Communications & Message Development

A New Era in Communications

Brad Pacheco, Acting DEO, External Affairs CalPERS Board & Executive Offsite July 14, 2015



Overview

- Current State: The Changing Communications Environment
 - Digital Transformation
 - The Changing Business Model
- Why A Strong Message Is Important
 - Attributes of Key Messages
 - CalPERS Case Study: External Manager Restructure
- Moving Forward: What's Ahead
 - Expectations
 - How You Can Support Staff

The Changing Communications Environment

CURRENT STATE: DIGITAL TRANSFORMATION

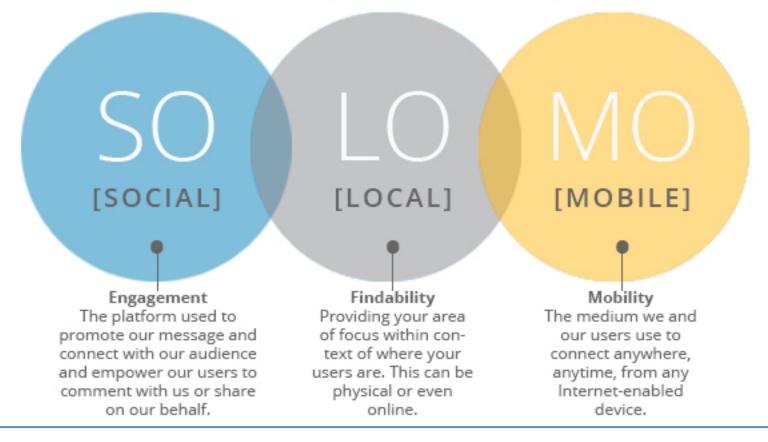
Current Communications Landscape

What we know today

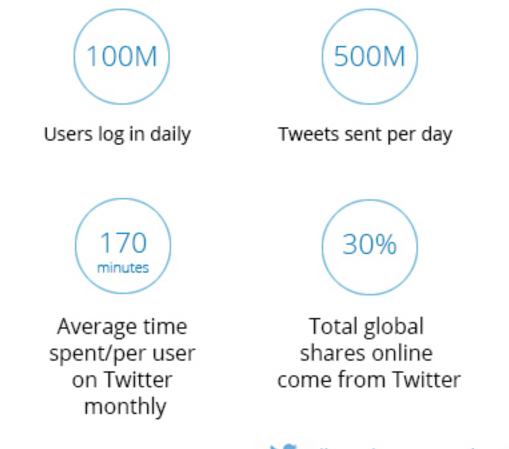


Social, Local, Mobile

Smartphones (Mo) are getting more sophisticated and capable of gathering and displaying social activity (So) that's happening around you (Lo).

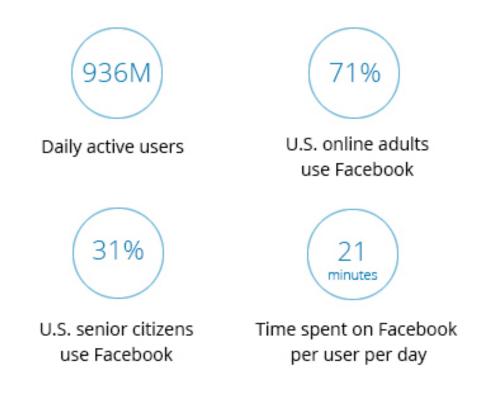


Twitter – By the Numbers



All numbers approximate as of March 31, 2015

Facebook – By the Numbers



Capture & Send

• Today, everyone is a reporter.

Smartphones and social media can make anyone a live, on-the-spot source.

Expert journalism is now embracing "citizen journalism" to find – even break the news as it unfolds.

Outcome: Crowdsourced news



Composite image of Janis Krums's original message and photo

Independent Influencer

 Report, collect and share Not only can people be one-time reporters, but they can also create their own status as "thought-leaders" and serve as independent subject-matter experts on a « Older Entries topic or a story. June 1, 2015

Outcomes:

- New media source
- News influencer



Archive for the 'CalPERS' Category

CalPERS looks at long-term rate hike to cut risk

CalPERS is considering small increases in employer and employee rates over decades to reduce the risk of big investment losses, a policy that also would lower an earnings forecast critics say is too optimistic.

