



# Performance, Compensation and Talent Management Committee

California Public Employees' Retirement System

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## Agenda Item 6

September 16, 2015

**ITEM NAME:** Workforce Strategic Plan Update

**PROGRAM:** Human Resources Division

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

In September 2014, the Human Resources Division presented to the Board an overview of the 2014 Workforce Strategic Plan refresh. To ensure our strategies remain aligned with organizational objectives and priorities, we have provided an overview of the status of the initiatives highlighted in the five-year plan.

### **STRATEGIC PLAN**

The Workforce Strategic Plan supports Goal B in the Strategic Plan – Cultivate a high-performing, risk-intelligent and innovative organization. The plan directly supports this goal by identifying key business drivers and creating an effective talent management strategy to improve organizational performance and help CalPERS recruit, retain, develop and empower a broad range of talents against organizational priorities.

### **BACKGROUND**

In September 2014, the Human Resources Division presented the 2014 Workforce Strategic Plan to address input received from our internal business partners regarding talent management needs across the enterprise. This plan builds upon the solid foundation of CalPERS talent and culture, and provides a roadmap to address current and future workforce needs. Human Resources worked collaboratively across the organization to strategize the allocation of resources necessary to meet our Strategic and Business Plan goals, anticipate workforce needs and the necessary process and system enhancements to remain agile in ever changing times, and ultimately prepare a framework for our continued growth and progress.

This plan positioned Human Resources to achieve its mission to serve as an innovative, strategic partner by leading enterprise strategies in talent management practices to acquire, develop, motivate and retain a diverse, high-performing workforce.

### **ANALYSIS**

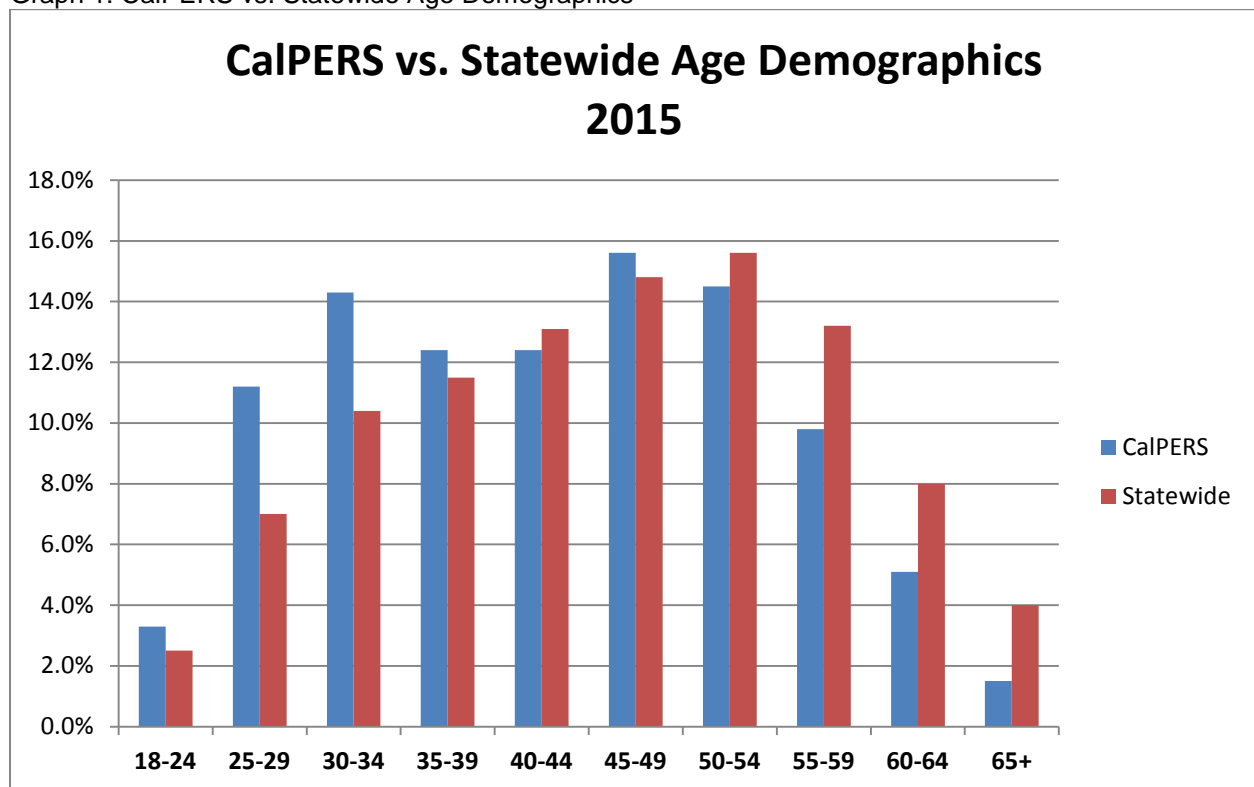
As part of the review of the 2014 Workforce Strategic Plan, Human Resources has provided an overview of workforce demographics, recruitment efforts, leadership coaching, as well as the critical initiatives and their status.

