



# Regular Meeting

## Item Number 19 – Open Session

**Subject:** Input on 2024-25 Compensation Committee Work Plan

**Presenter:** Kristel Turko

**Item Type:** Information

**Date & Time:** May 2, 2024 – 10 minutes

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**Attachment:** Proposed Compensation Committee 2024-2025 Work Plan

**PowerPoint:** None

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### **Item Purpose**

The purpose of this item to solicit input for the Compensation Committee’s 2024-25 annual work plan to be approved by the full board at the July board meeting.

### **Discussion**

The draft work plan reflects the key activities for the Compensation Committee for the coming year:

**Compensation Consulting Solicitation and Primary Strategist Selection:** In July 2024, staff will seek authorization from the committee to issue a Request for Proposal (RFP) for compensation consulting services and approval of the scope of work. The RFP will seek to hire a primary compensation strategist to the committee as well as hire a pool of consultants to provide specified services as desired by the committee for the period beginning July 1, 2025. The committee will conduct interviews of proposer finalists to select its primary compensation strategist in March 2025.

**Governance of Incentive Compensation Program:** In September 2024, the committee will evaluate the impact of investment performance on incentive pay for the 2032-24 plan year and review any qualifying investment trigger events, as delineated in the [Administrative Procedures](#) for the Teachers’ Retirement Board’s Compensation Policy, that may result in the board’s use of discretion to eliminate, reduce, or defer incentive awards.

**Compensation Education Session:** In January 2025, the committee will be presented with a compensation education session. This education session will assist the committee with its responsibility to provide oversight of the System’s compensation strategy that ensure the compensation program is designed to support organizational objectives including the periodic examination of the compensation structure to assess its competitiveness.

### **Background**

The board has established a Compensation Committee to provide oversight to the System’s compensation policies and plan that support the successful recruitment, development and retention of talent to meet the business objectives of CalSTRS. The committee conducts periodic assessments of the compensation program to assess its competitiveness and makes recommendations to the board for any adjustments. The committee develops written compensation policies for board adoption. Per its charter, the committee has full authority to engage professional services consultants and counsel as necessary to assist the committee in fulfilling its responsibilities. The committee has the sole authority to select, retain and terminate a compensation consultant and approve the consultant’s fees.

Since January 2021, the full board has subsumed the responsibilities of the Compensation Committee. Effective for fiscal year 2024-25, the Compensation Committee will be reestablished pursuant to board direction.

### **FY 2023-24 Work Plan Highlights**

In fiscal year 2023-24, the board undertook several key activities.

- With the assistance of the board’s compensation consultant, McLagan Partners, the board assessed a labor market compensation benchmarking study for the classifications under its compensation setting authority.
  - The board assessed a policy revision regarding base salary increase limitations for the General Counsel.
  - The board also conducted the regular incentive plan oversight activities.
    - Received an update of 2023-24 changes to the compensation policy’s Administrative Procedures per CEO delegation.
    - Disclosed to the public the 2022-23 incentive awards.
    - In closed session, assessed investment impact and qualifying triggers on incentive awards.
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Strategic Plan Linkage: Goal 1: Ensure a well-governed, financially sound trust fund.

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](#).

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**Optional Reference Material:** None