

2014-15 PERFORMANCE PLAN – Interim Chief Investment Officer (T. Eliopoulos)

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
40%	Investment Performance: Total Fund	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPSTO2IC} *Cost-adjusted Benchmark	0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5
10%	Total Real Assets Performance	Return deviation in basis points relative to: {SW3CA2 - CPERSRAB}	0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5
50%	Subtotal	Investment Performance Measures	

Business Objectives Performance Measures

Rating Scale for All Qualitative Performance Measures				
Consistently Exceeds High Expectations		Meets High Expectations		Does Not Meet High Expectations
1.5	...	1.0	...	0
<i>Intermediate points are interpolated</i>				

Weight	Factor	Business Objectives Performance Measure
40%	Enterprise Business Plan	<p>By June 30, 2015, in support of the CalPERS 2014-16 Business Plan, improve CalPERS' ability to achieve risk-adjusted investment returns.</p> <p><u>Goal A: Improve long-term pension and health benefit sustainability</u> Fund the System through an integrated view of pension assets and liabilities:</p> <ul style="list-style-type: none"> • Enable the Investment committee to make strategic, informed decisions by conducting Board education sessions designed to improve understanding of benchmarks and the viability of implementing a risk-factor based allocation framework • Support ACTO the Actuarial Office in exploring Asset Allocation Options for Employers by partnering as necessary on the development of a feasibility study for multiple asset allocation options to assist employers in taking a more active role in managing investment risk. <p>Deliver target risk-adjusted investment returns:</p> <ul style="list-style-type: none"> • Implement the objectives set forth for FY 2014-15 in the FY 2014-16 Investment Office Roadmap (Attachment A to be finalized) <p><u>Goal B: Cultivate a high performing, risk-intelligent and innovative organization</u> Recruit, retain, develop and empower a broad range of talents against organizational priorities:</p> <ul style="list-style-type: none"> • In collaboration with the Human Resources Division, participate in the comprehensive review of all compensation programs and policies and to ensure the Boards' policies, philosophy and rationale remain appropriate and relevant. • Partner with identified business partners to help ensure success of the Business Plan initiatives, particularly: <ul style="list-style-type: none"> ○ HRSD– Workforce Strategic Plan implementation ○ FINO– Treasury Management ○ Strategic Risk Measures -ACTO/CSS/ITSB/HRSD/OFAS/OSSD/FINO/BPPP/LEGO/STRL/OERM

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Weight	Factor	Business Objectives Performance Measure
	Enterprise Business Plan, cont.	<p><u>Goal C: Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs</u></p> <p>Clarify and communicate CalPERS perspective on pension, health and financial markets:</p> <ul style="list-style-type: none"> • Develop financial market reform principles to influence global legislative and regulatory engagement and policy development • Support communication and outreach strategies that foster a greater understanding of investment beliefs and promote policy leadership through communication of CalPERS perspective on financial markets: • Partner with EXAB External Affairs Branch to foster the development of strategic partnerships
10%	Individual Leadership	<p>By June 30, 2015:</p> <ul style="list-style-type: none"> • Provide oversight and direction to the Investment Office and enhanced communication during the interim period with the Investment Committee Chair, Board President, CEO and Board Consultants • Lead collaboration between INVO the Investment Office and CalPERS enterprise functions • Present to the Investment Committee a review of Investment Belief implementation activities to date, including the development of a standard reporting template for Asset Classes (by September 30, 2014); • Present to the Investment Committee an assessment of CalPERS' approach and a discussion of alternative approaches to evaluate Investment Belief integration into the organization and investment decision-making process (by June 30, 2015). • Meet the Leadership Expectations as set forth in the CalPERS Executive Leadership Expectations Guide (Attachment B)
50%	Subtotal	
100%	Total	

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(Attachment A)

FY 2014-16 Investment Office Roadmap

To be added upon finalization

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CalPERS Executive Leadership Competencies

(Attachment B)

The CalPERS Executive Leadership team will exemplify these essential attributes and competencies in working together to achieve the strategic objectives of the organization while cultivating a risk intelligent culture:

Ethics and Integrity

- Exhibits ethical, honest and professional behavior at all time with all staff, customers, and stakeholders
- Chooses the right course of action, even in the face of opposition or influence
- Takes responsibility for own actions and for those of the group, team or organization
- Exemplifies the CalPERS core values of quality, respect, integrity, openness, accountability and balance

Building Coalitions

- Develops networks and builds alliances; collaborates with customers and stakeholders to build strategic relationships and address needs
- Creates and manages a positive perception of the organization and its programs and services
- Performs effectively in an open public setting and serves as a trusted advisor and educator to customers and stakeholders
- Builds relationships of trust, confidence, and respect with members of the Board
- Works effectively with the Board to develop and manage strategic initiatives that accomplish objectives and meet CalPERS fiduciary responsibility

Leading People

- Fosters an inclusive workplace that values diversity and respects and recognizes individual contributions
- Promotes continuous learning and the development of self and others to achieve maximum potential
- Fosters and maintains cooperative and productive relationships across all levels and functions
- Seeks to understand concerns, emotions, feelings, and differing viewpoints to resolve conflicts constructively
- Inspires commitment, pride and trust by modeling CalPERS core values
- Applies broad and extensive Executive/senior level management experience to establish and achieve strategic goals

Leading Change

- Formulates strategic goals and objectives and implements plans consistent with CalPERS long-term interests
- Builds a shared vision and influences others to translate vision into action
- Encourages new ideas and innovation; designs and implements new or cutting edge programs/processes
- Demonstrates maturity, resiliency and sound judgment when dealing with organizational challenges
- Cultivates a risk intelligent culture, and assesses and mitigates risk when making decisions or recommending organizational strategies and tactics

Results Driven

- Recognizes when a decision must be made and acts in a thoughtful and timely manner
- Makes decisions that produce high quality results by applying technical knowledge, analyzing problems and calculating risks
- Deals effectively with ambiguity and learns from success and failure
- Anticipates and meets the needs of both internal and external customers; delivers high-quality products and services
- Demonstrates Understands and ensures appropriate application of principles, strategies, requirements, regulations, and policies related to pension administration, health benefit purchasing and administration, financial markets and institutional investment programs

Business Acumen

- Strategically manages human, financial/investment, material and information resources and assets
- Understands the organization's financial processes and effectively manages program budgets using cost-benefit thinking to set priorities and achieve results
- Builds and manages the workforce based on organizational goals, budget considerations, and staffing needs
- Keeps up-to-date on technological developments and effectively uses technology to achieve results

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