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GOVERNANCE  
ADVISORS

# Opinion Letter

April 2, 2026

## Incentive Metrics Review for FY2026-2027

Prepared for:

Performance, Compensation & Talent  
Management Committee

400 Q Street  
Sacramento, California 95811



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This memo is in response to your request for Global Governance Advisors (“GGA”), in its role as CalPERS’ Board compensation consultant, to provide a review of the current metrics included within the CalPERS Annual Incentive program for 2025-2026 and provide insights on potential improvements for Fiscal Year 2026-2027. Similar to past years, this letter will outline GGA’s views on the relative weighting between Quantitative and Qualitative performance within the Annual Incentive formula as well as potential changes to the Total Fund/Asset Class investment performance expectations, Enterprise Operational Effectiveness, Investment Office CEM Results, Customer Service and Stakeholder Engagement metrics used within the plan.

## Background

The current metrics used within the Annual Incentive program were first introduced as part of a new annual incentive plan for the 2016-2017 fiscal year with shared organizational metrics that aligned all participant incentive awards to the following performance areas:

- Total Fund Performance
- Enterprise Operational Effectiveness
- Investment Office CEM Results
- Customer Service
- Stakeholder Engagement

CalPERS continues to use these metrics but, in recent years, has proactively reviewed and updated the performance expectations for all metrics to ensure performance levels remain challenging, yet fair to both incentive participants and CalPERS members. Given the decision to move to a Total Portfolio Approach (“TPA”) to investing starting in Fiscal Year 2026-2027, GGA will be specifically reviewing Total Fund value add performance relative to the new Reference Portfolio in advance of the June 2026 PCTM meeting. It should be noted that since Fiscal Year 2019-2020, CalPERS has not placed any weighting on Asset Class investment performance for relevant team members working in various asset classes. This serendipitous decision ensured investment performance measures today remain solely based on Total Fund results which will continue to be the case under a TPA investing approach. Administratively, there have been some questions around how CalPERS should integrate Total Fund investment results under TPA into the 5-year Total Fund value add performance calculation within the annual incentive plan during the transition to TPA from the historical Strategic Asset Allocation (“SAA”) approach. This memo includes an outline of Pros and Cons of potential approaches to deal with this concern.

GGA also notes the potential for the survey participation rate in measuring Stakeholder Engagement results for Fiscal Year 2025-2026 to not hit the required minimum participation rate threshold to provide statistically relevant results. Within this memo, GGA will re-iterate its recommendation on how to deal with this situation in measuring Fiscal Year 2025-2026 performance results and their impact on Annual Incentive awards.

In general, each of the metrics used within the Annual Incentive plan have worked for CalPERS, and GGA has not had any concern with their appropriateness, placement, and use within the annual incentive program. Given the movement to TPA and the material updates required to Total Fund value-add performance hurdles and potentially in how Individual performance is determined, material changes to other Annual Incentive metrics are not required at this point.

## Timeline

Overall, GGA supports CalPERS' continued use of these five performance areas and will return to this Performance, Compensation and Talent Management ("PCTM") Committee in June with specific performance metrics and hurdle recommendations for Fiscal Year 2026-2027 based on the results of back testing and stress testing of Total Fund performance history against the Reference Portfolio as well as typical market expectations for TPA outperformance. GGA will also provide an approach to integrate TPA performance into the Annual Incentive plan calculation over time as well as any recommendations it has regarding updates to the Individual performance portion of the incentive.

## GGA Recommendations for Consideration

Based on market research and rationale outlined in the attached Supporting Appendices, GGA maintains that CalPERS' Annual Incentive metrics are not broken and that only small tweaks are required moving forward. GGA outlines the following preliminary recommendations for CalPERS' consideration at the April 2026 PCTM meeting, which can be fully approved, if agreed to, at the June 2026 PCTM meeting. Recommendations have been broken down into decisions falling under Board authority and those that can be implemented by the CEO and CIO under their Board-delegated authority:

### Recommendations to be Considered Under Board's Authority:

1. Consider updating performance hurdles at the June 2026 PCTM meeting for Total Fund value add performance relative to the Reference Portfolio based on the results of GGA's historical analysis and general market practices (specific updated hurdles to be provided at the June 2026 PCTM meeting).
2. Review alternatives to integrate TPA investment results into the 5-year Total Fund value-add performance calculation under the annual incentive plan design, starting in Fiscal Year 2026-2027.
  - GGA notes its preferred approach would be to gradually increase the weighting on TPA performance each year over a 5-year transition period with a corresponding decrease in weighting on Strategic Asset Allocation (SAA) performance for the reasons stated in **Appendix D** of this letter. After 5 years, performance will only be measured against TPA results.

