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# Executive & Investment Positions Compensation Review – Key Findings & Recommendations

REPORT FOR DISCUSSION



California  
Public Employee  
Retirement  
System

April 4, 2025

# 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-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 has been collected by CalPERS HR and reviewed by GGA to determine current competitiveness (see Appendix A).

# 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:

- 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

# KEY FINDINGS

# Executive Management Positions



# Summary of Competitiveness – Executive Management



- Overall, most roles are competitive from a Total Cash Compensation perspective, but less competitive from a Total Compensation perspective.
- The lack of Long-Term Incentive for certain roles is the biggest factor creating a gap.

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

\* While Midpoint salaries are generally within a 10% range from the Market Median for most roles, slight adjustments should still be made to position Midpoints closer to the Market Median.

# Competitiveness Breakdown



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- 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 creating a gap.
  - 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%

# Investment Management Positions

# Summary of Competitiveness – Investment Positions



- Overall, almost all roles are 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
CIO	No	Yes	Yes
Deputy CIO	Yes	Yes	Yes
COIO	Yes	No	No
Managing Inv. Dir.	Yes	Yes	Yes
Inv. Director	Yes	No	Yes
Inv. Manager	Yes	No	Yes
Associate IM	Yes	No	Yes

# 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 (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%

# RECOMMENDATIONS

# Recommendations Framework

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- Adjustments to the Salary Band Midpoint will be recommended for select Executive and Investment roles where gaps to market are observed in order to align the roles more competitively with the peer group.
- Adjustments to Incentive opportunity levels will also be recommended, 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



# Rationale for Recommendations

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## **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



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- GGA recommends adjusting certain Executive Management roles to position Midpoint base salaries closer to the median of the 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



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## 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



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- Provided below is a summary of the resulting competitiveness with the 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%

# Resulting Market Positioning – Incumbent CEO



- Provided below is a summary of the resulting market positioning of the current CEO’s Total Cash and Total Compensation using her current approved base salary of \$601,398.
  - GGA notes that the gap to market median is much narrower when factoring in the incumbent’s current approved base salary, which is at the Higher end of CalPERS’ salary band.

Position	Total Cash (\$'000s)			Total Comp. (\$'000s)		
	CalPERS Target	Market P50	% Diff.	CalPERS Target	Market P50	% Diff.
CEO	\$1,503	\$1,496	+1%	\$2,406	\$2,536	-5%

# Investment Management Positions

# Rationale for Recommendations

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## **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

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- 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



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## 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



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- 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

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## 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, including which alternative is preferred for the CEO position.
- 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: Chief Health Director Market Analysis

# Peers Analyzed



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- 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	

# Summary of Market Data



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- Outlined below is a summary of the market data collected by CalPERS for comparable roles to the Chief Health Director within the state of California (closest comparable organizations).
  - GGA notes that Covered California is identified as the most comparable organization for the CHD at CalPERS, so its data is also shown separate from the combined data.

Group	Annualized Base Salary		
	P25	P50 (Median)	P75
California Organizations	\$265,850	\$453,192	\$563,029

Organization	Covered California Salary Range			Actual Base Salary	Base Salary + One-Time Pay Differential*
	Low	Mid	High		
Covered California	\$312,960	\$378,714	\$444,468	\$444,468	\$711,149

\* Covered California provides up to a 60% of Base Salary One-Time Pay Differential payment for recruiting purposes which is shown here.

# APPENDIX B: Peer Groups Used in McLagan Analysis



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



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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	✓	✓	
<b>New York State &amp; Local Retirement System</b>	<b>US Public Fund</b>	<b>260.4</b>		✓	Add - meet criteria
Washington State Investment Board	US Public Fund	202.8			Does not meet peer group criteria
<b>PSP Investments</b>	<b>Canadian Pension Fund</b>	<b>193.3</b>		✓	Add - (new) to survey
Teacher Retirement System of Texas	US Public Fund	193.0	✓	✓	
<b>Florida State Board of Administration</b>	<b>US Public Fund</b>	<b>190.4</b>		✓	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	✓	✓	
<b>New York State Teachers' Retirement System</b>	<b>US Public Fund</b>	<b>138.4</b>		✓	Add - meet criteria
Minnesota State Board of Investment	US Public Fund	138.1			Does not meet peer group criteria
<b>Alberta Investment Management Co</b>	<b>Canadian Pension Fund</b>	<b>117.2</b>		✓	Add - (new) to survey
<b>Ohio Public Employees Retirement System</b>	<b>US Public Fund</b>	<b>114.4</b>		✓	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
<b>OMERS</b>	<b>Canadian Pension Fund</b>	<b>97.5</b>	✓	✓	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
<b>Healthcare of Ontario Pension Plan</b>	<b>Canadian Pension Fund</b>	<b>80.3</b>	✓	✓	Leave in
Los Angeles County Employees Ret Assoc	US Public Fund	75.9			Too small
		75th Percentile	\$260.0	\$210.1	
		<b>Median</b>	<b>182.7</b>	<b>184.0</b>	
		25th Percentile	103.4	116.5	
<b>Firm Count</b>			<b>11</b>	<b>16</b>	

\* 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

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Covered California (California Health Benefit Exchange)

East Bay Municipal Utility District

Los Angeles County Employee Retirement System (LACERA)

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Los Angeles Department of Water and Power (LADWP)

Sacramento Municipal Utility District (SMUD)

San Diego City Employees' Retirement System (SDCERS)

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Santa Barbara County Employees' Retirement System (SBCERS)

State Compensation Insurance Fund (SCIF)

# 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
<b>Total</b>	<b>\$19.8</b>	<b>\$77.1</b>	<b>\$337.4</b>

*\* Excerpt from original McLagan report*

# Investment Management Peer Group – Summary



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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
<b>Total</b>	<b>\$211.0</b>	<b>\$308.8</b>	<b>\$409.7</b>

All Firms AUM	
75th Percentile	\$184.6
<b>Median</b>	<b>102.6</b>
25th Percentile	36.9

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

\* Excerpt from original McLagan report



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