



# Performance, Compensation & Talent Management Committee

## Agenda Item 5c

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**June 22, 2023**

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

**Program:** Administration

**Item Type:** Action

### **Recommendation**

Approve revisions to the Board's Compensation Policy for Executive and Investment Management Positions as presented by Global Governance Advisors (GGA), the Board's Primary Executive and Investment Compensation Consultant.

### **Executive Summary**

GGA has conducted a review of the Board's Compensation Policy for Executive and Investment Management Positions (Policy). The purpose of this agenda item is to present the Performance, Compensation and Talent Management Committee (Committee) with GGA's recommendations on a range of policy topics. This is a follow-up to prior presentations at the June 2022 meeting and November 2022 workshop.

### **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**

Periodic revisions 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 2023 to update base pay and incentive ranges for covered executive and investment management classifications, add weightings to comparator groups, and revise salary adjustment matrix and standard performance levels and definitions.

## **Analysis**

GGA has reviewed the Policy, incorporated feedback from the Board, legal counsel, and the human resources team, and will present their observations and recommendations for the Committee's consideration. Proposed changes are displayed in Attachment 1, with key topics for the Committee's consideration in red text. Other revisions are included which are considered non-substantive or administrative in nature for the purpose of adding clarity for program administration, participants, and stakeholders. These revisions are displayed throughout Attachment 1 in green text. A full tracked-changes version is included in Attachment 2.

GGA worked with legal counsel and human resources team members responsible for administering the Board's Compensation Policy to incorporate the Committee's prior feedback and bring back final proposed changes to the Policy today. Approval of the proposed Policy changes would become effective July 1, 2023, and the updated Policy will be communicated to all program participants following Board approval.

## **Budget and Fiscal Impacts**

Not applicable.

## **Benefits and Risks**

Regular review 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 – Board's Compensation Policy for Executive and Investment Management Positions with GGA Recommendations

Attachment 2 – Board's Compensation Policy for Executive and Investment Management Position with Tracked Changes

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Michelle Tucker, Chief  
Human Resources Division