

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

2. Department

3. Organizational Placement (Division/Branch/Office Name)

4. CEA Position Title

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

The California Public Employees' Retirement System (CalPERS) proposes to revise the existing Career Executive Assignment (CEA) position, Special Programs Division (SPD) to, Pension Contract Management Services & Prefunding Programs Division (PCMSPP). This change is the result of a re-organization of the CalPERS Customer Services and Support Branch and the Financial Office.

This CEA position has full management responsibility for the operation of the PCMSPP. The CEA provides executive leadership and guidance, and is responsible for the overall planning, development, organization, monitoring, evaluation, documentation, and policy oversight of the Supplemental Income Plan (SIP) program, and California Employers' Retiree Benefit Trust (CERBT) program, as well as the Pension Contract Management Program (PCMP).

6. Reports to: (Class Title/Level)

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

This CEA position is responsible for managing and overseeing the California Employers' Retiree Benefit Trust (CERBT), Supplemental Income Plans (SIP), and Pension Contract Management Program (PCMP).

The CERBT Fund provides California public agencies with a cost-efficient, professionally managed investment vehicle for prefunding other post-employment benefits (OPEB) such as retiree health benefits. The program has 475 participating public agencies with 4.5 billion assets under management in the trust fund.

The Supplemental Income Plans (SIP) Program oversees the administration of two supplemental income plans, the CalPERS Supplemental Income 457 Plan and the Supplemental Contribution Plan (SCP). The CalPERS Supplemental Income 457 Plan is a deferred compensation retirement savings 457 plan that public agencies and school employers may adopt and offer to their employees to help them reach their retirement income goals. The CalPERS Supplemental Income 457 Plan contracts with over 750 agencies, has over 28,000 participants and the plan has \$1.272 billion in total assets. The Supplemental Contribution Plan (SCP) is an after-tax supplemental contributions program available to state employees and member of Judges' Retirement System I and II. SCP has over 8,300 participants, with over \$48,000 total monthly contributions and has \$117 million in total assets invested.

The PCMP coordinates the completion of pension contracts through all phases of the contracting process. Functions of PCMP include, but are not limited to: determining eligibility of prospective employers; developing, assessing and enhancing existing policies and procedures related to pension contracts; providing consultation services and solutions on pension contracting issues; assessing prospective employers' financial history and background; auditing employer contracts for compliance and or to determine potential financial and reputation risks; and developing and providing agenda items, contract assessment reports and policy recommendations to senior management and executive staff for review in order to determine if changes are needed to the contracting program.

The CEA monitors and oversees the contract lifecycle of CERBT, SIP and Pension Contracts. Lifecycle management monitors and oversees the initiation, amendment and termination process of a pension contract, and it evaluates the overall performance and compliance of the contract.

PCMSPP conducts financial assessments of all new pension contracting agencies to determine viability and capability of meeting their pension contract financial obligations. Financial oversight process aligns CalPERS' fiduciary responsibility to protect the fund by preventing agencies from contracting services that they might otherwise not be able to afford. This lifecycle perspective for contracting agencies supports both goal A, improve long-term pension and health benefit sustainability, and goal B, cultivate a high-performing, risk-intelligent and innovative organization, of the CalPERS 12-17 Strategic Plan. The CEA will help to improve the long-term pension benefit security by enhancing controls and implementing financial assessments that could include the review of financial documents such as tax returns, audit findings reports, financial statements prior to administering pension contracts in order to mitigate risk, and maximize financial and operational performance in a way that ensures the best contract outcomes for entrusted assets. Enhanced controls include updating processes and procedures, educating contracting agencies about contractual responsibilities, promoting compliance and financial literacy, and developing a risk assessment process that identifies financial and reputational risk with contracting agencies. The performance and compliance of pension contracts is critical to the sustainability of the pension fund. Financial assessment of new contracting agencies, along with agency education on the financial commitment of the pension contract, including annual unfunded liabilities, variation in contribution rate, and the financial obligation of terminating contracts, will reduce risk both to CalPERS and contracting agencies. Understanding the whole cost associated with contracting for pension benefits with CalPERS allows agencies to budget and project long-term costs and meet their financial obligation. Delinquencies in agency contributions, unfunded liabilities and or termination liabilities create collection activities, which untimely create a cash-flow issue for CalPERS that could result in our inability to meet our member obligations. In addition, collection efforts require additional staff resources and can result in litigation.

