GLOBAL GOVERNANCE ADVISORS

Executive & Investment Positions Compensation Review – Recommendations

REPORT FOR DISCUSSION

California Public Employee Retirement System

CalPERS

May 30, 2025

Outline

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BACKGROUND

Positions Reviewed

- The California Public Employees Retirement System (“CalPERS”) asked McLagan to assemble competitive compensation data for the following executive and investment management positions from its Board-reviewed compensation comparator group that is aligned with its Board-approved compensation policy:

Executive Positions	Investment Positions
Chief Executive Officer (“CEO”)	Chief Investment Officer (“CIO”)
Chief Financial Officer (“CFO”)	Deputy Chief Investment Officer (“Deputy CIO”)
General Counsel	Chief Operating Investment Officer (“COIO”)
Chief Operating Officer (“COO”)	Managing Investment Director
Chief Actuary	Investment Director
Chief Health Director *	Investment Manager
	Associate Investment Manager

* McLagan does not survey the Chief Health Director position, but data was collected by CalPERS HR and reviewed by GGA to determine current competitiveness.

GGA's Role in the Review Process

- As CalPERS' Primary Compensation Consultant, GGA's role as part of the compensation review process is as follows:
  - Highlight key findings from the compensation review as it relates to the competitiveness of compensation at CalPERS.
  - Provide recommendations on potential adjustments to compensation levels and structure at CalPERS to remain market competitive.

PLEASE NOTE:

- GGA highlighted its key findings on the competitiveness of CalPERS' compensation at the April PCTM meeting.
- For the purposes of this meeting, GGA will be presenting its final recommendations to fill any observed gaps to the market from its review.
  - GGA is only recommending adjustments to the Base Salary ranges and not incumbent base salaries. That said, CalPERS has administrative authority to adjust incumbent base salaries within the range, where needed, once any range adjustments are approved.

GGA's Determination of Market Competitiveness

- In making its recommendations, GGA generally looks to align the Midpoint Salary, Target Total Cash Compensation and Target Total Compensation at CalPERS to the:
  - Combined Peer Group (i.e., 67% Public Sector & 33% Private Sector) **Median**
    - For Chief Health Director, GGA has attempted to align to the **Median** of similar California-based organizations.

REMINDER:

- Total Cash Compensation = Salary + Annual Incentive at Target
- Total Compensation = Salary + Annual Incentive at Target + Long-Term Incentive at Target

RECOMMENDATIONS

Recommendations Framework

- GGA recommends adjustments to:
  - Salary Band Midpoints for select Executive and Investment roles where gaps to market are observed in order to align the roles more competitively with the peer group.
  - Incentive opportunity levels, where required, to position roles more competitively from a Total Compensation perspective.
- While market data suggests that Long-Term Incentive is prevalent for most Executive roles, GGA refrained from recommending any immediate changes in Long-Term Incentive ("LTIP") eligibility at this time.

Executive Management Positions

REMINDER: Competitiveness Breakdown

- While gaps are observed from a Total Compensation perspective, positioning is much more competitive than in 2023 due to the material adjustments made to compensation at that time.
  - The lack of Long-Term Incentive for certain roles is the biggest factor for existing gaps to market.
  - The CEO position showed a material gap in 2023 that was only partially filled which helps explain the continued gap to market.

Position	Salary	Total Cash	Total Compensation
	% Difference	% Difference	% Difference
CEO	-2%	-33%	-26%
CFO	-7%	-2%	-26%
General Counsel	+6%	+1%	-19%
COO	+0%	+2%	-20%
Chief Actuary	-9%	-6%	-25%
Chief Health Director	-6%	-6%	-6%

Rationale for Recommendations

GGA based its recommendations for Executive Management positions on the following rationale to:

- Align CalPERS' compensation levels more competitively with the median of its policy-aligned peer group.
- Ensure base salary range levels are competitive with the peer group.
- Ensure a meaningful and competitive amount of compensation is placed at-risk through performance-driven incentives.
  - Note: Chief Health Director does not participate in the incentive program at CalPERS as of July 1, 2023 to best align with similar positions in the marketplace.
- Recognize that there is some hesitancy to make certain roles LTIP eligible at this time.

Recommended Salary Adjustments

- GGA recommends adjusting certain Executive Management roles to position Midpoint base salaries closer to the median of the Board-approved peer group.

Position	Current			Recommended		
	Min	Mid	Max	Min	Mid	Max
CEO	$377,250	$503,000	$628,750	$384,750	$513,000	$641,250
CFO	$234,000	$312,000	$390,000	$240,000	$320,000	$400,000
General Counsel	$251,250	$335,000	$418,750	$251,250	$335,000	$418,750
COO	$251,250	$335,000	$418,750	$251,250	$335,000	$418,750
Chief Actuary	$206,250	$275,000	$343,750	$221,250	$295,000	$368,750
Chief Health Director	$318,750	$425,000	$531,250	$339,750	$453,000	$566,250

Incentive Adjustments

Potential Incentive Opportunity Levels:

- An adjustment to Annual and Long-Term Incentive opportunity levels is only required for the CEO position to align more competitively with the market, as only part of the gap to market was addressed in 2023.

