



## ENTERPRISE RISK MEASURES DASHBOARD

3<sup>rd</sup> Quarter Reporting

TOLERANCES	FREQ	2018-19	FY 19-20			COMMENTS
			Q1	Q2	Q3	

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

Probability of PERF funding levels below 50% <i>Owner: Chief Actuary</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> &gt; 20%</li> <li><span style="color: yellow;">■</span> 10%–20%</li> <li><span style="color: green;">■</span> &lt; 10%</li> </ul>	Annually	2%				Data as of Nov 2018
Investment return: Funded status impact <i>Owner: Chief Actuary</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> &lt; 6%</li> <li><span style="color: yellow;">■</span> 6%–7%</li> <li><span style="color: green;">■</span> &gt; 7%</li> </ul>	Annually	6.7%				Status based on actual returns reported on November 2019.
Employer contribution rate impact <i>Owner: Chief Actuary</i>	Projected vs. Actual <ul style="list-style-type: none"> <li><span style="color: red;">■</span> &gt; 2%</li> <li><span style="color: yellow;">■</span> 1%–2%</li> <li><span style="color: green;">■</span> &lt; 1%</li> </ul>	Annually	Misc. – 0.02% Safety 0.17%				Results represent the variance between projected and actual annual contribution rates.

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

Percent of contracting agencies retained <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 97.9%</li> <li><span style="color: yellow;">■</span> 98%–98.9%</li> <li><span style="color: green;">■</span> ≥ 99%</li> </ul>	Annually	99.23%				Data as of Jun 2019
Increase in Total Covered Lives (TCLs) <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 5,999 TCLs</li> <li><span style="color: yellow;">■</span> 6,000–8,999 TCLs</li> <li><span style="color: green;">■</span> ≥ 9,000 TCLs</li> </ul>	Annually	9,992	5,407			Data as of Mar 2020
Legislation that negatively impacts CalPERS <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> Legislation exists</li> <li><span style="color: green;">■</span> No legislation exists</li> </ul>	Quarterly					
Maintain Health Care Fund Actuarial Reserve <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> &lt;90% / &gt;110% Actuarial Reserve</li> <li><span style="color: green;">■</span> 90%–110% Actuarial Reserve</li> </ul>	Annually	102%				Data as of Jun 2019

### REDUCE COMPLEXITY | Reduce complexity across the enterprise

Proposed legislation that would reduce plan designs <i>Owners: Deputy Executive Officer, Communications &amp; Stakeholder Relations</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> No Legislation exists</li> <li><span style="color: green;">■</span> Legislation exists</li> </ul>	Quarterly / Point in time					
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3<sup>rd</sup> Quarter Reporting

	TOLERANCES	FREQ	2018-19	FY 19-20			COMMENTS
				Q1	Q2	Q3	
<b>REDUCE COMPLEXITY</b>   Reduce complexity across the enterprise							
Externally proposed bills that have the potential to increase the complexity of the plan design <i>Owners: Deputy Executive Officer, Communications &amp; Stakeholder Relations</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> Legislation exists</li> <li><span style="color: green;">■</span> No legislation exists</li> </ul>	Quarterly / Point in time					Legislation has been introduced that would require additional CalPERS resources.
Lean white belt training <i>Owners: Deputy Executive Officer, Operations &amp; Technology</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> 0% participation</li> <li><span style="color: yellow;">■</span> 1%–4% participation</li> <li><span style="color: green;">■</span> 5% participation</li> </ul>	Quarterly	6%	5.3%	5%	1%	<i>Data as of Feb 2020</i>
<b>RISK MANAGEMENT</b>   Cultivate a risk-intelligent organization							
Enterprise Risk Training Index <i>Owner: Chief Financial Officer</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 84%</li> <li><span style="color: yellow;">■</span> 85%–94%</li> <li><span style="color: green;">■</span> ≥ 95%</li> </ul>	Annually					<i>In development</i>
Percent of policies, delegations, and charters up-to-date and current <i>Owner: Chief Compliance Officer</i>							<i>In development</i>
<b>TALENT MANAGEMENT</b>   Promote a high-performing and diverse workforce							
Employee Engagement Survey – Diversity and Inclusion (D&I) <i>Owners: Deputy Executive Officer, Communications &amp; Stakeholder Relations</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 44% agree</li> <li><span style="color: yellow;">■</span> 45%–59% agree</li> <li><span style="color: green;">■</span> ≥ 60% agree</li> </ul>	Annually	67%	68%			<i>Data as of Jan 2020</i>
Employer Brand <i>Owners: Deputy Executive Officer, Operations &amp; Technology</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ -11</li> <li><span style="color: yellow;">■</span> -10–20</li> <li><span style="color: green;">■</span> ≥ 21</li> </ul>	Quarterly					<i>In development</i>



