
2017-18
Business Plan



California Public Employees' Retirement System

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Introduction

Since 1932, CalPERS has built and managed retirement and health security for the dedicated individuals who serve, or have served, the State of California through a career in public service. Our pension fund serves members in the CalPERS retirement system and administers benefits for members and their families in our health program.

Guided by our Vision, Mission, and Core Values, the Board of Administration and executive team worked collaboratively to develop the new 2017-22 Strategic Plan that gives us a fresh look at the road ahead.

Our Vision

A respected partner, providing a sustainable retirement system and health care program for those who serve California

Our Mission

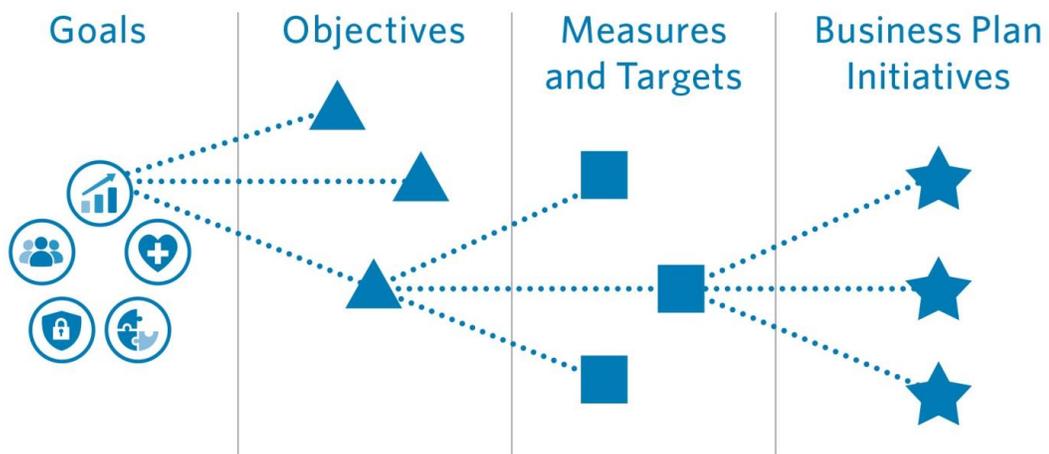
Deliver retirement and health care benefits to members and their beneficiaries

Our Core Values

Quality | Respect
Accountability | Integrity
Openness | Balance

The collaboration resulted in five strategic goals – each with its own set of objectives and measures. Ultimately, these goals, objectives, and measures translate into the work we do through our 2017-18 Business Plan. This Business Plan, which begins July 1, 2017, outlines the work we plan on undertaking in the first year of the new Strategic Plan.

The graphic below reflects the relationship flow from goals through the business plan initiatives.



The following is an overview of the Goals and Objectives in the Strategic Plan.



Fund Sustainability – Strengthen the long-term sustainability of the pension fund

- Fund the System through an integrated view of pension assets and liabilities
- Mitigate the risk of significant investment loss
 - Deliver target risk-adjusted investment returns
 - Educate employers, members, and stakeholders on system risks and mitigation strategies
 - Integrate environmental, social, and governance considerations into investment decision making



Health Care Affordability – Transform health care purchasing and delivery to achieve affordability

- Restructure benefit design to promote high-value health care
 - 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



Reduce Complexity – Reduce complexity across the enterprise

- Simplify programs to improve service and/or reduce cost
- Streamline operations to gain efficiencies, improve productivity, and reduce costs



Risk Management – Cultivate a risk-intelligent organization

- Enhance compliance and risk functions throughout the enterprise
- Continue to evolve cyber security program



Talent Management – Promote a high-performing and diverse workforce

- Recruit and empower a broad range of talents to meet organization priorities
- Cultivate leadership competencies and develop succession plans across the enterprise



FUND SUSTAINABILITY

Goal: Strengthen the long-term sustainability of the pension fund

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

Business Plan Initiatives

Alignment of Asset Liability Management – Incorporate elements of funding risk from both an asset and liability perspective to ensure the sustainability of the fund (June 2018)

Employer Contracting and Collection Reporting – Develop and implement a report for identifying agency collection issues and contract terminations (June 2018)

Redesign and Enhance the Actuarial Valuation System – Redesign and enhance the Actuarial Valuation System to increase capabilities, streamline processes, and create a more flexible and scalable valuation system (October 2018)

Strategic Objective | Mitigate the risk of significant investment loss

Investment Risk Management and Performance Attribution – Build effective investment risk and performance attribution review and decision processes within and across asset classes to ensure risks are fully understood, intended, and compensated (June 2020)

Strategic Objective | Deliver target risk-adjusted investment returns

Enhance Capital Allocation Framework – Enhance the Capital Allocation framework through improved risk factor modeling and greater understanding and ownership of trust-level investment risk and performance (June 2020)

Enhance Investment Platform and Controls – Enhance the investment platform and internal controls environment to achieve optimum efficiency (June 2020)

Investment Program Long-Term Planning – Explore long-term planning considerations including private assets business model, talent management, and office locations (June 2020)

Strategic Objective | Educate employers, members, and stakeholders on system risks and mitigation strategies

Stakeholder Education on System Risks and Mitigation – Identify, develop, and implement training, education, and outreach opportunities to educate members, employers, and stakeholders on system risks, mitigation strategies, and compliance enhancements (June 2018)

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

Investment Beliefs and ESG Risk Integration – Develop a framework for the integration of CalPERS Investment Beliefs and ESG risk considerations into the investment decision-making process (June 2020)



HEALTH CARE AFFORDABILITY

Goal: Transform health care purchasing and delivery to achieve affordability

Strategic Objective | Restructure benefit design to promote high-value health care

