



Performance, Compensation & Talent Management Committee

Agenda Item 5a

June 15, 2022

Item Name: Review of the Board's Compensation Policy for Executive and Investment Management Positions

Program: Administration

Item Type: Action

Recommendation

Review and provide direction on proposed revisions to the Board's Compensation Policy for Executive and Investment Management Positions as presented by Global Governance Advisors (GGA), the Board's Primary Executive and Investment Compensation Consultant.

Executive Summary

GGA has conducted a review of the Board's Compensation Policy for Executive and Investment Management Positions (Policy). The purpose of this agenda item is to present the Performance, Compensation and Talent Management Committee (Committee) with GGA's recommendations on a range of policy topics.

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 Compensation Program provides a means for recruiting, retaining, and empowering highly skilled executives to meet organizational priorities and strengthen the long-term sustainability of the pension fund by generating returns to pay member benefits.

Background

Periodic reviews of the Policy are conducted to incorporate improvements and to ensure policy provisions remain aligned with CalPERS' strategic goals and Board priorities. The Policy was most recently amended in 2019 to include the addition of the Chief Health Director, Chief Operating Officer, and Deputy Chief Investment Officer positions, revised base pay and incentive ranges, and the addition of the long-term incentive program.

Analysis

GGA has reviewed the Policy, incorporated feedback from the Board, legal counsel, and the human resources team, and will present their observations and recommendations for the Committee's consideration. Attachment 1 outlines GGA's review of the Policy topics for Committee consideration. Proposed changes are displayed in Attachment 2, with key topics for the Committee's consideration in red text. Other revisions are included which are considered non-substantive or administrative in nature for the purpose of adding clarity for program administration, participants, and stakeholders. These revisions are displayed throughout Attachment 2 in green text. A full tracked-changes version is included in Attachment 3.

GGA worked with legal counsel and human resources team members responsible for administering the Board's Compensation Policy to incorporate the Committee's feedback and bring back final proposed changes to the Policy today. Approval of the proposed Policy changes would become effective July 1, 2022, and the updated Policy will be communicated to all program participants following Board approval.

Budget and Fiscal Impacts

Not applicable.

Benefits and Risks

Regular review of the Policy is a good governance practice, serving to ensure the Policy clearly communicates critical elements of the compensation program policy and administration. A clear and transparent policy is imperative for program participants, administrators, and stakeholders. Without a periodic and systematic review, there is a risk of the Policy becoming misaligned with the overarching goals of the organization.

Attachment

Attachment 1 – GGA Compensation Policy Review

Attachment 2 – Board's Compensation Policy for Executive and Investment Management Positions with GGA Recommendations

Attachment 3 – Board's Compensation Policy for Executive and Investment Management Position with Tracked Changes

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