

# CalPERS 2015-17 Business Plan



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## Introduction

For more than eight decades, CalPERS has built and managed retirement and health security for people who invest their lifework in the State of California. Our Strategic and Business Plans provide us direction as we deliver on our promise to serve with the highest level of commitment.

Guided by the CalPERS Vision, Mission, and Core Values, the CalPERS 2012-17 Strategic Plan focuses on three main areas:

- Improve the sustainability of long-term pension and health benefits;
- Create an organization that is high-performing, risk-intelligent, and innovative; and
- Engage in State and national policy development to increase effectiveness and long-term sustainability of our programs.

The Business Plan is the vehicle we use to implement our Strategic direction based on the goals within our 2012-17 Strategic Plan. With this Business Plan, we are moving into years four and five. Accomplishments for the first three years of our five-year Strategic Plan can be found in the following reports:

- [2012-17 Strategic Plan, Annual Report, 2013](#)
- [2012-17 Strategic Plan, Annual Report, 2014](#)
- [2012-17 Strategic Plan, Annual Report, 2015](#)

A two-year planning cycle encourages a long-term view while allowing us to remain nimble, anticipate risks, and identify opportunities. This perspective helps us effectively plan and manage the programs that move us closer to achieving our Strategic Goals.

As we rise to meet the challenges ahead, we continue in our commitment to helping our members and employers build bright futures and live healthy lives. We are proud to serve those who serve California.

## CalPERS Vision, Mission, and Core Values

The CalPERS Vision, Mission, and Core Values are the concepts that guide us as we create our Strategic and Business Plans.

### Vision

A trusted leader respected by our members and stakeholders for our integrity, innovation, and service

### Mission

Provide responsible and effective stewardship of the System to deliver promised retirement and health benefits, while promoting wellness and retirement security for members and beneficiaries

### Core Values

Quality | Respect | Accountability | Integrity | Openness | Balance

### CalPERS 2012-17 Strategic Plan

An overview of the goals and objectives in the Strategic Plan can be found on page five.

### CalPERS 2015-17 Business Plan

The initiatives we are working on over the next two years to help us achieve our Strategic Plan begin on page six.

## Overview of the CalPERS 2012-17 Strategic Plan

The following is an overview of the Goals and Objectives in the Strategic Plan that shape our five-year direction:

### **Goal A – Improve long-term pension and health benefit sustainability**

#### **Strategic Objectives:**

- Fund the System through an integrated view of pension assets and liabilities
- Educate employers and other stakeholders to make informed decisions about retirement security and health care
- Deliver target risk-adjusted investment returns
- Ensure high-quality, accessible, and affordable health benefits
- Create a lifestyle of wellness among members and employers

### **Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization**

#### **Strategic Objectives:**

- Use a focused approach to generate, test, refine, and implement new ideas
- Deliver superior end-to-end customer service that is adaptive to customer needs
- Recruit, retain, develop, and empower a broad range of talents against organizational priorities
- Actively manage business risks with an enterprise-wide view

### **Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs**

#### **Strategic Objectives:**

- Clarify and communicate CalPERS perspective on pension, health, and financial markets
- Provide education and engagement opportunities to shape policy agenda and expand impact

## CalPERS 2015-17 Business Plan

### Goal A – Improve long-term pension and health benefit sustainability

**Strategic Objective – Fund the System through an integrated view of pension assets and liabilities**

**Strategic Initiative –** Actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy

#### Business Plan Initiatives

**Governmental Accounting Standards Board (GASB) Statement 68 Accounting Valuations** – Enhance the current Actuarial Valuation System and produce the accounting valuations that provide employers with the pension cost information they need to comply with Governmental Accounting Standards Board Statement 68 (September 2015)

*Initiative completed early in June 2015*

**Asset Liability Management – Risk Mitigation Strategy** – Create a risk mitigation strategy to encourage additional employer contributions, adopt a de-risking policy, and explore the feasibility of asset allocation options (June 2017)

