



Board of Retirement Special Meeting

Sacramento County Employees' Retirement System

Agenda Item 12

MEETING DATE: September 18, 2019

SUBJECT: Chief Executive Officer Performance Evaluation Policy

SUBMITTED FOR: ___ Consent X Deliberation and Action ___ Receive and File

RECOMMENDATION

The Chief Executive Officer (CEO) recommends the Board approve changes to the Board's administrative timeframe for conducting annual and mid-year performance evaluation of the CEO, and adopt the procedure as a formal Board policy.

PURPOSE

This item helps facilitate the process for the Board to regularly conduct periodic evaluations of the CEO's performance, provide the CEO with feedback, and determine the CEO's compensation.

DISCUSSION

On November 30, 2017, the Board adopted a CEO performance evaluation framework to facilitate the Board's consideration and discussion for defining the business objectives that are of highest priority to the Board and will serve as the basis for evaluating the CEO's performance.

The performance evaluation procedure includes:

- Evaluating criteria for meeting business objectives and demonstrating leadership competencies;
- Flexibility to update, replace, or redefine the business objectives for each evaluation period;
- Provision for informal mid-year performance discussions with the CEO; and,
- A formal evaluation process that begins with the CEO's self-evaluation, proceeds to each Board Member completing a written CEO evaluation individually, and concludes with a summary or "consensus" Board evaluation for discussion with the CEO.

The procedure also includes a detailed schedule for the annual review that begins in early September with the CEO self-evaluation and continues through October or November for the in-person Board review.

The Board used the process for the first time in 2018. As with any new policy, opportunities for improvement and efficiency surfaced during the implementation. To better align the evaluation with the CEO's work anniversary in December, the CEO recommends revising and compressing the procedure to begin in late October with the CEO self-evaluation and conclude at the November meeting with the in-person review. Additionally, the current procedure calls for a mid-year performance discussion in March that would better fit in an April or May timeframe.

ATTACHMENTS

- CEO Performance Evaluation Policy – proposed September 18, 2019 version
- CEO Performance Evaluation Procedure – November 30, 2017 version

Prepared by:

/S/

Eric Stern
Chief Executive Officer



Chief Executive Officer Performance Evaluation Policy

PURPOSE

The purpose of the Chief Executive Officer (CEO) Performance Evaluation Policy is to provide a documented process for the Board to follow when assessing the CEO's performance, providing him/her with feedback, and determining his/her compensation.

POLICY

The Board shall conduct a mid-year informal performance discussion with the CEO and an annual performance evaluation of the CEO.

APPLICATION

Evaluating the performance of the CEO is one of the most important duties of the SCERS' Retirement Board. Accordingly, the process should be designed to include the active participation of all Board Members.

Staff members reporting to the CEO should generally not play a role in the evaluation process unless requested by the Board, except to the extent that they have an official role in assisting the Board and/or Board President.

Evaluation Criteria

In determining the performance criteria for each performance evaluation period, the following guidelines shall be observed:

1. The criteria should address the CEO's performance in meeting SCERS' business objectives. For each performance evaluation period, the Board will identify a set of key business objectives for the CEO that are critical to advancing SCERS' strategies and define the target performance for each objective. The CEO's performance on each key business objective will collectively be weighted as 50% of the evaluation.
2. The criteria should address the CEO's leadership competencies including: vision and strategy; maximizing talent; technical expertise; judgment and decision making; and leading change. The CEO's leadership competencies will be weighted as 50% of the evaluation.
3. In evaluating the CEO's performance/competency under each criterion, each Board Member should provide an evaluation rating as well as specific suggestions about how the CEO can improve performance under that criterion in the future.

Evaluation Timetable

1. Mid-Year Performance Discussion:

- a. Not later than the May Board meeting, the Board and CEO will conduct a mid-year informal performance discussion. The CEO will provide a self-evaluation to all Board Members before the meeting.
- b. The CEO will be provided an opportunity to present and discuss the self-evaluation with the Board in executive session. Subsequent to the discussion, the CEO may be excused from executive session to permit the Board to conduct further discussions.
- c. The Board/Board President will ensure the CEO receives information on the Board's consensus view on whether the CEO's performance is meeting the Board's expectations and any areas on which the CEO should increase his/her focus and efforts.

