

Strategic Plan Discussion

Enterprise Performance Management

July 16, 2019

July Offsite Session Objectives

Informative

- Overview of strategic framework
- EPM system maturity

Timely

- Mid-point check-in
- Successes from Year 2
- On the horizon

Engaging

- Education on strategic model
- Orientation of measures
- Q&A

Agenda

Item	Topic	Speaker	Time
1	Welcome & Introduction	Marcie Frost	
2	EPM Strategic Framework & System Maturity	Sabrina Hutchins	10 mins
3	Fund Sustainability	Scott Terando, Dan Bienvenue	10-15 mins
4	Health Care Affordability	Liana Bailey-Crimmins	10-15 mins
5	Reduce Complexity	Donna Lum, Michael Cohen	10-15 mins
6	Risk Management	Michael Cohen, Marlene Timberlake	10-15 mins
7	Talent Management	Doug Hoffner	10-15 mins
8	Next Steps & Closing	Sabrina Hutchins	5 mins

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



Fund
Sustainability



Health Care
Affordability



Reduce
Complexity



Risk
Management



Talent
Management

Outcome Measures

Reliable
Steward
of Funds

Customer
Satisfaction
Driven
Organization

Open &
Transparent
Communication

Efficient &
Effective
Organization

Supportive &
Engaged
Leadership

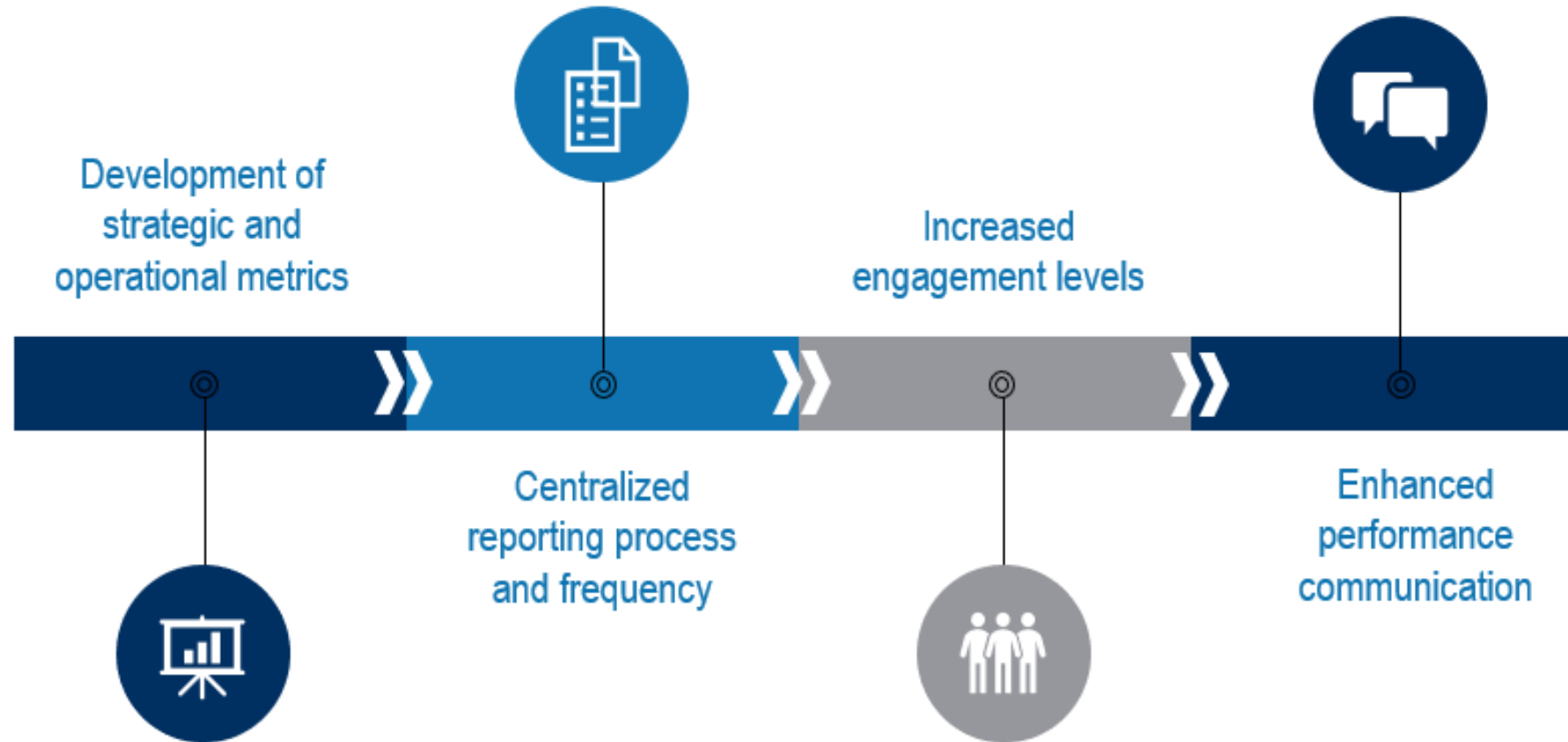
Team
Member
Engagement



Evolution of Enterprise Performance Framework



EPM Maturity



Strategic View



Strategic Framework





<i>Strategic Objectives</i>	Fund the System through an integrated view of pension assets and liabilities	Educate employers, members, and stakeholders on system risks and mitigation strategies	Mitigate the risk of significant investment loss	Deliver target risk-adjusted investment returns	Integrate environmental, social, and governance (ESG) considerations into investment decision making
<i>Strategic Measures</i>	Funded status	Stakeholder assessment survey - risk	1-year total expected fund volatility	Annualized (5-year) excess investment returns relative to total fund policy benchmark	Investment managers policies and procedures for ESG factor integration
	Projected funded status				
<i>2018-19 Business Plan Initiatives</i>	Redesign and enhance the actuarial valuation system	Stakeholder education on system risks & mitigation	Investment risk management and performance attribution	Enhance capital allocation framework	Investment beliefs and ESG risk integration
	Actuarial valuation system - advanced analytics			Enhance investment platform and controls	
	Alignment of asset liability management				



FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Fund the System
through an
integrated view of
pension assets and
liabilities

Strategic Objective

Funded status

Strategic Measure

Projected funded
status

Strategic Measure

Business Plan Initiatives:

- Redesign and enhance the actuarial valuation system
- Actuarial valuation system - advanced analytics
- Alignment of asset liability management



FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

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

Strategic Objective

Stakeholder assessment survey - risk

Strategic Measure

Business Plan Initiative:

Stakeholder education on system risks & mitigation



FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Mitigate risk of significant investment loss

Strategic Objective

1-year total expected fund volatility

Strategic Measure

Business Plan Initiative:

Investment risk management and performance attribution



FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Deliver risk-adjusted investment returns

Strategic Objective

Annualized (5-year) excess investment returns relative to total fund policy benchmark

Strategic Measure

Business Plan Initiative:

Enhance capital allocation framework

Enhance investment platform and controls



FUND SUSTAINABILITY

Strengthen the long-term sustainability of the pension fund

Integrate environmental, social, and governance (ESG) considerations into investment decision making

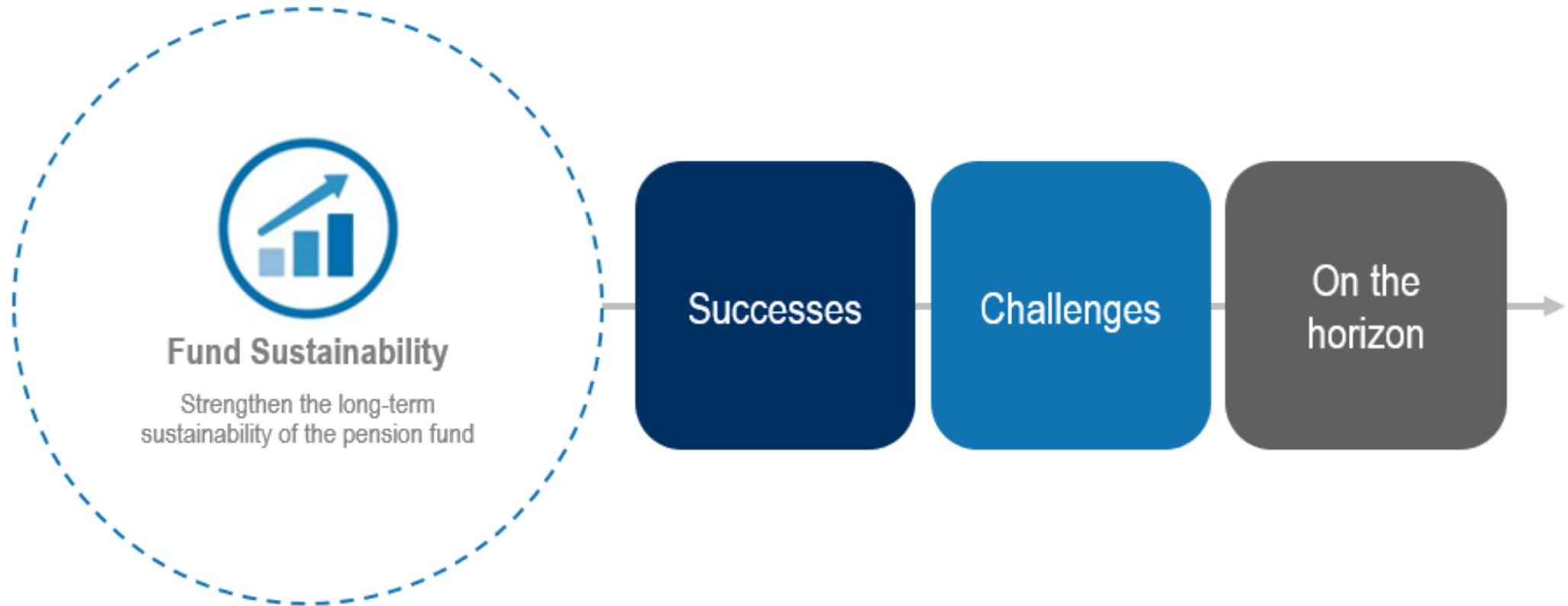
Strategic Objective

Investment managers policies and procedures for ESG factor integration

Strategic Measure

Business Plan Initiative:

Investment beliefs and ESG risk integration





Strategic Objectives	Restructure benefit design to promote high-value health culture	Improve the health status of our employees, members and their families, and the communities where they live	Reduce the overuse of ineffective or unnecessary medical care
Strategic Measures	Access to care	Diabetes self-management	Opioids - dose
	Total health care cost annual change	Mental health and well being	Opioids - duration
		Self-reported overall health status	C-section rate
			Acute onset lower back pain and related opioid use
			Acute onset lower back pain and physical therapy
			Overuse of imaging for back pain
2018-19 Business Plan Initiatives	Value-based insurance design: feasibility	Population health alignment with Let's Get Healthy California taskforce report dashboard	Statewide collaboration through Smart Care California
	Medical pharmacy site of care management	Partner with health plans to engage in community activities	Review and update shared savings accountable care organizations cost and quality targets
	Pharmacy benefits management		
	Medical reference pricing expansion		



HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Restructure benefit design to promote high-value health care

Strategic Objective

Access to care

Strategic Measure

Total health care cost annual change

Strategic Measure

Business Plan Initiatives:

Value-based insurance design: feasibility

Medical pharmacy site of care management

Pharmacy benefit management

Medical reference pricing expansion



HEALTH CARE AFFORDABILITY

Transform health care purchasing and delivery to achieve affordability

Improve the health status of our employees, members and their families, and the communities where they live

Strategic Objective

Diabetes self-management

Strategic Measure

Mental health and well being

Strategic Measure

Self-reported overall health status

Strategic Measure

Business Plan Initiatives:

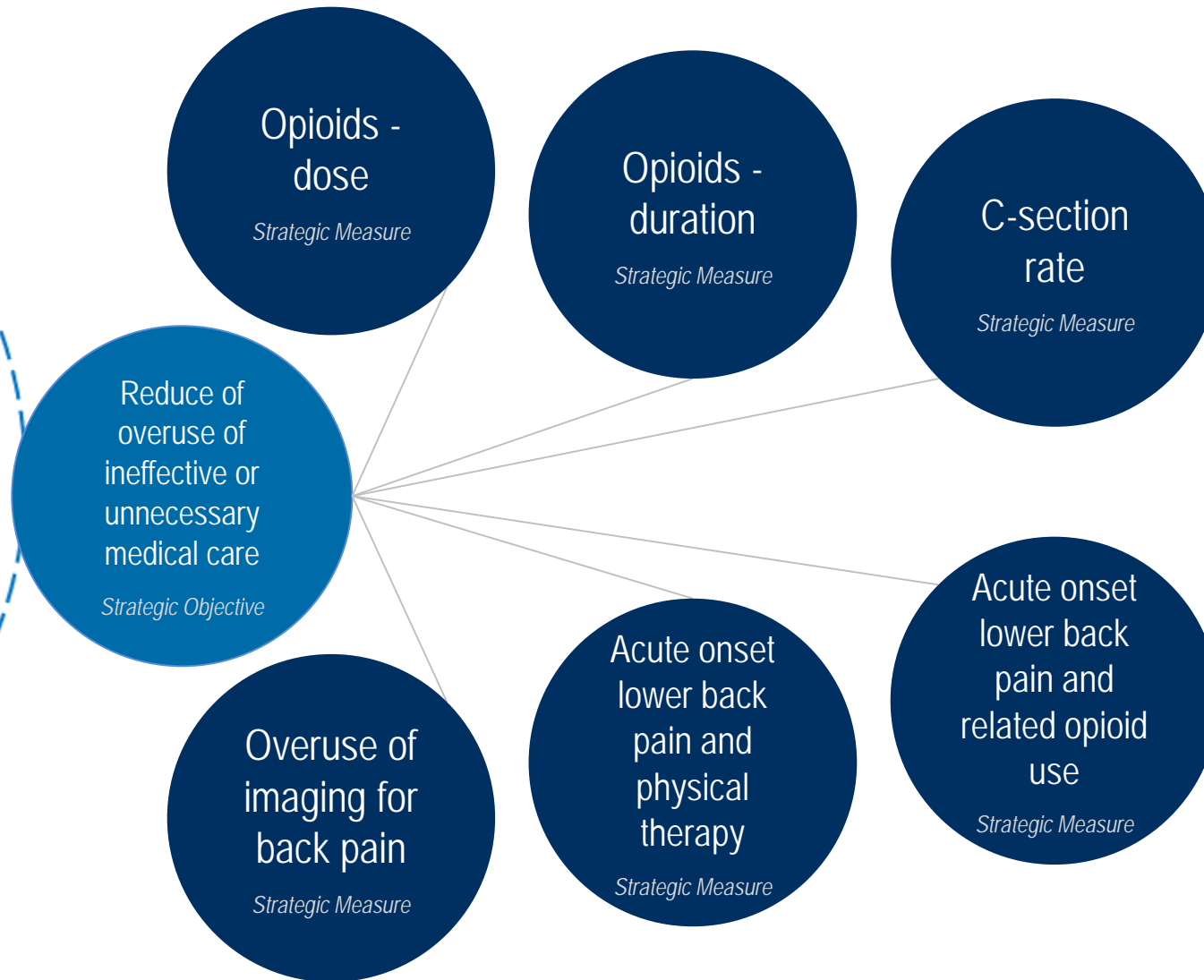
Population health alignment with Let's Get Healthy California taskforce report dashboard

