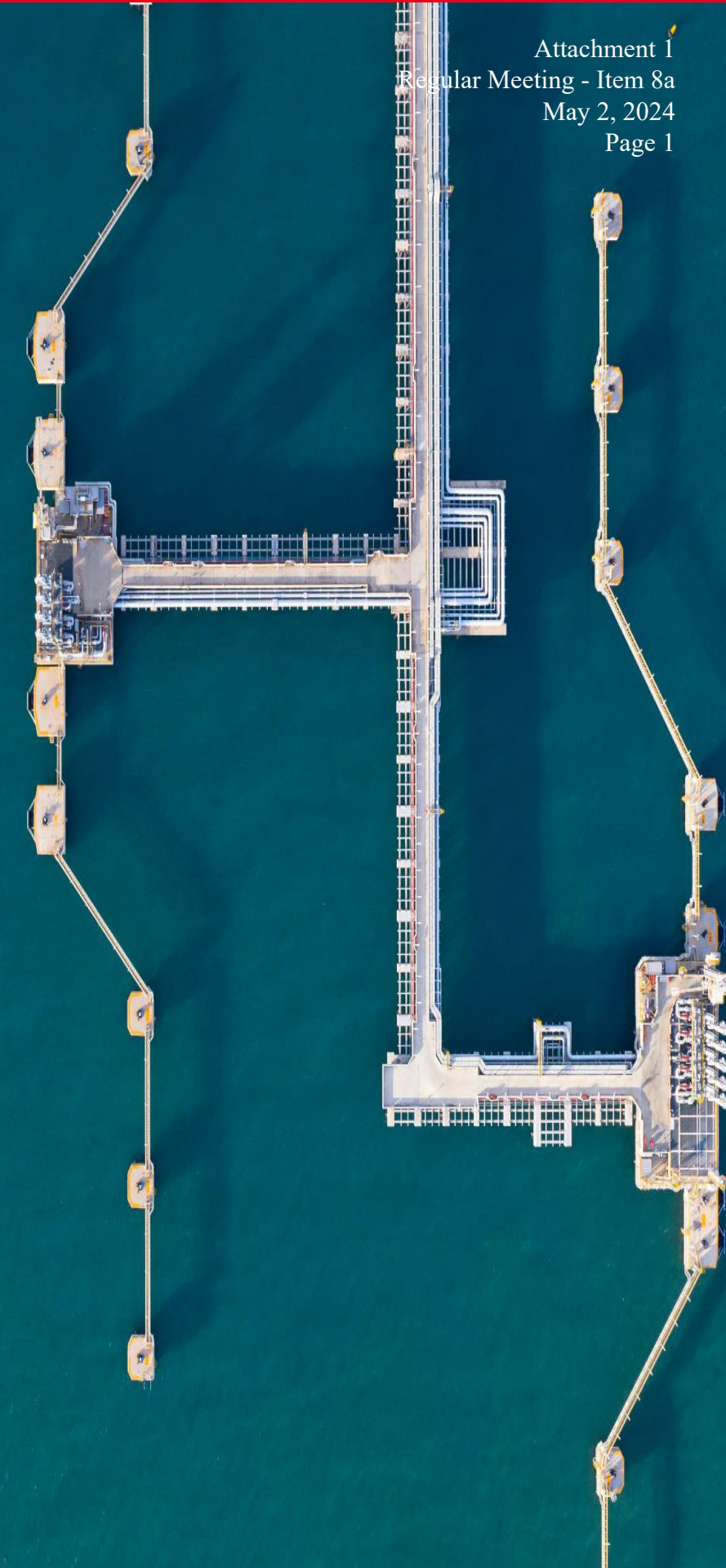




CalSTRS' Compensation Review of Executive and Investment Positions

May 2024



Introduction

- The California State Teachers’ Retirement System (“CalSTRS”) asked McLagan to assess the salary and total cash compensation and provide recommendations for 8 executive and investment management positions that did not have salary range adjustments in 2021:

Executive Positions	Investment Positions	
Chief Executive Officer	Chief Investment Officer	Associate Portfolio Mgr
Chief Operating Officer	Investment Director	
Chief Financial Officer	Portfolio Manager	
System Actuary		

- The following positions had salary range adjustments approved and implemented in 2021 and are not part of this assessment:

Executive Positions	Investment Positions	
General Counsel	Deputy Chief Inv Officer	Sr. Portfolio Manager
	Sr. Investment Director	

- This report includes the competitive 25th, 50th (median), and 75th percentile for base salary and base salary + cash incentives.
- The results of our findings can be found on the following pages.

