



Compensation Committee

Item number 2 – Open session

Subject: Compensation Education: Policy Feedback

Presenter(s): Kristel Turko / Josh Wilson, and Susan Lemke, Mercer

Item type: Information

Date and time: November 4, 2026 – 60 minutes

Attachment(s): None

PowerPoint presentation(s):

PowerPoint 1 – Compensation Policy Interview Themes & Preliminary Recommendations

PowerPoint 2 – Benefits Valuation Analysis

Item purpose

The purpose of this item is to present an education session on the Teachers' Retirement Board's Compensation Policy, board and staff feedback, and results of a benefits valuation analysis.

Discussion

In this educational session, Josh Wilson and Susan Lemke from Mercer will present feedback received during their interviews with the board and staff regarding the Compensation Policy Administrative Procedures. Mercer will cover key topics such as:

- a. Overall form of the document and readability
- b. Compensation philosophy and comparator group
- c. Base salary management
- d. Incentive plan details, such as triggers

Also, in response to Board Member feedback, Mercer conducted a Benefits Valuation Analysis (BVA) comparing CalSTRS benefits against other comparable public and private sector organizations in an effort to quantify the value of benefits in the context of CalSTRS total compensation offering. They will present their findings.

Background

The Compensation Committee Charter provides the authority to develop recommendations for the board related to the system's compensation plan and policies necessary for effectively administering the plan. The Compensation Committee is responsible for conducting periodic examinations and making recommendations for any adjustments, with the assistance of outside professional services.

The most recent comprehensive total rewards analysis was presented to the Compensation Committee in April 2017. The analysis found that CalSTRS's total compensation lagged the competitive market, with the absence of long-term incentives identified as the primary factor. In May 2019 to help close the market gap, the Board approved increases in annual incentive opportunity levels for statutory positions over a two-year period (FY 2019-20 and FY 2020-21). The board received presentations on the topic of a proposed Long Term Incentive Plan (LTIP) in FY 2021-22.

Conclusion

Staff is seeking board feedback on whether the Board would like to review components of the compensation policy for potential updates.

Strategic Plan linkage: Goal 1: Trusted Stewards with Objective A: Achieve full funding of the Defined Benefit Program by June 30, 2046.

Board Policy linkage: The Teachers' Retirement Board's Governance Manual, [Section 6, Compensation Policy](#) for Designated Executive Management and Investment Staff and its [Administrative Procedures](#).

Optional reference material: [Board Governance Manual - Compensation Committee Charter](#)