Compensation Study

Incentive Metrics Proposals

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Contents

Grant Thornton serves as the Board of Administration's consultant on compensation matters. The concepts and strategies reflected in this document were developed by Grant Thornton through our discussions and meetings with the Board and select representatives of management (staff) and our independent assessment of CalPERS's situation. Staff's role in this process was limited to responding to our data requests or providing feedback.

* Subject to guidance provided by the Performance, Compensation and Talent Management Committee ("PCTMC")

Report Summary

Business Case for Change

Suggested actions reinforce business strategy and incentive-based risk mitigation strategies ("best practice")

Area	Strategic Alignment	Incentive-based Risk Enhancements*
Metrics	• Outcome-oriented metrics, focusing on mission, operating efficiency, stakeholders or Investment Office ("INVO") operating priorities • Enterprise-wide perspective	• Multiple metrics increase difficulty of "gaming" or excessive risk taking • Blended (quantitative and qualitative) metrics ensure structure is not overly rigid or inflexible
Weights	• Customized by level and influence • Meaningful shared accountabilities	• No single metric has undue influence over incentive award opportunities or outcomes
Performance Standards (Goals)	• Balanced perspective (internal/external) • Extend investment performance period, improving alignment with investment cycle • Objective assessments (transparency) • Continuous improvement	• Balanced perspective (internal/external) • Extend investment performance period, allowing additional time for adverse risk outcomes to be identified before incentive awards are paid • Reduce the behavioral risks associated with the incentive curve for investment performance
Discretion	• +/- adjustments for high impact contributions difficult to quantify	• Risk-based adjustment to compensation • Response strategies for negative absolute returns
Policy	• Approved actions will result in Policy changes to be reviewed in August (redlined)	

*Suggested risk enhancements identified in today's document or in prior discussions for potential implementation in FY16-17 or FY17-18 are fully consistent with "best practice" risk-based incentive strategies identified in the Board of Governors of the Federal Reserve System's "Incentive Compensation Practices: A Report on the Horizontal Review of Practices at Large Banking Organizations (October 2011)"

Suggested Action Items

1. **Approval of FY16-17 Incentive Metrics**
    - 1.1. Operating Efficiency
    - 1.2. INVO Cost Effective Measurement ("CEM")
    - 1.3. Total Fund Investment Returns
    - 1.4. Stakeholder Engagement/Customer Service
    - 1.5. Eligibility for Key Business Objectives and Discretionary Adjustments Policy Amendments
2. **Approval of FY16-17 Incentive Framework for CEO and CIO**
    - 2.2. Metrics
    - 2.3. Weights
3. **Approval of Policy Amendments to support Suggested Actions**
    - 3.1. Investment Performance Measurement Periods
    - 3.2. Negative Absolute Performance
    - 3.3. Eligibility for Key Business Objectives
    - 3.4. Discretionary Performance Adjustments to Incentive Awards

Incentive Metric Proposals

Metric selection considered critical strategic outcomes and organizational readiness

- **Grant Thornton identified a universe of over 20 potential metrics by speaking to colleagues involved in the development of the maturity model for CalPERS's Strategic Plan (Ward Melhuish), discussions with the Board's investment advisors, and by gathering Staff feedback**
  - — Please refer to the Appendix for a list of the universe of potential incentive metrics
- **Suggested FY16-17 metrics reflect our views on meaningful (and transparent) measures of success that can be easily implemented with minimal disruption or distraction**

Customized Performance Categories and Incentive Metrics for CalPERS		FY16-17 Incentive Metrics	FY17-18 Incentive Metrics
Mission	Investment Performance	●	●
	Health Care		●
Operation Effectiveness	Operational Effectiveness	●	●
	INVO Cost Effective Measurement ("CEM")	●	●
Stakeholders	Customer Service (Members and Employers)	●	●
	Stakeholder Engagement (Members, Employers and Employees)	●	●

  - — Key Business Objectives (as a standalone metric or modifier) and negative discretionary adjustments for non-adherence to risk management principles or adverse risk outcomes will supplement FY16-17 metrics

1.1. Operational Effectiveness

Context for Metric Selection

- **CalPERS is not ready for Enterprise CEM implementation for FY16-17**
  - — Early stage development
  - — Requires customization so that health care considerations are captured
  - — Over-reliance on relative assessments ignores the trade-offs between complexity/cost, service levels, and size (members, assets under management, service offerings)
    - ▪ Collateral benefit of Enterprise CEM is assessing appropriates of new or services or strategies through the lens of complexity, which goes hand-in-hand with cost
  - — One-year lag in results vs. current performance and the period over which incentives are earned
  - — Investment Office's CEM effort is more mature and ready for implementation for FY16-17

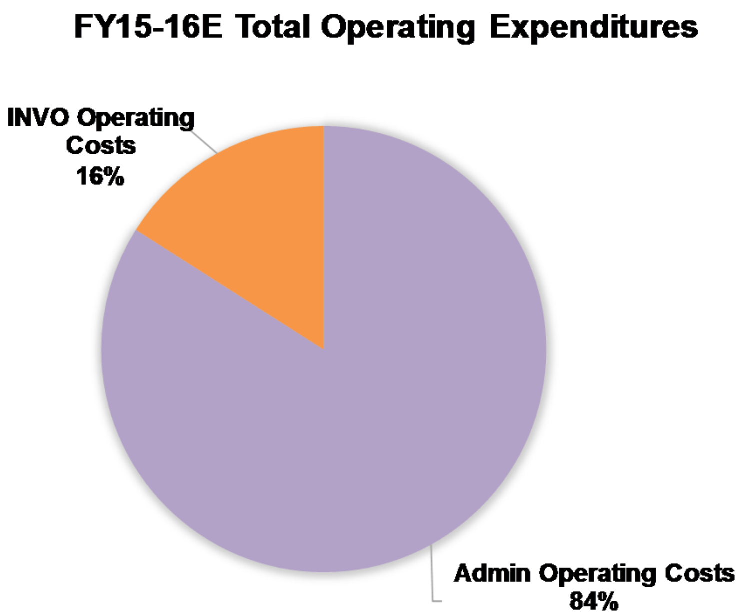
- **Suggested Action: Operational Effectiveness Metric = Operating or Overhead Operating Costs**
  - — Key expense categories/components in total cost structures (e.g., Budget or operating model)
  - — Staff dictates how funds are allocated and the resulting benefits of investment (efficiency)
  - — Transparent, actionable, and promotes enterprise focus (behavioral change)

Operating Expenditures vs. Overhead Operating Costs Side-by-Side

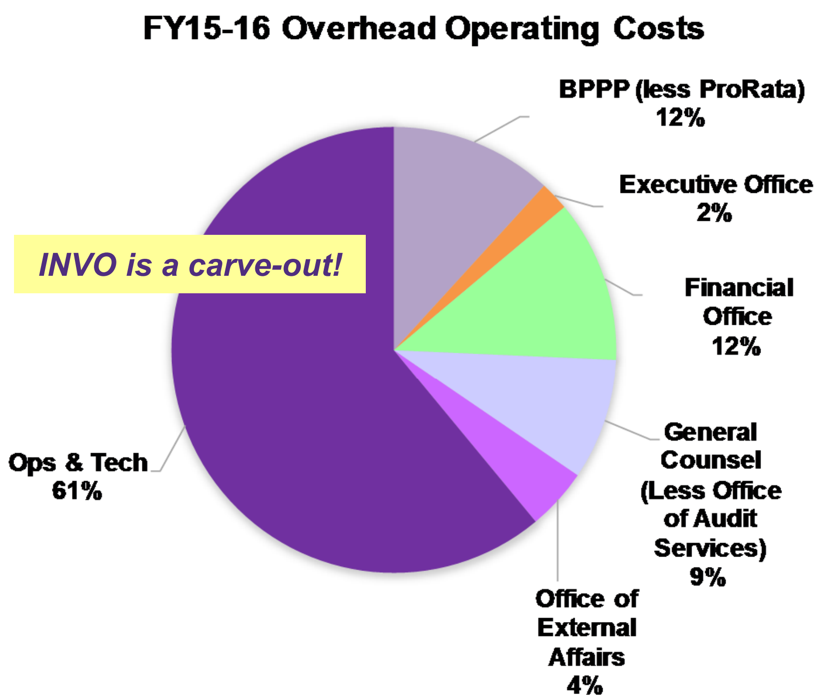
	Total Operating Expenditures ("TOE")	Overhead Operating Costs ("OOC")
Definition	• Sum of all Administrative and Investment Office costs, as reported in Budget • TOE sub-components appear on next slide	• Sum of all indirect costs not assigned specifically to a product or service that directly supports members or employers • OOC sub-components appear on next slide
Performance Focus	• Cost management and efficiency in absolute terms and in relation to total costs within Budget framework	• Back office efficiency • Effectiveness of prior investments made to enhance efficiency
Potential Incentive Metric Applications	• TOE vs. Budget • TOE Year-over-Year Change • TOE in relation to Total Expenditures, representing CalPERS's total cost structure • Measure as "TOEP", defined as Total Operating Expenditures as a Percentage of Total Expenditures	• OOC vs. Total [Administrative] Operating Costs ("TOC"), representing the sum of (1) Overhead and (2) Product and Service Delivery Costs • Measure as "OOCP", defined as Overhead Operating Costs as a Percentage of TOC
Key call-outs	• Unplanned expenses and asset-based fees, incentives and profit sharing can distort the picture as it relates to performance • Control for unplanned expenses and asset-based expenses through PCTMC approved adjustments	• Isolates and focuses on back office activities • "Improvement" will not adversely affect service levels • Adjustments will control for unintended outcomes (list of adjustments is reduced, as INVO is excluded from OOC)

