



# Performance, Compensation and Talent Management Committee

California Public Employees' Retirement System

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## Agenda Item 5

August 18, 2015

**ITEM NAME:** Biennial Salary Survey Approach and Methodology

**PROGRAM:** Administration

**ITEM TYPE:** Action

### **RECOMMENDATION**

The item presents recommended comparator groups, made by the 2015 Biennial Salary Survey consultant, for the Committee's recommendation.

### **EXECUTIVE SUMMARY**

The purpose of this agenda item is to present for consideration comparator groups to be used in conducting the 2015 Biennial Salary Survey for Executive and Investment Management positions covered under Government Code 20098.

### **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 part of a sound executive compensation program and according to the Executive Compensation Policies and Procedures (Policy), a salary survey of comparable executive and investment management positions is to be conducted every two years. These salary surveys assist the Performance, Compensation and Talent Management Committee (Committee) in exploring and refining strategies for the recruitment and retention of highly skilled executives and investment managers, and demonstrate good governance and risk management practices.

The last salary survey was conducted in May 2013 by McLagan. McLagan reviewed all base pay policy provisions, incentive award schedules, gathered salary data, and made recommendations for several changes for the Investment Management positions. The salary survey did not address any changes to the Non-Investment Executive positions under Government Code Section 20098. Although the survey compared current incentive ranges against market data of the peer group used for base salary benchmarking, no action was taken to amend the incentive ranges for Investment Management positions.

In April 2015, the Committee directed staff to move forward with conducting a comprehensive salary survey of all positions covered under the Board's Executive Compensation Policies and Procedures. McLagan was selected by the Committee Chair and Vice Chair, and will conduct the survey based upon direction received by the Committee today.

The goals of today's Committee meeting, which will be presented in detail by Michael Oak of McLagan, are the following:

- Re-confirm the Investment Management peer group adopted by the Board in 2013;
- Review the policy and pay philosophy relevant to the Executive Management positions;
- Review and discuss alternate peer groups for Executive Management positions;
- Confirm the scope and focus of the survey analysis; and
- Gather any additional feedback or insights from the Committee.

#### **ANALYSIS**

The item presents McLagan's recommendations for salary comparator groups for Executive and Investment Management positions covered under the Board's compensation setting authority. Upon approval of comparator groups, McLagan will conduct the 2015 salary survey and present the findings at the September Committee meeting.

Any proposed recommendations for changes to the current policy's comparator groups will be presented in a separate agenda item to the Committee at a future meeting.

#### **BUDGET AND FISCAL IMPACTS**

The approximate cost for the survey is estimated to be \$70,000, which will be funded from existing resources. Any costs that arise from the recommendations of the completed survey, such as salary range changes, will be addressed at the time of the recommendations.

#### **BENEFITS/RISKS**

The conducting of a regular salary survey demonstrates good governance and risk management practices, as well as aids in the refining of strategies for the recruitment and retention of highly skilled executives and investment managers.

#### **ATTACHMENTS**

Attachment 1 – Biennial Salary Survey – Peer Group Discussion for Executive & Investment Management Positions

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