



# Performance, Compensation & Talent Management Committee

## Agenda Item 5b

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**June 12, 2024**

**Item Name:** 2024-25 Incentive Plan of the Chief Executive Officer

**Program:** Administration

**Item Type:** Action

### **Recommendation**

Approve a fiscal year 2024-25 incentive plan for the Chief Executive Officer (CEO), as proposed by the board's compensation consultant, Global Governance Advisors.

### **Executive Summary**

This agenda item presents the proposed 2024-25 incentive plan for the CEO. The Board's Primary Executive and Investment Compensation Consultant, Global Governance Advisors (GGA), will present their recommendation for the Committee's consideration. 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 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**

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**

GGA will present and discuss their recommendation for the CEO's Fiscal Year 2024-25 incentive plan measures (Attachment 1). The proposed incentive plan (Attachment 2) 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 2023-24 incentive plan. Any changes to the incentive metrics resulting from today's Agenda Item 5a will be incorporated into the CEO's final 2024-25 incentive plan.

## **Budget and Fiscal Impacts**

CalPERS' 2024-25 Authorized Budget includes \$37.1 million for annual incentive awards and \$10.4 million for long-term incentive awards. This amount is an estimate based on budgeted salaries and the 2022-23 metric outcomes. In fiscal year 2022-23, actual annual incentive awards paid across all incentive programs was approximately \$19 million. Actual incentive payouts are subject to several factors (e.g., metric outcomes, fund performance, and individual performance) and cannot be quantified until after the end of the fiscal year.

## **Benefits and Risks**

If the CEO's 2024-25 incentive plan is not approved, the associated risk would be non-compliance with the policy-required development and approval of annual performance plans.

## **Attachments**

Attachment 1 – Opinion Letter from Global Governance Advisors

Attachment 2 – CEO's proposed incentive plan for fiscal year 2024-25

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