The proposal is a response to the "maturing" of a CalPERS system that soon will have more retirees than active workers. From two active workers for each retiree in 2002, the ratio fell to 1.45 to one by 2012 and is expected to be 0.8 to 0.6 to one in the next decades.

As a result, investment losses will trigger bigger California Public Employees Retirement System employer rate increases. It's a kind of "leveraging" effect as the investment fund becomes increasingly larger than the payroll on which rates are based.

The risk of big investment losses is a threat for other reasons. Funding could drop below 50 percent of the projected assets needed to pay future pensions - a fuzzy red line said to make returning to full funding nearly impossible, requiring onerous rates and unlikely investment returns.

"The concern that I have is that the volatility we have built into the funding system is such that it may cause such severe strain on the employers that

Recent Posts

» New move to reduce CalSTRS Social Security cuts » Initiative alters CalPERS 'poison pill': big exit fees Initiative could switch new hires to 401(k) plans » CalPERS looks at long-term rate hike to cut risk » San Bernardino exit plan cuts some pension costs » Brown pension cap may dull UC competitive edge » Schools want spotlight on huge CalSTRS rate hike » California 'automatic IRA' study part of big trend » Retirees get voter-OKed pension cut overturned » Small CalPERS fund on autopilot 1.736% funded » Pension initiative may empower local reforms » CalPERS state worker rate increase: \$487 million » CalSTRS makes early move on coal divestment » CalPERS urged to avoid Obamacare 'Cadillac Tax » LAO: consider phasing out retiree health care

Mobile Notifications - The Rush to Notify

The gold coast real estate of today's news the notifications screen of its readers' phones. If you can make someone's phone rattle in their pocket, and do it first (you only come in first or last in breaking news), you can get a story in front of a reader before they have a chance to learn about it from another source. And doing that can have huge rewards. "Anytime we push our news directly to a user's mobile, we see clicks and swipes skyrocket, \mathcal{DD}

explains Tyson Evans, The New York Times' editor for newsroom strategy.

The Changing Communications Environment

CURRENT STATE: THE CHANGING BUSINESS MODEL

Media Titans Reinvented

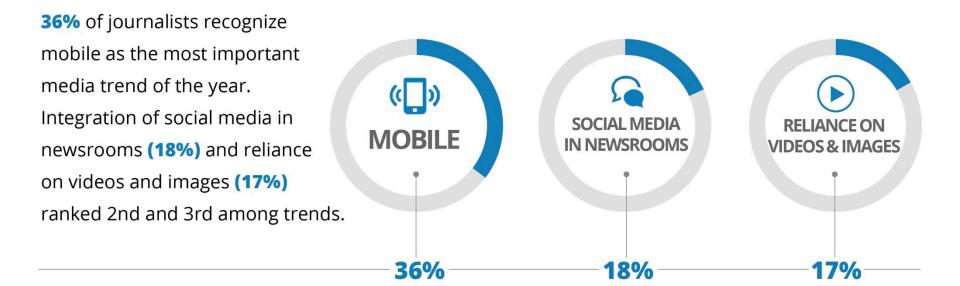
- Big media is going beyond the scope of traditional news:
 - Splitting broadcast and print operations
 - Changing their operations
 - Restructuring to become more nimble and adapting to consumer demands
 - Producing new offerings, products

Newsroom Redefined

- Integration of social platforms has impacted newsroom operations
 - **Newspapers** are redefining roles with a new emphasis on:
 - Digital distribution
 - Audience engagement
 - Roles to support social: Community Content Editor, Audience Analyst, Engagement Editor and Content Coach
 - TV newsrooms are adapting their programming structure integrating direct consumer feedback and usage patterns.

