

# Enterprise Management Tools

July Offsite | July 17, 2018



# Session Objectives

Item	Topic	Speaker	Time
1	EPM Background	Sabrina Hutchins	5 min
2	EPR Third Quarter Report	Executive Team	10 min
3	Year End Review	Sabrina Hutchins, Executive Team	25 min
4	CEM Report - FY 2016-17	Donna Lum	15 min
5	Lean Process Improvement	Jan Falzarano, Carene Carolan, Anthony Suine	45 min

Foundation

### MISSION

Deliver retirement and health care benefits to members and their beneficiaries

### VISION

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

### CORE VALUES

Quality, Respect, Accountability, Integrity, Openness, Balance

Strategic Goals



Outcome Measures

Reliable Steward of Funds

Customer Satisfaction Driven Organization

Open & Transparent Communication

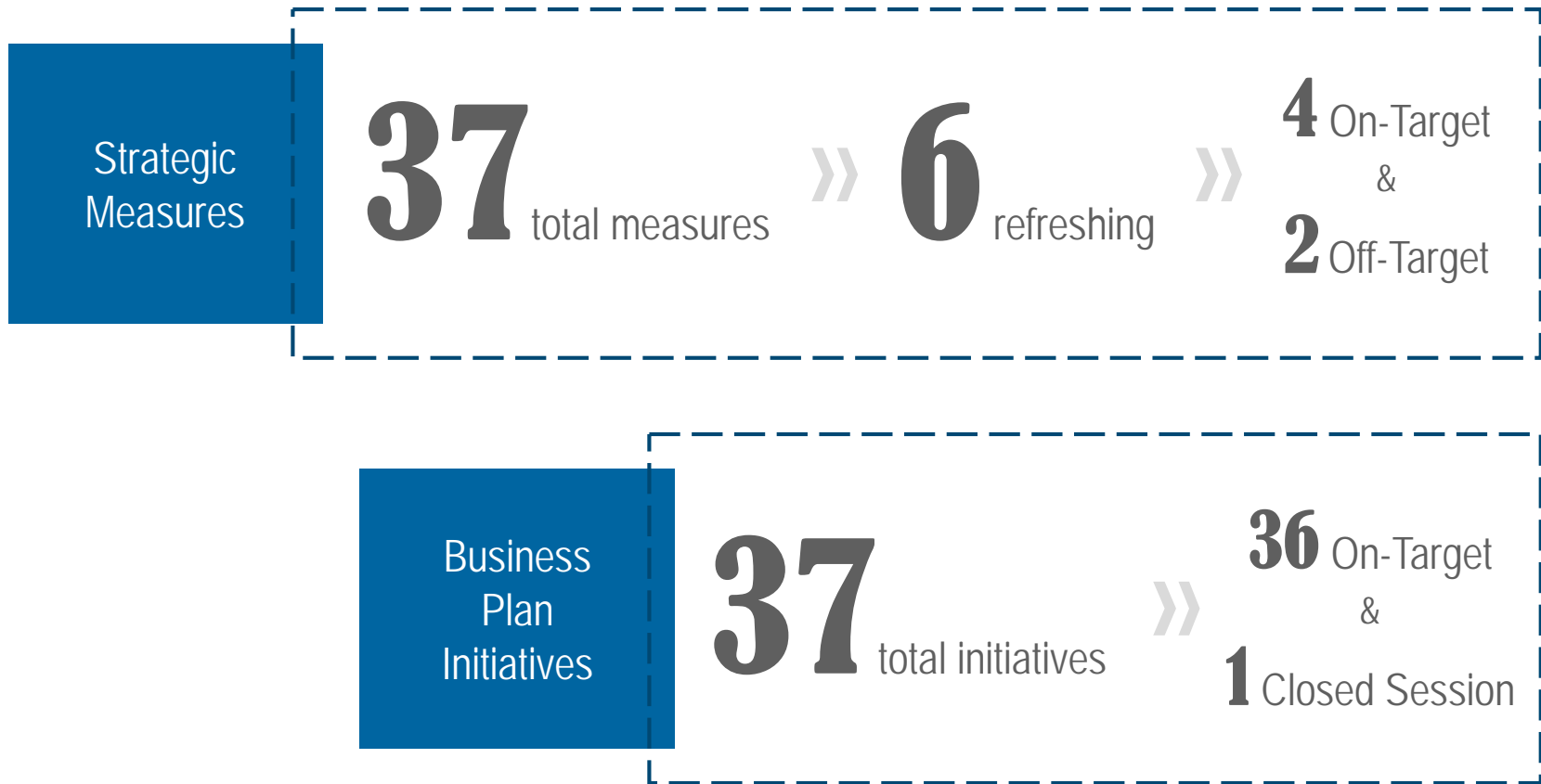
Efficient & Effective Organization

Supportive & Engaged Leadership

Team Member Engagement



## EPR State of Business – Third Quarter





## FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Educate employers, members, and stakeholders on system risks and mitigation strategies

