



Revised Salary Ranges for Chief Investment Officer and Chief Financial Officer; and 2018-19 Incentive Design for the Chief Executive Officer

June 2018

Discussion and Decision Points

- Terminology
- Setting a Salary Range (methodology review)
- Chief Investment Officer and Chief Financial Officer Positions: Salary Range and Incentive Opportunity
- CEO Position: Incentive Plan Design

Terminology

**Market
Positioning**

Midpoint of a salary range, as related to comparator group percentile

**Target
Percentile**

Comparator group percentile against which the salary range midpoint is set

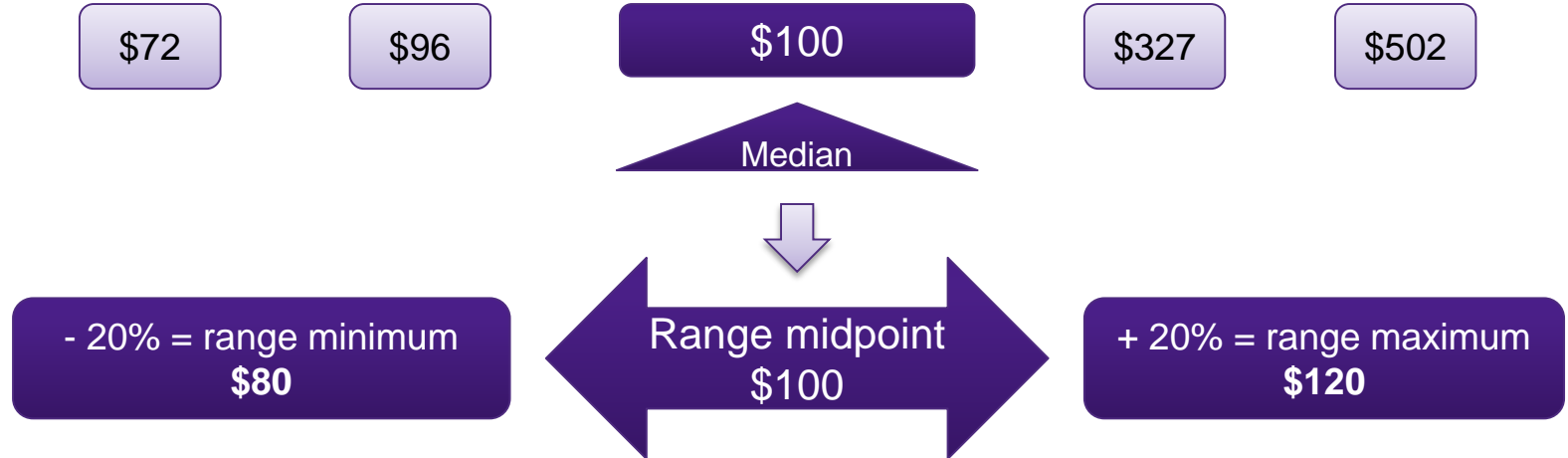
Terminology, cont'd

Total Cash	Base Salary + Incentive
Total Direct	Total Cash + Long-Term Incentive
Midpoint	Center of a salary range
Median	Middle data point within a data set (50 th percentile)

