



Regular Meeting

Item Number 12b – Open Session

Subject: Input on Work Plans for FY 2021-22 – Compensation Committee

Presenter(s): Melissa Norcia / Amy McDuffee, Mosaic Governance Advisors, LLC

Item Type: Information

Date & Time: June 9, 2021 – 5 minutes

Attachment(s): Proposed Compensation Committee Work Plan

PowerPoint(s): None

PURPOSE

The purpose of this item is to solicit the board's input for Compensation Committee activities for the Fiscal Year 2021-22 work plan and to receive board direction on whether the Compensation Committee should continue to be subsumed into the full board for the 2021-22 fiscal year.

BACKGROUND

During the [January 2021 Board meeting](#), the [Board Governance Committee](#) considered the appropriate structuring of the remaining items for the FY 2020-21 Compensation Committee workplan in light of the board's feedback to discuss certain compensation items going forward as a full Board. Based on the advice of the committee's board governance consultant and CalSTRS staff, the committee recommend to the board that the Compensation Committee be subsumed into the full board for the remainder of the 2020-21 fiscal year. The board subsequently adopted the committee's recommendation. Then in March 2021, the board received a review of the Compensation Committee's efforts thus far on a Long-Term Incentive Plan (LTIP) framework by its primary compensation strategist, Luis Navas with Global Governance Advisors. The board provided Mr. Navas with feedback and direction to return to a future board meeting to present additional details on LTIP measures.

COMMITTEE RESPONSIBILITIES

The Compensation Committee provides 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. As outlined in the Compensation Committee Charter, the committee has the following key responsibilities:

- Ensure that the compensation program is properly designed to support organizational objectives.
- Develop for board adoption written policies that document the compensation plan and its administration.
- 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.
- 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.
- 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.
- Review relevant human resource policies that might hinder the System’s ability to attract talented employees and make recommendation for change.
- Determine the components (base and incentive) of the total compensation and their respective measures.
- 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.
- 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.
- Oversee preparation of an organizational succession plan.
- Adhere to the Risk Management Policy established by the board.
- Review emerging and significant risks specific to the area of responsibility of the Compensation Committee and report those risks to the board.
- Determine appropriate level of authority delegated to the CEO with respect to compensation program administration.

DISCUSSION

Melissa Norcia, Director of Human Resources, will review the proposed FY 2021-22 Compensation Committee work plan and offer rationale for continued subsumption. The topics

scheduled for the FY 2021-22 work plan are all linked to the board’s significant priorities, such as the CalSTRS Collaborative Model. It is more efficient to house them within the full board agenda, as opposed to various board committees. This will reduce the need for board members, particularly who do not serve on all pertinent committees, to piece together information from multiple committees’ reports and recommendations, further streamline the work, and allow for the board to make more informed decisions.

Staff recommends the following items be included in the FY 2021-22 proposed workplan:

1. Report and Recommendations for Long-Term Incentive Plan

Purpose: This item provides the board the opportunity to continue discussion on the development of a long-term incentive plan and to evaluate a report and recommendations.

Item Type: Information – This item assists the committee in its oversight of the compensation policies and plan that support the successful recruitment, development, and retention of talent to meet the business objectives of CalSTRS.

[Estimated 60 mins]

Proposed Compensation Committee Meeting: July 2021

2. Updates to Administrative Procedures for the Compensation Policy per CEO Delegation.

Purpose: This item provides the Compensation Committee continued oversight of the CEO delegation in administering the compensation program.

Item Type: Consent/Information – This item assists the Compensation Committee in its oversight of the System’s compensation strategy and operation of the compensation plan.

[Estimated 0mins]

Proposed Compensation Committee Meeting: September 2021

3. Investment Performance Impact on Incentive Pay for the 2020-21 Plan Year, if necessary.

Purpose: This item provides the Compensation Committee the opportunity to evaluate the impact of investment performance on incentive pay for the 2020-21 plan year and review qualifying trigger events, if any.

Item Type: Information – This item assists the Compensation Committee in its oversight of the System’s compensation strategy and operation of the compensation plan.

[Estimated 15 mins]

Proposed Compensation Committee Meeting: September 2021

4. Adoption of Language for the Compensation Policy and Administrative Procedures in Alignment with the Collaborative Model

Purpose: This item presents for adoption updated policy language to the Compensation Policy and Administrative Procedures as directed by the committee at its July 2021 meeting.

Item Type: Action – This item assists the committee in its oversight of the compensation policies and plan that support the successful recruitment, development, and retention of talent to meet the business objectives of CalSTRS.

[Estimated 30 mins]

Proposed Compensation Committee Meeting: September 2021

5. Disclosure of Incentives for the 2020-21 Plan Year

Purpose: This item provides the annual disclosure of incentive awards for participants covered under the incentive pay plan for the 2020-21 plan year.

Item Type: Consent/Information – This item assists the Compensation Committee in its oversight of the System’s compensation strategy and operation of the compensation plan.

[Estimated 0 mins]

Proposed Compensation Committee Meeting: November 2021

6. Committee FY 2022-23 Work Plan Input

Purpose: This item solicits the committee’s input for its FY 2022-23 work plan activities that will assist in fulfilling its Charter responsibilities.

Item Type: Information –This is an information item for the Compensation Committee. However, all committee work plans are formally approved at the July 2022 board meeting.

[Estimated 10 min]

Proposed Compensation Committee Meeting: May 2022

A final work plan, based on direction from the board at today’s meeting, will be presented for approval to the board at its July meeting.

RECOMMENDATIONS

Staff recommends to the Board the following:

1. Continue to subsume the Compensation Committee for FY 2021-22.
2. Reevaluate this practice for FY 2022-23 prior to the start of the 2022-23 fiscal year.

COMPENSATION COMMITTEE
Proposed 2021-22 Meeting Work Plan

	July	Sept.	Nov.	May
<i>Governance</i>	Report and Recommendations for Long-Term Incentive Plan (I)	Administrative Procedure Changes Pursuant to CEO Delegation (I) Investment Performance Impact on Incentive Pay for the 2020-21 Plan Year (I)		Committee Work Plan Input (I)
<i>Policy Review/ Update</i>		Adoption of language to the Compensation Policy & Administrative Procedures to align with the Collaborative Model (A)		
<i>Oversight/ Monitoring</i>			Disclosure of Incentives for Statutory Positions for the 2020-21 Plan Year (I)	
<i>Education</i>				

(A)= Action

(I)= Information

April 2021