Stakeholder assessment survey - risk

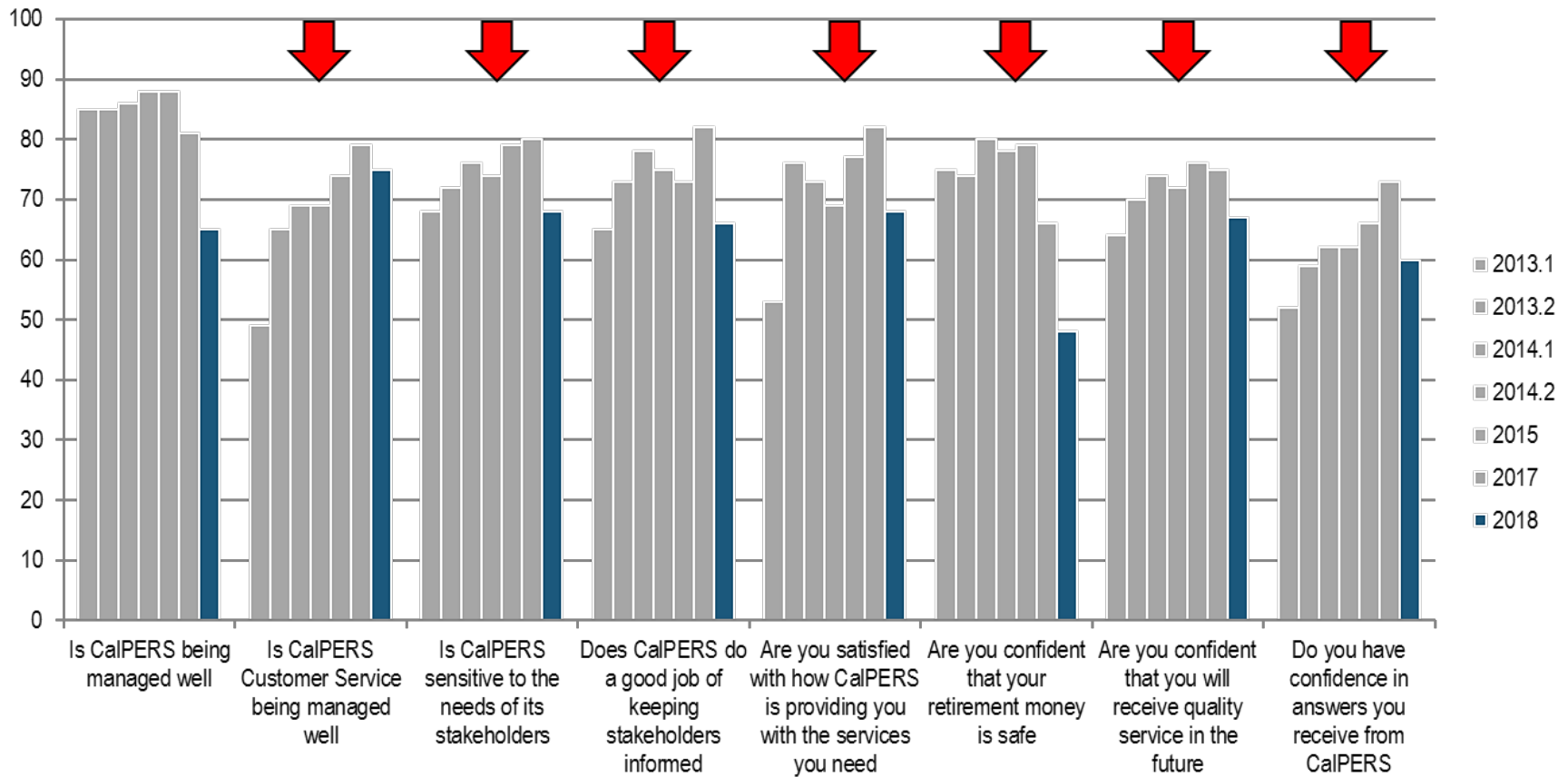
### Business Plan Initiative:

