



Workshop

November 18, 2014

ITEM NAME: Workshop - CalPERS Incentive Compensation Project

PROGRAM: Human Resources Division

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 workshop will provide an overview of activities completed to-date, and initial findings.

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 has conducted one-on-one interviews with Board members, key executives and key staff members as part of the information-gathering stage of the project, and will present initial observations and key findings in this workshop.

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. During this workshop, initial project findings will be discussed.

At the January 2015 offsite, the Board will participate in a strategic discussion to further explore options. Following the offsite, in early Spring 2015, staff will present recommendations to the Board for action.

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.

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