The CEA will review and approve all incoming CERBT and SIP contracts. The CEA will make recommendations to Executive Leadership on approval of all pension contracts. In addition, the CEA will serve as the subject matter expert, providing presentations to contracting agency staff, executives, boards and elected officials educating them on the financial commitment associated with contracting with CalPERS. In addition, the CEA will provide refresher presentations to new staff, executives, board and elected officials for current contracting agencies to mitigate risk and promote compliance. Contracting agency risk assessment provided by the CEA increases our ability to safeguard assets, improves internal control, as well as aligns enterprise functions with CalPERS Asset Liability Management (ALM) Policy.

The CEA position will be responsible for providing independent review and oversight of financial, compliance, legal, reputational/political, and strategic risks to the pension contracting and prefunding programs. The CEA advises the Chief Financial Officer (CFO) and Executive staff on the most complex and sensitive policy matters related to PCMSPP programs.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The program is directly related to CalPERS primary mission and is critical to achieving the organizational goals. Our mission at CalPERS is to provide responsible and efficient stewardship to the System to deliver promised retirement and health benefits, while promoting wellness and retirement security for members and beneficiaries. In the Financial Office we strive to be trusted business advisors and partners providing financial, compliance, and risk management services with well-defined, sustainable operational capabilities. Our vision is to safeguard member financial security through control, coordination and centralization of all CalPERS financial activity, budgeting, compliance and risk management.

The CEA is instrumental in achieving the mission of CalPERS. Pension funding and participating employer financial hardship and insolvency are among the top 5 risks to CalPERS sustainability. With the rise in public agencies facing or filing for bankruptcy the pension contract comprehensive assessment performed by PCMP is essential to mitigating risk and espouse to the system. The PCMP evaluates the financial status of the agency to determine if the entity has the capability to meet their financial obligations. This oversight demonstrates our stewardship to protect the fund from potential financial risk and litigation before entering a pension contract with a public agency.

Additionally, the CEA will work closely with the integrated assurance risk team within Enterprise Risk Management Division (ERMD) and Enterprise Compliance Division (ECOM), along with the Office of Audit Services (OFAS), to perform risk assessments and ensure compliance and test controls on existing and potential employer agencies and their contract lifecycle. To provide effective risk management oversight CalPERS uses an integrated assurance model. This model has three lines of defense. The first line of defense is the program areas management of risk, their internal control measures and operational management to assess risk. The second line of defense is ERMD and ECOM, the final line of defense is OFAS. An example of integrated assurance model is the CEA ensures the program area follows established policies that align with the California Public Employee's Retirement Law (PERL), the California Public Employees' Pension Reform Act (PEPRA), and Internal Revenue Codes (IRC) when approving, amending or terminating a pension contract. Under the second line of defense, ERMD looks at all of the risks that impact CalPERS, including those identified by the CEA. ECOM helps ensure that the program is keeping their policies and procedures current and are following the compliance guidelines outlined by the organization. The third line of defense is where OFAS ensures public agencies contracting with CalPERS comply with required laws, rules, regulations set out in their contracts through a public agency review. In addition to contract compliance, OFAS reviews the entities financial solvency allowing the CEA to identify potential financial distress early.

In addition, the CEA has direct control and authority over the administration of the CERBT, and SIP programs. These critical and unique programs are highly visible and require a specialized policy approach to effectively administer each program.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

CalPERS is the largest public pension fund in the United States, with \$290.7 billion in assets. CalPERS administers health and retirement benefits on behalf of 3,007 public school, local agency and state employers. There are nearly 1.8 million members in the CalPERS retirement system.

