

2011-12 – 3rd QUARTER STATUS REPORT – Chief Executive Officer (A. Stausboll)

Quantitative Performance Measures

Total Fund Performance

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
5%	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5	+45 bps {12.56 – 12.11}

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Business Plan / Enterprise Objectives

Weight	Performance Measure
50%	By June 30, 2012, implement the 11 objectives set forth in the Board approved 2011-12 Business Plan, to achieve the enterprise priorities in the areas of Customer Focus, Leadership and Soundness, and Building Internal Strength.

3rd Quarter Status:

Customer Focus (my/CalPERS)

- Successfully launched Release 2 on March 25, 2012, marking the transition of the Judges and Legislators' Retirement Systems to my/CalPERS. This is a significant milestone in the release strategy, bringing all our members into a common system.
- Conducted enterprise post-launch assessment. Recommendations and next steps are under development.
- Member self-serve launch is scheduled for release in July 2012, with subsequent releases in October 2012 and January 2013.

Pension and Health Policy

- Conducted review of discount rate and other economic assumptions, and presented recommendations to Board in March 2012.
- Continued extensive engagement on pension reform issues, participated in Joint Legislative Committee process, engaged with stakeholders on issues, kept Board informed of developments.
- Produced and released cost analysis of the creation of a hybrid pension plan consistent with the Governor's 12-point plan in February 2012.
- Produced and released cost analysis of Republican pension reform proposal in March 2012.
- Completed Health Benefits Purchasing Review and presented results and recommendations at January 2012 Board Offsite.

Building Internal Strength

- Selected search firm, developed candidate profile materials, and launched nationwide CFO search.
- Recruited and filled two CEA positions: Chief of Retirement, Research and Planning Division, and Chief, Enterprise Solutions and Development.
- As of March 31, 2012, 85 percent of staff had completed the Values Workshop.
- As of March 31, 2012, 95 percent of managers and supervisors had completed the Risk Management training.
- Developed Information Security Roadmap and set priorities for implementation.
- Held Part 2, in January 2012, of two part Executive Diversity and Inclusion Journey.
- In March 2012, obtained Board approval of proposed regulations that will limit personal trading by CalPERS employees and Board members, and initiated rulemaking process.
- Continued development of Financial Office, including investment expense reporting, monthly close and investment reconciliation functions.
- Executive Risk Committee developed risk appetite statements for Long-Term Care, Customer Service, and Pension Funding; and adopted CalPERS anti-fraud policy and investigations policy.

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Special Initiatives

Weight	Performance Measure
20%	<ul style="list-style-type: none"> • Support the Board Governance project, develop an implementation plan for recommended changes, and provide support to the Board in making desired changes. • Other special projects as determined in conjunction with the Board.
<p>3rd Quarter Status:</p> <p>Continued to make significant progress in implementing the Board’s Governance Initiative:</p> <ul style="list-style-type: none"> • The new committee structure and agenda process were launched successfully in February 2012. • New Board Governance Policy was adopted in February 2012. • Fiduciary Training Workshop was held for the Board and Executive Staff in February 2012. • Webcasting of Board and Committee Meetings was implemented in March 2012. • Strategic Planning effort was launched with kick-off session at January Board Offsite. <p>Continued to report at the Board Governance Committee on project activities. Other aspects of the project that are underway include: the Board self-assessment; implementation of compliance processes related to fiduciary certification and freedom from undue influence; and gift and travel policies.</p>	

Executive Leadership

Weight	Performance Measure
15%	<p>Leadership: Acts in an ethical, honest and professional manner. Communicates a clear vision of CalPERS’ mission and goals. Gains the confidence and commitment of others through enthusiastic expressions of support of the vision and values of the organization. Gains support for courses of action by sharing information, encouraging feedback, listening respectfully, and acknowledging individual concerns.</p> <p>Teamwork: Promotes teamwork and cross-functional collaboration and communication in support of CalPERS’ strategic goals. Presents well-organized arguments that are issue-oriented, not personal. Resolves disagreements by first identifying common ground and then exploring differences. Shares credit for good ideas and acknowledges the contributions, creativity and abilities of others.</p> <p>Succession Planning: Participates in an ongoing succession planning program to assess the workforce and create strategies to retain and develop the skills of employees. Identifies training, development and knowledge transfer strategies to meet future workforce needs. Contributes to the enhancement of organizational competencies and skills by providing opportunities for individual staff development and improvement.</p> <p>Diversity and Inclusion: Demonstrates diversity and inclusion awareness and personally cultivates a positive work environment where the differences of all staff are recognized and valued. Leads strategies and approaches to increase the level of diversity within the CalPERS’ workforce. Through personal example and leadership, fosters a climate where all are treated with dignity and respect.</p> <p>Executive / Board Relations: Effectively represents the enterprise at executive management meetings, stakeholder group meetings, and at CalPERS Board of Administration meetings. Prepares and/or directs the preparation of thorough and accurate Board agenda materials and provides sound technical consultation and appropriate recommendations. Makes clear and concise presentations to the Board of Administration and Board Committees on relevant issues.</p> <p>Business Planning and Fiscal Management: Leads the business planning process by establishing clear, measurable operational objectives which align with CalPERS’ strategic Goals. Identifies resource requirements to support organizational priorities. Ensures</p>

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cost-effective use of resources (i.e., operational expenses, equipment and staff resources) and contributes to the overall prudent management of CalPERS trust funds.

