarily due to:
- o Internal management of public assets
- o Index-oriented management of 2/3 of equity portfolio
- o Lower private asset fees

Continued focus on delivering more value for cost through effective management of portfolios, resources, and technology. This includes renegotiation of external management fees and reduction of consulting and other related operating costs.

Measure Owner: Ted Eliopoulos

Refresh Frequency: Annually, May

Reporting Range: Current 5 Year Period: FY 2010-11 through FY 2014-15

Thresholds:
🟢 Exceed the US Peer median

🔺 Meet the US Peer median

🟥 Fall below the US Peer median

Status:

✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

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RISK MANAGEMENT
Cultivate a risk-intelligent organization

Objective	Enhance compliance and risk functions throughout the enterprise
Measure	Stakeholder assessment survey – compliance
Associated Initiative or Project	Business Plan Initiative – Increase enterprise-wide compliance awareness

Measure Description:
The measure scores the overall stakeholder perception of CalPERS' success in implementing functions and programs that support compliance and risk. Data is gathered through the annual Stakeholder Perception Survey in response to the statement: "CalPERS has effective functions and programs to address compliance and risk."

Baseline:
5.16 out of 7 possible points

Target:
Five-year goal: 5.43 out of 7; a 5% increase from the baseline. Annual increases of 1% (0.05 points). This target will be met through continued stakeholder engagement and the consistent demonstration of our commitment to a culture of compliance and risk as an organization and as a system.

Measure Narrative Status:
5.16 is the cumulative score for active members, employers, retired members, employer leaders, inactive members and stakeholder leaders. The breakdown of each stakeholder group is:

Segment	Mean
Active Members	5.05
Employers	5.39
Retired Members	5.24
Employer Leaders	4.92
Inactive Members	4.82
Stakeholder Leaders	5.15
Total (ALL)	**5.16**

Measure Owner: Brad Pacheco

Refresh Frequency: Annually, February

Reporting Range: January 2016-December 2016

Thresholds: The five-year goal is an increase of 5%, giving us a target of 1% increase annually.

🟢 Annual increase of 0.05 + points
🔺 Annual increase of 0.0-0.04 points
🟥 Decrease from 5.16 or increase of less than 1% from previous year

Status:

✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

Measure Narrative Status continued:

5.16 indicates that stakeholders "somewhat agree" that CalPERS has effective compliance and risk programs.

Stakeholder sentiment is driving by the communications and messages we share through our various channels and interactions.

The following is being done to improve upon this metric:

- Increased communication and messaging on steps being taken to ensure long-term sustainability.
- Increased engagement with senior employer leaders
- Developing additional touch points for stakeholders
- Continuing to clarify roles in the administration of pensions through editorial board meetings, op-eds and letters to the editor
- Op-ed pieces rebutting mischaracterizations
- Participation in industry conferences and events

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RISK MANAGEMENT
Cultivate a risk-intelligent organization

Objective	Enhance compliance and risk functions throughout the enterprise
Measure	Risk and compliance employee awareness survey
Associated Initiative or Project	Business Plan Initiatives – Increase enterprise-wide risk awareness; Increase enterprise-wide compliance awareness

Measure Description:
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."

Baseline:
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. Baseline will be established April 2018.

Target:
The target will be set based on the initial survey and baseline. Enterprise Compliance (ECOM) and Enterprise Risk Management (ERMD) will set a target that reflects a percentage increase of respondents agreeing with the benchmark question. Target will be established April 2018.

Measure Narrative Status:
The metric is the percentage of CalPERS employees, including team members, managers, and executives, that respond "Yes" to the question: "I am aware of CalPERS' compliance and risk functions, and I incorporate compliance and risk best practices into my decision making." This metric is driven by CalPERS' employee awareness and active use of the expectations, programs and resources that make up the compliance and risk functions throughout the enterprise. ECOM and ERMD implement annual plans to enhance and mature compliance and risk functions across CalPERS based on industry best practices, annual risk assessments, and recommendations from the Five-Year Compliance Plan. As part of those plans, each division has education and communication components intended to increase team member and leadership awareness and understanding of CalPERS' expectations and their personal responsibilities under the compliance and risk functions.

