



**INCENTIVE PLAN | Fiscal Year 2017-18**

**Name:** Ted Eliopoulos

**Position:** Chief Investment Officer

**INCENTIVE METRICS**

Weight	Metric		
40%	<b>Total Fund Performance</b> (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
<del>15%</del> 10%	<b>Investment Office CEM</b> 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	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 Underperforms US Benchmark on Returns	.50
		Underperforms US Benchmark on Returns and Cost	0.00
15%	<b>Stakeholder Engagement</b> 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"> <li>Is CalPERS sensitive to the needs of Stakeholders?</li> <li>Does CalPERS do a good job of keeping its stakeholders informed?</li> <li>On a scale of one to ten, how would you rate CalPERS being effective in engaging and communicating with stakeholders?</li> </ul>	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
<del>10%</del> 5%	<b>Enterprise Operational Effectiveness</b> 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"> <li>Total Overhead Operating Costs ("OOC") identify all administrative costs not mapped directly to Product and Service Delivery Operating Costs ("PSDOC")</li> <li>OOC = OOC / (OOC + PSDOC)</li> </ul>	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

## 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><b>Business Plan and Investment Office Roadmap</b> By June 30, 2018, in support of the CalPERS 2018-18 Business Plan, improve CalPERS' ability to achieve risk-adjusted investment returns.</p> <p><b>Goal A: Improve long-term pension and health benefit sustainability</b> Fund the System through an integrated view of pension assets and liabilities:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Enhance the Capital Allocation framework through improved risk factor modeling and greater understanding and ownership of trust-level investment risk and performance</li> </ul> <p>Deliver target risk-adjusted investment returns:</p> <ul style="list-style-type: none"> <li>• Explore long-term planning considerations including private assets business model, talent management, and office locations</li> <li>• Develop enhanced governance and protocols to improve efficiencies and controls in assessing and engaging external managers and migrating additional asset types in house</li> <li>• Enhance cost effectiveness, resource allocation, and efficiency of the investment program to increase net returns on assets</li> <li>• Enhance the investment platform and internal controls environment to achieve optimum efficiency</li> <li>• 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.</li> </ul> <p>Implement the objectives set forth for FY 2017-18 in the FY 2017-18 Investment Office Roadmap.</p>		
<del>10%</del> 20%	<p><b>Organizational Leadership</b> Through June 30, 2018, provide organizational leadership, decision-making, and reliable fund stewardship in support of the following Strategic Outcome Measures:</p> <p><b>Open and Transparent Communication</b></p> <ul style="list-style-type: none"> <li>• Set and exemplify standards for respectful, candid, and transparent communication; and</li> <li>• Be open and accessible, working towards solutions in collaborative ways.</li> </ul> <p><b>Efficient and Effective Organization</b></p> <ul style="list-style-type: none"> <li>• Support the CalPERS work environment's high levels of accountability and focus on cost-effectiveness without negative consequences to service levels; and</li> <li>• Participate in and support ongoing Workforce Planning efforts.</li> </ul> <p><b>Supportive and Engaged Leadership</b></p> <ul style="list-style-type: none"> <li>• Participate in the development of current and future leaders through: <ul style="list-style-type: none"> <li>○ Informal mentoring and continued leadership development at all levels; and</li> <li>○ Participation in and support of the completion of mandatory leadership training.</li> </ul> </li> <li>• Create clear links between performance and consequences, including: <ul style="list-style-type: none"> <li>○ Timely completion of probationary reports and EPADs;</li> <li>○ Holding team members accountable for poor performance and behavior; and</li> <li>○ Rewarding team members for displaying positive behavior and exceptional performance.</li> </ul> </li> </ul> <p><b>Customer Satisfaction Driven Organization</b></p> <ul style="list-style-type: none"> <li>• Support the development of a comprehensive understanding of customer needs, expectations, and employees' connection to customer satisfaction; and</li> <li>• Support an environment in which employees work to improve processes and focus on delivering upon customer expectations.</li> </ul> <p><b>Team Member Engagement</b></p> <ul style="list-style-type: none"> <li>• Support efforts to create an environment where team members can thrive in a culture of inclusion, opportunity and representation; and</li> <li>• Instill a positive work culture where CalPERS is seen as a destination employer.</li> </ul>		
100%	<b>Total Plan Weight</b>		