Journalists' Perspective on Change

TOP TRENDS



Cision State of the Media Report 2015 survey of journalists, bloggers and influencers

How Reporters Use Social Media



Cision State of the Media Report 2015 survey of journalists, bloggers and influencers

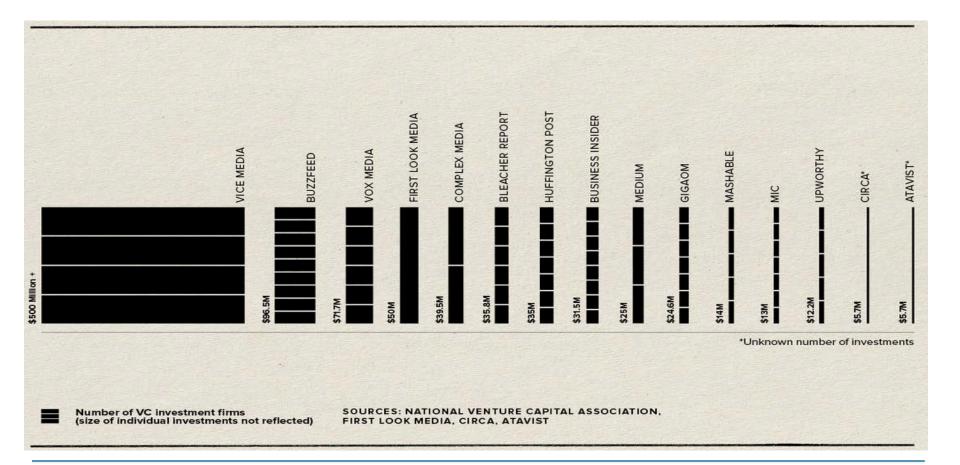
Broadcast News Evolves

- Broadcast media is going through a digital transformation:
 - Offering streaming services
 - Becoming a multi-platform, multi-device accommodating network
 - Using social platforms for distribution, engagement, and immediate reach.

ABC News launches "Facecast: The One Thing" on Facebook to serve as a one-minute round up of the day's top stories and trending topics – making it the first social media daily newscast hosted by an evening news anchor.

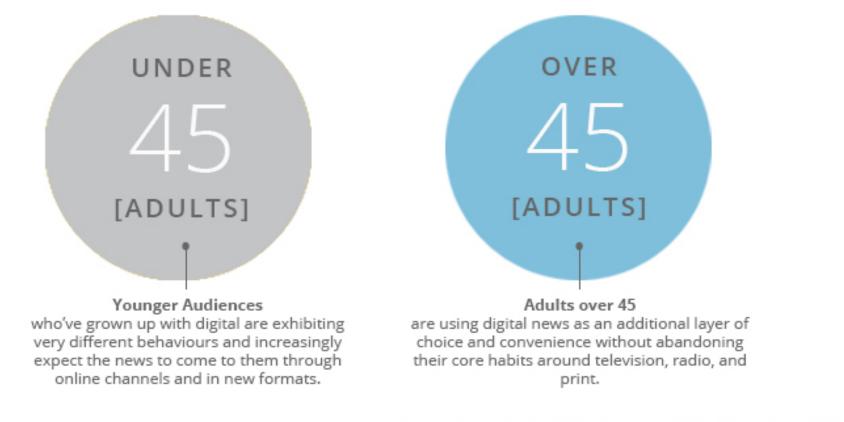


Rise of new media sources



News Consumption

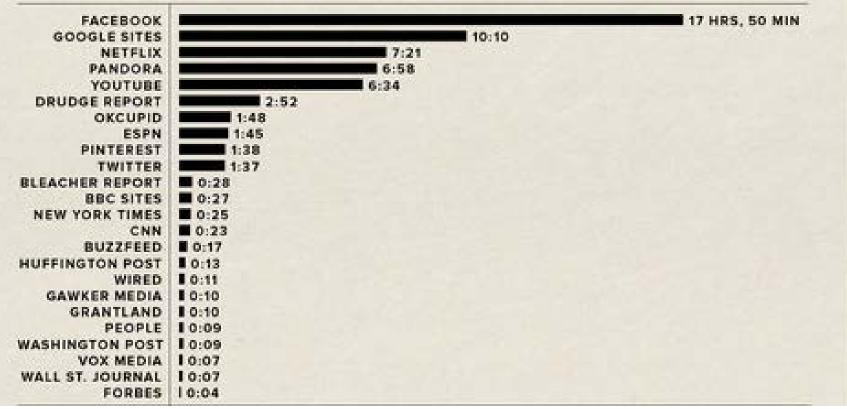
Most adults still get their news from a combination of TV, radio, print, and online.