3. Re-iterating an earlier recommendation from GGA, for Fiscal Year 2025-2026, if the survey participation rate in measuring Stakeholder Engagement results does not meet the statistically relevant threshold of 5%, GGA recommends that Stakeholder Engagement results not be included in the Annual Incentive calculation and the respective weighting distributed equally over the four (4) remaining metrics.

**Recommendations to be Considered by CEO and CIO under Board Delegated Authority:**

1. Consider for Executive Team members below the CEO who are under the Board's compensation setting authority, an increase in the weighting on Total Fund investment performance relative to the Reference Portfolio to a similar weighting as the CEO to promote alignment under a TPA investing model.
2. Split out a specific weighting on Collaboration within the Individual Performance portion of the Annual Incentive formula for other Investment management levels in the Investment Office below the senior investment leadership group to further emphasize the importance of Collaboration at CalPERS moving forward.

## Conclusion and Next Steps

We look forward to discussing this letter at the April PCTM meeting and following up with more defined performance metrics and performance expectations at the June PCTM meeting. If you have any questions on the contents within this letter, please let us know.

Sincerely,

### Global Governance Advisors



Peter Landers  
Senior Partner



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cc: Brittany Emmons, CalPERS

## Supporting Appendices

### Market Research and Rationale Going Forward

Overall, GGA is maintaining consistency in its advice and approach, and this memo is intended primarily for information purposes with GGA coming back to the Performance, Compensation and Talent Management (“PCTM”) Committee in June with formal recommendations for Fiscal Year 2026-2027 performance metrics and hurdles provided at that time.

#### Appendix A: Typical Performance Metrics Observed in the Pension Fund Industry

In GGA's consulting experience working with countless pension funds of all sizes across North America, GGA observes the following performance metrics that are commonly found within Annual Incentive programs:

- Relative Total Fund Return vs. Market Benchmark (measured over one and/or rolling multi-year performance periods),
- Relative Asset Class Returns vs. Market Benchmark (measured over one and/or rolling multi-year performance periods),
- Execution against Strategic Plan Objectives (namely for the CEO), and
- Individual Performance Evaluation (typically Qualitative in nature).

In addition to these common metrics, many pension funds also report the use of Customer Service (i.e., Member Services or Investment Office) metrics within their plans as well.

Other metrics that are less commonly found, but used in some cases include:

- Absolute Return objectives for Total Fund and/or Asset Class performance,
- Total Fund Costs,
- Internal Operational Metrics,
- Stakeholder Engagement (as measured through surveys and feedback), and
- Environment-Related, or more broadly, Environmental, Social, and Governance (ESG) Metrics (although this area has been in some flux in recent years).

Analysis of the types of incentive metrics used at various North American pension funds within CalPERS' peer group as well as TPA-focused funds is provided in **Appendix E**.

Overall, CalPERS' current performance metrics cover many important areas at the organizational level by focusing on Investment performance (both from a returns and cost

perspective) as well as Customer Service and Stakeholder Engagement, which are important areas of performance associated with Pension Administration responsibilities. The specific areas measured for Customer Service and Stakeholder Engagement around Benefit Payment Timeliness, Customer Satisfaction, as well as meeting the needs of CalPERS' stakeholders and keeping them informed also align with what GGA observes at other North American pension funds. In our opinion, the incorporation of a measure of Operational Effectiveness through the Overhead Operating Costs as a Percentage of Total Operating Costs measure is a market leading practice which provides a way of measuring how the fund is managing its non-investment costs.

With the move to a TPA investing model starting in Fiscal Year 2026-2027, GGA has little concern with Asset Class professionals at CalPERS having no weighting on Asset Class performance as under a TPA model the focus is on only the Total Fund and collaborative decision-making across asset classes for the betterment of the portfolio as a whole. GGA's recent research of leading TPA-aligned funds has confirmed that the vast majority do not specifically measure Asset Class performance as part of the Annual Incentive plan design, which differs from the typical approach under a SAA model used by the broader U.S. pension fund marketplace.