### *CalPERS Workforce Demographics*

CalPERS continues to celebrate and foster a work environment that values all people through dignity and respect. The combined experiences, perspectives and talents of all employees and stakeholders strengthen our high-performance workforce and organizational culture.

Currently, as shown in Graph 1 below, 31 percent of CalPERS employees are over the age of 50. However, when compared to all state employees, 41 percent of them are in this same group. This illustrates that the statewide workforce is older than the CalPERS workforce and with these individuals approaching retirement, this will create new career advancement opportunities within other state agencies. This may present a challenge for CalPERS in retaining a pipeline of talent since they will be competing with other state agencies.

Graph 1: CalPERS vs. Statewide Age Demographics



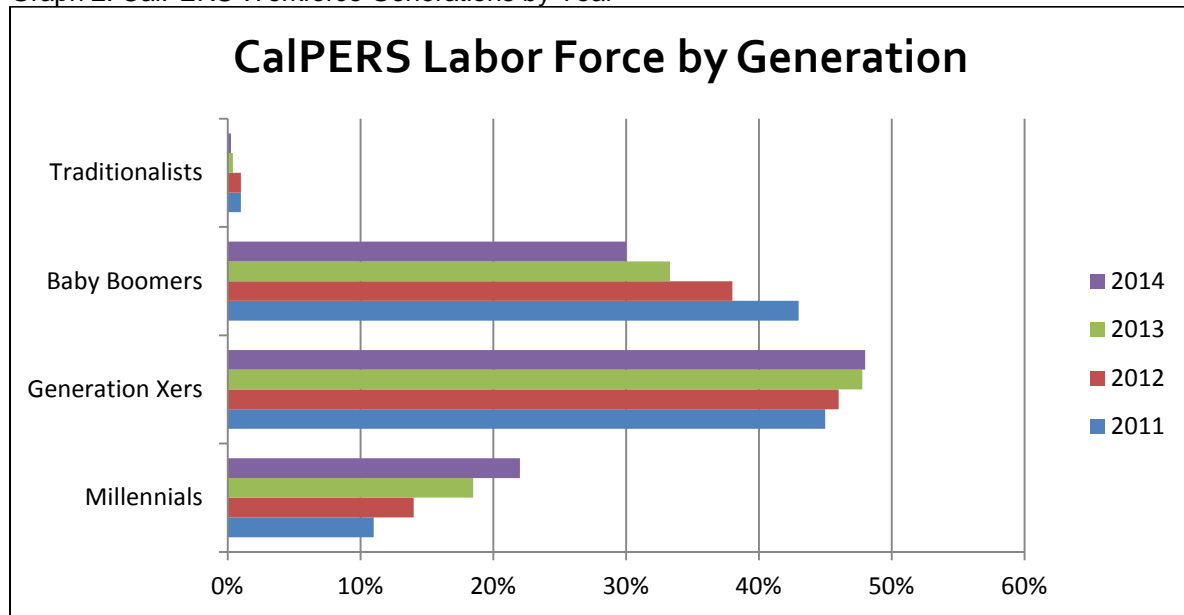
Source: State Controller's Office (SCO) MIRS and [www.CalHR.ca.gov](http://www.CalHR.ca.gov)