Methodology

- McLagan assembled the compensation data from our 2023 Investment Management Compensation Survey Suite.
- The data was assembled from CalSTRS' board-approved policy comparator groups for executive and investment positions:
 - **Executive Positions:** a weighted average made up of 67% leading US public funds and 33% broad private-sector investment management organizations.
 - **Investment Positions:** “a blend of large and complex institutional investors – including top US and Canadian funds, corporate plan sponsors, and private sector investment management firms.” Details of this peer group can be found in the Appendix including additional information on which leading institutional investors and mid-sized asset managers (e.g., AUM \$100B to \$500B) are included.
- CalSTRS' pay methodology is defined within the *Administrative Procedures for the Teacher's Retirement Board's Compensation Philosophy*:

• Cash compensation opportunities will be targeted at the 50th percentile (median) of the TRB-approved comparator groups. By targeting pay opportunities to these comparator groups, CalSTRS should be able to attract and retain the high-caliber employees required to achieve the System's business and investment objectives.

Comparator Group Details

Executive Positions (67% Leading Public Funds)

CalSTRS Comparator Group			
Leading Public Funds	AUM	% Internal	
California Public Employees' Retirement System	\$444.7		
New York State Common Retirement Fund	242.3		
State of Wisconsin Investment Board	225.6		
Teacher Retirement System of Texas	200.0		
State Board of Administration of Florida	177.7		
Washington State Investment Board	149.3		
Ohio Public Employees' Retirement System	123.8		
North Carolina Retirement System*	111.8		
State of Michigan Retirement System	92.6		
State of New Jersey Pension Fund*	89.4		
State Teachers Retirement System of Ohio	88.0		
PA Public School Employees' Retirement System*	71.2		
Colorado Public Employees' Retirement Association	55.4		
South Dakota Investment Council	14.0		
	High Quartile	\$194.4	69%
	Median	117.8	53%
	Low Quartile	88.4	34%
California State Teachers' Retirement System	\$302.1	45%	



*3 Public Funds did not participate in McLagan's 2023 Survey, but their prior year participating compensation data was included in the analysis.



Comparator Group Details. . .

Executive Positions (33% Board Private Sector Inv. Mgmt. Orgs.)

- The private sector peer group includes a broad range of 350 investment management organizations across multiple industry segments.

All Private Sector Firms				
	# Firms	AUM		
		LowQ	Median	HighQ
Banks	43	\$21.1	\$61.5	\$254.6
Insurance Companies	64	27.6	71.6	157.8
Investment Management/Advisory Firms	155	14.6	55.4	183.5
Endowments, Foundations, Corporate Pensions	88	2.8	6.8	15.1
Total	350	\$7.4	\$31.7	\$123.3

Comparator Group Details. . .

Investment Positions

Leading Institutional Investors



Private Sector

Leading Institutional Managers			
		AUM	% Internally Managed
California Public Employees' Retirement System	US Public Fund	\$444.7	
Canada Pension Plan Investment Board	Canadian Pension Fund	438.3	
Caisse de depot et placement du Quebec	Canadian Pension Fund	309.1	
State of Wisconsin Investment Board	US Public Fund	225.6	
Teacher Retirement System Of Texas	US Public Fund	200.0	
Ontario Teachers' Pension Plan Board	Canadian Pension Fund	187.7	
General Motors Asset Management	US Corp. Plan Sponsor	103.6	
Virginia Retirement Systems	US Public Fund	100.3	
Ontario Municipal Employees' Retirement System	Canadian Pension Fund	95.5	
State Teachers Retirement System Ohio	US Public Fund	88.0	
Healthcare of Ontario Pension Plan	Canadian Pension Fund	79.7	
Lockheed Martin Investment Management Company	US Corp. Plan Sponsor	75.0	
DuPont Capital Management	US Corp. Plan Sponsor	21.3	
	High Quartile	\$225.6	84%
	Median	103.6	72%
	Low Quartile	88.0	46%
California State Teachers' Retirement System		\$302.1	45%

The private sector comparator group includes 74 investment management organizations of relatively comparable size (\$100B to \$500B AUM), including investment management/advisory firms, insurance companies, and banks.