**CalPERS to Marketplace - Total Fund vs. Asset Class Performance**

CalPERS		Broader U.S. Pension Fund Marketplace	
Total Fund Performance	Asset Class Performance	Total Fund Performance	Asset Class Performance
100%	0%	33%-40%	60%-67%

**CalPERS to TPA-Aligned Funds – Total Fund vs. Asset Class Performance**

CalPERS		Leading TPA-Aligned Funds*	
Total Fund Performance	Asset Class Performance	Total Fund Performance	Asset Class Performance
100%	0%	100%	0%

\* GGA notes that CPP Investments still incorporates Asset Class performance as part of its calculations, but it generally is still at a lower weighting than Total Fund performance.

While GGA notes its low level of concern with the lack of weighting on Asset Class performance given current discussions around the adoption of a TPA, pensions should always reward participants when performance is high and penalize them when performance is low. An inherent risk in rewarding all investment professionals solely on Total Fund performance is that there is much less ability to differentiate between higher and lower performers on the team or recognize and reward certain asset classes that have materially or disproportionately contributed toward the positive performance of the fund. This will need to be addressed through the Individual performance rating, which should take into account an individual's

collaboration, teamwork and contributions to TPA discussions along with other historical factors measured under the annual performance review process.

Pension funds have also focused their staff on Total Fund returns through the adoption of Long-Term Incentive Plans ("LTIPs") that are 100% focused on forward-looking Total Fund investment performance over a longer, multi-year, performance period (typically 3-4 years in length) for all LTIP-eligible participants. Plans such as this are very effective in collectively aligning investment and executive staff in achieving Total Fund performance expectations over the longer-term, strengthening sustainability, and supporting each other toward earning a meaningful LTIP payout at the end of each extended performance period. Our opinion is that CalPERS' LTIP will continue to have this impact going forward as it annually completes the associated long-term performance cycles and provides the potential to generate additional payout opportunities for eligible plan participants.

## Appendix B: Weighting between Quantitative & Qualitative Performance

Since the commencement of our engagement with CalPERS, GGA has fielded concerns that too much weighting is placed on Qualitative performance within the CalPERS incentive plan, which is tougher to measure, and reward, realized performance. This opinion has been based on the traditional incentive design when following a SAA approach to investing where the focus for investment professionals is highly Quantitative and tied to both Total Fund and Asset Class investment results over a multi-year period. However, with CalPERS adopting TPA as of Fiscal Year 2026-2027, analysis of leading TPA-focused funds shows that a higher weighting must be placed on Qualitative performance to take into account cultural factors that need to be adopted internally to foster greater teamwork, collaboration, and partnerships across all asset classes. The need to break down "silos" between asset classes is even more pronounced under a TPA model so Individual performance (which tends to be evaluated more on a Qualitative basis) should have a more meaningful weighting within the Annual Incentive design.

The current 60/40 weighting between Quantitative and Qualitative performance at CalPERS aligns quite well with the norms observed by GGA amongst TPA-focused funds. While this will show a higher weighting on Qualitative performance at CalPERS relative to many other U.S. public funds who have yet to adopt a TPA investing model, it does align with what is needed as CalPERS transitions from a traditional SAA model to TPA. Therefore, GGA does not have any material concerns with the current Quantitative and Qualitative weightings within the Annual Incentive design.

While the weighting on Quantitative performance is competitive for non-investment roles, GGA continues to highlight our observation that many of the CEO's direct reports (i.e., COO, CFO, General Counsel, etc.) continue to have no weighting on Total Fund investment performance against the benchmark. Typical market practice is to at least apply some weighting (15% to

25%) on Total Fund performance which encourages greater teamwork, diminishes silos between Investment and Non-Investment staff, and aligns all Incentive-eligible staff to Total Fund performance. TPA-focused funds analyzed by GGA all apply some weighting on Total Fund investment performance for all Annual Incentive eligible professionals. In addition to maintaining better alignment between Investment and Non-Investment professionals, it helps maintain a meaningful weighting on Quantitative performance within the Annual Incentive formula, making the results less subjective and easier to defend if challenged by plan stakeholders, media, or the general public. This is the case under the traditional SAA model or the TPA model for investing.

## Appendix C: Investment Performance Expectations

Under a TPA model, Total Fund investment performance will be measured relative to a Simple Reference Portfolio instead of the customized Total Fund benchmark used historically under the SAA model. This means that updated performance expectations will need to be set to measure Total Fund performance as the underlying benchmark will be changing materially. CalPERS has also identified an objective to generate more alpha from its Total Fund portfolio which is not currently incented as much with the current performance range of 0 to 20 basis points above benchmark.

