



Performance, Compensation & Talent Management Committee

Agenda Item 5

December 19, 2017

Item Name: Executive Compensation Consultant Review: Incentive Metrics, Discretionary Modifier, and Outstanding Recommendations

Program: Administration

Item Type: Information

Executive Summary

The purpose of this agenda item is to present information on the implementation of the incentive compensation metrics approved by the Board of Administration (Board) in August 2016, as well as provide additional information related to the discretionary modifier policy provision and other considerations recommended by the Board's Executive Compensation Consultant.

Strategic Plan

This agenda item supports Goal B of the 2012-17 Strategic Plan which is to "cultivate a high-performing, risk-intelligent and innovative organization." The review directly supports this goal by identifying a compensation strategy that is aligned with organizational objectives and effectively drives desired organizational performance and behaviors.

Background

In August 2016, the Board's primary executive compensation consultant, Eric Gonzaga with Grant Thornton LLP, presented performance metrics for Board approval. The Board approved five metrics, including: Total Fund Performance, Enterprise Operational Effectiveness, Investment Office CEM Stakeholder Engagement, and Customer Service. These metrics were included in the 2016-17 and 2017-18 fiscal year incentive plans of the CEO and Deputy-level positions.

During the course of the fiscal year 2016-17 year-end process, all incentive metrics were reviewed and validated by an independent consultant in accordance with the Executive Compensation Policy. At the September 2017 Performance, Compensation & Talent Management Committee meeting, the Committee requested additional information on the incentive metrics for the 2016-17 fiscal year and discretionary modifier policy provision.

Analysis

Today's incentive compensation metrics review will be presented by Eric Gonzaga of Grant Thornton LLP (see Attachment 1).

Budget and Fiscal Impacts

The cost of performance awards and base pay adjustments that arise from the recommendations in this item during the year-end performance evaluation process have been addressed through the annual budget process and will be funded from existing resources.

Benefits and Risks

The incentive metrics were intended to be reviewed annually for incentive compensation purposes. The Committee's annual review of these metrics and other policy provisions serves to ensure that incentive goals are aligned with the Board's organizational priorities for the executive team. Without a periodic and systematic review, there is a risk of policies becoming misaligned with the overarching goals of the organization.

Attachments

1. Grant Thornton LLP Presentation

Tina Campbell, Chief
Human Resources Division

Doug Hoffner
Deputy Executive Officer
Operations and Technology