



# Performance, Compensation and Talent Management Committee

California Public Employees' Retirement System

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## Agenda Item 5

June 16, 2015

**ITEM NAME:** 2015-2016 Performance Plans: Chief Executive Officer and Chief Investment Officer

**PROGRAM:** Administration

**ITEM TYPE:** Action

### **RECOMMENDATION**

Approve the 2015-2016 Performance Plans for the Chief Executive Officer and Chief Investment Officer.

### **EXECUTIVE SUMMARY**

This agenda item presents the 2015-2016 Performance Plans for the Chief Executive Officer and Chief Investment Officer.

### **STRATEGIC PLAN**

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. The Executive Compensation Program provides a means for recruiting and retaining highly-skilled executives to the benefit of the CalPERS organization as a whole.

### **BACKGROUND**

The Board of Administration's Compensation Policies and Procedures include a schedule for approving incentive plans for the upcoming fiscal year. The 2015-2016 performance plans for the Chief Executive Officer and Chief Investment Officer are presented with this agenda item for approval. The policy also requires that quantitative performance measures be reviewed by the Board's primary investment consultant. Wilshire Consulting's opinion letter is also included as an attachment.

### **ANALYSIS**

#### **CalPERS Strategic and Business Plans**

This year's executive plans reflect an alignment of the organization's highest enterprise priorities as outlined in the 2012-2017 Strategic Plan, which focuses on three main goals as follows:

- Goal A – Improve long-term pension and health benefit sustainability
- Goal B – Cultivate a high-performing, risk-intelligent and innovative organization
- Goal C – Engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs

All executives have shared leadership accountability for executing these goals. The work priorities outlined in the 2015-17 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.

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.

#### **BUDGET AND FISCAL IMPACTS**

The cost of performance awards and base pay adjustments that arise from the recommendations in this item will be funded from existing resources.

#### **BENEFITS/RISKS**

If the 2015-2016 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**

1. Chief Executive Officer's 2015-2016 performance plan
2. Chief Investment Officer's 2015-2016 performance plan
3. Wilshire Consulting Opinion Letter

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