



## **Agenda Item 6b**

February 19, 2014

**ITEM NAME:** Process Changes to the Board of Administration Election Voting Method

**PROGRAM:** Operation Support Services Division

**ITEM TYPE:** Action

### **RECOMMENDATION**

Staff recommends approval to move forward with an online and telephone voting system in addition to the current mail in vote method for the CalPERS Board election process to take effect January 1, 2016, for the 2017 Member-At-Large Election. Making this change could potentially increase voter participation as it would allow additional options for voters to cast their vote in a manner most convenient to them.

### **EXECUTIVE SUMMARY**

While outreach efforts are at an all-time high, CalPERS continues to struggle with low voter turnout with its Board of Administration elections. In an effort to increase voter participation, staff researched the California State Teachers' Retirement System (CalSTRS) election process in an effort to gain additional insight. A formal issue memo was prepared, (Attachment A) which compares both processes, as well as, necessary steps needed to both streamline and mirror the CalSTRS process. One inherent difference is that CalSTRS has a much more efficient and lower cost process that allows for the flexibility to cast a vote either by mail, online, or telephone. In order to implement additional voting options, CalPERS will need to remove the Secretary of State certification requirement provided in both the Government Code and Public Employees' Retirement Law (PERL). Since the Secretary of State will not certify online or telephone voting at this time, this would need to be the first step to a more efficient and less costly election process for CalPERS.

### **STRATEGIC PLAN**

This Agenda Item supports Goal B of the CalPERS 2012-17 Strategic Plan, which is to cultivate a high-performing, risk-intelligent and innovative organization. Through the proposed changes to the Board election process, CalPERS can improve the current process and deliver superior, end-to-end customer service that is adaptive to the voter's needs, while decreasing the cost to administer the election.

### **BACKGROUND**

Following the 2013 Member-At-Large Election, in which voter turnout was only 11% (a decrease of approximately 4% from the last two Member-At-Large Elections), staff began researching options to improve voter participation and streamline the election

process. Through discussions with CalSTRS, staff discovered additional voting options, as well as, a more efficient and less costly Board election process.

### **ANALYSIS**

In an effort to increase voter participation it is recommended that CalPERS model the current Board election process after the CalSTRS process. This would allow for the addition of online and telephone voting as well as additional changes to the Board election process that would add efficiency and cost savings.

If the Board approves the recommended changes, CalPERS would need to amend the Government Code and the PERL to remove the Secretary of State certification from the Board election process, as the Secretary of State will only certify elections that use a paper ballot mail in process. CalPERS would delete this requirement and add language allowing the CalPERS Chief Executive Officer (CEO) to certify the Board election results; currently the CalSTRS CEO certifies their election results. After changes to the Government Code are made through the legislative process, CalPERS staff will amend the Board election regulations to define the new process. These proposed changes to the election process will most likely require either a new vendor contract or amendments to the current CalPERS vendor contracts.

In addition, updating the PERL to reflect the new process would allow staff the opportunity to delete additional processes such as, discontinuing the use of the Agency Election Officer (AEO) role in the distribution of undeliverable ballots.

### **BUDGET AND FISCAL IMPACTS**

Staff anticipates the new Board election process will result in a savings to CalPERS. CalSTRS averages \$.27 cents per eligible voter vs. CalPERS average of \$1.60 per eligible voter. The cost difference is so great due to the fact that CalPERS must utilize a special type of ballot and envelope to receive Secretary of State certification.

CalSTRS has approximately 430,000 eligible voters with an election cost of approximately \$117,500. In comparison, CalPERS last Retired Member Board election had approximately the same membership size of 456,000 eligible voters. The estimated cost for both CalPERS vendors for the primary Retired Member election is \$863,000, which could result in a net-cost savings of \$745,500. In the event of a runoff, an estimated \$421,000 will be added to the total cost.

Additionally, if CalPERS removed the AEO requirements, there would be an additional \$90,000 savings for each election, with the exception of the Retired Election, as materials in that election are only mailed directly to the retirees.

## **BENEFITS/RISKS**

### Benefits

- Potential increase in voter participation by allowing a voter to submit their vote in the manner most convenient to them.
- Lower cost to administer election
- Streamlined process allowing for the vendor and CalPERS to assume additional responsibilities
- Less reliance on the employers to assist with the election materials and undeliverable ballot distribution.

### Risks

- If unchanged, the voter will continue to be limited in voting options and low voter turnout may continue.
- Continue to pay high costs to run a Board election.

## **ATTACHMENTS**

Attachment A – CalPERS Board of Administration Election: Process Changes to Voting Method (Formal Issue Memo)

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KIMBERLY A. MALM, Chief  
Operation Support Services Division

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DOUGLAS HOFFNER  
Deputy Executive Officer  
Operations and Technology