



INCENTIVE PLAN | Fiscal Year 2017-18

Name: Ted Eliopoulos

Position: Chief Investment Officer

INCENTIVE METRICS

Weight	Metric		
40%	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.	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%	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.	Score	
		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
15%	Stakeholder Engagement The Stakeholder Engagement Metric for 2017-18 is based on results of the following three Stakeholder Engagement Survey questions: <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	
		75%	1.50
		73% to < 75%	1.25
		71% to < 73%	1.00
		69% to < 71%	.75
		67% to < 69%	.50
		< 67%	0.00
10%	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"). <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) 	Score	
		<-1.1%	1.50
		-1.1% to -0.6%	1.25
		-.06% to 0.0%	1.00
		0.0% to 1.0%	.75
		1.0% to 1.5%	.50
		>1.5%	0.00

KEY BUSINESS OBJECTIVES

Weight	Key Business Objectives	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>	
10%	<p>Deliverables: By June 30, 2018, in support of the CalPERS 2018-18 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 2017-18 in the FY 2017-18 Investment Office Roadmap.</p>		
10%	<p>Leadership <i>2017-18 language in development. To be added upon receipt of CEO approval.</i></p>		
100%	Total Plan Weight		