



INCENTIVE PLAN SEMIANNUAL UPDATE | Fiscal Year 2018-19

Name: Marcie Frost

Position: Chief Executive Officer

ORGANIZATIONAL LEADERSHIP PRIORITIES

WEIGHT	MEASURE	SCORING	
25%	Through June 30, 2019, provide organizational leadership in support of the following priorities: <ul style="list-style-type: none">Board SupportOpen and Transparent Communication / Building RelationshipsEfficient and Effective OrganizationSupportive and Engaged LeadershipCustomer Satisfaction Driven OrganizationTeam Member Engagement	Score	Rating
		Far Exceeds High Expectations	1.50 (150%)
		Meets High Expectations	1.0 (100%)
		Does Not Meet High Expectations	0 (0%)
		Intermediate points are interpolated	
Semiannual Update			
Board Support			
<ul style="list-style-type: none">Weekly dialogs with most board members continue as a means of information flow between the board and the organization, including standing meetings with the Board President on strategic updates and agenda setting.The team continues to assist board members who are traveling to meetings and investor events in preparing talking points, speeches, etc. This has helped to ensure consistent communication and information about CalPERS approved policies and strategies.Developed the Insights Project to better align committee and board meeting agenda items and content to meet the needs of the board and within the delegated authority granted to staff. Developed a strategic calendar, with anticipated agenda items being communicated 12-18 months in advance. Designed and are prototyping a content management solution for ease of accessing prior agenda items and their information.Providing support for the Board's work with National Association of Corporate Directors and their biennial survey and identified workplans.Assisting in the onboarding of new trustees.			



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Semiannual Update (Continued)

Open and Transparent Communication / Building Relationships

- Outlined CalPERS priorities and challenges before the League of CA Cities Mayors and Council Members Executive Forum, California School Employees Association, National Association of State Retirement Administrators, Chartered Financial Analysts Society of Sacramento, RPEA, NCPERS, California Special Districts Association, The West Investors Annual Meeting, Inclusive Capitalism, California School Board Association, California Society of Municipal Finance Officers, California Women Lead Panel, and CalPERS Benefit Education Events.
- Authored an opinion in CalMatters titled "California must keep its promise to our public servants" and Capitol Weekly titled "CalPERS' will keep its promise to dedicated public servants."
- Met with leadership in the cities of Escondido, Carlsbad, Riverside, Rancho Cucamonga and Ontario.
- Hosted an Elected Officials Forum for the first time at the 2018 Educational Forum.

Efficient and Effective Organization

- Continuing to integrate Lean principles into the culture of how we perform work at CalPERS, including more than 20 projects spanning multiple business areas to find opportunities to enhance service and reduce complexity.
- Continuing to expand Lean training with over 33 percent of the team members now certified as Lean White Belts.
- Expanded the use of the enterprise position pooling, aligning resources to the greatest need.

Supportive and Engaged Leadership

- Continued to on board new Chief Financial Officer and new Chief Investment Officer.
- Continued daily huddles with the team to ensure cross communication and focus on organizational priorities.
- Implemented a book club with the team as a means of ongoing leadership education.



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Semiannual Update (Continued)

Customer Satisfaction Driven Organization

- Maintaining exceptional customer service delivery, with all Key Performance Indicators meeting and mostly exceeding targets.
- Improved service level performance for processing service purchase costing requests from 53% within 90 days to 94% within 90 days.
- Overall customer satisfaction rate of 95%, reflecting a positive customer experience across our core processes.
- Issued 96% of benefit payments within services level timeframes, exceeding our established target.
- Launched a new mobile Health Benefits Open Enrollment App. Key functionality included health plan statements and a tool to find and compare medical plans. Additionally, the app allowed retired members to change, add or remove dependents.

Team Member Engagement

- Continued monthly "Midday with Marcie" CEO lunches with team members across the organization.
- Hosted a Café Happy Hour with Board President Priya Mathur on the importance of diversity and inclusion in the organization and in my personal and professional life.
- Conducted second Enterprise Engagement Survey, 71% of team members participated an increase from 2017. Continued to focus on Enterprise Accountability as well as Senior and Executive Leader Relationships. The Accountability score went up 10 points moving it into the high performing category. Senior and Executive Leader Relationships went down 1 point and remained in the average performance category. We will continue to focus on these two areas for the year.



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INCENTIVE METRICS

WEIGHT	MEASURE	SCORING	
15%	Total Fund Performance The Total Fund Performance Metric is measured based on fund performance against the policy benchmark for the five-year period of July 1, 2014, through June 30, 2019.	Variance (bps) from Benchmark	Payout Ratio
		+35	1.50 (150%)
		+30	1.41 (141.7%)
		+20	1.25 (125%)
		+5	1.00 (100%)
		0	0.76 (76.3%)
		-15	0.05 (5%)
		< -15	0.00 (0%)
Payout ratio for intermediate results will be determined by interpolation.			
20%	Enterprise Operational Effectiveness The Enterprise Operational Effectiveness Metric for 2018-19 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"); excludes Board and Third-Party Administrator CostsOOC = OOC / (OOC + PSDOC)	Score	Payout Ratio
		< -1.1%	1.50 (150%)
		-1.1% to < -0.6%	1.25 (125%)
		-0.6% to 0.0%	1.00 (100%)
		> 0.0% to 1.0%	0.75 (75%)
		> 1.0% to 1.5%	0.50 (50%)
		> 1.5%	0.00 (0%)
15%	Customer Service The Customer Service Metric for 2018-19 is based on the following two Service Dimensions: <ul style="list-style-type: none">Benefit Payment Timeliness: Percentage of benefit payments issued to our customers within established service levelsCustomer Satisfaction: Customer service with CalPERS services as measured by surveys and other methods	Score	Payout Ratio
		≥ 95%	1.50 (150%)
		94% to < 95%	1.25 (125%)
		92% to < 94%	1.00 (100%)
		90% to < 92%	0.75 (75%)
		88% to < 90%	0.50 (50%)
		< 88%	0.00 (0%)
15%	Stakeholder Engagement The Stakeholder Engagement Metric for 2018-19 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?	Score	Payout Ratio
		> 82%	1.50 (150%)
		> 80% to 82%	1.25 (125%)
		> 78% to 80%	1.00 (100%)
		> 76% to 78%	0.75 (75%)
		> 74% to 76%	0.50 (50%)
		≤ 74%	0.00 (0%)



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WEIGHT	MEASURE	SCORING	
10%	Investment Office CEM The 2018-19 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	Payout Ratio
		Outperforms US Benchmark on Net Value Added (Returns) <u>and</u> Cost by 0.2% and 5 bps, respectively	1.50 (150%)
		Outperforms US Benchmark on Returns <u>and</u> Cost by .001% and 1 bps, respectively	1.00 (100%)
		Outperforms US Benchmark on Cost <u>or</u> Outperforms US Benchmark on Returns	0.50 (50%)
		Underperforms US Benchmark on Returns <u>and</u> Cost	0.00 (0%)
100%	TOTAL PLAN WEIGHT		