It should also be noted that due to the more simplistic 75/25 split between Global Equity and Global Bond indices under the new Reference Portfolio, more volatility in CalPERS' relative annual and multi-year Total Fund performance will be expected when compared to the customized Total Fund benchmark used before. This is because the old Total Fund benchmark included specific benchmarks for Private Equity, Real Estate, Infrastructure and other asset classes, weighted in-line with their allocations within the CalPERS Total Fund portfolio. Using only two benchmarks as opposed to a combination of 11 different benchmarks to assess performance, can cause a material difference in the reported return of the Total Fund benchmark.

Given these circumstances, GGA will be conducting both internal analysis of historical results at CalPERS relative to the new Reference Portfolio as well as external market analysis of trends relating to value add expectations under TPA and the general expectations of CalPERS of what can be achieved under TPA to determine challenging, yet fair performance hurdles to Total Fund investment performance relative to the Reference Portfolio. This work will be completed in advance of the June 2026 PCTM meeting with recommendations provided by GGA at that same June 2026 meeting.

## Appendix D: Integrating TPA Investment Performance into the Annual Incentive Plan Design

In GGA's experience, there are four potential ways to incorporate TPA investment performance into the Annual Incentive formula, starting in Fiscal Year 2026-2027:

1. Phase-In of TPA Results with SAA Results Over Time
2. Immediate Adoption of TPA Results over Desired Performance Period
3. Gradual Increase of Time Period TPA is Measured Against
4. Set a Floor for Performance in Early Years of TPA Adoption

### **Phase-In of TPA Results with SAA Results Over Time (GGA's Preferred Approach)**

A Phase-In approach would see TPA investment performance phased-in with TPA performance measured for all years from Fiscal Year 2026-2027 and onwards, with the old SAA-based performance used for earlier years in the 5-year performance cycle before Fiscal Year 2026-2027 [i.e., for Fiscal Year 2026-2027, 5-year performance would be measured for 4 years using the old SAA benchmark (July 1, 2022 to June 30, 2026) and for 1 year (July 1, 2026 to June 30, 2027) using the TPA Reference Portfolio]. The rolling period used to measure performance is gradually increased each year until the desired performance period is reached. In CalPERS' case this would be 5 years, so TPA performance would be phased-in as follows:

- Year 1: 1 year of TPA performance, 4 years of SAA performance
- Year 2: 2 years of TPA performance, 3 years of SAA performance
- Year 3: 3 years of TPA performance, 2 years of SAA performance
- Year 4: 4 years of TPA performance, 1 year of SAA performance
- Year 5: 5 years of TPA performance
- Year 6 & Beyond: 5 years of TPA performance

The rationale for this approach is that CalPERS will be adopting a brand-new investing approach that incentive participants were not working under historically. This means that the underlying strategy they were following in earlier years before TPA did not contemplate measuring performance against a Reference Portfolio or include any of the portfolio fluidity that TPA will provide. Therefore, they were not making decisions in those years with that strategy in mind. For this reason, tying the Investment-related portion of their Annual Incentive to long-term results against the Reference Portfolio in the early years of TPA adoption could be viewed as unfair to participants. It also may lead to inaccurate or inappropriate rewards and/or penalties for earlier years. By building up the number of years TPA performance is measured over time, incumbents are then only rewarded based on the time period they have been asked to start outperforming the Reference Portfolio.

This approach is the most complicated to administer as it requires CalPERS to keep track of both TPA and SAA performance results over several years and under different time periods (i.e., 1 year, 2 years, 3 years, etc.).

In GGA's experience, a phased-in approach when making material changes in performance methodology such as a change to the performance benchmark is a common practice. This is deemed to be the fairest approach to existing incumbents as it better tracks their performance over time based on the different performance benchmarks they were asked to outperform.

### **Immediate Adoption of TPA Results over Desired Performance Period**

An Immediate Adoption approach sees TPA performance adopted immediately over the desired performance period on a rolling, backward-looking, basis. (i.e., for Fiscal Year 2026-2027, 5-year performance would be measured for 5 years using the TPA Reference Portfolio). In CalPERS' case the desired performance period would be 5 years, so an affected incumbent would have performance phased-in as follows:

- Year 1 & Beyond: 5 years of TPA performance

This approach is the easiest to administer as all eligible incumbents affected by Total Fund performance are measured based on the same rolling performance period using the same benchmark, the TPA Reference Portfolio. It aligns with the thinking that everyone is now being evaluated relative to a new benchmark and therefore historical performance should be evaluated in that context. The approach may also make sense if historical results, relative to the new Reference Portfolio, are similar to the results observed under the old SAA-based benchmark.