Reuters Institute for the Study of Journalism - Digital News Report 2015

Online Usage

AVERAGE TIME SPENT PER ONLINE VISITOR (SEPTEMBER 2014)



SOURCE: COMSCORE

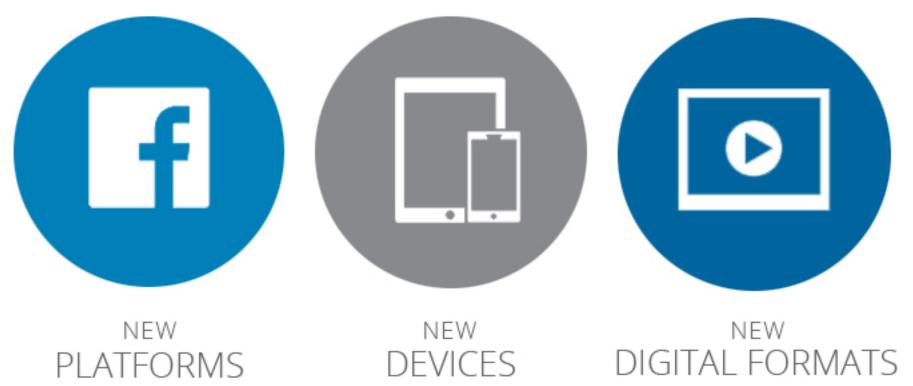
Why A Strong Message Is Important

COMMUNICATION STRATEGY IN A DYNAMIC, REAL-TIME ENVIRONMENT

CalPERS Board of Administration and Executive Offsite – July 2015

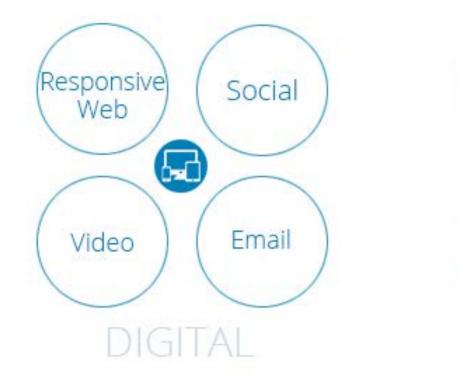
Diversified Development & Delivery

• We recognized early on and have developed a strong foundation to support the complex demands of a changing news model.



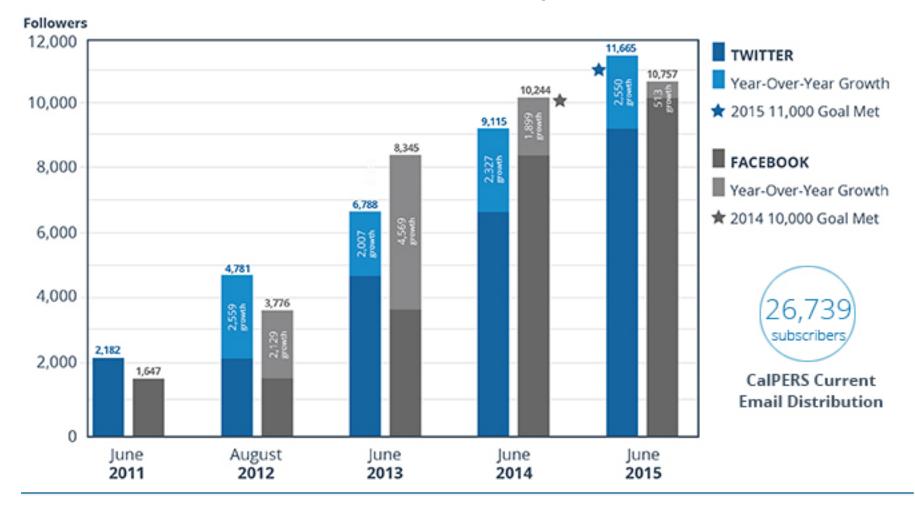


CalPERS Communications Channels





CalPERS Social Reach & Impact Potential



Why A Strong Message Is Important

- Ensures consistency, continuity and accuracy
- Prioritizes information avoids scattershot approach
- Keeps the focus when speaking to the media and stakeholders
- Provides measures to track impact and success

