CalPERS

Finance and Administration Committee
Agenda Item 5f

April 17, 2023

Item Name: 2021-22 CalPERS Board Election Program Review

Program: Board of Administration Election

Item Type: Action

Recommendation

Provide direction on which voting system option will be applied for the next election cycle and future elections.

Executive Summary

In the 2021-22 election cycle, CalPERS team members from the Operations Support Services Division (OSSD), in conjunction with the Office of Public Affairs (PAOF), Office of Stakeholder Relations (STRL), Information Technology Services Branch (ITSB), and the Legal Office (LEGO) completed three (3) contested elections for the Member-at-Large (Position A and Position B), Public Agency, and Retired member seats, and two (2) uncontested elections for the State and School member seats on the CalPERS Board.

After careful review of this election cycle and in an effort to improve the board election program, an analysis was performed on the existing process. Voter participation, election costs, and stakeholder feedback were taken into consideration in the analysis.

It is recommended that the board provide direction on which voting system option should be applied to the next election cycle and future elections.

Strategic Plan

The agenda item supports the CalPERS 2022-27 Strategic Plan by improving processes to gain efficiencies and effectiveness.

Background

The CalPERS Board of Administration consists of 13 members; six (6) of the members are elected by their represented membership. The seven (7) remaining members are either appointed or hold office ex officio. In accordance with the Public Employees' Retirement Law (PERL) and California Code of Regulations, Section 554.8, subdivision (d), the candidate receiving the majority vote for each position shall be certified by the Secretary of State as having been elected.

Board elections are ordinarily conducted on a four-year cycle (e.g., 2017-20, 2021-2024 etc.). Elections for the six (6) elected seats are held in the first three years. The fourth year is an off-year with no planned or scheduled elections, reserved for program updates and engaging in a competitive bidding process to select a board election administrator. In this last cycle, two (2) special elections to fill unplanned vacancies on the board were conducted earlier than expected, resulting in the elections ending in 2022 instead of in 2023.

Prior to 2016, eligible voting members were only offered a mail-in ballot voting method. In 2016, in addition to the mail-in ballot, the board approved the implementation of online and telephone (also known as interactive voting response (IVR)) voting methods to increase voter turnout, which were implemented for the first time during the 2017 Member-at-Large Election.

As is typical for off-year activities, in 2020, the board was presented with voting system options based on voter participation from the 2017-20 cycle and chose to maintain the status quo by continuing to offer online, telephone/IVR, and mail-in ballot methods. At the time, the board also adopted to use a simplified ballot package to reduce paper waste, printing, and postage costs.

Board Election Program Review

An analysis was performed using statistics from the 2021-22 cycle in comparison to the previous cycle from 2017-20. This analysis identified voting method preferences based on participation from the CalPERS membership and offering some changes to the election process that may result in cost-savings and an increased voter turnout.

In this most recent cycle, mail-in ballots continued to be the most popular voting method, averaging 72% of all votes received. This average is slightly lower compared to the 2017-20 cycle's average of 73.64%. Online voting increased slightly with an average of 24.74%; in the last cycle, it was 22.53%. There were no significant changes to the telephone/IVR average which remains around 3%.

Based on this data, the options for the board's consideration are listed below. Some of the options require regulatory changes which may take about a year to complete.

- Option A: Status Quo – Continue with three (3) voting options: online, telephone/IVR, and mail-in ballot voting methods for all elections. CalPERS has developed secure and accessible voting methods that received positive feedback from stakeholders. This is the most expensive option, and will not require regulatory changes. This option's impact on voter turnout is unknown.

- Option B: Return to Mail-in Ballot Only – Allow mail-in ballot votes only, similar to elections prior to 2017. Currently, mail-in ballot votes are the most popular form of voting. However, the active membership is trending towards an online voting preference. This was demonstrated by the higher online voting participation of 38.72% in the 2021 Special Public Agency Member Election compared to the cycle average of 24.74%. While this option will likely reduce costs, it will also require board approval, regulatory changes, and about a year to complete. This option's impact on voter turnout is unknown.

- Option C: Move to Mail-in Ballot/Online Only – Allow two (2) voting options: online and mail-in ballot voting methods for all elections. This option not only considers the strong preference for mail-in ballots but also the increased preference for online voting by the active membership. It eliminates telephone/IVR voting, which is least preferred by voters. This option will not reduce costs. This option will require board approval, regulatory changes, and about a year to complete. This option's impact on voter turnout is unknown.

- Option D: Hybrid Voting System – The hybrid system allows CalPERS to reduce costs by customizing voting methods by election. This option will require board approval, regulatory changes, and about a year to complete. This option's impact on voter turnout is unknown.

  - **Member-at-Large Election** – Allow two (2) voting options: online and mail-in ballot only: The hybrid option will accommodate active and retired members current preferences by allowing the top two (2) preferred voting methods.

