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2018-19  
**Business Plan**

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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 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

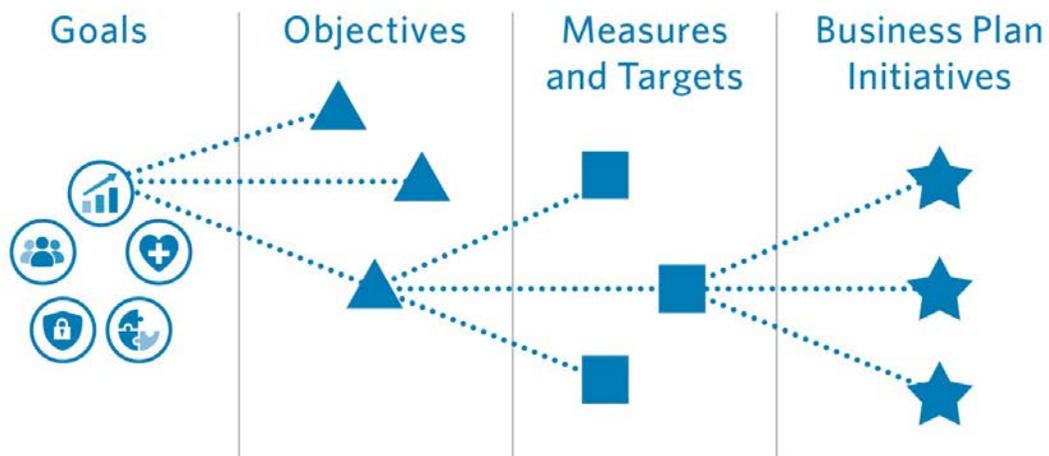
Deliver retirement and health care benefits to members and their beneficiaries

### 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 2018-19 Business Plan. This Business Plan, which begins July 1, 2018, outlines the work we plan on undertaking in the second year of the Strategic Plan. Each initiative is listed within its corresponding goal and objective.

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

**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)

**Actuarial Valuation System—Advanced Analytics** – Develop and implement advanced analytic tools to more accurately model CalPERS’ liabilities and projected funded status (December 2019)

**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 2022)

**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)

**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 2022)

**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

**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 2022)

**Medical Pharmacy 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 2021)

**Pharmacy Benefits Management** – Develop and implement strategies to align our pharmacy benefit manager with our reference pricing model (January 2021)

**Medical Reference Pricing Expansion** – Leverage existing efforts to reduce health care costs by expanding the use of reference pricing for routine non-emergency procedures with price variation in the PPOs (June 2021)

**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 2019)

**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 2019)

**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 2019)

**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 2021)



**REDUCE COMPLEXITY**

**Goal: Reduce complexity across the enterprise**

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

**Mature Targeted Information Technology (IT) Capabilities** – Mature targeted IT capabilities to enhance the delivery of core services, as well as anticipate and meet emerging business needs of the future (June 2020)

**CEM Complexity Score Maintenance** – Assess complexity-related questions in the CEM report and conduct feasibility analysis to determine opportunities to maintain the CEM complexity score within identified target range (June 2019)

**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)

**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)

**Develop Information Technology Service-Level Agreements** – Develop and implement Service-Level Agreements for services within the Information Technology Services Branch service catalog (June 2020)



**RISK MANAGEMENT**

**Goal: Cultivate a risk-intelligent organization**

**Strategic Objective** | Enhance compliance and risk functions throughout the enterprise

**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)

**Increase Compliance Program Maturity** – Enhance the Compliance Program maturity and performance by annually identifying and completing initiatives across a broad set of functional objectives and activities that strengthen CalPERS compliance and ethics culture (June 2022)

**Enterprise Data Governance** – 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)

**Strategic Risk Measures** – Finalize Strategic Risk Measures by developing thresholds that reflect the Board’s appetite for risk (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

**Implement Engagement Survey Action Items** – In partnership with senior leaders, develop and implement a plan to address the two lowest scoring drivers from the 2017 Employee Engagement Survey (Accountability and Senior & Executive Management Relationships) (June 2019)

**Expand Diversity and Inclusion Program** – Implement the plan to expand the Diversity and Inclusion Program to recruit and empower a broad range of talents to meet organizational priorities (June 2020)

**Talent Outreach Activities** – Develop and implement data collection methods and tools to measure the effectiveness of outreach activities (June 2019)

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

**Implement 2018-22 Workforce Plan Strategies** – Implement two workforce planning strategies focused on expanding the LinkedIn recruiter seats and creating an enterprise-wide business calendar (June 2019)

**Develop Leadership Competencies Measurement Tool** – Develop and pilot a tool to measure leaders’ proficiency in CalPERS competencies (June 2019)

**Enhance Succession Planning Program and Retention Strategies for Senior Leaders** – Enhance the Succession Planning Program to retain highly-skilled senior leaders (June 2019)



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