



MEMORANDUM

TO: JOINT PERSONNEL COMMITTEE
FROM: TOM IANNUCCI, CORTEX
SUBJECT: FOLLOW-UP TO MOCK CEO/CIO EVALUATIONS
DATE: DECEMBER 7, 2021
CC: PRABHU PALANI, CIO; ROBERTO PENA, CEO

In October 2021, each retirement board met separately in closed session to perform a mock evaluation of the CEO based on the recently approved CEO Performance Evaluation Policy and associated Procedures. During the evaluations, several potential improvement opportunities were suggested. These are summarized below for the JPC's consideration. Attached are the CEO Performance Evaluation Policy and the associated Procedures, which reflect some of the suggestions put forward.

1. The Policy and the Procedures should clarify that any discussions by the Board regarding compensation adjustments must occur in open session, though performance may be discussed in closed session. (See suggested edits to attached Policy and Procedures.)
2. Consideration should be given to reducing the number of questions contained in the Management/Leadership Survey (see Appendix B of the attached Procedures for potential deletions suggested by Cortex).
3. It was suggested that Metrics pertaining to the disability process and cyber security should be explicitly incorporated into the evaluation. The JPC may wish to discuss how this could be accomplished.
4. It was suggested that more weight should be assigned to the investment performance Metric as part of the CEO's evaluation. Again, the JPC may wish to discuss and confirm such weight.

In addition to the above, the JPC may discuss other potential modifications at the December 7 meeting. Note, I have focused herein on the CEO Evaluation Policy and Procedures, but any changes the JPC wishes to propose may also be applied to the CIO evaluation documentation, as appropriate.

I look forward to discussing the above on December 7.

SAN JOSÉ RETIREMENT BOARDS
DRAFT PROCEDURES FOR EVALUATING THE PERFORMANCE OF THE CEO

Background

- 1) The Board has approved the CEO Performance Evaluation Policy (“Policy”) which sets out broad criteria (Outcomes and Methods) for evaluating the performance of the CEO and the general process to be followed. The Policy further provides that the JPC shall be authorized to approve Procedures necessary to implement the Policy and that such Procedures may include detailed timelines, survey instruments, formulas, calculation methods, and methods to ensure appropriate, independent data collection.
- 2) Accordingly, the JPC has approved these Procedures, which address the following:
 - a) The Metrics and weights associated with the broad evaluation criteria;
 - b) Guidelines for measuring and evaluating each Metric;
 - c) Guidelines for arriving at an overall evaluation of the CEO; and
 - d) Survey templates for use in the evaluation process.
- 3) The Board will begin implementing these Procedures for the Evaluation Period commencing July 1, 2021. To prepare for such implementation, Staff will continue to develop and refine the necessary data collection tools in advance of the above date and shall update the JPC on its progress. To further prepare, the Board ~~may~~conducted a mock evaluation in the fall of 2021.

Metrics and Weights

- 4) Tables 1 and 2 list the Metrics and associated weights for evaluating the CEO, all of which shall be approved by the Board on the recommendation of the JPC, in order to take effect.

Table 1 Organizational Outcomes (Total Weight in Overall Evaluation: 60%)			
Organizational Outcomes	Metrics (Weights)	Sub-Weights %	Scoring Scale
1. Investment Performance	<ul style="list-style-type: none">Net Fund Performance vs. Investable Benchmark PortfolioPerformance of private market portfolio vs. appropriate private market benchmark (TBD)Total Fund Sharpe Ratio vs. comparable peer Ratio	10%	Max. 60% weight is applied using following scale: <ul style="list-style-type: none">OutstandingCommendableSatisfactoryNeeds improvement
2. Benefit Admin. Cost-effectiveness	<ul style="list-style-type: none">Administration Cost-per-Member (ACPM) (3-year rolling basis)	5%	
3. Member Service	Benefit Delivery:		
	<ul style="list-style-type: none">Timeliness of monthly pension paymentTimeliness of pension notifications of payment	22.5%	
	<ul style="list-style-type: none">Timeliness of pension inceptions (normal, deferred vested, survivors and non-member DROs)		
	Member Satisfaction:		
	<ul style="list-style-type: none">Group counselling session survey resultsORS Website visitor survey resultsORS Member Portal visitor survey results	22.5%	
	TOTAL SUB-WEIGHT		

Table 2 Management Methods (Total Weight in Overall Evaluation: 40%)		
Management Methods	Metrics	Weights & Scoring Scale
Enterprise Risk Management	1. Financial audit results 2. Quality of internal audit Plan 3. Internal audit results 4. Compliance report findings 5. Quality of management's responses to above	No sub-weights shall be established for each Metric Max. 40% weight is applied using the following scale: • Outstanding • Commendable • Satisfactory • Needs improvement
Human Resources Management	1. Employee turnover rates 2. Code of conduct violations 3. Climate survey results/City engagement survey results	
Stakeholder Relations	1. Stakeholder interview findings	
Operations Management	1. Quality of annual workplan 2. Progress on annual workplan 3. Appropriateness of any mid-year adjustments	
Leadership/Management	1. Leadership/Management survey results 2. Other	

Determining a Final Evaluation Score and Adjustments to Compensation

- 5) As per the framework in Table 3 below, the Boards shall rate the CEO on Organizational Outcomes and Management Methods. Using the ratings and the corresponding baseline award parameters, also set out in Table 3, the Boards shall exercise their discretion to determine:
- An Individual Performance-based Compensation Adjustments ("IPCA"), and
 - Any Additional Executive Leave to be awarded to the CIO.¹
- 6) The baseline award parameters set out in Table 3 are not intended to restrict the Boards' ability to exercise their discretion to award higher or lower IPCA and Executive Leave reflecting relevant factors and circumstances such as the magnitude of the year's out-performance or under-performance, the amounts awarded in prior years, peer practices, etc.