2. Annual Performance Evaluation:

- a. Not later than October 31st, the CEO will provide a self-evaluation with the performance objectives for the evaluation period to Board Members for their consideration and reference in completing the 12-month evaluation.
- b. Not later than November 15th, each Board Member will complete a CEO Performance Evaluation Template and forward to the Board President or designee.
- c. The Board President or designee shall review the forms and create a summary of the evaluations from all Board Members. This summary shall be provided to Board Members and the CEO in advance of the Board Meeting, which shall be held not later than the December meeting.
- d. In executive session of the Board meeting:
 - 1) The Board and CEO will discuss the summary and, as appropriate and necessary, the CEO will be provided an opportunity to present and discuss his/her self-evaluation with the Board.
 - 2) The CEO may subsequently be excused from executive session to permit the Board to conduct further discussions.
 - 3) If revisions to the summary are needed, the Board President will ensure the Board's final consensus summary is prepared and provided to the CEO, whether at this meeting or at another time not later than the next regular Board meeting.

- e. In open session:
 - 1) The Board will consider what action, if any, is warranted with regard to the CEO's compensation for the next 12-month period of employment.
 - 2) The Board and CEO will discuss and confirm the business objectives on which the CEO's performance for the next evaluation period will be based.
 - 3) These objectives will be used to evaluate the CEO's performance for the next evaluation period.
- 3. The Board President may adjust the deadlines as necessary to accommodate changes in the Board Meeting schedule.

Documentation

Throughout the above process, the Board President shall establish and maintain a file containing a record of all relevant activities involving the CEO Evaluation Process, including the Chief Executive Officer Performance Evaluation Template, Evaluations completed by Board Members, Summary of Board Member Evaluations, Consensus Board Evaluation, etc.

Once the CEO Evaluation Process is completed, the Board President will provide the final Consensus Board Evaluation signed by the Board President and CEO to the CEO and to the SCERS' Human Resources Officer in a sealed envelope for retention as the final, official record of the Board's evaluation of the CEO.

The Board President shall arrange for the destruction of all other materials/working documents collected throughout the process.

RESPONSIBILITIES

Executive Owner: Chief Executive Officer

POLICY HISTORY

| Date | Description |
|------------|---|
| 09-18-2019 | Staff recommended Board approve revised procedure as Board policy |
| 11-30-2017 | Board approved SCERS' <i>Performance Evaluation Procedure for the Chief Executive Officer (CEO)</i> |



Board of Retirement
Performance Evaluation Procedure
(As Approved November 30, 2017)

CHIEF EXECUTIVE OFFICER

I. PURPOSE

The purpose of the SCERS' *Performance Evaluation Procedure* for the *Chief Executive Officer* (CEO) is to provide a documented process for the Board to follow when assessing the CEO's performance, providing him/her with feedback, and determining his/her compensation.

II. ASSUMPTIONS

- A. Evaluating the performance of the CEO is one of the most important duties of the SCERS' Retirement Board. Accordingly, the process should be designed to include the active participation of all Board Members.
- B. Staff members reporting to the CEO should generally not play a role in the evaluation process unless requested by the Board, except to the extent that they have an official role in assisting the Board and/or Board President.

III. GUIDELINES

A. Evaluation Template

The CEO Performance Evaluation Template sets out the criteria to be used by the Board Members in evaluating the CEO's performance. It is expected that the template will need to be updated for each performance evaluation period to identify and define the business objectives on which the evaluation will be based. A copy of the CEO Performance Evaluation Template is attached as Exhibit A.