Profile of Total Operating Expenditures and Overhead Operating Costs

"TOE" reflects Budget process



"OOC" reflects operating structure

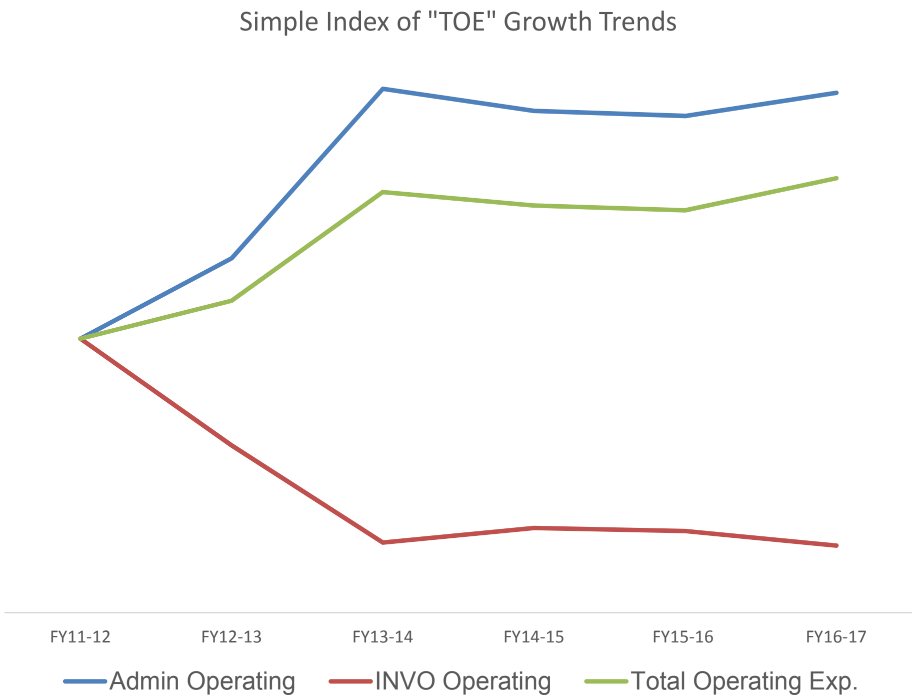


"BPPP" means Benefits Programs Policy and Planning

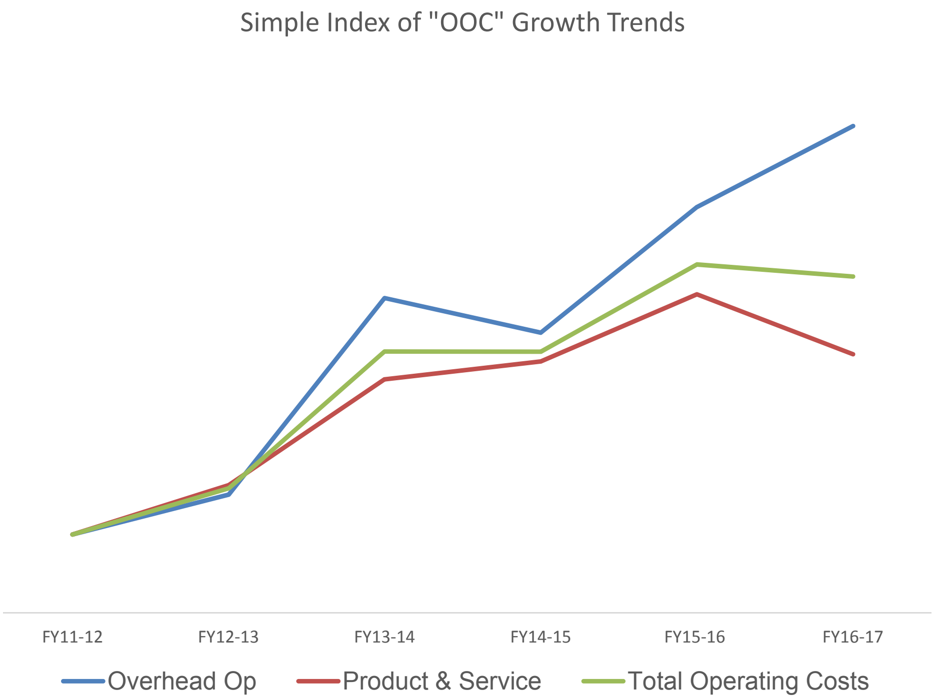
1.1. Operational Effectiveness

Profile of Growth Trends

"TOE" fairly constant since FY13-14 "reset"



"OOC" better reflects reality



1.1. Operational Effectiveness

Preferred approaches to measuring Op. Effectiveness

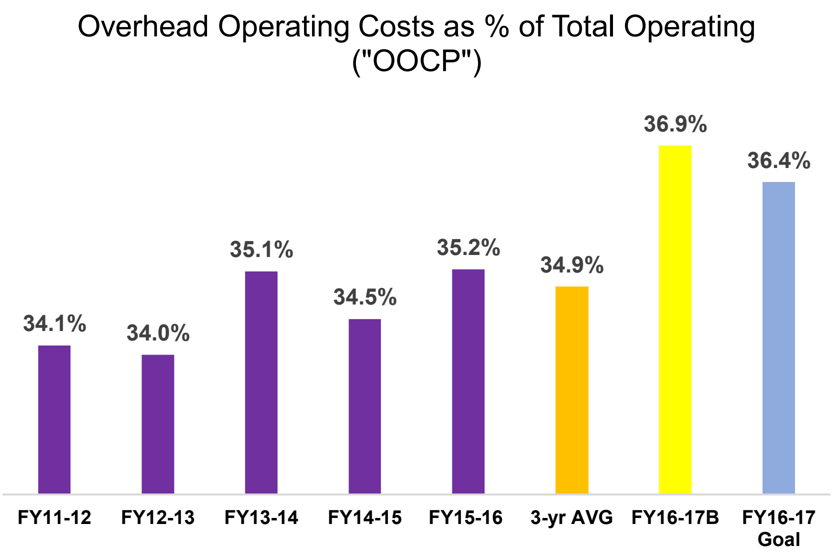
Suggested Action
OOCP vs. Goal

	#1: TOE vs. Budget	#3: Change in TOE	#3: TOEP vs. Goal	#4: OOCP vs. Goal
Message	• Keep an eye on costs in relation to budget	• Year-to-year continuous improvement; • Realize promised benefits of efficiency-focused investments	• Focus on efficiency in absolute terms and in relation to total expenditures	• Manage controllable costs vs. stated percentage goals • Realize promised benefits of efficiency-focused investments
Advantages	• Budget is ready to go! • Easy to understand • Transparent • Enterprise focus	• No reliance on budget • Simplified goal setting process that lends itself to timeless standards (e.g., maintain fixed % goals each year) • Self-corrects over time • Enterprise focus	• No reliance on budget • Indexing TOE to total expenditures allows flexibility in how Staff attains goal • Enterprise focus	• No reliance on budget • Captures all costs of pension (DB, DC) and health care administration • Strips out highly variable INVO costs and asset value fees, incentives, and profit sharing • Cost reduction strategies do not affect service levels • Allows for evaluation of past decision making (investments) • Enterprise focus
Disadv.	• TOE in relation to Budget is not a good indicator of success • Business as usual "feel" • Perception of gaming • Discretionary adjustments could be viewed as unfair	• Motivation to "do the right thing" potentially will be compromised • Impact of unplanned costs, requires adjustments	• Requires goal setting • Other initiatives or changes in asset values affect results • Complexity • Cost reduction strategies could reduce service levels • Adjustments (same as #2)	• Requires goal setting • Increases complexity given reliance on two inputs • New metric specific to incentive needs (although results are reflected in part of Staff report out to Board) • Adjustments (same as #2)

OOCP Performance Goals and Payout Matrix

Suggested Action: OOCP Goals

Performance Level	OOCP Perf. Goals	Methodology	Incentive Award Payout %
Maximum	33.9%	Target *less* 250 bps	150%
One-up	34.9%	3-yr AVG (Target *less* 150 bps)	125%
Target	36.4%	FY16-17 Budget (B) *less* 50 bps	100%
One-down	36.9%	FY16-17B	75%
Threshold	37.9%	FY16-17B *plus* 150 bps	50%
Below Threshold	>37.9%	Below Threshold	0%



Definitions
"OOC" means Overhead Operating Costs
"PSDOC" means Product and Service Delivery Operating Costs
"Total" is the sum of OOC and PSDOC