Table 3			
Organizational Outcomes Rating (60% Weight)	Management Methods Rating (40% Weight)	Baseline IPCA Award (%)*	Baseline Additional Executive Leave (Days)
Outstanding	Outstanding	>3%	5
Commendable	Commendable	2%-3%	4
Satisfactory	Satisfactory	1	2
Needs Improvement	Needs Improvement	0	0

¹ IPCA and Additional Executive Leave are terms used in the City's Management Performance Program.

The balance of these Procedures describe how the various Metrics are to be calculated, assessed, and/or measured each year.

Organizational Outcomes

Investment Performance Metrics

- 5) Investment Performance will be evaluated by assessing the investment performance of the Fund relative to the following Metrics and corresponding benchmarks:
 - a) Total Fund Performance versus the return on the Investable Benchmark Portfolio;
 - b) Performance of the Fund's private market asset classes versus an appropriate Private Markets Benchmark.
 - c) The Total Fund Sharpe Ratio versus the Total Fund Sharpe Ratio of an appropriate public fund peer group.
- 6) The above Investment Metrics together shall have a weight of 10% in the overall evaluation (See Table 1); i.e. the above investment Metrics shall be evaluated *as a group* for a total weight of 10% and with no weights assigned to individual Investment Metrics.
- 7) The Investment Metrics shall be determined using rolling 3-year data once such data is available. Until that time, the Metrics shall be based on available data (i.e., 1- or 2-year data).
- 8) The Investment Metrics shall be evaluated net of external manager fees.
- 9) Investment performance and benchmark returns shall be supplied by the General Investment Consultant and shall correspond to the data provided in the Consultant's quarterly performance report. See benchmark definitions in the table below.

Investment Benchmarks	Definition/Composition
Investable Benchmark Portfolio	The Investable Benchmark Portfolio includes the same underlying benchmarks as the Strategic Asset Allocation Portfolio (SAAP), but would use an actual invested weight for each asset class. This will account for weighting differences to the SAAP in asset classes that take more than one year to invest (private markets asset classes)
Private Markets Benchmark	TBD

- 10) Each Board shall evaluate investment performance separately considering only the performance of their respective funds. As provided for in the CEO Performance Evaluation Policy, if the two boards arrive at different ratings or awards, the Designees may reconcile the differences to arrive at a single evaluation when developing final recommendations for the Boards.

Benefit Administration Cost-Effectiveness Metrics

11) Benefit administration cost-effectiveness shall be evaluated annually by comparing **Administration Cost-per-Member** (“ACPM”) of ORS to benchmarks approved by the JPC in consultation with the CEO. No benchmark, however, will be established for FY 2021/22. Instead, the JPC will work with the CEO throughout FY 2021/22 to develop an appropriate benchmark. In developing the benchmark, the JPC will consider member service quality data collected during FY 2020/21 (see next section) and, if available, peer cost data.

12) ACPM shall be calculated annually as follows:

$$ACPM = \frac{\text{Administrative Costs}}{\text{Number of Members}}$$

13) Administrative costs shall include the administration costs incurred to administer the P&F and the Federated health and pension plans in aggregate and shall **exclude** any costs associated with managing and administering the investment programs of each plan including investment personnel. Administrative costs shall be defined and categorized consistently each year to facilitate comparisons over time. The source document shall be the prior fiscal year CAFR.

14) Members shall be defined to include the aggregate number of individuals in the following groups in both the P&F and Federated plans as at June 30 each year (the source document shall be the actuarial extract based on the last pay period in June of the prior fiscal year):

- a) All active members,
- b) All retired members,
- c) All deferred members,
- d) All non-member spouse domestic relations orders (DRO), and
- e) All survivor and continuance payees.

Member Service Quality Metrics

15) Metrics for assessing member service quality will fall into two categories:

- a) Achievement of service-level standards including:
 - i) Timeliness of regular monthly pension payments and notifications
 - ii) Timeliness of pension inceptions (i.e. a beneficiary's first pension payment after retirement)
- b) Member satisfaction with:
 - i) Group retirement counselling sessions;
 - ii) The ORS website (www.sjretirement.com); and
 - iii) The Plan Member Portal.

16) The JPC shall work with the CEO to develop additional member service quality metrics over time.

Service-level Standards

Pension Payments/Notifications

17) ORS staff shall track and record the percentage of regular monthly pensions and paper payment notifications that are issued on time:

- a) In the case of direct deposit, a pension shall be considered issued on time if it is paid on or before the last business day of the month.
- b) In the case of paper cheques, a pension shall be considered issued on time if it is delivered to the mailing office on or before the close of business on the last business day of the month.
- c) For members who request to pick up their cheques in person, a pension shall be considered issued on time if it is available for pick up in the ORS Offices by end of business on the last day of the month OR the first business day after the last day of the month should the last day of the month fall on a weekend or holiday.
- d) Payment notifications in *paper form* shall be considered issued on time if they are delivered to the mailing office on or before the last business day of the month. (Electronic payment notifications are automated to occur immediately when a direct deposit payment is made and therefore shall not be considered.)
- e) For notifications that are not issued on time, staff will record the number of calendar days they were late.

Pension Inceptions

18) ORS staff shall track and record the percentage of pension inceptions that are issued without cash flow interruption to beneficiaries for normal, deferred vested, non-member DRO, and survivor retirements.

- 19) In the case of normal retirement, inceptions shall be deemed to have occurred without cash flow interruption when:
- a) The member submits an initial retirement application **before** the end of the first pay period of the month of retirement **and** the member receives the first pension payment in the following month (all subject to Board approval);² or
 - b) The member submits an initial retirement application **after** the end of the first pay period of the month of retirement **and** the member receives the first pension payment no later than the second month following the month of retirement.
- 20) In the case of deferred vested and non-member DRO retirements, inception shall be deemed to have occurred without cash flow interruption when:
- a) The member submits an initial application in the month the member becomes eligible for retirement, **and** the first pension payment is issued the following month; or
 - b) The member submits an initial application prior to the month in which the member is eligible for retirement, **and** the first pension payment is issued [in the month/the month after] the member becomes eligible for retirement.
- 21) In the case of survivor retirements, inceptions shall be deemed to have occurred without cash flow interruption if the first pension payment is issued the month after an initial application is submitted.

