

Proposed FY 2016-17 Performance Plan Chief Investment Officer

Weight	Metric	Payout % of Target	
40%	Total Fund Performance (7/1/12 – 6/30/17)	Variance (bps) from Benchmark	Payout Ratio
		+35	1.50 (150%)
		+30	1.41 (141.7%)
		+20	1.25 (125%)
		+5	1.00 (100%)
		0	.76 (76.3%)
		-15	.05 (5.0%)
20%	INVO CEM	Score	Payout Ratio
		Outperforms US Benchmark on Net Value Added (Returns) and Cost by 0.2% and 5 bps, respectively	1.50 (150%)
		Outperforms US Benchmark on Returns and Cost by .001% and 1 bps, respectively	1.0 (100%)
		Outperforms US Benchmark on Cost	.50 (50%)
		Outperforms US Benchmark on Returns	.50 (50%)
		Underperforms US Benchmark on Returns and Cost	0 (0%)
20%	Stakeholder Engagement	Score	Payout Ratio
		75%	1.50 (150%)
		73% to < 75%	1.25 (125%)
		71% to < 73%	1.0 (100%)
		69% to < 71%	.75 (75%)
		67% to < 69%	.50 (0%)
10%	Enterprise Operational Effectiveness (OOC ¹)	Score	Payout Ratio
		33.8%	1.50 (150%)
		34.3%	1.25 (125%)
		34.9%	1.0 (100%)
		35.9%	.75 (75%)
		36.4%	.50 (50%)
		>36.4%	0 (0%)

¹ "OOC" stands for *Overhead Operating Costs as a % of Total Operating Costs*

10%	Key Business Objectives	<table border="1"> <thead> <tr> <th data-bbox="773 205 1133 243">Score</th> <th data-bbox="1133 205 1321 243">Payout Ratio</th> </tr> </thead> <tbody> <tr> <td data-bbox="773 243 1133 281">Far Exceeds High Expectations</td> <td data-bbox="1133 243 1321 281">1.50 (150%)</td> </tr> <tr> <td data-bbox="773 281 1133 319">Meets High Expectations</td> <td data-bbox="1133 281 1321 319">1.0 (100%)</td> </tr> <tr> <td data-bbox="773 319 1133 357">Does Not Meet High Expectations</td> <td data-bbox="1133 319 1321 357">0 (0%)</td> </tr> <tr> <td colspan="2" data-bbox="773 357 1321 390"><i>Intermediate points are interpolated</i></td> </tr> </tbody> </table>	Score	Payout Ratio	Far Exceeds High Expectations	1.50 (150%)	Meets High Expectations	1.0 (100%)	Does Not Meet High Expectations	0 (0%)	<i>Intermediate points are interpolated</i>	
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100%	Total Plan Weight	<p>By June 30, 2017, in support of the CalPERS 2016-17 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"> • Build effective investment risk and performance attribution review and decision processes within and across asset classes to ensure risks are fully understood, intended, and compensated • Enhance the Capital Allocation framework through improved risk factor modeling and greater understanding and ownership of trust-level investment risk and performance <p>Deliver target risk-adjusted investment returns:</p> <ul style="list-style-type: none"> • Explore long-term planning considerations including private assets business model, talent management, and office locations • Develop enhanced governance and protocols to improve efficiencies and controls in assessing and engaging external managers and migrating additional asset types in house • Enhance cost effectiveness, resource allocation, and efficiency of the investment program to increase net returns on assets • Enhance the investment platform and internal controls environment to achieve optimum efficiency • Develop a framework for the integration of CalPERS Investment Beliefs and ESG risk considerations into the investment decision-making process, including completing the key deliverables and objectives targeted for the current fiscal year in the Global Governance ESG Strategic Plan approved by the Board in August 2016. <p>Implement the objectives set forth for FY 2015-17 in the FY 2016-17 Investment Office Roadmap.</p>										