The University of California
Office of the Chief Investment Officer
Annual Incentive Plan (AIP)
For Plan Year July 1, 2017 through June 30, 2018

I. Plan Purpose

Under the authority granted by The Board of Regents, the purpose of the University of California Office of the Chief Investment Officer Annual Incentive Plan ("Plan") is to provide the opportunity for at risk variable financial incentives to those employees responsible for attaining or exceeding key objectives in the Office of the Chief Investment Officer (CIO) which are consistent with University investment objectives.

The Plan provides participants with an opportunity to receive an annual non-base building cash incentive based on the performance of the University's total investment portfolio, the assets and sectors/functional groups managed by the individual participant, and the individual participant's qualitative performance. The incentive award is earned based on the achievement of specific financial, non-financial, and strategic objectives relative to the mission and goals of the Office of the CIO and the performance of the investment portfolio. The Plan focuses participants on maximizing returns in excess of stated performance benchmarks for all funds managed while assuming appropriate levels of risk. It is intended to support teamwork so that members of the Office of the CIO operate as a cohesive group.

II. Plan Year

The Plan year will correspond to the University's fiscal year, beginning July 1 of each year and ending the following June 30.

III. Plan Oversight

Development, governance and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC) comprised as follows:

- Executive Vice President – Chief Operating Officer
- Executive Vice President – Chief Financial Officer
- The Vice President – Systemwide Human Resources
- The Executive Director – Systemwide Compensation Programs and Strategy

The AOC, in its deliberations pertaining to the development or revision of the Plan, may consult with the CIO or other key members of the CIO's staff. The AOC will abide by the Political Reform Act, which would prohibit Plan participants, such as the CIO and other members of the CIO's staff, from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

IV. Plan Approval

The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. The Plan will be implemented each year upon the approval of the AOC if no changes to the Plan are being recommended. If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changing the award opportunity levels, the AOC will obtain the approval of the President and the Regents' Committee on Governance and Compensation and consult with the Chair of the Regents' Investments Subcommittee before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the current Plan year has ended. However, if changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Moreover, no changes will affect awards earned by Plan participants for performance in prior Plan years. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all substantive or material changes to the Plan.

V. Plan Administration

The Plan will be administered by the Executive Director – Systemwide Compensation Programs and Strategy, consistent with the provisions of this Plan approved by the President and the Regents. The Plan features and provisions outlined in this document shall supersede any other Plan summary.

Except as set forth below, all award amounts will be reviewed by and require the approval of the AOC. In the unlikely event that the AOC proposes an award that is not consistent with the terms of this Plan document, approval by the President and Regents will be required. The AOC will consult the Chief Compliance and Audit Officer in an independent advisory capacity during its review of proposed awards. Any incentive award for the CIO or any other participant who is a direct report to the Regents and/or the President will require the approval of the Regents in addition to the AOC.

VI. Eligibility to Participate

Eligible participants for the Plan include senior management, professional investment and trading staff and other key positions in the Office of the CIO, as recommended by the CIO and subject to approval by the AOC. Eligibility is reviewed annually by the CIO and is subject to approval by the AOC, prior to the beginning of the Plan year.

A participant who has been found to have committed a serious violation of state or federal law or a serious violation of University policy at any time prior to distribution of an award will not be eligible for such awards under the Plan for that Plan year and/or performance period. If such allegations against a participant are pending investigation at the time of the award distribution, the participant's award(s) may be withheld pending the outcome of the investigation. If the participant's violation is discovered later, the participant may be required to repay awards for the Plan years and/or performance periods in which the violation occurred.

Participants in the Plan may not participate in any other incentive or recognition plan during the plan year, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University plan is not permitted.

Prior to the beginning of the Plan year, the AOC will provide the President and the Chair of the Regents' Committee on Governance and Compensation with a list of Plan participants for that Plan year, including appropriate detail regarding each Plan participant.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan.

Participants must be active full-time employees of the University in the Office of the CIO at the conclusion of the Plan year (i.e., as of midnight on June 30th) to be eligible to receive an award for that Plan year, unless the circumstances of their separation from the University entitle them to a full or partial award as set forth in the Separation from the University provision below in Section XIII.

Eligible employees who are appointed after the start of the Plan year must have an employment start date no later than January 15, to be eligible to receive an award for that Plan year. Newly hired participants will be eligible to receive a prorated award in their first partial year.

