



## Agenda Item 6

September 16, 2014

**ITEM NAME:** Compensation Program Review Project Update

**PROGRAM:** Administration

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

The Compensation Program Review Project involves a comprehensive approach for conducting a review of compensation policy for all Executives, Senior Managers, and Investment Staff covered under CalPERS compensation policies. This item presents for information a status update on activities which have occurred to-date and an outline of next steps in the project.

### **STRATEGIC PLAN**

The Compensation Program Review Project supports the CalPERS 2012-17 Strategic Plan Goal B to "Cultivate a high-performing, risk-intelligent and innovative organization." The review directly supports this goal by identifying a compensation strategy that is aligned with organizational objectives and effectively drives desired organizational performance and behaviors.

### **BACKGROUND**

The review of the Compensation Programs serves to ensure they are designed to enhance the organization's ability to attract and retain highly skilled executive and investment professionals. The last program policy review occurred in 2010. Without a periodic and systematic review, there is a risk of policies becoming misaligned with the overarching goals of the organization.

In preparation for the comprehensive Compensation Program Review, in April 2014, the Board participated in a workshop that provided a foundation and history of the different employee groups covered under the compensation program section of CalPERS and the civil service structure. At the Board's July offsite, the Board's consultant, FutureSense, facilitated an industry expert panel on compensation strategy. FutureSense is currently conducting one-on-one interviews with Board members, key executives and key staff members as part of the information-gathering stage of the project.

### **ANALYSIS**

The goal for the Compensation Review Project is to review our compensation strategy to ensure that it is transparent, streamlined, and remains aligned with the

organizational objectives. Compensation programs should effectively drive performance and behaviors across the organization.

In November 2014, a workshop will be held to discuss the initial project findings. Attached is a status report provided by FutureSense on the Compensation Policy Review Project activities to-date (Attachment 1).

**BUDGET AND FISCAL IMPACTS**

A funding request was submitted through the Formal Budget Request process for fiscal year 2014-15 for a one-time appropriation of funds to be used to engage consulting services on the structure and design of the compensation programs, and for a two-year limited term resource to handle the day-to-day project management of the initiative. The total projected cost of the project is \$510,000.

**ATTACHMENTS**

Attachment 1 – FutureSense Progress Report: CalPERS Executive Compensation Policy Review

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