



**INCENTIVE PLAN | Fiscal Year 2019-20**

**Name:** Marcie Frost

**Position:** Chief Executive Officer

**SUMMARY OF INCENTIVE PLAN MEASURES AND WEIGHTS**

Plan Weight	Measure	Page
15%	Total Fund Performance	1
20%	Enterprise Operational Effectiveness	1
10%	Investment Office CEM	2
15%	Customer Service	2
15%	Stakeholder Engagement	2
25%	Organizational Leadership Priorities	3-6

**INCENTIVE METRICS**

**Total Fund Performance (15% plan weight)**

The Total Fund Performance Metric is measured based on fund performance against the policy benchmark for a five-year period. An individual's five-year period begins the first fiscal year they are in the program and have an incentive plan, adding additional years until five years are reached. Payout ratio for intermediate results will be determined by interpolation.

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%)

**Enterprise Operational Effectiveness (20% plan weight)**

The Enterprise Operational Effectiveness Metric for 2019-20 is defined as Overhead Operating Costs as a percentage of Total Operating Costs ("OOC").

- 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 Costs
- $OOC = OOC / (OOC + PSDOC)$

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%)



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**Investment Office CEM (10% plan weight)**

The 2019-20 annual participation in the CEM benchmarking 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) <b>and</b> Cost by 0.2% and 5 bps, respectively	1.50 (150%)
Outperforms US Benchmark on Returns <b>and</b> Cost by .001% and 1 bps, respectively	1.00 (100%)
Outperforms US Benchmark on Cost <b>or</b> Outperforms US Benchmark on Returns	0.50 (50%)
Underperforms US Benchmark on Returns <b>and</b> Cost	0.00 (0%)

**Customer Service (15% plan weight)**

The Customer Service Metric for 2019-20 is based on the following two Service Dimensions:

- Benefit Payment Timeliness: Percentage of benefit payments issued to our customers within established service levels
- Customer 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%)

**Stakeholder Engagement (15% plan weight)**

The Stakeholder Engagement Metric for 2019-20 is based on results of the following three Stakeholder Engagement Survey questions:

- 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
> 83%	1.50 (150%)
> 81% to 83%	1.25 (125%)
> 79% to 81%	1.00 (100%)
> 77% to 79%	0.75 (75%)
> 75% to 77%	0.50 (50%)
≤ 75%	0.00 (0%)



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**KEY BUSINESS OBJECTIVES**

**Organizational Leadership Priorities (25% plan weight)**

Through June 30, 2020, provide organizational leadership in support of the following priorities:

- Board Support
- Open and Transparent Communication / Building Relationships
- Efficient and Effective Organization
- Supportive and Engaged Leadership
- Customer Satisfaction Driven Organization
- Team Member Engagement

*Scoring Information:* A single rating will be given for the above Organizational Leadership Priorities measure, based on the following table (intermediate points are interpolated):

Score	Rating
Far Exceeds High Expectations	1.50 (150%)
Meets High Expectations	1.0 (100%)
Does Not Meet High Expectations	0 (0%)

**Mid-Year Update: Organizational Leadership Priorities**

**Board Support**

- Assisted in the onboarding of new trustees.
- Weekly dialogs with most board members as a means of information flow between the organization and the board, including standing meetings with the Board President on agenda setting and strategic updates.
- Continued to refine the Insights Project to better align committee and board meeting agenda items and to meet the needs of the board within the delegated authority granted to management. Implemented and refining a content management solution to increase ease of accessing agenda material, linking to prior actions, educational material, and the strategic Asset Liability Management calendar.
- Supported the board’s work with the National Association of Corporate Directors and the various workplans that came out of the biennial survey.
- The team continues to assist board members who are traveling to meetings and investor conferences in preparing talking points and speeches. This has continued to help ensure consistent communication and information sharing about CalPERS approved policies and strategies.



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**Open and Transparent Communication / Building Relationships**

- Keynote speech before the United Nations Global Investors for Sustainable Development Alliance on sustainable development goals.
- Attended the Euro Climate Change Conference at the Vatican, regarding Climate Action 100+ sustainability and growing economies, only US public fund invited.
- Participated at the top1000funds Fiduciary Investors Symposium on sustained wellness/longevity assisted by technology.
- Outlined CalPERS priorities and challenges facing the system before the League of California Cities, Orange County Employees Retirement System, Association of California Cities – Orange County, California School Board Association, League of California Cities Municipal Finance Institute, Service Employees International Union, California Business Roundtable, California Retailers Association, Peace Officers Research of California, NCPERS Public Pension Funding Forum and CNBC’s Squawk Box.
- Executive Employer visits with the Cities of Brea, Yuba, Chico, County of Riverside, San Diego Water Authority.
- Hosted the second Elected Officials Forum for the Educational Forum.

**Efficient and Effective Organization**

- Continue to expand Lean training with over 57 percent (1,538) of team members now certified as Lean White Belts.
- Continuing to integrate Lean principals into the culture of how we perform our work with 17 lean projects spanning multiple business areas to find opportunities to reduce complexity, improve processes, and enhance service to members.
- Continuing to expand the use of position pooling within the enterprise, aligning resources to the greatest need.

**Supportive and Engaged Leadership**

- Continue to onboard the Chief Health Director and Chief Investment Officer and begin to onboard the Deputy Executive Officer over Customer Support Services.



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- Continuing daily huddles with the executive team to ensure cross communication and focus on organizational priorities.
- Continuing the leadership book club with the executive team as part of our ongoing leadership education.
- Kicked-off the third cohort of the Emerging Leader Program.

### **Customer Satisfaction Driven Organization**

- Developed and launched Pension Outlook tool to make it easier for employers to view paydown scenarios and to better understand their options.
- Implemented the California Employers' Pension Prefunding Trust, allowing public employers a new trust to prefund their future pension costs.
- Maintained exceptional customer service delivery, with key performance indicators meeting and mostly exceeding targets.
- Issued 96 percent of benefit payments within service level timeframes, exceeding our established target.
- Benefit payment accuracy was 99 percent.
- Member and employer education satisfaction was 96 percent.



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### Team Member Engagement

- Conducted the third Enterprise Engagement Survey, with a 79 percent team member participation rate, which was an 8 percent increase from 2018 and 9 percent increase from 2017. Employee engagement was 63.5 percent, up 4.6 percent from the prior year. There was continued focus on Accountability which was 65 percent, up 3 percent; and Senior and Executive Management Relationships which was 56 percent, up 3 percent. Based upon the methodology from the third-party provider, organizations with scores above 60 percent are considered high performing. Our employee experience or net promoter score was 33.9, up from 33 and well above the benchmark average of 3.3. We will continue to focus on these two areas this year with an emphasis on explaining the rationale or why behind business decisions that are made.
- Continue to host monthly "Midday with Marcie" CEO lunches with team members across the organization.