



Agenda Item 5

June 11, 2012

ITEM NAME: 2012-2013 Performance Plans for the Chief Executive Officer and Chief Investment Officer

PROGRAM: Administration

ITEM TYPE: Action

RECOMMENDATION

Approve the 2012-2013 Performance Plans for the Chief Executive Officer and Chief Investment Officer

EXECUTIVE SUMMARY

This agenda item presents the 2012-2013 Performance Plans for the Chief Executive Officer and Chief Investment Officer.

BACKGROUND

The Board of Administration's Compensation Policies and Procedures include a schedule for approving incentive plans for the coming fiscal year. The 2012-2013 performance plans for the Chief Executive Officer and Chief Investment Officer are presented with this for approval.

ANALYSIS

CalPERS Business Plan

This year's executive plans reflect an alignment of the organization's highest enterprise priorities as outlined in the 2012-2014 CalPERS Business Plan, which focuses on three main priorities as follows:

- Leading in Retirement Security and Health Care
- Serving Our Customers: Today and Tomorrow
- Building Internal Strength

All executives have shared leadership accountability for executing these priorities. The priorities outlined in the business plan and performance plans will cascade down to all levels of executive and senior management staff in their objective setting process. The intent is to ensure that the entire management team is aligned and working together on the most critical organizational priorities.

Management Drivers

One significant change from the 2011-2012 performance plans is the absence of the Management Drivers for 2012-2013, which encompassed a number of key issues the organization wished to focus on in the last year such as: vacancy rate management, Form 700 compliance, required training, budget and contract management and staff

recognition. While these deliverables are no longer included in the performance plans, they remain priorities within the managerial responsibilities of all CalPERS executives and management staff.

Total Fund and Investment Roadmap

A change to the performance plan of the Chief Investment Officer is a reduction in the weighting of the quantitative Total Fund performance measure, to accommodate the Investment Roadmap initiative. In the Chief Investment Officer's 2011-2012 plan, the Total Fund measure was weighted 70%. For the 2012-2013 fiscal year, the weighting has been reduced to accommodate the addition of the Roadmap as a high priority qualitative measure, focused on improving investment performance while mitigating investment and operational risk.

This agenda item supports Goal III of the Strategic Plan, furthering CalPERS' commitment to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

BENEFITS/RISKS

If the 2012-2013 performance plans of the covered positions are not accepted, the associated risk would be non-compliance with the policy-required development for annual performance plans.

ATTACHMENTS

2012-2013 performance plans are attached in the following order:

1. Chief Executive Officer
2. Chief Investment Officer

KATRINA S. HAGEN, Chief
Human Resources Division

RUSSELL G. FONG
Acting Chief Financial Officer