² Staff considered measuring from the time a **complete** application is submitted, but decided that would be too low a standard. In many cases, however, staff will be unable to complete an inception without interruption due to reasons beyond staff's control (e.g. there is a delay in obtaining a death certificate). Staff will report the number of exceptions that were due to **valid** reasons, to be defined over the first several years of data collection

22) Service levels shall be scored according to the methodology summarized in Table 5 below:

TABLE 5 SERVICE STANDARDS – SCORING METHODOLOGY			
SERVICE ACTIVITY	METRICS	WEIGHT	SCORING METHODOLOGY
A. Pension Payments			
1) Pension payments timeliness	<ul style="list-style-type: none">% of pensions issued on time.	5%	If number of late payrolls is 0: Score = 100 points x weight
	<ul style="list-style-type: none">% of payment notifications issued on time.		If number of late payrolls is > 0: Score = 0
			Score = 100 points – (% of late notifications x average # of days late) x weight If above calculation is negative, Score = 0
B. Pension Inceptions			
2) Normal retirement	<ul style="list-style-type: none">% of inceptions without cash flow interruption	17.5%	Score = % of inceptions without cash flow interruption x weight
3) Deferred Vested	<ul style="list-style-type: none">% of inceptions without cash flow interruption		
4) Survivors	<ul style="list-style-type: none">% of inceptions without cash flow interruption		
5) Non-member DROs	<ul style="list-style-type: none">% of inceptions without cash flow interruption		

Member Satisfaction

23) Member satisfaction will be evaluated using surveys as follows:

- Group retirement counselling sessions.* A survey shall be administered to all attendees at all group retirement counselling sessions (immediately following the session).
- The ORS website.* Visitors to the ORS website (www.Sjretirement.com) shall be invited to complete a short survey on the site before they leave the site
- The Plan Member Portal.* All visitors to the ORS Member Portal will be invited to complete a short survey directly on the Portal.

24) The CEO shall coordinate the administration of the above surveys throughout the year, taking all reasonable and cost-effective steps to ensure independence and accuracy in the survey process. Where feasible:

- Group retirement counselling session surveys shall be administered and tabulated by parties not involved in the design and delivery of the group counselling sessions.
- On-line surveys shall be administered by independent parties.
- Original survey data shall be maintained by independent parties.

25) Member satisfaction shall be scored according to the methodology summarized in Table 6.

26) Appendix A contains copies of the member satisfaction surveys to be used in the CEO evaluation process. All such surveys shall be approved by the JPC.

TABLE 6 – MEMBER SATISFACTION SCORING METHODOLOGY			
SURVEY	SURVEY SCALE	SCORING METHODOLOGY	WEIGHT
<i>Group Counselling Session Questionnaire</i>			22.5
Satisfaction with Session	1) Very satisfied 2) Satisfied 3) Neutral 4) Unsatisfied 5) Very Unsatisfied	Score = (Total 1-2 responses) / (Total responses) x 100	
<i>ORS Website Questionnaire</i>			
Able to Find Information	YES/NO	Score = (Total Yes responses) / (Total responses) x 100	
Website User-Friendliness	1) Very satisfied 2) Satisfied 3) Neutral 4) Unsatisfied 5) Very Unsatisfied	Score = (Total 1-2 responses) / (Total responses) x 100 (Above two scores to be averaged to arrive at total score for ORS Website.)	
<i>ORS Member Portal Questionnaire</i>			
Able to Find Information	YES/NO	Score = (Total Yes responses) / (Total responses) x 100	
Member Portal User-Friendliness	1) Very satisfied 2) Satisfied 3) Neutral 4) Unsatisfied 5) Very Unsatisfied	Score = (Total 1-2 responses) / (Total responses) x 100 (Above two scores to be averaged to arrive at total score for ORS Member Portal)	

Management Methods

27) This section provides further detail and guidance regarding the Metrics to be used to evaluate the Management Methods used by the CEO.

~~28)~~ The subjective Metrics encompass considerable data, information, and reports; and it is not the intention of the Board to calculate scores for each Metric. Instead, all the Metrics pertaining to Management Methods shall be considered together with an aggregated weight of 40% in the overall evaluation. ~~Instead, the Board and JPC are expected to use all the information to facilitate in-depth discussions with the CEO to:~~

~~29) Clarify the Board's expectations of the CEO;~~

~~30) Build on the strengths of the CEO;~~

~~31) Identify areas where the CEO may make unique contributions to the long-term success of ORS; and~~

a) ~~Identify areas for further personal growth and development.~~

Enterprise Risk Management

~~32)~~28) Enterprise risk management will be evaluated based on the following Metrics:

- a) Satisfactory results of the external financial audit; i.e. no material findings
- b) Results of all internal audit reports completed pursuant to the annual internal audit plan.
- c) Results of compliance reports (e.g. investment risk)
- d) Quality of Management's response to the above external and internal audit findings.

Human Resources Management

~~33)~~29) The ability of the CEO to effectively manage the human resources of the ORS shall be evaluated using the following Metrics:

- a) Employee turnover/attrition rates
- b) Reported violations of the code of conduct
- c) Climate survey results. The survey is to be administered to all ORS staff at least annually.

~~34)~~30) The above climate survey shall:

- a) Allow employees to participate on an anonymous basis.
- b) Be administered by the Internal Auditor. The Internal Auditor shall provide a copy of the survey results to the CEO and the Designees.

