

---

2020-21  
**Business Plan**

---



California Public Employees' Retirement System

# Table of Contents

---

Fund Sustainability .....	3
Health Care Affordability .....	4
Reduce Complexity .....	5
Risk Management .....	6
Talent Management.....	7



# 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

- **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

- **Total Fund Portfolio Design (Portfolio):** Construct a total fund portfolio positioned to generate the required rate of return over the long term by ensuring effective allocation of risk, leverage, and liquidity (June 2022\*) *Initiative supports multiple objectives†*
  - **Associated Strategic Measures:** One-year total expected fund volatility; investment managers policies and procedures for environmental, social and governance factor integration

### Strategic Objective: Deliver target risk-adjusted investment returns

- **Total Fund Investment Strategy (Performance):** Review and assess existing strategies, while researching and implementing new strategies, to ensure alignment in service of delivering our long-term projected rate of return (June 2022\*)
  - **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

- **Total Fund Portfolio Design (Portfolio):** Construct a total fund portfolio positioned to generate the required rate of return over the long term, by ensuring effective allocation of risk, leverage, and liquidity (June 2022\*) *Initiative supports multiple objectives†*
  - **Associated Strategic Measures:** One-year total expected fund volatility; investment managers policies and procedures for ESG factor integration

\* Business plan initiative scheduled to end in June 2025 and supports the new five-year investment plan.

† This business plan initiative supports two objectives: Mitigate the risk of significant investment loss and Integrate ESG considerations into investment decision making.



# 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 2021)
  - **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 PPO plans (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 2022)
  - **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
- **Total Fund Investment Decision-Making Processes (Process):** Develop, refine, and institutionalize transparent, disciplined, and clear investment decision-making processes to increase organizational effectiveness for total fund and support a culture of accountability (June 2022\*)
  - **Associated Strategic Measure:** Five-year net value added

\* Business plan initiative scheduled to end in June 2025 and supports the new five-year investment plan.



# 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 Measure:** 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
- **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 2022)
  - **Associated Strategic Measure:** Aligns to the overall Risk Management goal

## Strategic Objective: Continue to evolve cyber security program

- **Information Security Strategy:** Advance the Information Security Office strategy and mitigate cyber security threats and vulnerabilities (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 results (June 2021)
  - **Associated Strategic Measures:** 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 lead with inclusive practices and to meet organizational goals (June 2022)
  - **Associated Strategic Measure:** Engagement survey results and action items—diversity & inclusion
- **Total Fund Portfolio Resources (People):** Realign Investment Office resources and skills in support of the total fund portfolio to reinforce working as one team, with a culture of trust, respect, and accountability (June 2022\*)
  - **Associated Strategic Measure:** Engagement survey results and action items—accountability

**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 2022)
  - **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 2022)
  - **Associated Strategic Measure:** Proficiency in CalPERS leadership competencies

\* Business plan initiative scheduled to end in June 2025 and supports the new five-year investment plan.



---

California Public Employees' Retirement System  
400 Q Street  
P.O. Box 942701  
Sacramento, CA 94229-2701  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

2020.4.20 (D)