### Workforce by Generation

CalPERS current workforce spans over all four generations including Traditionalists, Boomers, Generation X and Millennials. Generation Xers continue to be the largest generation at CalPERS for the last four years since 2011. In 2014, as shown in Graph 2 below, 47.9 percent of the current workforce are Generation Xers. Boomers

make up the second largest generation at 30.4 percent but they continue to steadily exit the workforce.

Graph 2: CalPERS Workforce Generations by Year



Source: SCO MIRS

Workers today place high value on having flexibility, managers who communicate and empower, variety in their work, and ample training opportunities beyond the expectations of previous generations. As such, Human Resources has partnered with and launched a number of initiatives to engage and retain our diverse workforce.

#### *Recruitment Efforts*

During the fiscal year 2014-2015, Human Resources worked to fill six (6) Career Executive Assignment positions with an average time-to-hire of 110 calendar days. In addition, Human Resources filled 106 hard-to-recruit positions with an average time-to-hire of 107 calendar days.

#### *Leadership Coaching*

Leadership coaching is provided to help enhance skills needed for our leaders to be more successful and effective in their role. Leaders participating in the Executive Succession Planning process can access a coach as part of their Leader Development Plan. Through this collaboration and with the assistance from Human Resources, the coach is able to provide individualized and specifically tailored coaching for the leader.

## **Strategic Objectives of Initiatives in the Workforce Strategic Plan**

The strategic objective (recruit, retain, develop, empower) is identified in the overview of each initiative. These objectives are as follows:

- **Recruit:** Effective recruitment begins with the identification of critical competencies, outreach and marketing, and targeted recruitment to hire highly qualified applicants with the capabilities to meet business needs.
- **Retain:** Critical to retaining staff is an employee-centric culture that empowers employees, enables them to make unique contributions, ensures they feel respected and valued, and provides development and career opportunities for those interested in moving up in the organization.
- **Develop:** An effective way to increase employee engagement and retention is to offer development opportunities. Important to staff development, training keeps employees informed regarding job-specific knowledge and skills, as well as preparing them for additional responsibilities and/or career advancement.
- **Empower:** At CalPERS, empowering staff means leaders provide employees development opportunities, coach and mentor, share information, remove barriers, delegate authority, give recognition, ensure accountability, and foster a values-driven environment.

## **Initiatives Successfully Implemented/Complete**

### *Enhanced Pre-Employment Screening (Recruit)*

Human Resources implemented a new criminal history background check through LiveScan for all new prospective CalPERS employees. This new pre-employment screening requirement is an industry best practice in financial, pension, and health organizations as well as in other State departments. It also reflects CalPERS commitment to protect the interests of the State, members, constituents, employers, and employees. This enhanced pre-employment screening process seeks to achieve the following goals:

- Support increased security of CalPERS employees, information, and assets
- Support consistent hiring and screening practices
- Proactively reduce the risk of employee-related loss
- Mitigate the likelihood of an adverse incident(s) occurring within CalPERS that could jeopardize member, employer, and/or public confidence

LiveScan has been in use by Human Resources since December 2014. Since then, a total of 227 applicants have processed. To date, we have two individuals who have not cleared the pre-employment process based on review of Official Personnel File,

LiveScan and references. On average, 80 percent of scans are approved (from time of scan to clearance) between 3-6 days. There have been very few that have taken longer to be processed. Since December 2014:

- 15 percent of scans were processed between 7-15 days
- 4 percent were processed between 16-30 days
- 1 percent (3 scans) was processed between 31-45 days
- .9 percent (2 scans) were processed in 45+ days.