Executive Management – Summary

- Base salary midpoints for CalSTRS' executive positions generally fall below CalSTRS' desired pay positioning (e.g., median):
 - Salary midpoints for the CEO, COO, and CFO positions are more than 10% below market median.
- Factoring in the incentive opportunity for eligible positions, CalSTRS' maximum total cash compensation (base salary + maximum incentive) falls between 10% and 20% below the competitive market median for each position.

	CalSTRS Midpoints			Competitive Market Median			
	Base	Max %	T. Cash	Base	var	T. Cash	var
CEO	\$400	150%	\$1,000	\$483	-17%	\$1,146	-13%
COO	250	50%	375	283	-12%	467	-20%
CFO	250	50%	375	287	-13%	434	-14%
System Actuary	260	30%	338	272	-5%	375	-10%

Investment Management – Summary

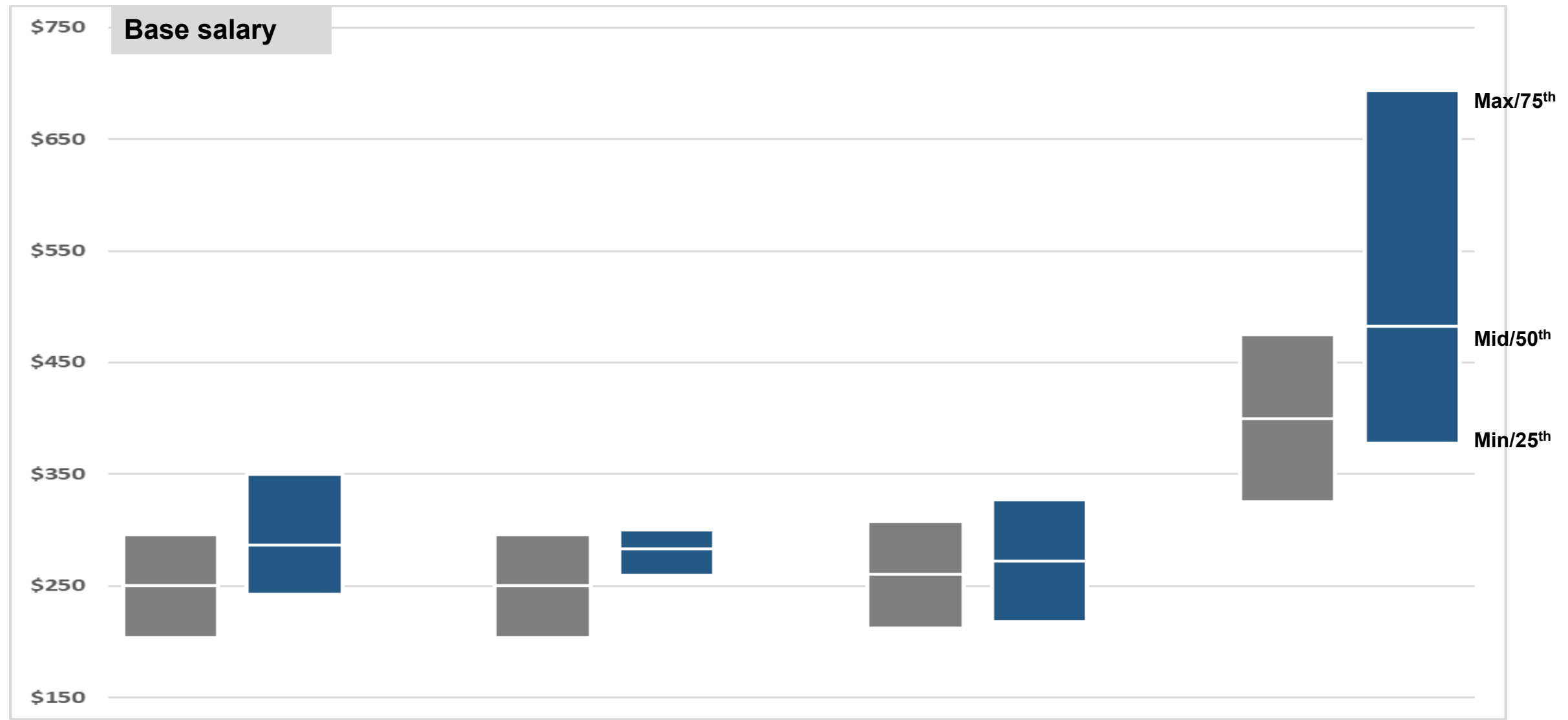
- Base salary midpoints for CalSTRS' investment positions are generally aligned with market, except for the PM and Associate PM roles.
- Factoring in maximum incentive opportunities for CalSTRS, the maximum total cash compensation (base salary + maximum cash incentives) falls below market median across all roles.

