



Finance and Administration Committee

Agenda Item 5b

September 19, 2023

Item Name: CalPERS Board Election Methods and Stakeholder Engagement

Program: Board of Administration Election

Item Type: Information

Executive Summary

At the conclusion of the April 17, 2023, Finance and Administration Committee (FAC) meeting, the FAC directed staff to conduct an analysis related to voting methods, including ranked choice voting (RCV), and engage with stakeholders to understand ways to increase voter participation in future elections.

This information item includes a summary of the research on voting methods compiled by the Policy Research and Data Analytics Division (PRDA) and the stakeholder engagement completed by the Stakeholder Relations Division (STRL).

Strategic Plan

This agenda item is not a product of the CalPERS 2022-27 Strategic Plan.

Background

On April 17, 2023, the Operations Support Services Division (OSSD) presented a program review of the 2021-22 board election cycle to the FAC and requested board direction on which voting system option, out of a variety of options provided, to apply in future elections. This program review also included informing the board about stakeholder feedback on RCV. Specifically, the feedback included a draft rulemaking petition on adopting RCV, which was received on September 21, 2022, followed by a similar but formal rulemaking petition, which was received on April 10, 2023, that was later rescinded.

In this meeting, the FAC requested that OSSD research other voting methods and engage with stakeholders to improve future voter participation. OSSD has since partnered with PRDA and STRL to complete both requests.

In May 2023, OSSD engaged with PRDA, requesting they research alternate voting methods. The research scope included PRDA providing an educational overview of voting methods used by private and public entities such as majority, plurality, modified plurality, and RCV, and the benefits and risks posed by each. PRDA's complete report is included in Attachment 4.

In June 2023, STRL enlisted the assistance of EMC Research, Inc. to hold focus groups with CalPERS stakeholders to better understand stakeholders' experiences with board election participation.

Summary of Voting Method Research

Majority Voting

CalPERS implemented majority voting in 2005, where it has been used in 26 elections of which six have resulted in runoffs. In majority voting, the candidate with more than 50% of the votes wins the election.

Critics of majority voting point to the cost of runoff elections. Since 2005, CalPERS has spent about \$6.9 million on six runoff elections, averaging \$1.2 million per runoff. While in most cases runoffs see a lower voter turnout, CalPERS' six runoff elections have seen an average increase of 0.38% in voter turnout.

Plurality Voting

Prior to 2005, CalPERS used plurality voting, which does not require a majority of votes to win. In plurality voting, the candidate with the most votes wins. Critics argue that plurality favors incumbents. In an election with multiple candidates, a small portion of voters could determine the winner. This method is overall less resource intensive since it does not require runoff elections. Historically, of the six runoffs that have been held by CalPERS, five candidates with a plurality of votes also won the runoff. Using this data, proponents of plurality may argue that runoff elections rarely change the result.

Modified Plurality Voting

CalPERS has never used modified plurality, but this method does ensure that a substantial portion of voters support the winning candidate. In modified plurality voting, the candidate must meet a fixed threshold of votes but not necessarily the majority of votes to win. Compared to majority voting, this method reduces the chance of runoffs, and thereby may reduce costs associated with an additional election. For instance, had a 40% winning threshold been in place, CalPERS would have held only two runoff elections because in four of the six primary elections that resulted in runoffs at least one candidate received more than 40% of the votes. There has only been one instance where the candidate received more votes in the primary but did not win the runoff. This instance demonstrates the risk with modified plurality, where the winning candidate may not be the preferred one among a majority of voters.

Ranked Choice Voting

Overview

CalPERS has never used RCV. 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 in which 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 candidates left. The candidate with more than 50% of the votes, if any, is declared the winner. Because RCV eliminates the need for runoff elections, in some cases, it can reduce the cost of elections. However, due to the low number of runoffs CalPERS has held (six total since implementation of majority voting in 2005), CalPERS may not realize this benefit.

Proponents reason that RCV increases voter turnout because voters are only asked to participate in one election rather than an additional runoff. However, according to a study conducted by the National Conference of State Legislatures (NCSL), which is included as Attachment 1, research on the impact of RCV on voter turnout is scant and conclusions are mixed. Furthermore, CalPERS has seen consistent voter turnout between primaries and runoffs.

Proponents additionally suggest RCV leads to more positive campaigning because candidates vie to rank second on a voters' ballot, thereby reducing polarization. Another benefit is that depending on how votes are tabulated, RCV may also eliminate the spoiler effect (where a candidate with little chance of winning splits votes from another candidate with stronger chances of winning), allowing similarly aligned candidates to compete without ruining each other's chances of winning.

A study of voter experience during a 2020 Democratic primary election using the RCV method, which was conducted by Joseph A. Coll in 2021, reported that 68% of voters found RCV voting very or somewhat easy, and 20% found the experience somewhat or very hard. The same report found that older voters were more likely to report difficulty with RCV. Coll's complete study is included as Attachment 2 to this agenda item.

If CalPERS were to implement RCV, the voting method may change from year-to-year (depending on how many candidates meet nomination requirements) which would likely require ongoing voter education and potentially lead to voter confusion. Had RCV been in place since 2005, nine CalPERS elections would have required a RCV ballot. Of those nine elections, six elections had no majority winner in the initial round of tabulation and would have utilized the rankings. This would have resulted in 26 total elections rather than the 32 elections conducted under the majority method.