CalPERS programs are extremely visible, sensitive and complex. In recent years, growing concerns about the management and oversight of public retirement systems such as CalPERS has been the subject of increasing media coverage. These concerns, in addition to the views and interests of CalPERS major stakeholders (i.e., the public, legislature, administration, covered members and employers), are of paramount interest to and have been a top priority of the CalPERS Board of Administration.

As such, in 2014 the Customer Services and Support Branch (CSS) underwent a reorganization to better align allocations with a more focused approach to member and employer functions. The alignment of member and employer functions included the removal of the special programs functions (CERBT, SIP) from the newly defined divisions to create the Special Programs Division (SPD). However, since the vacancy of this CEA, the Financial Office (FINO) has been working closely with the CSS, Actuarial Office (ACTO), Legal Office (LEGO), and Office of Audit Services (OFAS), to review the employer contract functions, including contract initiation, amendments and terminations, due to issues arising from distressed contracting agencies. The collaborative work resulted in the plan to implement the Pension Contract Management Program and reorganizing and consolidating all contract-like functions under the management of one area. Senior management and Executive staff evaluated each of CalPERS pension contracting processes and procedures in order to determine if changes were needed to improve overall productivity, efficiency, and to better meet the CalPERS business and operational goals of providing pension contracting services.

After evaluating the current functions and processes, while taking industry trends into consideration, it was discovered that there was a cross-divisional collaboration gap related to pension employer contracts. ACTO, CSS, FINO and OFAS worked closely to develop a shared "to-be" approach for pension employer contracts. One of the needs identified during the "to-be" process was to strengthen the financial controls process for agencies seeking to contract for pension benefits with CalPERS. The financial controls process will include a cash flow analysis where financial statements, tax returns and comprehensive annual financial reports are reviewed to determine if the agency has the projected funds needed to pay CalPERS pension contract receivables. Additionally, the need for a lifecycle contract process (initiation, amendment, maintenance, and termination) was identified to detect early risk, mitigate loss of revenue, improve reporting and incorporate asset recovery strategies in case of contract termination. To strengthen pension employer contracting, the Financial Office has developed the PCMP that will be established within the PCMSPP Division. PCMP will be overseen by the CEA of PCMSPP. PCMSPP will conduct financial assessments of all new pension contracting agencies to determine viability and capability of meeting their financial pension contract obligations. Implementing a financial oversight process aligns CalPERS' fiduciary responsibility to protect the fund by preventing agencies from contracting services that they might otherwise not be able to afford. For every dollar spent on public employee pensions 65 cents comes from CalPERS investment earnings, 22 cents from contracting employers, and 13 cents from CalPERS members. When contracting agencies are unable to make their contributions or are late on payments, it creates cash flow issues for CalPERS and could interrupt the payment of member benefits.

The PCMP will coordinate the completion of pension contracts through all phases of the contracting process, which include, but are not limited to, determining eligibility of prospective employers, developing, assessing and enhancing existing policies and procedures related to pension contracts, providing consultation services and solutions on pension contracting issues, assessing prospective employers' financial history and background, auditing employer contracts to determine potential financial and reputation risks, and developing and providing agenda items, contract assessment reports and policy recommendations to Senior Management and executive staff for review in order to determine if changes are needed to the contracting program. The reorganization and redirection of Special Programs Division supports CalPERS' Strategic Plan of cultivating a high performing, risk intelligent and innovative organization.

