



Board of Administration

FY 2019-20 – Fourth Quarter Report

August 19, 2020

Item Name: Enterprise Performance Reporting – Fourth Quarter

Program: Enterprise

Item Type: Information

Executive Summary

This report provides the fourth quarter report (April 1, 2020, through June 30, 2020) for the Enterprise Performance Report (EPR) framework, which is comprised of Strategic Measures (measures), Business Plan Initiatives (initiatives), and Key Performance Indicators (KPIs). The measures and initiatives are part of the CalPERS 2017-22 Strategic Plan (Strategic Plan) and allow us to measure progress in achieving our strategic goals and objectives. The KPIs 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 toward strategic goals and objectives, as well as operational targets.

The focus of this report will be on At-Risk and Off-Target measures and initiatives. It is important to note that many of our measures were impacted due to the COVID-19 pandemic that emerged just weeks before the start of the fourth quarter. The impacts were due to the organization's shift of priorities to ensure ongoing customer service as we transitioned to a remote work environment, the safety of team members and members, and preparing our facilities for a safe work environment for on-site team members. The EPR fourth quarter report will also include supplemental performance data for On-Target measures and initiatives, as well as KPIs (Attachments C, D, and E).

Strategic Plan

This report 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 – 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). 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 report will focus on two items: 1) Summary of metrics that refreshed during the fourth quarter; and 2) At-Risk and Off-Target measures and initiatives. It is important to note that many of our measures were impacted due to the COVID-19 pandemic that emerged just weeks before the start of the fourth quarter.

Strategic Measures

The Strategic Plan encompasses 34 measures. In review of fourth quarter data, 31 measures are currently On-Target or in a pending refresh, data not available, or under development status, one is Off-Target, and one will be reported in closed session in February 2021. Additional details are included in Attachment C.

- Off-Target:
 - CEM cost per member

Business Plan Initiatives

The Business Plan encompasses 28 initiatives. In review of fourth quarter data, 25 are currently On-Target, one is Off-Target, one is Off-Target (Complete) and one will be reported in closed session in September 2020. Of the 28 initiatives, 15 were completed in FY 2019-20. Additional details are included in Attachment D.

- Off-Target:
 - Continuous process improvement
- Off-Target (Complete)
 - Enhance business effectiveness, resource allocation, and efficiency of investment programs

Key Performance Indicators

The operational model encompasses 59 KPIs. In review of fourth quarter data, 44 KPIs are currently On-Target or in a pending refresh, data not available, or under development status, two are at At-Risk, four are Off-Target, eight are informational, and one will be reported in closed session in September 2020. Additional details are included in Attachment E.

- At-Risk:
 - Rating of health care
 - Member, employer, & stakeholder rating on perception survey
- Off-Target:
 - Generate liability data for long-term care program
 - Employer rating on stakeholder perception survey
 - Personal trading monitoring
 - Lean adoption

Year-End Closeout

This fourth quarter report also represents the closing of FY 2019/20 and each year CalPERS leadership reviews all indicators and strategy to ensure we are focused on the right priorities and demonstrating flexibility to address changes in our environment. As in past years, we utilize the July timeframe to review our strategy with the Board and gather any feedback to ensure we are on the right track and align any needed revisions to this annual review opportunity. As presented at the July Board Strategy Session, we have a renewed focus within the Health arena and with our new Health leadership team, CalPERS is introducing revisions to the Health goal and objectives and adding new strategic measures. These changes will be reflected in the November first quarter report for FY 2020/21. Several of the current strategic measures will transition into our operational model as KPIs and several measures will be removed due to lack of data or industry focus. Please see strategic measures summary sheets (Attachment C) for more details.

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 (Q4 Status)
- Attachment B – Enterprise Operations Map (Q4 Status)
- Attachment C – Strategic Measures Summary Sheets
- Attachment D – Business Plan Initiatives Summary Sheets
- Attachment E – KPI Summary Sheets