Stakeholder education on system risks & mitigation

 Off-Target Strategic Measure



# Long-Term Trend Questions – Employers





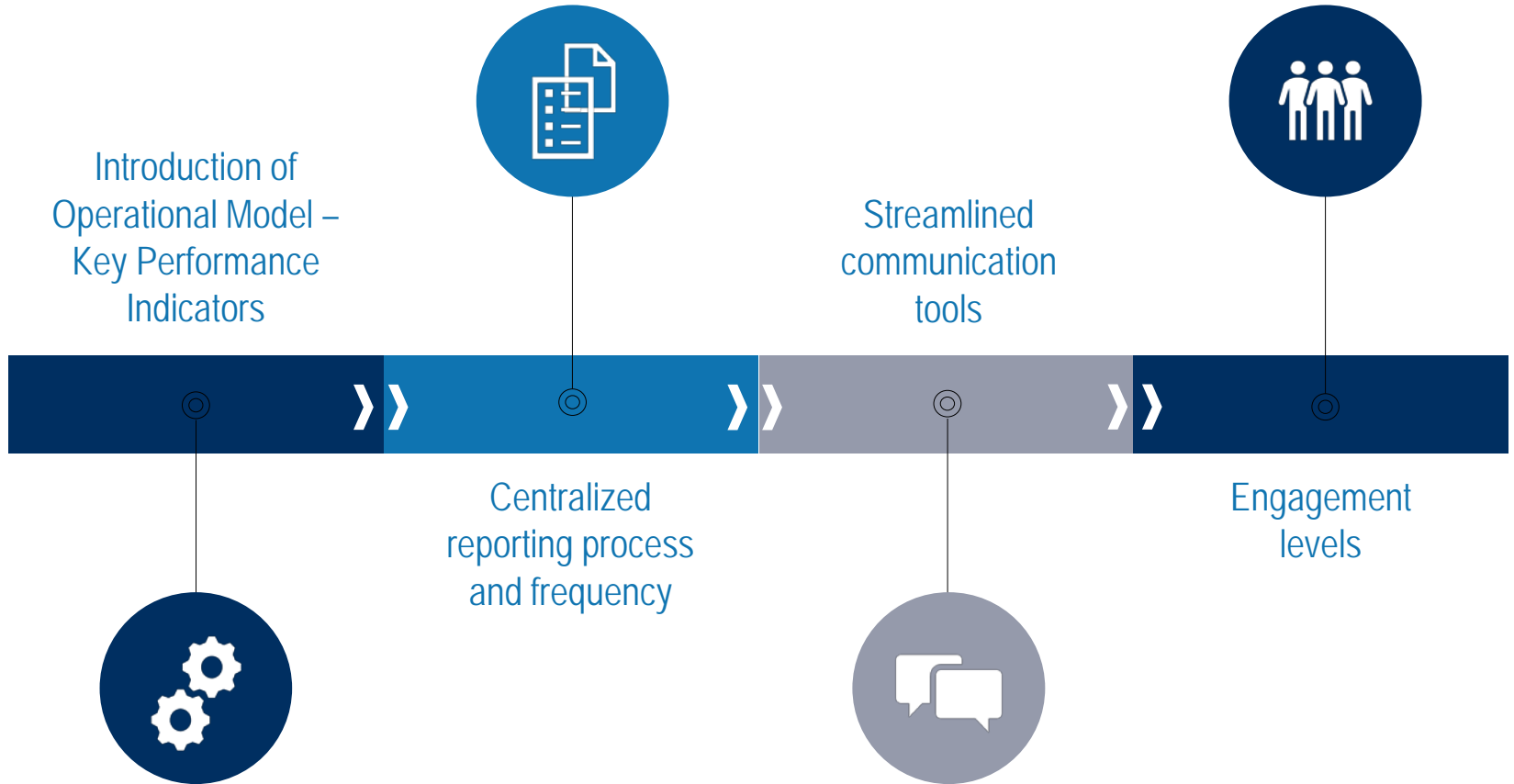
# Year End Review

EPM Maturity

Successes

Annual Revisions

# EPM Maturity





### Fund Sustainability

Strengthen the long-term sustainability of the pension fund

### Successes

Risk mitigation policy / Amortization policy

Solid foundation report / Strategic education outreach plan

ALM activities – Increased funded status

### Annual Revisions

Probability measures will move to enterprise risk measures

*New AVS advanced analytics initiative*



### Health Care Affordability

Transform health care purchasing and delivery to achieve affordability

## Successes and Updates

New health beliefs

Population health dashboard – second year

Opioids – lower than market numbers

C-sections – *Smart Care California* numbers are favorable

Mental health and well being

Hospital readmissions

## Annual Revisions

*New Acute onset lower backpain and related opioid use measure*

*New Acute onset lower backpain and physical therapy measure*

*New Spine zones encompassing all back surgeries and the high costs associated measure*

*Rating of health care, Adult obesity, Adult diabetes, and Hospital readmissions measures moving to KPIs*



## Successes

Risk and compliance awareness survey

Security awareness

## Annual Revisions

*New Compliance employee awareness survey measure*

*New Compliance program maturity assessment measure*

*New Increase compliance program maturity initiative*

*New Strategic risk measures initiative*



## Talent Management

Promote a high-performing  
and diverse workforce

## Successes

Employee engagement survey

D&I enterprise strategy

## Annual Revisions

*New Effectiveness of emerging leader program measure*

*New Implement engagement survey action items initiative*

*New Outreach activities initiative*

*New Implement 2018-22 workforce plan strategies initiative*

*New Develop leadership competencies measurement tool initiative*

*New Develop retention measures initiative*



## Successes

Reduction in CEM complexity score

Increased satisfaction

Increased benefit timeliness

Reduction in system costs

Lean process improvement framework

## Annual Revisions

*Benefit payment timeliness and Customer satisfaction measures moving to KPIs*

*New CEM information technology capability score measure*

*New Mature targeted IT capabilities initiative*

*New CEM complexity score maintenance initiative*

*New Develop IT service-level agreements initiative*

# Cost Effective Measurement (CEM) Report

Fiscal Year 2016-17



# 2017-2022 Strategic Plan



## REDUCE COMPLEXITY

Reduce complexity across the enterprise

Simplify programs to improve service and/or reduce cost

CEM pension complexity score

CEM IT capability score

External investment manager reduction strategy

Streamline operations to gain efficiencies, improve productivity, and reduce costs

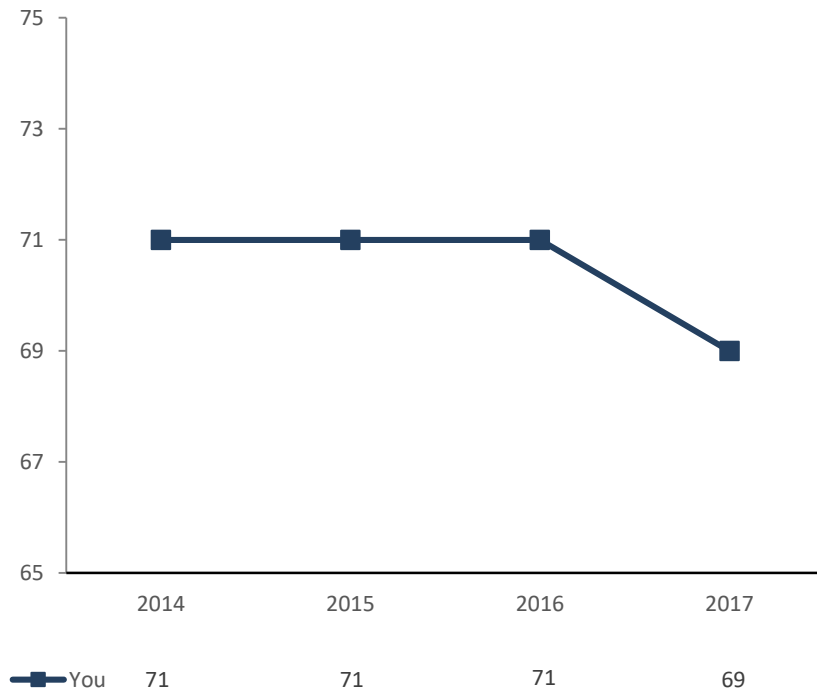
CEM cost per member

Total overhead cost

5-year net value added

# Plan Design Complexity Score

**Trend in complexity score before scaling**



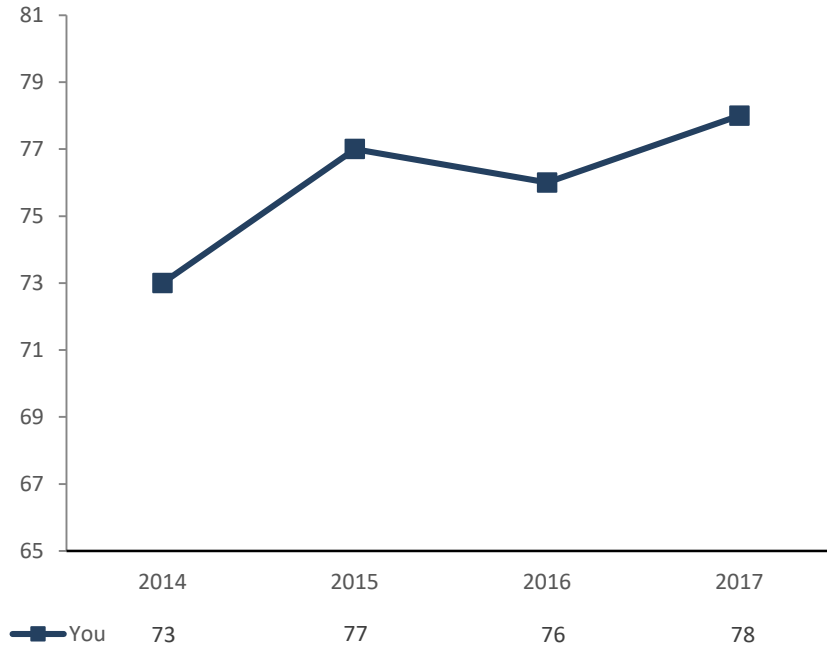
While CalPERS remains the system with the highest “relative” complexity in CEM’s global database, our score decreased by two points, driven by legislative changes to simplify payment options:

