



Performance, Compensation & Talent Management Committee

Agenda Item 4c

June 22, 2023

Item Name: Revisions to Implement Previous Board Direction: Compensation Policy for Executive and Investment Management Positions

Program: Administration

Item Type: Information Consent

Executive Summary

The purpose of this agenda item is to present the Performance, Compensation and Talent Management Committee (Committee) with an updated policy document incorporating the compensation decisions approved by the Board in April 2023. These decisions include revised base salary and/or incentive ranges for positions covered by the Board's Compensation Policy for Executive and Investment Management Positions (Policy) and become effective July 1, 2023.

Strategic Plan

This agenda item supports CalPERS' Strategic Goal to cultivate a risk-intelligent and innovative culture through our team and processes in the 2022-27 Strategic Plan. The Executive and Investment Compensation Program provides a means for recruiting, retaining, and empowering highly skilled executive and investment management professionals to meet the Board's organizational priorities.

Background

In November 2022, the Board approved revised market comparator groups for executive and investment management positions and requested compensation survey data for classifications covered by the Board's Policy. In February 2023, market compensation data was presented by McLagan Partners, and in April 2023, the Board's Primary Compensation Consultant – Global Governance Advisors – presented recommendations for revisions to several base salary and incentive ranges to align with the market data.

In April 2023, the Board approved revised base salary and/or incentive ranges for positions covered by the Board's Policy, effective July 1, 2023. Revised base salary ranges were approved for the following classifications: Chief Financial Officer, General Counsel, Chief Operating Officer, Chief Actuary, Chief Health Director, Chief Investment Officer, Chief Operating Investment Officer, and Associate Investment Manager. Revised incentive ranges

were approved for the following classifications: Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Operating Officer, Chief Actuary, Chief Investment Officer, and all investment management classifications. Incentive opportunity for the Chief Health Director classification was removed.

The Committee requested an updated Policy be brought back to the June 2023 meeting to reflect their approved changes.

Analysis

All Policy revisions approved by the Board in April 2023 were approved with an effective date of July 1, 2023, for implementation in fiscal year 2023-24. Attachment 1 reflects all Policy revisions in tracked changes, and Attachment 2 presents the final Policy with all changes accepted.

Budget and Fiscal Impacts

Not applicable.

Benefits and Risks

Regular review and revision of the Policy is a good governance practice, serving to ensure the Policy clearly communicates critical elements of the compensation program policy and administration. A clear and transparent policy is imperative for program participants, administrators, and stakeholders. Without a periodic and systematic review, and revision process there is a risk of the Policy becoming misaligned with the overarching goals of the organization.

Attachments

Attachment 1 – Compensation Policy for Executive and Investment Management Positions
(Tracked Changes)

Attachment 2 – Compensation Policy for Executive and Investment Management Positions
(Changes Accepted)

Michelle Tucker, Chief
Human Resources Division