Ballot Production

RCV would require ballot changes because candidates would have to be listed on a grid rather than a list. This change would lengthen the paper ballot, increasing production and printing times and costs. Additional development time would also be needed to emulate the same user experience for the online voting system. Under RCV, voting via telephone would be unfeasible due to the complexity of ranking candidates using a keypad. If CalPERS were to implement RCV and eliminate telephone voting, an amendment to the CalPERS' board election regulations would be necessary.

Ballot Processing

Much like the impact to ballot production, a longer, more complex ballot would increase ballot processing costs. A more complex ballot could also lead to more ballot errors that would need to be adjudicated.

Because CalPERS' current board election vendor does not have its own RCV tabulation system, CalPERS may need to work with a different vendor to build a secure tabulation system that accepts both mail-in and online ballots. Considering the development required, it may take a year or more to create the system necessary to implement RCV at CalPERS.

While most jurisdictions using RCV have reported success, the 2022 Oakland school board race highlights the challenges that can arise with RCV tabulation. In that race, a programming error in the tabulation system resulted in a candidate wrongly declared the winner (see Attachment 3).

A recount would be particularly challenging in the case of an RCV election. CalPERS would have to revise its recount procedures for an RCV election and work with its board election vendor to ensure the necessary technology is developed to conduct the recount. Because of the complexity of the tabulation process for RCV, a recount by hand would be impractical.

Voter Education

Any change in voting method would likely require voter education for CalPERS members. Unlike the plurality and modified plurality voting methods, RCV would require changes to the voting process and may demand a more comprehensive voter education campaign.

Little research examines the effectiveness of voter education for RCV elections. The NCSL study, included as Attachment 1, reported that RCV jurisdictions use a wide variety of voter education methods, but no method stands out as especially effective.

Jurisdictions that have implemented RCV reported varying voter outreach costs, ranging from a low cost of \$0.33 per voter in Cambridge, MA to as high as \$4.69 per voter in Alaska.

Cost

Only about 23% of CalPERS board elections since 2005 have required a runoff. Based on estimated RCV costs and CalPERS' current contract, PRDA found that compared to an election that requires a runoff (such as in a modified plurality voting or majority voting system), an RCV election would save CalPERS about \$0.13 per voter. However, RCV is about 60% more expensive per voter than an election that does not result in a runoff. This difference in cost accounts for \$1.37 per voter. Ultimately, RCV provides the greatest cost savings when it eliminates the need for multiple runoffs.

Industry and Public Jurisdiction Practices

When reviewing election methods used by peer pension systems, plurality voting appears to be the most popular. Like CalPERS, some pension systems such as the Milwaukee Employees' Retirement System and the Public Employees' Retirement System of Mississippi use the majority voting method. PRDA was unable to identify peer pension systems using the modified plurality method or RCV.

When evaluating U.S. elections at all levels, the plurality and majority voting methods dominate; however, alternative voting methods are also increasing in popularity. RCV, in particular, has seen a rise in use over the last 20 years. Six California cities have implemented RCV, including Albany, Berkeley, Oakland, Palm Desert, San Francisco, and San Leandro. Eureka and Redondo Beach plan to hold RCV elections in the coming years, and Ojai and Davis have both passed referendums supporting RCV.

In the private sector, several professional associations and educational organizations use RCV to elect board members or other representatives.

Public jurisdictions employ the modified plurality system with less frequency. PRDA found examples in North Carolina and South Dakota that implemented modified plurality voting with the thresholds of 40% and 35%, respectively.

Budget and Fiscal Impacts

Exact costs to implement RCV are unknown. In their research, PRDA reviewed historical board election expenditures from the last five election cycles and estimated costs to implement RCV. PRDA determined RCV would have cost CalPERS 11% more per election cycle. In comparison, plurality and modified plurality voting methods would have saved CalPERS 23% and 14% respectively.

Put differently, an election cycle with majority voting would cost an average of \$8.37 million compared to an election cycle with RCV which would cost \$9.25 million. Plurality voting would cost about \$6.4 million and modified plurality would cost about \$7.2 million. These calculations do not include voter outreach costs.

CalPERS also undergoes a competitive bidding process every election cycle which does not guarantee a continued partnership with its current board election vendor. Because vendors may change from one election cycle to another, it is impossible for CalPERS to know if they will be able to benefit from an RCV one-time setup investment made with the current vendor.

Summary of Stakeholder Engagement

In June 2023, four 90-minute focus groups were conducted remotely with CalPERS retiree and active members to investigate a variety of topics, including election participation. In these groups, retirees expressed a significant level of engagement with CalPERS board elections, largely driven by wanting to protect their retirement investments. At least one person in each focus group recalled receiving candidate guides (or statements) and candidate forum videos in the past and found these voting resources helpful. Active members indicated that their lack of participation in CalPERS board elections was due in part to their confidence in CalPERS' good performance but expressed a desire for more election information.

Participants were also asked whether there was a preference for the current majority voting system or for changing it to RCV. There was no clear preference for RCV, but some participants recognized that RCV could potentially be a cost cutting measure. The full focus group report prepared by EMC Research, Inc. was shared with the board at the July 2023 offsite meeting.

Attachments

Attachment 1 – NCSL Study

Attachment 2 – Demographic Disparities Using RCV

Attachment 3 – Alameda County School Board Election

Attachment 4 – PRDA Board Election Methods Report

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