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# Executive & Investment Positions Compensation Review – Key Findings



February 14, 2022

# Outline

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# BACKGROUND

# Positions Reviewed



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- 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-approved compensation comparator group:

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. GGA and CalPERS are gathering relevant data for review.

\*\* COIO position is currently not used at CalPERS, but market data has been provided for general information purposes.

# GGA's Role in the Review Process



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- 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:

- For the purposes of this meeting, GGA will only be highlighting its key findings from the compensation review as it relates to the competitiveness of compensation at CalPERS.
- Based on the Committee's preference, recommendations on adjustments can be presented at a future meeting

# Comparator Groups Used



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## EXECUTIVE MANAGEMENT POSITIONS:

- Leading US public funds, leading Canadian public funds, select California-based agencies (including large local agencies), banks and insurance companies.

## INVESTMENT MANAGEMENT POSITIONS:

- Large and complex institutional investors, including: US public funds, Canadian public funds and US corporate plan sponsors.
- Private sector asset management organizations of comparable size (~\$100B to \$500B based on CalPERS current AUM) that are key competitors for CalPERS team members, including: investment management/advisory firms, university endowment funds, insurance companies and banks.

# GGA's Determination of Market Competitiveness



- In assessing the competitiveness of compensation at CalPERS, GGA has generally compared the Midpoint Salary, Target Total Cash Compensation and Target Total Compensation at CalPERS to the:
  - Combined Peer Group (i.e., Public Sector & Private Sector) Median

## REMINDER:

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

# KEY FINDINGS

# GGA's Key Findings

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- Midpoint Salary levels were generally competitive for most roles when compared to the Combined Peer Group, with the exception of some Executive Management positions and one Investment Management position.
- Midpoint Target Total Cash Compensation and Target Total Compensation levels at CalPERS are much less competitive when compared to the Combined Peer Group for all roles.
  - This indicates that Annual and Long-Term Incentive opportunity levels are generally less competitive at CalPERS when compared to the Combined Peer Group of Public Sector and Private Sector peers.

## PLEASE NOTE:

- Outside of the CEO, Total Compensation market data was not provided for any other Executive Management position at CalPERS, which limits GGA's ability to analyze the full gap to market.
- None of the Executive Management positions (other than the CEO) have LTIP and this is something that could be reviewed and considered by the CalPERS Board.

# EXECUTIVE MANAGEMENT POSITIONS

# Summary of Competitiveness



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- Overall, all roles are less competitive from a Total Compensation perspective when compared to the Combined Peer Group.

Position	Competitiveness (within 10% of Median)		
	Salary	Total Cash Compensation	Total Compensation
CEO	Yes	No	No
CFO	No	No	No*
General Counsel	Yes	No	No*
COO	No	No	No*
Chief Actuary	No	No	No*

\* While Total Compensation data for the peer group has not been provided yet, based on GGA's experience, the lack of LTIP eligibility for these roles at CalPERS will further hurt the competitiveness of pay.

# Competitiveness Breakdown



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- While Midpoint Salary figures are less competitive for some roles, 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.

Position	Salary (\$'000s)			Total Cash (\$'000s)			Total Comp. (\$'000s)		
	CalPERS	Market	% Diff.	CalPERS	Market	% Diff.	CalPERS	Market	% Diff.
CEO	\$503	\$500	+1%	\$639	\$837	-24%	\$775	\$2,148	-64%
CFO	\$290	\$327	-11%	\$368	\$553	-33%	*	*	*
General Counsel	\$300	\$323	-7%	\$381	\$527	-28%	*	*	*
COO	\$250	\$340	-26%	\$318	\$637	-50%	*	*	*
Chief Actuary	\$258	\$320	-19%	\$328	\$526	-38%	*	*	*

# INVESTMENT MANAGEMENT POSITIONS

# Summary of Competitiveness



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- Overall, almost all roles are less competitive from a Total Compensation perspective when compared to the Combined Peer Group, except for the Investment Manager position.

Position	Competitiveness (within 10% of Median)		
	Salary	Total Cash Compensation	Total Compensation
CIO	Yes	No	No
Deputy CIO	Yes	No	No
COIO	Yes	No	No
Managing Inv. Dir.	Yes	No	No
Inv. Director	Yes	No	No
Inv. Manager	Yes	No	Yes
Associate IM	No	No	No

# Competitiveness Breakdown



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- 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.

Position	Salary (\$'000s)			Total Cash (\$'000s)			Total Comp. (\$'000s)		
	CalPERS	Market	% Diff.	CalPERS	Market	% Diff.	CalPERS	Market	% Diff.
CIO	\$566	\$513	+10%	\$1,132	\$1,750	-35%	\$1,698	\$3,000	-43%
Deputy CIO	\$453	\$373	+21%	\$816	\$907	-10%	\$1,178	\$1,450	-19%
COIO	\$328	\$315	+4%	\$492	\$702	-30%	\$656	\$893	-27%
Managing Inv. Dir.	\$412	\$333	+24%	\$700	\$972	-28%	\$989	\$1,340	-26%
Inv. Director	\$321	\$278	+15%	\$482	\$642	-25%	\$642	\$867	-26%
Inv. Manager	\$244	\$203	+20%	\$342	\$413	-17%	\$439	\$439	0%
Associate IM	\$146	\$164	-11%	\$185	\$268	-31%	\$225	\$299	-25%

# NEXT STEPS



# Next Steps

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## Moving forward, GGA recommends the following next steps in this process:

- CalPERS to review the key findings from GGA on the competitiveness of compensation.
- GGA to come forward at April 2022 Committee meeting with recommended adjustments to compensation levels for Executive Management and Investment Management positions at CalPERS to align closer to the Median of the Combined Peer Group, with subsequent approval by the Committee.



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