Partner with health plans to engage in community activities



HEALTH CARE AFFORDABILITY

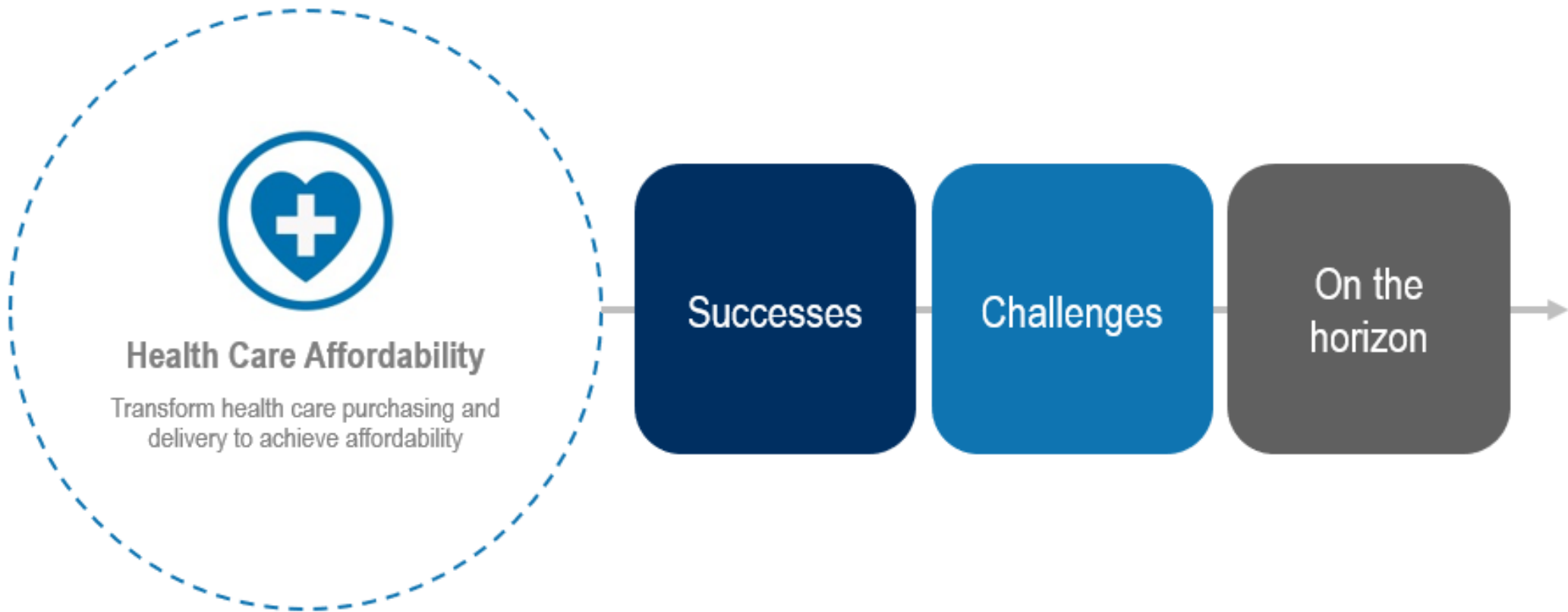
Transform health care purchasing and delivery to achieve affordability



Business Plan Initiatives:

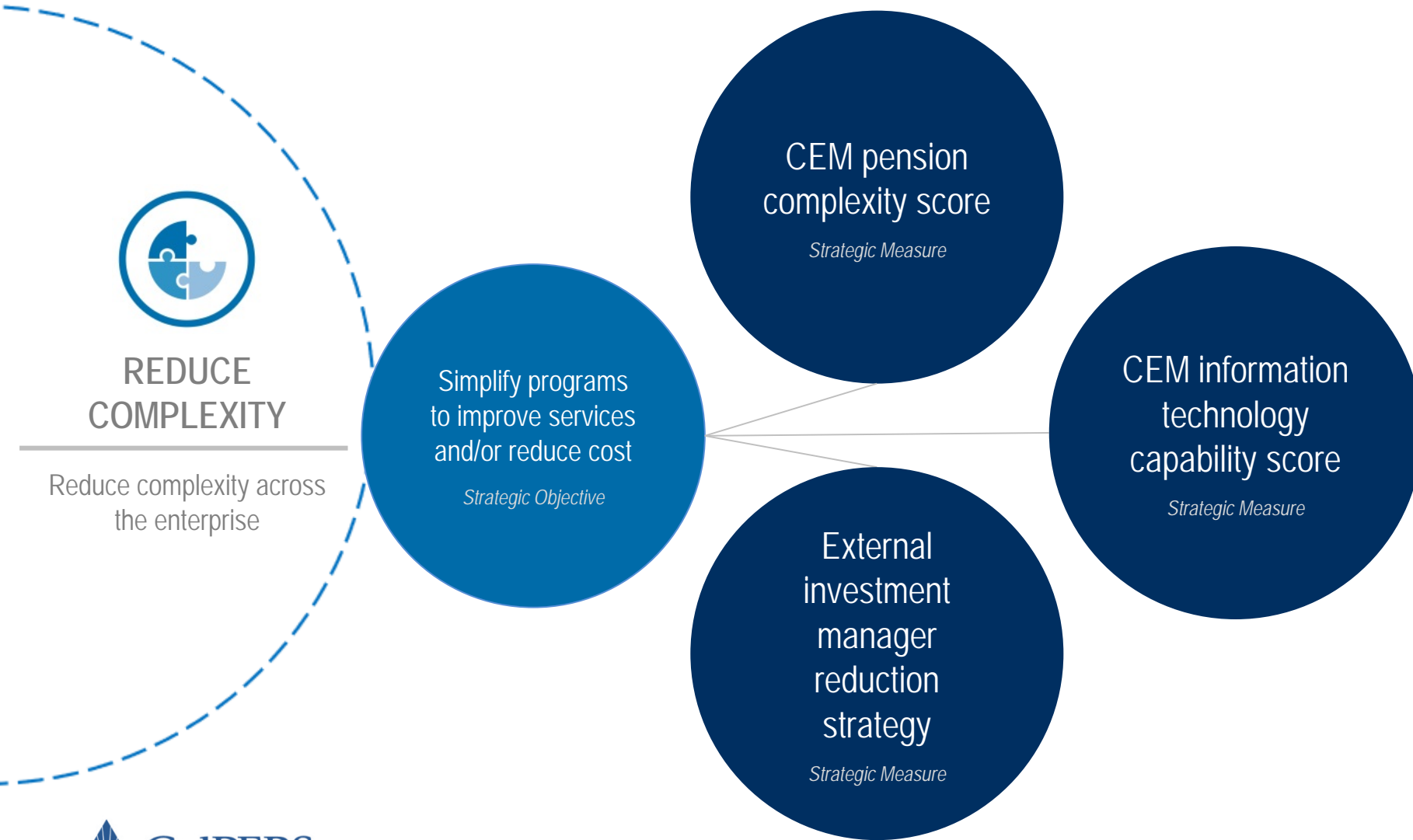
Statewide collaboration through Smart Care California