Position	Annual Incentive (% of Salary)						Long-Term Incentive (% of Salary)					
	Current			Recommended			Current			Recommended		
	Min	Tgt.	Max	Min	Tgt.	Max	Min	Tgt.	Max	Min	Tgt.	Max
CEO	0%	100%	150%	0%	150%	225%	0%	100%	150%	0%	150%	225%
CFO	0%	70%	105%	0%	70%	105%	*	*	*	*	*	*
General Counsel	0%	70%	105%	0%	70%	105%	*	*	*	*	*	*
COO	0%	70%	105%	0%	70%	105%	*	*	*	*	*	*
Chief Actuary	0%	70%	105%	0%	70%	105%	*	*	*	*	*	*
Chief Health Dir.	*	*	*	*	*	*	*	*	*	*	*	*

Resulting Market Positioning

- Provided below is a summary of the resulting competitiveness with the Board-approved peer group after the implementation of GGA's recommendations which aligns Total Cash close to median for all Non-CEO roles.
  - GGA notes that the gap to market for the CEO is currently too great to fill all at once without separating how the Long-Term Incentive opportunity is determined from the Annual Incentive opportunity.

Position	Salary ($'000s)			Total Cash ($'000s)			Total Comp. ($'000s)		
	CalPERS Mid	Market P50	% Diff.	CalPERS Mid	Market P50	% Diff.	CalPERS Mid	Market P50	% Diff.
CEO	$513	$513	0%	$1,283	$1,496	-14%	$2,052	$2,536	-19%
CFO	$320	$337	-5%	$544	$542	+0%	$544	$716	-24%
General Counsel	$335	$317	+6%	$570	$565	+1%	$570	$705	-19%
COO	$335	$335	0%	$570	$561	+2%	$570	$714	-20%
Chief Actuary	$295	$302	-2%	$502	$497	+1%	$502	$622	-19%
Chief Health Dir.	$453	$453	0%	$453	$453	0%	$453	$453	0%

Investment Management Positions

REMINDER: Competitiveness Breakdown

- Midpoint Salary figures are competitive for almost all roles, so the main cause for the gap in pay at CalPERS when compared to the Combined Peer Group appears to be less competitive Annual and Long-Term Incentive opportunity levels (similar to 2023).

Position	Salary	Total Cash	Total Compensation
	% Difference	% Difference	% Difference
CIO	-10%	+4%	-2%
Deputy CIO	+4%	-8%	14%
COIO	-6%	-14%	-20%
Managing Inv. Dir.	+23%	-7%	-1%
Inv. Director	+9%	-12%	-3%
Inv. Manager	+2%	-16%	1%
Associate IM	-7%	-21%	-4%

Rationale for Recommendations

GGA based its recommendations for Investment Management positions on the following rationale to:

- Align CalPERS compensation levels more competitively with the median of its policy-aligned peer group.
- Ensure base salary range levels are competitive with the peer group.
- Continue to reflect any movement in the market that has increased the level of compensation that is placed at-risk through performance-driven incentives.
- Reflect a mix between Salary, Annual Incentive, and Long-Term Incentive that aligns with current market practice.

Recommended Salary Adjustments

- GGA recommends adjusting certain Investment Management roles to position midpoint base salaries closer to the median of the peer group.

Position	Current			Recommended		
	Min	Mid	Max	Min	Mid	Max
CIO	$431,250	$575,000	$718,750	$450,000	$600,000	$750,000
Deputy CIO	$339,900	$453,200	$566,500	$339,900	$453,200	$566,500
COIO	$258,750	$345,000	$431,250	$273,750	$365,000	$456,250
Managing Inv. Dir.	$309,000	$412,000	$515,000	$309,000	$412,000	$515,000
Inv. Director	$240,750	$321,000	$401,250	$240,750	$321,000	$401,250
Inv. Manager	$183,000	$244,000	$305,000	$183,000	$244,000	$305,000
Associate IM	$125,250	$167,000	$208,750	$131,250	$175,000	$218,750

Incentive Adjustments

Potential Incentive Opportunity Levels:

- An adjustment to Annual and Long-Term Incentive opportunity levels is only required for the COIO position to align more competitively with the market.

