



INCENTIVE PLAN | Fiscal Year 2017-18

Name: Marcie Frost

Position: Chief Executive Officer

KEY BUSINESS OBJECTIVES

Weight	Key Business Objectives		
25%	<p>Organizational Leadership Through June 30, 2018, provide organizational leadership in support of the following priorities:</p> <ul style="list-style-type: none"> • Board Support • Open and Transparent Communication / Building Relationships • Efficient and Effective Organization • Supportive and Engaged Leadership • Customer Satisfaction Driven Organization • Team Member Engagement 	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>	

INCENTIVE METRICS

Weight	Metric		
15%	<p>Total Fund Performance (7/1/13 – 6/30/18) The Total Fund Performance Metric is measured based on fund performance against the policy benchmark for the five-year period of July 1, 2013, through June 30, 2018.</p>	Variance (bps) from Benchmark	Payout Ratio
		+35	1.50
		+30	1.41
		+20	1.25
		+5	1.00
		0	.76
		-15	.05
		< -15	.00
15%	<p>Stakeholder Engagement The Stakeholder Engagement Metric for 2017-18 is based on results of the following three Stakeholder Engagement Survey questions:</p> <ul style="list-style-type: none"> • Is CalPERS sensitive to the needs of Stakeholders? • Does CalPERS do a good job of keeping its stakeholders informed? • On a scale of one to ten, how would you rate CalPERS being effective in engaging and communicating with stakeholders? 	Score	Rating
		75%	1.50
		73% to < 75%	1.25
		71% to < 73%	1.00
		69% to < 71%	.75
		67% to < 69%	.50
		< 67%	0.00

INCENTIVE METRICS (Cont.)

Weight	Metric																
10%	<p>Investment Office CEM The 2017-18 annual participation in the CEM benchmarking (CEM) survey analyzes CalPERS' investment costs and return performance over a five-year period against a customized peer group.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d9e1f2;">Score</th> <th style="background-color: #d9e1f2;">Rating</th> </tr> </thead> <tbody> <tr> <td>Outperforms US Benchmark on Net Value Added (Returns) and Cost by 0.2% and 5 bps, respectively</td> <td>1.50</td> </tr> <tr> <td>Outperforms US Benchmark on Returns and Cost by .001% and 1 bps, respectively</td> <td>1.00</td> </tr> <tr> <td>Outperforms US Benchmark on Cost or Outperforms US Benchmark on Returns</td> <td>.50</td> </tr> <tr> <td>Underperforms US Benchmark on Returns and Cost</td> <td>0.00</td> </tr> </tbody> </table>	Score	Rating	Outperforms US Benchmark on Net Value Added (Returns) and Cost by 0.2% and 5 bps, respectively	1.50	Outperforms US Benchmark on Returns and Cost by .001% and 1 bps, respectively	1.00	Outperforms US Benchmark on Cost or Outperforms US Benchmark on Returns	.50	Underperforms US Benchmark on Returns and Cost	0.00					
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15%	<p>Customer Service The Customer Service Metric for 2017-18 is based on the following two Service Dimensions:</p> <ul style="list-style-type: none"> • Percentage of benefit payments issued to our customers within established service levels • Customer service with CalPERS services as measured by surveys and other methods 	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d9e1f2;">Score</th> <th style="background-color: #d9e1f2;">Payout Ratio</th> </tr> </thead> <tbody> <tr> <td>75%</td> <td>1.50 (150%)</td> </tr> <tr> <td>73% to < 75%</td> <td>1.25 (125%)</td> </tr> <tr> <td>71% to < 73%</td> <td>1.0 (100%)</td> </tr> <tr> <td>69% to < 71%</td> <td>.75 (75%)</td> </tr> <tr> <td>67% to < 69%</td> <td>.50 (0%)</td> </tr> </tbody> </table>	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%)			
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20%	<p>Enterprise Operational Effectiveness The Enterprise Operational Effectiveness Metric for 2017-18 is defined as Overhead Operating Costs as a percentage of Total Operating Costs ("OOC").</p> <ul style="list-style-type: none"> • Total Overhead Operating Costs ("OOC") identify all administrative costs not mapped directly to Product and Service Delivery Operating Costs ("PSDOC") • $OOC = OOC / (OOC + PSDOC)$ 	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d9e1f2;">Score</th> <th style="background-color: #d9e1f2;">Rating</th> </tr> </thead> <tbody> <tr> <td><-1.1%</td> <td>1.50</td> </tr> <tr> <td>-1.1% to -0.6%</td> <td>1.25</td> </tr> <tr> <td>-0.6% to 0.0%</td> <td>1.00</td> </tr> <tr> <td>0.0% to 1.0%</td> <td>.75</td> </tr> <tr> <td>1.0% to 1.5%</td> <td>.50</td> </tr> <tr> <td>>1.5%</td> <td>0.00</td> </tr> </tbody> </table>	Score	Rating	<-1.1%	1.50	-1.1% to -0.6%	1.25	-0.6% to 0.0%	1.00	0.0% to 1.0%	.75	1.0% to 1.5%	.50	>1.5%	0.00	
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