Participants who were not working for a significant portion of the Plan year may receive a partial award, if they are active full-time employees in the OCIO at the end of the Plan year. For the purpose of this Plan, leave of absence status will be determined by applicable University policies governing such leaves.

VII. Performance Standards

Each performance objective will include standards of performance defined as follows:

- Threshold Performance: This level represents satisfactory results, but less than full achievement of performance objectives.
- Target Performance: This level represents full achievement of all performance expectations.
- Maximum Performance: This level represents results that clearly exceed expectations.

VIII. Incentive Award Opportunity Levels

Plan participants are assigned award levels that serve to motivate individual, group and total entity performance as part of a competitive total cash compensation package. Participants are eligible to receive an incentive award, expressed as a percentage of their base salary that corresponds to predetermined target levels of performance. Actual incentive award levels may be greater or less than the target opportunity level, depending on performance relative to policy portfolio benchmarks and individual contribution. Award opportunity levels by position are as follows:

Position	Threshold Opportunity (as % of Salary)	Target Opportunity (as % of Salary)	Maximum Opportunity (as % of Salary)
Chief Investment Officer (CIO)	50%	100%	165%
Senior Managing Directors & Chief Operating Officer	30%	60%	120%
Managing Directors	25%	50%	100%
Investment and Risk Directors	22.5%	45%	90%
Investment Officers	17.5%	35%	70%
Sr. Investment Analyst /Portfolio Mgr	10%	20%	40%
Other Participants, including Operations Managers/Directors	10%	20%	25%

IX. Performance Objectives

The three Performance Objective categories of the Plan are:

1. Quantitative Entity Performance (e.g., total investment portfolio performance)
2. Quantitative Asset Class or Sector/Functional Group Performance, if applicable
3. Individual/Qualitative performance

The quantitative investment performance objectives will be reviewed and approved by the AOC in consultation with the CIO, the President, and Chairs of the Regents' Committees on Governance and Compensation, and Investments Subcommittee, and an independent investment consultant prior to the beginning of the Plan year. Performance objectives for each Plan participant must include the Entity Performance, the Asset Class/Sector Performance (where applicable), and the Individual/Qualitative Performance.

Individual/Qualitative Performance objectives may be established in, but are not limited to, the following areas:

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources

Individual/Qualitative performance objectives for each Plan participant other than the CIO will be defined by his/her supervisor. These objectives will be subject to endorsement by the CIO and approval by the AOC prior to the beginning of the Plan year. The individual performance objectives of the CIO will be defined annually by the President, who may consult with the Chair of the Regents' Investments Subcommittee, prior to the beginning of the Plan year or as soon as possible thereafter. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of Plan participants' objectives.

Prior to the beginning of the Plan year or as soon as possible thereafter, the supervisor of each Plan participant will provide him/her with written documentation that (a) identifies the participant's individual performance objectives applicable to the Plan, (b) defines the performance standards and metrics that will be used to measure threshold, target, and maximum performance for each investment objective, and assigns performance weightings to the participant's objectives.

X. Performance Measures and Weightings

For Plan participants other than the CIO, the participant's performance against assigned Individual/Qualitative goals will be assessed by the participant's supervisor and require the approval of the CIO. The CIO's performance against assigned Individual/Qualitative objectives will be assessed by the President, who will consult with the Chair of the Regents' Investments Subcommittee.

Quantitative investment performance of both the University portfolios and the market indexes for performance objectives is measured using a three-year rolling average. This method provides for longer term focus on and accountability for sustainable performance results. Investment returns in a given year, whether positive or negative, affect the average, and thus the payout, over three separate Plan years. The lowest value of any award in a given year will be zero.

If the Entity, Asset Class or Sector/Functional Group experience negative three-year rolling average returns (or other, applicable performance measurement periods, as described in Section XI, below) in any year, regardless of relative performance against benchmarks, that year's award for that component (Entity, Asset Class or Sector/Functional Group) will be zero. In those years where a component has negative three-year rolling average returns and nil awards, a participant may nevertheless earn awards tied to the other components where performance is positive, as well as for Individual/Qualitative performance. Negative performance in the current year will have no adverse impact on the deferred portions of prior year awards.

Awards are determined based on achievement of performance objectives relative to policy portfolio benchmarks and individual contribution, and in accordance with the payout curve established for each performance objective. Performance measures for participants in their first full Plan year or later are weighted as displayed in the table below.