Management of Risk: Ensures that policy and program decisions are made with consideration for potential financial, compliance, legal, security, operational, reputational, political, strategic, and other risks. Implements risk mitigation strategies. Gathers risk intelligence to support executive and Board decision-making.

3rd Quarter Status:

Leadership

- Launched Strategic Planning effort including internal and external communication plan and stakeholder engagement effort.
- Ongoing communication with staff through CEO mailbox and publications such as Keeping You in the Know, etc.
- Ongoing staff recognition efforts: launched annual APEX awards.
- Held Spring Leadership Forum for all managers and supervisors.
- Held Infrastructure Roundtables.
- Completed Business Plan for 2012-14 and transitioned to two year business cycle, and developed budget for 2012-13.
- Co-chaired Ceres Board and served as member of Toigo Advisory Board.
- First ever Business Leaders Roundtable organized and scheduled for May 4.

Teamwork

- Held weekly Deputies meetings.
- Led regular cross functional meetings including Corporate Governance Working Group, Executive Steering.
- Committee on Diversity and Executive Risk Committee.
- Held Deputies quarterly offsite to discuss strategic and management issues, and special deputies session on strategic planning.

Succession Planning

- Met regularly with all direct reports to provide feedback and support.
- Ongoing Leadership Mentoring Program.
- Continued progress in developing Job Rotation Program to be launched at beginning of next FY.
- Filled two key CEA positions.

Diversity and Inclusion

- Led Executive Steering Committee on Diversity.
- Second of the two-part Diversity and Inclusion Journey was completed in January 2012.
- Developed web-based diversity and inclusion tool kits and resources for staff, to be launched in fourth quarter.

Executive/Board Relations

- Implemented recommendations of the Board Governance Initiative including new committee structure, new agenda template including consent calendar, and webcasting.
- Implemented new Board Briefing structure to streamline and achieve efficiency; assigned formal executive liaisons to each committee.
- Continued weekly meetings with Board President and regular written, updates to Board to keep members apprised on key issues.

Business Planning and Fiscal Management

- Oversaw business planning and budget process; implemented two year business planning cycle; developed business plan for 2012-14 and budget for 2012-13.
- On track to achieve significant reduction in consultant expenditures for 2011-12.

Risk Management

- Developed Information Security Roadmap, set priorities and identified resources.
- 95 percent of managers and supervisors completed new Risk Intelligence training as of March 31, 2012.
- Obtained approval for proposed Personal Trading regulations and initiated regulatory process.

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Management Drivers

Weight	Performance Measure
10%	<p>By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5 percent or less through 2011-12. • Ensuring all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012 and all Enhanced Reviews are completed by the mandated due date of May 1, 2012. • Ensuring all scheduled employees complete the legally mandated AB 1234 ethics training course by June 30, 2012. • Maintaining a 90 percent performance reviews (EPADs, Probation Reports, etc.) completion rate and 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor reviews. • Addressing and resolving all outstanding internal audit findings within 12 months of audit report in a manner consistent with the Audit Resolution Policy. • Ensuring a minimum of 2 hours per month is spent on employee recognition. • Completing the Executive D & I Development Journey course, including completion of all pre-and post-session work assignments. • Conducting at least two direct report team sessions on diversity and inclusion. • Effectively managing all operational resources within prescribed budget limits. • Conducting direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter. • Ensuring 80 percent of all managers and supervisors complete risk management training by December 31, 2011 and 90 percent of all staff complete the Values Workshop by June 30, 2012. • Reducing consultant contract expenditures by 5 percent by June 30, 2012.

3rd Quarter Status:

In Progress.

- As of March 31, 2012, average year to date vacancy rate was 7.4% (excluding vacant positions on hold). Higher than normal vacancy rates exist for the Benefit Programs Policy and Planning Division, particularly the Center for Innovation, due to the recent creation of those positions.
- As of March 31, 2012, all internal audit findings more than one year old have been resolved, bringing the enterprise into full compliance with the Board-approved Audit Resolution Policy.
- Instituted stronger Compliance Unity functionality to ensure timely filing of Form 700s. Staff training sessions were held to facilitate accurate completion.
- Held second session of Executive Diversity and Inclusion Journey Course in January 2012.
- Organization is operating within prescribed budget limits established by the Board.
- As of 12/31/11, 87% of managers and supervisors had completed risk management training. For workload reasons, Customer Service and Support staff were exempted from the first round of training. As of March 31, 2012, 95% of managers and supervisors had completed the training.