~~35)~~31) In years where ORS participates in the City-mandated employee engagement survey, the results of such survey shall also be considered in the evaluation.

Stakeholder Relations

~~36)~~32) Obtaining feedback from stakeholders regarding their satisfaction with the performance of the CEO using surveys is likely to be challenging, as stakeholders may not complete surveys and/or provide enough detail. Accordingly, every 2-3 years, members of each retirement board, as designated by the JPC Designees, shall conduct personal interviews with key interested stakeholders regarding the performance of the CEO. Stakeholders to be invited to participate may include:

- a) The Mayor's Office
- b) Retiree Association
- c) City Council and City Council Liaison
- d) Active member associations
- e) City Administration
- f) Consultants

~~37)~~33) Interview guides shall be approved by the JPC and provided to interviewees in advance of the interviews. Board members conducting the interviews shall provide summaries of the interviews to the Designees. Summaries shall include all relevant issues and themes for consideration in the evaluation. The Designees shall prepare a combined summary or may designate another party to do so.

~~38)~~34) The JPC Designees may request that the CEO assist in scheduling/coordinating stakeholder interviews.

~~39)~~35) The first stakeholder outreach effort is not expected to occur before the FY 2021/22 Evaluation Period.

Operations Management

~~40)~~36) The operational management skills of the CEO shall be assessed by reviewing the CEO's annual workplan and associated status reports and considering the following:

- a) Quality of the annual workplan; i.e. did the CEO identify critical initiatives that need to be carried out during the year to have the greatest impact on the operational metrics and the future success of the System?
- b) Does the workplan include unique contributions that the CEO will personally strive to make to the organization over the coming year?
- c) Did the CEO make sufficient progress during the year in completing the workplan?
- d) Did the CEO exercise good judgment in responding to unexpected events during the year and adjusting workplan accordingly?

Leadership/Management Abilities

~~41)~~37) An assessment of the CEO's leadership/management skills shall be carried out using a survey of all board members. See Appendix B for the survey instrument.

~~42)~~38) The Designees shall administer the survey or may direct an independent third-party to do so.

Year-end Evaluation

~~43)~~39) As per the Policy, in July/August of each year, the CEO [alternative: an independent third-party] shall prepare a draft Preliminary Report summarizing all the necessary data and reports pertaining to the performance Metrics including the CEO's self-assessment.

~~44)~~40) The CEO shall submit the draft Preliminary Report to the Designees, who shall finalize it for distribution to the Board along with a Worksheet (See Appendix C for Worksheet template). The Worksheet shall allow Board members to rate the CEO's performance using the following scale and the CIO shall use the same scale in his self-assessment:

- Outstanding
- Commendable
- Satisfactory
- Needs improvement

~~45)~~41) Within three months of the end of the Evaluation Period (i.e., by September 30), the Designees shall submit the preliminary CEO Performance Report to the Boards and shall, separately or jointly, meet with each Board in closed session to review the Report and gather any additional input. The Designees may task a third-party to help facilitate the closed session discussions. The preliminary CEO Performance Report shall be provided to the Boards at least seven days prior to the closed session meetings.

~~46)~~42) In their respective closed session(s), each Board shall rate the CEO's Performance Outcomes and Management Methods (e.g. "Outstanding"). Each Board shall also discuss and arrive at preliminary

determinations regarding Individual Personal Compensation Adjustments (“IPCA”) and Additional Executive Leave Days to be awarded to the CEO, provided this takes place in open session.

~~47)~~43) Within 30 days of the above sessions with the Boards, the Designees shall update the CEO Performance Report to reflect any additional input received from the Boards at the closed sessions, review the updated Report with the CEO, and subsequently prepare a final version of the Report for recommendation to the Boards.

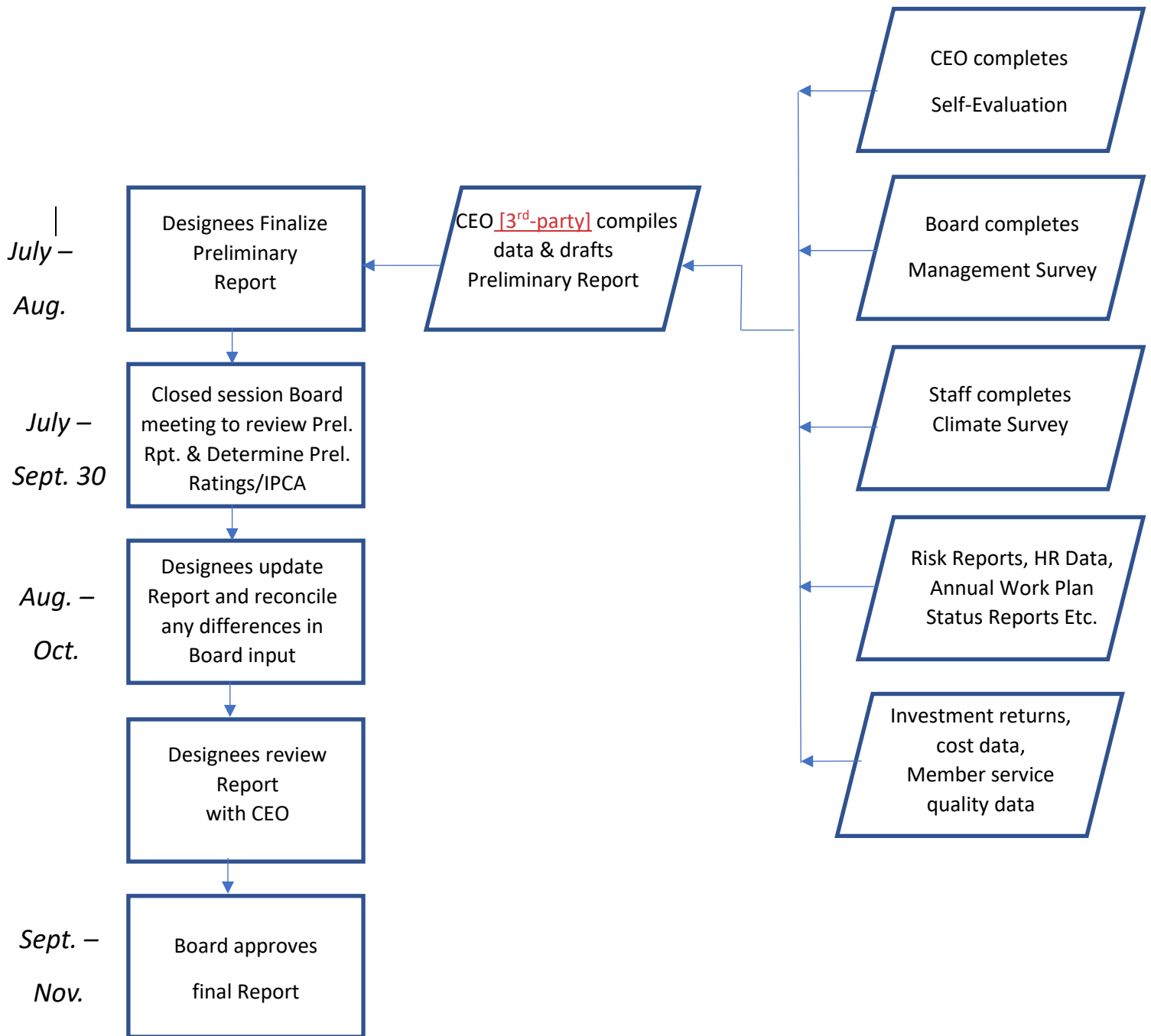
~~48)~~44) Within 60 days of the Boards’ closed sessions (i.e. by November 30), the Designees shall present the final recommended CEO Performance Report to each Board for approval. The CEO shall receive a copy of the Report once approved and shall have the option to address the JPC and/or the Boards in connection with the evaluation. See Appendix D for of Final Evaluation Template and Final Compensation Adjustment Template.

