



Agenda Item 6

February 19, 2013

ITEM NAME: Executive Compensation Policy Revisions

PROGRAM: Administration

ITEM TYPE: Action

RECOMMENDATION

Approve the proposed changes to the Compensation Policies and Procedures for Executive and Investment Management Positions.

EXECUTIVE SUMMARY

The purpose of this agenda item is to present for approval the revised 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, Compensation and Talent Management 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 last year and subsequent revisions to the delegations of authority for the Performance, Compensation and Talent Management Committee, the Chief Executive Officer and Chief Investment Officer, the Policy is being revised to align with these changes.

In November 2012, staff presented a summary of proposed amendments to the Executive Compensation Policy that aligns the Policy with the revisions made to the Board's governance structure and revised Chief Executive Officer and Chief Investment Officer Delegations of Authority.

ANALYSIS

Pursuant to the Board governance changes last year, the Board revised the CEO delegation in December 2011 to delegate certain performance and compensation decisions that were previously reserved to the Board to the CEO. As outlined in the

Policy and Attachment 1, updated approval tables have been added to the policy to reflect these changes.

In an effort to further improve and streamline the Policy, staff made additional changes to reorder the Policy for improved readability. To provide support and clarification for existing policy provisions, several sections were moved from the appendix into the body of the policy and new appendices were added. Definitions and clarifying narrative were added to further support the policy. An inventory of the proposed changes to the Policy has been provided in Attachment 1. The proposed changes are strictly technical in nature and do not reflect any substantive changes to the existing Policy.

Any substantive changes the Board may wish to make to the Policy, such as changes to discretionary actions, 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.

BENEFITS/RISKS

The proposed changes will align the Policy with previously approved Board governance changes and revised delegations of authority. Having a clear policy serves as an effective communication tool, ensures consistency in decision-making, and fosters transparency and accountability.

A risk associated with not approving these Policy changes would be that the compensation policies and procedures would not be in alignment with the revised Board governance policies and delegations of authority.

ATTACHMENTS

- Attachment 1 – Inventory of Proposed Changes to Compensation Policies and Procedures for Executive and Investment Management Positions
- Attachment 2 – Revised Compensation Policies and Procedures for Executive and Investment Management Positions

KATRINA S. HAGEN, Chief
Human Resources Division

DOUGLAS HOFFNER
Deputy Executive Officer
Operations and Technology