

Inventory of Proposed Policy Changes (March 2018)

Page references refer to the Redline version of the Policy as displayed in Attachment 2.

1. **Policy Title** | Page 1 and 3
Updated the title to more accurately describe the purpose of the document – to provide the policy framework that guides the administration of the compensation program for covered executives and investment management professionals.
2. **Covered Positions** | Page 4
 - Renamed covered position categories to clarify Executive Management Positions (includes CEO and all covered Deputy positions) and Investment Management Positions.
 - Added narrative to encompass any future amendments to the covered positions listed in Government Code Section 20098.
3. **Base Pay Ranges** | Page 6
Combined the second and fourth bullet points.
4. **Determining Base Pay Ranges** | Page 6
Revised introductory paragraph to clarify current policy of determining the target quartile for salary survey purposes at the time a survey is conducted.
5. **Salary Surveys** | Page 7
Additional language to identify the implementation date of any new or revised base pay range to be determined by the Board at the time the new or revised range is approved.
6. **Base Pay Upon Appointment** | Page 8
Removed consideration of an individual's current compensation in determining base pay upon appointment to comply with recent law changes prohibiting salary history inquiries (AB 168).
7. **Elements of Annual Incentive Plan** | Pages 9-10
 - Streamlined narrative covering the distribution of Organizational Performance Outcomes and Individual Key Business Objectives on Annual Incentive Plans.
 - Removed information on the Discretionary Modifier and added reference to additional information in the *Discretionary Performance Adjustments* section on page 20.
8. **Annual Incentive Plan Cycle** | Page 10
Removed Quarterly Approval of Annual Incentive Plan Changes, with corresponding language for changes to be addressed on an as needed basis, described in more detail in *Status Reports and Plan Changes* on page 12.
9. **Development of Annual Incentive Plan** | Page 11
Streamlined information and removed redundant material in the approval table under "Timeframe."

10. Status Reports and Plan Changes | Page 12

- Moved semiannual status reporting timeframes from the approval table into the narrative since it encompasses all positions.
- Revised information on changes to incentive plan measures to better reflect current practice.

11. Incentive Award Ranges | Page 14-15

- Added clarifying narrative to identify requirements for alternate incentive award ranges (applies to Investment Manager and Investment Director classifications only).
- Added a footnote to reflect the current practice of allowing newly appointed Investment Directors who held the 0-75% incentive award range as an Investment Manager to retain the range upon promotion.

12. Movement Between Incentive Award Ranges (Investment Directors and Investment Managers Only) | Page 16

- Streamlined approval information for movement between incentive award ranges and removed procedural information.
- Revised criteria for consideration of award range change to reflect more relevant categories.

13. Incentive Award Calculation (Investment Returns & Metrics) | Page 17-19

Consolidated several sample payout tables for incentive metrics into one sample table for Investment Return Payout and one sample table for Incentive Metric Payout.

14. Discretionary Performance Adjustments | Page 20-21

- Updated the Discretionary Modifier provision to incorporate changes approved by the Board in February 2018. Also updated the formatting to move approval authority information into a table, consistent with other parts of the Policy.
- Amended the final approval authority for discretion exercised on Investment Management positions to be the CEO (based upon recommendation of the CIO), consistent with delegations of authority and other policy provisions.
- Added "Board retains veto authority" for the direct reports to the CEO, consistent with delegations of authority.

15. Action Upon Unsatisfactory Performance | Page 25

Clarified vague terminology related to the current practice of withholding a participant's incentive award in the event they receive an Overall Performance Rating of "Does Not Fully Meet Standards."

16. Action Upon Separation | Page 25

Clarified language to reflect the current practice of defining award eligibility upon separation from employment to require the individual to be employed by CalPERS on the "date the awards are approved by the Board," instead of on the "payment date."

17. **Special Within-Range Base Pay Adjustment – Investment Management Positions** | Page 25
Updated section subtitle and revised criteria for consideration of special within-range adjustment to reflect more relevant categories.
18. **Special Within-Range Base Pay Adjustment – Executive Positions** | Page 25
Updated section subtitle and removed redundant timeframe information from the approval table.
19. **Interim Appointments** | Page 26
Streamlined narrative to focus on interim appointments and remove reference to acting assignments, which are not impacted by the Policy.
20. **Recruitment Differential** | Page 27
Moved information on recruitment differential payback requirements from the approval table into the narrative description.
21. **Annual Incentive Award Determination Process** | Page 28
Expands the pool of qualified vendors to perform review and validation of Organizational Performance Outcomes, and better defines the type of information requiring validation prior to award payout.
22. **General Cleanup**
Changes were made throughout the Policy document to correct grammar and punctuation, as well as maintain consistency in terminology and titles (e.g., abbreviations or acronyms). These changes are administrative and non-substantive in nature and have been accepted in the document to improve readability of the other redline changes.