Review and update shared savings accountable care organizations cost and quality targets





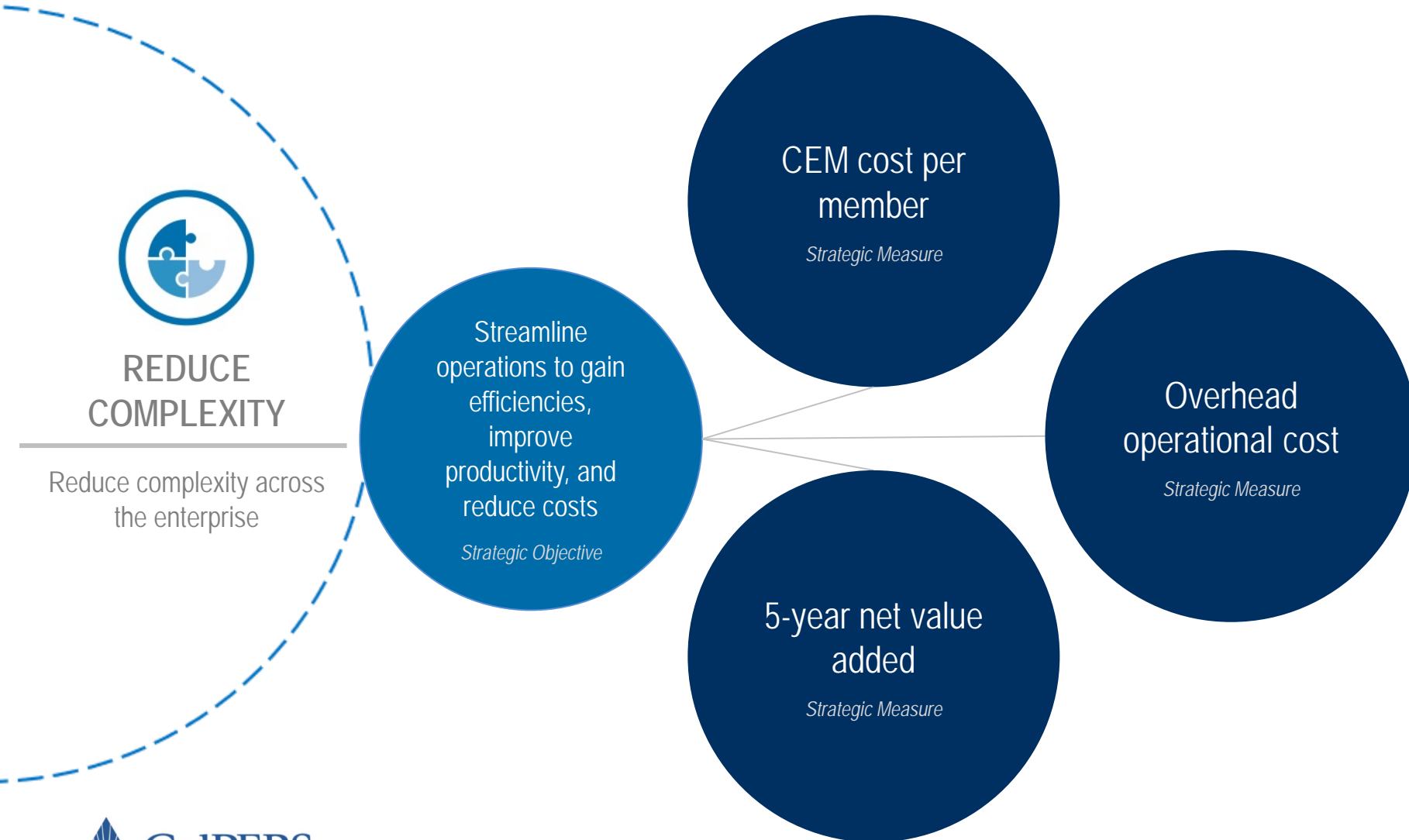
Strategic Objectives	Simplify programs to improve service and/or reduce cost	Streamline operations to gain efficiencies, improve productivity, and reduce costs	
Strategic Measures	CEM pension complexity score	CEM cost per member	
	External investment reduction strategy	Overhead operational cost	
	CEM information technology capability score	5-year net value added	
2018-19 Business Plan Initiatives	Mature targeted information technology capabilities	Develop and implement continuous process improvement framework	
	CEM complexity score maintenance	Enhance business effectiveness, resource allocation, and efficiency of investment programs	
		Develop information technology service-level agreements	