	# of Incs.	CalSTRS Midpoints			Competitive Market Median			
		Base	Max %	T. Cash	Base	var	T. Cash	var
CIO	1	\$510	200%	\$1,530	\$474	+8%	\$1,641	-7%
Investment Director	9	327	125%	736	329	-0%	835	-12%
Portfolio Manager	42	215	125%	484	245	-12%	516	-6%
Assoc Portfolio Mgr	43	150	50%	225	171	-12%	280	-20%

Executive Positions

Executive Management

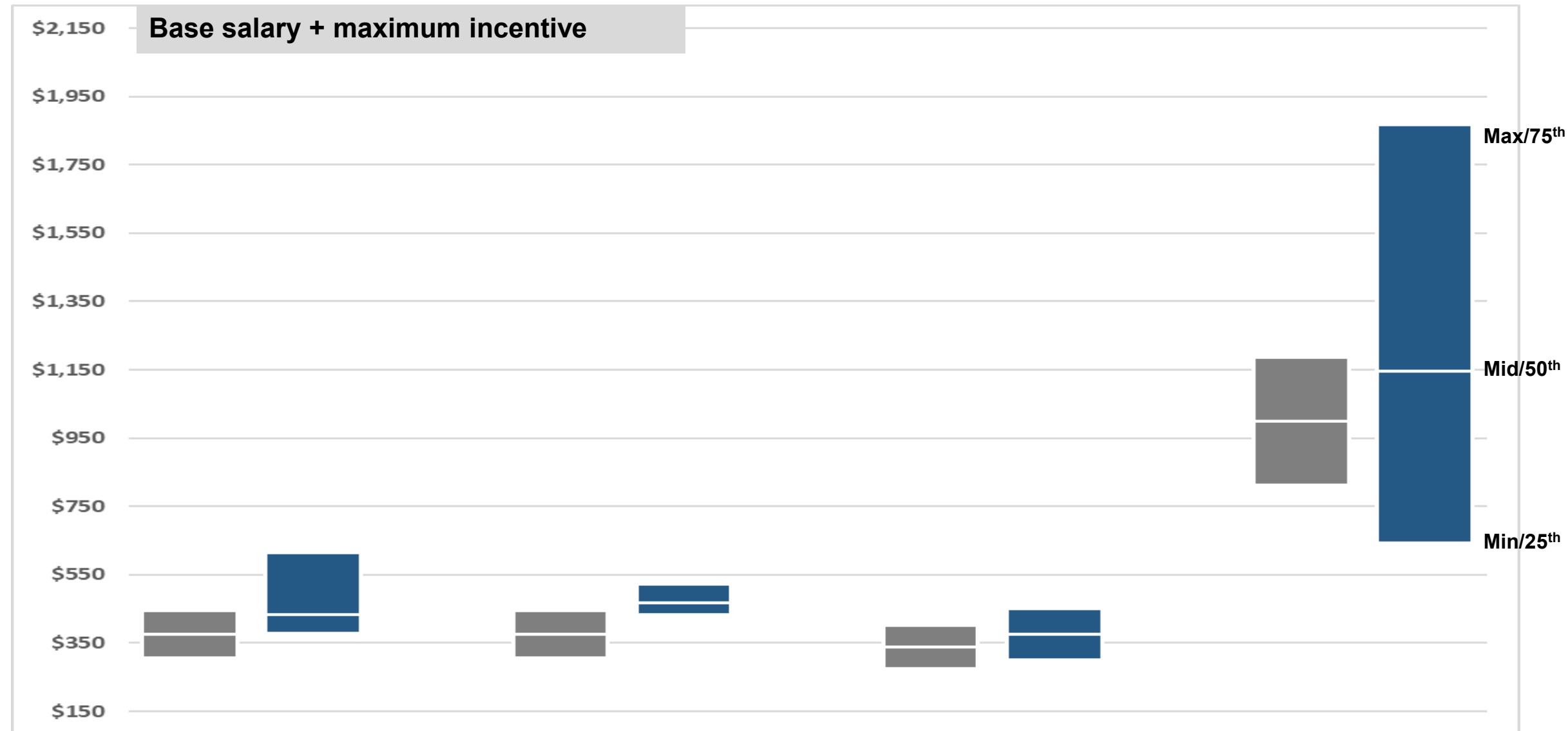
Base Salary vs. Market



	CFO		COO		System Actuary		CEO	
	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market
Max/75th	\$296	\$349	\$296	\$300	\$308	\$327	\$475	\$693
Mid/50th	250	287	250	283	260	272	400	483
Min/25th	204	243	204	259	212	218	325	378

Executive Management

Maximum Cash vs. Market Total Cash



	CFO		COO		System Actuary		CEO	
	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market
Max/75th	\$444	\$615	\$444	\$523	\$400	\$450	\$1,188	\$1,866
Mid/50th	375	434	375	467	338	375	1,000	1,146
Min/25th	306	378	306	434	276	300	813	643

Executive Management – Salary Range Recommendations

- Midpoint salary and/or maximum total cash compensation falls below market median for the executive positions. To better align these roles with CalSTRS’ targeted pay positioning, McLagan has prepared the following recommendations:

- Chief Executive Officer**

- Increase salary midpoint from \$400K to \$475K.

	Min	Mid	Max
Salary	\$386	\$475	\$564
