

Stakeholder Assessment Project

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The CalPERS Stakeholder Assessment Project

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Stakeholder Assessment Project Overview

- The Board Governance Project recommended in 2010 a holistic Reputational Risk Assessment of our stakeholders' views of CalPERS.
- Comprehensive review of all stakeholders and their views on CalPERS reputation and credibility.
- Conducted on-line with member and employer surveys, in-depth interviews with Board Members, Executives and key stakeholders, plus an analysis of the media coverage of CalPERS.
- "Baseline" assessment was concluded in 2011.

Stakeholder Assessment Project Overview

- Currently in a three year project, 2013-2015
- Continuation of surveys, interviews and media analysis
- Annual report to Board by External Affairs in October
- Interim update in April

Status of Current Stakeholder Assessment

- Baseline stakeholder assessments completed May 2011
- Surveys with members, employers and employees completed June 2013
- Media analysis for 2012-13 completed July 2013
- Follow up interviews from the online surveys with members, employers and employees, plus interviews with key stakeholders completed September 2013

2011 Baseline Summary

Baseline Recommendations

- 2011 Recommendations
 - Formulate and implement a stakeholder engagement program to closely engage stakeholders group by group
 - Track stakeholder perceptions with semi-annual surveys, interviews and media analyses as opinion begins to turn
 - Make adjustments as indicated from future findings

2013 activity compared to 2011

Stakeholder Groups	2011	2013 – Phase 1	Method
Taxpayer/Pension Reform Groups	2	10	<p>Question set has undergone some change and been refreshed</p> <p>A broader and more balanced representation of stakeholder interests.</p> <p>Focus for next phase will be drawing in ‘Regulator’ perspectives</p>
Peer Pension Funds	11	12	
State Legislative Staff	6	15	
Federal Legislative Staff	0	10	
Labor Unions	31	9	
Industry/Employer Partners	14	17	
Academics/Think Tanks	0	7	
Total	64	80	

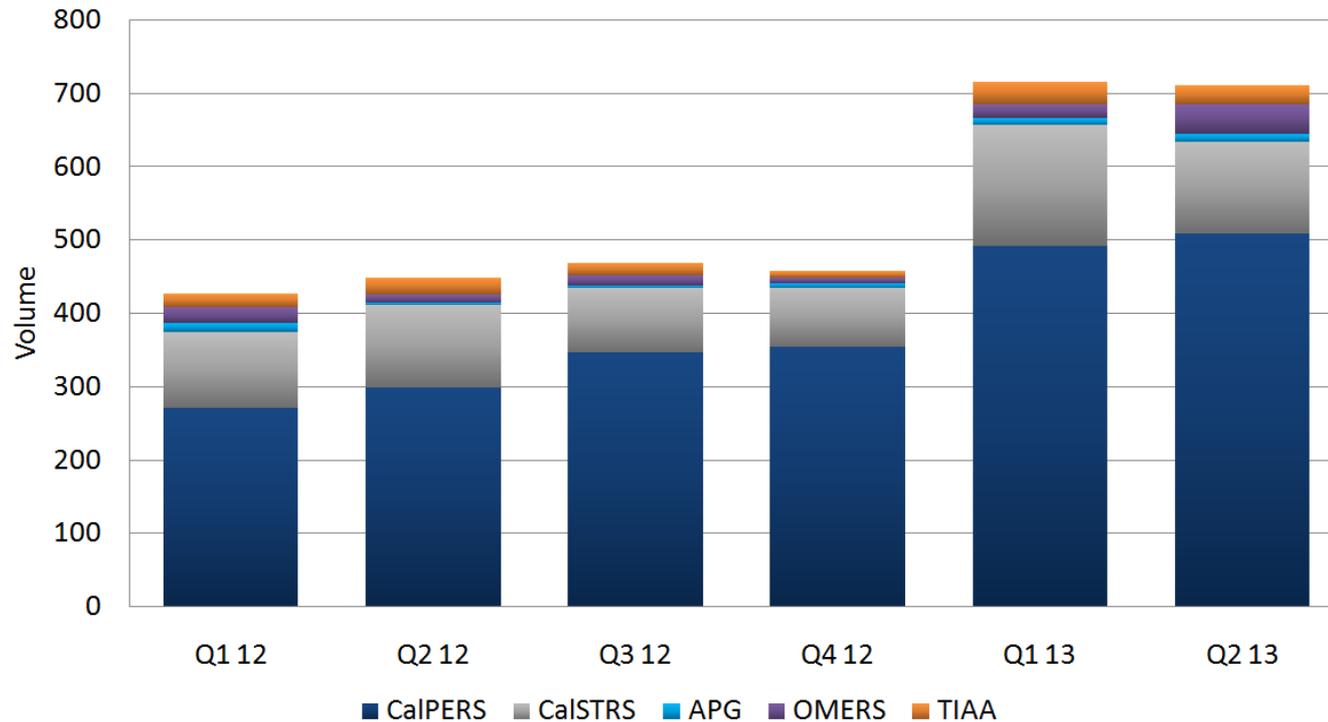
2013 online survey findings previously presented at July 2013 Board Offsite