**Capital Allocation** – Enhance the Capital Allocation framework through improved risk factor modeling and greater understanding of trust-level investment risk and performance attribution (June 2017)

**Investment Risk Management** – Build effective risk review and decision processes within and across asset classes to ensure risks are fully understood, intended, and compensated (June 2017)

## Goal A – Improve long-term pension and health benefit sustainability (cont.)

**Strategic Objective – Educate employers and other stakeholders to make informed decisions about retirement security and health care**

**Strategic Initiative –** Expand member and employer access to information regarding the cost and quality of health care and ways to impact those trends

### Business Plan Initiative

**California Employers' Retiree Benefit Trust (CERBT) Fund Growth Strategies** – Develop and implement strategies to sustain the growth of the California Employers' Retiree Benefit Trust fund and enhance the delivery of service to our employers (June 2017)

**Strategic Initiative –** Provide existing and prospective Long-Term Care Program policy holders with premium and other information to improve decision making

### Business Plan Initiative

**Improve Hospital Transition Care for Senior Members Through the Long-Term Care Transitional Care Pilot** – Assess the specialized hospital transition care management program to improve quality and reduce hospital readmissions for Preferred Provider Organization Health Plan members with Long-Term Care policies (September 2016)

**Goal A – Improve long-term pension and health benefit sustainability (cont.)****Strategic Objective – Deliver target risk-adjusted investment returns**

**Strategic Initiative** – Implement programs and initiatives that improve investment performance and ensure effective systems, operations, and controls are in place

**Business Plan Initiatives**

**Business Effectiveness** – Enhance cost effectiveness, resource allocation, and efficiency of the investment program to increase net returns on assets (June 2017)

**Investment Platform and Controls**– Enhance the investment platform and internal controls environment to achieve optimum efficiency (June 2017)

**Investment Beliefs and Environmental, Social, and Governance (ESG) Risk** – Integrate the CalPERS Investment Beliefs and ESG risk considerations within and across all investment programs to guide investment policy, decision making, and manager expectations (June 2017)

**Strategic Objective – Create a lifestyle of wellness among members and employers**

**Strategic Initiative** – Develop and administer an independent wellness platform that ensures the active engagement of employees and employers

**Business Plan Initiative**

**Health and Wellness Platform** – Develop and implement a statewide wellness platform to engage employees, employers, and retirees in improving member health (June 2017)



**Goal A – Improve long-term pension and health benefit sustainability (cont.)****Strategic Objective – Ensure high-quality, accessible, and affordable health benefits**

**Strategic Initiative** – Implement new approaches and expand efforts already proven to reduce health care costs and improve health outcomes, including changing how we contract with health plans

**Business Plan Initiative**

**Contracting Agency Outreach and Health Data Sharing** – Engage employers in Health Policy discussions and identify ability to share health data with employers to develop workplace health improvement strategies (June 2017)

**Medicare-Only Health Contracting Alternatives** – Explore feasibility of simplifying Medicare Advantage contract and, if directed by the Board, implement changes (January 2016)

**Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization**

**Strategic Objective – Use a focused approach to generate, test, refine, and implement new ideas**

**Strategic Initiative –** Adopt methodologies that empower staff to quickly test, vet, and refine ideas that improve internal and external performance and service

**Business Plan Initiative**

**Enterprise Internal Innovation –** Develop and implement a responsive innovation program that will inspire staff to share innovative ideas and solutions that improve performance and service (June 2016)

**Cost Effectiveness Measurement (CEM) Evaluation –** Evaluate and analyze CEM Benchmarking reporting data to identify the feasibility of pension administration cost savings and performance improvements (June 2017)

**Strategic Objective – Deliver superior end-to-end customer service that is adaptive to customer needs**

**Strategic Initiative –** Promote the use of business intelligence throughout the organization to optimize customer service and delivery

**Business Plan Initiative**

**End-to-End Business Intelligence –** Enhance end-to-end services through the use of business intelligence by enhancing enterprise research, innovation, and organizational performance (June 2017)

## Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization (Cont.)