The drawback to this approach is that the incumbents measured under TPA did not have the ability to affect results in previous years under a TPA strategy as they were incented against a more customized benchmark with different performance expectations and ridged portfolio structures. Therefore, they will be positively or negatively impacted by misaligned past results obtained before they were measured against a simple Reference Portfolio. Moving immediately to TPA performance over the full rolling performance period can be viewed as "unfair" to the participants and likely will not generate sufficient buy-in under the updated incentive design.

In GGA's experience, this Immediate Adoption approach is not a common practice when making material changes to the underlying benchmark that participants are measured against due to the concerns over people's inability to impact past results when they were not measuring themselves against the same benchmark or had the same investment tools available to them.

### **Gradual Phase-In of Time Period TPA is Measured Against**

A Gradual Phase-In approach would see TPA investment performance phased-in over time with TPA performance measured over longer rolling time periods under the Annual Incentive for all years from Fiscal Year 2026-2027 and onwards with no reference to past SAA-based performance. Essentially, it would be as if the program was just starting with performance in Year 1 measured against 1-year results, Year 2 against 2-year results, etc.. This would mean for Fiscal Year 2026-2027, Total Fund investment performance would be based on only 1 year of TPA performance relative to the Reference Portfolio. The rolling time period used to measure performance would gradually increase each year thereafter until the full desired performance period is reached. In CalPERS' case this would be 5 years, so TPA performance would be phased-in as follows:

- Year 1: 1 year of TPA performance
- Year 2: 2 years of TPA performance
- Year 3: 3 years of TPA performance
- Year 4: 4 years of TPA performance
- Year 5: 5 years of TPA performance
- Year 6 & Beyond: 5 years of TPA performance

The rationale for this approach is that CalPERS will be adopting a brand-new investing approach, so past results under a SAA model should not impact their go-forward Annual Incentive awards. Investing under a TPA model is treated as very different than a SAA model and therefore rewarding people (higher or lower) for performance under a strategy that is no longer followed should not be part of determining the Annual Incentive. By building up the number of years TPA performance is measured over time, incumbents are then only rewarded based on the period they have been asked to start outperforming the Reference Portfolio. Another positive to this approach is that it is quite easy to understand and administer as there is no need to track historical results under the SAA model as part of the Annual Incentive formula.

This approach does create an issue as measuring TPA performance over short time periods such as 1 or 2 years can be problematic as market trends show that relative performance under TPA against a Reference Portfolio can vary materially from year-to-year. There can be large swings of over-performance followed by large swings of under-performance. This will potentially make investment performance (which makes up the majority of the Annual Incentive for investment professionals) quite volatile in early years of TPA adoption. The true value-add from TPA, really only starts to materialize over longer time periods of 3, 5 or 10 years. In the pension fund industry, it is highly unusual to measure performance solely over 1 or 2 years. Almost all pension funds measure investment performance over multi-year periods of 3, 4 or 5 years minimum. This approach would essentially measure CalPERS against very short time periods in earlier years of TPA adoption (i.e., Fiscal Year 2026-2027 to Fiscal Year 2028-2029), which would not align with market. Lastly, because TPA is still a fairly new investment

practice across the pension fund industry (especially in the United States), CalPERS is a pioneer and will most likely tweak its TPA model over time. Measuring investment performance solely under this new model while kinks are still being worked out could be disruptive and/or detrimental to affected plan participants.

In GGA's experience, this approach would be atypical in the pension fund industry as investment performance in early years would not be measured against longer-term results (i.e., 3 years plus) and it would completely ignore past performance.

