



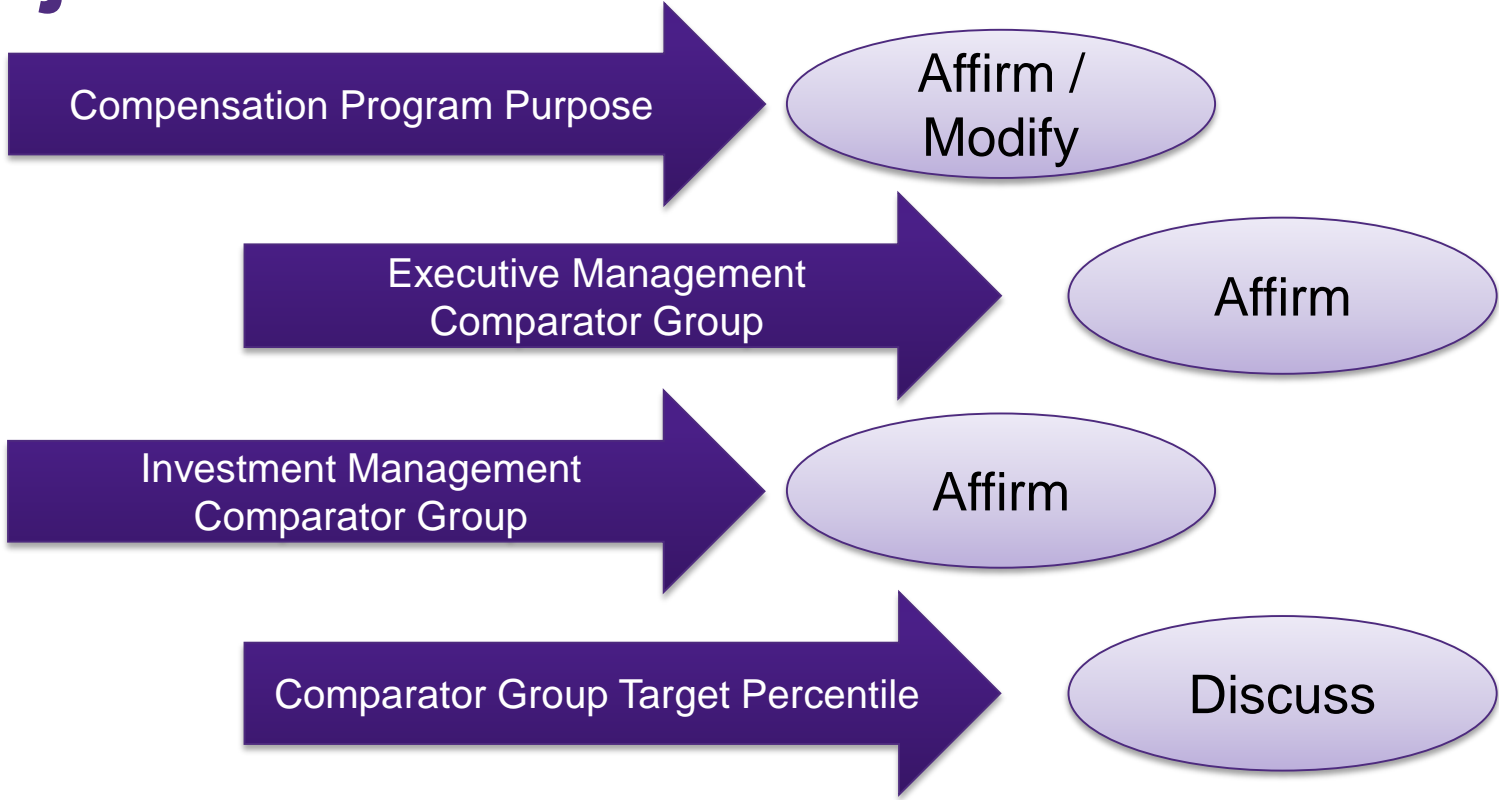
Pay Philosophy Discussion: Executive and Investment Management Positions

May 2018

Discussion and Decision Points

- Objectives
- Terminology
- Compensation Program: purpose (affirm)
- Executive Management Comparator Group (affirm)
- Investment Management Comparator Group (affirm)
- Comparator Group Target Percentile (discuss)
- Next Steps

Objectives



Terminology

Pay
Philosophy

Strategy to attract and retain team members through compensation to achieve the best results for CalPERS

Comparator
Group

Peer group whose compensation data should be used to set CalPERS' compensation for positions covered under the Board's policy

Target
Percentile

Preferred comparator group percentile against which midpoint of salary and/or total cash should be positioned

Purpose – Do You Agree?