Decrease in ratings, especially by employers

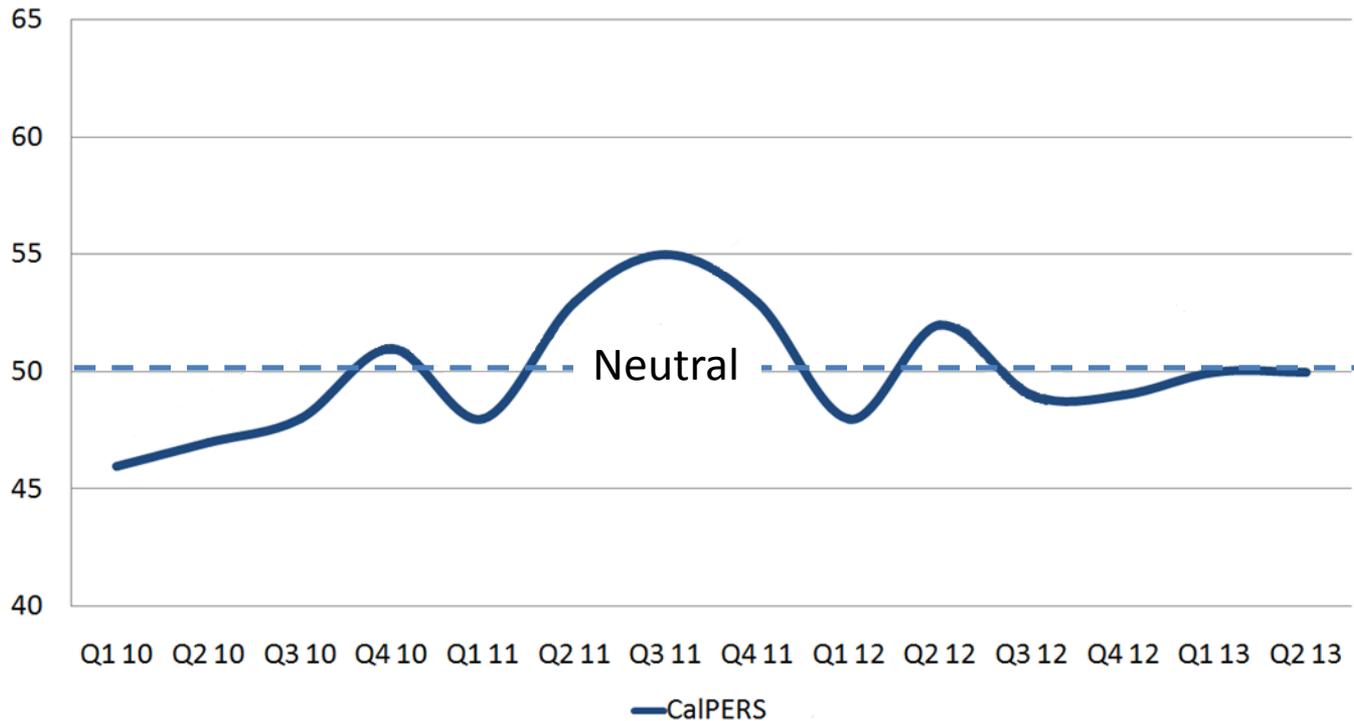
- Areas for CalPERS to improve, according to stakeholders:
 - Communication to stakeholders
 - Leadership visibility
 - Customer service, especially to employers

2013 Media Analysis

CalPERS continues to dominate news media



Favorability has become less volatile and more balanced



Media Coverage: last 6 months

- Rising favorability on leadership, in part due to proactive press on corporate governance.
- Leadership visibility could continue to improve.
- Less confidence on investment performance – concerns over funding levels.
- Improvements seen in funding – message getting through.
- Municipal bankruptcy becoming two-sided issue – not only a CalPERS problem.
- Media attitude towards pension debate remains sceptical at best / slightly hostile.
- Ethical concerns have moved out of spotlight.