- **Pension Payment Options**
  - Retirement Options Simplification

# CEM Total Service Score: 2014 – 2017

CalPERS' service score has increased to 78, driven by improvements in:

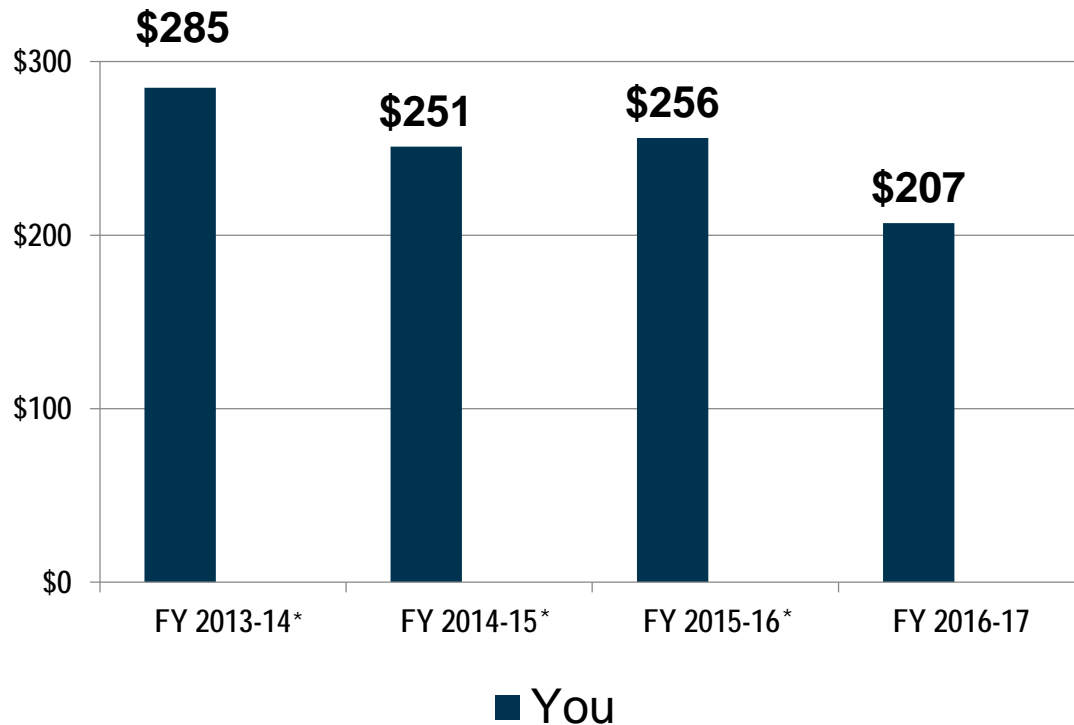
**Trend in Total Service Scores**



- **Call Center**
  - Decreased customer wait time and implemented a user-friendly redesign of our Interactive Voice Response system
- **Disability determinations**
  - Improved timeliness for returning disability decisions from 8 to 3.3 months
- **Satisfaction surveying**
  - Expanded member survey program to include additional business process surveys
- **News and targeted communication**
  - Implemented event-triggered outreach
- **Written pension estimates**
  - Enhanced estimates to include information on inflation protection and Social Security

# Per member costs are expected to decrease supporting the FY 2017-22 Strategic Plan Goal

CalPERS Cost Per Member (Active and Annuitant)

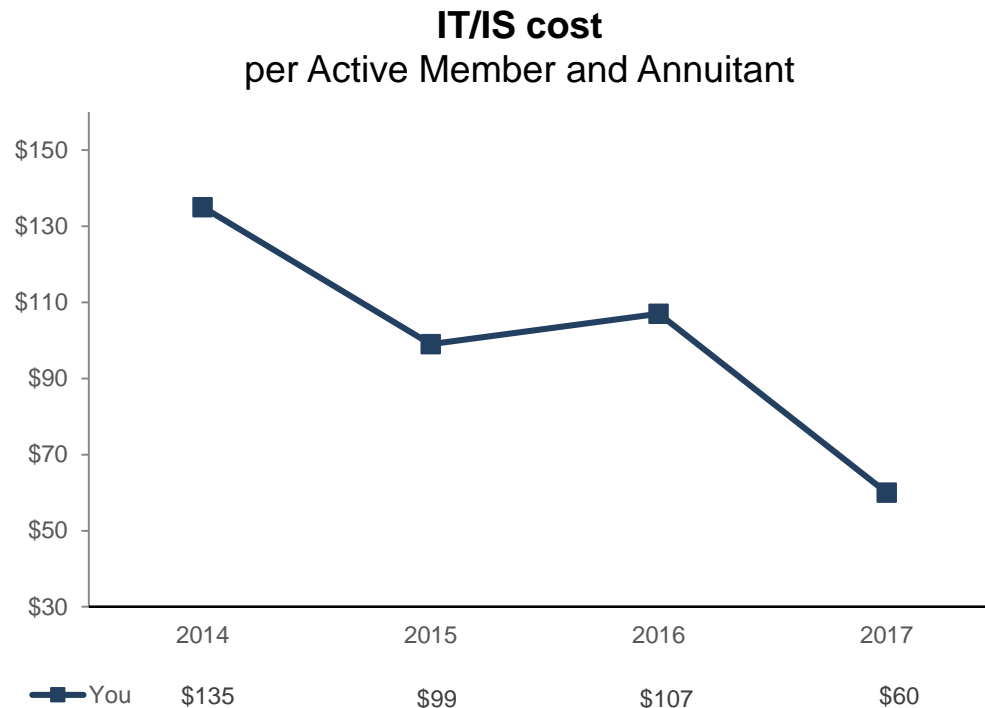


- The Strategic Plan goal is to reduce per member costs by 2% per year over the next five years.
- Pension administration costs include Administrative Operating Costs, Headquarters Building Costs and Enterprise Project Costs.\*\*

