



## Regular Meeting

### Item Number 8 – Open Session

**Subject:** Report and Recommendations for Long-Term Incentive Plan

**Presenter(s):** Melissa Norcia / Luis Navas and Peter Landers, Global Governance Advisors / Stephen McCourt and Allan Emkin, Meketa Investment Group

**Item Type:** Information

**Date & Time:** September 2, 2021 – 45 minutes

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**Attachment(s):** None

**PowerPoint(s):** Long-Term Incentive Plan Presentation

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#### **PURPOSE**

The purpose of this item is to review recommendations for long-term incentive plan design features to assist the board in its compensation program assessment and the development of a long-term incentive plan.

#### **BACKGROUND**

At its June 2021 meeting, the board reviewed a [labor market analysis](#) of the board approved comparator groups conducted by McLagan Partners, and a [presentation](#) from Global Governance Advisors, to determine if changes to the salary ranges or annual incentive plan components were warranted. The board took action to increase the salary ranges for the Deputy Chief Investment Officer and the General Counsel and established salary ranges and incentive opportunities for the new classifications of Senior Investment Director and Senior Portfolio Manager.

The labor market analysis also included information on total compensation, including long-term incentives to assist the board in its assessment of the compensation program. The study's findings showed that CalSTRS total compensation (base salary + annual incentive + long-term incentive) lags the competitive market with long-term incentives as the key driver of CalSTRS positioning below market. Additionally, the board received a [report](#) from Global Governance Advisors and Meketa Investment Group that included a [presentation](#) with an overview and recommendations for a long-term incentive plan design framework.

## **DISCUSSION**

For this discussion, Luis Navas and Peter Landers of Global Governance Advisors (GGA) and Stephen McCourt and Allan Emkin of Meketa Investment Group will present recommendations and rationale for the board to consider in its assessment of the compensation program and the development of a long-term incentive plan with emphasis on a performance measurement period, participant eligibility and an initial measure of cost savings. The consultants from GGA and Meketa will facilitate a discussion with board members to gain their insights and feedback and to obtain direction on next steps.

### **LTIP Performance Measurement Period:**

Mr. Navas and Mr. Landers will present a recommendation and rationale for an appropriate long-term incentive plan performance measurement period.

Board Action: Human Resources recommends the board approve GGA’s recommendation for a rolling 5-year performance measurement period contingent upon subsequent board approval of a long-term incentive plan.

### **Eligibility Criteria:**

For this information discussion, Mr. Navas and Mr. Landers will present recommendations for long-term incentive plan eligibility criteria to include rationale on the appropriate classifications to be included as plan participants. Mr. Navas will facilitate board discussion and obtain board feedback.

### **Cost Savings Criteria:**

For this information discussion, Stephen McCourt and Allan Emkin will facilitate board discussion and obtain board feedback on proposed components for measuring cost savings from the Collaborative Model and its use as a performance measure to determine long-term incentive plan payouts.

## **NEXT STEPS**

Based on today’s discussion, feedback, and direction from the board, additional recommendations for long-term incentive plan design features will be brought to the board at a future meeting.