2013 Online Survey Follow-Up Interviews

Summary: Prevailing good will

- Members judge overall effectiveness by regular receipt of benefits
 - On this measure they are content
- Employers expectations are met by CalPERS ...
 - But could still improve in how it manages customer contact
- Employers and Members both view CalPERS as a strongly ethical organization
 - Past scandals remain in the past
- Abundance of good faith in CalPERS Leadership

The customer service experience with CalPERS

Members:

- Staff are rated highly in terms of knowledge, patience and responsiveness
- Getting through has been difficult for some
- Difficulties / mistakes sometimes not resolved quickly enough

Employers:

- Staff are rated highly as 'personable' but knowledge questioned, training is suggested
- Responsiveness / problem resolution is sometimes challenging
- Issues with my|CalPERS appear to be receding
- Dedicated contact who understood the employer type still a top request

The communication experience with CalPERS

Members:

- Little awareness of leadership.
- Engagement /communication well served by newsletters, e-mails, website
- Better understanding of retirement desired by those yet to retire

Employers:

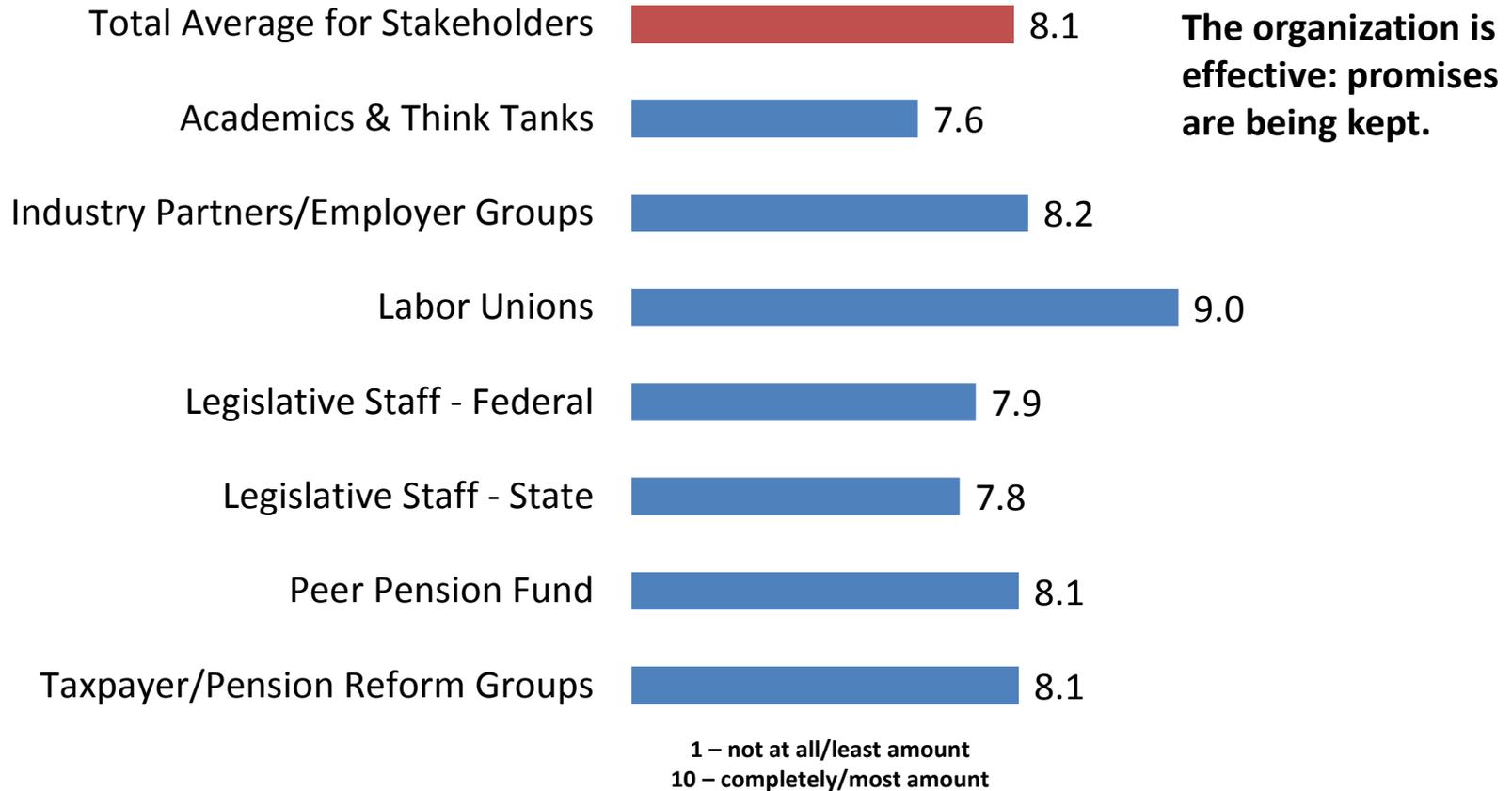
- Perspectives on leadership are mostly positive
- Newsletters, e-mails, online information appreciated
- Educational forums, webinars, conferences particularly well regarded