*\*Cost per member for FY 13-14, FY 14-15 and FY 15-16 has been restated due to amortization of myCalPERS costs.*

*\*\* Not included are Investment Operating Costs, External Management Fees, and costs of administering non-pension programs such as the Health and Long-term Care Program.*

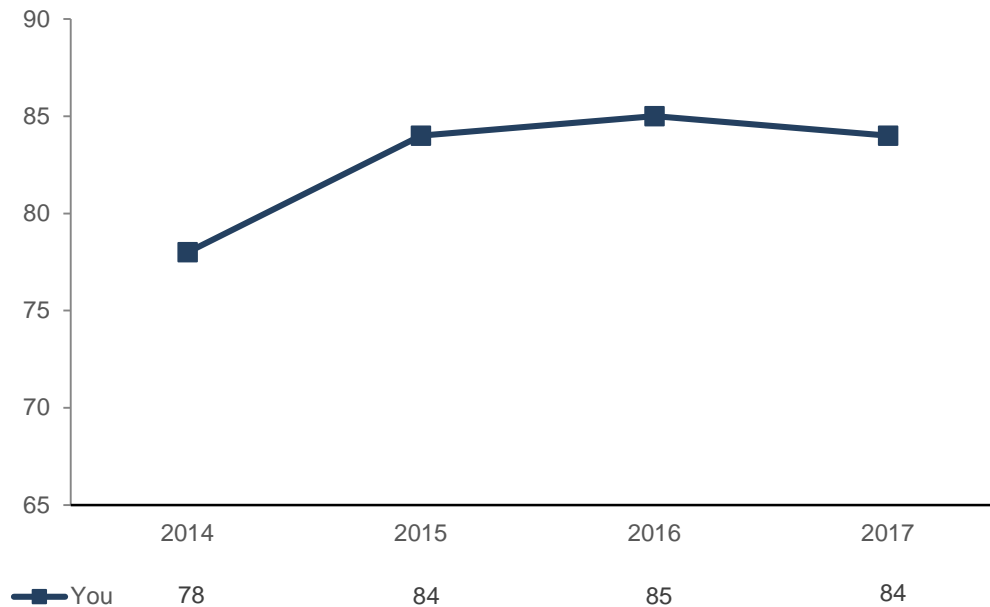
# Information Technology cost per member has declined over the past four years



- Costs continue to decrease as the my|CalPERS Functional Optimization project nears completion.
- Decreases projected to continue due to efficiencies and reduced operating costs.

# Information Technology Capability

**CRM/IT Capability Score**



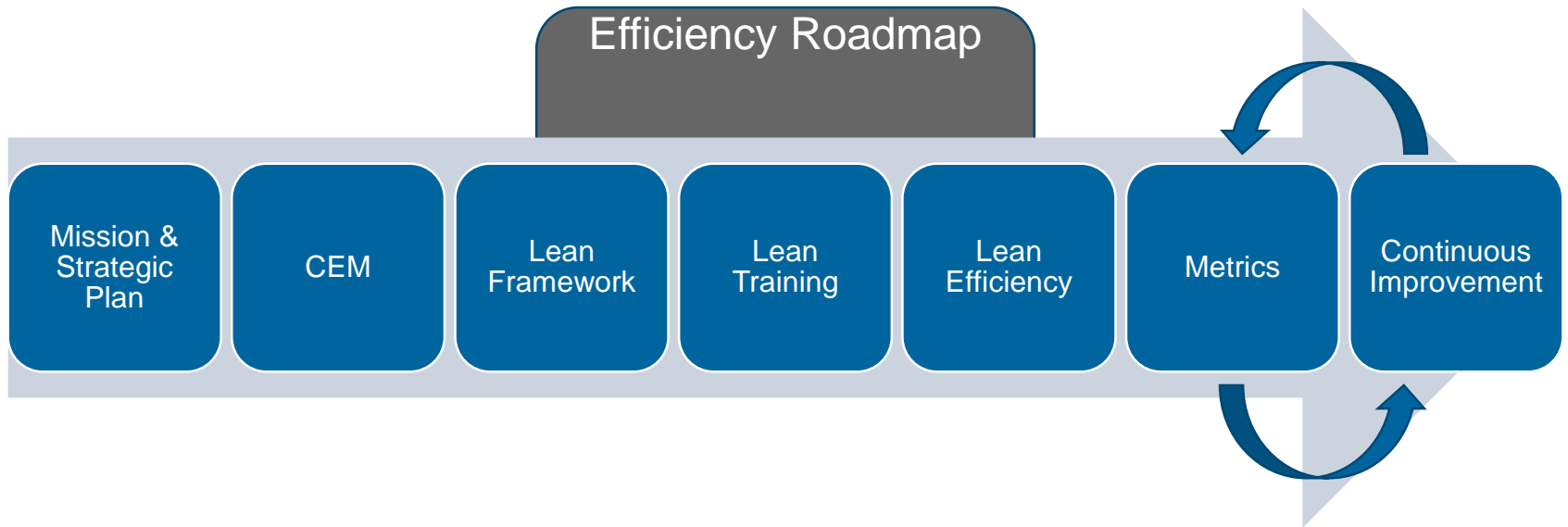
- The CalPERS Strategic Measure is to maintain CRM/IT Capabilities between 80-90.
- CRM/IT Capability Score of 84 is above peer median of 82 and has remained relatively consistent the past four years.



