



Board of Retirement Special Meeting

Sacramento County Employees' Retirement System

Agenda Item 4

MEETING DATE: November 30, 2017

SUBJECT: Proposed Performance Evaluation Process and
Template for SCERS Chief Executive Officer

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

RECOMMENDATION

The Board's Ad Hoc Compensation Policy Committee ("the Committee") recommends that the Board review and discuss the Performance Evaluation Procedure and Template proposed by the Committee for the Board's use in assessing the CEO's performance.

PURPOSE

To establish a documented methodology 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 14, 2017, the Committee met with Doug Johnson, Vice President at Ralph Andersen & Associates, to develop 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. SCERS' Interim CEO, Chief Operating Officer, and the designated incoming CEO attended the Committee meeting.

The performance evaluation procedure proposed by the Committee includes:

- An evaluation template as recommended by SCERS' consultant following review of samples from several other pension organizations in California;
- Proposed rating scale for evaluating criteria for meeting business objectives and demonstrating leadership competencies;
- Five proposed leadership competencies and six proposed business objectives for evaluating the first year of the new CEO's performance. These objectives were identified as important priorities during the Board's executive recruitment;

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- Flexibility to update, replace, or redefine the business objectives for each evaluation period;
 - Provision for informal mid-year performance discussions with the CEO;
 - A formal evaluation process that begins with the CEO's self-evaluation, proceeds to each Board Member completing the CEO evaluation template individually, and concludes with a summary or "consensus" Board evaluation for discussion with the CEO; and
 - A proposal evaluation timetable, taking into account the new CEO's employment will commence in early December 2017, the conclusion of SCERS' fiscal year at June 30th; and the need to complete the evaluation process prior to the anniversary of the date the CEO's employment begins.

Doug Johnson will attend the Special Meeting to facilitate the Board's discussion of the proposed CEO performance evaluation process and template. As directed, the Committee intends the materials that accompany this item as a framework, subject to change based on input, discussion, and consensus of the full Board at the Special Meeting. Once the Board agrees on the set of business objectives upon which the CEO's performance during the first twelve months will be evaluated, the Board will need to define the target performance for each of the objectives. Mr. Johnson will assist the Board in this effort. The CEO's actual performance at the end of the evaluation period will be measured against the target performance as defined by the Board prior to the beginning of the evaluation period.

BACKGROUND

As the executive recruitment for SCERS' next Chief Executive Officer was drawing to a close in September 2017, the Board discussed the need to establish a process and template for the Board to periodically evaluate the CEO's performance based on criteria and objectives defined by the Board, with discussion and concurrence by the CEO.

In October 2017, the Board President assigned the Ad Hoc Compensation Policy Committee, with the assistance of SCERS' compensation consultant and staff, to develop a proposed CEO performance evaluation framework for the Board's consideration at its Special Meeting on November 30, 2017.

ATTACHMENTS

Proposed Performance Evaluation Procedure – Chief Executive Officer

Proposed Performance Evaluation Template – Chief Executive Officer

Prepared by:

/s/

Annette St. Urbain
Interim Chief Executive Officer



PROPOSED
Board of Retirement
Performance Evaluation Procedure
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.



PROPOSED
Performance Evaluation Template
CHIEF EXECUTIVE OFFICER

Employee: (Name)	Evaluation Period: _____ to _____	Completed: (Date)
Classification Title: Retirement Administrator	SCERS Title: Chief Executive Officer	Next Evaluation Due: (Date)

Rating Scale Definitions

Use the following rating scale to evaluate employee performance against goal achievement and demonstration of competencies for the upcoming performance period.

1	2	3	4	5
Unsatisfactory <i>Does not meet minimum job requirements; major or ongoing problems that negatively impact organizational objectives.</i>	Needs Improvement to Meet Performance Expectations <i>Meets minimum job requirements but needs improvement to meet performance expectations.</i>	Meets Performance Expectations <i>Consistently meets job requirements and performance standards and is recognized as a valued member of the organization.</i>	Exceeds Performance Expectations <i>Consistently exceeds performance expectations, including in demanding situations or circumstances.</i>	Far Exceeds Performance Expectations <i>Always exceeds performance expectations, widely recognized as an expert based on exceptional knowledge.</i>

1. CEO Annual Goals (50% of evaluation)

Instructions: At the beginning of the year, the Board will define a set of key goals for the CEO that are critical to advance SCERS' strategies. Target performance should be defined for each goal. At year-end, please rate the CEO's performance on each key business goal using the rating scale shown.