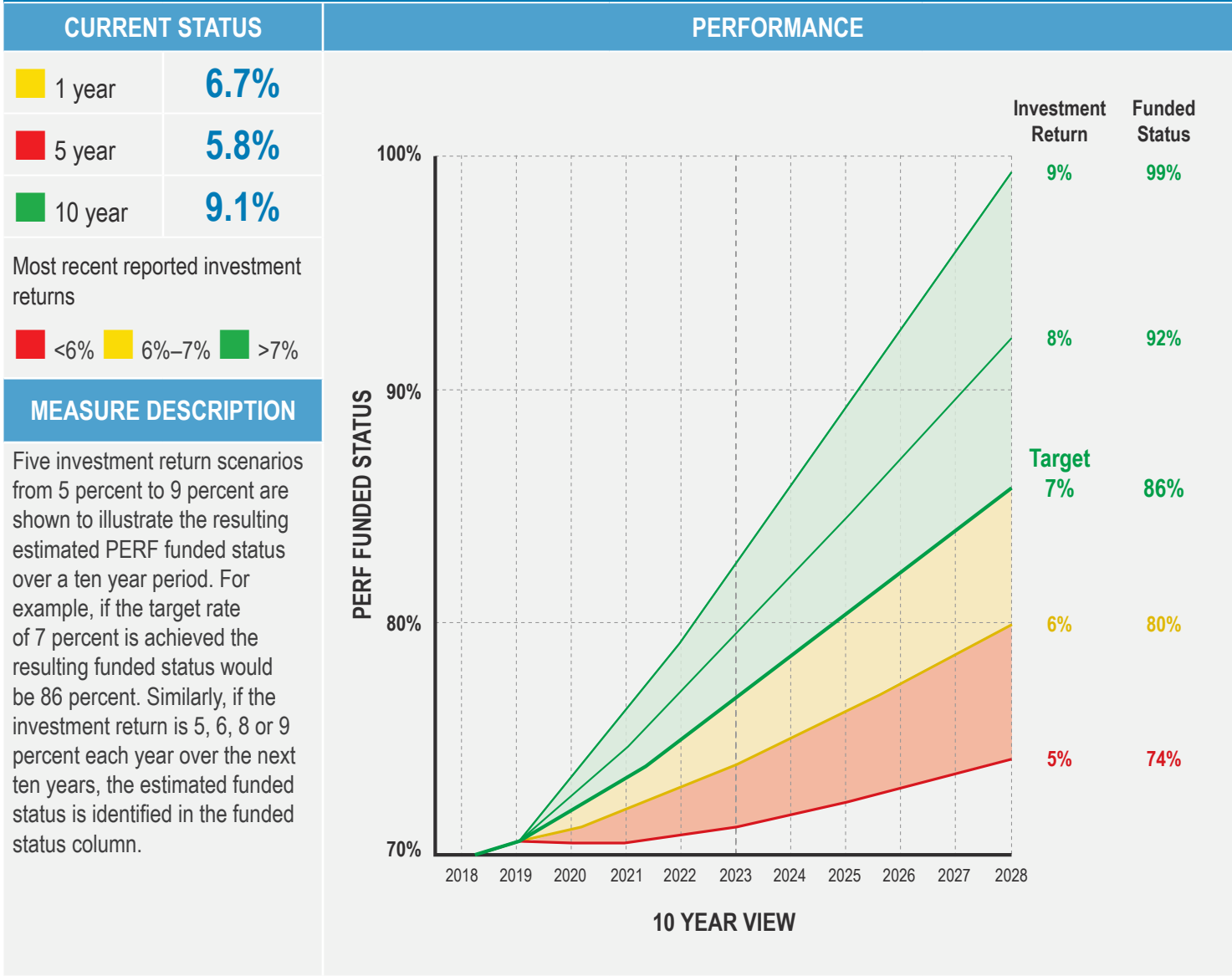
**ENTERPRISE RISK MEASURE DETAIL**

3<sup>rd</sup> Quarter Reporting

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



**Investment return: Funded status impact**



**MEASURE DESCRIPTION**

Five investment return scenarios from 5 percent to 9 percent are shown to illustrate the resulting estimated PERF funded status over a ten year period. For example, if the target rate of 7 percent is achieved the resulting funded status would be 86 percent. Similarly, if the investment return is 5, 6, 8 or 9 percent each year over the next ten years, the estimated funded status is identified in the funded status column.