Procedure Review & History

~~49)~~45) These procedures shall be reviewed annually by the JPC.

~~50)~~46) The JPC approved these procedures on April 30, 2021. Revised [month, day, year]

Diagram A: CEO Evaluation Process – Summary



Appendix A

Member Satisfaction Surveys

Group Counselling Session Questionnaire

- 1) *How satisfied were you with today's group counselling session?*
 - a) *Very satisfied*
 - b) *Satisfied*
 - c) *Neutral*
 - d) *Unsatisfied*
 - e) *Very unsatisfied*
- 2) If you were less than satisfied, please provide details so that we may improve future sessions. [Insert space for comments.]

ORS Website Questionnaire

- 3) *Were you able to find the information you were looking for today on the ORS website?*
 - a) *Yes*
 - b) *No*
- 4) If you answered "No" above, we would appreciate if you could indicate what information you were looking for so that we may improve our website. You are also welcome to contact the Office of Retirement Services at [number] for further assistance in obtaining the information you are seeking. [Insert space for comments.]
- 5) *How satisfied were you with the user-friendliness of the ORS website?*
 - a) *Very satisfied*
 - b) *Satisfied*
 - c) *Neutral*
 - d) *Unsatisfied*
 - e) *Very unsatisfied*
- 6) If you were less than satisfied, please provide details so we may improve the website: [Insert space for comments.]

ORS Member Portal

- 1) *Were you able to find the information you were looking for today on the ORS Member Portal?*
 - a) *Yes*
 - b) *No*
- 2) If you answered "No", we would appreciate if you could indicate what information you were looking for so that we may improve the Member Portal. You are also welcomed to contact the Office of Retirement Services at [number] for further assistance in obtaining the information you are seeking. [Insert space for comments.]
- 3) *How satisfied were you with the user-friendliness of the Member Portal?*
 - a) *Very satisfied*
 - b) *Satisfied*
 - c) *Neutral*
 - d) *Unsatisfied*
 - e) *Very unsatisfied*
- 4) If you were less than satisfied, please provide details so we may improve the Member Portal: [Insert space for comments.]

Appendix B

Management/Leadership Survey

Chief Executive Officer Survey

The CEO:	Needs Improvement	Meets Expectations	Exceeds Expectations	Unable to Assess
1. Projects a positive image for himself and the retirements systems to all stakeholders.				
2. Effectively represents and promotes the interests of the retirement system to stakeholders.				
3. Promotes and maintains trust and confidence vis-a-vis key stakeholders (e.g. the City Council).				
4. Demonstrates a high degree of personal integrity, ethics, and decorum.				
5. Promotes high levels of integrity, professionalism, and decorum throughout the organization.				
6. Generates energy and enthusiasm.				
7. Demonstrates a commitment to innovation and creativity and encourages the same from those around him.				
8. Demonstrates an appreciation of both the “big picture” (e.g. strategy and policy) and the day-to-day tasks of management and administration.				
9. Effectively monitors trends in the environment (e.g. the City, pension industry, etc.) that may have a significant impact on the Systems.				
10. Provides sound recommendations or guidance to the Board/committees regarding board policy matters and decisions.				
11. Demonstrates good judgment in his actions, decisions, and communications.				
12. Keeps the Board properly informed of all relevant matters.				