#### *Financial Office Reorganization (Develop)*

Human Resources assisted the Financial Office (FINO) to implement a reorganization of functions and reporting structures that will better align the accounting, reporting and financial analysis functions in order to meet the business and operational needs of FINO. The Chief Financial Officer's reorganization plan included the creation of a Controller position which is responsible for all financial and investment trust accounting and cash management functions. With this new structure, FINO will be able to provide expert oversight of CalPERS' trust accounting functions, cash management and all financial reporting obligations to the CalPERS Board of Administration, the Department of Finance and the California State Legislature. In addition, it will achieve a higher level of transparency and internal control for finance functions, as well as create a centralized and coordinated corporate finance area to properly budget and forecast its finances in order to maximize returns on investments.

#### *Internship Guidelines (Recruit)*

Human Resources launched the CalPERS Student Internship Program (CSIP) in September 2014 to provide valuable, unpaid opportunities for on-the-job experience related to a student intern's field of study. This provides CalPERS with an avenue to offer professional growth and development opportunities throughout the community, and will allow CalPERS to foster partnerships with local educational institutions. In addition, the CSIP provides a potential candidate pool for current and future vacancies. We have had approximately 14 student interns go through the program; at present, seven of these interns are working in different divisions throughout the enterprise. Areas within CalPERS that have used an intern since this program launched include, but are not limited to the Investment Office, the Legal Office, the Health Plan Administration Division, and the Office of Public Affairs. The program continues to gain interest – Human Resources has been receiving more requests recently from divisions interested in having an intern.

#### *Onboarding Program Enhancements (Develop)*

Human Resources has successfully implemented various onboarding services in order to assist hiring managers with the onboarding process for new employees.

- New Employee Orientation (NEO)
  - Reduced from two days to one; offers new employees just-in-time online learning modules with information they will need during their first few days at CalPERS.
- Onboarding Checklist for Managers of New Hires
  - Provides managers with a checklist of activities to prepare for a new hire, from steps to take prior to the start date to periodic follow-ups with the new employee.
- Onboarding Buddy
  - Managers of new staff are encouraged to provide their new hire with an Onboarding Buddy. This can be a staff person working in the same unit who can be a “go-to” person for questions, tours of the buildings, and networking.

#### *Supervisory Skills Enhancement (Develop)*

The Supervisory Skills Enhancement Series was developed as a result of feedback from the 2013 OHI Survey to provide managers and supervisors with tools to enhance their effectiveness and heighten their overall awareness of human resource processes at CalPERS. The series consists of workshops designed to provide managers and supervisors with increased knowledge and skills pertaining to recruitment, employee relations, and performance management. The modules are available any time as web-based training through GoLearn, and there are instructor-led offerings twice a year.

#### **Initiatives in Progress/Continuing & Ongoing**

##### *Informal Mentoring (Develop, Empower)*

In 2012, a two-year initiative was launched to incorporate enterprise-wide Informal Mentoring into the CalPERS culture. The Informal Mentoring initiative continues to allow for greater knowledge transfer at all levels through encouraging continuous learning, building bench strength across the organization, and engaging employees more fully in CalPERS mission.

Meeting Mentoring Week is an activity that kicked off in Spring of 2013. Meeting mentoring can be done at any time of the year. The purpose is to encourage staff at all levels to invite their colleagues to accompany them to one (or more) of their meetings. This implements informal mentoring into everyday work activities and supports knowledge transfer and succession planning efforts by broadening our understanding of business processes in other areas.

Mentor Your Manager is a unique program that is part of our Informal Mentoring initiative and provides the opportunity for staff at any time to share their expertise and increase manager awareness of some of the daily challenges they face as part of their job. Mentor Your Manager Week was held in April 2015 to reinforce this program, and it will continue to be an annual activity.

*Skills-Based Volunteer Program/Illuminet (Develop)*

Also tied to Informal Mentoring is the Skills-Based Volunteer Program. In June 2015, CalPERS launched Illuminet, an internal professional networking site which provides staff the opportunity to voluntarily share and document their knowledge, skills and certificates in a skills database repository. Illuminet was built in house by CalPERS IT staff and the site was recently debuted at the CalPERS All Staff Meeting, where we demonstrated its rich functionality. In addition to current skills, staff may broaden their CalPERS informal mentoring network by listing their future desired skills.