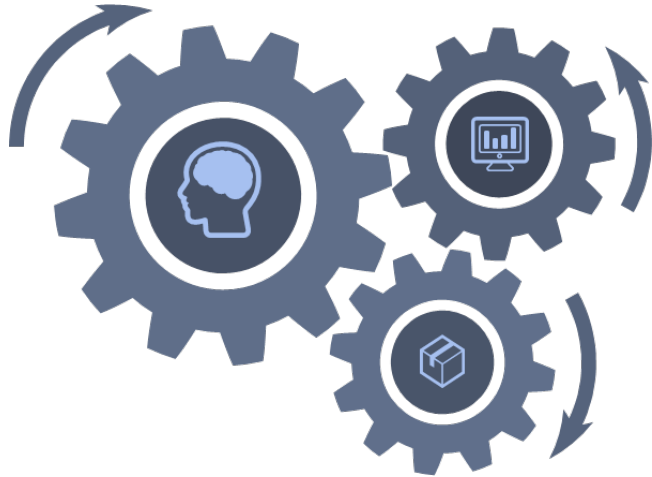




# Path to a Lean Culture

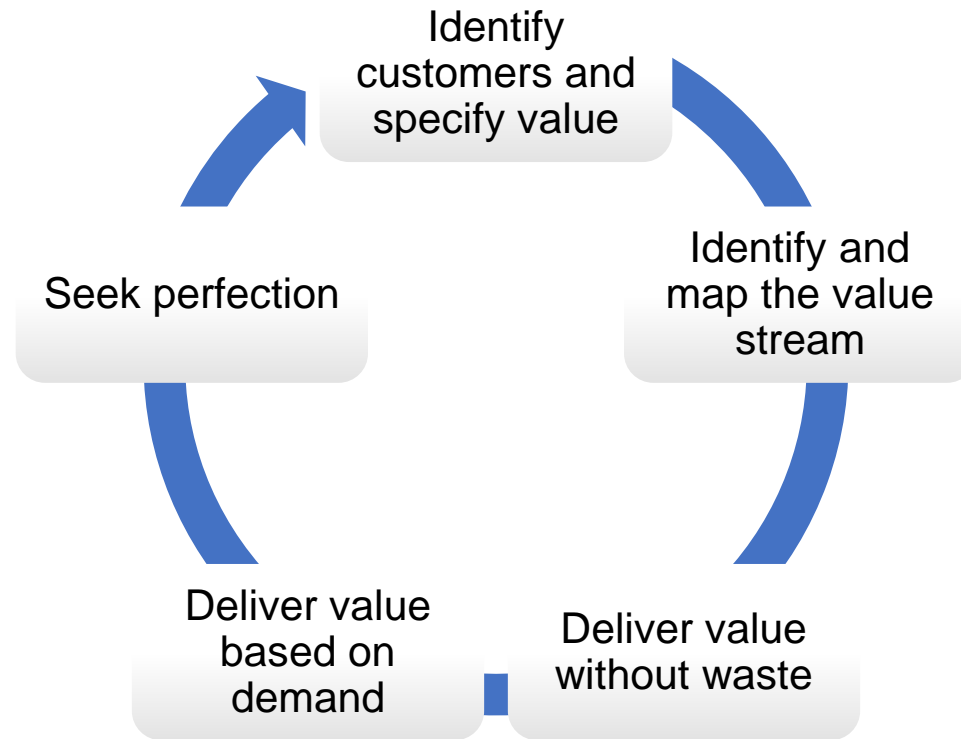


# What is Lean?



*A continuous business process improvement approach to reduce waste and increase value to the customer*

# Five Principles of Lean



# Why Lean?

## CalPERS is focused on:

- Reduce waste and costs
- Increase productivity and services
- Improve processing time and quality of services
- Meet customer expectations

***Continuing to do business the same way is not listening to our customers and employers***

# CalPERS Lean Journey



Lean Maturity 2017-2022



# Improved Efficiency and Customer Experience using Lean Six Sigma

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Pre-Retirement Death Benefit Case Study

Lean Successes

# Pre-Retirement Survivor Benefits: Objectives and Anticipated Benefits

## Objective:

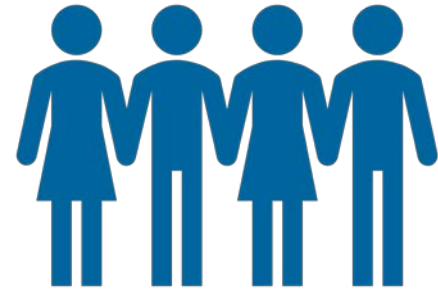
Release payments within 30 days  
Reduce the number of cases going over 45 days

## Benefits:

Beneficiaries received their money earlier  
Increased customer satisfaction  
Avoided penalty interest on cases going over 45 days