Please elaborate on any of the scores your provided above:

The CEO:	Needs Improvement	Meets Expectations	Exceeds Expectations	Unable to Assess
13. Provides clear, accurate and informative written reports and memoranda.				
14. Communicates effectively in oral <u>and written</u> reports, presentations, and other communications.				
15. Articulates a clear and appropriate strategy and direction for the organization.				
16. Responds appropriately to unexpected events and changes in the environment, making reasonable changes and trade-offs.				
17. Is responsive to questions and concerns of board members.				
18. Welcomes feedback, suggestions, new ideas, and constructive criticism.				
19. Demonstrates a strong service orientation towards the membership.				
20. Demonstrates a strong service orientation towards key stakeholders.				
21. Demonstrates appropriate leadership and oversight of the investment function.				
22. Demonstrates appropriate leadership and oversight of the benefit administration function.				
23. Demonstrates appropriate leadership and oversight of the actuarial function.				
24. Demonstrates an ability to work effectively with the senior management team.				
25. Promotes staff satisfaction, development, and recognition.				
26. Promotes appropriate leadership development opportunities for staff such as leadership training, team assignments, and special projects.				

Please elaborate on any of the scores your provided above:

The CEO:	Needs Improvement	Meets Expectations	Exceeds Expectations	Unable to Assess
27. Demonstrates technical and professional knowledge of all facets of public plan administration.				
28. Demonstrates sufficient technical and professional knowledge of public plan investments to effectively oversee the investment program and the work of the CIO.				
29. Provides effective support to the Board and its committees in their policy- and decision-making functions, including identifying and analyzing issues requiring Board policy and providing clear, well-supported recommendations.				
30. Effectively supports the Board's orientation and training needs.				
31. Develops and recommends an appropriate operating budget.				
32. Provides all necessary assistance and support to ensure Board meetings are efficient and effective.				
33. Interacts effectively with the media and the general public.				
34. Demonstrates an ability to work effectively with the Mayor's Office, City Council, and City Administration.				
35. Utilizes consultants and other service providers in an effective and efficient manner.				
36. Works to ensure the Board is provided all the information and reports it needs to be effective and efficient.				

Please elaborate on any of the scores your provided above:

Please elaborate on any areas where you believe the CEO is particularly strong:

Please elaborate on any areas where you believe the CEO could improve:

Appendix C

Worksheet Template

CEO PERFORMANCE EVALUATION – FY20XX

WORKSHEET

This Worksheet serves as a tool Board members may use to organize their thoughts and impressions concerning the methods the CEO used to achieve the agreed-upon performance Outcomes in 2023. The Worksheet contains five sections corresponding to the Methods the Board identified for evaluation purposes. It also contains one additional open-ended section to allow Board members to write notes on any “Other” metrics, criteria, and factors they believe should also be considered in the evaluation, but that were not contemplated by the Board at the time the Metrics were approved.

The six sections include:

1. Enterprise risk management
2. Human resources management
3. Stakeholder relations
4. Operations Management
5. Leadership/General Management
6. Other

Board members are encouraged to complete the Worksheet and bring it with them to the closed session meeting scheduled for [DATE] to discuss the CEO’s performance.

A) ENTERPRISE RISK MANAGEMENT (ERM)

The CEO Performance Report contains information to help the Board evaluate the CEO's performance in the area of Enterprise Risk Management. Such information includes:

- The recent financial audit results
- The current internal Audit Plan and summaries of the internal audits completed in the past year
- A summary of key compliance reports prepared during the past year
- Management's responses to the above audits and reports
- The CEO's self-assessment of this area

Based on my review of the information provided, my general assessment of the CEO's performance with respect to Enterprise Risk Management is (circle one):

- a) **Outstanding**
- b) **Commendable**
- c) **Satisfactory**
- d) **Needs improvement**

Comments and suggestions I would like to share with the CEO and/or Board include:

What other factors and information, if any, influenced my rating?

Additional information or metrics related to Enterprise Risk Management for possible inclusion in next year's evaluation include:

B) HUMAN RESOURCES MANAGEMENT

The CEO Performance Report contains information to help the Board evaluate the CEO's performance in the area of Human Resources Management. Such information includes:

- Employee turnover/attrition rates
- Vacancies and hires
- Reported violations of the code of conduct
- Employee climate survey results
- The CEO's self-assessment of this area

Based on my review of the information provided, my general assessment of the CEO's performance regarding Human Resources Management is (circle one):

- a) **Outstanding**
- b) **Commendable**
- c) **Satisfactory**
- d) **Needs improvement**

Comments and suggestions I would like to share with the CEO and/or Board include:

What other factors and information, if any, influenced my rating?

Additional information or metrics related to Human Resources Management for possible inclusion in next year's evaluation include:

C) STAKEHOLDER RELATIONS

The CEO Performance Report includes information to help the Board evaluate the CEO's effectiveness in the area of Stakeholder relations. Such information includes:

- a Stakeholder Interview Summary Report³
- The CEO's self-assessment of this area

Based on my review of the above, my general assessment of the CEO's performance regarding Stakeholder Relations is (circle one):

- a) **Outstanding**
- b) **Commendable**
- c) **Satisfactory**
- d) **Needs improvement**

Comments and suggestions I would like to share with the CEO and/or the Board include:

What other factors and information, if any, influenced my rating?

Other suggested information or metrics related to Stakeholder Relations Management for inclusion in next year's evaluation include:

³ Stakeholder interviews were conducted by Board members and summarized jointly by the Board Chairs.

D) OPERATIONS MANAGEMENT

The CEO Performance Report contains information to help the Board evaluate the CEO's Operational Management efforts. Such information includes:

- The CEO's Annual Workplan for 2023
- Progress reports prepared by the CEO in connection with the above Workplan
- Other accomplishments and issues identified by the CEO that were not contemplated at the beginning of the evaluation period, but which the CEO wishes to bring to the Board's attention.
- The CEO's self-assessment on this Metric

Based on my review of the above information, my general assessment of the CEO's performance regarding operations management is (circle one):

- a) **Outstanding**
- b) **Commendable**
- c) **Satisfactory**
- d) **Needs improvement**

Comments and suggestions I would like to share with the CEO and/or the Board include:

What other factors and information, if any, influenced my rating?

