



## Agenda Item 3b

December 15, 2015

**ITEM TYPE:** 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 (Policy).

### **EXECUTIVE SUMMARY**

The purpose of this agenda item is to present the Committee with the updated Policy, incorporating the revised investment management classifications and titles; and the base salary benchmarking comparator group and salary ranges for covered Executive Management staff, approved by the Board of Administration (Board) in September 2015.

### **STRATEGIC PLAN**

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. The Executive Compensation Program provides a means for recruiting and retaining highly-skilled executives to the benefit of the CalPERS organization as a whole.

### **BACKGROUND**

Revisions to the Policy are being proposed to ensure alignment with the following changes, which occurred in 2015:

In April 2015, the State Personnel Board approved establishment of the Associate Investment Manager bridging classification and revisions to the investment management classification series titles.

In September 2015, as part of the Biennial Salary Survey, the Board approved a revised peer comparator group for Executive Management positions for base salary benchmarking, a revised salary range and incentive range for the Associate Investment Manager classification, and increases to the base salary ranges of several covered positions.

### **ANALYSIS**

The attached Policy incorporates the new Associate Investment Manager bridging classification and revised classification titles for the other Investment Management covered positions.

Based on the outcomes of the 2015 Biennial Salary Survey for Executive and Investment Management positions, the following have been updated in the Policy:

- The peer group for Executive Management positions has been revised to include leading US public funds, leading Canadian public funds, select California-based agencies (including large local agencies), banks and insurance companies. These comparators will be used for base salary benchmarking.
- The base salary range of the Associate Investment Manager classification has been revised to \$108,000 - \$162,000 with an incentive range of 0-40%.
- The maximum of the base salary ranges for the following positions have been increased by 5%: Chief Executive Officer, General Counsel, Chief Operating Investment Officer, Managing Investment Director, Investment Director, and Investment Manager.

### **BUDGET AND FISCAL IMPACTS**

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

### **BENEFITS/RISKS**

The proposed changes incorporate revisions already approved by the Board of Administration. 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 September 2015.

### **ATTACHMENT**

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

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TINA CAMPBELL, Chief  
Human Resources Division

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DOUGLAS HOFFNER  
Deputy Executive Officer  
Operations and Technology