Illuminet is user friendly and has functionality similar to LinkedIn, but with additional feature rich functionality such as Mentor Matchmaker and Power Finder. Mentor Matchmaker is where staff may rate their mentoring expertise on a specific skill set and/or search the database for mentors that are available to share expertise on listed desired skills. Power Finder is a powerful search engine that may be used by staff who are setting up teams and want to search the database for individuals with specific skill sets. Illuminet is an exciting new tool that gives staff new innovative networking and career development opportunities and strengthens the CalPERS information mentoring program.

The Information Technology Services Branch is currently piloting the site and in FY 15-16, CalPERS plans to implement Illuminet to at least three additional Divisions. Illuminet will be a helpful future resource as the organization reduces its reliance on outsourced expertise and Baby Boomer staff approach retirement.

*Employee Lifecycle Survey (Retain)*

The Strategic Measures Project supports Goal B in the Strategic Plan – Cultivate a high-performing, risk-intelligent and innovative organization. Specifically, Human Resources has been identified to report to the Board on the Turnover Measure which includes various turnover metrics accompanied by supporting narratives. Currently, the Employee Exit Survey (EES) is given only to employees that leave CalPERS for another job or move between divisions. In an effort to obtain a more complete depiction of CalPERS workforce and provide a narrative behind external and internal movement, the proposed Employee Lifecycle Survey (ELS) will replace the EES. The ELS will survey employees on a consistent basis through a series of unique, but linked surveys designed to capture and measure key indicators of workforce health such as talent retention, employee and leader engagement, willingness to recommend, intent to stay and overall job satisfaction. Specifically, it will provide

employee feedback upon hire, after the employee's first anniversary, when there is internal movement, annually in the absence of any internal movement and upon separation. Over the next year, Human Resources will request funding and will work to enhance this measure.

#### *Hiring Process Improvements (Recruit)*

One of the main areas of focus for the Hiring Process Improvements is to reduce the "time to hire" – the time it takes from when a program requests to fill a vacant position until the incumbent has been given a firm job offer. The Lean Six Sigma analytical process is currently being utilized to review, analyze, and propose improvements to the existing hiring process. The plan is to formulate a more efficient process with no impact to customer service. The initial goal was to reduce the typical hiring process from an average of 75 days to 95 percent of the time with the hires taking 30 days or less. It is anticipated that through the Lean Six Sigma enhancements, this average will be substantially reduced from 75 days and that eventually with the conversion to the statewide Exam Certification Online System (ECOS) recruitment process and consideration to not accept paper applications, this is an achievable goal. Over the next year, Human Resources will partner with divisions in piloting the enhancements focusing on pre-recruitment preparation.

#### *Knowledge Transfer (Develop)*

Knowledge Transfer is an ongoing effort critical to ensuring CalPERS ability to mitigate potential loss of expertise needed to maintain core services. Knowledge Transfer reduces our reliance on outside contractors and fosters internal workforce planning. The Information Technology Services Branch (ITSB) reduced the number of operational consultant resources by 13.5 percent over the prior fiscal year. Although new projects are initiated throughout the year which may generate an increase in operational consultant resources, all contracts require a phase for transition and knowledge transfer to staff to ensure consultant resources are limited or deliverables based. Contracts Knowledge Transfer requires that Knowledge Transfer language is included in the Statement of Work (SOW) for all multi-year consulting contracts, unless otherwise exempted. If a contract is exempt from knowledge transfer requirements, justification must be provided. The SOW should address knowledge transfer questions such as the description of service and what (and how) knowledge is being transferred. Knowledge transfer is tracked throughout the contract term.

Human Resources continues to facilitate a variety of programs to support the ongoing exchange of knowledge transfer across the organization. Some of these programs include Informal Mentoring, which provides employees at all levels with the opportunity to learn about other areas of the organization, enhances opportunities for professional and personal development, and capitalizes on the breadth of experience in our diverse workforce. Another example, Executive Succession Planning, addresses the development of future leaders and the retention of critical institutional



knowledge through building the organization's internal bench strength at the Senior Management and Executive levels.

