A Message from Our Board President and Chief Executive Officer

The 2017-22 Strategic Plan is the result of a year-long collaborative process between our board of administration and executive team that gives us a fresh look at the next five years. Our shared goal was to build a thoughtful and relevant plan for the future that began on July 1, 2017.

In developing the five goals within this plan, we went through an extensive process to gain an understanding of the major risks and opportunities facing CalPERS. We gathered valuable information and feedback from a variety of internal and external stakeholders.

After analyzing this input, we could see where we were and where we needed to go. The end result was five goals – each with its own set of objectives and measures for success – that will guide us for the next half-decade. The strategic plan is not meant to be a detailed roadmap, but a guide to steer us over the next several years.

Another outcome of our process was a refinement of our Vision and Mission statements to make them more reflective of our purpose and direction. When we link them to our Core Values, they provide a full picture of who we are and what we stand for. We share them with you in the pages ahead.

We will continue to use our business plan as the vehicle to put the strategic plan into action. It gives us the flexibility to be nimble and responsive to the current environment and industry trends, while still accomplishing the goals and objectives we have established.

To our board members, team members, and senior leaders, as well as the employer associations, labor groups, retiree and pension associations, federal representatives, health and investment business partners, and state government officials who contributed to this process, we thank you for your time and valuable input.

We encourage you to make our new 2017-22 Strategic Plan come alive by exploring it and finding meaningful ways to connect it with the work you do. Together, we can continue our legacy of service to California and to our members.

Note: The CalPERS 2017-22 Strategic Plan is a dynamic document that must maintain its relevance to guide us over a period of five years. As such, this newly issued version reflects new information since it went into effect July 1, 2017. It may continue to change over time to reflect the needs of the enterprise and its members.

Sincerely,

Henry Jones
2019 President
CalPERS Board of Administration

Marcie Frost
Chief Executive Officer

CalPERS Strategic Plan | 2017–22
We Serve Those Who Serve California

To achieve this, we always keep **OUR VISION** in focus, which is to be a respected partner, providing a sustainable retirement system and health care program for those who serve California.

We are guided to do this by **OUR MISSION**, which is to deliver retirement and health care benefits to members and their beneficiaries.

What drives us is our **OUR CORE VALUES**, which are enduring, passionate, and distinctive beliefs that inspire our culture and our priorities.

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

Keeping our promise of a secure pension is the cornerstone of our mission. It has been the reason for our existence since 1932. Long-term sustainability of the pension fund and availability of the funds for our members when they retire are the embodiment of that promise we made more than 85 years ago. To fulfill this promise, we strive to deliver targeted, risk-adjusted investment returns and to keep our stakeholders engaged and educated about how we balance risks and mitigations to achieve this goal.

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

We aspire to transform health care purchasing and delivery, to make it affordable while providing the best value in health care to our members. We seek to understand rising health care costs and the impact of wellness on those costs.

Reduce Complexity
Reduce complexity across the enterprise

CalPERS is a large organization, but large doesn’t have to mean complicated. We will focus on streamlining our operations, processes, and procedures over the next five years. We believe this will benefit us by gains in efficiency and improve productivity among our employees. By simplifying our benefit programs, we believe we can improve service delivery, decrease costs, and reduce risk.
Risk Management
Cultivate a risk-intelligent organization

We need to continue our efforts to be a risk-intelligent organization. This means protecting the data of our members and employers is paramount to us. We are keenly aware of the potential risks we face, and have risk mitigation methods in place for use on a daily basis. We also work to make our compliance and audit processes more strategic based on risk and trend analysis.

Talent Management
Promote a high-performing and diverse workforce

We want and need a high-performing and diverse workforce. To achieve this, we want to ensure that our employees have the resources they need to provide outstanding service to our members, business partners, stakeholders, and staff. We will continue to step up our efforts to recruit and empower a broad range of talented employees to meet our organizational priorities.
The Strategy Map illustrates our 2017-22 goals, along with our Vision, Mission, and Core Values.

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

Objective: Fund the System through an integrated view of pension assets and liabilities
Measure: Funded status
   Target: Long-term funded status of 100 percent over 30 years – beyond the current strategic plan

Objective: Mitigate the risk of significant investment loss
Measure: One-year total expected fund volatility
   Target: Current total expected fund volatility of 8 percent or less

Objective: Deliver target risk-adjusted investment returns
Measure: Annualized (five-year) excess investment returns relative to total fund policy benchmark
   Target: Meet or exceed the total fund policy benchmark

Objective: Educate employers, members, and stakeholders on system risks and mitigation strategies
Measure: Stakeholder assessment survey – risk
   Target: Five-year goal to achieve a score of 5.43 out of 7 points, a 5 percent increase from baseline, representing an annual increase of 1 percent or 0.05 points
FUND SUSTAINABILITY
Strengthen the long-term sustainability of the pension fund

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

Measure: Investment managers’ policies and procedures for ESG factor integration

Target: Of internal and external investment managers, 100 percent shall have policies and procedures in place to integrate ESG factors into investment decisions
HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

