



Performance, Compensation & Talent Management Committee

Agenda Item 4b

September 17, 2019

Item Name: Proposed Revisions to Board's Compensation Policy for Executive and Investment Management Positions

Program: Administration

Item Type: Action Consent

Recommendation

Approve the proposed revisions to the Board's 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 the addition of the Chief Health Director and Chief Operating Officer positions, revised base pay and incentive opportunity ranges for investment management positions, and other proposed revisions related to program administration.

Strategic Plan

This agenda item supports CalPERS' Strategic Goal to promote a high-performing and diverse workforce in the 2017-22 Strategic Plan. The Executive Compensation Program provides a means for recruiting, retaining, and empowering highly-skilled executives to meet our organizational priorities.

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 June 2018 to incorporate changes to the purpose statement, comparator groups used for determining base pay ranges, and the Committee's revised Delegation Resolution.

Analysis

In September 2018, the Governor signed AB 2415, amending Government Code section 20098 to include Chief Operating Officer and Chief Health Director positions. The legislation became effective on January 1, 2019, granting authority to the CalPERS Board of Administration (Board) to set compensation for these new positions. The Board approved salary and incentive compensation ranges for the Chief Operating Officer position in December 2018, and then for the Chief Health Director in March 2019. The addition of these two new covered positions have been incorporated throughout the Policy (Attachments 2 and 3) based on the Board's actions in prior meetings, and therefore are not displayed in tracked changes.

In February 2019, the Board also approved revised base pay and incentive ranges for covered investment management positions. These new ranges took effect July 1, 2019, and have been incorporated into the Policy (Attachments 2 and 3).

In addition to the updates above, several Policy revisions are being proposed related to program administration. A summary of these proposed amendments can be found in Attachment 1, with the proposed revisions displayed in tracked changes in Attachment 2, as well as a clean version in Attachment 3 with all proposed revisions accepted.

Other revisions were made which are considered non-substantive and administrative in nature to add clarity and/or improve readability. These revisions are displayed throughout the redline version (Attachment 2) but are not noted in the inventory (Attachment 1).

Approval of the proposed Policy changes would become effective for the 2019-20 fiscal year, 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 Policy Updates and Proposed Revisions

Attachment 2 – Executive Compensation Policy (Tracked Changes Version)

Attachment 3 – Executive Compensation Policy (Changes Accepted)

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