**Strategic Initiative** – Enhance business processes to achieve high-quality, timely, effective, and efficient customer service delivery to our members and employers

### Business Plan Initiatives

**Digital Communications** – Develop and implement a strategy to enhance digital communications capabilities to support outreach and communication to members, employers, and other stakeholders (June 2017)

**Customer Service Optimization Strategies** – Implement strategies that strengthen operations and optimize customer service through enhanced functionality, compliance, and business process improvements (June 2017)

**Customer Experience** – Implement strategies to increase customer feedback opportunities and advance the customer experience (June 2017)

**Strategic Objective** – Recruit, retain, develop, and empower a broad range of talents against organizational priorities

**Strategic Initiative** – Develop and implement a comprehensive talent management strategy that includes recruitment, knowledge transfer, succession planning, and a methodology to regularly gauge employee satisfaction

### Business Plan Initiative

**Workforce Strategic Plan Implementation** – Continue implementation of the five-year Strategic Workforce Plan to administer the Organizational Health Index survey, develop and implement an Emerging Leader training program, and talent management strategies that focus on role clarity, accountability and support diversity and inclusion (June 2017)

## Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization (Cont.)

### Business Plan Initiatives

**Compensation Policy Implementation** – Implement recommendations from the Compensation Policy Review for programs and policies governed by the CalPERS Board of Administration including all Executives, Senior Managers designated in a Career Executive Assignment, and select investment staff to ensure the Boards’ policies, philosophy, and rationale remain appropriate and relevant (June 2016)

**Workforce Investment, Knowledge Transfer, and Consultant Reductions** – Develop and enhance the CalPERS workforce and reduce the reliance on third party consultants by recruiting skilled staff, increasing retention, improving processes and providing staff with training and knowledge transfer opportunities (June 2016)

### Strategic Objective – Actively manage business risks with an enterprise-wide view

**Strategic Initiative** – Develop a robust risk-intelligent culture through enhanced governance, risk assessment and mitigation, and collaboration with stakeholders

### Business Plan Initiatives

**Participating Employer Financial Hardship/Insolvency** – Assess the impacts of participating employer bankruptcy cases and evaluate legislative and/or regulatory action to protect the System and mitigate risks (February 2016)

**Treasury Management** – Develop and implement enterprise treasury management function to enhance cash controls, cash integrity, and liquidity management (June 2016)

**Business and Technology Alignment Roadmap** – Establish a comprehensive enterprise roadmap that aligns technology investments to business strategy and priorities (June 2017)

**Goal B – Cultivate a high-performing, risk-intelligent, and innovative organization  
(Cont.)****Business Plan Initiatives**

**Enhance Internal Controls** – Develop and implement improved processes and internal controls to improve financial policy management throughout the organization (June 2016)

**Information Security Roadmap** – Implement risk mitigation strategies to enhance management of security events, access to information and data loss prevention to safeguard information assets (June 2017)

## **Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs**

**Strategic Objective – Clarify and communicate CalPERS perspective on pension, health, and financial markets**

**Strategic Initiative – Establish principles and beliefs to guide public policy engagement by the System**

### **Business Plan Initiatives**

**Leadership and Research Communication Strategies** – Develop and execute communication strategies to leverage CalPERS’ leadership on key policy issues including Asset Liability Management, Environment, Social, and Governance, Retirement Security, investment and pension beliefs, and new research (June 2017)

**Strategic Objective – Provide education and engagement opportunities to shape policy agenda and expand impact**

**Strategic Initiative – Develop new strategic partnerships with academic institutions, governmental organizations, non-profits, the financial sector, and the California business community**

### **Business Plan Initiatives**

**External Partnership Strategies** – Develop and execute strategies for creating relationships with key academic and industry partners to communicate our perspective on critical aspects of pension, health, and investment markets (June 2017)

**Strategic Initiative – Develop a series of thought leadership initiatives that promote CalPERS priorities and policies**

### **Business Plan Initiatives**

**Financial Literacy** – Develop a plan to enhance members’ understanding of key concepts related to financial literacy and retirement security (June 2017)



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