Due to the complex and sensitive nature of these programs, high level leadership is required to provide oversight of contracting procedures, policy development related to pension contracts and implement financial risk assessments on potential and existing employer agencies. These unique programs are aligned under this CEA position to ensure proper oversight and administration. The CEA will serve as the subject matter expert with distressed employer agencies that are unable to pay their pension liabilities and/or facing bankruptcy in order to provide solutions and payment plan options to protect the pensions promised to their employees and retirees. The CEA will be able to weigh policy considerations and their impacts more effectively with a consolidated approach rather than having individual leaders over each function attempting to shape policy. This will lead to better continuity between the programs as these areas do not fall under the scope of member or employer services.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The position has full management responsibility for the administration of the PCMSPP, within the Financial Office for CalPERS, the statewide, multi-billion dollar fund responsible for providing pension benefits to all state and contracting public agency employees and beneficiaries. The CEA will be responsible for the formulation, modification, and implementation of new and existing policies and procedures related to the CERBT program, SIP and the PCMP.

The position provides strategy and policy direction on a broad spectrum of issues central to CalPERS critical mission and as such, has a significant impact on all CalPERS programs. These include providing direction on complex reportable compensation issues and complex contracting approvals for State, school and public agencies. The CEA will be significantly involved and engaged in the pension reform issue as it relates to policy impacts and recommendations for change, representing CalPERS in high level discussions with public officials, and making policy decisions based on analysis and recommendations by staff. The position will develop policies including, but not limited to:

In conjunction with Legal staff, the CEA will be responsible for resolving appeals by denied contracting agencies, discrepant reporting, or other issues which directly impact pension benefits, including testifying as an expert witness on CalPERS behalf. Precedential decision or litigation settlement agreements could result in policy change that impacts an agency's contract provisions, or benefit costs, etc. that will require new or revised policies to be implemented.

The CEA is responsible for making policy decisions to ensure compliance with complex and ever-changing federal and state laws surrounding the CERBT and SIP programs. In June 2015, Governmental Accounting Standards Board (GASB) approved the issuance of two new Statements, 74 and 75, that related to other post-employment benefits (OPEB). The CEA is responsible for interpreting the new GASB standards and developing policies and procedures that ensure staff comply with these standards.

As part of CalPERS Strategic Plan, goal A, to improve long-term pension and health sustainability, the CEA would be responsible for exploring alternatives and providing recommendations for funding mechanisms for employers to invest in a pension prefunding trust. This could involve identifying rules, laws and regulation changes related to section 115 irrevocable trusts if CalPERS decided to sponsor a pension prefunding trust.

As the subject matter expert for pension and prefunding program contracting, the CEA will be responsible for identifying and proposing legislative changes to the PERL. The CEA position will be responsible for implementing necessary policy changes related to the PCMSPP as a result of the passage of legislation. When legislation is enacted the CEA will need to make several programmatic policy decisions to ensure compliance and conformity with the law change. For example if the CalPERS sponsored Assembly Bill 2375 is passed by the Legislature and approved by the Governor, it would be the CEA's responsibility to understand which policy changes to the PERL affect PCMSPP and ensure that new processes and procedures are implemented for compliance. In addition, the CEA will monitor all legislation that could impact pension contracting and prefunding programs during the legislative process to stay up-to-date on any potential changes so that policies and procedures can be developed to implement passed legislation.

The CEA provides policy direction and facilitation in order to develop all pension contract management policies, including the Terminated Agency Pool (TAP) Policy. The CEA will work with ACTO and the Investment Office (INVO) on recommendations related to the Asset Allocation and actuarial policies on reserve amounts and asset allocation levels related to TAP. The CEA also evaluates policy impacts and ensures integration of policy decisions into other CalPERS programs, processes and operations, ensures programs and projects operate in a cost effective manner and within budget resources, and adhere to internal control standards and in compliance with applicable laws, rules, and regulations.

The CEA will also review existing policies, laws, rules and regulations and recommends changes as appropriate and will explain policies related to contract management to employer agencies in order to assist in their understanding and decision making related to CalPERS contracts. The CEA will work closely with Enterprise Compliance (ECOM) on developing and administering compliance policies related to PCMP and special prefunding programs to ensure activities are compliant with appropriate reporting to Executives and the Board. The CEA will identify risks and ensures policies and activities effectively address those risks through risk mitigation efforts.