	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17B
OOC	185.1	189.8	213.1	209.0	223.8	233.4
PSDOC	357.7	369.0	393.2	397.2	412.6	398.9
Total	542.8	558.8	606.2	606.2	636.4	632.3

Suggested Cost Adjustments for Incentive Calculations

Suggested Action: Adjustments 1-3

1) **Exclude non-budgeted payments required by "new" FLSA overtime requirements**
   — One-time non-recurring adjustment resulting from new regulations
2) **Exclude non-budgeted costs incurred as a result of restructurings or reorganizations**
3) **In addition to or in lieu of 1-3, each year Staff will recommend adjustments to control for extraordinary items and the corresponding business case solely for the purpose of incentive awards**

Business Case for Inclusion as Incentive Metric

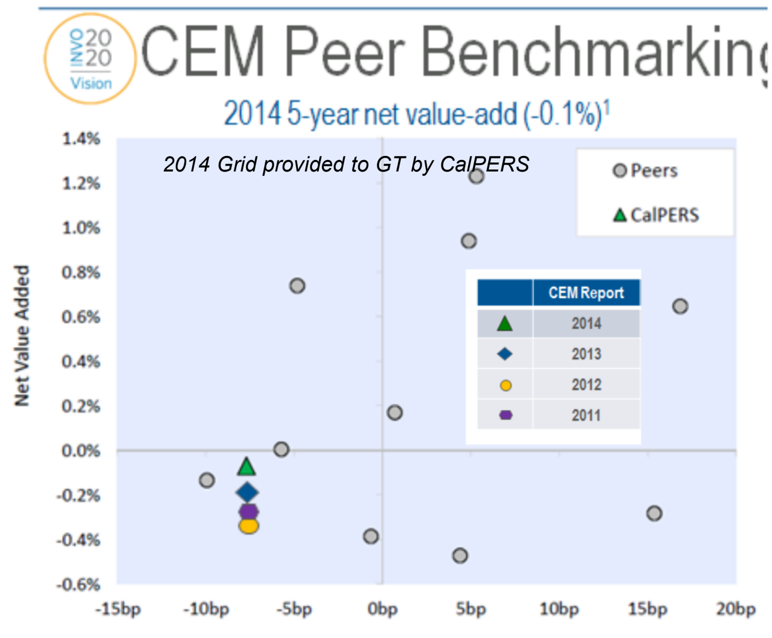
Generation of cost effective and risk appropriate returns are performance priorities for INVO

- **INVO CEM calculated using relative comparisons of Cost and five-year Net Value Added**
  - — Cost and performance are equally weighted, providing insights on cost effective returns
  - — One-year lag in performance with current period; CEM consultant develops results independent of Staff using data that will need to be validated through the audit process
  - — Cost focus means INVO CEM affects rolls up to Enterprise CEM and Operational Effectiveness
  - Performance assessments consider US Benchmark and "Global Leaders" Benchmark (14 largest public pension managers, sovereign wealth funds)
  - Adverse risk outcomes will increase costs and decrease performance, enhancing the motivation to generate risk appropriate returns
- **Incentive award opportunity ranges from 0-150% of target award**
  - — Maximum (150%) only attainable if CalPERS outperforms US and Global Benchmarks
  - — 0/50/100/125% attained for performance vs. US Benchmark (recognizes that Global Leaders have operating cost advantages as compared to US peers
- **Suggested weightings for CEO and CIO: 15% and 20%, respectively**
  - — Weights discussion begins on Slide 31

Methodology and Linkage to Incentive Strategy

Suggested Action
INVO CEM Methodology

Suggested Action
INVO CEM Payout Grid



INVO CEM Payout Grid as % of Target

Net Value Added (Bold Line identifies 0)

150% Outperforms Global, including US	
125% Outperforms US Benchmark on Cost (5 bps) and Net Value Added (+0.2%)	**50%** Outperforms US Benchmark on Returns
100% Outperforms US Benchmark on Cost and Returns	
50% Outperforms US Benchmark on Cost	**0%** Underperforms US Benchmark on Cost and Return

Variance (bps) in Cost Per Unit (Bold Line identifies 0)

Comments

- Intersection of Bold Lines represents performance and cost neutrality vs US Peers
- Area above the horizontal Bold Line identifies performance-advantaged performance variance with US Peers
- Area left of vertical Bold Line identifies cost-advantaged variance with US Peers
- Performance/returns defined as five-year Total Fund
- Payout percentages determined by step function identified in Payout Grid (no interpolation)

1.3. Total Fund Performance

Aligning FY16-17 Incentive Payouts with Mission

No change in concept (variance in Total Fund Performance vs. Policy Benchmark Performance). Suggest three changes in methodology to enhance risk sensitivity of incentive awards

Suggested Action: Investment performance measurement period = five years (not three years)

- Applies to performance periods beginning on or after the start of FY16-17
- Better reflects investment cycle and CalPERS's long-term investment horizon
- Allows additional time for adverse risk outcomes to be identified before awards are paid
- At lower participant levels, asset class performance will be measured over five years; public assets at the individual portfolio level will continue to be measured over three years

Suggested Action: Inter-period weights = equally weighted (no overweight of final year)

- Rolling average performance reduces motivation and opportunity to take excessive risks in final year to improve performance and, ultimately, incentive award
- At lower participant levels, rolling average convention also will be applied

Aligning FY16-17 Incentive Payouts, continued.

No change in concept, continued.

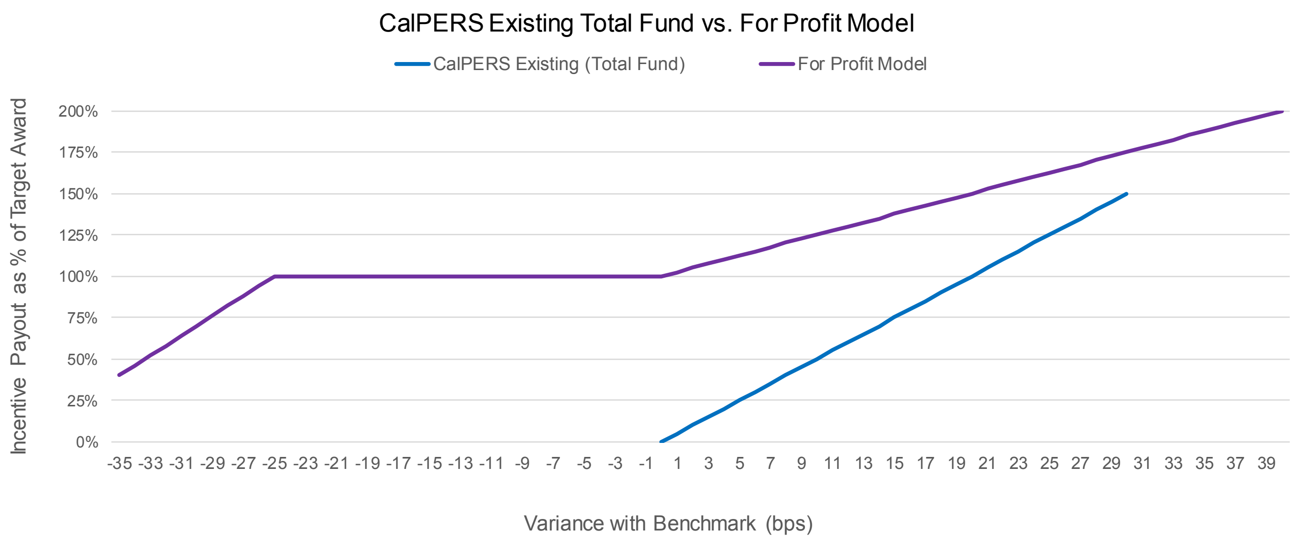
Suggested Action: Expand incentive curve, changing its slope

- Objective: discourage motivation for participants to take excessive risks
- Beating the benchmark often means taking risks that others are unwilling to take
- CalPERS's existing performance range (variance from benchmark of 0 to +30 bps) sends an explicit message to "beat the benchmark"
  - — CIO and other participants must exceed the benchmark to receive an incentive award (0 variance = 0 value)
  - — CalPERS's participants must exceed the benchmark by +10 bps, +20 bps, and +30 bps to earn an incentive award equal in value to 50%, 100%, and 150% of the target award – market practice typically involves setting a broadly defined performance range so that target reflects multiple points on the incentive curve (including negative to zero variance) and lower and upper bounds that are reasonably and rarely attained (threshold and maximum) over an extended period of time
- Existing slope is steeper (riskier) than what we typically observe, including for profit organization practices (see a comparison of CalPERS with The PNC Financial Services Group on following slide)
  - — CalPERS incentive award value increases 5% for every 1 bps improvement in performance
  - — Participants could be motivated to excessive risks at any point on or near the incentive curve – e.g., take risk to close gap with Threshold (0 bps) to avoid a payout of the incentive award; take risk at target to attain maximum payout (variance is 10 bps)

1.3. Total Fund Performance

Existing Curve

Significant positive variance from the benchmark identifies risks that others are unwilling to take; significant negative variance typically identifies risks that are not fully recognized, issues with risk management, or poor execution of investment strategy



