



GLOBAL
GOVERNANCE
ADVISORS

Long-Term Incentive Plan Eligibility

March 4, 2022

Prepared for:

CALSTRS[®]
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.

Possible Approaches to LTIP Eligibility

1. Focus on CEO & Investment-Related Staff

2. Focus on a Smaller Group

3. Focus on Recruitment and Retention Tool (New Hires)

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.

Potential LTIP Eligible Roles – Comparison

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Position	Eligible Roles: Approach #1	Eligible Roles: Approach #2	Anticipated No. of Incumbents
CEO	√	√	1
COO			1
CFO			1
System Actuary			2
General Counsel			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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ADVISORS



Peter Landers, Senior Partner

peter.landiers@ggainc.com
+1.416.799.6640

Luis Navas, Senior Partner

luis.navas@ggainc.com
+1.305.588.9513