T. Cash	965	1,188	1,410

Classification was last changed 07/01/2013

- Chief Operating Officer**

- Increase salary midpoint from \$250K to \$300K.

	Min	Mid	Max
Salary	\$245	\$300	\$355
T. Cash	367	450	533

Classification was last changed 07/01/2017

**Importantly, recommendations are focused on aligning CalSTRS’ salary ranges for each classification with its compensation policy. These recommendations do not reflect increases to any individual employee’s salary.

Continued...

Executive Management – Salary Range Recommendations

- Midpoint salary and/or maximum total cash compensation falls below market median for the executive positions. To better align these roles with CalSTRS’ targeted pay positioning, McLagan has prepared the following recommendations:

- Chief Financial Officer**

- Increase salary midpoint from \$250K to \$280K.

	Min	Mid	Max
Salary	\$228	\$280	\$332
T. Cash	343	420	497

Classification was last changed 07/01/2017

- System Actuary**

- Increase salary midpoint from \$260K to \$280K.

	Min	Mid	Max
Salary	\$228	\$280	\$332
T. Cash	297	364	431

Classification was last changed 07/01/2016

**Importantly, recommendations are focused on aligning CalSTRS’ salary ranges for each classification with its compensation policy. These recommendations do not reflect increases to any individual employee’s salary.

Continued...



