



Performance, Compensation &
Talent Management Committee
Agenda Item 6

February 14, 2017

Item Name: Semiannual Status Reports on Performance Plans of the Chief Executive Officer and Chief Investment Officer

Program: Administration

Item Type: Action

Recommendations

1. Approve the Semiannual Status Reports on Performance Plans of the Chief Executive Officer and Chief Investment Officer
2. Approve Proposed Changes to the Performance Plan of the Chief Investment Officer

Executive Summary

This agenda item presents for Board action the Semiannual Status Reports for the 2016-17 fiscal year 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 Executive Compensation Policy requires that executives prepare a short status report on their respective performance plans for the Performance, Compensation and Talent Management Committee on a semiannual basis.

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.

Analysis

Attached are the status reports for the Chief Executive Officer and Chief Investment Officer for the period of July 1, 2016, through December 31, 2016.

In addition, slight modifications are proposed to the CIO's performance plan, shown in underline / strikeout format in Attachment 2. Currently, the CIO's plan contains the performance metrics adopted by the Board in August 2016, with the weights that were approved by the Board at that time. Slight modification to the weights of the metrics is recommended as follows:

- Reduce Investment Office CEM Metric Weight by 5%
- Reduce Stakeholder Engagement Metric Weight by 5%
- Increase Enterprise Operational Effectiveness Metric Weight by 10%

These three revisions maintain the CIO's key focus on all aspects of investment leadership, with the Total Fund and CEM measures comprising 55% of the plan; and increasing the weight of the Operational Effectiveness Metric reflects the CIO's shared responsibility for enterprise-wide efficiency efforts. In addition, the key priorities of the Leadership measure which are included in all other Deputy-level incentive plans have been added to the CIO's Key Business Objectives measure.

Budget and Fiscal Impacts

The cost of performance awards and base pay adjustments that arise from the recommendations in this item during the year-end performance evaluation process have been addressed through the annual budget process and will be funded from existing resources.

Benefits and Risks

Status reports provided to the Board demonstrate identifiable progress made to date on the organizational priorities stated in the Strategic and Business Plans, helping to identify potential challenges and mitigation strategies.

If the 2016-17 semiannual status reports on performance plans for covered positions are not accepted, the associated risk would be non-compliance with the Board's Executive Compensation Policy.

Attachments

Attachment 1 – Semiannual Status Report of the Chief Executive Officer
Attachment 2 – Semiannual Status Report of the Chief Investment Officer

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