

**INCENTIVE PLAN | Fiscal Year 2024-25**

**Name:** Marcie Frost

**Position:** Chief Executive Officer

**SUMMARY OF PROPOSED INCENTIVE PLAN MEASURES AND WEIGHTS**

Plan Weight	Measure
25%	Organizational Leadership Priorities
15%	Total Fund Performance
20%	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, 2025, 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	1.5 (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%)

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

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

The Total Fund Performance Metric is measured based on fund performance against the policy benchmark for the five-year period of July 1, 2020, through June 30, 2025. Payout ratio for intermediate results will be determined by interpolation.

Variance (bps) from Benchmark	Payout Ratio
+10	1.50 (150%)
+5	1.00 (100%)
0	0.00 (0%)

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

The Enterprise Operational Effectiveness Metric for 2024-25 is defined as Overhead Operating Costs as a percentage of Total Operating Costs ("OOC").

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

Score	Payout Ratio
< -1.05%	1.50 (150%)
-1.05% to < -0.55%	1.25 (125%)
-0.55% to 0.0%	1.00 (100%)
> 0.0% to 0.55%	0.75 (75%)
> 0.55% to 1.05%	0.50 (50%)
> 1.05%	0.00 (0%)

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

The 2024-25 annual participation in the CEM benchmarking survey analyzes CalPERS' investment costs and return performance over a five-year period against a customized peer group.

Score	Payout Ratio
Outperforms US Benchmark on Net Value Added (Returns) <b>and</b> Cost by 0.1% and 8 bps, respectively	1.50 (150%)
Outperforms US Benchmark on Returns <b>and</b> Cost by .05% and 4 bps, respectively	1.00 (100%)
Outperforms US Benchmark on Cost <b>or</b> Outperforms US Benchmark on Returns	0.50 (50%)
Underperforms US Benchmark on Returns <b>and</b> Cost	0.00 (0%)

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### Customer Service (15% plan weight)

The Customer Service Metric for 2024-25 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 2024-25 is based on results of the following three Stakeholder Engagement Survey questions:

- Is CalPERS sensitive to the needs of Stakeholders?
- Does CalPERS do a good job of keeping its stakeholders informed?
- On a scale of one to ten, how would you rate CalPERS being effective in engaging and communicating with stakeholders?

Score	Payout Ratio
≥ 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%)