### **Set a Floor for Performance in Early Years of TPA Adoption**

This approach would apply a Floor (i.e., Minimum) level of performance for earlier years of TPA performance with Actual performance phased-in over time as longer-term results under TPA are achieved. The assumed Floor level of performance is gradually reduced each year up until it is completely exhausted over a certain period. If Actual TPA performance lands above the Floor then the Actual performance multiplier would be used instead of the Floor. An affected incumbent would have performance phased-in as follows:

- Year 1: 1-Year TPA performance Floor at 75% of Target & 4 years of SAA performance
- Year 2: 2-Year TPA performance Floor at 50% of Target & 3 years of SAA performance
- Year 3: 3-Year TPA performance Floor at 25% of Target & 2 years of SAA performance
- Year 4: 4-Year TPA performance with No Floor & 1 Year of SAA performance
- Year 5 & Beyond: 5-Year TPA performance with No Floor

The rationale for this approach is that because TPA is a completely new investing model with a materially different Reference Portfolio benchmark, underlying performance is unknown in early years of TPA as CalPERS works out the kinks. Studies have also shown that the success of TPA can really only be evaluated over longer time periods of more than 1 or 2 years. Therefore, providing some level of assurance of performance results in the earlier years of TPA makes sense as the team settles into the TPA investing model. By assuming a Minimum level of performance (i.e., a Floor) this will allow for volatile TPA results to still be used in the calculation, but evens out any large under-performance in earlier years of TPA to provide a more stable Annual Incentive result for participants. It also allows CalPERS to still measure 5-year investment results using a mixture of TPA and SAA performance. By lowering the guaranteed Floor each year, this will put more pressure over time on professionals at CalPERS to prove the success of the TPA model as their guaranteed performance result dwindles. While contemplated as a Performance Floor, CalPERS could also set a Performance Ceiling in earlier years of TPA adoption to ensure participants are not overly rewarded for large upward swings in over-performance relative to the Reference Portfolio.

This approach is still complicated to administer as it requires CalPERS to keep track of Actual TPA performance and compare it to the Performance Floor in earlier years of TPA adoption. There may also be complications with newer team members that join after TPA is adopted. Will they be subject to same floor percentage as others or a different one? It also requires tracking

of performance over multiple time periods when determining Annual Incentive payouts until the phase-in period is complete. Lastly, the assumption of a Floor level of performance for earlier years means that part of the calculation is not based on Actual results achieved for CalPERS members, which may be viewed negatively.

In GGA's experience, this approach can make sense for new team members joining a pension fund, but is not as prevalent when adopted for a large team of individuals.

## Appendix E: Incentive Metrics Used by Identified CalPERS Pension Peers

GGA notes that most of CalPERS' identified pension fund peers provide some level of disclosure on the design of their Incentive programs, which is highlighted in the table below.

Performance Area	Current CalPERS Metric Used	Examples of Performance Metrics (incl. Pension Peers & TPA-Focused Funds)
Total Fund	<ul style="list-style-type: none"> <li>- Total Fund Return Relative to Customized SAA Benchmark</li> <li>- Total Fund Return Relative to CEM US Benchmark</li> </ul>	<ul style="list-style-type: none"> <li>- Total Fund Return Relative to Customized SAA Benchmark</li> <li>- Total Fund Return Relative to Reference Portfolio</li> <li>- Total Fund Return Relative to T-Bill Rate+%</li> <li>- Total Fund Return Relative to CPI+</li> <li>- Absolute Total Fund Return vs. Actuarial Required Return Rate</li> <li>- Total Fund Volatility</li> </ul>
Asset Class		<ul style="list-style-type: none"> <li>- Asset Class Return Relative to Benchmark Index</li> <li>- Absolute Asset Class Return</li> </ul>
Total Fund Costs	<ul style="list-style-type: none"> <li>- Total Fund Costs Relative to CEM US Benchmark</li> </ul>	<ul style="list-style-type: none"> <li>- n/a</li> </ul>
Customer Service	<ul style="list-style-type: none"> <li>- Benefit Payment Timeliness</li> <li>- Customer Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>- Customer Satisfaction with Business Processes</li> <li>- Peer Service Level Comparison Relative to CEM Results</li> <li>- Service Excellence Index</li> <li>- Comprehensive Annual Review of Performance Factors Relating to the Business &amp; Operational Management of the Investment Branch</li> <li>- Survey of the CIO, Deputy CIO &amp; Investments Staff Rating of Implementation Success &amp; Customer Service</li> </ul>