Business Plan Initiatives

Value-Based Insurance Design: Feasibility – Research and develop health benefit design strategies to improve member health, and value of care, while decreasing costs in Preferred Provider Organization (PPO) plans (June 2018)

Site of Care Management – Leverage current Integrated Health Care and Population Health delivery models to contain health care costs in PPO plans for possible expansion to Health Maintenance Organizations (June 2022)

Pharmacy Benefit Design Pilot – Develop and implement strategies to align our pharmacy benefit manager with our reference pricing model (January 2019)

Reference Pricing Expansion – Leverage existing efforts to reduce health care costs by expanding the use for reference pricing for routine non-emergency procedures with price variation in the PPOs (June 2022)

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

Population Health Alignment with *Let's Get Healthy California* Taskforce Report Dashboard – Provide employers with aggregate health care data to identify major health care costs and enhance Population Health Management (June 2022)

Partner with Health Plans to Engage in Community Activities – Collaborate with health plans to positively impact the health of our members by engaging in community activities which create a culture of good health (June 2022)

Strategic Objective | Reduce the overuse of ineffective or unnecessary medical care

Statewide Collaboration Through *Smart Care California* – Partner with Covered California and Department of Health Care Services through Smart Care California coalition to promote safe, affordable care in the areas of opioid use, Caesarean sections, and spinal/back disorders (June 2022)

Review and Update Shared Savings Accountable Care Organizations Cost and Quality Targets – Research, analyze, and update shared savings cost and quality targets and expand the use of evidence-based medicine in improving outcomes while decreasing costs (June 2022)

Research and Expand Evidence-Based Medicine – Apply outcome-based medical strategies to provide affordable and high value care (June 2022)



REDUCE COMPLEXITY
Goal: Reduce complexity across the enterprise

Strategic Objective | Simplify programs to improve service and/or reduce cost

Business Plan Initiatives

CEM Complexity Score Reduction – Assess current complexity score and identify target areas of complexity reduction (June 2018)

Customer Satisfaction – Actionable Feedback – Identify actionable feedback from customer satisfaction surveys and implement systems to monitor and facilitate reasonable improvements to enhance customer service (June 2018)

Improve Pension Benefit Payments Timeliness – Identify current issues impacting benefit payment timeliness and mitigate constraints to increase service levels more consistently towards the goal or accept the current level of service (June 2018)

Implement Digital Communication Strategy – Enhance digital communications capabilities to support outreach and communication to members, employers, and other stakeholders (June 2018)

External Manager Monitoring, Expectations, and Reduction Strategy – Develop enhanced governance and protocols to improve efficiencies and controls in assessing and engaging external managers and migrating additional asset types in house (June 2020)

Strategic Objective | Streamline operations to gain efficiencies, improve productivity, and reduce costs

Develop and Implement Continuous Process Improvement Framework – Develop and implement a framework to identify and support continuous process improvement opportunities that increase efficiency and reduce complexity throughout the enterprise (June 2019)

Reduce System Costs and Improve Efficiencies – Identify cost drivers and assess enterprise-wide cost savings for proposed areas of improvement to reduce costs and improve efficiencies to the System (June 2018)

Enhance Business Effectiveness, Resource Allocation, and Efficiency of Investment Programs – Enhance cost effectiveness, resource allocation, and efficiency of the investment program to increase net returns on assets (June 2020)



RISK MANAGEMENT

Goal: Cultivate a risk-intelligent organization

Strategic Objective | Enhance compliance and risk functions throughout the enterprise

Business Plan Initiatives

Enterprise Data Management – Create/enhance policies and processes to strengthen appropriately defined data-driven decisions, ensure intent is understood, and improve the consistency of data use across the enterprise which includes people, process, technology and culture dimensions (June 2020)

Increase Enterprise-Wide Risk Awareness – Develop enterprise-wide risk communication and training plans to increase risk awareness, and strengthen and expand risk capabilities (June 2019)

Increase Enterprise-Wide Compliance Awareness – Develop compliance communication and training plans to increase awareness throughout the enterprise (June 2019)

Strategic Objective | Continue to evolve cyber security program

Enterprise Business Continuity Plan, Phase II Develop a comprehensive Enterprise Business Continuity Plan that identifies operational needs, business functions, procedures and applications needed for all business operations beginning 31-days post disaster through full resumption (December 2018)

Information Security Roadmap – Advance the cyber security strategy and roadmap to mitigate cyber security risks (June 2022)



TALENT MANAGEMENT

Goal: Promote a high-performing and diverse workforce

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

Business Plan Initiatives

Develop and Implement an Expanded Recruitment Strategy – Develop and implement a plan to increase the number of channels used to broadcast open positions (June 2018)

Develop and Administer Team Member Engagement Surveys – Develop a plan and implement a new engagement survey(s) to continually improve our culture and preserve our reputation as a destination employer (June 2018)

Expand Diversity and Inclusion Program – Develop and begin implementing a plan to expand the Diversity and Inclusion Program to recruit and empower a broad range of talents to meet organizational priorities (June 2018)

Emerging Leader Pilot Program – Implement and evaluate a journey-level training program to prepare non-supervisory employees for future leadership roles (June 2020)

Strategic Objective | Cultivate leadership competencies and develop succession plans across the enterprise

Develop 2017-22 Workforce Plan – Develop a plan to implement a phased approach to address workforce planning that includes: recruitment, retention, development, empowerment, and succession planning (June 2018)

Enterprise Core Competencies – Adopt core competencies for team members that align with expected behaviors to promote a high performing and diverse workforce (June 2018)