Position	Annual Incentive (% of Salary)						Long-Term Incentive (% of Salary)					
	Current			Recommended			Current			Recommended		
	Min	Tgt.	Max	Min	Tgt.	Max	Min	Tgt.	Max	Min	Tgt.	Max
CIO	0%	180%	270%	0%	180%	270%	0%	180%	270%	0%	180%	270%
Deputy CIO	0%	120%	180%	0%	120%	180%	0%	120%	180%	0%	120%	180%
COIO	0%	90%	135%	0%	100%	150%	0%	90%	135%	0%	100%	150%
Managing Inv. Dir.	0%	110%	165%	0%	110%	165%	0%	110%	165%	0%	110%	165%
Inv. Director	0%	80%	120%	0%	80%	120%	0%	80%	120%	0%	80%	120%
Inv. Manager	0%	50%	75%	0%	50%	75%	0%	50%	75%	0%	50%	75%
Associate IM	0%	40%	60%	0%	40%	60%	0%	40%	60%	0%	40%	60%

Resulting Market Positioning

- Provided below is a summary of the resulting competitiveness against the peer group after the implementation of GGA's recommendations.

Position	Salary ($'000s)			Total Cash ($'000s)			Total Comp. ($'000s)		
	CalPERS Mid	Market P50	% Diff.	CalPERS Mid	Market P50	% Diff.	CalPERS Mid	Market P50	% Diff.
CIO	$600	$640	-7%	$1,680	$1,552	+8%	$2,760	$2,691	+3%
Deputy CIO	$453	$435	+4%	$997	$1,087	-8%	$1,540	$1,357	+14%
COIO	$365	$366	-0%	$730	$765	-5%	$1,095	$1,206	-9%
Managing Inv. Dir.	$412	$336	+23%	$865	$931	-7%	$1,318	$1,337	-1%
Inv. Director	$321	$294	+9%	$578	$657	-12%	$835	$864	-3%
Inv. Manager	$244	$239	+2%	$366	$435	-16%	$488	$481	+1%
Associate IM	$175	$180	-3%	$245	$298	-18%	$315	$315	0%

NEXT STEPS

Next Steps

Moving forward, GGA recommends CalPERS' Board:

- Approve the required adjustments to Base Salary ranges to position CalPERS more competitively.
- Approve the required adjustments to Annual and Long-Term Incentive opportunity levels to position CalPERS more competitively.
- Direct CalPERS HR to reflect any adjustments to Base Salary ranges, Annual and Long-Term Incentive opportunity levels within an updated compensation policy.

APPENDIX A:
Peer Groups Used in McLagan Analysis

Executive Management Peer Group – Leading U.S. & Canadian Public Funds

Executive Management - Leading US and Canadian Public Funds					
Fund Name		**AUM**	**Current**	**Proposed**	**Notes**
Canadian Pension Plan Investment Board	Canadian Pension Fund	$510.6	✓	✓	
Caisse de depot et placement du Quebec	Canadian Pension Fund	345.4	✓	✓	
CA State Teachers' Retirement System	US Public Fund	327.0	✓	✓	
New York State & Local Retirement System	US Public Fund	260.4		✓	Add - meet criteria
Washington State Investment Board	US Public Fund	202.8			Does not meet peer group criteria
PSP Investments	Canadian Pension Fund	193.3		✓	Add - (new) to survey
Teacher Retirement System of Texas	US Public Fund	193.0	✓	✓	
Florida State Board of Administration	US Public Fund	190.4		✓	Add - meet criteria
Ontario Teachers Pension Board	Canadian Pension Fund	185.2	✓	✓	
British Columbia Investment Management Corp	Canadian Pension Fund	182.7	✓	✓	
State of Wisconsin Investment Board	US Public Fund	155.1	✓	✓	
New York State Teachers' Retirement System	US Public Fund	138.4		✓	Add - meet criteria
Minnesota State Board of Investment	US Public Fund	138.1			Does not meet peer group criteria
Alberta Investment Management Co	Canadian Pension Fund	117.2		✓	Add - (new) to survey
Ohio Public Employees Retirement System	US Public Fund	114.4		✓	Add - AUM now in range
Virginia Retirement System	US Public Fund	109.2	✓	✓	
Oregon Public Employees' Retirement Fund	US Public Fund	100.4			Does not meet peer group criteria
OMERS	**Canadian Pension Fund**	**97.5**	✓	✓	**Leave in**
Massachusetts PRIM	US Public Fund	91.9			Does not meet peer group criteria
State Teachers Retirement System of Ohio	US Public Fund	88.8	✓	X	Remove - does not meet peer group criteria
Healthcare of Ontario Pension Plan	**Canadian Pension Fund**	**80.3**	✓	✓	**Leave in**
Los Angeles County Employees Ret Assoc	US Public Fund	75.9			Too small
		75th Percentile	$260.0	$210.1	
		Median	**182.7**	**184.0**	
		25th Percentile	103.4	116.5	
Firm Count			**11**	**16**	

