



Agenda Item 6b

June 17, 2014

ITEM NAME: Proposed Amendments to Board of Administration Election Regulations Effective January 1, 2015

PROGRAM: Operations Support Services Division

ITEM TYPE: Information

EXECUTIVE SUMMARY

CalPERS has continued to struggle with low voter turnout for their Board of Administration elections. In an effort to increase voter participation and decrease costs, staff recommended changes to the Board election process in February 2014. In order to pursue this option, both a statutory and regulatory change is required to remove certification by the Secretary of State (SOS). Legislation is currently being pursued to remove the SOS certification within Government Code.

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

After several years of increased marketing and outreach, the 2013 Member-At-Large election still realized a low voter turn-out. Staff began to compare its process with the California State Teachers' Retirement System (CalSTRS) and look for ways to increase voter participation, improve and streamline the process and reduce costs. The CalSTRS system allows their Chief Executive Officer (CEO) to certify their election and also allows their voters the option to submit their vote with the choice of paper ballot, online voting, or telephone voting.

Following Board approval during the Finance & Administration Committee meeting on February 19, 2014, staff began drafting rulemaking documents that would allow CalPERS CEO to certify the CalPERS Board Elections. Concerns have been raised that the certification by a CalPERS employee may not be appropriate. Staff are now exploring additional options, such as using current language from Section 554.9 of CalPERS regulations (Protest of an Election). Section 554.9 states that an "independent neutral agent" will be appointed to coordinate the Protest Panel and process. The Protest Panel is described as "neither employed by CalPERS nor otherwise interested in the outcome of the election". Staff are working diligently to

resolve this language during this legislative cycle. As a result of these changes, staff are not pursuing regulations until this issue has been resolved.

ANALYSIS

Staff have prepared Board election amendments to the California Code of Regulations to allow voters additional methods to submit their vote. This proposed voting process mirrors the CalSTRS Board election process. CalSTRS has a simplified ballot and candidate statement booklet, which allows for significantly reduced design and reproduction costs.

In order to fully implement the new Board election process, legislative and regulatory amendments are required to remove the SOS certification requirement. The direction by the Board was to make these legislative and regulatory amendments effective January 1, 2015. Staff are still currently trying to achieve the January 1, 2015 date and will have additional information after the legislative cycle on this item.

BUDGET AND FISCAL IMPACTS

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.

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

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 administer election
- Possible opposition to not having the SOS certify the CalPERS election

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