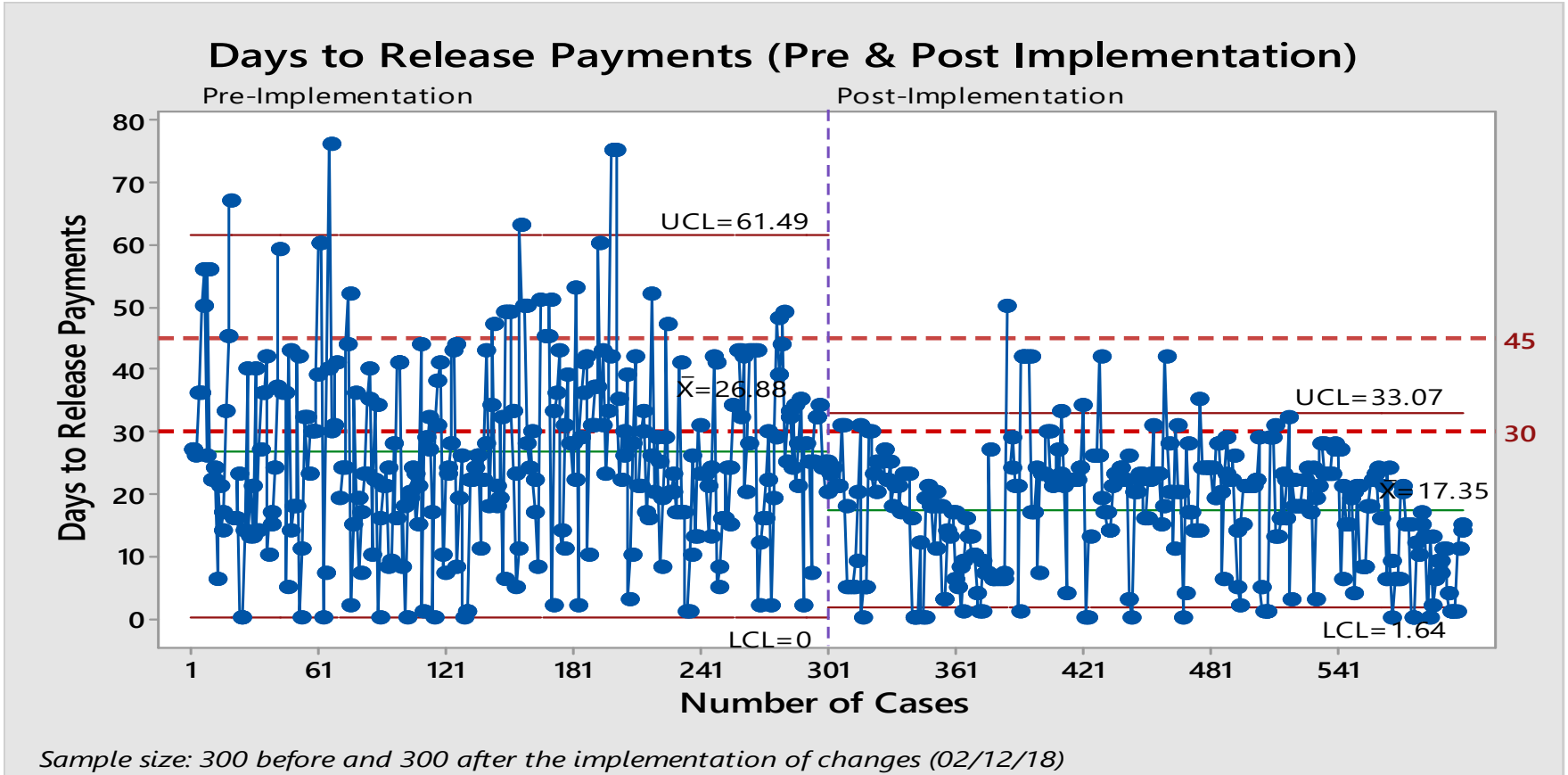
# Leaning the Pre-Retirement Survivor Benefits Process

- Streamlined the process by reducing or combining several steps
- Streamlined communications with beneficiaries by adding direct line to team members





# Reduced average number of days to release payments



# Lean Successes

	Prior to Lean	As of Early June 2018
Average number of days to release payments	27 days	17 days
Percent of payments released within 30 days	62.6%	93.6%
Percent of cases exceeding 45 days	9.2%	0.3%

# Improved Efficiency and Customer Experience using Lean Six Sigma

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Benefit Services Division Case Study

Lean Successes

# Disability Retirement Determinations: Observations and Objectives

## Observations:

A Lean Six Sigma project seeks to make major improvements, not just small tweaks.

Although we had consistently met our current service level, our stakeholders had expressed a concern our service level is too long.

## Objectives:

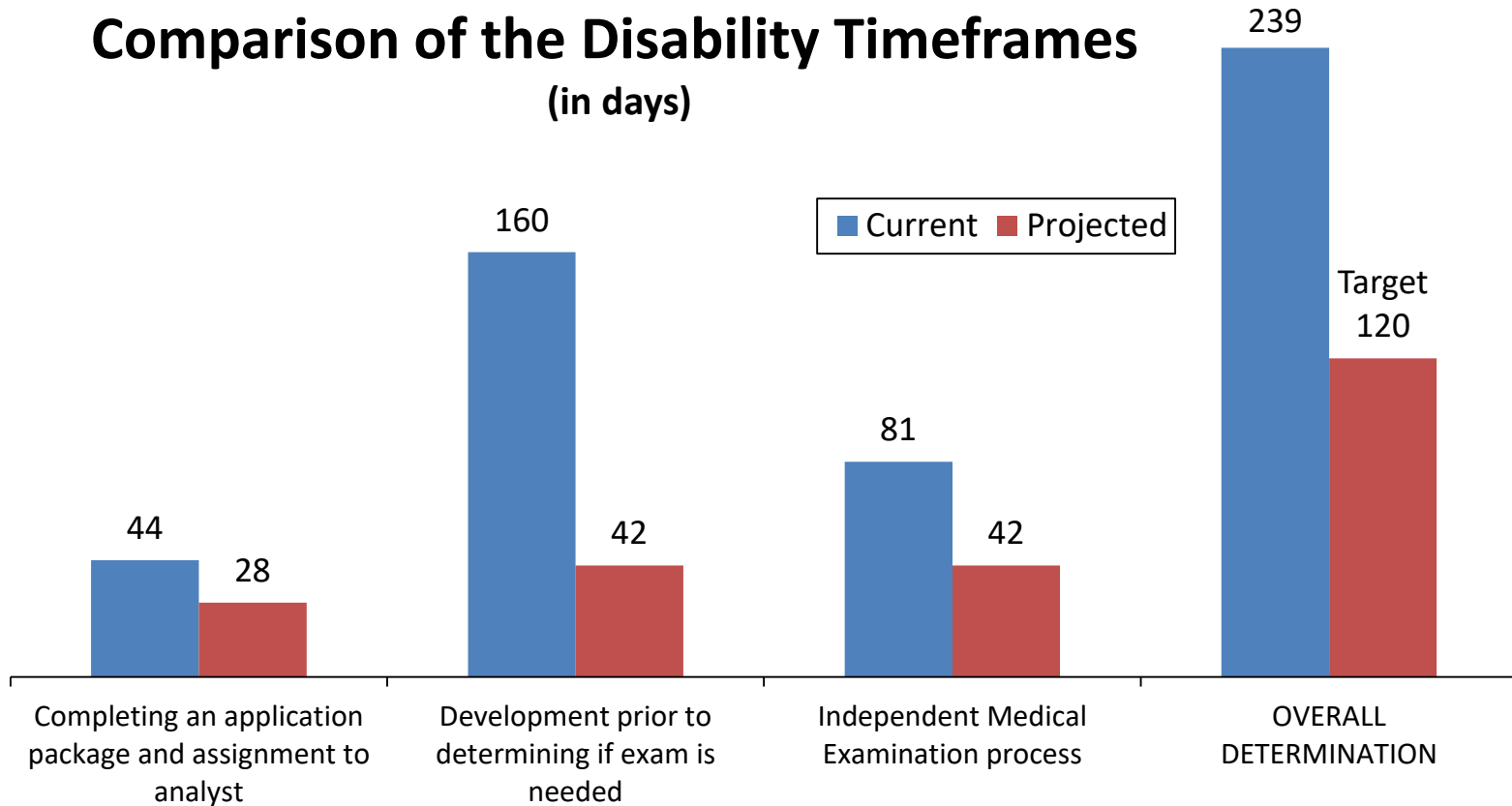
Reduce the time to receive a completed package and assign to analyst

