

2011-12 – 3rd QUARTER STATUS REPORT – Chief Investment Officer (J. Dear)

Quantitative Performance Measures

Total Fund Performance

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
70%	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	-296 bps {13.50 – 16.46}

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

Executive Leadership

Weight	Performance Measure
20%	<p><u>Leadership</u> - 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> <ul style="list-style-type: none"> By June 30, 2012, lead the Investment Office in the value creation, capacity building, and organization support for the Investment Office by: <ol style="list-style-type: none"> Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. Participating in training, communication, and recognition activities and events. <p><u>Teamwork</u> - 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> <ul style="list-style-type: none"> By June 30, 2012, lead cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk. <p><u>Succession Planning</u> - 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><u>Diversity and Inclusion</u> - 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><u>Executive/ Board Relations</u> - 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>

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	<p><u>Business Planning and Fiscal Management</u> - 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 cost-effective use of resources (i.e., operational expenses, equipment and staff resources) and contributes to the overall prudent management of CalPERS trust funds.</p> <p><u>Management of Risk</u> - 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.</p> <ul style="list-style-type: none"> • Conduct an asset liability management process that is transparent, allows input by multiple stakeholders and results in the development of sustainable asset allocation policy. • By June 30, 2012, present to the Board an enhanced risk aware framework to be used in future workshops on Asset/Liability management.
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3rd Quarter Status:

Leadership - Recognition accomplishments include holding a brown bag lunch, an all INVO staff forum, and an Ace Award reception. Made presentations to China Investment Corporation's (CIC) Annual Working Seminar in Beijing, ILPA GP-LP Roundtable, UCLA Anderson Private Equity Roundtable, "A Day at CalPERS" Welcome Session for Toigo Fellows, and Journal of Investment Management (JOIM) Conference. Attended and participated in the Council of Institutional Investors Board meeting (chair), Pacific Pension Institute (chair) 2012 Winter Roundtable, CalPERS Infrastructure Roundtable - Overcoming Impediment for Pension System Investment in Infrastructure, 2012 January Board/Executive Offsite and Executive Diversity & Inclusion Development Journey – Leaders Action Plan. During my trip to Beijing I met with various company leaders: New Horizon, KKR, National Social Security Fund, and CIC. I participated in meetings and property site visits with HINES, Center Point, Victoria South America Partners, Advent and Patria in Brazil. Conducted several meetings in Washington, D.C. with SEC Chairman, Senator Reed's office, and Senator Schumer's office. Met with PEI Journal, article published in February 2012. NY Times interview on private equity costs and returns.

Teamwork – Conducted 2 day training program in scenario planning and analysis for INVO Senior Leadership. Completed work on INVO Roadmap for 2012-13 at 1 day Executive Team Strategy Session. Participated in the Rapid Results 100 Day check-in. Conducted three 2011-2012 Roadmap Coffee Sessions with Investment staff. Conducted regular Investment Strategy Group meetings. Attended Deputies meetings with CEO and executive staff. Established an Asset Liability Decision Framework, Steering Committee that includes Investment and Actuarial staff. Meetings are conducted at least once a month.

Succession Planning – Focus on filling vacant SPM position in AIM and resolving issues with SIO for Risk Management/Asset Allocation. Held weekly huddle sessions with senior staff members. Conducted a calibration meeting with INVO senior staff to refine evaluation tools and identify performance improvement needs.

Diversity and Inclusion - The work plan for the legislatively mandated Five-Year Plan for Emerging Manager Participation has been approved. We expect to deliver the plan in August. We developed enhancements to the Investment Proposal Tracking System including new data fields in an effort to improve reporting of proposal submissions by diverse and emerging investment management firms. Completed contract negotiations for the expansion of Alternative Investment Management (AIM) Program Emerging Domestic Private Equity Manager Program.

Executive/Board Relations – Presented Rapid Results team Calendar Redesign Project, which implemented recommendations of the Board Governance Study. Accomplishments include:

- Reviewed the allocation of the IC's time and developed proposals for time allocation
- Developed a restructured Annual IC Calendar
- Established IC Agenda topic priority and frequency
- Redesigned Program Review format and content; and
- Customized IC Agenda template to align with the enterprise template.

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Made a joint presentation with the Actuarial Office on drawdown risk to the January Offsite. Conducted ARS workshop at the March Investment Committee meeting.

Business Planning and Fiscal Management - INVO is providing significant support to the major FINO work streams, including expense reporting, monthly close and Investment reconciliation. Assisted development of enterprise Business Plan.

Management of Risk – Conducted training session for the Board at the Offsite on the new risk reports as well as a session on using scenario planning to make qualitative risk assessments. MAC Partners Solicitation was completed. Due diligence will be completed on four firms in the next coming months.

Enterprise-wide Initiatives and Collaboration

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:

Audit finding backlog eliminated. Programs continue to be managed within budget. A core value is featured at each bi-monthly INVO Forum. Employee recognition target exceed through formal and informal activities and programs. Consultant contracts reduced by more than 5%.