2013-2014 PERFORMANCE PLAN – Chief Investment Officer (J. Dear)

All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Executive and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.

Investment Performance Measures

Weight	Factor	Investment Performance Measure	Incentive Schedule
50%	Investment Performance: Total Fund	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark	0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5
50%	Subtotal	Investment Performance Measures	

Business Objectives Performance Measures

Weight	Factor	Business Objectives Performance Measure	Incentive Schedule
40%	Business Objective: Enterprise Business Plan	By June 30, 2014, in support of the CalPERS 2013-14 Business Plan, improve CalPERS ability to achieve risk-adjusted investment returns ***<u>Goal A: Improve long-term pension and health benefit sustainability:</u>*** Fund the System through an integrated view of pension assets and liabilities: • Implement the objectives set forth for FY 2013-14 in the FY 2013-15 Investment Office Roadmap • In collaboration with the Actuarial Office, implement an integrated asset liability management framework to guide investment strategy and actuarial policy in order to actively manage and assess funding risk • Enable the Investment committee to make strategic, informed decisions by conducting Board education sessions designed to improve understanding of funding risk appetite, tolerances, targets and limits • Initiate the development of comprehensive portfolio risk management practices to measure, manage, and communicate investment risks Deliver target risk-adjusted investment returns by: • Restructure the portfolio to deliver consistent risk-adjusted investment returns • Lead the development of programs and initiatives that increase the operational efficiencies and cost effectiveness of the investment program to increase net returns on assets o Continue implementation and integration for internal portfolio management and Investment Book of Record solutions • Establish a total fund strategic approach focused on appropriate risk-adjusted returns for investment programs and policies that are designed to have positive impacts such	Significantly Exceeds Standards: 1.5 Exceeds Standards: 1.25 Meets Standards: 1.0 Meets Some, Not All Standards: .5 Does Not Meet Standards: 0

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2013-2014 PERFORMANCE PLAN – Chief Investment Officer (J. Dear)

		as identification of new investment manager talent, increased manager diversity, economic development and fair labor practices • Act as a liaison between the Investment Office and interested stakeholders including the elected officials, advocacy groups and labor organizations • Lead and support a culture that proactively identifies and acts to manage risk exposure *Goal B: Cultivate a high performing, risk-intelligent and innovative organization* Develop a robust risk-intelligent culture through enhanced governance, risk assessment and mitigation, and collaboration with stakeholders • In collaboration with the Financial Office o Design and implement systems and tools for appropriate reconciliation and allocation of investment expenses o Develop and implement improved Investment Reconciliation processes o Develop and implement quarterly fund reports *Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs* Clarify and communicate CalPERS perspective on pension, health and financial markets: • Lead the Board adoption of investment beliefs and incorporate into investment policy and decision making • Ensure CalPERS acts as an effective and principles investor by advocating corporate governance and financial market reform, leading efforts to integrate environmental and social risks into investment decision making and effectively engaging with portfolio companies and stakeholders	
10%	Business Objective: Leadership	By June 30, 2014,demonstrate industry and enterprise leadership by directing and influencing action and leading collaboration between INVO and CalPERS enterprise functions to accomplish: . • Recruit for the Chief Operating Investment Officer position • Develop succession plans for direct reports, staff training and mentoring, and talent management strategies that support diversity and inclusion • Lead and support implementation of priorities as identified in the 2013 Organizational Health Index Survey	Significantly Exceeds Standards: 1.5 Exceeds Standards: 1.25 Meets Standards: 1.0 Meets Some, Not All Standards: .5 Does Not Meet Standards: 0
50%	Subtotal	Business Objectives Measures	
100%	Total	Investment Performance and Business Objectives Measures	

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