Position	Weighting for Entity Performance Objectives	Asset Class Sector Group Performance Objectives, if applicable	Weighting for Individual/ Qualitative Performance Objectives
Chief Investment Officer	75%	0%	25%
Senior Managing Directors (Risk Mgmt and Chief Operating Officer	75%	0%	25%
Senior Managing Directors (Asset Class)	50%	25%	25%
Managing Directors (Asset Class)	50%	25%	25%
Directors (Asset Class)	50%	25%	25%
Investment Officers Asset Class	50%	25%	25%
Investment Officers, Risk Management	75%	0%	25%
Managing Directors and Directors, Risk	75%	0%	25%
Sr. Investment Analysts	75%	0%	25%
Other Participants, including Operations Managers	75%	0%	25%

XI. Transitional Weightings for New Hires

In recognition of a participant's limited ability to affect attainment of objectives during the first two years of service, the following adjustments are made in the Weighting table for participants in their first three Plan years, as reflected in the following table.

Time Period	Weighting for Quantitative Performance Objectives (Entity, Asset Class, Sector/Functional Group)	Weighting for Individual/Qualitative Performance Objectives
First *partial* year	50% / 1 year performance	50%
Year 1 (first full year)	75% / 1 year performance*	25%
Year 2 (second full year)	75% / 2 years' performance*	25%
Year 3 (third full year)	Standard participation as provide by level under the Plan	

* or including weighting for asset class/sector performance, as provided in the chart in Section X.

In special cases, such as for a new participant charged with the restructuring of an entire asset class or strategy, the above weights may be modified at the recommendation of the CIO, subject to approval by the AOC. In such a case, the participant will be required to meet specific objectives that contribute to long-term performance.

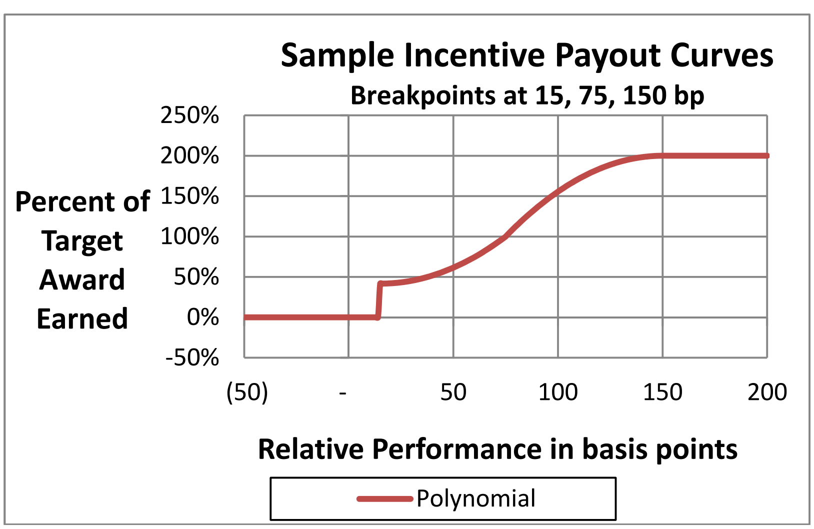
The phase-in of new asset classes will be handled in a similar way, that is, performance for the first year of a new asset class will be based on a single year's return; performance for the second year of the class will be based on the first two years' returns. See the Administrative Guidelines for more details of specific circumstances.

XII. Award Determination and Processing

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant's total salary (which includes base salary, and any stipends, but does not include any prior year incentive award payouts or disability pay) paid as of the end of the Plan year (i.e., as of midnight on June 30) will be used in the calculation of the award amount. The current position held by the participant at the end of the Plan year or the applicable performance period will determine the award opportunity level in the calculation. For Investment Officers and above, the award will be payable in three annual payments comprised of 50 percent paid after the conclusion of the current Plan year, 25 percent paid when awards are paid for the next Plan year and 25 percent paid when awards are paid for the Plan year after that. For participants below the Investment Officer level (as reflected in the charts above), awards are payable in one lump sum; there is no deferral of any portion of their awards.

The deferred portion of awards earn interest based on the Short-Term Investment Pool (STIP) rate of return during the period of deferral. Payments of the deferred portions of awards for prior Plan years are generally issued during the fall of each year when the non- deferred portion of awards are paid for the recently concluded Plan year. Accrued awards for participants on approved leave of absence will be paid according to the normal schedule.

