



Performance, Compensation & Talent Management Committee

Agenda Item 6a

February 18, 2025

Item Name: Executive Succession Planning Update

Program: Human Resources Division

Item Type: Information

Executive Summary

This agenda item provides an update on the CalPERS Executive Succession Plan, highlighting key progress and outlining the next steps in building the executive succession planning talent development process.

Strategic Plan

The CalPERS Executive Succession Plan is directly aligned with our 2022-27 Strategic Plan, particularly the goal of Organizational Excellence. By implementing a comprehensive succession planning process, we will ensure business continuity, enhance leadership development, and maintain a strong leadership bench.

Background

Succession planning is a critical component of human resources management for any organization, including CalPERS. Succession planning ensures business continuity, cultivates future leaders, and helps retain top talent by providing clear career paths for high-potential employees. Additionally, it fulfills California Department of Human Resources (CalHR) requirements, which mandate that all state agencies establish and maintain succession plans to ensure a stable and capable talent pipeline.

In March 2024, the National Association of Corporate Directors (NACD) Board Advisory Services presented the results of the CalPERS Board 2023 Self-Assessment to the CalPERS Board of Administration. The self-assessment identified CEO Succession Planning and Talent Oversight as key initiatives of the board in the coming year. Specifically, the board underscored the importance of establishing a sustainable and rigorous process to identify potential CEO successors, both within and outside CalPERS. This was recognized as a key fiduciary responsibility and a priority for the next two years, with a particular focus on enhancing executive management succession planning. Over the next two years, the board would also like to have further discussions regarding talent development, retention, and succession planning for key executive roles.

In September 2024, we presented an overview of our comprehensive succession planning framework, which will retain top talent, increase engagement and productivity, reduce risk of leadership gaps, and ensure a diverse workforce. Our succession plan will focus first on our CEO and executive team. By focusing on executive positions first, we ensure stability in mission-critical leadership while setting a strong foundation for broader succession efforts across the organization. We have put our executive succession plan into action by:

- **Integrating myHR:** Ensuring compatibility with myHR is essential for creating a sustainable, scalable, and data-driven approach to leadership development. It ensures alignment with other human resources processes, such as performance management, while streamlining evaluations and fostering consistency across the enterprise.
- **Completing an Environmental Scan:** Completing an environmental scan using existing information regarding roles and insights from our incumbents is vital for gaining a comprehensive understanding of each role's current and future demands. This process ensures that executive succession planning efforts are grounded in both objective data and real-world insights, allowing for more accurate evaluations and targeted development of future leaders.
- **Creating Position Profiles:** Creating position profiles is essential for defining the critical responsibilities, competencies, and future needs of each role. These profiles provide a clear framework for evaluating executive succession candidates, aligning leadership development with organizational priorities, and ensuring that future leaders are well-prepared to meet both current and evolving demands.
- **Designing an Executive Succession Candidate Application Process:** Our executive succession candidate application process is designed to be fair, transparent, and comprehensive. By completing a review of each applicant's performance, potential, and strategic alignment, the process provides structured feedback that helps candidates align their career aspirations with organizational needs. This approach identifies the best executive succession candidates and supports their growth and readiness.

Analysis

The Human Resources Division has conducted extensive research into industry best practices for the succession candidate application process. Drawing insights from other government agencies, private investment firms, and research organizations, we have ensured that these practices are respected and integrated into our approach. We kept the following in mind:

- **Scalability:** Scalability is achieved by aligning the executive succession plan with Oracle Cloud HCM (myHR) functionality. This alignment ensures long-term efficiency as the process is applied to other areas of the enterprise.
- **Sustainability:** Sustainability is ensured by integrating succession planning with existing HR processes, including performance management, leadership development, employee engagement, and incentive efforts. Aligning with these established programs reinforces long-term strategic priorities, creates consistency in talent evaluations, and ensures leadership development remains an ongoing, data-driven initiative.
- **Compliance:** Compliance is maintained by adhering to CalHR requirements and integrating diversity and inclusion best practices. Collecting demographic information is a best practice because it provides valuable insights into representation within the leadership pipeline. This data helps identify gaps and ensure that talent development

opportunities are accessible to all team members, fostering diversity and inclusion. Incorporating demographic data into succession planning promotes a workforce that reflects the diversity of the members we serve, strengthening trust, engagement, and overall organizational effectiveness.

We are implementing a phased approach to succession planning that begins with our executive team. Our goal is to leverage myHR to extend succession planning to other roles across the enterprise.

Topic for Discussion

With direction, participation, and support from CalPERS board members, the Human Resources Division has developed an executive succession planning framework. We are now presenting an update on our activities. We began by completing an environmental analysis, which included information on file that was relevant towards each position and insights from our incumbents. Then, we used the collected information to create comprehensive Position Profiles, which were reviewed by our CEO to ensure current and future organizational mission alignment. We will use these Position Profiles as a means of evaluating succession candidates as we move forward with our succession candidate application process.

As we roll out our succession candidate application process, it will be critical to provide ongoing support to the Board and actively seek and incorporate their feedback. Over the coming months, executive succession applicants will be evaluated by Talent Review Committees based on their performance, potential, and strategic alignment. Talent Review Committees will consist of the incumbent, Chief Executive Officer, a Human Resources representative, and at least one internal business area representative. Applicants will be ranked using a nine-box grid, and selected candidates will participate in succession planning program activities. Each selected candidate will receive an individualized training plan tailored to their development needs and leadership goals. These candidates, along with their training plans and associated activities, will rely on the board's support to ensure their success.

Attachments

Attachment 1 – February 2025 Executive Succession Planning Update

The PowerPoint presentation provides an update on the CalPERS Executive Succession Plan, highlighting the importance of succession planning for leadership continuity and organizational success. It details the progress made in completing the environmental scan, creating Position Profiles, and designing a fair and comprehensive application process.

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