Measure Owner: Charles Asubonten

Refresh Frequency: Annually, February

Reporting Range: Current Fiscal Year Snapshot (i.e. first survey in FY 2017-18 will cover FY 2017-18)

Thresholds:
Thresholds will be set based on initial survey and baseline in FY 2017-18. ECOM and ERMD will establish thresholds and a final target as a, currently undetermined, percentage increase of survey respondents agreeing with the benchmark question.

Data will not be available until February 2019

Status:

✱✱

Status Key	● On-Target	△ At-Risk	■ Off-Target	✱ Pending Refresh	✱✱ Data Not Available	☐ Measure Under Development

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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RISK MANAGEMENT
Cultivate a risk-intelligent organization

Objective	Enhance compliance and risk functions throughout the enterprise
Measure	Risk and compliance program maturity assessment
Associated Initiative or Project	Business Plan Initiatives – Increase enterprise-wide risk awareness; Increase enterprise-wide compliance awareness

Measure Description: Compliance and risk program maturity model assessments are completed annually

Baseline:
The Fiscal Year 2017-18 baseline for Enterprise Compliance (ECOM) is a **2+** and Enterprise Risk Management (ERMD) is a **3** on a scale of 1 (low) to 5 (high).

Target:
CalPERS risk management and compliance maturity assessment scores are targeted to increase one point by 2021-2022, from the baseline scores set in FY 2017-18.

Measure Narrative Status:
The metrics are maturity scores for both CalPERS' risk management program and compliance program. Maturity is defined here as the degree to which risk and compliance processes have been formalized, implemented, and integrated into an organization's operations. ERMD and ECOM validated the assessments with CalPERS' Integrated Assurance Workgroup.

The metrics are driven by the level of progress made by CalPERS' to incorporate recognized compliance and risk elements and best practices into business operations and decision-making processes across the enterprise. Maturity for compliance is measured on a scale ranging from 1 (low) to 5 (high). Maturity scores are refined with a (+) or (-) to indicate intermediate levels of maturity (e.g. 1, 1+, 2-, 2, 2+, etc.). Maturity for risk is solely measured on a scale of 1 (low) to 5 (high) (no plus or minus intermediate ratings). It should be noted that the maturity assessments for compliance and risk are separate surveys and therefore the results are not comparable.

Measure Owner: Charles Asubonten

Refresh Frequency: Annually, January

Reporting Range: Current fiscal year snapshot (i.e. first assessment in FY 2017-18 will cover FY 2017-18)

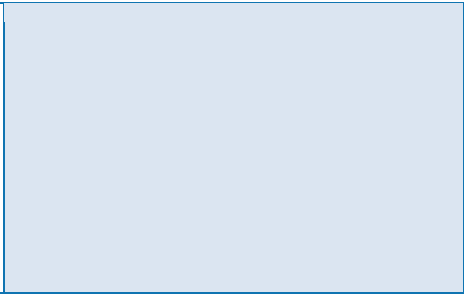**Thresholds:**
🟢 Year-over-year increase in score
🔺 No change in score

🟥 Year-over-year decrease in score

Status:

✱

Status Key   🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

Measure Narrative Status continued:

ECOM and ERMD implement annual plans to enhance and mature compliance and risk functions across CalPERS based on best practices, annual risk assessments, and recommendations from the Five-Year Compliance Plan. Additionally, CalPERS has a Three Lines of Defense model to define assurance roles and responsibilities and an Embedded Compliance and Risk Framework that guide the implementation of new and enhanced compliance and risk functions throughout the organization.

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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RISK MANAGEMENT
Cultivate a risk-intelligent organization

Objective	Continue to Evolve Cyber Security Program
Measure	Composite security health score within range **REPORTED IN CLOSED SESSON**
Associated Initiative or Project	Business Plan Initiative - Information security roadmap

Measure Description:
Information to be provided in closed session

Baseline:
Information to be provided in closed session

Target:
Information to be provided in closed session

Measure Narrative Status:
Information to be provided in closed session

Measure Owner: Doug Hoffner

Refresh Frequency: Information to be provided in closed session

Reporting Range: Information to be provided in closed session

Thresholds: Information to be provided in closed session

🟢
🔺
🟥

Status: Information to be provided in closed session

Status Key 🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✳ Pending Refresh   ✳✳ Data Not Available   ☐ Measure Under Development

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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TALENT MANAGEMENT
Promote a high-performing and diverse workforce

Objective	Recruit and empower a broad range of talents to meet organization priorities
Measure	Increase diverse recruitment channels
Associated Initiative or Project	Business Plan Initiatives – Develop and implement an expanded recruitment strategy; Expand diversity and inclusion program

Measure Description:
Increase the number of diverse channels used to broadcast open positions across the enterprise.