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

Measure: Access to care
Target: Of surveyed CalPERS health program members, 90 percent have access in the last 12 months to immediate and routine care when needed

Measure: Total health care cost annual change
Target: Control annual premium cost increase to Consumer Price Index for medical care plus 3 percent

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

Measure: Diabetes self-management
Target: Of CalPERS health program members who are diabetic, 70 percent report that they check their blood glucose or sugar at least once a day

Measure: Mental health and well-being
Target: Of surveyed CalPERS health program members, 80 percent answer “usually” or always” on how easy it is to get the treatment or counseling they needed through their health plan within the last 12 months

Measure: Self-reported overall health status
Target: Of surveyed CalPERS health program members, 90 percent rate their overall health as good, very good, or excellent
## HEALTH CARE AFFORDABILITY
Transform health care purchasing and delivery to achieve affordability

<table>
<thead>
<tr>
<th>Objective:</th>
<th>Reduce the overuse of ineffective or unnecessary medical care</th>
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</thead>
<tbody>
<tr>
<td>Measure:</td>
<td><strong>Opioids – dose</strong></td>
</tr>
<tr>
<td>Target:</td>
<td>Below 288 morphine milligram equivalents per CalPERS health program member, per year for basic plans</td>
</tr>
<tr>
<td>Measure:</td>
<td><strong>Opioids – duration</strong></td>
</tr>
<tr>
<td>Target:</td>
<td>Less than 8 percent of CalPERS health program members are receiving prescription opioids at high dosage</td>
</tr>
<tr>
<td>Measure:</td>
<td><strong>C-section rate</strong></td>
</tr>
<tr>
<td>Target:</td>
<td>Of in-network hospitals, 45 percent meet the nulliparous, term, single, and vertex C-section rate of 23.9 percent</td>
</tr>
<tr>
<td>Measure:</td>
<td><strong>Acute onset lower back pain and related opioid use</strong></td>
</tr>
<tr>
<td>Target:</td>
<td>Under development</td>
</tr>
<tr>
<td>Measure:</td>
<td><strong>Acute onset lower back pain and physical therapy</strong></td>
</tr>
<tr>
<td>Target:</td>
<td>Under development</td>
</tr>
<tr>
<td>Measure:</td>
<td><strong>Overuse of imaging for back pain</strong></td>
</tr>
<tr>
<td>Target:</td>
<td>Of CalPERS health program members, 85 percent with low back pain choose not to have imaging when there is no indication of an underlying condition; this can prevent unnecessary harm and unintended consequences to members and can reduce health care costs</td>
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</tbody>
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REDUCE COMPLEXITY
Reduce complexity across the enterprise

Objective: Simplify programs to improve service and/or reduce cost
Measure: Cost Effectiveness Measurement (CEM) pension complexity score
Target: Maintain weighted average complexity score between 58 – 71 points

Measure: External investment manager reduction strategy
Target: Of external strategic and transition managers, there will be 100 or fewer by June 2020

Measure: CEM information technology capability score
Target: CalPERS target is to stay within the range of 80 - 90 points

Objective: Streamline operations to gain efficiencies, improve productivity, and reduce costs
Measure: CEM cost per member
Target: Reduce by 2 percent annually

Measure: Overhead operational cost
Target: Reduce by 1.5 - 2 percent annually

Measure: Five-year net value added
Target: Exceed the median U.S. peer on investment cost and returns
Objective: Enhance compliance and risk functions throughout the enterprise

Measure: Stakeholder assessment survey – compliance and risk
Target: Five-year goal of 5.43 out of 7 points, a 5 percent increase from baseline, representing an annual increase of 1 percent or 0.05 points from baseline

Measure: Risk employee awareness survey
Target: Five-year goal of 86 percent, a 2 percent annual increase from baseline

Measure: Risk program maturity assessment
Target: Increase one point by 2021-22, from the baseline scores set in FY 2017-18

Measure: Compliance employee awareness survey
Target: Maintain 90 percent or greater positive response rate to the compliance survey question through June 2022

Measure: Compliance program maturity assessment
Target: Increase one point by FY 2021-22, from the baseline scores set in FY 2017-18

Objective: Continue to evolve cyber security program

Measure: Composite security health score within range
Target: Provided to board in closed session
TALENT MANAGEMENT
Promote a high-performing and diverse workforce

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

Measure: Effectiveness of outreach activities
Target: Increase total job views in LinkedIn by 10 percent annually

Measure: Engagement survey results and action items – diversity and inclusion
Target: CalPERS has a high-performing status of greater than 59 percent

Measure: Engagement survey results and action items – accountability
Target: CalPERS has a high-performing status of greater than 59 percent

Measure: Engagement survey results and action items – senior and executive management relationships
Target: CalPERS has a high-performing status of greater than 59 percent

Objective: Cultivate leadership competencies and develop succession plans across the enterprise

Measure: Proficiency in CalPERS leadership competencies
Target: Under development