



# Performance, Compensation & Talent Management Committee

## Agenda Item 6a

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**August 14, 2018**

**Item Name:** 2018-19 Incentive Metric Recommendations

**Program:** Administration

**Item Type:** Action

### **Recommendation**

Approve or provide direction on proposed incentive metrics for fiscal year 2018-19.

### **Executive Summary**

This item presents an overview of the five incentive metrics for review by the Performance, Compensation, and Talent Management Committee (Committee). No changes are being proposed to three of the five metrics. Alternatives for two of the incentive metrics are being provided for the Committee's selection and approval. Any changes to the incentive metrics will be effective for fiscal year 2018-19.

### **Strategic Plan**

This agenda item supports CalPERS' Strategic Goal to promote a high-performing and diverse workforce in the 2017-22 Strategic Plan. The Executive Compensation Program provides a means for recruiting, retaining, and empowering highly-skilled executives to meet our organizational priorities.

### **Background**

In August 2016, the Board's Primary Executive Compensation Consultant, Eric Gonzaga with Grant Thornton LLP (Consultant), presented performance metrics for Board approval. The Board approved five metrics, including: Total Fund Performance, Investment Office CEM, Customer Service, Stakeholder Engagement, and Enterprise Operational Effectiveness. These metrics were included in the 2016-17 and 2017-18 fiscal year incentive plans of the CEO and Deputy-level positions.

The incentive metrics were implemented with a recommendation by the Consultant to review them annually with an intent to make necessary adjustments to the metrics and/or scoring ranges for each forthcoming fiscal year.

## **Analysis**

Team members worked with the Consultant to review the metrics and determine whether adjustments may be necessary for fiscal year 2018-19 implementation. It was determined three of the five metrics should continue as currently designed. Those are: 1) Total Fund Performance; 2) Investment Office CEM; and 3) Customer Service. It was determined scoring range changes for the Stakeholder Engagement metric should be considered to align with the recently implemented Key Performance Indicator aspirations. It was also determined an adjustment should be made to the Enterprise Operational Effectiveness Metric.

At today's meeting, the Consultant will present the findings and recommendations for the Committee's consideration. Attachment 1 includes an overview of the metrics and changes being proposed. Any changes approved by the Committee will become effective for the 2018-19 fiscal year.

## **Budget and Fiscal Impacts**

The cost of the incentive awards that arise from the recommendations in this item will be funded from existing resources.

## **Benefits and Risks**

The incentive metrics were intended to be reviewed annually for incentive compensation purposes. The Committee's annual review of these metrics and other policy provisions serves to ensure incentive goals are aligned with the Board's organizational priorities for the executive and investment management teams. Without a periodic and systematic review, there is a risk of misalignment with the overarching goals of the organization.

## **Attachments**

Attachment 1 – Presentation Slides

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