



# Performance, Compensation & Talent Management Committee

## Agenda Item 6b

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**June 16, 2020**

**Item Name:** 2020-21 Incentive Plan of the Chief Executive Officer

**Program:** Administration

**Item Type:** Action

### **Recommendation**

Approve the fiscal year 2020-21 incentive plan for the Chief Executive Officer (CEO).

### **Executive Summary**

This agenda item presents the proposed 2020-21 incentive plan for the CEO. Approving an incentive plan for the CEO aligns with standard practice and satisfies the related approval provision in the Board's Compensation Policy for Investment and Executive Management Positions (Policy).

### **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**

The Board's Policy requires approval of annual incentive plans. The establishment of incentive plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization.

### **Analysis**

The CEO's incentive plan (Attachment 1) contains the five Board-approved incentive metrics (Total Fund Performance, Enterprise Operational Effectiveness, Investment Office CEM, Customer Service, and Stakeholder Engagement) and high-level organizational leadership priorities. These metrics and priorities are consistent with the CEO's fiscal year 2019-20 incentive plan.

## **Budget and Fiscal Impacts**

CalPERS' 2020-21 Authorized Budget includes \$19.4 million for all incentive awards. This amount is an estimate based on budgeted salaries and the 2019-20 metrics. In fiscal year 2018-19, actual incentive awards paid across all incentive programs was approximately \$11.2 million. Actual incentives paid are subject to several metric variables, as well as fund performance, and cannot be quantified until the end of the fiscal year. However, because the metrics are not changing, it is reasonable to assume that budgeted funds will be sufficient to cover actual award payments.

## **Benefits and Risks**

If the CEO's 2020-21 incentive plan is not approved, the associated risk would be non-compliance with the policy-required development and approval of annual plans.

## **Attachments**

Attachment 1 – CEO's draft incentive plan

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Michelle Tucker, Chief  
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