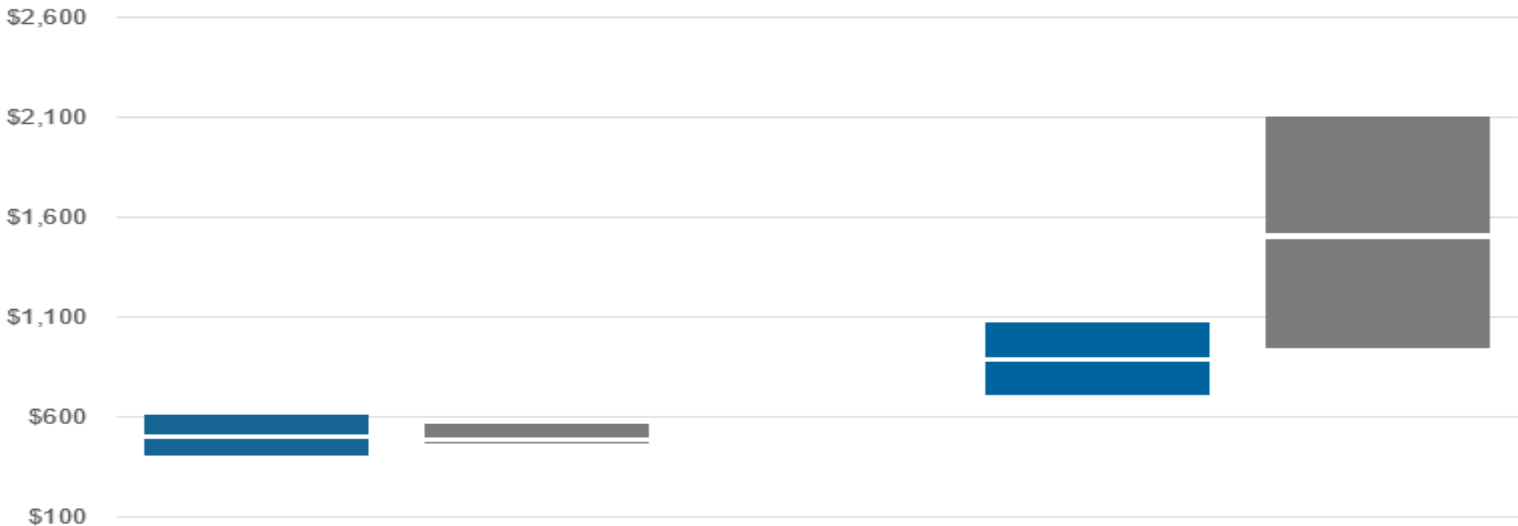
Set a Salary Range – Typical Methodology

- Comparator group median/50th percentile dictates range midpoint
- Reduce and increase midpoint by ‘x’ percentage (typical = 20% to establish a 50% spread; can broaden the spread)

Example comparator group data points:



CalPERS CIO Position vs. Peer Comparator



	Salary		Salary + Max	
	CalPERS	Mkt Salary	CalPERS	Mkt TCash
Max / 75th	\$612	\$566	\$1,071	\$2,107
Mid / Med	\$510	\$495	\$893	\$1,509
Min / 25th	\$408	\$470	\$714	\$948

NOTE: Data reflects 2015 salary survey with annualized 3% adjustments to account for market pay increases over three years.

CIO - Additional Comparison Earnings

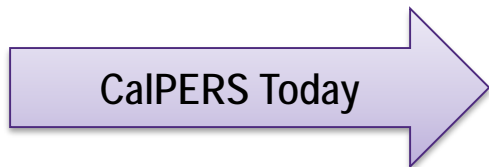
Group / Comparator	Salary Range	Incentive Opp.	Max/Total Cash	AUM (b)
CalPERS	\$408,000 – \$612,000	0-75% (50% target)	\$1,071,000	\$354
CalSTRS	\$408,000 – \$612,000	0-100% (no target)	\$1,224,000	\$225
Comparator Group	\$470,000 ¹ – \$566,000 ¹	varies	\$2,107,000 ¹	varies
UC Regents	\$652,454 (2017-18)	Up to 165%	\$1,729,003	\$59.7 (pension) \$10.4 (endowment)
BCIMC (2016/17; CEO/CIO – same person)	\$571,200	\$1,218,619 (annual) \$723,280 (long term)	\$2,513,099	\$135.5
US Public Sector (2016, 67 responses)	\$79,751 – \$614,000	surveyed salary only	surveyed salary only	--

¹Data reflects 2015 salary survey with annualized 3% adjustments to account for market pay increases over three years.