Baseline:
As of July 1, 2017, the Human Resources Division actively engages in 7 distinct recruitment channels:
- Online Job Board
- Social Networks
- CalPERS Brand
- Search Firms
- Print Advertisements
- Outreach Activities
- Job Notifications

Target:
Increase diverse recruitment channels by 25%

Measure Narrative Status:
To attract the most diverse and qualified applicant pool to CalPERS and engage prospective applicants in new ways, two new recruitment channels have been established.

Career Services & Outreach (CSO) has collaborated with the "Honor a Hero, Hire a Vet" organization in the past and wants to expand to additional partnerships. CSO continually increases the number of veteran recruitment partnerships and in 2017 has connected with four additional veteran organizations in the effort to increase recruitment channels. CalPERS will continue to reach out and increase the number of veteran organization partnerships to attend career fairs and promote job openings.

Measure Owner: Doug Hoffner

Refresh Frequency: Annually, July

Reporting Range: Fiscal year

Thresholds:
🟢 Increase of 25% or more channels from baseline
🔺 Increase of 14% or more channels from baseline
🟥 No increase

Status:

✱

Status Key 🟢 On-Target 🔺 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

Measure Narrative Status continued:

In addition to our Veteran recruitment partnerships, CalPERS has also established four LinkedIn Recruiter seats. This recruitment channel allows us to actively search and reach out to top qualified candidates on LinkedIn. By expanding the usage of LinkedIn Recruiter seats, CalPERS will be able to actively seek out additional candidates for hard to recruit positions. These LinkedIn Recruitment seats will be used by Executive Recruitment and Employment Services Unit to search for qualified candidates for vacancies across the enterprise.

This measure is also a Business Plan Initiative for 2017-18. In addition to expand existing recruitment channels, HRSD will also identify and add new recruitment activities within existing channels. Details in chart provided below:

Strategic Measure	Meet	Exceed	Moonshot
Current Recruitment Channels	7	7	7
New Emerging Channels	2	3	4
Planned Growth 2017-18	29%	43%	57%

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TALENT MANAGEMENT
Promote a high-performing and diverse workforce

Objective	Recruit and empower a broad range of talents to meet organization priorities
Measure	Workforce diversity & inclusion
Associated Initiative or Project	Business Plan Initiative – Expand diversity & inclusion program

Measure Description:
This measure focuses on our efforts to help foster a culture of inclusion that welcomes diversity of thought, experience, and background. We have learned that diversity within an inclusive working environment enhances the relevance of our work, increases productivity, and improves the value of services we provide. The annual Employee Engagement Survey has several specific questions aimed at gauging the success of our diversity and inclusion (D&I) efforts.

Baseline:
66% (2017) D&I Driver Employee Engagement Survey results

Target:
Increase the Engagement Survey score average related to D&I by 1.6% Annually (8% by 2022)

Measure Narrative Status:
Previous baseline utilized a different methodology. New Employee Engagement Survey methodology and baseline established 2017 will provide consistent comparison each year.

The next Employee Engagement Survey will be administered September 2018, and will provide data to refresh this measure.

Measure Owner: Brad Pacheco

Refresh Frequency: Annually, December

Reporting Range: October – September

Thresholds: Increase engagement scores related to D&I by at least 1.6% each year

🟢 Annual increase of 1.6% or more
🔺 Annual increase of 1-1.5%

🟥 Annual increase of less than 1% or no increase

Status:

✱

Status Key   🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

2017-22 Strategic Plan | **Strategic Measure Summary** (as of 12/31/17)

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TALENT MANAGEMENT
Promote a high-performing and diverse workforce

Objective	Recruit and empower a broad range of talents to meet organization priorities
Measure	Employee engagement survey
Associated Initiative or Project	Business Plan Initiative - Develop and administer team member engagement surveys

Measure Description: This measure focuses on our annual employee engagement survey which supports our efforts to foster a culture of engagement at CalPERS. The questions in the survey correspond to engagement and retention drivers, such as manager relationships, learning and development, culture, and organization potential.

