

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

2017-04-21

2. Department

California Public Employees Retirement System

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

Office of Stakeholder Relations & External Outreach

4. CEA Position Title

Chief

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 create a new CEA as the CEA of Stakeholder Relations & External Outreach (STRL). Under the direction of the Deputy Executive Officer (DEO), Communications & Stakeholder Relations, the CEA will oversee and direct outreach activities associated with CalPERS stakeholder organizations, including employee groups, employer groups, taxpayer and business groups, academic institutions, other state agencies and officials, and pension industry associations and coalitions. The CEA will also oversee the coordination of public record requests and adherence to the public record act law, as well as coordination and planning of CalPERS internal and external events and conferences. In conjunction with the DEO, the CEA will advise the CalPERS Board and Executive Team on Stakeholder Relations implications of policy decisions, and will develop and recommend appropriate outreach strategies and solutions related to Stakeholder Relations. The CEA will in addition, provide consultation and representation on, regulations or programs potentially impacting CalPERS and its members at the local, state, and national levels. The CEA will develop and implement strategies to prevent/accomplish the enactment of laws, regulations, or programs on a broad spectrum of retirement, health care, investment, and corporate governance issues central to CalPERS mission and having a significant impact on all CalPERS programs.

6. Reports to: (Class Title/Level)

Deputy Executive Officer

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): The Chief of Stakeholder Relations & External Outreach works in coordination with the Chief of Public Affairs and both report to the DEO, Communications & Stakeholder Relations, who is a member of the CalPERS Executive Management Team.

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.

Please see attachment.

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: CalPERS is the nation's largest public pension fund with assets totaling more than \$300 billion dollars. The System provides retirement benefits to more than 1.8 million public employees and health care benefits to 1.4 million members and their families. The CEA will foster and maintain the critical relationships with labor, member, and employer groups needed to ensure the integrity and broad stakeholder understanding and education of CalPERS policies, decisions, and actions to meet the strategic goals, objectives, and mission of the CalPERS System; provide consultation and representation on federal Executive plans or proposals on legislation, regulations, or programs potentially impacting CalPERS and its members; develop and implement strategies to prevent or accomplish the enactment of laws, regulations, or programs on a broad spectrum of retirement, health care, investment, and corporate governance issues central to CalPERS' critical mission and having a significant impact on all CalPERS programs.

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.

There are two factors driving the need for the higher classification:

- (1) The level of issues facing the pension fund, and;
- (2) The expansion of CalPERS stakeholder groups.

CalPERS has historically maintained relationships with member and employer associations such as the California State Employees Association, California State Retirees, CA League of Cities and the California Association of Counties. CalPERS' impact from its investments in California and its work in the retirement and health care policy arena are making it increasingly important to expand its relationships to the California business community, academics, universities and taxpayer groups. In addition, the issues facing CalPERS have become increasingly political and sensitive. For example, CalPERS recently lowered its assumed rate of return or discount rate and its long-term returns have fallen below its assumptions. This will increase employer contributions that are ultimately taxpayer borne. The CEA will be responsible for developing new relationships to educate the business community, academics, and taxpayers groups about the steps CalPERS is taking to reduce risk and volatility in the fund and to discuss policy recommendations and program changes being considered by the CalPERS Board. This will help to ensure trust in the system and its leaders and protect the reputation of the fund.

Several new issues have also emerged that requires the CEA position. For the first time, CalPERS had to reduce pensions by more than 60 percent to retirees of a California city. CalPERS expects to see additional employers in financial distress and new responsibilities are required to develop relationships with local elected officials and employer leaders to address collections and terminations and provide communications to impacted retirees; Calls for divestment have also increased leading to greater needs for stakeholder outreach and communication. Examples include divestment from entities building and funding the Dakota Access Pipeline and divestment from private prisons; and demands for more outreach and communication have expanded to provide employers the education and tools to understand the long-term implications of CalPERS discount rate change and the System's next steps to address funding. For example, in the first two weeks of February 2017 CalPERS stakeholder relations team spoke before five associations representing municipal finance officers, school administrators, city mayors, and conducted an educational webinar for more than 900 employer representatives.

The CEA will be responsible for overseeing and managing the work of external partners at the State and national level to lessen our reliance on external consultants. In order to stay on top of upcoming policy, regulations, and programs CalPERS needs the full attention and immediate access to this position. With the current structure CalPERS competes for time and accessibility with multiple clients.