Attributes of Key Messages

- Concise
- Strategic
- Relevance
- Compelling
- Simple
- Real
- Tailored

Case Study: External Manager Restructure

[video clips]

CalPERS Board of Administration and Executive Offsite – July 2015

CalPERS Message Box External Manager Restructure

Continued Effort to Reduce Risk, Cost and Complexity in Portfolio

To reflect investment beliefs, CalPERS working to reduce risk, cost and complexity across portfolio - each should be appropriate to CalPERS size and scale.

Vision for the next 5 years is toward repeatable, predictable and scalable strategies.

CalPERS entering "negative cash flow" environment - benefits payments greater than

contributions or investment income - making it even more critical to minimize costs,

risks and pursue strategies that can generate returns to pay member benefits.

 Enhancement of people, processes, data and technology have positioned CalPERS to manage portfolio more dynamically in response to market conditions.

Ongoing Commitment, New Opportunity for Emerging Managers

- \$12B still invested with 315 emerging
- · managers.
- \$3B committed to EM strategies in Global Equity, Private Equity and Real Estate that offer appropriately-sized mandates for external manager firms. (\$10 -- \$200 million).
- · CalPERS creating new opportunity for emerging managers who are ready to manage larger capital commitments.

 New program provides pathway toward becoming "established manager" that can manage larger capital commitments.

CalPERS Continues Strategic Portfolio Restructuring

Evolving Role of External Fund Managers

Fewer, More Strategic Relationships with External Managers

 \$90B invested with external managers. •We want external investment talent, but at the right number, scale and cost. Analysis shows CalPERS best positioned to manage about 100 direct relationships. with flexibility to pursue other strategies. Streamlining to seasoned, proven managers with larger capital commitments ensures even more competition, better performance and favorable fee structures. Fewer managers will improve alignment and communication with

CalPERS staff and lower costs to manage relationships.

earn and keep their spot

for future capital

commitments.

Managers will need to In the past, many external manager relationships added significant complexity and costs and inconsistent alignment among strategies. As we have restructured portfolio in favor of a "total fund" strategy, we have reduced number of external managers from 300 to 200.

We have saved \$293 million over the past 5 years due to reduction in management fees and insourcing many functions. CalPERS now "cost advantaged" relative to its peer benchmark. To enhance manager selection and oversight, we have strengthened

our process for objective review of investment proposals, track manager performance and provide oversight to ensure consistency with our overall portfolio and investment strategy. We continue to have more than 200 external manager relationships in the portfolio (500 counting indirect

relationships).

Moving Forward

WHAT'S AHEAD

Our Challenges Ahead

- Questions we are asking ourselves:
 - How do we keep people informed?
 - How do we meet the needs of our engaged audience and respond / support these new trends in social, mobile, video, etc.
 - How do we ensure CalPERS reputation is protected and the facts are accurate?

Our Approach

- Multi-Channel Messaging Strategy
- Proactive planning and preparation
- Evolving, responsive, live storytelling
- Monitored in real-time for response and reinforcement

Media's Challenges Ahead

- The media is asking and search for answers to:
 - How are people choosing their news? News source?
 Media type?
 - Which developing stories are people interacting with and monitoring?
 - Who is our audience following?
 - What medium creates the greatest engagement?
 - How and when do they begin engaging with the content published?

Media's Challenges Ahead



Expectations for the Future

- News industry business model continues to change/adapt.
- Newsrooms reimagined.
- New media competition new sources challenging big media.
- Increased emphasis on mobile and video
- Continued rise in video consumption, including real-time, live moments.
- Advance digital engagement models

How You Can Support Us

- Work with us
- Direct media contacts to our office, you have hired professional communication staff for a purpose
- If you need to respond, leverage our prepared messaging, stay on message
- Use social media to share and amplify our message.