Business Plan Initiatives:

Mature targeted information technology capabilities

CEM complexity score maintenance

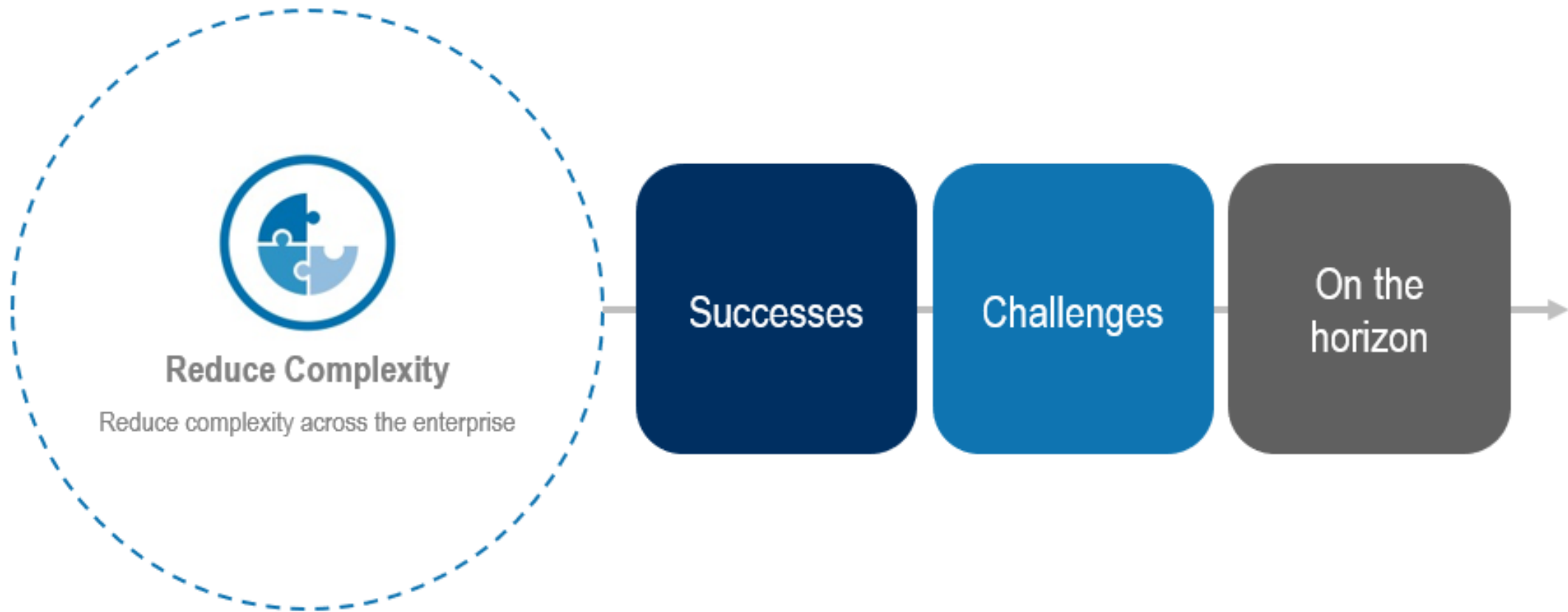


Business Plan Initiatives:

Develop and implement continuous process improvement framework

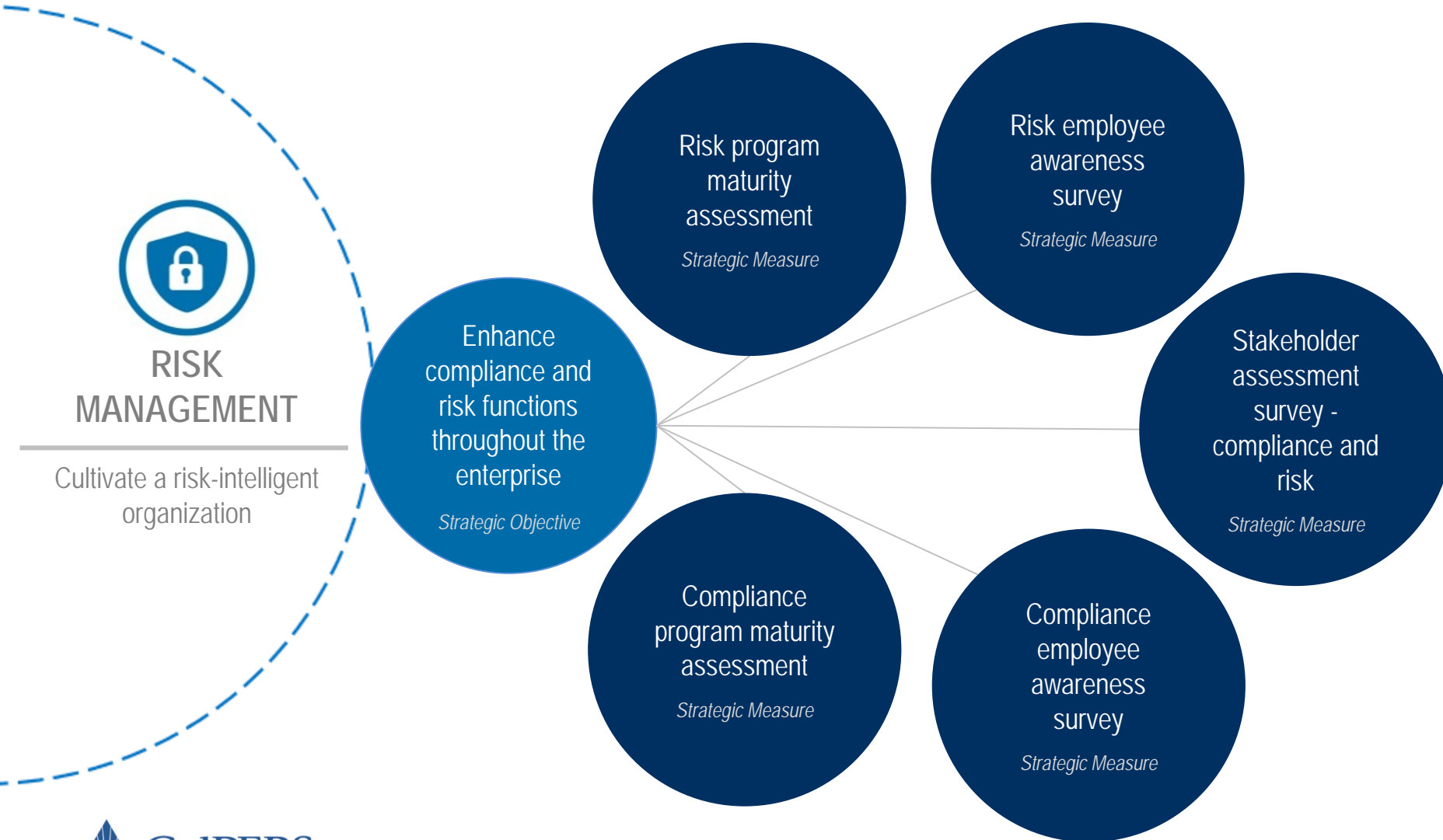
Enhance business effectiveness, resource allocation, and efficiency of investment programs

