

## **Inventory of Policy Updates and Proposed Revisions (Effective July 1, 2019)**

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

**The following updates have been incorporated throughout the Policy based on prior Board actions and are not displayed in redline format:**

1. **Chief Health Director, Chief Operating Officer** (multiple pages)  
Added Chief Health Director and Chief Operating Officer positions, where applicable throughout the Policy, as amended in Government Code section 20098 effective January 2019. The Board approved base pay and incentive ranges for the Chief Operating Officer position in December 2018, and for the Chief Health Director in February 2019, also reflected in applicable sections.
2. **Current Base Pay and Incentive Ranges** | Pages 6, 12  
Revised base pay and incentive ranges for investment management positions, as approved by the Board in February 2019. Also removed the “Movement Between Incentive Award Ranges” section since it is no longer applicable due to consolidation of incentive ranges by classification approved by the Board in February 2019.

**Proposed revisions related to program administration (displayed in redline format in Attachment 2):**

1. **Tax Section** | Page 5  
Added by recommendation of outside tax counsel to highlight policy administration and interpretation intended to comply with applicable Internal Revenue Code provisions.
2. **Base Pay Increase and Merit Matrix** | Pages 7-8  
Revised the annual base pay increase “merit matrix” to a purely performance-based system, regardless of quartile position in the salary range, based on recommendation of the board’s primary executive compensation consultant. This change mitigates potential issues associated with acceleration and deceleration of pay increases based on an individual’s position in the salary range.
3. **Elements of Annual Incentive Plan** | Pages 8-9  
Revised to clarify original intent of policy provision precluding any covered position from having fund performance included in their incentive plan based on their role/responsibility to provide an independent check of financial functions or investment compliance oversight.
4. **Status Reports and Plan Changes** | Pages 11-12  
Revised language to clarify independent check role involved in the review of performance plan changes related to investment returns.

5. **Incentive Award Ranges** | Page 12  
Revised to clarify existing methodology for setting the “target” for incentive award ranges. Also added information on incentive range maximums and CEO’s authority to set alternate ranges based on differing roles and responsibilities with the organization.
6. **Incentive Award Calculation** | Page 13-14  
Revised to calculate an individual’s annual incentive award based on the fiscal year a participant begins employment in a covered position. Mitigates the inheritance of performance pre-dating an employee’s appointment date.
7. **Discretionary Performance Adjustments** | Page 15  
Revised language to clarify existing provision and its intention.
8. **Authority to Defer, Reduce, or Eliminate** | Pages 16-18  
Added and revised language as recommended by outside tax counsel to clarify provisions around deferred compensation.
9. **Action Upon Unsatisfactory Performance** | Page 18  
Strengthened language to clarify existing policy requirement of meeting performance standards and compliance with CalPERS principles, policies, and procedures to be eligible for award payout.
10. **Continued Employment Requirement** | Pages 19  
Revised to include actions for situations of separation and impacts to incentive award payout as recommended by outside tax counsel.
11. **Time of Payment** | Page 19  
Added section to clarify time of payment requirements in relation to the “Tax Section” (Page 5) as recommended by outside tax counsel.