Executive Management – Summary of Recommendations

Salary Ranges

	Current CalSTRS Salary Ranges			Current Variance to Mkt Med	Blended Mkt Med Salary	McLagan Proposed CalSTRS Salary Ranges			Proposed Var to Mkt Med	% Δ Salary Midpt
	Min	Mid	Max			Min	Mid	Max		
CEO	\$325	\$400	\$475	-17%	\$483	\$386	\$475	\$564	-2%	19%
COO	204	250	296	-12%	283	245	300	355	6%	20%
CFO	204	250	296	-13%	287	228	280	332	-2%	12%
System Actuary	212	260	308	-5%	272	228	280	332	3%	8%

Maximum Total Cash (Base Salary + Maximum Incentive)

	CalSTRS Maximum T.Cash			Current Variance to Mkt Med	Blended Mkt Med T. Cash	McLagan Proposed CalSTRS Maximum T.Cash			Proposed Var to Mkt Med	% Δ Max T.Cash Midpt
	Min	Mid	Max			Min	Mid	Max		
CEO	\$813	\$1,000	\$1,188	-13%	\$1,146	\$965	\$1,188	\$1,410	4%	19%
COO	306	375	444	-20%	467	367	450	533	-4%	20%
CFO	306	375	444	-14%	434	343	420	497	-3%	12%
System Actuary	276	338	400	-10%	375	297	364	431	-3%	8%

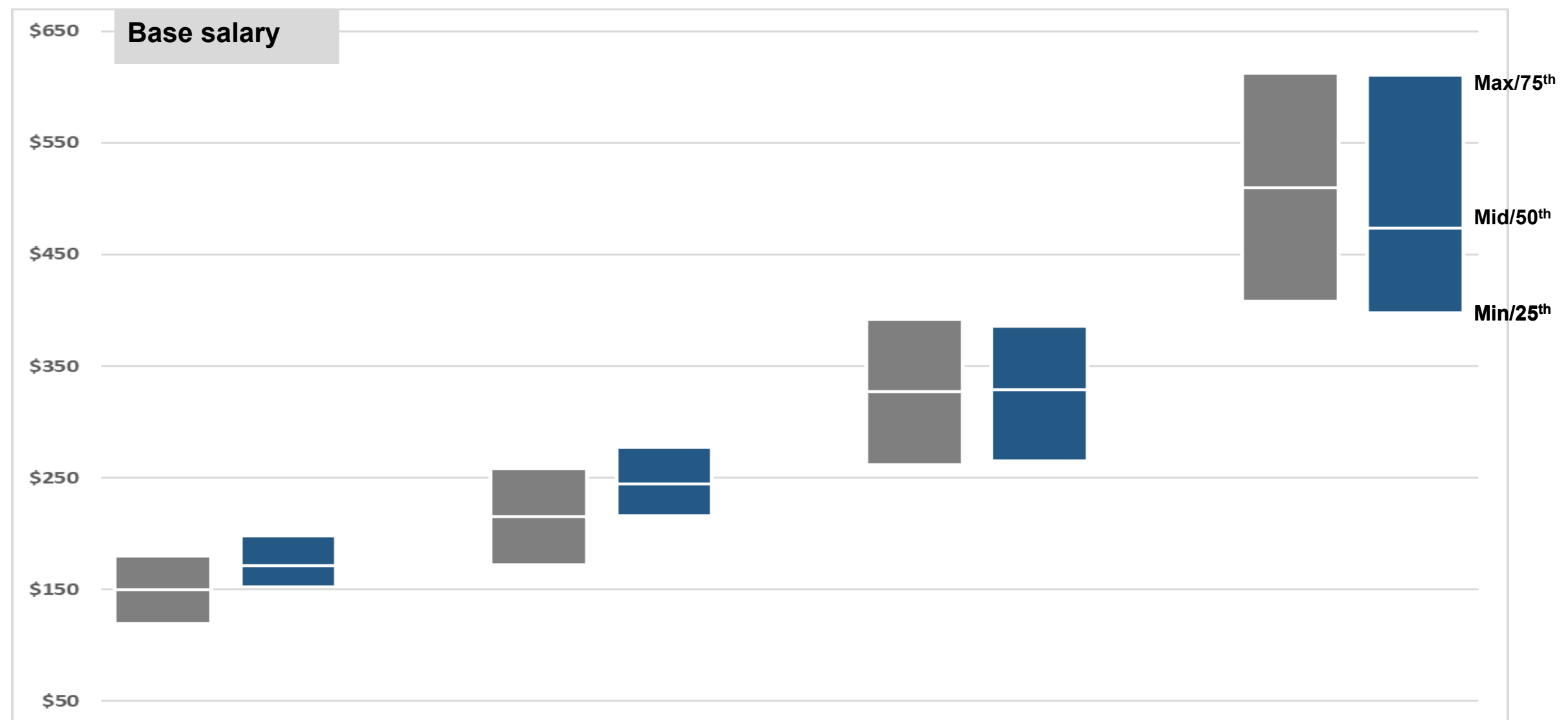
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Investment Management Positions

