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ADVISORS

# Long-Term Incentive Plan Eligibility

January 28, 2022

Prepared for:

**CALSTRS**<sup>®</sup>  
HOW WILL YOU SPEND YOUR FUTURE?

# LTIP Eligibility in Peer Group

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Position	LTIP Eligible in Board Approved Peer Group?	LTIP Eligible at CalPERS?
CEO	√	√
COO	Mixed	Not Eligible
CFO	Mixed	Not Eligible
System Actuary	Mixed	Not Eligible
General Counsel	Mixed	Not Eligible
CIO	√	√
Deputy CIO	√	√
Sr. Investment Director	√	√
Investment Director – Front Office	√	√
Investment Director – Inv. Services	Mixed	√
Sr. Portfolio Manager	√	√
Portfolio Manager – Front Office	√	√
Portfolio Manager – Inv. Services	Mixed	√
Associate PM – Front Office	√	√
Associate PM – Inv. Services	Typically not eligible	√

## Within Board Approved Peer Group:

LTIP is in place at:

- CalPERS
- Canadian pension peers
- Private sector peers

LTIP is generally not in place yet at:

- U.S. pension peers (outside of CalPERS)

Note: Talent pool with skills necessary for success of Collaborative Model and direct investments will likely not come from other pension systems, so need to offer a compensation design that is competitive with the private sector.

# Rationale for Broader LTIP Eligibility

**More reflective of the Board-approved compensation philosophy at CalSTRS.**

**Eligibility tied to “one team” that is critical to success of Collaborative Model.**

**Recognizes the need to attract and retain high-performing Executive Management and Investment Services talent in addition to Investment staff to be successful long-term.**

**Allows for minimal changes to eligibility in future years, providing more consistency.**

**Aligns with labor market analysis presented to the Board in June 2021.**

# Rationale for Narrower LTIP Eligibility

**Would keep potential LTIP costs lower (albeit very slightly) at start of the LTIP program.**

**Recognizes that at some organizations when LTIP is first introduced, LTIP eligibility is not always provided to all potential positions it could be.**

**Would align closer to eligibility at CalSTRS' most direct competitor for talent, CalPERS.**

# GGA Recommendation on Eligibility – Narrower

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Position	Eligible	Anticipated No. of Incumbents
CEO	√	1
COO	Not Eligible	1
CFO	Not Eligible	1
System Actuary	Not Eligible	2
General Counsel	Not Eligible	1
CIO	√	1
Deputy CIO	√	1
Sr. Investment Director	√	3
Investment Director – Front Office	√	10
Investment Director – Inv. Services	√	1
Sr. Portfolio Manager	√	11
Portfolio Manager – Front Office	√	32
Portfolio Manager – Inv. Services	√	2
Associate PM – Front Office	√	41
Associate PM – Inv. Services	√	6



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