Statewide Impact:

CalPERS collects, manages and invests contributions from public employees and employers in order to provide a secure retirement for over 1.8 million California public employees, retirees, and their families. CalPERS membership is divided approximately in thirds among current and retired employees of the state, schools, and participating public agencies.

CalPERS is a defined benefit retirement plan, as it provides benefits based on a member's years of service, age, and highest average compensation. In addition, benefits are provided for disability and death, with payments in some cases going to survivors or beneficiaries of eligible members. Approximately half of our members pay into Social Security. The CEA position has a direct impact on contracting agencies, members and their families, through the current and future policies and laws established that govern CalPERS benefits and services. In a broader context, the efficient administration and protection of CalPERS programs impacts all taxpayers.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The CEA has full management responsibility of the administration of PCMSPP, within the Financial Office for CalPERS, the statewide multi-billion fund responsible for providing retirement benefits to all state and contracting public agency employees and beneficiaries. The CEA position will be responsible for the formulation, modification, and implementation of new and existing policies and procedures related to employer pension and prefunding program contracting eligibility, amendments, and termination. The position provides strategy and policy direction on a broad spectrum of employer issues such as fraud, discrepant reporting, and bankruptcies, that have a significant impact to the CalPERS mission and the sustainability of the pension fund.

The CEA will make day-to-day policy decisions for all programs within the division. The CEA must ensure contracting agencies qualify under the applicable rules and laws to contract for benefits. These policy decisions have significant impacts on both CalPERS and the perspective contracting entity as only qualified organizations may be eligible to contract for CalPERS benefits. Additionally, this position will be responsible for implementing the necessary policy changes related to the above mentioned programs resulting in legislative changes. When legislation is enacted the CEA will need to make several programmatic policy decisions to ensure compliance and conformity with the law changes.

The CEA is a member of the CalPERS senior management team which is responsible for providing program and policy direction, carrying out the Strategic Plan and formulating and implementing department-wide policies related to CalPERS programs. The CEA is responsible for working with external employer and employee groups in the establishment of department policies, and for maintaining a high level of communication with employers regarding policy and program implementation, as well as issues affecting the funding of employer retirement plans.

The CEA provides high level policy direction and oversight to PCMSPP operations. Through subordinate managers, plans, organizes and directs the work of a multidisciplinary professional and administrative staff responsible for CERBT, SIP and the PCMP function. This position will be making the day to day policy decisions surrounding these programs. For example, the CEA will be required to execute policies related to the administration of the SIP program. This will include policy decisions related to fund lineup changes which will impact thousands of members across the State.

The CEA will also establish policy for the CERBT program which will include decisions related to more than four hundred individual contracts the area administers. Policy considerations related to contract changes will need to be applied consistently and in accordance with the law. Additionally, the CEA will have direct oversight of CERBT assets, which recently surpassed four billion.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

See and continued from #32:

- Research, develop and make recommendations regarding current statutes and regulations required to administer pension retirement;
- The CEA will be significantly involved and engaged in pension reform issues as it relates to policy impacts and recommendations for change, serving on high level work groups such as the Public Employee Compensation and Benefits Task Force, representing CalPERS in high level discussion with public officials, and making policy decisions based on analysis and recommendations by staff.

The CEA will oversee policy that is considered controversial, such as:

- Whether or not a perspective contracting entity is determined to be qualified to contract benefits;
- Addressing pensionable compensation issues which directly impact retiree benefits and employer contribution rates;
- Policies being developed and or amended such as contracts stipulating individual employer contribution rates for state agencies;
- Develops and presents pension contract recommendations for non-voluntary terminations for approval to Executive staff and Board Members;
- Engages in ongoing interaction with other state agencies, constituents, labor and employer groups and other stakeholders regarding sensitive and complex pension policy issues;
- Development and implementation of supplemental income plan funding lineup;
- Termination of a supplemental income plans including the required state and federal changes associated with termination