** Excerpt from original McLagan report*

Executive Management Peer Group California-Based Agencies

California-based Agency Comparators
Bay Area Rapid Transit (BART)
City of Los Angeles
County of Los Angeles
Covered California (California Health Benefit Exchange)
East Bay Municipal Utility District
Los Angeles County Employee Retirement System (LACERA)
Los Angeles Department of Water and Power (LADWP)
Sacramento Municipal Utility District (SMUD)
San Diego City Employees' Retirement System (SDCERS)
Santa Barbara County Employees' Retirement System (SBCERS)
State Compensation Insurance Fund (SCIF)

** Excerpt from original McLagan report*

Executive Management Peer Group
Banks & Insurance Companies

Private Sector Pay Comparators - Banks & Insurance Companies			
	AUM ($B)		
	25th	Median	75th
Banks (Inv Mgmt Div)	$99.7	$325.0	$1,000.0
Insurance Companies (Inv Mgmt Div)	38.0	114.5	326.0
Total	**$19.8**	**$77.1**	**$337.4**

** Excerpt from original McLagan report*

Investment Management Peer Group – Summary

Leading Institutional Investors		AUM ($B)			AUM ($B)
Canadian Pension Plan Investment Board	Canadian Pension Fund	$510.6	OMERS	Canadian Pension Fund	97.5
Caisse de depot et placement du Quebec	Canadian Pension Fund	345.4	Healthcare of Ontario Pension Plan	Canadian Pension Fund	80.3
CA State Teachers' Retirement System	US Public Fund	327.0	Lockheed Martin Investment Management Co.	Corporate Plan Sponsor	75.0
New York State & Local Retirement System	US Public Fund	260.4	UTIMCO (University of Texas System)	US Endowment	70.1
PSP Investments	Canadian Pension Fund	193.3	Harvard Management Company	US Endowment	57.0
Teacher Retirement System of Texas	US Public Fund	193.0	Yale University Investments	US Endowment	41.2
Florida State Board of Administration	US Public Fund	190.4	MIT Investment Management Company	US Endowment	38.0
Ontario Teachers Pension Board	Canadian Pension Fund	185.2	Stanford Management Company	US Endowment	36.5
British Columbia Investment Management Corp	Canadian Pension Fund	182.7	Princeton University	US Endowment	33.5
State of Wisconsin Investment Board	US Public Fund	155.1	Duke University	US Endowment	27.7
New York State Teachers' Retirement System	US Public Fund	138.4	University of Michigan	US Endowment	18.7
Alberta Investment Management Co	Canadian Pension Fund	117.2	University of Virginia Investment Mgmt	US Endowment	13.7
Ohio Public Employees Retirement System	US Public Fund	114.4	Northwestern University	US Endowment	13.7
Virginia Retirement System	US Public Fund	109.2	Columbia University	US Endowment	13.6
APG	US-based Dutch Public Fund	107.7	Washington University in St. Louis	US Endowment	12.6

Private Sector Pay Comparators - AUM $165B-$630B	AUM ($B)		
	25th	Median	75th
Investment Management Firms	$208.1	$282.1	$446.0
Banks (Inv Mgmt Div)	289.4	339.5	397.4
Insurance Companies (Inv Mgmt Div)	216.9	323.5	352.7
Total	**$211.0**	**$308.8**	**$409.7**

Note: Private sector peers AUM is 33% to 125% of CalPERS' AUM.

All Firms AUM	
75th Percentile	$184.6
Median	**102.6**
25th Percentile	36.9

** Excerpt from original McLagan report*

APPENDIX B:
Chief Health Director Peer Group

Chief Health Director Peer Group

- Below are the California-based health organizations included in the analysis that CalPERS felt it could attract talent from, or lose talent to. While none are an exact match to CalPERS' Chief Health Director ("CHD") role, they similarly oversee health benefits programs including policy, research, plan contracting and administration, rate management, account management, and long-term care.
  - Covered California's Chief Deputy Executive Director (Program Plans, Sales & Service) was identified as the closest comparable to CalPERS' CHD. When CalPERS established the CHD position, this Covered California position was used to establish the Midpoint of the CHD position salary range.

Health Organizations Analyzed		
Covered California	CenCal Health	Peninsula Health Care District
Alameda Alliance for Health	Contra Costa Health Plan*	San Francisco Health Plan
Beach Cities Health District	Grossmont Healthcare District	Santa Clara Family Health Plan
BETA Healthcare Group Risk Mgmt. Authority	Health Plan of San Joaquin	Tri-City Mental Health Center
CalOptima	Inland Empire Health Plan	
Camarillo Health Care District	Kern Health System	

* Contra Costa Health Plan is a newly added organization to the peer group in 2025.

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