A polynomial payout curve is used to determine actual awards for performance levels between threshold and maximum and relative to Entity, Asset Class, and Sector/Functional Group quantitative performance objectives. The chart below shows an example of the polynomial payout curve. In this example, the Threshold is 15 bp, the Target is 75 bp, and the Maximum is 150 bp.



The primary advantage of the polynomial curve is that it supports higher proportional awards for better performance thereby encouraging participants to achieve target level or higher performance.

XIII. Separation from the University

The table below indicates whether a participant who separates from the University will be eligible to receive partial awards and/or payout of deferred portions of the awards for prior Plan years and also specifies when forfeiture of such awards will occur. Payment of deferred portions of prior Plan year awards will be paid with interest, as described in Section XII. Retirement will be determined based upon applicable University policies. In order to determine the most accurate award for the current Plan year, partial payments will be calculated at the end of the Plan year and issued in accordance with the normal process and schedule. The table, below, provides an example of how separations will be handled.

Reason for Separation	Separation During Plan Year (i.e., on or before June 30, 2017)	Separation on or after July 1, 2017
Voluntary Separation for any reason other than retirement	• Forfeiture of award for 2016-2017 Plan year. • Forfeiture of deferred portions of awards from 2015-2016 and 2014-2015 Plan years.	• Payout of 50% of award for 2016-2017 Plan year; forfeiture of remainder. • Payout of half of deferred portion of award for 2015-2016 Plan year; forfeiture of remainder. • Payout of remaining portion of deferred award for 2014-2015 Plan year.
• Retirement • Medical separation due to disability • Death* • Involuntary separation due to reorganization or restructuring	• Partial award for 2016-2017 Plan year. • Payout of all deferred portions of awards from 2015-2016 and 2014-2015 Plan years.	• Award for 2016-2017. • Payout of all deferred portions of awards from 2015-2016 and 2014-2015 Plan years.
Involuntary termination due to misconduct or inadequate performance	• Forfeiture of award for 2016- 2017 Plan year. • Forfeiture of deferred portions of awards from 2015-2016 and 2014-2015 Plan years.	• Forfeiture of award for 2016-2017 Plan year. • Forfeiture of deferred portions of awards from 2015-2016 and 2014-2015 Plan years.

* In such cases, payments will be made to the estate of the participant.

XIV. Extraordinary Market Environments

In periods of unusual market and economic stress, when the entity experiences negative investment returns, regardless of the entity's relative performance against benchmarks, the portion of the current Plan year awards that would normally be paid at the end of the current Plan year may be deferred. If this deferral mechanism is invoked, awards will be reviewed and approved in the usual manner. But, in conjunction with that review and approval process, deferral will be recommended by the AOC and then approved by the President and the Chairs of the Regents' Committee~~s~~ on Governance and Compensation and Investments Subcommittee. In such a case, the portion of the current Plan year awards that have been deferred will earn interest based on the STIP rate of return during the period of deferral, as defined in Section XII, above. The portion of the current Plan year awards that have been deferred will be processed and distributed as soon as possible. However, in no event will they be deferred longer than one year.

XV. Award Approval Process

The AOC must convene to review all recommended awards within a reasonable time after the close of the Plan year. The AOC will provide the President and the Chair of the Regents' Committee on Governance and Compensation with a listing of award recommendations before awards are scheduled to be paid. Payouts to individuals of approved awards will be processed as soon as possible unless the provision in Section XIV above regarding Extraordinary Market Environments applies.

On behalf of the AOC, the Executive Director – Systemwide Compensation Programs and Strategy will provide the President and the Regents with the award details in the Annual report on Executive Compensation. The AREC will also report awards paid to non-SMGs whose compensation falls within the AREC's reporting criteria.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chairs of the Regents' Committee on Governance and Compensation and the Investments Subcommittee, and with the approval of the Regents. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, prorated awards for the current year will still be processed based on participants' performance during the portion of the Plan year prior to termination. Moreover, such termination will not affect awards earned by Plan participants for performance in prior Plan years.

The University may require repayment of an award that that was made as a result of inappropriate circumstances. For example, if there is an inadvertent overpayment, the participant will be required to repay the overage. If the participant has not made the repayment before the award or the employee for a subsequent year is approved, the outstanding amount may be deducted from the employee's subsequent award.