CalPERS Existing (Total Fund)		
Range	**Variance**	**Payout %**
Maximum	30 bps	150%
Target	20 bps	100%
Threshold	0 bps	0%
Slope		5.0%

Incentive increases by 5% for every 1 bps increase in performance

For Profit Model		
Range	**Variance**	**Payout %**
Maximum	40 bps	200%
Target	-25 to 0	100%
Threshold	-35 bps	40%
Slope (Threshold to Target)		6.0%
Slope (Target to Maximum)		2.5%

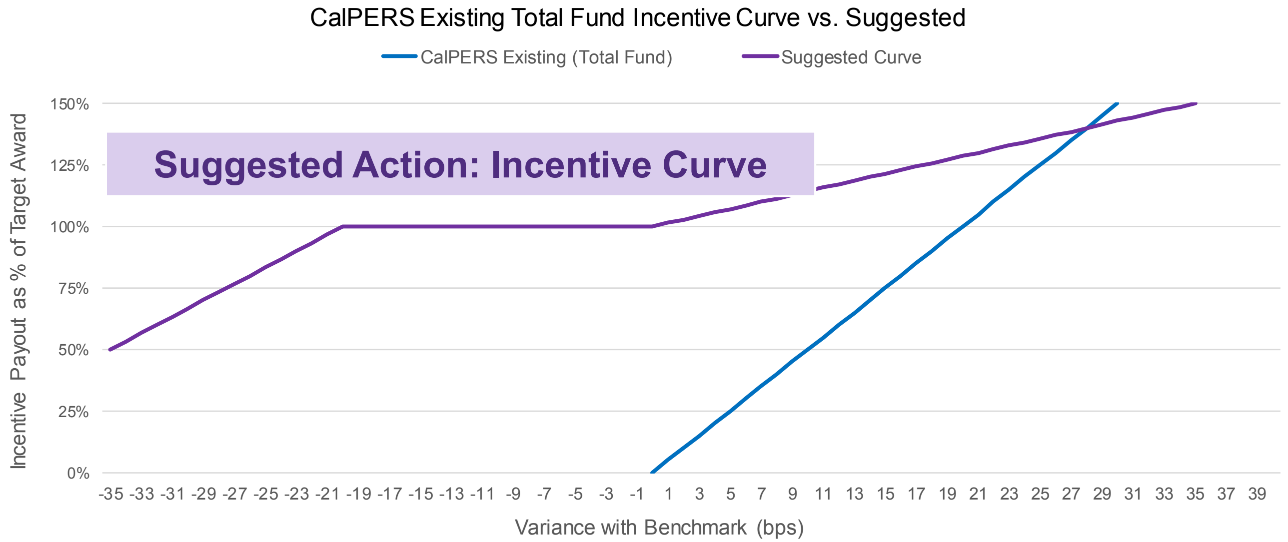
Comments

- CalPERS: narrow performance range; steep slope; linear curve; no incentive for non-positive returns relative to benchmark
- For Profit Model: broad performance range; steep slope from threshold to target; reduced slope from Target to Maximum, (de-acceleration of incentive opportunity at increasing performance levels); incentive for non-positive returns
- Paying for non-positive returns on a relative basis is widely accepted in the industry; it also precludes the need for cost adjustments in the existing methodology to assess Total Fund performance against peers with different cost structures, increasing transparency and reducing complexity
- Incentive curve publicly disclosed by The PNC Financial Services Group, Inc. in its 2016 Form 14A Proxy Statement

1.3. Total Fund Performance

Suggested Curve

The chance of a "near miss" can motivate excessive risk taking as easily as "maxing out" the opportunity. A "kinked curve" (as suggested) accelerates the incentive opportunity from threshold to target, expands the range over which target incentive can be earned, and deaccelerates from target to maximum



CalPERS Existing (Total Fund)		
Range	Variance	Payout %
Maximum	30 bps	150%
Target	20 bps	100%
Threshold	0 bps	0%
Slope		5.0%

Incentive increases by 5% for every 1 bps increase in performance

Suggested Curve		
Range	Variance	Payout %
Maximum	35 bps	150%
Target	-20 to 0	100%
Threshold	-35 bps	50%
Slope (Threshold to Target)		3.3%
Slope (Target to Maximum)		1.4%

Comments

- Customize For Profit Model to fit better fit CalPERS: expand performance range from 0 bps to +30 bps to -35 bps to +35 bps
- Slope of existing curve is 5.0%; reduce slope from Threshold to Target (3.3%) and Target to Maximum (1.4%)
- Reduce Performance Threshold and expand definition of Performance Target to include non-positive variance
- Set Maximum payout opportunity at 150% (no change from existing) but require an additional 5 bps of performance for maximum incentive to be earned (serves as "rough justice" for reducing Threshold/entry point)
- Assess appropriateness for application to asset class and individual portfolio performance scenarios
- Higher value payouts at Lower levels of performance helps reduce motivation to take excessive risks (along with other strategies)

Risk-based Incentive Strategies

Expanding the incentive curve and changing its slope are fully consistent with "best practice" risk-based incentive strategies, offering "belt and suspenders" to other actions that the PCTMC has approved or will consider for future implementation

Suggested Action for FY16-17(Recap)

Best Practice Strategy	CalPERS's Approach	FY16-17	Future Consideration
1) Those with risk oversight responsibilities should not be paid under the same programs as those they oversee	Carve-out of COIO and CFO and their teams	✓	
2) Multiple metrics	CEO and CIO will earn incentives based on four to five performance categories; other participants will earn incentives across two to five performance categories	✓	
3) Risk-based incentive metrics	Non-adherence to risk management principles, etc. or adverse risk outcomes will reduce or eliminate incentive awards for involved individuals	✓	
4) Extend performance period, allowing more time for adverse risk outcomes to become known	Move from three-years to five years for Total Fund and Asset class level incentives	✓	
5) Reduce performance leverage/acceleration	Expand performance range, reducing slope	✓	
6) Effective use of discretion to avoid unintended windfalls or incentive outcomes that contradict risk outcomes/considerations	Authorize CEO and CIO (with CEO approval) to make discretionary adjustments to incentive awards	✓	
7) Deemphasize value of variable compensation in relation to total compensation	Maintain total compensation levels but rebalance fixed and variable, deemphasizing performance-based pay in total compensation (e.g., "rebalancing" strategy)		✓
8) Deferred compensation with claw backs for adverse risk outcomes	Incremental long-term incentive plan where account balances are adjusted for Total Fund performance and subject to cancellation for non-adherence, etc.		✓

Comments on Negative Absolute Returns

- **Negative absolute returns can occur at any point in the investment cycle**
  - CalPERS's asset allocation strategy periodically will generate negative absolute returns by design
  - Outcomes that reflect execution of long-term investment strategies are not necessarily indicative of poor performance and might be optimal given volatility concerns and the desire to avoid significant draw downs
  - Outcomes that reflect non-adherence to risk management principles, policies, processes and procedures or failed execution of investment strategies reflect unacceptable performance outcomes for which involved employees should be held accountable
- **The PCTMC's may reduce, eliminate, or defer incentive awards for negative absolute returns**
- **Grant Thornton's concern is that punitive action involving incentive awards could be taken without consideration of the reason why negative absolute return occurred**
- **Suggested Action: Establish parameters under which the PCTMC will consider taking action and take enforcement actions on a case-by-case basis**
  - Action regarding incentives to be earned in a negative absolute return situation will be considered when relative returns also are negative or in any instance regardless of investment performance when participants do not adhere to CalPERS's risk management principles, polices, procedures, or processes in any aspect of their duties
  - Such action will be assessed on a case-by-case basis and could result in the reduction or elimination of any incentive award earned or previously paid, as well as other actions as described on the next slide
  - If the PCTMC exercises its authority absent of risk considerations, the maximum reduction will be capped at the target incentive award opportunity value

Enforcement actions arising from adverse risk outcomes or non-adherence to CalPERS's risk management framework

Risk mitigation strategies and the associated consequences only influence behaviors if employees know they exist and believe them to be credible — codifying consequences in the policy document is a meaningful step to deter excessive risk taking

Current State	Employee Impact	Future State
Not disclosed	1) Negative performance rating	✓
Not disclosed	2) Reduction in value or elimination of salary increase	✓
Not disclosed	3) Reduction in value or elimination of incentive awards	✓
Not disclosed	4) If implemented, reduction in value or forfeiture of opportunity value of new LTI award (typically 50% of bonus)	✓
Disclosed	**5) Disgorgement of previously earned incentive awards**	✓
Not disclosed	6) If implemented, reduction in value or forfeiture of all "in-cycle" LTI awards, representing 4-5 year award values	✓
Not disclosed	7) Censure, demotion, or re-assignment	✓
Not disclosed	8) Termination	✓

CalPERS's "Compensation Policies and Procedures For Executive and Investment Management Positions" uses the word "risk" four times. In no instance is it used in connection with investment-related risks or pay actions.

