

CalPERS Executive Compensation Policy: Discretionary Performance Adjustments

Option A:

Discretionary Modifier adjustments will be administered as follows:

- The PCTMC will have the ability to exercise discretion in modifying any earned awards for the performance criteria based on the above for the CEO.
- The PCTMC will have the ability to exercise discretion in modifying any earned award for the CIO, based upon the recommendation of the CEO.
- The CEO will have discretion to modify any incentive award for direct reports and participants reporting up to the direct reports (other than the CIO).
- The CIO will have the discretion to modify any incentive award for direct reports and participants reporting up through the direct reports.
- Any discretion exercised by the CEO and CIO will ultimately need to be disclosed to the PCTMC as part of the annual incentive award determination process.

Discretion can be exercised in the following situations:

- An award can be adjusted downward by either 50% or eliminated entirely, based on non-adherence to CalPERS's risk management principles, policies, process, or procedures. Whether it is 50% or entire award elimination is based on the severity of non-adherence relative to CalPERS's documented principles, policies, process, or procedures.
- An award can be adjusted upward by meaningful increments of 20%, 25%, 50%, or 100% (not to exceed 150% of target incentive opportunity) based on qualitative individual contributions. Discretionary adjustments may not exceed the maximum incentive opportunity; in the event an adjustment exceeds the maximum incentive opportunity, the incentive award will be limited to the maximum incentive opportunity. An award can be adjusted downward by meaningful increments of 20%, 25%, 50%, or eliminated altogether for individual performance. These adjustments will be made based on the overall performance evaluation process, and will take into account qualitative factors such as performance relative to CalPERS's culture and values; leadership; extraordinary contributions, efforts, or results; development and successful implementation of business or stakeholder imperatives; or strategic workforce activities involving succession planning, retention and flight risk, or talent supply or development.

Option B:

Discretionary Modifier adjustments will be administered as follows:

- The PCTMC will have the ability to exercise discretion in modifying any earned awards for the performance criteria based on the above for the CEO.
- The PCTMC will have the ability to exercise discretion in modifying any earned award for the CIO, based upon the recommendation of the CEO.
- The CEO will have discretion to modify any incentive award for direct reports and participants reporting up to the direct reports (other than the CIO).
- The CIO will have the discretion to modify any incentive award for direct reports and participants reporting up through the direct reports.
- Any discretion exercised by the CEO and CIO will ultimately need to be disclosed to the PCTMC as part of the annual incentive award determination process.

Discretion can be exercised in the following situations:

- An award can be adjusted downward by either 50% or eliminated entirely, based on non-adherence to CalPERS's risk management principles, policies, process, or procedures. Whether it is 50% or entire award elimination is based on the severity of non-adherence relative to CalPERS's documented principles, policies, process, or procedures.
- An award can be adjusted upward by any percentage 25%, 50%, or 100% (not to exceed 150% of target incentive opportunity) based on qualitative individual contributions. Discretionary adjustments may not exceed the maximum incentive opportunity; in the event an adjustment exceeds the maximum incentive opportunity, the incentive award will be limited to the maximum incentive opportunity. An award can be adjusted downward by any percentage 25%, 50%, or eliminated altogether for individual performance. These adjustments will be made based on the overall performance evaluation process, and will take into account qualitative factors such as performance relative to CalPERS's culture and values; leadership; extraordinary contributions, efforts, or results; development and successful implementation of business or stakeholder imperatives; or strategic workforce activities involving succession planning, retention and flight risk, or talent supply or development.