CIO - Additional Comparison Earnings, cont'd

Endowments (Top 107; 2014)	Total Cash Earnings (2014)	AUM (b)
75 th percentile to max (top 27 earners)	\$1,376,161 – \$13,757,369	\$1.8 – \$34.5
50 th percentile to 75 th (next 27 earners)	\$767,200 – \$1,249,740	\$1.1 – \$10.7
25 th percentile to 50 th (next 27 earners)	\$350,100 – \$740,970	\$0.6 – \$3.6
25 th percentile to min (last 26 earners)	\$150,100 – \$339,356	\$0.5 – \$2.3

CIO Position Ranges Based on Peer Comparator Group – typical spread

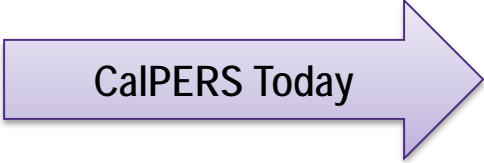


Current Salary Range	Incentive Opportunity	Max Total Cash
\$408,000 - \$612,000 Midpoint = \$510,000	0-75% (50% target)	\$1,071,000

Comparator Group Percentile	Resulting Salary Range ¹ (midpoint +/- 20%; 50% spread)	Potential Total Cash (Max Salary + 75% Incentive)	Potential Total Cash (Max Salary + 150% Incentive)	Comparator Total Cash ¹
75 th /max	\$452,800 – \$679,200 Midpoint = \$566,000	\$1,188,600	1,698,000	\$2,107,000
50 th /med	\$396,000 – \$594,000 Midpoint = \$495,000	\$1,039,500	\$1,485,000	\$1,509,000
25 th /min	\$376,000 – \$564,000 Midpoint = \$470,000	\$987,000	\$1,410,000	\$948,000

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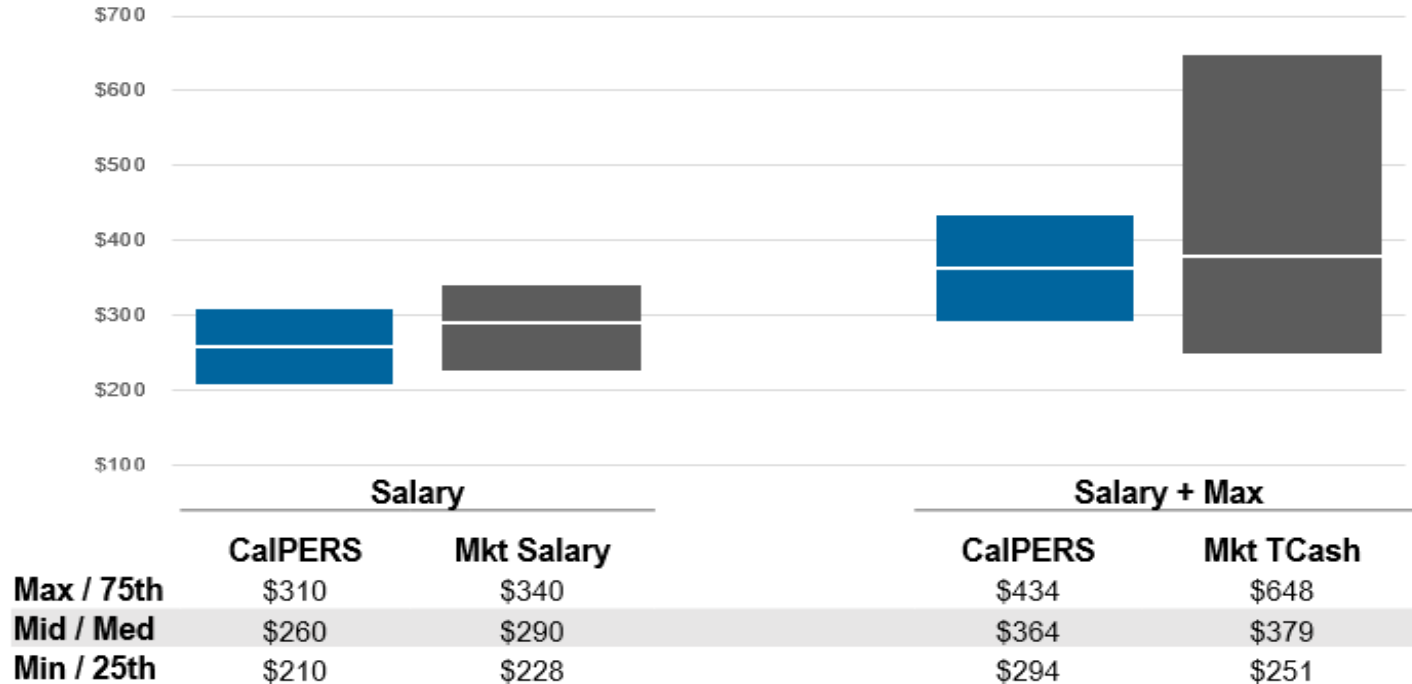
CIO Position Ranges Based on Peer Comparator Group – alternative spread