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 CEA will be responsible for and will play a key role in working with stakeholder management and outreach in a number of key policy areas, and will be responsible for representing CalPERS in high level discussions with local elected officials, and making policy decisions based on analysis and recommendations by staff. Duties include, but are not limited to the following:

Divestment Initiatives – CalPERS has divested of certain industry securities voluntarily or by legislative mandate. These have included investments in tobacco, firearms, and securities in the countries of Iran and Sudan. An October 2015 report by CalPERS pension consultant Wilshire Associates estimates that exclusion of divested securities has cost the system up to \$8.3 billion in lost return opportunities. The large majority of the opportunity costs come from the exclusion of tobacco investments. The CEA will have significant policy influence and involvement at the senior management level, recommending decisions and implementation of policy matters including recommendations on changes to divestment policy and changes to current divestment practices such as investments in tobacco. Broad stakeholder outreach and feedback on the future of CalPERS divestment policy will be a significant input into the process and review of the existing policy. Specifically, the Board's motion in April 2016 as it relates to tobacco required "stakeholder outreach including discussion, education, listening and exploration of a broad spectrum of viewpoints from all vantage points."

Investment Return Assumptions –Recent investment results as of the fiscal year ended June 30, 2016 were reported by CalPERS to be 0.61%. The impact of the FY 15-16 return and low returns last FY has eroded the fund's long-term returns for 3, 5, 10 and 20 year periods below the 7.5 percent return assumption. CalPERS assumptions, and the return assumptions of pension funds in the nation, have become a significant policy issue and debate. The CEA will have significant policy influence and involvement at the senior management level, recommending decisions and implementation of policy matters including recommendations on future assumption rates and the impact of those rates on members and employers. CalPERS has a disciplined process to review all its assumptions including capital market assumptions, demographics, actuarial and asset allocation. The process involves significant stakeholder outreach that will be conducted by the CEA and will help shape any future policy changes at every point of the process cycle. Discussions and feedback from stakeholders could impact policy changes that will increase pension costs or change the pace of pension cost increases in the future.

Employer Financial Health –The CEA will work with CalPERS Financial Office to develop quarterly monitoring reports to the Board on employer partner financial health and will make recommendations to strengthen oversight and communication. The CEA will be responsible for and will play a key role in working with stakeholder management and outreach in a number of key policy areas, and will be responsible for representing CalPERS in high level discussions with local elected officials, and making policy decisions based on analysis and recommendations by staff.

In addition to the above, the CEA will be responsible for overseeing and maintaining the following policies:

Retirement Policy: This position has significant nationwide impact by influencing retirement policy, regulations, and programs. The position has direct responsibility for developing policy for the CalPERS Retirement Program using data and information on market trends and best practices facilitating the development of the CalPERS Strategic Plan for Retirement and monitoring retirement-related legislation. Retirement policies are sensitive, controversial, and of particular interest and concern to the public, media, and/or legislature.

Health Care Policy: This position has significant nationwide impact by influencing health care policy, regulations, and programs. The position has direct responsibility for developing policy for the CalPERS Health Benefits Program using data and information on market trends and best practices facilitating the development of the CalPERS Strategic Plan for Health; researching and developing new products and alternative approaches to health care. Health Care policies are sensitive, controversial, and of particular interest and concern to the public, media, and/or legislature.

Investment Policy: This position has significant nationwide impact by influencing investment policy, regulations, and programs. CalPERS Investment Office administers policies and programs that are highly visible and sensitive and have been developed for the various asset classes, portfolios and programs that address CalPERS investment exposure in the equity and fixed income, real estate, and private equity markets on both a national and international level. The investment policies, established by the Board, have social, economic, environmental impacts that are often of particular interest to the public and media. CalPERS investment policies are also used as a model for other public pension systems in establishing their policies.

C. ROLE IN POLICY INFLUENCE (continued)

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

The CEA will have decision-making authority within their areas of assignment. This position will provide the strategic counsel on department wide policies. This position will evaluate and determine the impact of the department's policies related to Stakeholder Relations by providing information and recommendations to higher levels within the Communications & Stakeholder Relations branch, the Executive Team and CalPERS Board. Decisions with enterprise-wide impact or involving high visibility matters of interest to the enterprise as a whole will continue to be raised to a higher level within the division.

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

The CEA will assist and advise the organization and affected parties with respect to the development and the implementation of existing and new policies. They will also assist and advise in the interpretation and implementation of existing policies. The types of policies are without limitation. Any policy that affects the employees of CalPERS or the members and employers of the pension system or health benefits program would be a policy that would require the input of the CEA, Stakeholder Relations & External Outreach. The CEA will be responsible to provide this input. This CEA will interact with the Executive Management Team on a continuous basis by providing recommendations on outreach and communication strategies, policies, program initiatives and politically sensitive issues in the areas of Stakeholder Relations. In addition, this CEA will also advise upper level management on matters that may result in negative impact to the department or on sensitive matters that may require elevation to the Board or public scrutiny.

Additionally, the CEA will work with the CalPERS Executive Team, Board, and external stakeholders to shape policy on existing and emerging issues related to CalPERS investments and delivery of retirement and health care benefits that are directly tied to STRL.