



Performance, Compensation & Talent Management Committee

Agenda Item 6b

June 16, 2021

Item Name: 2021-22 Incentive Plan of the Chief Executive Officer

Program: Administration

Item Type: Action

Recommendation

Approve a fiscal year 2021-22 incentive plan for the Chief Executive Officer (CEO), as proposed by the board's compensation consultant, Global Governance Advisors.

Executive Summary

This agenda item presents the proposed 2021-22 incentive plan for the CEO. The Board's Primary Executive and Investment Compensation Consultant, Global Governance Advisors (GGA), will present their recommendation for the Committee's consideration. Approving an incentive plan for the CEO aligns with standard practice and satisfies the related approval provision in the Board's Compensation Policy for Investment and Executive Management Positions (Policy).

Strategic Plan

This agenda item supports CalPERS' Strategic Goal to promote a high-performing and diverse workforce in the 2017-22 Strategic Plan. The Executive and Investment Compensation Program provides a means for recruiting, retaining, and empowering highly skilled executive and investment management professionals to meet the Board's organizational priorities.

Background

The Board's Policy requires approval of annual incentive plans. The establishment of incentive plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization.

Analysis

GGA will present and discuss their recommendation for the CEO's Fiscal Year 2021-22 incentive plan measures (Attachment 1). The proposed incentive plan (Attachment 2) contains

the five Board-approved incentive metrics (Total Fund Performance, Enterprise Operational Effectiveness, Investment Office CEM, Customer Service, and Stakeholder Engagement) and high-level organizational leadership priorities. These metrics and priorities are consistent with the CEO's fiscal year 2020-21 incentive plan.

Budget and Fiscal Impacts

CalPERS' 2021-22 Authorized Budget includes \$20.6 million for all incentive awards. This amount is an estimate based on budgeted salaries and the 2020-21 metric outcomes. In fiscal year 2019-20, actual incentive awards paid across all incentive programs was approximately \$11.9 million. Actual incentive payouts are subject to several factors (e.g., metric outcomes, fund performance, and individual performance) and cannot be quantified until after the end of the fiscal year.

Benefits and Risks

If the CEO's 2021-22 incentive plan is not approved, the associated risk would be non-compliance with the policy-required development and approval of annual performance plans.

Attachments

Attachment 1 – Memo from Global Governance Advisors

Attachment 2 – CEO's proposed incentive plan for Fiscal Year 2021-22

Michelle Tucker, Chief
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