*Classification Studies (Recruit)*

In order to grow our workforce from within and develop a pipeline of internal talent, we have worked on classification studies for our Investment, Financial, and Actuarial Offices. The desired outcome for these studies is broadening recruitment efforts for some of our hard-to-fill positions.

- **The Investment Manager/FINO Classification Study** features a job analysis of the classification series and a salary survey to benchmark against industry standards and address gaps within the classification hierarchy and structure. In May 2015, CalHR issued a pay letter reflecting the new classification (Associate Investment Manager, PERS – salary range \$8,500-\$12,750), and classification revisions (Portfolio Manager to Investment Manager; Senior Portfolio Manager to Investment Director; Senior Investment Officer to Managing Investment Director).

The classification proposal was approved by the State Personnel Board (SPB) in April 2015. Human Resources is currently working with programs on the implementation of the newly created Associate Investment Manager allocation, including updating duty statements and organizational charts with new classification titles. Human Resources is also working on the development of new examinations for the entire management classification series.

*Pension Financial Accounting Series (Retain, Develop)*

Human Resources will work with the Financial Office to develop a plan to assist in implementing the Pension Financial Accounting Series, including developing duty statements, examination processes, recruitment plans and a training program.

- Part of this will involve the Pension Financial Accounting Series Classification Study. CalPERS and the California Teachers' Retirement System (CalSTRS) are partnering to provide a way for both agencies to recruit and retain highly qualified individuals to support qualitative and quantitative analysis, research, feasibility analysis preparation, and the increased level of fiduciary responsibility related to pension financial accounting. The proposal is pending approval with SPB in October. Following approval, work will begin on developing duty statements, exam processes and recruitment plans.

*Organizational Health Index (OHI) Survey (Retain)*

The Organizational Health Index (OHI) is an employee opinion survey used to measure the health of an organization. CalPERS first administered the OHI survey in 2010 and the survey was given again in 2013. The OHI survey measures outcomes and

practices that contribute to CalPERS overall health score, which helps us to understand what we are doing well and where we can improve as an organization. Following Executive review of the survey results, three areas in need of improvement were identified:

- Role Clarity
- Process-Based Capabilities
- Innovation

In response to these needs, cross-functional action planning teams were formed in September 2013 to develop strategies and processes to address these challenges. Throughout 2014, the teams developed and implemented the programs, processes and strategies to improve role clarity, process-based capabilities and innovation, such as the development of the Supervisory Skills Enhancement series for leadership, enhancements to the employee onboarding program (one day NEO, onboarding buddy), Mentor Your Manager (provides employees the opportunity to show their management how they do their job), and Manager/Supervisor Accountability (managers/supervisors must demonstrate they are ensuring Role Clarity and Process Based Capabilities through availability of resources for their staff).

The Enterprise Internal Innovation (EII) Team continues to focus on employee-driven innovation. The EII Program is a direct result of employee feedback in the OHI survey where staff indicated they want an environment that fosters innovation and creativity on the front lines.

The EII Team has developed a platform using an internal communication tool to allow staff to submit their ideas and encourages open communication throughout the organization. Staff at all levels across the enterprise are providing valuable feedback about the program's ideation, screening and evaluation processes. The EII Team is currently compiling feedback and making adjustments to the program accordingly. The team collaborated with ITSB to create an EII Library that will allow quick reference to all innovative ideas and solutions submitted by staff. The EII Program is expected to begin incrementally launching in January 2016, and will be available enterprise-wide by June 2016.

The status of areas highlighted for improvement in the 2013 OHI Survey is being shared with staff. Regular updates will be provided to staff through multiple communication channels utilizing the branding *Your Voice Matters: Putting CalPERS Organizational Health Index Survey to Work*. These updates let staff know that their concerns voiced in the 2013 OHI Survey have been heard and are being acted upon.