Two Dimensions of Success with Stakeholders - Customer Satisfaction and Stakeholder Engagement

- **Customer Satisfaction statistics are a long measured and discussed topic at the Board and executive levels, with significant historical trends**
- **Stakeholder Satisfaction, like CEM, is evolving for the purposes of incentive awards**
  - Staff is developing action plans to respond to OHI priorities
  - OHI administration cycle only is once every three years – too long for effective trending given the dynamic nature of the business environment, the organization, and the workforce
    - Employee engagement is a widely-accepted attribute of high performing organizations
    - The PCTMC might wish to work with Staff to assess the need for and structure of an annual Engagement Survey to 'drill down" on the employee experience given its importance to the organization and as an indicator of Staff effectiveness in cultivating and sustaining a positive work experience for employees
  - Perceptions Survey for members and employers are changing from 60+ questions to 10 questions. starting with the FY16 Fall survey cycle
- **For FY16-17 incentives, broad Stakeholder category will focus on two areas of critical importance**
  - Customer satisfaction – two key questions
  - Stakeholder engagement – three key questions

Customer Service Surveys – Reward for Day to Day Service Levels

Customer Services Department Questions – Top Two:

1. Percentage of benefits payments issues to our customers within established service levels (retirement, survivor, disability retirement, refunds)
2. Customer Satisfaction (Benefit Payments, Service Delivery, Employer Interaction, Member Self-Service

Customer Satisfaction Question	Most Recent Year Performance	Most Recent Year Performance Range	CalPERS Expecations
Percentage of Benefit Payments issued to our customers within established service levels	95%	90% to 97%	90%, with long-term target of 98%
Customer satisfaction with CalPERS services as measured by surveys and other feedback methods	91%	85% to 95%	85%, with long-term target of 95%
Average:	**93%**		

Customer Service Performance Matrix

Suggested Action
Performance Goals and Payout

Customer Satisfaction Results	Expected Scoring			Performance	
					% Payout
Maximum	*Greater than or equal to 95%*			Maximum	150%
	94%	to	< 95%		125%
Target	92%	to	94%	Target	**100%**
	90%	to	< 92%		75%
Threshold	88%	to	< 90%	Threshold	50%
Below Expectations	< *88%*			<Threshold	0%

CalPERS *Annual Stakeholder Online Survey – Reward for Strategic Stakeholder Engagement (questions in bold font)*

No downward trends from '14 to '15, so target is to meet or exceed '15 performance for 5 customer service questions (employer/member average) . . .

LONG-TERM TREND QUESTIONS

1) Is CalPERS being managed well?
2) *Is CalPERS customer service being managed well?*
3) ***Is CalPERS sensitive to the needs of its stakeholders?***
4) ***Does CalPERS do a good job of keeping stakeholders informed?***
5) *Are you satisfied with how CalPERS is providing you with the services you need?*
6) Are you confident that your retirement money is safe?
7) Are you confident that you will receive quality service in the future?
8) Do you have confidence in answers you receive from CalPERS?

STRATEGIC QUESTIONS

1) On a scale of one to ten, how would you rate CalPERS as an effective policy advocate?
2) ***On a scale of one to ten, how would you rate CalPERS on being effective in engaging and communicating with stakeholders?***

1.4. Stakeholder Engagement/Customer Service

CalPERS *Annual Stakeholder Online Survey – Reward for Strategic Stakeholder Engagement*

Stakeholder Engagement Question	Employer Average since 2014	Employer Range	Member Average since 2014	Member Range
Is CalPERS sensitive to the needs of its stakeholders?	74%	68% to 79%	79%	76% to 81%
Does CalPERS do a good job of keeping its stakeholders informed?	73%	65% to 78%	69%	66% to 72%
On a scale of one to ten, how would you rate CalPERS being effective in engaging and communicating with stakeholders?*	67%	n/a (one year only)	65%	n/a (one year only)
Averages:	**71%**		**71%**	

* Normalized to percentage for consistency. Rate on a 1 to 10 basis (i.e., 67% = 6.7)

Stakeholder Engagement Performance Matrix

Suggested Action
Performance Goals and Payout

Stakeholder Engagement Results	Expected Scoring			Performance	
					% Payout
Maximum	*Greater than or equal to 73%*			Maximum	150%
	72%	to	< 73%		125%
Target	70%	to	72%	Target	**100%**
	68%	to	< 70%		75%
Threshold	66%	to	< 68%	Threshold	50%
Below Expectations	< *66%*			<Threshold	0%

1.5. Eligibility for Key Business Objectives and Discretionary Adjustments Policy Amendments

Eligibility for Key Business Objectives

CalPERS's performance needs often will extend beyond the scope of the proposed incentive metrics. Incentive eligible Staff can receive the opportunity to earn all or part of their incentive award for attainment of goals identified by Key Business Objectives (structured as a standalone incentive metric(s) or as an award modifier)

- The Board may identify individual or organizational goals and assign them to the CEO as an additional performance category or as a modifier that increases or decreases the incentive award based on the degree that such individual or organization goals ("Key Business Objectives") are attained. If assigned as a an incentive metric, Key Business Objectives will be weighted and the amount of incentive earned will be calculated using CalPERS's "Rating Scale for Qualitative Measures" in the *Compensation Policies* document. In no instance will the sum of weightings for incentive metrics vary from 1.0 or 100% at the target incentive award level. if assigned as a modifier, incentive awards earned for performance as defined by metrics will range from -100% to +50% of the earned incentive award. In no instance will the maximum annual incentive award value exceed 1.5 times or 150% of the target incentive award opportunity.
- The CEO may identify and assign Key Business Objectives or incentive award modifiers as described previously for his or her Direct Reports. The Direct Reports may assign Key Business Objectives or incentive award modifiers to incentive eligible Staff on their respective teams. Such Key Business Objectives or award modifiers and the accompanying weights or adjustments are subject to CEO review and approval. in connection with the annual incentive compensation process, as are incentive award decisions and payouts prior to settlement.
- The CIO may identify and assign Key Business Objectives or incentive award modifiers to incentive eligible Investment Office Staff, as described for the CEO's Direct Reports or their incentive eligible Staff. The terms and conditions under which incentive awards can be earned and the amounts ultimately earned are subject to the review and final approval by the CEO.
- Each year Staff will inform the PCTMC of the value of any adjustments or modifications made to incentive awards earned for performance and the reasons for such adjustments or modifications for the CEO's Direct Reports and incentive eligible Investment Office personnel fro the CIO to Investment Directors.

Discretionary Adjustments to Incentive Awards

The CEO's authority to oversee and approve the compensation of employees other than the CIO shall, to the extent permissible, be expanded to include the ability to implement discretionary adjustments to incentive awards.

- Discretionary adjustments serve as an important tool in the CEO's tool box to ensure that pay appropriately reflects a multi-dimensional view of performance (and for the CIO, in the case of Investment Office personnel)
- Adjustments should be considered in the following situations
  - Negative adjustment or elimination of incentive awards when the participant is involved in activities that result in a material adverse loss resulting from poor performance and or non-adherence to CalPERS's risk management principles, policies, process or procedures or in the absence of loss for non-adherence to CalPERS's risk management principles, policies, process or
  - Positive or negative adjustments for performance representative of but not limited culture and values; leadership; extraordinary contributions, efforts, or results; development and successful implementation of business or stakeholder imperatives; or strategic workforce activities involving succession planning, retention and flight risk, or talent supply or development
- At the end of the process under which incentive awards earned for goal attainment as defined by incentive metrics and or Key Business Objectives are determined, the CEO will review and make discretionary adjustments to incentive award values
- Such adjustments will reflect the CEO's discretionary assessment of the individual's performance, as formed through observation; discussions with the participant, the participant's manager, other Staff members, CalPERS's Human Resource Function, PCTMC or the Board, CALHR, or other relevant parties; and, the review of documentation or other information related to the individual's performance (i.e., performance review, work product, etc.) as an employee of CalPERS.
- In the case of Investment Office personnel, the CIO will assess the individual's performance and make such discretionary adjustments, as she or he believes are necessary to ensure that pay is appropriate for performance. Any such adjustments will follow the process previously described for the CEO. All discretionary adjustments are subject to the review and final approval of the CEO
- Discretionary adjustments can range from -100% to +50% of the earned incentive award. In no instance will the maximum annual incentive award value exceed 1.5 times or 150% of the target incentive award opportunity.
- The Performance Review process will document the reason why such adjustments occurred.