- The Board’s Compensation Policy for Executive and Investment Management Positions says:

“ It represents the strategic decision that pay must be high enough to encourage individuals to accept and remain in positions; but not so high as to attract candidates solely for the compensation. Moreover, compensation systems must be carefully structured to both recognize labor market forces and reinforce maximum performance through placing a substantial portion of total annual compensation at risk.”

- Intent: recruit and retain highly skilled professionals who are the foundation for CalPERS’ overall success

Executive Management Comparator Group

“Leading US public funds, leading Canadian public funds, select California-based agencies (including large local agencies), banks, and insurance companies.”

Do you still agree?

Executive Management Comparator Group

US Pension Funds	Canadian Pension Funds
California State Teachers' Retirement System Teachers' Retirement System of Texas State of Wisconsin Investment Board Georgia Employees' Retirement System State Teachers' Retirement System of Ohio Virginia Retirement Systems	Canada Pension Plan Investment Board Caisse de depot et placement du Quebec Ontario Teachers' Pension Plan Board Ontario Municipal Employees' Retirement System Healthcare of Ontario Pension Plan
US Corporation Plan Sponsors	Banks and Insurance Companies
GE Asset Management Incorporated General Motors Asset Management Lockheed Martin Investment Management Co. DuPont Capital Management	<p style="text-align: center;"><i>20 included</i></p> Company names protected by confidentiality agreements between the companies and the organization who conducted the 2015 salary survey.
California-Based Agencies (* Board Governed, ** Independent Pay Authority)	
Bay Area Rapid Transit *, ** City of Los Angeles * County of Los Angeles *, ** Covered California * East Bay Municipal Utility District *, ** Los Angeles County Employees' Retirement System *, **	Los Angeles Department of Water and Power * Sacramento Municipal Utility District * San Diego City Employees' Retirement System * Santa Barbara County Employees' Retirement System * State Compensation Insurance Fund *, **

Investment Management Comparator Group

- *“Large and complex institutional investors, including: US public funds, Canadian public funds, and US corporate plan sponsors.”*
- *“Private sector asset management organizations of comparable size (\$150B to \$350B AUM) that are key competitors for CalPERS team members, including: investment management/advisory firms, insurance companies, and banks.”*

Do you still agree?

Investment Comparator Group

US Pension Funds	Canadian Pension Funds
California State Teachers' Retirement System Teachers' Retirement System of Texas State of Wisconsin Investment Board Georgia Employees' Retirement System State Teachers' Retirement System of Ohio Virginia Retirement Systems	Canada Pension Plan Investment Board Caisse de depot et placement du Quebec Ontario Teachers' Pension Plan Board Ontario Municipal Employees' Retirement System Healthcare of Ontario Pension Plan
US Corporation Plan Sponsors	Investment Mgmt./Advisory Firms, Banks and Insurance Companies
GE Asset Management Incorporated General Motors Asset Management Lockheed Martin Investment Management Co. DuPont Capital Management	Company names protected by confidentiality agreements between the companies and the organization who conducted the 2015 salary survey.

Target Percentile Discussion

Typical Approach:

- Use comparator group median as range midpoint
- Establish a 50% spread between minimum and maximum



CalPERS' Current Positioning:

- Executive: some aligned at 25th; some at 50th
- Investment: base salary at 50th; total cash below 25th

Next Steps

Finalize Pay Philosophy:

Select comparator group target percentile to position salary/ total cash against.

Pay Design:

As appropriate, revise salary ranges and incentive structure to align with pay philosophy.

Other Compensation Elements:

Discuss options, applicable positions, and when to implement.