



Regular Meeting

Item Number 15a – Open Session

Subject: Approval of Annual Incentive of the Former Chief Executive Officer

Presenter(s): Chairperson

Item Type: Consent Action

Date & Time: November 5, 2021 – 0 minutes

Attachment(s): Attachment 1- Resolution

PowerPoint(s): None

PURPOSE

The purpose of this item is to obtain approval of the annual incentive award for the former Chief Executive Officer (CEO) for the 2020-21 performance year.

DISCUSSION/SUMMARY

The board's Compensation Policy and its [Administrative Procedures](#) are designed to provide full transparency for members, beneficiaries, and other related constituents. The policy is intended to reinforce CalSTRS investment, governance and compensation philosophies and objectives, allow CalSTRS to attract, motivate and retain top-performing executive and investment staff, align incentive payouts with overall System, functional area, and individual performance, and focus staff on key investment objectives/benchmarks that are measured on a long-term basis.

As a retiree the former CEO remains eligible for an incentive award. At its October 2021 meeting, the board conducted its annual performance appraisal of the former CEO for the 2020-21 performance year. The specific evaluation criteria and weightings used to determine the incentive award for the CEO are Long Range Strategic Planning (40 percent), Total Investment Portfolio Performance (30 percent) and Personal Performance (30 percent). The maximum incentive opportunity for the former CEO is 150 percent of the base salary for 2020-21 fiscal year.

The incentive metric for Total Investment Portfolio Performance (3-year returns) generated an incentive award of \$237,498. This quantitative component has been calculated and audited by Global Governance Advisors. Based on the board's assessment of the remaining two measures, the CEO's 2020-21 incentive award is calculated to be \$650,745. This represents an award of 137.0 percent of the base salary of \$474,996 for the 2020-21 fiscal year.

Per board policy, the actual compensation awards are calibrated to represent a very small portion of the above-benchmark value that staff could create. As of the fiscal year ending June 30, 2021, the 3-year returns for Fixed Income, Inflation Sensitive, Innovative Strategies, Global Equity, Private Equity, Real Estate and Sustainable Investments and Stewardship Strategies outperformed their benchmarks and contributed to the overall alpha of the Total Fund. The 3-year return of the Total Fund's outperformance equates to approximately \$6.7 billion in income for CalSTRS based upon specific staff decisions (net of fees). Including the proposed awards for the Chief Executive Officer and the Chief Investment Officer, the incentive payments for all plan participants for this fiscal year, totaling \$16.9 million, represent 0.25 percent of the value added from those specific investment decisions.

Incentive awards are not considered creditable compensation for defined benefit pension (CalPERS) calculations.

ACTION REQUIRED

Approve the CEO's 2020-21 incentive award in the amount of \$650,745.

RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD

SUBJECT: Executive Compensation

RESOLUTION NO. 21-XX

WHEREAS, the Teachers' Retirement Board sets the compensation for the Chief Executive Officer pursuant to Education Code section 22212.5; and

WHEREAS, the Teachers' Retirement Board has found that the fair and just compensation of the System's Chief Executive Officer is critical to the performance of the overall System, the achievement of its strategic plan, and the prompt delivery of services to its members; and

WHEREAS, on October 6, 2021, the Teachers' Retirement Board conducted an annual evaluation of the performance of the former Chief Executive Officer based upon approved criteria and Board policy; therefore, be it

RESOLVED, that the Teachers' Retirement Board, in recognition of the former Chief Executive Officer's accomplishments during the 2020-21 fiscal year, approved a pay incentive of \$650,745 to the former Chief Executive Officer effective the date of this resolution.

Adopted by:
Teachers' Retirement Board

on November 5, 2021

Harry M Keiley, Chairperson

Reviewed by:

Brian J. Bartow
General Counsel