Incentive Framework for CEO and CIO

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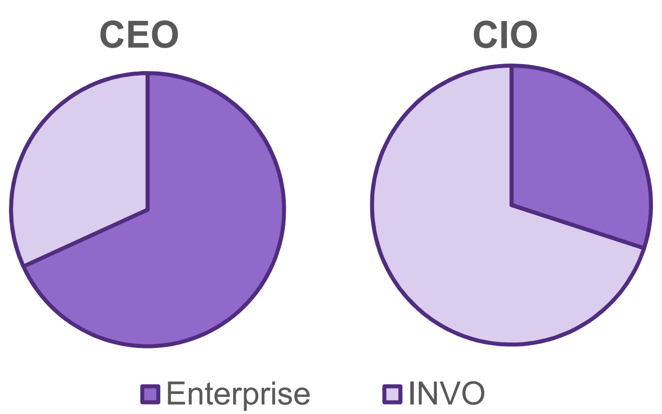
2.1-2. Incentive Framework for CEO and CIO

Suggested FY16-17 Metrics and Weights

PCTMC approves incentive strategies for CEO and CIO, who develop and implement incentive strategies for their respective teams

Suggested Action: CEO and CIO Metrics and Weights

Participant Classification	# of Metrics	Operational Effectiveness (OOCP)[1]	INVO CEM	Stakeholder Engagement (SE) / Customer Service (CS)	Investment Returns (Five-year Total Fund)	Key Business Objectives
Payout % of Target *(Min/Threshold/Target/Max)*		0/50/100/150	0/50/100/150	0/50/100/150	0/50/100/150	*0/50/100/150 (CIO)*
CEO	4	25%	15%	Average of SE = 20% CS = 20%	20%	*+/- Discretionary adjustment*
CIO	5	10%	20%	CS = 20%	40%	10%



Notes/Comments

1) OOCP standards for Overhead Operating Costs as a Percentage of Total Operating Costs
2) Considerations include results-oriented business plans and value adding outcomes not captured by metrics
3) Maximum incentive award, including discretionary adjustments, capped at 150% of target award value
4) CEO/CIO framework establishes concepts and structures that will encompass their respective teams. PCTMC will receive an update from Staff in August

FY16-17 Straw-dog design for other incentive participants is a work-in-progress; early stage design aligns with CEO/CIO

Participant Classification	# of Metrics	Operational Effectiveness	INVO CEM	S'holder Eng. / Customer Svc.	Investment Returns	Key Business Objectives
Executives with Key Risk Oversight Responsibilities						
CFO	4	20%	10%	10% / 10%	0%	50%
COIO	4	10%	20%	CS = 10%	0%	60%
Direct Reports (20098 Executives) of the CEO other than the CIO and CFO						
General Counsel	4	20%	10%	10% / 10%	0%	50%
Chief Actuary	4	20%	10%	10% / 10%	0%	
Other "DRs" (4)	4	20%	10%	10% / 10%	0%	
Direct Reports of the CIO and Other key INVO Contributors – Public Assets						
MID	5	0%	20%	0%	Total Fund = 10% (MID), 15% (ID) Asset Class = 10% (MID), 15% (ID) Individual Portfolio = 40% (all)	20%
ID	5	0%	10%	0%		
Direct Reports of the CIO and Other key INVO Contributors – Private Assets						
MID	4	0%	20%	0%	Total Fund = 20% (all) Asset Class = 40% (MID), 50% (ID)	20%
ID	4	0%	10%	0%		

Payout percentages for CEO and CIO will apply to other incentive participants up to a maximum of 150% of target or, for Career Executive Direct Reports, 15% of base salary. The PCTMC might choose to discuss the incentive pay discrepancy issue in the future given the misalignment of priorities and focus that it creates across the CEO's Direct Reports ("DRs").

Please note that the metrics shown for MIDs and IDs also will apply to Investment Managers and Associate Investment Managers, as determined by the CIO.

Policy Amendments to Support Suggested Actions

Policy Amendments

Investment Performance Measurement Periods

- **Approval of today's suggested actions will necessitate changes to the previously mentioned "Compensation Policies" document**
- **In addition to other changes that will be suggested in August (first reading), the following changes will be included in the amended "Compensation Policies" document**

3.1. Investment Performance Measurement Periods (add to *Multi-Year Performance Awards and Multi-Year Performance Award Calculation (Quantitative Measures) sections, with itemized quantitative measure types and the corresponding measurement periods)*

3.2 Negative Absolute Performance (add to *Authority to Defer, Reduce or Eliminate Performance Awards section)*

3.3 Eligibility Key Business Objectives (add to *Performance Plan Elements section)*

3.4 Discretionary Performance Adjustments (add to *Performance (Incentive) Award section)*

- Negative adjustment or elimination of incentive awards when the participant is involved in activities that result in a material adverse loss as a result of poor performance and or non-adherence to CalPERS's risk management principles, policies, process or procedures
- Positive or negative adjustments for performance representative of but not limited culture and values; leadership; extraordinary contributions, efforts, or results; development and successful implementation of business or stakeholder imperatives; or strategic workforce activities involving succession planning, retention and flight risk, or talent supply or development

Suggested Action Check List

Suggested Action Check List

1. **Approval of FY16-17 Incentive Metrics**
   1.1. Operating Efficiency
   1.2. INVO Cost Effective Measurement ("CEM")
   1.3. Total Fund Investment Returns
   1.4 Stakeholder Engagement/Customer Service
2. **Approval of FY16-17 Incentive Framework for CEO and CIO**
   2.2. Metrics
   2.3. Weights
3. **Approval of Policy Amendments to support Suggested Actions**
   3.1. Investment Performance Measurement Periods
   3.2 Negative Absolute Performance
   3.3. Eligibility for Key Business Objectives
   3.4. Discretionary Performance Adjustments to Incentive Awards

Next Steps

Next Steps for GT

Incentive Metrics

- **Work with Staff and HR to implement and communicate FY16-17 incentive changes and programs**
- **Work with Staff and HR to assess alternatives and feasibility of employee engagement survey for FY17-18 performance cycle**
- **Work with Staff and HR to assess health care cost containment metric for FY17-18**
- **Work with Staff and HR to assess full Enterprise CEM metric for FY17-18**

Other Compensation Program Changes

- **Completion of "September thru January" activities identified in Roadmap (see Reference section)**

Reference

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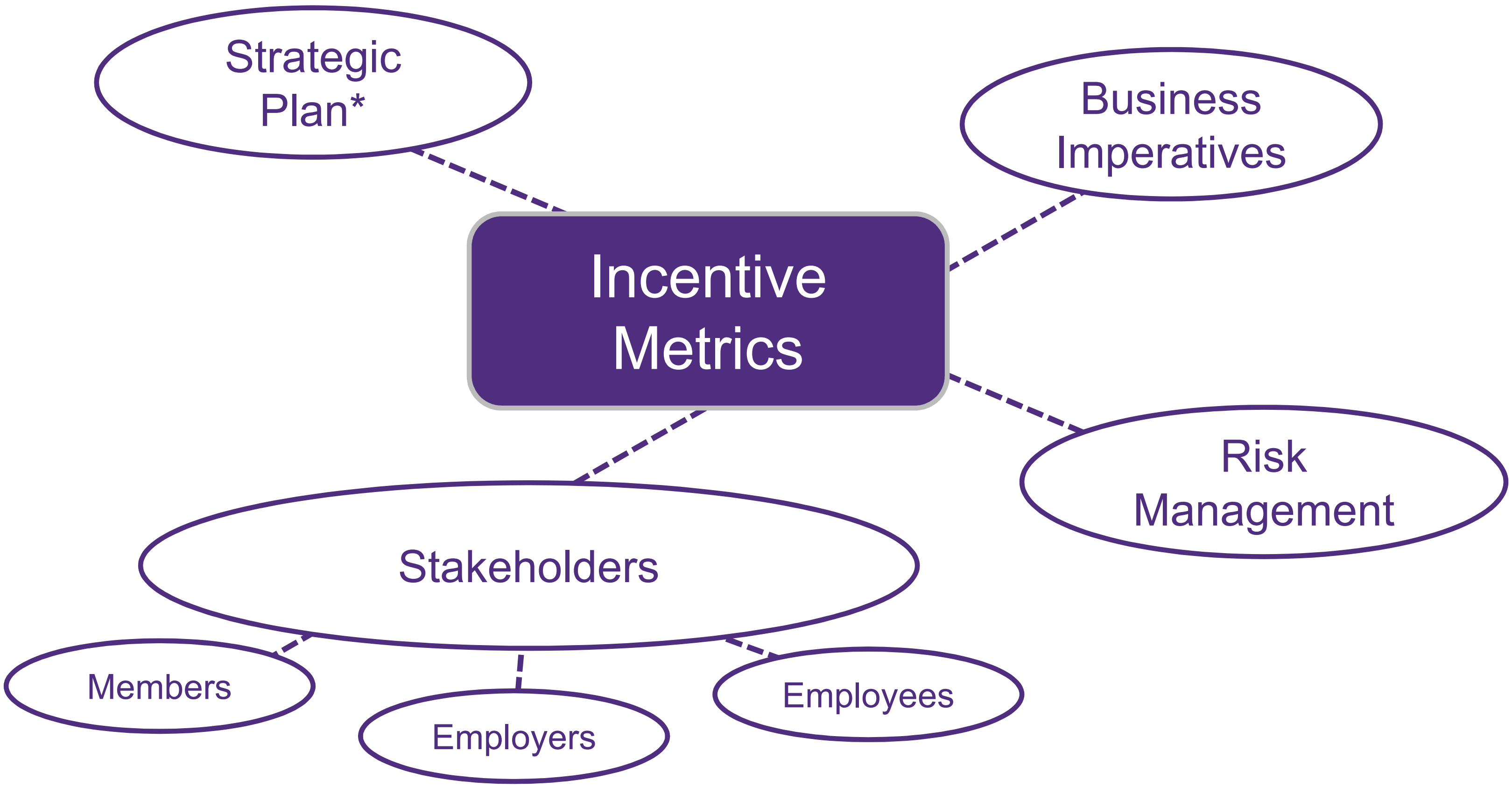
Project Roadmap