Employees – optimistic ambassadors

- CalPERS delivers ethically and responsibly, in spite of past problems.
 - Staff are considered one of the greatest assets.
- Leadership respected– proactivity, better communication, honesty.
 - More clarity on respective roles of Board and Executive team.
- Accessible CEO / leadership team appreciated.
 - Still some calls for more visibility internally.
- CalPERS thought to have modern /engaging communications approach.
 - Great confidence in reliability and accuracy of information in public domain.
- Roll out of my|CalPERS admitted as a challenge.
 - Optimism about service transformation service

2013 Stakeholder Interviews

How effective is CalPERS in delivering benefits promised by employers to members?



Key Issues/Common Themes

Future liabilities and
underfunding

Political
investment strategies

Overly optimistic
about value?

Labor union influence

Fiduciary responsibility

Taxpayer/Pension Reform Groups: reach out, be clear and transparent

- Opinion is relatively negative from this group – as anticipated.
- They see public pension systems as in questionable health.
- For some, transparency is key issue
- Others have questions about adherence to fiduciary role of the system
- Perspectives on leadership few and mixed – questions over Board independence.
- Executive team seen to have low outreach.

Legislative / State: make contact, lead on policy

- Ratings range from modest to high: stable, adequately funded organization, keeps its promises, has members' interests at heart, and is committed to the people of California.
- Role in corporate governance widely recognized, as is potential role in leading public pension policy discussion.
- Visibility of leadership patchy at best and varied across group.
- Trust in both Board and Executive team accepted.
- Limited recollection of specific communications; some difficulty 'contacting' CalPERS.

Academic & Think Tank: collaborate

- Broadly supportive, but divided on sustainability of fund (and other public funds).
- Leadership broadly praised.
- Personal awareness of Board and Executive team mostly absent.
- Many noted communications as good, but not specific.

Industry Partners /Employer Groups: keep up efforts and focus on funding

- Rated CalPERS relatively high and steady
- Seen as a leader in corporate governance and sustainability.
- Leadership is broadly supported, but labor/political influence on the board, and board composition, remain questions for some.
- Executive team has good reputation for effectiveness in leading CalPERS.
- Communications well received despite some who see it as too optimistic
- Suggestion that CalPERS acknowledges the realities of its funding more openly and now engages transparently in discussion on pension reform.

Legislative / Federal: reach out to build good will

- Minimal direct communication with CalPERS.
- Ratings modest to high.
- Getting back track after the recession singled out for praise.
- Financial viability assessed as acceptable.
- Leadership visibility patchy; where there is 'interaction' it's well received.
- Despite limited knowledge, perceived as an effective advocate and influencer.

Peer Pension Fund: lead the debate

- Broadly supportive group.
- Great confidence in sustainability of fund.
- CalPERS seen as a model for pension funds in delivering benefits and influencing corporate governance.
- Some questions over transparency and the influence of politics.
- Where there is visibility of Board, assessments have improved.
- Little comment on Executive team, but positive assessment for CEO.
- Ratings on communication and engagement are generally high.

Labor Unions: make the case for pensions

- Most supportive - an industry / corporate governance leader with unassailable fund.
- Leadership assessment is high for both Board and Executive team.
- Visibility is high and evidence of personal contact can be found across the group.
- General agreement communications has improved, they feel well informed.
- Leadership now proving itself. Communications still could be more transparent on projections.
- CalPERS needs to make the case for public pensions on behalf of industry.

Findings and Recommendations

KEY FINDINGS

- The favorability of CalPERS news coverage has incrementally improved, but negative reporting continues to contribute as much as positive reporting to the CalPERS news profile.
- In spite of earlier challenges with customer service to employers, our members and employers both have a strong level of satisfaction and good will towards CalPERS.
- Stakeholders see CalPERS as being effective in delivering the benefits promised by employers to members, but they still look to CalPERS to improve its outreach, engagement and leadership on pension policy issues.

RECOMMENDATIONS

- With ethics issues mainly resolved, CalPERS leadership should engage more visibly with stakeholders on relevant issues, while still focusing on its fiduciary responsibilities.
- CalPERS should continue to improve customer service for employers by increased channels of access to knowledgeable staff.
- In order to significantly enhance CalPERS reputation and effectiveness with its partners, it should provide additional communication, education and engagement with the media and other key stakeholders.