Reduce the time to determine if an Independent Medical Examiner is needed

Reduce the time to receive Independent Medical Examiner reports

# *New Capability Analysis*

## Comparison of the Disability Timeframes (in days)



# Leaning the Disability Determination Process

- ❖ Create a proactive Customer Service model to pull process forward with phone calls to members at three contact points.
- ❖ Improve member education materials to explain the determination process with clear direction.
- ❖ Use electronic technology to reduce delays due to use of postal mail.
- ❖ Require IME reports from Doctors within 14 days of exam.
- ❖ Eliminate process steps, reduce waiting periods, reduce non-value added inspections.
- ❖ Provide additional tools to staff to monitor their timeliness for each step of the process.

# Lean Successes

	Prior to Lean	As of June 2016 (and sustained)
Determinations made within 6 months	67%	93%
Average time to make determination	7.9 months	3.0 months
Determinations made within 4 months	20%	83%

# Additional Benefits

- ❖ Allowed team members at all levels to participate in problem identification and proposed improvements.
- ❖ Cultural change to think from the perspective of the member what will improve their experience.
- ❖ Bring positive improvements to the parts of the process that we thought were out of our control.
- ❖ Improve quality control and assurance
- ❖ Expand re-evaluation process





# Improved Efficiency and Customer Experience using Lean

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Customer Service Outreach Division Case Study

Lean Successes

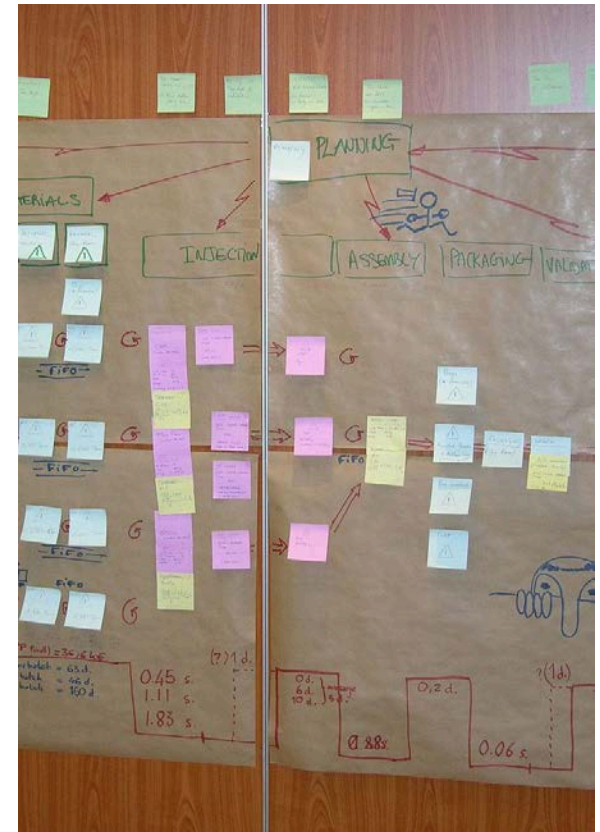
# CSOD Lean Projects

- Goals: Reduce complexity, improve customer experience, eliminate waste, use resources strategically
- Projects:
  - Student Guide Improvement
  - Retired Annuitant Schedule Optimization
  - Vacation Planning



# What We Did

- Steps
  - Value streamed processes to find waste
  - Eliminated steps or items not valued by customers
  - Looked at how to improve customer service
  - Focused on simplification
  - Concentrated on reducing costs



# CSOD my|CalPERS Student Guide Improvements

- Goals: Improve Employer Experience and Reduce Complexity
  - Eliminate redundant or unnecessary information
  - Improve readability and presentation
  - Reduce class length



# CSOD my|CaIPERS Student Guide Improvements

- Results
  - Reduced page count by 47%
  - \$18K savings in printing costs annually
  - Reduced class length
    - Retirement Enrollment dropped from 3 hours to 2 hours
    - Health dropped from 3 hours to 1 hour



# CSOD Retired Annuitant Scheduling

- Goals: Align resources with highest workload periods. Simplify scheduling process.
  - Leveraged technology to automate scheduling.
  - Created simplified schedules based on workload data/customer need
  - Added pick-up shift to bring on more RAs at peak periods



# CSOD Retired Annuitant Scheduling

- Results
  - Eliminated need for extensive manual tracking, freeing up senior leadership time for more critical tasks
  - Ensured prudent use of limited funds by paying temporary help to work only when needed
  - Improved customer experience; more resources at peak times



# CSOD Vacation Planning

- Goals: Promote team member balance while ensuring consistently excellent customer service.
  - Leveraged technology and data to more accurately forecast daily resource needs
  - Built in buffer to quickly address unanticipated customer demand
  - Simplified time off request process





# CSOD Vacation Planning

- Results
  - Saved 20 hours per month of team leaders' time managing manual process
  - Improved customer service by ensuring team members are available when needed
  - Leveraged existing technology to improve accuracy at no additional cost



# CalPERS Lean Journey



Lean Maturity 2017-2022