Other suggested information or metrics related to Operations Management for inclusion in next year's evaluation include:

E) LEADERSHIP/MANAGEMENT ABILITIES

The CEO Performance Report contains information to help the Board evaluate the CEO's general leadership and management abilities. Such information includes:

- The results of the CEO Management Survey that is completed annually by all Board members
- The CEO's self-assessment on this Metric based on the same survey instrument

Based on my review of the above, my general assessment of the CEO's general Leadership and Management Abilities is (circle one):

- a) **Outstanding**
- b) **Commendable**
- c) **Satisfactory**
- d) **Needs improvement**

Comments and suggestions I would like to share with the CEO and/or the Board include:

What other factors and information, if any, influenced my rating?

Other suggested information or metrics related to Leadership/Management for inclusion in next year's evaluation include:

F) OTHER METRICS AND FACTORS

Were there any other accomplishments, challenges, or issues that occurred during the past year that you believe should also be factored into the evaluation and communicated to the CEO (positive or negative):

OTHER NOTES

Appendix D: Final Evaluation ~~and Compensation Adjustment~~ Template

Executive Name: _____ Evaluation Period: [mm, dd, yy to mm, dd, yy]

Framework	
Organizational Outcomes Numerical Score (60% Weight)	Management Methods Rating (40% Weight)
Outstanding	Outstanding
Commendable	Commendable
Satisfactory	Satisfactory
Needs Improvement	Needs Improvement

Organizational Outcome Rating Earned: _____

Management Methods Rating Earned: _____

Key Gaps Identified in the Evaluation:

Agreed-Upon Personal Improvement Goals for Next Year (These should be separate and distinct from any goals or initiatives included in the CEO's Annual Workplan):

Signed: _____ Signed: _____

JPC Designee, Federated

Chief Executive Officer

Signed: _____

JPC Designee, Police & Fire

Appendix D (cont'd): Final Compensation Adjustment Template

Executive Name: _____ Evaluation Period: _____ [mm, dd, yy to mm, dd, yy]

<u>Framework</u>			
<u>Organizational Outcomes Numerical Score (60% Weight)</u>	<u>Management Methods Rating (40% Weight)</u>	<u>Baseline IPCA Award (%)</u>	<u>Baseline Additional Executive Leave (Days)</u>
<u>Outstanding</u>	<u>Outstanding</u>	<u>>3%</u>	<u>5</u>
<u>Commendable</u>	<u>Commendable</u>	<u>2-3</u>	<u>4</u>
<u>Satisfactory</u>	<u>Satisfactory</u>	<u>1</u>	<u>2</u>
<u>Needs Improvement</u>	<u>Needs Improvement</u>	<u>0</u>	<u>0</u>

Organizational Outcome Rating Earned: _____

Management Methods Rating Earned: _____

IPCA Award: _____ %

Additional Executive Leave awarded: _____ Days

Key Gaps Identified in the Evaluation:

Signed: _____ Signed: _____

_____JPC Designee, Federated _____Chief Executive Officer

Signed: _____

_____JPC Designee, Police & Fire

Appendix E

City Management Performance Program (MPP) Award Guidelines

Attached is memorandum issued by David Sykes, City Manager, which describes the Management Performance Program (MPP) Award Guidelines. Key elements the Boards should be particularly aware of are summarized below:

1. **Salary Range:** The CEO's base salary must fall within the salary range.
2. **Non-Pensionable Pay:** All City employees, including the CEO, currently receive an annual 5% increase in salary, which is non-pensionable. Non-Pensionable Pay is independent of the Salary Range; i.e. an employee shall receive Non-Pensionable Pay of 5% even if the employee is already at the top of their Salary Range.
3. **Annual Automobile Allowance:** All department heads, including the CEO, receive an Annual Automobile Allowance of \$4,200.
4. **Executive Days:** Management employees, including the CEO, receive a minimum of 5 Executive Days off with pay, over and above any applicable vacation days. Furthermore, they may earn up to an additional 5 Executive Days each year based on their performance at the discretion of their supervisor (i.e., the Boards in the case of the CEO). Executive Days awarded in one year may not be carried forward to future years.
5. **Individual Performance-Based Compensation Adjustments (IPCA):** City employees may earn one-time or ongoing IPCA of a maximum of 2.5% each year. If employees are below the top of the salary range, IPCA is an ongoing annual increase. Any IPCA (or portion thereof) that places an employee above the salary range shall be a one-time increase. In the case of the CEO, the Boards may grant reasonable IPCA in excess of 2.5% provided it is the best interests of the retirement systems and they do so in a prudent manner. (Note, this option is also available for other City employees at the option of the City.)

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
CEO PERFORMANCE EVALUATION POLICY
PROPOSED REVISIONS AT ~~APRIL 30, 2021~~ DECEMBER 7, 2021

BACKGROUND & PURPOSE

- 1) In accordance with section 810.10 of the City Charter, the retirement boards of the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan ("the Boards") shall jointly appoint the Chief Executive Officer of the Office of Retirement Services ("ORS"). In keeping with this responsibility, the Boards are committed to regularly evaluating the performance of the CEO.
- 2) The purpose of this Performance Evaluation Policy is:
 - a) To promote continuous improvement in the investment and operations functions of ORS to assure timely delivery of promised benefits to plan members and their beneficiaries;
 - b) To ensure the CEO receives regular feedback for professional development;
 - c) To establish the roles of all parties in the evaluation and compensation-setting processes; and
 - d) To begin laying the preliminary groundwork for the establishment of an incentive compensation program.
- 3) The performance of the CEO will be evaluated annually and the evaluation period ("Evaluation Period") will correspond to the fiscal years of the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan; i.e. July 1 to June 30.

BROAD EVALUATION CRITERIA

- 4) The CEO will be evaluated according to the following broad criteria:
 - a) The achievement of measurable performance outcomes ("Outcomes") specified by the Boards; and
 - b) How well the CEO manages the means or methods ("Methods") for achieving the Outcomes.

