



Agenda Item 5

November 14, 2012

ITEM NAME: Executive Compensation Policy Revisions

PROGRAM: Administration

ITEM TYPE: Information

EXECUTIVE SUMMARY

The purpose of this agenda item is to present for information a summary of the changes to the Executive Compensation Policy and Procedures (Policy) that will align the Policy with the revisions to the Board's governance structure and revised delegations of authority for the Performance and Compensation Committee, Chief Executive Officer and Chief Investment Officer, and the Powers Reserved for the Board.

STRATEGIC PLAN

The Executive Compensation Program supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. The program provides a means for recruiting and retaining highly-skilled executives to the benefit of the CalPERS organization as a whole.

BACKGROUND

As a result of the Board governance changes made earlier this year and the subsequent revisions to the delegations of authority for the Performance and Compensation Committee, the Chief Executive Officer and Chief Investment Officer; the Policy should be revised to align with these changes.

ANALYSIS

Staff has evaluated and set forth on Attachment 1 the impacts of the changes to the Board's governance structure and the revised delegations on the Policy. Prior to the Board governance changes, virtually all performance and compensation decisions were presented to and approved by the Performance and Compensation Committee. Under the new delegation to the CEO, many of these decisions have been delegated to the CEO.

In an effort to further improve and streamline the Policy, staff is conducting further research. Additional revisions and an updated policy document will be presented to the Committee in February for approval. Any additional substantive changes the Board may wish to make to the Policy, such as revisions to the Board's discretionary authority, will need to be approved by the Board no later than June 2013, to ensure

all covered staff are notified prior to implementation of the new provisions at the beginning of the 2013-14 fiscal year.

ATTACHMENT

Attachment 1: Executive Compensation Program Approval Matrix

Attachment 2: Delegation of Authority - Chief Executive Officer

Attachment 3: Delegation of Authority - Chief Investment Officer

Attachment 4: Powers Reserved for the Board (excerpt related to Performance and Compensation Committee)

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