Develop information technology service-level agreements





Strategic Objectives	Enhance compliance and risk functions throughout the enterprise	Continue to evolve cyber security program
	Strategic Measures	
	Stakeholder assessment survey – compliance and risk	Composite security health score within range
	Risk employee awareness survey	
	Risk program maturity assessment	
	Compliance employee awareness survey	
	Compliance program maturity assessment	
2018-19 Business Plan Initiatives	Increase enterprise-wide risk awareness	Enterprise business continuity plan, phase II
	Increase enterprise-wide compliance awareness	Information security roadmap
	Increase compliance program maturity	
	Enterprise data governance	
	Strategic risk measures	



Business Plan Initiatives:

- Increase enterprise-wide risk awareness
- Increase enterprise-wide compliance awareness
- Increase compliance program maturity
- Enterprise data governance
- Strategic risk measures



RISK MANAGEMENT

Cultivate a risk-intelligent
organization

Continue to evolve
cyber security
program

Strategic Objective

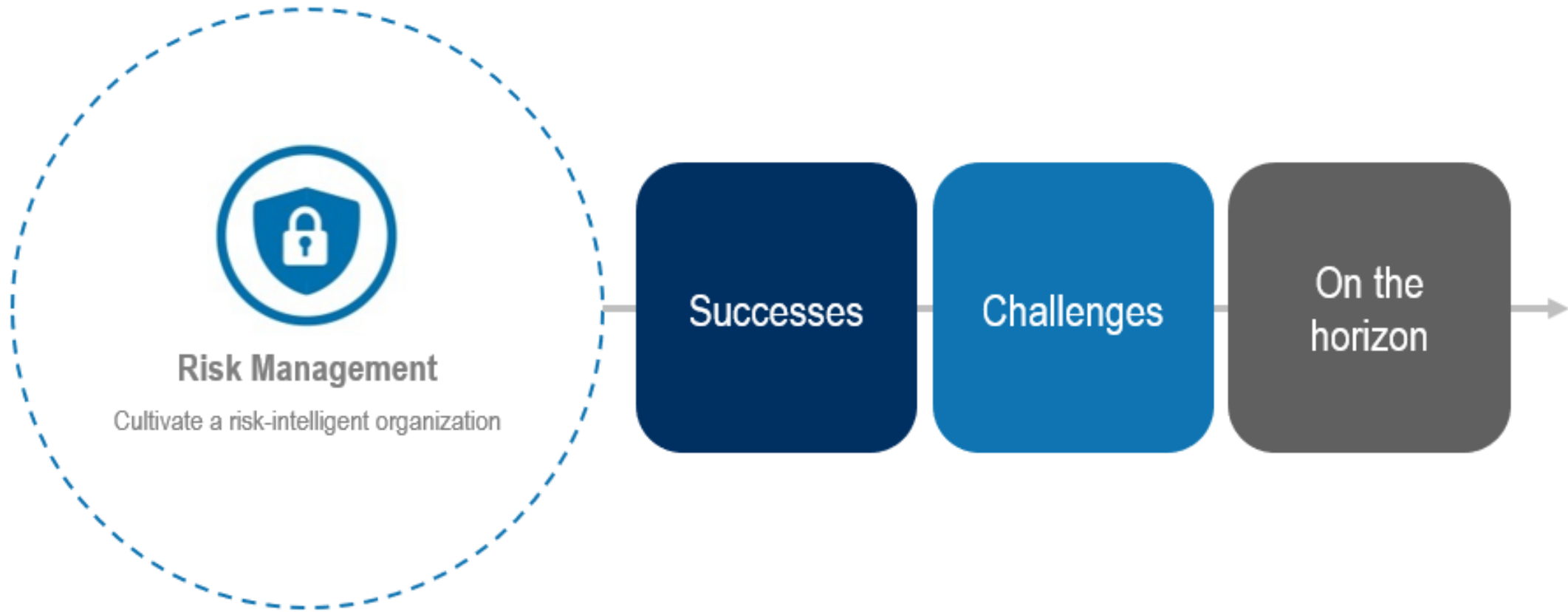
Composite
security health
score within
range