  - **State, School, and Public Agency Elections** – Allow one (1) voting option: online ballot only. Active members will be required to submit their votes online. This option aligns with the voting population's higher level of participation in online voting compared to the 2021 Member-at-Large Election and the 2022 Special Retired Member Primary and Runoff Elections. This option will result in cost savings due to the reduction of paper usage and postage costs.

  - **Retired Member Election** – Allow two (2) voting options: online and mail-in ballot only. Retired members will continue to utilize the mail-in ballot or choose to vote online. This option aligns with the voting population's current preference and will eliminate the telephone/IVR voting method.

Budget and Fiscal Impacts

The cost savings projections below are based on actual costs from the 2021-22 election cycle:

Option	Approximate Cost per Election Cycle	Approximate Savings
Option A (Baseline): Status Quo	$6,700,000	$0
Option B: Return to Mail-in Ballot Only	$5,100,000	$1,600,000
Option C: Move to Mail-in Ballot/Online Only	$6,700,000	$0*
Option D: Hybrid Voting System	$6,400,000	$300,000

*Removing the telephone/IVR voting method in Option C has no contractual cost savings when compared to Option A. However, there will be a savings in staffing resources used in the development and testing of the telephone/IVR voting system.

Benefits and Risks

Option A requires no change, but it is the costliest option. Changing the voting methods offered may also be confusing to voters that have participated in elections since 2017, since it results in a modified voter experience. This option's impact on voter turnout is unknown.

Options B through D will require board approval and regulatory changes, which may take approximately a year to complete. These options' impact on voter turnout is unknown.

Option C has no contractual cost savings but will remove the telephone/IVR voting system, which is least preferred by voters. This option will eliminate CalPERS staffing resources spent in the telephone/IVR system's development and testing.

Option D may be confusing to members who are eligible to vote in both the Member-at-Large Election and either the Retired, State, School, or Public Agency Member Elections due to the hybrid voting system.

Other Items to Consider

- Safeguard Measures for Perjury Statement Signature

  During the February 13, 2023 Finance and Administration Committee meeting, the board asked whether any measures can be put into place to address privacy concerns of voters submitting mail-in ballots without signing the perjury statement on the return envelope. California Code of Regulations section 554.7, subdivision (a) requires that the reverse side of the envelope be signed by the voter certifying under penalty of perjury that the voter is eligible to vote in the election. Without this signature, the mail-in ballot is invalid.

  To help mitigate privacy concerns of voters, the board may consider adopting the use of a return envelope with a "reveal tab" over the signature area. The reveal tab would hide the voter's signature until the mail-in ballot is processed by the board election administrator.

  This envelope costs approximately an additional $0.17 per ballot package which is about $630,000 more based on this election cycle.

  With this new envelope, the board election administrator will require additional time to process mail-in ballots, since each return envelope's flap must be removed manually before being scanned into the system.

Stakeholder Feedback

- Ranked Choice Voting (RCV)/Instant Runoff Voting (IRV)

  CalPERS received feedback from two (2) stakeholders, requesting the board consider RCV/IRV as a method for CalPERS board elections. These stakeholders suggest that RCV/IRV "would save tens of millions of dollars in administrative expenses, would make elections less acrimonious, and is also likely to turn out more voters."

  RCV/IRV is an election method commonly described as a single election that determines the candidate who is elected by the voters, without the need for a separate runoff election. In this method, voters rank candidates in order of preference, instead of choosing just one. If a candidate receives more than 50% of first choice votes, they are declared the winner. If no candidate receives more than 50% of first choice votes, then an elimination process begins, where the candidate receiving the fewest first choice votes is eliminated. In the second round, voters who selected the eliminated candidate as their first choice have their vote redistributed to their second choice. The votes are then recounted. This process is repeated

until there are two (2) candidates left. The candidate with the most votes, if any, is declared the winner.

RCV/IRV has never been used by CalPERS. Prior to 2005, CalPERS used the plurality voting system where the candidate with the most votes is declared the winner. In 2001, the board adopted a regulation for a majority voting system, which requires the candidate to receive more than 50% of the votes to be declared winner. The majority voting system was first implemented in the 2005 Member-at-Large Election.

Since implementation of the majority voting system, CalPERS staff has presented research on other election methods, including RCV/IRV for the board's consideration in 2007, 2010, 2011, and 2012. The RCV/IRV election method was not adopted by the board for various reasons which included but were not necessarily limited to the lack of a Secretary of State approved RCV/IRV voting system, no guarantee a majority winner would result from IRV/RCV, and higher up-front fixed costs to conduct RCV/IRV elections.

For more detail provided by the stakeholders', Attachment 2 to this item contains their communication to CalPERS dated September 21, 2022.

Attachments

Attachment 1 – CalPERS Board Election Program Review

Attachment 2 – Stakeholder Communication Regarding RCV/IRV

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