

CalSTRS Compensation Program

Education Code section 22212.5 provides that the Teachers' Retirement Board shall determine the compensation of designated executive management and Investments Branch staff. The board's Compensation Committee provides oversight of the compensation program to support the successful recruitment, development and retention of talent to meet CalSTRS' business objectives. The Compensation Committee develops recommendations to the board related to the compensation plan and policies necessary for effectively administering the compensation program with supporting review provided by independent third-party consultants.

The CalSTRS Compensation Program is covered in Section 6, Compensation Policy Designated Executive Management and Investment Staff of the Teachers' Retirement Board Policy Manual.

Classifications under the board's compensation setting authority

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer
- General Counsel
- System Actuary
- Chief Investment Officer
- Deputy Chief Investment Officer
- Senior Investment Director
- Investment Director
- Senior Portfolio Manager
- Portfolio Manager
- Associate Portfolio Manager

Compensation Program components

- Base salary
- Annual incentive
- Educational incentives
- Relocation package
- Recruitment differential (sign-on bonus)

Compensation Committee responsibilities

Since January 2021, the full board has subsumed the responsibilities of the Compensation Committee. The committee conducts periodic assessments of the compensation program to assess its competitiveness and makes recommendations to the board for any adjustments. The committee develops written compensation policies for board adoption of the following:

- Compensation program objectives and market position philosophy.
- Labor market benchmarks (peer groups) targeted toward employers with which CalSTRS competes for talent.
 - » Executive management staff comparator group includes a blend of public funds (weighted 67%) and private sector firms (weighted 33%).
 - » Investment management staff comparator group includes blend of large and complex institutional investors and private sector.
- Components of total compensation (e.g., base salary and incentives) and their respective measures.
- Measures that ensure relevant and effective performance incentives.
- Emerging and significant risks specific to the committee's responsibilities.

Responsibilities delegated to the Chief Executive Officer

Authority delegated to the CEO for non-CEO/CIO compensation matters include the following:

- Initiate market pay analysis review.
- Determine base salary adjustments, including new hire offers.
- Approve incentive awards, and set or adjust incentive performance weightings, asset class scale and benchmarks and personal performance evaluation scale.
- Oversee the administration of educational incentives.
- Negotiate and approve recruitment differentials.
- Approve requests for relocation expenses.
- Approve changes to administrative procedures within delegation parameters.

Compensation Committee meetings

The fiscal year work plan of the Compensation Committee consists of the following activities:

July

- Provide continued oversight of the CEO delegation in administering the compensation program.

September

- Evaluate the impact of investment performance on incentive pay.

November

- Disclose incentive awards for participants covered under the incentive pay plan.

March

- Review and set base salary ranges for new and existing classifications.
- Review and set annual incentive opportunities for new and existing classifications.

Full board compensation responsibilities

The fiscal year work plan for the board includes the following compensation related activities:

July

- Evaluate CEO and CIO base salaries.

September

- Evaluate CEO and CIO performance.
- Approve CEO and CIO incentives.

November

- Disclose incentives for CEO and CIO.

January

- CEO and CIO midyear performance assessment check-in with Chair and Vice Chair.

May

- CEO and CIO performance target setting for compensation.

Disclosure of incentives

The board is provided a summary report of incentive awards for participants covered under the board’s compensation policy each year.

- Incentive payments for 2022–23 totaled \$20.6 million.