	Current Salary Range	Incentive Opportunity	Max Total Cash
	\$408,000 - \$612,000 Midpoint = \$510,000	0-75% (50% target)	\$1,071,000

Comparator Group Percentile	Resulting Salary Range ¹ (midpoint +/- 25%; 67% spread)	Potential Total Cash (Max Salary + 75% Incentive)	Potential Total Cash (Max Salary + 150% Incentive)	Comparator Total Cash ¹
75 th /max	\$424,500 – \$707,500 Midpoint = \$566,000	\$1,238,125	1,768,750	\$2,107,000
50 th /med	\$371,250 – \$618,750 Midpoint = \$495,000	\$1,082,813	\$1,546,875	\$1,509,000
25 th /min	\$352,500 – \$587,500 Midpoint = \$470,000	\$1,028,125	\$1,468,750	\$948,000


¹Data reflects 2015 salary survey with annualized 3% adjustments to account for market pay increases over three years.

CalPERS CFO Position vs. Peer Comparator



NOTE: Data reflects 2015 salary survey with annualized 3% adjustments to account for market pay increases over three years.


CFO Position Ranges Based on Peer Comparator Group – typical spread

	Current Salary Range	Incentive Opportunity	Max Total Cash
	\$210,000 - \$310,000 Midpoint = \$260,000	0-40% (27% target)	\$434,000

Comparator Group Percentile	Resulting Salary Range ¹ (midpoint +/- 20%; 50% spread)	Potential Total Cash (Max Salary + 40% Incentive)	Comparator Total Cash ¹
75 th /max	\$272,000 – \$408,000 Midpoint = \$340,000	\$571,200	\$648,000
50 th /med	\$232,000 – \$348,000 Midpoint = \$290,000	\$487,200	\$379,000
25 th /min	\$182,400 – \$273,600 Midpoint = \$228,000	\$383,040	\$251,000

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CFO Position Ranges Based on Peer Comparator Group – alternate spread

	Current Salary Range	Incentive Opportunity	Max Total Cash
	\$210,000 - \$310,000 Midpoint = \$260,000	0-40% (27% target)	\$434,000

Comparator Group Percentile	Resulting Salary Range ¹ (midpoint +/- 25%; 67% spread)	Potential Max Cash (Max Salary + 40% Incentive)	Comparator Total Cash ¹
75 th /max	\$255,000 – \$425,000 Midpoint = \$340,000	\$595,000	\$648,000
50 th /med	\$217,500 – \$362,500 Midpoint = \$290,000	\$507,500	\$379,000
25 th /min	\$171,000 – \$285,000 Midpoint = \$228,000	\$399,000	\$251,000

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CEO Position: Revised Incentive Plan Design Options – Select One

Purpose: create flexibility for CEO to provide input on compensation strategies for other covered positions.

Potential options:

- Incentive plan different from other participants
- Incentive award determined solely on discretionary approach