



## Board of Administration

# Agenda Item 10a

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**February 21, 2019**

**Item Name:** Enterprise Performance Reporting – Second Quarter and 2019-20 CalPERS Business Plan

**Program:** Enterprise

**Item Type:** Information

### **Executive Summary**

This agenda item provides the second quarter Enterprise Performance Report (October 1, 2018 through December 31, 2018), as well as the 2019-20 CalPERS Business Plan.

The Enterprise Performance Report (EPR) framework is comprised of Strategic Measures (Measures), Business Plan Initiatives (Initiatives), and Key Performance Indicators (KPIs). The Measures and Initiatives are part of CalPERS 2017-22 Strategic Plan (Strategic Plan) and allow us to measure progress in achieving our strategic goals and objectives. The focus of this agenda item will be on At-Risk and Off-Target Measures and Initiatives. The KPIs are the third EPR component and serve as a collection of performance indicators that measure the effectiveness of our efforts at the operational level. EPR focuses on the ongoing monitoring and reporting of all three components and provides information as to how well the organization is progressing towards strategic goals and objectives, as well as operational targets. The EPR second quarter report will include supplemental performance data for On-Target Measures, Initiatives, and KPIs (Attachments C, D, and E).

The 2019-20 CalPERS Business Plan outlines the initiatives necessary to meet the strategic goals and objectives in the CalPERS 2017-22 Strategic Plan. For the upcoming fiscal year, the CalPERS team has identified 28 initiatives to continue the work necessary to support the overall strategic direction of the organization. The plan will commence on July 1, 2019 and conclude on June 30, 2020 (Attachment F).

### **Strategic Plan**

This agenda item specifically aligns to our strategic goals and objectives, as we measure our strategic and operational progress throughout the duration of the Strategic Plan.

## Background

In early 2016, we began the development of our current five-year Strategic Plan and refined our mission and vision statements. These efforts resulted in a year-long collaborative process that yielded valuable information and feedback from a variety of internal and external stakeholders. These inputs, coupled with a rigorous period of analysis, helped us identify our strategic goals - each with its own set of objectives and measures. In February 2017, the Board approved the Strategic Plan, and the Business Plan (Business Plan) – which serves as a vehicle to put the Strategic Plan into action.

In addition to Strategic Plan activities the organization began to develop the KPIs and implement the EPR framework. Through collaborative working sessions with the executive team and program areas, KPIs were identified and developed for all areas of the organization, and the EPR framework was implemented in-tandem with the commencement of the Strategic Plan on July 1, 2017.

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

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

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

## Analysis

This agenda item will focus on three items: 1) Summary of metrics that refreshed during the second quarter; 2) At-Risk and Off-Target Measures and Initiatives; and 3) 2019-20 CalPERS Business Plan.

### Strategic Measures

The Strategic Plan encompasses 34 Measures. In review of second quarter data, 32 Measures are currently On-Target or in a pending refresh, data not available, or under development status, one is At-Risk, and one will be reported in closed session this month and in August. Additional details are included in Attachment C.

- At-Risk:
  - Engagement Survey Results & Action items – Senior & Executive Management Relationships

### 2018-19 Business Plan Initiatives

The Business Plan encompasses 34 Initiatives. In review of second quarter data, 31 are currently On-Target, two are Off-Target, and one will be reported in closed session this month and in August. Additional details are included in Attachment D.

- Off-Target:
  - Pharmacy Benefits Management
  - Develop Leadership Competencies Measurement Tool

### Key Performance Indicators

There is a total of 60 KPIs. 57 KPIs are currently On-Target or in a pending refresh, data not available, or under development status, two are At-Risk, and one will be reported in closed session this month and in August. Additional details are included in Attachment E.

- At-Risk:
  - Team Member Perception of Leadership – Senior and Executive Management Relationships
  - Rewards and Recognition Perceptions

### 2019-20 CalPERS Business Plan (Attachment F)

- Fund Sustainability
  - Total Initiatives: 8
- Health Care Affordability
  - Total Initiatives: 7
- Reduce Complexity
  - Total Initiatives: 6
- Risk Management
  - Total Initiatives: 4
- Talent Management
  - Total Initiatives: 3

### **Budget and Fiscal Impacts**

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

### **Benefits and Risks**

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

## **Attachments**

Attachment A – Strategic Plan Alignment Map (Q2 Status)  
Attachment B – Enterprise Operations Map (Q2 Status)  
Attachment C – Strategic Measures Summary Sheets  
Attachment D – Business Plan Initiatives Summary Sheets  
Attachment E – KPI Summary Sheets  
Attachment F – 2019-20 CalPERS Business Plan

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