B. Evaluation Criteria

In determining the performance criteria to be incorporated in the CEO Performance Evaluation Template for each performance evaluation period (typically 12-months), the following guidelines shall be observed:

1. To the extent possible, the criteria should be objective in nature.
2. The criteria should address the CEO's performance in meeting SCERS' business objectives. For each performance evaluation period, the Board will identify a set of key business objectives for the CEO that are critical to advancing SCERS's strategies and define the target performance for each objective. The CEO's performance on each key business objective will be weighted as 50% of the evaluation.
3. The criteria should address the CEO's leadership competencies including: vision and strategy; maximizing talent; technical expertise; judgment and decision making; and leading change. The CEO's leadership competencies will be weighted as 50% of the evaluation.

4. The criteria should also provide an overall evaluation rating as well as an opportunity for each Board Member to suggest specific ways in which the CEO may improve performance in the future.

C. Evaluation Timetable

1. October Board Meeting:

- a. In October of each year, the Board and CEO will discuss and confirm the business objectives on which the CEO's performance for the next evaluation period will be based.
- b. These objectives will be incorporated into the CEO Performance Evaluation Template that will be used to evaluate the CEO's performance for the next evaluation period.

2. March Board Meeting:

- a. In March the Board and CEO will conduct a mid-year informal performance discussion. The CEO will provide a self-evaluation to all Board Members before the March meeting.
- b. The CEO will be provided an opportunity to present and discuss the self-evaluation with the Board in executive session. Subsequent to the discussion, the CEO may be excused from executive session to permit the Board to conduct further discussions.
- c. The Board/Board President will ensure the CEO receives information on the Board's consensus view on whether the CEO's performance is meeting the Board's expectations and any areas on which the CEO should increase his/her focus and efforts.

3. Early September:

The CEO will provide a self-evaluation and a CEO Performance Evaluation Template with the performance objectives for the evaluation period to Board Members for their consideration and reference in completing the 12-month evaluation.

4. Not Later Than September 20th:

- a. Each Board Member will complete a CEO Performance Evaluation Template and forward to the Board President or designee.
- b. The Board President or designee shall review the forms and create a summary of the evaluations ("Summary") from all Board Members. This summary shall be provided to Board Members and the CEO in advance of the October Board Meeting.

5. October Board Meeting:**a.** In executive session:

- 1) The Board and CEO will discuss the Summary and, as appropriate and necessary, the CEO will be provided an opportunity to present and discuss his/her self-evaluation with the Board in executive session.
- 2) The CEO may subsequently be excused from executive session to permit the Board to conduct further discussions.
- 3) If revisions to the Summary are needed, the Board President will ensure the Board's final consensus Summary is prepared and provided to the CEO, whether at this meeting or at another time not later than the next regular Board meeting.

b. In open session:

- 1) The Board will consider what action, if any, is warranted with regard to the CEO's compensation for the next 12-month period of employment.
- 2) The Board and CEO will discuss and confirm the business objectives on which the CEO's performance for the next evaluation period will be based.
- 3) These objectives will be incorporated into the CEO Performance Evaluation Template that will be used to evaluate the CEO's performance for the next evaluation period.

6. November Board Meeting:

If not yet completed, the Board will complete the CEO performance evaluation for the concluding evaluation period, and discuss and confirm the CEO business objectives for the commencing evaluation period. The Board intends to conclude the CEO performance evaluation and setting business objectives for the next evaluation period by the November Board meeting.

D. Documentation Retention:

Throughout the above process, the Board President shall establish and maintain a file containing a record of all relevant activities involving the CEO Evaluation Process, including the Chief Executive Officer Performance Evaluation Template, Evaluations completed by Board Members, Summary of Board Member Evaluations, Consensus Board Evaluation, etc.

Once the CEO Evaluation Process is completed, the Board President will provide the final Consensus Board Evaluation signed by the Board President and CEO to the CEO and to the SCERS' Human Resources Officer in a sealed envelope for retention as the final, official record of the Board's evaluation of the CEO.

The Board President shall arrange for the destruction of all other materials/working documents collected throughout the process.