- January: Introductions and Project kick-off
- March: Review compensation philosophy and governance process, with accompanying market analysis
- April: Review GT proposed refinements to pay-for-performance programs for senior leadership
- May: Status Update
- **June: Incentive Metrics (second reading in August)**
- September: Policy Changes (second reading in Nov)
- November: New Salary Ranges and Incentive Opportunities (second reading in December)
- January: Change management and Implementation

Redesign of incentive metrics is not a standalone exercise — it needs to recognize that CalPERS is an evolving organization and that FY16-17 is a transition year



*Expected by calendar year-end

Existing incentive metrics outside of investment performance often are activity-based, reflecting core aspects of the position rather than value creating outputs CalPERS needs to succeed

Existing Metrics outside of Investment performance

- Business Plan/Enterprise Objectives
- Asset Liability Management - Risk Mitigation Strategies
- Treasury Management
- Enhance Internal Controls
- ECOM Transformation
- Participating Employer Financial Hardship/Insolvency
- Program Priorities - AVS Rewrite and Enhance
- Review, Combine & Modernize Actuarial Policies
- Streamline and Improve GASB Reporting (67/68)
- Provide Leadership
- Financial Analysis and Integrity
- Functional and Staff Alignment
- Enhance the Audit Resolution Process
- Restructure the Legal Office
- Legal Office IT Projects
- Investigate Private Equity Fees

Investment Performance

- Total Real Assets Performance
- Total Fund Business Objectives
- Individual
- Total Global Equity Performance
- Custom Composite
- Asset Class Priorities
- Total Fund Business Objectives

Public Agency Peer Incentive Metrics

(originally presented in March 2016)

Organization	Short-term	Long-term (typically 3-4 years)
Peers	• Performance of Total Fund • Balanced scorecard • Individual objectives • Value added investment performance • Performance of division/department fund • Overall investment performance • Performance on strategic planning objectives	• Cumulative rate of return • Total Fund net value • Total Fund absolute return • Investment returns compared to relative and absolute benchmarks • Attainment of target returns • Asset class performance • Performance factor – 3rd party committed capital raised and management fee income • Positive actual returns net of costs
CalPERS	• IO – Relative Performance vs. Index • 20098 – Activity-based goals	• Not applicable

Universe of Potential Incentive Metrics

Enterprise

Enterprise performance metrics or their derivatives for which incentives will be earned are applicable to enterprise, division, department and unit organizational levels, reflecting our belief that all areas of the organization are in a position to make positive contributions to our mission and the attainment of our strategic goals and objectives

1) Cost Effective Management ("CEM") in its various forms as reflected in CalPERS's annual strategic plan (expected by calendar year-end 2016)*
2) Strategic goals and or effectiveness
3) Operational goals and or effectiveness
4) Workforce strategy and planning, including succession planning/ readiness, development or turnover, etc.
5) Adherence to risk management principles, policies, processes and procedures
6) Attainment of or satisfactory progress against multi-year financial or non-financial goals or milestones

*Current absolute and relative metrics included in CalPERS's CEM Trend Analysis: Member Transactions, Member Communications, Collections and Data Maintenance, Governance and Financial Control, Major Projects, IT, and Support Services/Other.

Universe of Potential Incentive Metrics

Investment Office

The prerequisites of INVO performance and incentive considerations are the implementation, execution, and commitment to behaviors that align with our investment strategies and the underlying beliefs, philosophies, and risk management principles. Non-adherence in any of these areas could result in adverse consequences to employees, including reduction or elimination of incentive awards, re-assignment, demotion, or termination

1) INVO Cost Effective Management or "CEM", defined as net return (gross returns minus all investment expenses)
2) Annualized excess investment returns
3) Risk-adjusted metrics, including Sharpe Ratio and significant draw downs determined to result from non-adherence to CalPERS's risk management framework
4) Total Fund performance based on dollar or percentage return
5) Total Asset Class performance based on dollar or percentage return
6) Individual portfolio/fund performance based on dollar or percentage return

Universe of Potential Incentive Metrics

Health Care/Benefits

CalPERS plays a critical role in the lives and well-being of its members. Incentive metrics reflect the key determinants of the access, affordability of the quality of care and service and how it is viewed my members

1) Operational Metrics - One or more of 80+ measures of quality of care and service under HEDIS (used by more than 90% of health plans)
2) Healthcare access as measured by the percentage of CalPERS health beneficiaries reporting receipt of routine healthcare when needed
3) Affordability of health benefits (e.g., percentage of total average costs for covered benefits that a health plan will cover, relative comparisons of premium adjustments, etc.)
4) Benefits Administration, including but not limited to percentage of benefit payments issued to our customers within established levels
5) Retention and or Growth, as measured by maintaining or expand the number of employers or members receiving health care benefits as affiliates of CalPERS
6) Health Care Initiatives intended to improve member lives and their understanding of benefits (e.g., consumerism)
7) Cost of or access to other initiatives and services

Universe of Potential Incentive Metrics

Stakeholders

CalPERS exists to serve our employers, members and make a positive difference in the lives of all stakeholders. Incentive metrics reflect the attitudes and perceptions of those we serve, ensuring the organization is fully committed to meeting the needs and expectations of our stakeholders.

1) Customer service metrics
2) Member assessments of organizational health or customer engagement or satisfaction rating as measured by surveys (e.g., Stakeholder Reputational Survey) or other methods, including Net Promoter Scores, focusing on engagement
3) Employer assessments (same as Stakeholder 2)
4) Employee assessments (same as Stakeholder 2 except measurement is reflective of Organizational Health Index or by other means currently under consideration)

Cost Structure, 2011-2016

Measure: Percentage of Budget Expended

Target: 100%

Budget Funds (in millions)

Source Document: CalPERS FY 2015-16 Annual Budget, p. 70

	FY2011-12	FY2012-13	FY2013-14	FY2014-15	*FY2015-16E*	3-yr AVG	3-yr CAGR
Total Operating Costs							
Approved Budget	442.6	464.2	509.6	498.9	527.7		4.4%
Expenditures	418.3	435.9	485.4	488.8	477.6		3.1%
Percentage Expended	*94.5%*	*93.8%*	*95.3%*	*98.0%*	*90.5%*	*94.6%*	
Enterprise Projects							
Approved Budget	49.9	84.6	33.3	24.9	37.5		-23.8%
Expenditures	48.8	83.6	32.7	21.9			
Percentage Expended	*97.8%*	*98.8%*	*98.4%*	*87.9%*		*95.0%*	
Headquarters Building Costs					0		
Approved Budget	42.6	41.8	40.7	32.6	30.3		-10.2%
Expenditures	35.0	31.7	32.00	30.00			
Percentage Expended	*82.1%*	*75.9%*	*78.8%*	*91.9%*		*82.2%*	
Investment External Management Fees							
Approved Budget	1,016.9	1,183.4	1,114.4	1,016.5	930.7		-7.7%
Expenditures	973.6	1,216.2	1,258.8	1,016.5			
Percentage Expended	*95.7%*	*102.8%*	*113.0%*	*100.0%*		*105.3%*	
Third Party Administrator Fees							
Approved Budget	99.9	103.0	274.5	285.3	281.3		39.8%
Expenditures	101.6	105.4	196.0	279.9			
Percentage Expended	*101.6%*	*102.3%*	*71.4%*	*98.1%*		*90.6%*	
Total Budget							
Approved Budget	1,651.9	1,877.1	1,972.5	1,858.2	1807.6		-1.2%
Expenditures	1,577.3	1,872.8	2,005.1	1,837.1			
Percentage Expended	*95.5%*	*99.8%*	*101.7%*	*98.9%*		*100.1%*	
Mid-year Budget Revision vs. Annual			*0.90%*	*-0.20%*	*-0.70%*	*-0.2%*	

2015-16E includes mid-year budget revisions to Total Operating Costs and Third Party Administrator Fees

Assume FY15-16 Expenditures equal 83% of Budget for performance through May 2016 and then annualized.

