



Performance, Compensation & Talent Management Committee

Agenda Item 5c

February 13, 2023

Item Name: Approval of Revisions to Implement Previous Board Direction: Compensation Policy for Executive and Investment Management Positions

Program: Administration

Item Type: Action Consent

Recommendation

Approve an updated Compensation Policy for Executive and Investment Management Positions (Policy) to reflect the recent changes approved by the Board in November 2022 and January 2023.

Executive Summary

The purpose of this agenda item is to present the Performance, Compensation and Talent Management Committee (Committee) with an updated Policy document incorporating the decisions made by the Board in November 2022 and January 2023. These decisions include weighted comparator groups for executive and investment management positions, a revised salary adjustment matrix, and updated base pay ranges for four classifications.

Strategic Plan

This agenda item supports CalPERS' Strategic Goal to promote a high-performing and diverse workforce in the 2022-27 Strategic Plan. The Executive and Investment Compensation Program provides a means for recruiting, retaining, and engaging highly skilled executives and investment professionals to meet organizational priorities and strengthen the long-term sustainability of the pension fund by generating returns to pay member benefits.

Background

At the November 2022 workshop, the Board approved weightings to be applied to different categories (e.g., public vs. private entities) within the market comparator groups for executive and investment management positions, as well as approved a new salary adjustment matrix that expands from four to five rating levels and adjusts the salary increase percentages to be more closely aligned with base pay increases in the industry.

In January 2023, the Board approved a 4% increase to the maximum of the base salary ranges for the following classifications: Chief Actuary, General Counsel, Chief Financial Officer, Chief Health Director.

Analysis

All Policy revisions described above from the November 2022 workshop and January 2023 meeting were approved with and effective of July 1, 2022, for application during the current fiscal year. Attachment 1 reflects all Policy revisions in tracked changes, and Attachment 2 presents the Policy with all changes accepted. Definitions related to the approved salary adjustment matrix are also updated in the Policy on page 5. These definitions were presented to the Board in June 2022.

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.

Attachments

Attachment 1 – Compensation Policy for Executive and Investment Management Positions
(Tracked Changes)

Attachment 2 – Compensation Policy for Executive and Investment Management Positions
(Changes Accepted)

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