



Performance, Compensation & Talent Management Committee

Agenda Item 4b

June 19, 2018

Item Name: Executive Compensation Policy Updates

Program: Administration

Item Type: Action Consent

Recommendation

Approve the proposed updates to the Compensation Policy for Executive and Investment Management Positions (Policy).

Executive Summary

The purpose of this agenda item is to present the Performance, Compensation and Talent Management Committee (Committee) with an updated Policy incorporating recent changes to the purpose statement, comparator groups used for determining base pay ranges, and the Committee's revised Delegation Resolution.

Strategic Plan

The Executive and Investment Compensation Program supports the 2017-22 Strategic Plan's goal to promote a high-performing and diverse workforce by recruiting and empowering a broad range of talents to meet organizational priorities. The compensation program provides a means for recruiting and retaining highly-skilled executive and investment professionals to the benefit of the CalPERS organization.

Background

Periodic reviews of the Policy are conducted to incorporate improvements and to ensure policy provisions remain aligned with CalPERS' strategic goals and Board priorities. The Policy was most recently amended in March 2018 as part of a general cleanup effort to establish clarity, create consistency, and streamline information.

Analysis

In May 2018, the Board of Administration approved changes to the Committee's Delegation Resolution to align oversight of the Chief Investment Officer (CIO) position with the other direct reports to the Chief Executive Officer (CEO), and remove veto authority over the CEO's decisions regarding the hiring and termination of the CIO, Chief Actuary, Chief Financial Officer, and General Counsel. The proposed amendments are intended to align the Policy with these recent governance changes in the Committee's Delegation Resolution.

Also in May 2018, the Committee adopted modifications to the Policy purpose statement and comparator groups used for determining base salary ranges for covered positions. While the

Policy has been updated to include university endowment funds in the peer group description for investment management positions, it is important to note specific entities are not spelled out in the Policy, as they may change at the time each salary survey is conducted in order to meet the criteria of the Policy comparator group description. The specific entities requested by the Committee in May 2018 have been noted for inclusion in the next formal salary survey.

A list of all proposed amendments may be found in Attachment 1. A redline version of the Policy is included for reference in Attachment 2, as well as a clean version in Attachment 3. Approval of the proposed Policy changes would become effective immediately, and the updated Policy will be communicated to all program participants following Board approval.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The review of the Policy serves to ensure it's 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 the Policy becoming misaligned with the overarching goals of the organization.

Attachments

Attachment 1 – Inventory of Proposed Policy Updates

Attachment 2 – Executive Compensation Policy – Redline Version

Attachment 3 – Executive Compensation Policy – Clean Version

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