Investment Management

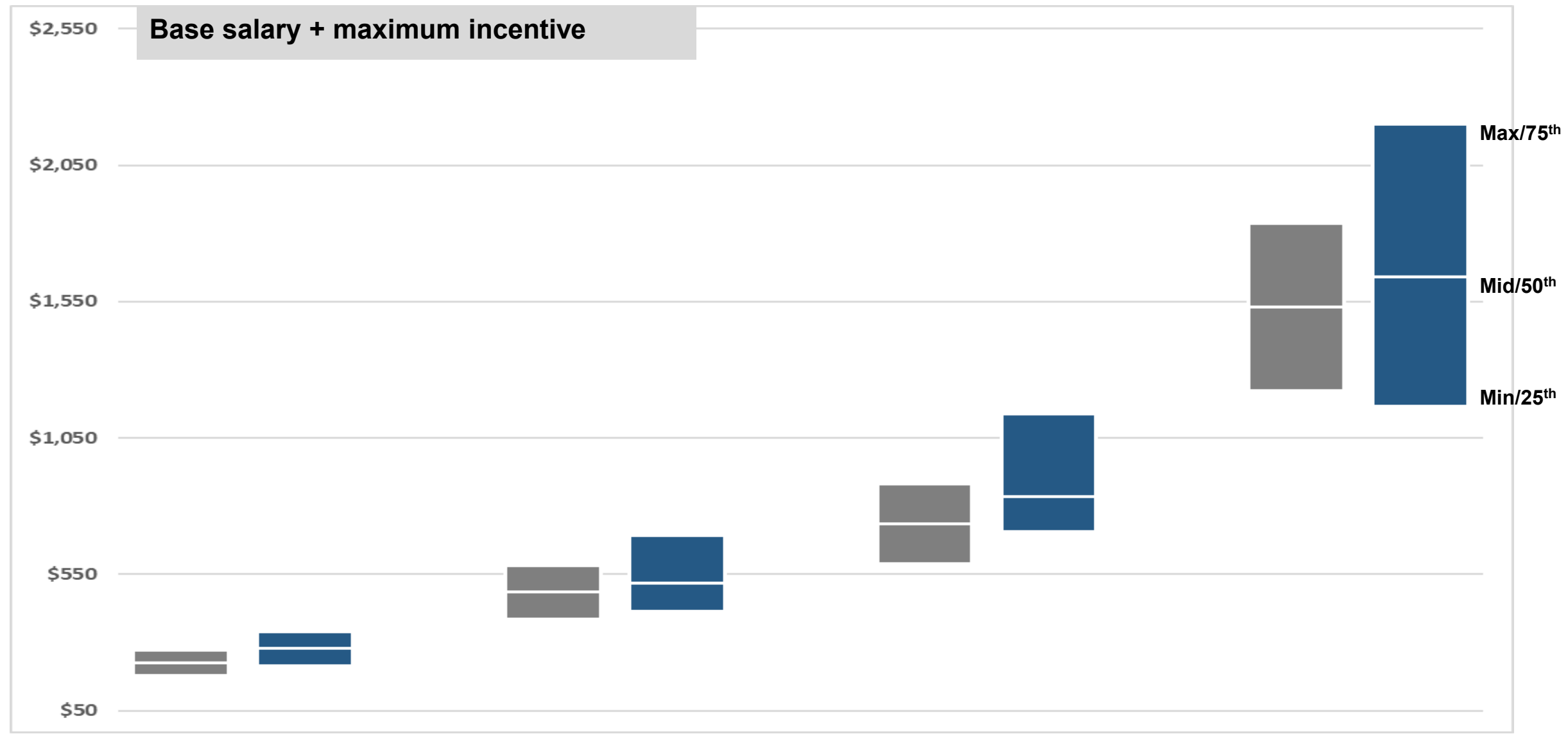
Base Salary vs. Market



	Assoc PM		PM		Inv Director		CIO	
	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market
Max/75th	\$180	\$198	\$258	\$277	\$392	\$386	\$612	\$611
Mid/50th	150	171	215	245	327	329	510	474
Min/25th	120	152	172	216	262	266	408	398

