



## Agenda Item 7

June 16, 2014

**ITEM NAME:** Review of Annual Performance Evaluation Process

**PROGRAM:** Human Resources Division

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

The Board of Administration's Compensation Policies and Procedures require a review of the annual performance of the Chief Executive Officer (CEO) at the close of each fiscal year. This item presents a preview of the Board's involvement in the 2013-14 performance review of the CEO and other year-end activities for positions covered under the Board's compensation program.

### **STRATEGIC PLAN**

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. The Executive Compensation Program provides a means for recruiting and retaining highly-skilled executives to the benefit of the CalPERS organization as a whole.

### **BACKGROUND**

Pursuant to the Board of Administration's Compensation Policies and Procedures, at the close of each fiscal year, the Performance, Compensation and Talent Management Committee reviews the annual performance of the Chief Executive Officer (CEO) and makes a recommendation for performance awards and base pay adjustments to the Board of Administration. In addition, the Board will also receive the 2013-14 appraisals completed by the CEO for the Chief Actuary, Chief Financial Officer, and Interim Chief Investment Officer for review and possible revision.

### **ANALYSIS**

All members of the Board are encouraged to participate in the Committee's performance discussion. An important component of the annual review process is having a thorough and meaningful discussion of the executives' accomplishments over the past year, and obtaining input on the executives' overall performance from all Board members. The 2013-14 performance review process will occur over the upcoming months as follows:

**August 2014:** In preparation for September's Closed Session discussion, Board members will receive a survey in August through which they will provide comments and feedback on the CEO's performance. These comments will be compiled by staff to populate a draft of the CEO's performance appraisal document.

**September 2014:** During the September Closed Session meeting, the Board will review, discuss and finalize the draft appraisal document resulting from Board Members' feedback given in the survey, assign ratings to individual performance measures, and determine the performance award for the CEO. An information item will also be presented, containing the 2013-14 performance appraisals of the Chief Actuary and Chief Financial Officer, as prepared by the CEO.

**October 2014:** In the October Closed Session meeting, the Board will receive an information item summary of all appraisal outcomes, performance awards, and any base salary increases approved by the Interim CIO and CEO, for all Senior Investment Officers, Senior Portfolio Managers and Portfolio Managers.

**BUDGET AND FISCAL IMPACTS**

The cost of performance awards and base pay adjustments that arise from the recommendations in this item will be funded from existing resources.

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