**NEXT STEPS**

Action Items	Owner	Targeted Completion Date
Employer education and communication plan	Deputy Executive Officer, Communications & Stakeholder Relations	Ongoing



**ENTERPRISE RISK MEASURE DETAIL**

3<sup>rd</sup> Quarter Reporting

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



**Increase in Total Covered Lives (TCLs)**

CURRENT STATUS — FY 2019–20		PERFORMANCE												
<div style="display: flex; align-items: center; justify-content: center;"> <div style="width: 20px; height: 20px; background-color: red; margin-right: 10px;"></div> <div style="font-size: 2em; font-weight: bold; color: blue;">5,407</div> </div>	<table border="1" style="display: none;"> <caption>% of new TCLs by Fiscal Year</caption> <thead> <tr> <th>Fiscal Year</th> <th>% of new TCLs</th> </tr> </thead> <tbody> <tr> <td>FY 15–16</td> <td>16,042</td> </tr> <tr> <td>FY 16–17</td> <td>13,877</td> </tr> <tr> <td>FY 17–18</td> <td>5,296</td> </tr> <tr> <td>FY 18–19</td> <td>9,992</td> </tr> <tr> <td>FY 19–20</td> <td>5,407</td> </tr> </tbody> </table>		Fiscal Year	% of new TCLs	FY 15–16	16,042	FY 16–17	13,877	FY 17–18	5,296	FY 18–19	9,992	FY 19–20	5,407
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ROOT CAUSE / SUCCESS	NEXT STEPS													
<p>Although the team brought on 12 new agencies and brought in five new groups from three existing agencies, we missed the target because many of the new agencies are small.</p> <p>Additionally, six agencies contracted during the last quarter of 2019 to join the program effective January 1, 2020, which had an impact on the team’s workload.</p>	Action Items	Owner	Targeted Completion Date											
	Adjust schedule for Employer Workshops to be delivered throughout the year, instead of during the 60-day termination window.	Kellye Smith	4/30/2020											
	Proactive communication to agencies and potential agencies in the pipeline.	Kellye Smith	9/30/2020											
	Continued development and updates of targeted collateral and website enhancements.	Kellye Smith	12/31/2020											



**ENTERPRISE RISK MEASURE DETAIL**

3<sup>rd</sup> Quarter Reporting

**REDUCE COMPLEXITY** | Reduce complexity across the enterprise



**Externally proposed bills that have the potential to increase the complexity of the plan design**

CURRENT STATUS — FY 2019–20		PERFORMANCE		
<span style="color: red;">■</span>	<b>Legislation exists</b>			
<span style="color: red;">■</span> Legislation exists <span style="color: green;">■</span> No legislation exists				
ROOT CAUSE / SUCCESS		NEXT STEPS		
<b>SB 266</b> Administration of Reportable Compensation. May increase the number of MOUs employers submit for review.  <b>SB 430</b> Creates PEPRA exemption for new judges that are elected prior to January 1, 2013 to a one-year final compensation period used to calculate retirement benefits and employee contribution.  <b>SB 1297</b> California Public Retirement System Pension Modifications. 1. Would require system modifications for multiple benefit calculations, including final compensation and formula multipliers. 2. Would likely trigger litigation.  <b>AB 2394</b> Cost of Living Adjustment. Changes the statutory inflation index used by CalPERS for monthly retirement checks. 1. Would require system modifications to apply a different inflation index. 2. Would require system modifications to apply the bill prospectively.	Action Items	Owner	Targeted Completion Date	
	SB 266 – Monitor discussions between bill author and the Governor’s Office throughout 2020.			
	SB 430 – 2-year bill that is not expected to be heard until June 2020, if at all.	JLRS/ITSB		
	SB 1297 – Conduct internal analysis of fiscal, member benefits, and legal impacts. Monitor bill’s progress in the Legislature, if any.			
	AB 2394 – Conduct internal analysis of fiscal and system impacts. Communicate those impacts to appropriate legislative staff, when requested.			




**ENTERPRISE RISK MEASURE DETAIL**

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**REDUCE COMPLEXITY** | Reduce complexity across the enterprise



**Lean white belt training**

CURRENT STATUS — FY 2019–20		PERFORMANCE												
	1%	<table border="1" style="display: none;"> <caption>% participation</caption> <thead> <tr> <th>Period</th> <th>% participation</th> </tr> </thead> <tbody> <tr> <td>FY18-19</td> <td>6%</td> </tr> <tr> <td>Q1</td> <td>5%</td> </tr> <tr> <td>Q2</td> <td>5%</td> </tr> <tr> <td>Jan-Feb</td> <td>1%</td> </tr> </tbody> </table>			Period	% participation	FY18-19	6%	Q1	5%	Q2	5%	Jan-Feb	1%
Period	% participation													
FY18-19	6%													
Q1	5%													
Q2	5%													
Jan-Feb	1%													
<p>■ 0%   ■ 1–4%   ■ 5%</p>														
ROOT CAUSE / SUCCESS		NEXT STEPS												
<ul style="list-style-type: none"> <li>While overall participation is slowing, there is an increase in team members signing up for multiple Lean training opportunities</li> <li>Higher turnover of previously trained team members than in prior quarters</li> <li>Cancelled classes due to COVID-19 impacts</li> </ul>		Action Items	Owner	Targeted Completion Date										
		Lean eLearning class	PRDA/HRSD	4/30/2020										
		Continue marketing Lean training opportunities and highlighting benefits of Lean	PRDA/PAOF	12/30/2020										