



Agenda Item 5

May 20, 2014

ITEM NAME: Pension Beliefs

PROGRAM: Benefit Programs Policy and Planning

ITEM TYPE: Action

RECOMMENDATION

Adopt CalPERS Pension Beliefs.

EXECUTIVE SUMMARY

CalPERS Board Members collaboratively developed draft Pension Beliefs to articulate its perspective on public pension administration that underlie CalPERS practices and decisions. Board Members shaped the draft Pension Beliefs through a series of Board workshops facilitated by CalPERS staff. Staff recommends adoption of the CalPERS Pension Beliefs (See Attachment 1).

STRATEGIC PLAN

This agenda item supports Goal C, Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs, by clarifying and communicating CalPERS perspective on pensions.

BACKGROUND

Pension Beliefs are an articulation of CalPERS perspective about public pension administration. They will provide guidance to CalPERS Executives and staff in decision-making, planning, and communicating with stakeholders and will establish parameters for policy advancement. The Pension Beliefs encompass various key areas and incorporate several key considerations of a sound pension system. Most importantly, the Pension Beliefs are an extension of the CalPERS Mission, Vision, and Core Values and align with CalPERS Strategic and Business Plan Goals and Objectives.

ANALYSIS

At the October 2013 Board workshop, Board Members reviewed the following key areas of a pension system:

- Administration
- Education
- Funding
- Governance
- Plan Design
- Risk Management

Board Members also identified and prioritized the following key considerations to guide the development of Pension Beliefs:

- Transparency
- Honesty
- Sustainability
- Retirement Security
- Accountability
- Equity
- Stability
- Independence
- Objectivity
- Flexibility
- Adequacy
- Responsiveness
- Financial Literacy
- Innovation

At the January 2014 Board and Executive Offsite, a panel of external observers shared their experience and perspectives for Board Members' consideration when developing belief statements. The session also included table discussions between Board Members and Executive Staff about the draft Pension Belief statements. The session concluded with a review and discussion of the draft statements.

In February 2014, staff gathered key stakeholder feedback on the draft Pension Beliefs. At the March 2014 Pension & Health Benefits Committee (PHBC) meeting, Board Members considered stakeholder feedback and further refined the draft Pension Beliefs. At the April 2014 PHBC meeting, Board Members reached general consensus on the draft Pension Beliefs as identified in Attachment 1. Upon adoption of Pension Beliefs, CalPERS staff will begin integrating the beliefs into its internal and external communications.

BUDGET AND FISCAL IMPACTS

Not applicable

BENEFITS/RISKS

The Pension Beliefs will benefit CalPERS by:

- Providing a consistent foundation for decision making and strategic planning
- Ensuring alignment between Board and Staff
- Becoming part of CalPERS culture
- Providing a foundation for communicating with stakeholders
- Establishing parameters for policy advancement

If the Board does not adopt the Pension Beliefs, inconsistencies in decision-making and strategic planning may occur. In addition, communicating with stakeholders and the ability to advance policy may be impaired.

ATTACHMENTS

Attachment 1 – Draft Pension Beliefs

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