Allocation of Total Operating Costs

	FY2013-14	FY2014-15	
Total Operating Costs			
Approved Budget ($mm)			
Expenditures ($mm)	485.4	488.8	0.7%
Less Personnel Services ($mm)	278.8	310.8	11.5%
Adjusted Total Operating Expenditures ($mm)	206.6	178.0	-13.8%
Total Operating Costs by Type			
Personnel Costs	57%	64%	
Other Operating Costs	43%	36%	
Total Operating Costs	100%	100%	

Overhead Operating and Total Operating Costs

CalPERS Budget	FY 2011-12 Annual		FY 2012-13 Annual		FY 2013-14 Annual		FY 2014-15 Annual		FY 2015-16 Annual		FY 2016-17 Annual	
Benefit Programs Policy and Planning	23,348		18,432		23,407		23,076		26,318		25,647	
Executive Office	5,627		6,201		5,913		4,693		4,706		6,603	
Financial Office	21,175		27,397		23,466		23,469		26,191		29,978	
General Counsel (Less Office of Audit Services)	11,388		11,627		13,124		19,247		19,620		18,599	
Office of External Affairs	11,411		11,562		12,587		12,663		9,984		10,560	
Operations and Technology	112,149		114,592		134,560		125,807		137,020		142,015	
Overhead Operation Costs (OOC)	**185,098**	**34.1%**	**189,811**	**34.0%**	**213,057**	**35.1%**	**208,955**	**34.5%**	**223,839**	**35.2%**	**233,402**	**36.9%**
Actuarial Office	5,874		6,484		7,102		7,636		8,248		9,301	
Customer Services and Support	69,075		79,201		101,280		94,354		101,740		109,182	
Office of Audit Services	4,748		4,766		5,843		5,930		7,990		7,611	
Third Party Administer Fees*	278,005		278,548		278,958		289,291		294,632		272,809	
Product/Service Delivery Operating Costs (PSDOC)	**357,702**	**65.9%**	**368,999**	**66.0%**	**393,183**	**64.9%**	**397,211**	**65.5%**	**412,610**	**64.8%**	**398,903**	**63.1%**
Total Operating Costs (TOC)	**542,800**	**100.0%**	**558,810**	**100.0%**	**606,240**	**100.0%**	**606,166**	**100.0%**	**636,449**	**100.0%**	**632,305**	**100.0%**
Investment Office	121,320		107,456		137,460		135,890		150,721		161,796	
Other	25,867		27,803		27,712		42,902		30,298		25,017	
Enterprise Projects Budget	49,855		43,570		33,288		27,908		41,177		40,882	
Headquarters Builds Costs	42,611		41,811		40,676		32,652		30,350		31,295	
Investment External Management Fees	951,895		1,093,038		1,030,024		1,016,484		930,726		896,705	
Other Costs	**1,191,548**		**1,313,678**		**1,269,160**		**1,255,836**		**1,183,272**		**1,155,695**	
CalPERS Total Budget*	**1,734,348**		**1,872,488**		**1,875,400**		**1,862,002**		**1,819,721**		**1,788,000**	

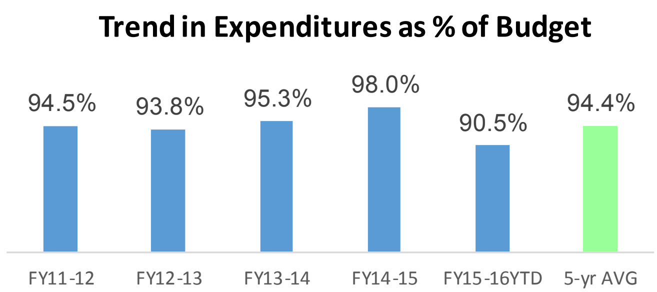
* Not all Health Plan Partner administrative fees were separately available prior to FY14-15, representing a non-budgeted item. In order to provide comparable Third Party Administrator Fees across FY 2011-12 through FY 2016-17, the missing data were estimated as the 3-year average (FY 2014-15 through FY 2016-17). This average was then incorporated into Third Party Administrater Fees line item and the CalPERS Total Budget for FY 2011-12 through FY 2013-14.

TOE Incentive Metric #1 Illustration

Total Operating Expenditures as % of Budget

	Performance Range			Frequency in Past Five Years	Payout as % of Target*
Maximum	*Equal to or less than 87.9%*			0	150%
	88%	to	89.9%	0	125%
Target	90%	to	91.9%	1	100%
	92%	to	93.9%	1	75%
Threshold	94%	to	95.9%	2	50%
Below Threshold	*Greater than or equal to 96%*			1	0%

*Performance Score for CEM Light determined as Step Function



Note that FY15-16YTD reflect annualized results through May 2016

Comments

- Performance range set to ensure stretch goals at and above Target performance levels
- Frequency analysis suggests that results between Threshold and Target should be expected; FY15-16 results suggest greater efficiency can be realized, which is reinforced through range spreads
- Incentive award payout as a % of target follows a step function, enhancing transparency and ensuring simplicity
- Suggested adjustments control for outcomes beyond control of Staff

TOE Incentive Metric #2 Illustration

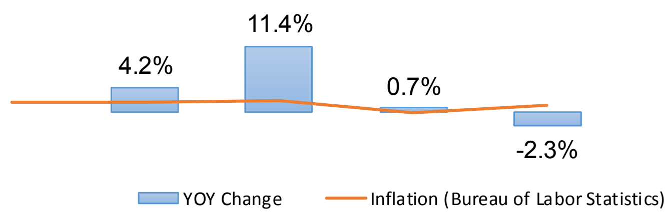
Year-over-Year Change in Total Operating Expenditures

	Performance Range	Payout as % of Target*
Maximum	*Equal to or less -5.0%*	150%
	-2.50%	125%
Target	+1.25% to -1.25%	100%
	+2.5%	75%
Threshold	+5.0%	50%
Below Threshold	*Greater than +5.0%*	0%

*Performance Score for CEM Light determined by interpolation

Negative signs identify improvement (cost reductions)
Positive signs identify degradation (cost increases)

Trend in Total Operating Expenditures ($mm)



Every 1% improvement (decrease) in Total Operating Costs generates $4.8 mm in Cash Flow based on FY15-16E Total Operating Expenditures

Comments

- Performance Range can be expanded to accommodate unanticipated costs (or control through adjustments)
- Performance Range easily can be carried forward to subsequent periods, providing simplicity and emphasizing continuous improvement
- Target defined as a +/-1.25% of Prior Year to reward cost control (inflation drives cost increases)
- Incentive award payout as a % of target determined through interpolation
- Implied TOE % of Budget helps validate Range; Implied Staff Value Added identifies cash flow impact

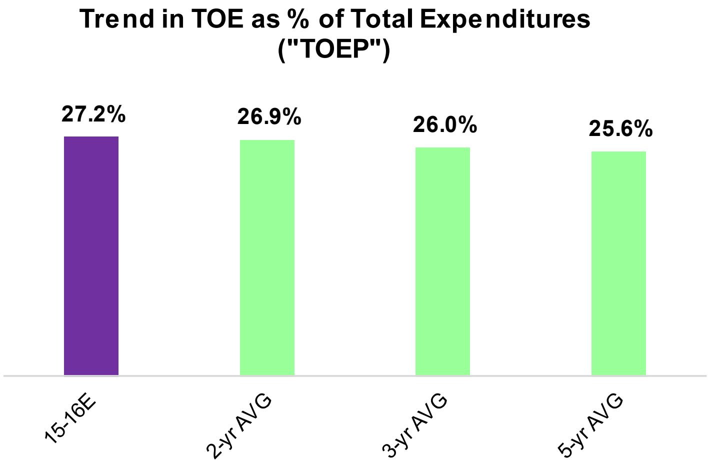
TOE Incentive Metric #3 Illustration

Total Operating Expenditures as a % of Total Expenditures ("TOEP")

	FY16-17 Performance Range	Payout as % of Target*
Maximum	*Equal to or less than 25.0%*	150%
	25.50%	125%
Target	26.00%	100%
	26.50%	75%
Threshold	27.50%	50%
Below Threshold	*Greater than 27.5%*	0%

*Performance Score for CEM Light determined by interpolation

Target TOEP reflects 3-year average



Comments

- Performance range set to ensure stretch goals and continuous improvement at and above Target performance levels
- Incentive award payout as a % of target determined by interpolation, enhancing clarity and pay-for-performance linkage
- Indexing to Total Expenditures allows some wiggle room for management in how to attain objectives
- Implied TOE % of Budget helps validate Range; Implied Staff Value Added identifies cash flow impact
- Adjustments would be required to control for unplanned cost/investment and costs tied to changes in asset values

Thought Starters for FY17-18 Health Care Metric

Candidate Wellness/Health Care Access or Quality of Care Metrics for FY17-18

A. Quality of HC provided as measured by observed ratio of all-cause readmissions, compared to what would be expected (CalPERS vs. Benchmark)

B. Access to HC as measured by the percent of CalPERS's health beneficiaries reporting receipt of routine health care when needed (CalPERS vs. Benchmark)

C. Affordability of health benefits as measured by the percentage of total average costs for covered benefits that a health plan will cover (actuarial values)

D. Cost containment vs. Benchmark

Comments

- Focus on selecting one metric for incentives that best represents PCTMC's priorities for a health care metric
- The metric can stay constant or change annually, encompassing all aspects of the health care experience (cost, access to, and quality of care)
- For Staff other than the CEO, Health Care metric can be replaced by an Individual Key Business Objective at the discretion of the CEO in response to business needs or the participant's (in)ability to influence performance outcomes

This presentation is not a comprehensive analysis of the subject matters covered and may include proposed guidance that is subject to change before it is issued in final form. All relevant facts and circumstances, including the pertinent authoritative literature, need to be considered to arrive at conclusions that comply with matters addressed in this presentation. The views and interpretations expressed in the presentation are those of the presenters and the presentation is not intended to provide accounting or other advice or guidance with respect to the matters covered.

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