

## TEACHERS' RETIREMENT BOARD COMPENSATION COMMITTEE CHARTER

### INTRODUCTION

The Compensation Committee has been established to provide oversight to the system's compensation policies and plan that support the successful recruitment, development and retention of talent to meet the business objectives of CalSTRS.

### AUTHORITY

To provide oversight to the system's compensation strategy and operation of the plan.

To develop recommendations for the board related to the system's compensation plan and policies necessary for effectively administering the compensation plan.

To engage professional services consultants and counsel as necessary to assist the committee in fulfilling its responsibilities. The committee has the sole authority to select, retain and terminate a compensation consultant and approve the consultant's fees.

### COMPOSITION

The committee shall be composed of a minimum of three (3) members appointed by the chairperson of the board.

### MEETINGS

The committee will meet on an as-needed basis as determined by the committee chair in consultation with the chair of the board. The committee may hold meetings on dates other than regular board/committee meeting dates to facilitate both the expeditious resolution of compensations issues and the efficient conduct of regularly scheduled meetings.

### RESPONSIBILITIES

The Compensation Committee shall have responsibility for the following:

1. Conduct the committee's work in a manner appropriately aligned with the CalSTRS strategic plan, including its mission and vision and eEnsure that the compensation program is properly designed to support organizational objectives.
- ~~2. Conduct the committee's work in a manner appropriately aligned with the CalSTRS strategic plan, including its mission and vision.~~
- ~~3.2.~~ Develop for board adoption written policies that document the compensation plan and its administration.
- ~~4.3.~~ With the assistance of outside professional services, make a determination of the labor market benchmarks (select appropriate peer groups) that will be utilized to compare system personnel salaries.

**Commented [Staff1]:** Propose combining these two responsibilities to better reflect the link between strategy, mission, and organizational objectives

~~5.4.~~ With the assistance of outside professional services, conduct a periodic examination of the compensation structure to assess its competitiveness and make recommendations for any adjustments.

~~6.5.~~ Conduct periodic reviews of the board's annual evaluation processes for the chief executive officer and chief investment officer to determine if any modifications are necessary.

~~7.6.~~ Review relevant human resource policies that might hinder the system's ability to attract talented employees and make recommendation for change.

~~8.7.~~ Determine the components (base and incentive) of the total compensation and their respective measures.

~~9.~~ Periodically review and make recommendations for modifying the criteria that are used for incentive awards to ensure that the performance measures are still relevant and effective.

~~10.8.~~ Periodically review labor market data on the system's employees to assess the impact of the compensation plan on the recruitment and retention of staff.

~~11.~~ Oversee preparation of an organizational succession plan.

~~12.9.~~ Adhere to the Risk Management Policy established by the board.

~~13.10.~~ Review emerging and significant risks specific to the area of responsibility of the Compensation Committee and to report those risks to the board.

~~11.~~ Determine appropriate level of authority delegated to the CEO with respect to compensation program administration.

~~14.12.~~ Reporting to the board on all activities, findings, and recommendations of the committee.

**Commented [Staff2]:** Propose removal of incentive criteria and measures from the Compensation Committee and maintain at the board level for increased oversight. Under their delegated authority, the CEO will continue to approve performance measures and criteria at the asset class level.

**Commented [Staff3]:** Propose removal of succession planning from the Compensation Committee and maintain at the board level for increased oversight.

**Commented [Staff4]:** Propose this additional responsibility consistent with all other charters.

History: Approved November 3, 2005; Amended April 1, 2009; Amended February 6, 2014 [to delineate Board and Committee responsibility in the oversight of risk], Amended May 9, 2019. Amended September 2022 to add strategic plan link.