



GLOBAL
GOVERNANCE
ADVISORS

Compensation Policy Review – Overview of Recommended Adjustments



California
Public Employee
Retirement
System

June 22, 2023

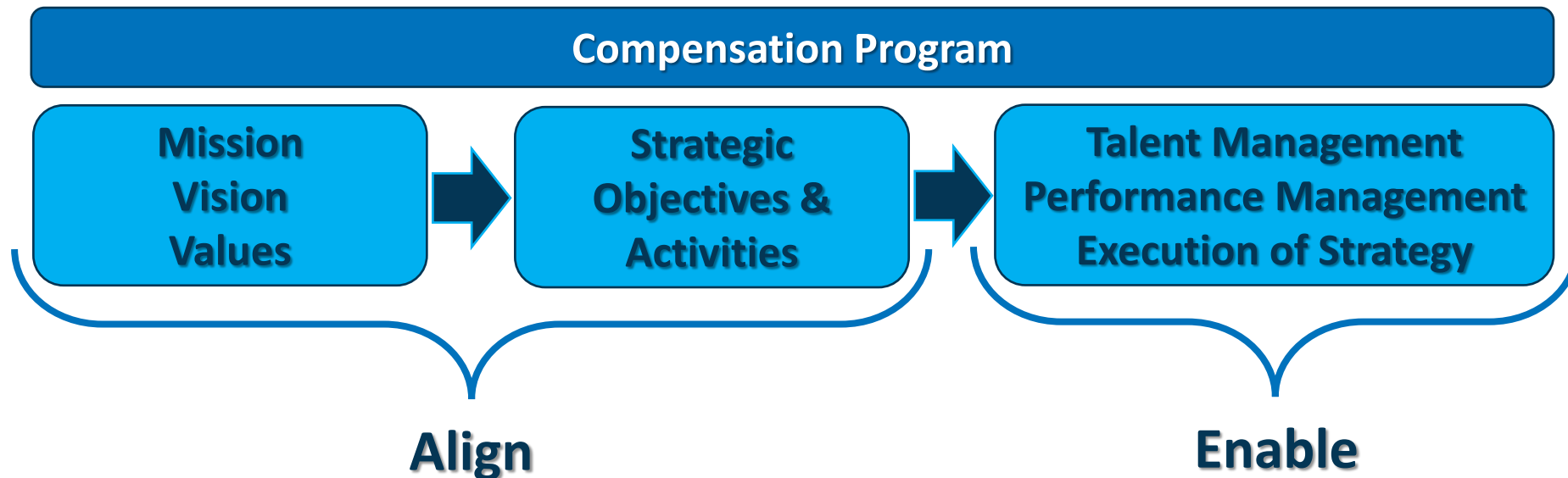
Enhancing Organizational Effectiveness



© all rights reserved 2023

Compensation Governance

- Decisions should align with the mission, vision and values of the organization
- Help align and enable fund strategy and activities
- Improve attraction, retention and performance of staff



Page 3: Clear Program Principles

© all rights reserved 2023



This Compensation program is designed and managed to:

- Be both internally and externally fair and equitable.
 - Base salaries and incentives should be competitively positioned at the median of the defined peer group.
 - Compensation should be aligned with CalPERS' commitments to internal diversity, equity, and inclusion.
- Enhance the attraction and retention of highly skilled talent.
- Enable transparency for CalPERS Board, leadership, team members, and stakeholders.
- Support a strong and performance-based work culture.

Page 7: Defined Peer Group

© all rights reserved 2023



CalPERS Peer Group blend remains the same:

	Public Pension Funds	Public Sector Agencies	Private Sector Organizations
Investment Positions	2/3 weighting		1/3 weighting (Endowments, Funds, Insurers)
Executive Management Positions	1/3 weighting	1/3 weighting	1/3 weighting

Clarification for Make-Up of Private Sector Organizations:

Will be made up of asset management organizations of comparable size **(0.33x to 1.25x AUM)** to CalPERS



The inclusion of specific U.S. and Canadian public funds will meet the following selection criteria:

- Approximately \$100 billion or more in AUM
- Actively manage (internally) at least one quarter of the fund's asset portfolio
- Oversee a diversified portfolio of assets that include a sizable portion invested in alternatives (i.e., real estate, private equity, infrastructure, etc.)



To ensure that base pay ranges are appropriate and relatively competitive with the defined market comparator group:

- The results of each component group (i.e., Public Pension Funds, Public Sector Agencies, Private Sector Organizations) will be provided separately to the Board as well as in an aggregated or blended format

Page 9: Annual Salary Adjustments

© all rights reserved 2023



Salary performance adjustments should have a natural distribution between Exceptional and Inconsistently Meets Expectations and to help this:

- Any appraisal rating above “Fully Meets Expectations” will require a clear justification from the supervisor, in addition to the documentation already required as part of the annual performance appraisal process

To further support a performance-based culture and ease into this new practice:

- CalPERS is placing more weight on incentives
 - Less emphasis on base salaries
 - More emphasis on performance-based payouts





GLOBAL
GOVERNANCE
ADVISORS



Peter Landers, Senior Partner

peter.landiers@ggainc.com
+1.416.799.6640

Brad Kelly, Partner

brad.kelly@ggainc.com
+1.416.707.4614