Rating Scale	
5	Far Exceeds Performance Expectations
4	Exceeds Performance Expectations
3	Meets Performance Expectations
2	Needs Improvement to Meet Performance Expectations
1	Unsatisfactory
N/A	Not Sure / Unable to Rate
Goal #1	Establish trust and credibility with the County Executive and County Board of Supervisors, other participating employers, recognized employee organizations, retirees' association, advocacy groups and other stakeholders and constituents to strengthen SCERS' brand and advance SCERS' mission.
Define Target Performance:	Priority <i>(optional – start of year)</i>
Results Achieved/Comments: <i>(optional)</i>	Rating <i>(required)</i>
Goal #2	Develop and execute a plan to achieve the appropriate operating flexibility for the Board to perform its fiduciary responsibilities.
Define Target Performance:	Priority <i>(optional – start of year)</i>
Results Achieved/Comments: <i>(optional)</i>	Rating <i>(required)</i>

Goal #3	Enhance operational knowledge and competency to lead culture shaping initiatives to strengthen member service delivery processes and procedures to improve member satisfaction levels.		
Define Target Performance:		Priority <i>(optional – start of year)</i>	Rating <i>(required)</i>
Results Achieved/Comments: <i>(optional)</i>			
Goal #4	Provide leadership and guidance to SCERS’ multi-faceted IT Modernization Program, including implementation of a new pension administration system, to ensure implementation on time and within budget.		
Define Target Performance:		Priority <i>(optional – start of year)</i>	Rating <i>(required)</i>
Results Achieved/Comments: <i>(optional)</i>			
Goal #5	Develop retention and succession plans, and performance evaluation process and form, for key executive positions.		
Define Target Performance:		Priority <i>(optional – start of year)</i>	Rating <i>(required)</i>
Results Achieved/Comments: <i>(optional)</i>			
Goal #6	Develop knowledge of SCERS’ investment strategies, provide necessary resources and support to build internal capacity to manage SCERS’ investment program and continue transitioning portfolio and performance reporting to the Board’s strategic asset allocation adopted in January 2017.		
Define Target Performance:		Priority <i>(optional – start of year)</i>	Rating <i>(required)</i>
Results Achieved/Comments: <i>(optional)</i>			

2. CEO Leadership Competencies (50% of evaluation)

At the beginning of the year, the Board will review the leadership expectations with the CEO and discuss strengths and developmental areas. At year-end, please rate the CEO’s performance on each of the leadership expectations using the rating scale shown.

Rating Scale	
5	Far Exceeds Performance Expectations
4	Exceeds Performance Expectations
3	Meets Performance Expectations
2	Needs Improvement to Meet Performance Expectations
1	Unsatisfactory
N/A	Not Sure / Unable to Rate

Leadership Competencies	Comments <i>(optional)</i>	Rating <i>(required)</i>
1 Vision and Strategy -- Develops a compelling picture of SCERS' vision and strategy; understands the long-term view of SCERS' strengths, challenges, and opportunities; anticipates competitive trends and develops innovative strategies.		
2 Maximizing Talent -- Builds SCERS' long-term capability by ensuring the organization attracts, engages and retains a talented, diverse workforce; coaches and develops direct reports and emerging leaders.		
3 Technical Expertise – Builds depth and breadth of technical expertise and effectively makes decisions based on technical knowledge to increase credibility and success of SCERS.		
4 Judgment and Decision Making -- Generate insightful, innovative and practical solutions to complex or unusual problems through the use of critical thinking and judgment; effectively balances risk in decision making.		
5 Leading Change -- Creates and drives critical change initiatives across SCERS by defining outcomes, energizing others and actively working with stakeholders to identify and work through resistance.		

3. Overall Evaluation

Instructions: Please consider the CEO's performance for the full year and provide an overall evaluation using the rating scale shown. (Note: This question allows each Board member to reflect on the CEO's performance for the full year and provide a comprehensive evaluation including consideration of performance areas that may not be covered by this form.)

Rating Scale

5	Far Exceeds Performance Expectations – Far exceeds results and demonstrates advanced competencies. <i>The CEO had an outstanding year</i>
4	Exceeds Performance Expectations – Consistently exceeds results and demonstrates advanced competencies. <i>The CEO had an exceptional year.</i>
3	Meets Performance Expectations – Consistently achieves results and demonstrates effective competencies. <i>The CEO met the Board's high standards for performance and had a successful year.</i>
2	Needs Improvement to Meet Performance Expectations – Achieves basic results and minimum competencies, but does not meet performance expectations. <i>The CEO met the minimum job requirements for the year but below expectations and standards set by the Board.</i>
1	Unsatisfactory – Does not meet job requirements or performance is significantly below expectations in one or more significant areas. <i>The CEO did not meet the objectives.</i>

Rating
(required)

Overall Evaluation Rating:

4. Open Ended Questions (Optional)

- a. What was the CEO's most significant achievement over the past year?
- b. Which area of the CEO's performance, if any, needed more attention over the past year?
- c. Which current or new goals should the CEO focus on during the next 12 months?
- d. Please share any additional comments.