Strategic Measure

Business Plan Initiatives:

Enterprise business
continuity plan,
phase II

Information security
roadmap





Strategic Objectives	Recruit and empower a broad range of talents to meet organization priorities	Cultivate leadership competencies and develop succession plans across the enterprise
Strategic Measures	Effectiveness of outreach activities	Proficiency in CalPERS leadership competencies
	Engagement survey results & action items - diversity & inclusion	
	Engagement survey results & action items - accountability	
	Engagement survey results & action items – senior & executive management relationships	
2018-19 Business Plan Initiatives	Implement engagement survey action items	Implement 2018-22 workforce plan strategies
	Expand diversity & inclusion program	Develop leadership competencies measurement tool
	Talent outreach activities	Enhance succession planning programs & retention strategies for senior leaders



TALENT MANAGEMENT

Promote a high-performing and
diverse workforce

Recruit and
empower a broad
range of talents to
meet organization
priorities

Strategic Objective

Effectiveness of
outreach
activities

Strategic Measure

Engagement
survey results &
action items -
diversity &
inclusion

Strategic Measure

Engagement
survey results &
action items-
senior &
executive
management
relationships

Strategic Measure

Engagement
survey results &
action items -
accountability

Strategic Measure

Business Plan Initiatives:

Implement
engagement survey
action items

Expand diversity and
inclusion program

Talent outreach
activities



TALENT MANAGEMENT

Promote a high-performing and
diverse workforce

Cultivate leadership
competencies and
develop succession
plans across the
enterprise

Strategic Objective

Proficiency in
CalPERS
leadership
competencies

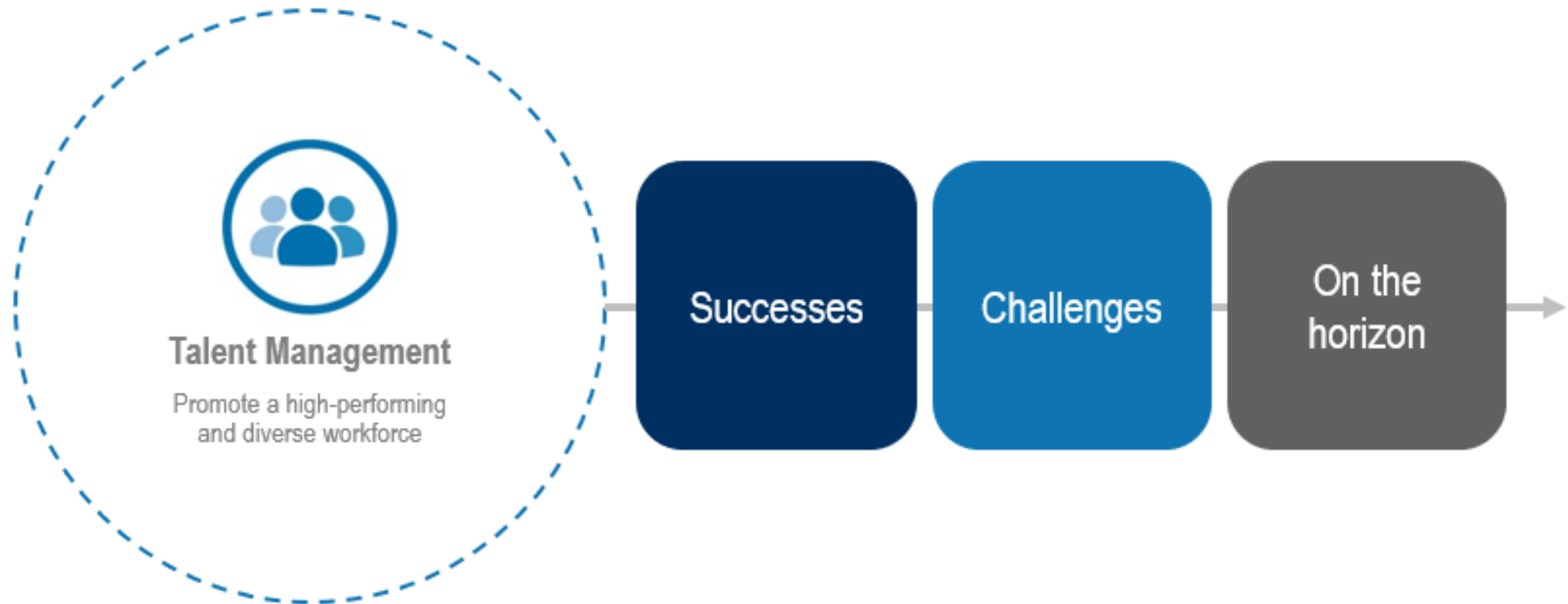
Strategic Measure

Business Plan Initiative:

Implement 2018-22
workforce plan
strategies

Develop leadership
competencies
measurement tool

Enhance succession
planning program &
retention strategies for
senior leaders



Next Steps

Q4 EPR report – August 2019

- Focus on At-Risk and Off-Target Indicators
 - Strategic Measures
 - Business Plan Initiatives