#### *Leadership Mentoring Program (Develop)*

The Leadership Mentoring Program was designed to foster thought-provoking dialogue among leaders at the Staff Services Manager II level and above. Quarterly lunchtime sessions feature an interactive format where attendees join in the

conversation and share their experiences. This activity is folded into the CalPERS culture and provides participants with the opportunity to network with colleagues who face many of the same day-to-day experiences, and receive relevant professional development in a casual setting.

*Actuarial Study Program (Recruit, Retain)*

The Actuarial Classification Series Review was led by the California Department of Insurance, which involved the development of updated job descriptions and qualifications that will enhance our ability to recruit highly-skilled candidates. This classification series is currently under review with CalHR, and we continue to engage them on the progress of this item. It is anticipated that the Actuarial Classification Series Review and the resulting changes to actuarial classifications will be addressed at statewide collective bargaining for represented employee classifications, when contract negotiations commence for Bargaining Unit 1 in spring 2016 with SEIU.

*Pay Differential (Retain)*

Pay differentials are additional compensation that an employee receives, provided they meet certain eligibility criteria, that is not part of an employee's base pay (regular salary) as identified in the civil service pay scales for State employee classifications. Currently, Human Resources is working on three differential proposals specific to Actuarial classifications. These have been submitted to CalHR for review and consideration:

- Addition of the Senior Pension Actuary (SPA) to be eligible to receive recruitment and retention Pay Differential 318. This would provide a pay differential equivalent to 10.99 percent of a SPA's monthly base salary rate, which the Senior Life Actuary (SLA) and Senior Casualty Actuary (SCA) classification already receive currently, per Pay Differential 318.
- Addition of the Actuarial classifications to Pay Differential 360 for incumbents who have received their Certified Financial Analyst certification. This would provide a pay differential equivalent to 5 percent of an employee's monthly base salary rate.
- Creation of an Actuarial Education and Professional Certification pay differential for Actuarial employees who receive the Associate of the Society of Actuaries (ASA), Certified Enterprise Risk Analyst (CERA), Fellow of the Society of Actuaries (FSA), or Enrolled Actuary (EA) certifications. If an actuarial employee is receiving a CFA differential, they would not be eligible to receive the Education and Professional Certification differential. The pay differential would be equivalent to the following percentages of a qualified employee's monthly base salary rate, based upon the credentials an employee has obtained.

- ASA – 5 percent
- EA – 2.5 percent
- FSA – 5 percent
- CERA – 2.5 percent

## **Upcoming Initiatives**

### *Onboarding (Develop)*

CalPERS does not have a standardized, comprehensive approach to onboarding new (to CalPERS) and/or promoting staff and leaders, especially new leaders at the Executive level. This project will involve a phased approach, where Phase I will focus on Executive level onboarding; Phase II will focus on enterprise-wide onboarding. New staff at all levels will more quickly and thoroughly integrate into the culture and understand the expectations. The process will ensure new CalPERS staff have an understanding of the overall work of CalPERS and their role in the organization. For leaders, specifically, this process will help them acclimate much quicker in order to be productive and cohesive with other leaders across the organization.

