


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.	<table border="1"> <thead> <tr> <th>Variance (bps) from Benchmark</th> <th>Payout Ratio</th> </tr> </thead> <tbody> <tr> <td>+35</td> <td>1.50</td> </tr> <tr> <td>+30</td> <td>1.41</td> </tr> <tr> <td>+20</td> <td>1.25</td> </tr> <tr> <td>+5</td> <td>1.00</td> </tr> <tr> <td>0</td> <td>.76</td> </tr> <tr> <td>-15</td> <td>.05</td> </tr> <tr> <td>< -15</td> <td>.00</td> </tr> </tbody> </table>	Variance (bps) from Benchmark	Payout Ratio	+35	1.50	+30	1.41	+20	1.25	+5	1.00	0	.76	-15	.05	< -15	.00	
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15% 10%	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.	<table border="1"> <thead> <tr> <th>Score</th> <th>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%	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? 	<table border="1"> <thead> <tr> <th>Score</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>> 75%</td> <td>1.50</td> </tr> <tr> <td>> 73% to 75%</td> <td>1.25</td> </tr> <tr> <td>> 71% to 73%</td> <td>1.00</td> </tr> <tr> <td>> 69% to 71%</td> <td>0.75</td> </tr> <tr> <td>> 67% to 69%</td> <td>0.50</td> </tr> <tr> <td>≤ 67%</td> <td>0.00</td> </tr> </tbody> </table>	Score	Rating	> 75%	1.50	> 73% to 75%	1.25	> 71% to 73%	1.00	> 69% to 71%	0.75	> 67% to 69%	0.50	≤ 67%	0.00			
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10% 5%	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) 	<table border="1"> <thead> <tr> <th>Score</th> <th>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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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>Business Plan and Investment Office Roadmap By June 30, 2018, in support of the CalPERS 2018-18 Business Plan, improve CalPERS' ability to achieve risk-adjusted investment returns.</p> <p>Goal A: Improve long-term pension and health benefit sustainability 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% 20%	<p>Organizational Leadership Through June 30, 2018, provide organizational leadership, decision-making, and reliable fund stewardship in support of the following Strategic Outcome Measures:</p> <p>Open and Transparent Communication</p> <ul style="list-style-type: none"> • Set and exemplify standards for respectful, candid, and transparent communication; and • Be open and accessible, working towards solutions in collaborative ways. <p>Efficient and Effective Organization</p> <ul style="list-style-type: none"> • Support the CalPERS work environment's high levels of accountability and focus on cost-effectiveness without negative consequences to service levels; and • Participate in and support ongoing Workforce Planning efforts. <p>Supportive and Engaged Leadership</p> <ul style="list-style-type: none"> • Participate in the development of current and future leaders through: <ul style="list-style-type: none"> ○ Informal mentoring and continued leadership development at all levels; and ○ Participation in and support of the completion of mandatory leadership training. • Create clear links between performance and consequences, including: <ul style="list-style-type: none"> ○ Timely completion of probationary reports and EPADs; ○ Holding team members accountable for poor performance and behavior; and ○ Rewarding team members for displaying positive behavior and exceptional performance. <p>Customer Satisfaction Driven Organization</p> <ul style="list-style-type: none"> • Support the development of a comprehensive understanding of customer needs, expectations, and employees' connection to customer satisfaction; and • Support an environment in which employees work to improve processes and focus on delivering upon customer expectations. <p>Team Member Engagement</p> <ul style="list-style-type: none"> • Support efforts to create an environment where team members can thrive in a culture of inclusion, opportunity and representation; and • Instill a positive work culture where CalPERS is seen as a destination employer. 		
100%	Total Plan Weight		