Baseline: 59.5%

Target: High performing status of > 59%

Measure Narrative Status: Performance data available December 2018

Measure Owner: Doug Hoffner

Refresh Frequency: Annually, December

Reporting Range: October-September

Thresholds:
🟢 Above 59% represents high performance
🔼 40-59% represents average performance
🟥 Under 40% represents low performance

Status:

✱

Status Key 🟢 On-Target 🔼 At-Risk 🟥 Off-Target ✱ Pending Refresh ✱✱ Data Not Available ☐ Measure Under Development

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TALENT MANAGEMENT
Promote a high-performing and diverse workforce

Objective	Cultivate leadership competencies and develop succession plans across the enterprise
Measure	Proficiency in CalPERS leadership competencies
Associated Initiative or Project	Projects – Online competency-based assessment to evaluate proficiency; integration of competencies into our leadership training classes

Measure Description: Measure proficiency in CalPERS leadership competencies in a phased approach.

Baseline: Will be established in August 2018 when Year 1 efforts conclude

Target: Will be established in August 2018 for Year 1 evaluated leaders

Measure Narrative Status: Year 1 data will be available following the 2017-18 CEA Incentive Compensation calibration (July/August 2018). Year 2 data to include CEAs and Investment Office leaders will be available following the January 2019 Incentive Compensation mid-year calibration. Year 3 data to include all CalPERS leaders. Beginning of Year 4 data to be all-inclusive baseline.

Measure Owner: Doug Hoffner

Refresh Frequency: Annually, August

Reporting Range: July-June

Thresholds: Will be developed once the Baseline and Target has been established.

🟢
🔺
🟥

Status:

✳✳

Status Key 🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✳ Pending Refresh   ✳✳ Data Not Available   ☐ Measure Under Development

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TALENT MANAGEMENT
Promote a high-performing and diverse workforce

Objective	Cultivate leadership competencies and develop succession plans across the enterprise
Measure	Internal candidates selected to fill senior and executive recruitments
Associated Initiative or Project	Projects – Succession Planning Program and Leadership Development Program

Measure Description:
This current measure combines the two previously titled measures - *Participation in succession planning program* and *Active development plans for succession planning program participant* - which allows us to better measure the outcome of the strategic objective.

This measure assesses the percentage of senior and executive recruitments filled by internal candidates who participate in the competitive recruitment process.

Baseline:
In FY 2016-17, 75% of senior and executive recruitments were filled by internal candidates.

Target:
In accordance with industry best practices, 67% of recruitments should be filled by internal candidates.

Measure Narrative Status:
The target of this measure is based on the 67/33 build/buy ratio from Korn Ferry's Real World Leadership Study, which commissioned a comprehensive, global survey of views on leadership development with broad representation from a variety of international markets.

The merit process limits what we can do to affect change to this measure, but outreach efforts to include Diversity and Inclusion and building talent pools of qualified candidates with LinkedIn are some ways we engage external candidates. The Succession Planning Program and Leadership Development programs are internal factors that can contribute to the measure.

Measure Owner: Doug Hoffner

Refresh Frequency: Annually, August

Reporting Range: Fiscal year

Thresholds: Monitor and report outcomes of senior and executive recruitments

🟢 62-72%

🔺 56-61% or 73-77%

🟥 <55% or = > 78%

Status:

✱

Status Key   🟢 On-Target   🔺 At-Risk   🟥 Off-Target   ✱ Pending Refresh   ✱✱ Data Not Available   ☐ Measure Under Development

Measure Narrative Status continued:

Annual reporting, as a result of completed recruitments, will be available in August 2018. Senior and executive recruitments are classified as Division leaders at a CEA or equivalent classification and Branch leaders that are direct reports to the CEO.