
2019-20
Business Plan



California Public Employees' Retirement System

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Fund Sustainability

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

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

- **Actuarial Valuation System—Advanced Analytics:** Develop and implement advanced analytic tools to more accurately model CalPERS' liabilities and projected funded status (June 2020)
 - **Associated Strategic Measure:** Projected funded status
- **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)
 - **Associated Strategic Measures:** Funded status; projected funded status

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)
 - **Associated Strategic Measure:** One-year total expected fund volatility

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)
 - **Associated Strategic Measure:** Annualized (five-year) excess investment returns relative to total fund policy benchmark
- **Enhance Investment Platform and Controls:** Enhance the investment platform and internal controls environment to achieve optimum efficiency (June 2020)
 - **Associated Strategic Measure:** Annualized (five-year) excess investment returns relative to total fund policy benchmark
- **Investment Program Long-Term Planning:** Develop new five-year Investment Office strategic plan (June 2020)
 - **Associated Strategic Measure:** Annualized (five-year) excess investment returns relative to total fund policy benchmark

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)
 - **Associated Strategic Measure:** Stakeholder assessment survey—risk

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)
 - **Associated Strategic Measure:** Investment managers policies and procedures for ESG factor integration



Health Care Affordability

Strategic 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:** Research and develop health benefit design strategies to improve member health and value of care, while decreasing costs in Preferred Provider Organization (PPO) plans (March 2020)
 - **Associated Strategic Measure:** Total health care cost annual change
- **Medical Pharmacy Site of Care Management:** Leverage current Integrated Health Care and Population Health delivery models to contain health care costs in PPO plans by evaluating Health Maintenance Organizations Plans Site of Care Management (June 2021)
 - **Associated Strategic Measure:** Access to care
- **Pharmacy Benefits Management:** Develop and implement strategies to align our pharmacy benefit manager with our reference pricing model (June 2022)
 - **Associated Strategic Measure:** Total health care cost annual change
- **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)
 - **Associated Strategic Measure:** Total health care cost annual change

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

- **Health Stakeholder Outreach and Awareness:** Conduct stakeholder outreach and awareness of wellness programs and disease management programs which create a culture of good health (June 2022)
 - **Associated Strategic Measures:** Diabetes self-management; mental health and wellbeing; self-reported overall health status

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, behavioral health, and spinal/back disorders (June 2021)
 - **Associated Strategic Measures:** Opioids—dose; opioids—duration; C-section rate; acute onset lower back pain and related opioid use; acute onset lower back pain and physical therapy; overuse of imaging for back pain



Reduce Complexity

Strategic 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)
 - **Associated Strategic Measure:** Cost Effective Measurement (CEM) information technology capability score
- **Complexity Reduction:** Conduct research and analysis of complexity reduction opportunities and initiate process or policy changes (June 2022)
 - **Associated Strategic Measures:** CEM pension complexity score; CEM cost per member; overhead operational cost

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

- **Continuous Process Improvement:** Support implementation of continuous process improvement opportunities that increase efficiency and reduce complexity through the enterprise (June 2022)
 - **Associated Strategic Measures:** CEM cost per member; overhead operational cost
- **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)
 - **Associated Strategic Measure:** Five-year net value added
- **Expand Information Technology Service-Level Agreements:** Develop and implement service-level agreements for services within the IT Services Branch service catalog (June 2020)
 - **Associated Strategic Measure:** CEM cost per member
- **Board Insight Tool:** Design, develop, and pilot a new content management tool that allows for a more efficient and effective way of accessing and interpreting board information (January 2020)
 - **Associated Strategic Measure:** Aligns to overall Reduce Complexity goal



Risk Management

Strategic Goal: Cultivate a risk-intelligent organization

Strategic Objective: Enhance compliance and risk functions throughout the enterprise

- **Increase Enterprise-wide Compliance Awareness:** Develop compliance communication and training plans to increase awareness throughout the enterprise (June 2022)
 - **Associated Strategic Measures:** Stakeholder assessment survey - compliance and risk; compliance program maturity assessment; compliance employee awareness survey
- **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)
 - **Associated Strategic Measure:** Compliance program maturity assessment; compliance employee awareness survey
- **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)
 - **Associated Strategic Measure:** Aligns to the overall Risk Management goal

Strategic Objective: Continue to evolve cyber security program

- **Information Security Roadmap:** Advance the cyber security strategy and roadmap to mitigate cyber security risks (June 2022)
 - **Associated Strategic Measure:** Composite security health score within range



Talent Management

Strategic 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 Accountability and Senior & Executive Management Relationships from the Employee Engagement Survey (June 2020)
 - **Associated Strategic Measure:** Engagement survey results and action items—accountability: Engagement survey results and action items—senior and executive management relationships
- **Expand Diversity & Inclusion Program:** Sustain the strategy to embed diversity & inclusion as an enterprise comprehensive approach to be a leader in best practices and to meet organizational goals (June 2020)
 - **Associated Strategic Measure:** Engagement survey results and action items—diversity & inclusion

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

- **Implement 2018-22 Workforce Plan Strategies:** Implement three workforce planning strategies focused on expanding recruitment, knowledge transfer, and resource alignment (June 2020)
 - **Associated Strategic Measure:** Proficiency in CalPERS leadership competencies
- **Develop Leadership Competencies Measurement Tool:** Develop and pilot a tool to measure leaders' proficiency in CalPERS competencies (June 2020)
 - **Associated Strategic Measure:** Proficiency in CalPERS leadership competencies



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