



Performance, Compensation &
Talent Management Committee
Agenda Item 5

April 19, 2016

Item Name: Compensation Review Project – Proposed Design Concepts

Program: Administration

Item Type: Information

Executive Summary

The purpose of this agenda item is to present an update on the progress and preliminary recommendations of the Compensation Review Project. The project provides a comprehensive approach for conducting a review of compensation policy for all Executives, Senior Managers, and Investment Staff covered under CalPERS compensation policies.

Strategic Plan

This agenda item supports Goal B of the 2012-17 Strategic Plan which is 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

In November 2015, contract was awarded to Grant Thornton LLP to be the Board’s primary executive compensation consultant, responsible for providing ongoing support to CalPERS executive compensation programs, including advice on streamlining and improving the current incentive compensation program.

At the January 2016 Board Offsite, Grant Thornton facilitated a discussion to establish a framework for identifying and implementing a compensation strategy that is aligned with organizational objectives and effectively drives desired organizational performance and behaviors to ensure that CalPERS compensation policies, philosophy and rationale remain appropriate and relevant.

In March 2016, Grant Thornton provided an update on the compensation review project and received direction from the Committee to gather input from additional employee groups, including Executive Staff and Investment Managers, bringing back the additional feedback for further discussion and refinement at the April Committee meeting.

Analysis

The overarching goal of this initiative is to conduct a comprehensive review of CalPERS’ compensation programs to ensure alignment with organizational goals and strategies, as well as

best practice in implementation. The project is anticipated to take at least 18 months, with estimated conclusion in June 2017.

Today's compensation review project update and proposed design concepts will be presented by Bill Gentry and Eric Gonzaga of Grant Thornton LLP.

Budget and Fiscal Impacts

The total projected cost of this five-year primary compensation consultant to the Board is \$600,000. Funds for work in the current fiscal year 2015-16 have been encumbered based on budget projections, and any additional funding will be requested through the formal budget request process.

Benefits and Risks

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

Attachments

Attachment 1 – Grant Thornton LLP Presentation

Tina Campbell, Chief
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Doug Hoffner
Deputy Executive Officer
Operations and Technology