

INCENTIVE PLAN | Fiscal Year 2026-27

Name: Marcie Frost

Position: Chief Executive Officer

SUMMARY OF PROPOSED INCENTIVE PLAN MEASURES AND WEIGHTS

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

KEY BUSINESS OBJECTIVES

Organizational Leadership Priorities (25% plan weight)

Through June 30, 2027, provide organizational leadership in support of the following priorities:

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

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

Score	Rating
Exceptional	1.50 (150%)
Consistently Exceeds Expectations	1.25 (125%)
Fully Meets Expectations	1.0 (100%)
Inconsistently Meets Expectations	0.5 (50%)
Does Not Meet Expectations	0.0 (0%)

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INCENTIVE METRICS (As proposed by Global Governance Advisors in Agenda Item 5a)

Total Fund Performance (20% plan weight)

The Total Fund Performance Metric is based on fund performance against the reference portfolio and policy benchmark for the five-year period of July 1, 2022 through June 30, 2027. Payout ratio for intermediate results will be determined by interpolation.

For performance relative to reference portfolio for the period of July 1, 2026 through June 30, 2027:

Variance (bps) from Benchmark	Payout Ratio
+80	1.50 (150%)
+40	1.00 (100%)
0	0.00 (0%)

For performance relative to policy benchmark for the period of July 1, 2022 through June 30, 2026:

Variance (bps) from Benchmark	Payout Ratio
+20	1.50 (150%)
+10	1.00 (100%)
0	0.00 (0%)

Enterprise Operational Effectiveness (15% plan weight)

The Enterprise Operational Effectiveness Metric for 2026-27 is defined as Overhead Operating Costs as a percentage of Total Operating Costs ("OOC").

- Total Overhead Operating Costs ("OOC") identify all administrative costs not mapped directly to Product and Service Delivery Operating Costs ("PSDOC"); excludes Board and Third-Party Administrator Costs, and lump sum payment costs
- $OOC = OOC / (OOC + PSDOC)$

Score	Payout Ratio
< -0.80%	1.50 (150%)
-0.80% to < -0.40%	1.25 (125%)
-0.40% to 0.0%	1.00 (100%)
> 0.0% to 0.40%	0.75 (75%)
> 0.40% to 0.80%	0.50 (50%)
> 0.80%	0.00 (0%)

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Investment Office CEM (10% plan weight)

The 2026-27 annual participation in the CEM benchmarking survey analyzes CalPERS' investment costs and return performance over a five-year period against a customized peer group.

Score	Payout Ratio
Outperforms US Benchmark on Net Value Added (Returns) and Cost by 0.1% and 8 bps, respectively	1.50 (150%)
Outperforms US Benchmark on Returns and Cost by 0.05% and 4 bps, respectively	1.00 (100%)
Outperforms US Benchmark on Cost or Outperforms US Benchmark on Returns	0.50 (50%)
Underperforms US Benchmark on Returns and Cost	0.00 (0%)

Customer Service (15% plan weight)

The Customer Service Metric for 2026-27 is based on the following two Service Dimensions:

- Benefit Payment Timeliness: Percentage of benefit payments issued to our customers within established service levels
- Customer Satisfaction: Customer satisfaction with CalPERS services as measured by surveys and other methods

Score	Payout Ratio
≥ 97%	1.50 (150%)
96% to < 97%	1.25 (125%)
95.5% to < 96%	1.00 (100%)
95% to < 95.5%	0.75 (75%)
94% to < 95%	0.50 (50%)
< 94%	0.00 (0%)

Stakeholder Engagement (15% plan weight)

The Stakeholder Engagement Metric for 2026-27 is based on results of the following three Stakeholder Engagement Survey questions:

- Is CalPERS sensitive to the needs of its members?
- Is CalPERS doing a good job of keeping in touch with its members and keeping them informed?
- CalPERS is effective in communicating and engaging with stakeholders. (Ranked on scale of 1-10)

Score	Payout Ratio
≥ 80.5%	1.50 (150%)
80% to < 80.5%	1.25 (125%)
79.75% to < 80%	1.00 (100%)
79.5% to < 79.75%	0.75 (75%)
79% to < 79.5%	0.50 (50%)
< 79%	0.00 (0%)