## Appendix E: Incentive Metrics Used by Identified CalPERS Pension Peers <sup>cont'd.</sup>

Performance Area	CalPERS Metric Used	Examples of Performance Metrics
Stakeholder Engagement	<ul style="list-style-type: none"> <li>- Score against Annual Engagement Survey</li> </ul>	<ul style="list-style-type: none"> <li>- Employee Engagement Survey &amp; Employee Turnover</li> <li>- Comprehensive Annual Review of Performance Factors of Investment Office Engagement Strategy &amp; Outreach</li> <li>- Develop major stakeholder relationships around the world</li> <li>- Act as brand protector and ambassador, grow geopolitical footprint</li> </ul>
Operational	<ul style="list-style-type: none"> <li>- Total Overhead Operating Costs as % of Total Operating Costs</li> </ul>	<ul style="list-style-type: none"> <li>- Productivity Relative to CEM Results</li> <li>- Integrated technology, data, and knowledge advantage initiative</li> </ul>
Strategic Execution	<ul style="list-style-type: none"> <li>- Business Objectives</li> </ul>	<ul style="list-style-type: none"> <li>- Performance against Organizational Leadership Priorities</li> <li>- Board Evaluation of Status of Strategic Plan &amp; Objectives</li> <li>- Annual Strategic Execution</li> <li>- Board or CEO Evaluation of Strategic Plan Performance</li> </ul>
Personal Performance	<ul style="list-style-type: none"> <li>- Leadership</li> <li>- Collaboration (CIO &amp; Senior Investment Leadership Group)</li> </ul>	<ul style="list-style-type: none"> <li>- Individual performance against personal objectives</li> <li>- Developing subordinate staff and recruit/retain talent</li> <li>- 360 Leadership Score</li> <li>- Contribution to Short &amp; Long-Term Areas of Focus</li> <li>- Comprehensive Review of Personal Performance Factors</li> <li>- Collaboration</li> </ul>
Other		<ul style="list-style-type: none"> <li>- Developing organizational structure, systems, and processes</li> <li>- Relationships with Board, Committees, Direct Reports</li> <li>- Economic Development of Local Economy</li> <li>- Culture Initiatives</li> <li>- Enhancing Technological Capabilities</li> <li>- Talent Development Initiatives</li> </ul>



## Appendix F: GGA’s Detailed Recommendations for Consideration

- Areas highlighted in **GREEN** represent a proposed increase in weighting from Fiscal Year 2025-2026.
- Areas highlighted in **RED** represent a proposed decrease in weighting from Fiscal Year 2025-2026.

Participant/Group		Quantitative					Qualitative		
		Total Fund	EOE	INVO CEM	Customer Service	Stakeholder Engagement	Leadership	Collaboration	Business Objectives
CEO	Proposed	15%	20%	10%	15%	15%	*	*	25%
	Current	15%	20%	10%	15%	15%	*	*	25%
CIO	Proposed	50%	*	10%	*	*	15%	10%	15%
	Current	50%	*	10%	*	*	15%	10%	15%
Deputy CIO	Proposed	50%	*	10%	*	*	15%	10%	15%
	Current	50%	*	10%	*	*	15%	10%	15%
Sr. Asset Class Pros. (MID)	Proposed	50%	*	10%	*	*	15%	10%	15%
	Current	50%	*	10%	*	*	15%	10%	15%
Other Investment Team Members*	Proposed	50%	*	10%	*	*	15%	10%	15%
	Current	50%	*	10%	*	*	20%	*	20%
General Counsel	Proposed	15%	15%	10%	5%	5%	20%	*	30%
	Current	*	20%	10%	10%	10%	20%	*	30%
Chief Actuary**	Proposed	*	20%	10%	10%	10%	20%	*	30%
	Current	*	20%	10%	10%	10%	20%	*	30%
CFO	Proposed	15%	15%	10%	5%	5%	20%	*	30%
	Current	*	20%	10%	10%	10%	20%	*	30%
COO	Proposed	15%	15%	10%	5%	5%	20%	*	30%
	Current	*	20%	10%	10%	10%	20%	*	30%
Members of Sr. Invest. Leadership Group	Proposed	50%	*	10%	*	*	15%	10%	15%
	Current	50%	*	10%	*	*	15%	10%	15%

\* GGA is recommending that CalPERS place a small weighting on Collaboration for all investment team members below the senior investment leadership group to further encourage Collaboration across the entire investment team under a TPA model.

\*\* GGA is not proposing to include a Total Fund investment performance component for the Chief Actuary position as it is not commonly observed in the marketplace given the uniqueness of the role in influencing required actuarial rates of return and monitoring overall funding levels which could create a perceived conflict of interest.