Table 1 summarizes the Outcomes and Methods to be used in evaluating the CEO.

Table 1

CEO Evaluation Criteria	
<i>Outcomes</i>	<i>Methods</i>
<ul style="list-style-type: none"> • Investment performance • Benefit administration cost-effectiveness • Member service quality 	<ul style="list-style-type: none"> • Enterprise risk management • Human resources management • Stakeholder relations management • Operations management • Leadership/management abilities • Other

- 5) One or more specific metrics ("Metrics") will be established to assist in measuring and/or evaluating each of the above Outcomes and Methods.
- 6) In the quarter preceding the start of the Evaluation Period (i.e. April–June), the Joint Personnel Committee ("JPC"), in consultation with the CEO, shall review and confirm for recommendation to the Boards:
 - a) All Metrics to be used to evaluate Outcomes **and** Methods for the CEO; and
 - b) All weights to be assigned to the Metrics, as applicable.

The Boards shall approve the above prior to the commencement of the Evaluation Period.

CEO EVALUATION PROCESS

- 7) Two members of the JPC ("the Designees") shall co-ordinate the evaluation of the CEO. Unless otherwise determined by the JPC, the Designees shall be the Board Chairs.
- 8) Commencing July 1, the CEO [Alternative: an independent third-party retained by the Boards or the JPC] shall co-ordinate the gathering of all necessary information and reports to allow the Board to assess the CEO against the approved Outcomes, Methods, and related Metrics; and shall summarize such information in a comprehensive report ("CEO Performance Report") in preliminary form for review by the Designees.
- 9) The CEO shall prepare a written self-assessment of his or her own performance relative to the Metrics approved by the Boards and any other criteria the CEO believes may be relevant, and such self-assessment shall be incorporated into the above preliminary CEO Performance Report.

10) Within three months of the end of the Evaluation Period (i.e., by September 30), the Designees shall submit the preliminary CEO Performance Report to the Boards and shall, separately or jointly, meet with each Board in closed session to review the Report and gather any additional input. The Designees may task an independent third-party to help facilitate the closed session discussions. The preliminary CEO Performance Report shall be provided to the Boards at least seven days prior to the above closed session meetings.

— In their respective closed session(s), each Board shall rate the CEO's Performance Outcomes and Management Methods using a predefined scale (e.g. "Outstanding", "Commendable", etc.). Each Board may also ~~and~~ arrive at preliminary determinations regarding the awarding of Individual Personal Compensation Adjustments ("IPCA") and Additional Executive Leave Days, provided such determination take place in open session.

11) Within 30 days of the above closed sessions, the Designees shall meet to update the CEO Performance Report to reflect any additional input received from the Boards at the closed sessions, review the updated Report with the CEO, and subsequently prepare a final version of the Report for recommendation to the Boards.

12) Within 60 days of the Boards' closed sessions (i.e. by November 30), the Designees shall present the final recommended CEO Performance Report to each Board for approval. The CEO shall receive a copy of the Report once approved and shall have the option to address the JPC and/or the Boards in connection with the evaluation.

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Mid-year Evaluations – CEO

- 13) The Designees shall meet with the CEO to conduct an informal mid-year review of progress to date, discuss any adjustments to the Metrics, and any other relevant issues.

Incentive Compensation Plan

- 14) If an incentive compensation program is authorized in the future, the Boards shall amend this policy to address how incentives compensation shall be determined and awarded.

Reconciliation of Board Input

- 15) If the Boards assign different weights to any Outcome, Method, or Metric; or provide conflicting ratings regarding the CEO's Performance Outcomes or Management Methods, the Designees may reconcile the differences when developing recommendations to the Boards.

Termination of CEO

- 16) The Boards may terminate the CEO at any time if they deem the CEO's performance to be unacceptable in any way, regardless of how the CEO performed in connection with the Metrics and the weights assigned to such Metrics.
- 17) In the event one Board wishes to terminate the CEO and the other Board does not, the Boards shall schedule a joint meeting of the Boards in closed session at the earliest opportunity to resolve the disagreement. Termination of the CEO shall require the approval of both Boards.

Procedures

- 18) The JPC is authorized to approve all procedures ("Procedures") necessary to implement this policy. The Procedures may include but are not limited to detailed timelines, survey instruments, formulas and calculation methods, and methods to ensure appropriate independent data collection. Such procedures shall be provided to the Boards for information purposes.

Base Compensation and Benefits

- 19) The Chair of each Board, or a designee of the Chair, shall serve as Labor Negotiator for their respective Board. The Labor Negotiators shall together meet with the CEO annually to discuss and arrive at base compensation and benefits, subject to approval by the Boards and the City Council.
- 20) Prior to commencing the above discussions, the Labor Negotiators shall meet with their respective Boards in closed session to obtain direction and guidance. Prior to such meetings, the Boards shall be provided relevant background information regarding CEO compensation such as current annual salary ranges approved by City Council, non-pensionable compensation, past merit increments awarded, and any available compensation survey data. The Labor negotiators may continue to meet with their Boards during the negotiation process.

Records and Closed Meetings

- 21) The CEO Performance Report shall remain confidential. The Boards may jointly act to make certain performance and compensation-related material public upon the advice of their legal counsel.
- 22) The Boards shall designate General Counsel or another party to maintain in safekeeping all relevant documents pertaining to the CEO's performance evaluation.
- 23) Throughout the performance evaluation process, the Boards, JPC, Designees and Labor Negotiators may meet in closed session to the extent permitted by law.

POLICY REVIEW AND HISTORY

- 24) The Board shall review this policy at least every three years.
- 25) The Board adopted this policy on May 21, 2020. Revised May 20, 2021. Revised [mm, dd, 2021]

CEO Evaluation Process – Summary

