



## Consent

### Agenda Item 3b

October 15, 2013

**ITEM NAME:** Executive Compensation Policy Revisions

**PROGRAM:** Administration

**ITEM TYPE:** Action Consent

#### **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 the Committee with the updated Policy, incorporating the revised base salary benchmarking comparator group and salary ranges for covered Investment Management staff approved by the Board of Administration (Board) in May 2013.

#### **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**

In February and April 2013, staff and the Board's compensation consultant conducted a salary survey and provided comparator group and methodology options for the Committee's consideration. In May, the Board of Administration approved a revised comparator group for Investment Management positions for base salary benchmarking and revised salary ranges for some covered Investment positions. Incumbents not at the minimum of the revised ranges were brought to the minimum as of July 1, 2013.

As a follow up to these decisions, today staff is presenting the updated Policy that reflects the revised comparator group and salary ranges for covered Investment Management positions.

### **ANALYSIS**

The attached Policy incorporates the revised base salary benchmarking comparator group and salary ranges for covered Investment Management staff approved by the Board in May 2013 as a result of the 2013 Biennial Salary Survey.

The revised peer group for Investment Management positions focuses on a cross section of leading institutional investors and private sector asset management organizations that have missions and/or investment operations similar to CalPERS in size and complexity. These comparators will be used for base salary benchmarking.

It is important to note that no changes were made to the comparator group and base salary methodology for non-investment executive positions (Chief Executive Officer, General Counsel, Chief Actuary, and Chief Financial Officer). The peer group for these positions may be reevaluated at a later date since current incumbent salaries fall at or below the third quartile of the existing ranges.

### **BUDGET AND FISCAL IMPACTS**

There are no Budget and Fiscal impacts associated with this item.

### **BENEFITS/RISKS**

The proposed changes will incorporate the revised base salary benchmarking comparator group and salary ranges for covered Investment Management staff approved by the Board in May 2013 as a result of the 2013 Biennial Salary Survey. 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 revised base salary benchmarking comparator group and salary ranges for covered Investment Management staff approved by the Board of Administration (Board) in May 2013.

### **ATTACHMENTS**

Attachment 1 – Revised Compensation Policies and Procedures for Executive and Investment Management Positions (redline version)

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