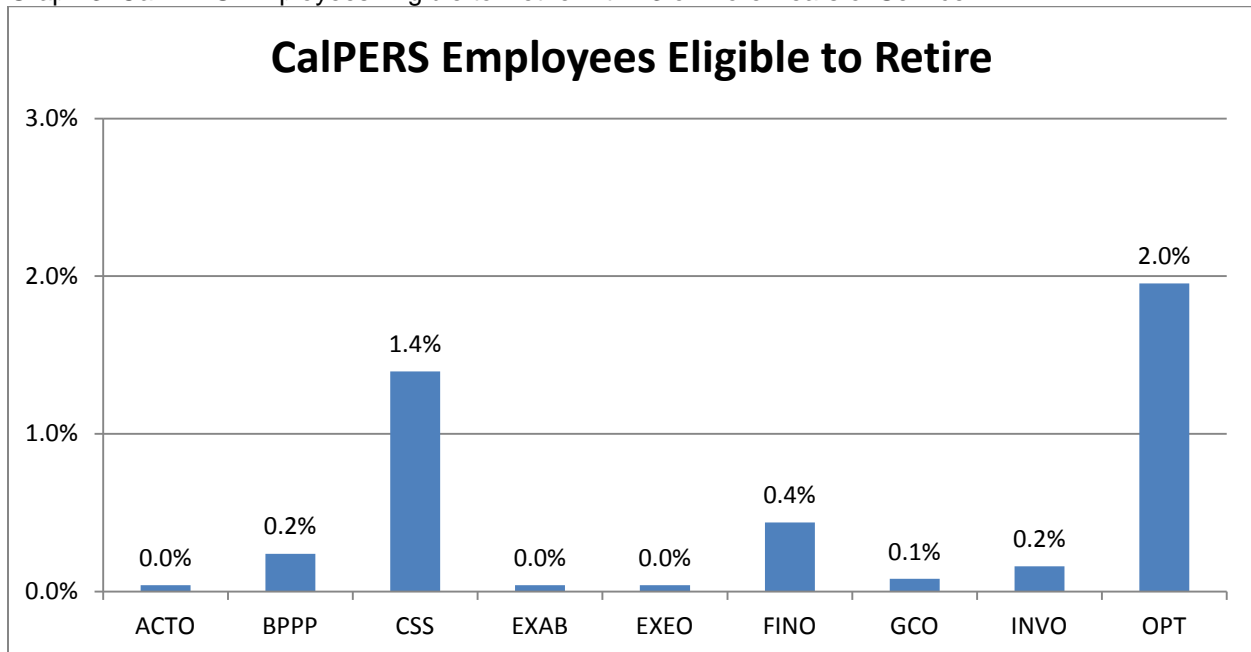
### *Organizational Health Index (OHI) 2016 (Empower)*

Starting in Fall 2015, work will begin on the development of the OHI Survey for distribution to all CalPERS staff in Spring 2016. CalPERS first administered the OHI Survey in September 2010 and then again in Spring 2013. The survey will measure outcomes and practices that contribute to CalPERS overall health score and will help us understand what we are doing well and where we can improve as an organization.

### *Succession Program Expansion (Retain, Develop)*

Human Resources will develop an ongoing maintenance plan to implement Succession Planning at the next level down (Staff Services Manager IIIs). Human Resources will ensure the plan is repeatable and can be consistently applied across the organization.

Graph 3: CalPERS Employees Eligible to Retire with 23 or More Years of Service



Source: SCO MIRS, pulled July 2015.

Note: Years of service does not include any purchase of service credit or service years earned from outside of state government.

As public servants, CalPERS employees typically retire between the ages of 55 and 60. Graph 3 shows by branch, the percentage of the workforce that is eligible to retire who are 55 years of age or older with 23 or more years of state service. Currently, 4.4 percent of CalPERS staff are immediately eligible for retirement. In calendar year 2013, the average retirement age for CalPERS employees was 59 years old with an average of 23 years of service. As mentioned above, the CalPERS employee retiree population averages approximately 10 percent younger than the overall state retiree population. Human Resources is aware this may present a challenge for CalPERS to retain a competitive pipeline of talent as they may seek opportunities for advancement with other state agencies. Human Resources plans to collaborate with divisions to identify areas of risk and discuss workforce planning efforts to ensure CalPERS can continue to provide retirement and health benefits to its members and beneficiaries.

#### *Emerging Leader Training (Develop)*

Human Resources will work with our business partners to explore the development and implementation of a journey-level training program to prepare non-supervisory employees for future leadership roles.

**BUDGET AND FISCAL IMPACTS**

The Budget and Fiscal Impacts are unknown at this time and will be addressed, as applicable, through the annual Formal Budget Request (FBR) process by impacted areas.

**BENEFITS/RISKS**

The benefits of implementing these initiatives will allow CalPERS to recruit, retain, develop and empower our workforce and continue to make us an employer of choice in State government.

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