Investment Management

Maximum Cash vs. Market Total Cash



	Assoc PM		PM		Inv Director		CIO	
	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market	CalSTRS	Market
Max/75th	\$270	\$340	\$581	\$693	\$882	\$1,137	\$1,836	\$2,201
Mid/50th	225	280	484	516	736	835	1,530	1,641
Min/25th	180	214	387	414	590	707	1,224	1,166



Investment Management – Salary Range Recommendations

- Midpoint salary and/or maximum total cash compensation falls below market median for investment positions. To better align these roles with CalSTRS’ targeted pay positioning, McLagan has prepared the following recommendations:

- Chief Investment Officer**

- Increase salary midpoint from \$510K to \$520K.

	Min	Mid	Max
Salary	\$416	\$520	\$624
T. Cash	1,248	1,560	1,872

Classification was last changed 07/01/2013

- Investment Director**

- Increase salary midpoint from \$327K to \$355K.

	Min	Mid	Max
Salary	\$284	\$355	\$425
T. Cash	640	798	957

Classification was last changed 07/01/2013

**Importantly, recommendations are focused on aligning CalSTRS’ salary ranges for each classification with its compensation policy. These recommendations do not reflect increases to any individual employee’s salary.

Continued...



Investment Management – Salary Range Recommendations

- Midpoint salary and/or maximum total cash compensation falls below market median for investment positions. To better align these roles with CalSTRS’ targeted pay positioning, McLagan has prepared the following recommendations:

- Portfolio Manager**

- Increase salary midpoint from \$215K to \$240K.

	Min	Mid	Max
Salary	\$192	\$240	\$288
T. Cash	432	540	648

Classification was last changed 07/01/2017

- Associate Portfolio Manager**

- Increase salary midpoint from \$150K to \$175K.

	Min	Mid	Max
Salary	\$140	\$175	\$210
T. Cash	210	263	315

Classification was last changed 07/01/2019

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Investment Management – Summary of Recommendations

Salary Ranges

	# of Incs.	Current CalSTRS Salary Ranges			Current Variance to Mkt Med	Blended Mkt Med Salary	McLagan Proposed CalSTRS Salary Ranges			Proposed Var to Mkt Med	% Δ Salary Midpt
		Min	Mid	Max			Min	Mid	Max		
CIO	1	\$408	\$510	\$612	8%	\$474	\$416	\$520	\$624	10%	2%
Investment Director	9	262	327	392	0%	329	284	355	425	8%	9%
Portfolio Manager	42	172	215	258	-12%	245	192	240	288	-2%	12%
Assoc Portfolio Mgr	43	120	150	180	-12%	171	140	175	210	2%	17%

Maximum Total Cash (Base Salary + Maximum Incentive)

	# of Incs.	CalSTRS Maximum T.Cash			Current Variance to Mkt Med	Blended Mkt Med T. Cash	McLagan Proposed CalSTRS Maximum T.Cash			Proposed Var to Mkt Med	% Δ Max T.Cash Midpt
		Min	Mid	Max			Min	Mid	Max		
CIO	1	\$1,224	\$1,530	\$1,836	-7%	\$1,641	\$1,248	\$1,560	\$1,872	-5%	2%
Investment Director	9	590	736	882	-12%	835	640	798	957	-4%	9%
Portfolio Manager	42	387	484	581	-6%	516	432	540	648	5%	12%
Assoc Portfolio Mgr	43	180	225	270	-20%	280	210	263	315	-6%	17%

**Importantly, recommendations are focused on aligning CalSTRS' salary ranges for each classification with its compensation policy. These recommendations do not reflect increases to any individual employee's salary.

