

FOR CONSIDERATION

October 24, 2018

TO: The Governance Committee of the Board of Trustees

FROM: Thomas Falcone

SUBJECT: Recommendation for the Approval of the Annual Report to the Board on the Development, Retention and Succession Policy

Requested Action

The Governance Committee of the Board of Trustees of the Long Island Power Authority (the "Governance Committee") is requested to adopt a resolution recommending: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the "Authority" or "LIPA") has complied with the Board Policy on Development, Retention and Succession (the "Policy"); (ii) approval of the annual report for the Policy; and (iii) approval of merging the Policy into other policies of the Board.

Background - Board Policy on Development, Retention and Succession

By Resolution No. 1321, dated September 21, 2016, the Board of Trustees adopted the Development, Retention and Succession Policy, focusing on enhancing the value, industry expertise, and reputation of Authority staff through a robust and effective program regarding development, retention and succession planning that reflects a long-term perspective and promotes the longevity of the organization. The Governance Committee of the Board, in its charter, is delegated the responsibility of reviewing the Authority's practices relating to overseeing the CEO's administration of the Authority's compensation and benefit plans and personnel policies and programs including those related to the attraction, retention, development, and separation from employment of employees.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the objectives of the Policy for the period since the last annual report.

The Policy states that the Authority shall "Establish and maintain skill profiles for Authority executives that highlight the talents and experience desired for each position."

- A comprehensive review of job descriptions was completed to ensure that the essential job functions for each position at the Authority was appropriately defined and the skills, experience and competencies required to perform each function was also identified.
- All job descriptions are subject to a multi-level review process annually with the essential job functions, and the competencies, skills and experience required updated as necessary. Consideration of additional competencies tailored specifically to critical roles is in process and is part of LIPA's continuing succession planning process.

The Policy states that the Authority shall “Promote the retention of executives and staff as a critical success factor that ensures sound long-term decision making and continuity in the implementation of the Authority’s goals.”

- Best practice retention strategies were identified by conducting research and surveying the retention practices of other public power utilities. Many of the strategies identified were implemented or improved at the Authority, including:
 - Designing an enhanced On-Boarding process to facilitate the transition of new hires onto the LIPA staff and enhance their success;
 - Setting clear goals that link to the Authority’s mission and Board policies;
 - Providing a variety of management development opportunities;
 - Fostering a culture of providing regular performance and management feedback;
 - Communicating more frequently and effectively across the organization;
 - Recognizing employee contributions;
 - Benchmarking compensation to be competitive within our market and linking salary adjustments to performance; and
 - Measuring employee engagement by conducting an annual employee survey and responding to survey results.
- LIPA’s employment policies were reviewed to ensure they support a collaborative, productive and satisfying workplace culture. This included researching the policies and handbooks of other public power companies, conducting a review of new or updated federal and state law, and revising policies as necessary to reflect LIPA’s practices and to be responsive to employee feedback and suggestions as appropriate.

The Policy states that the Authority shall “Recognize diversity of talent, interests, background and experience as a key attribute to a healthy organization.”

- LIPA’s Employee Handbook was revised during 2018 and includes policies that support and encourage diversity, including: (i) the ongoing development of a work environment built on the premise of gender and diversity equality that encourages and enforces respectful communication and cooperation between all employees; (ii) teamwork and employee participation; (iii) permitting the representation of all groups and employee perspectives; and (iv) work/life balance through flexible work schedules to accommodate employees’ varying needs.
- The creation of Team Initiatives. Teams include the Hiring Team, Employee Engagement Team, the Guest Auditor Program, and the Oversight Documentation Team. These Teams have increased interactions between employees from different departments across the Authority and provided new perspectives and fresh approaches to way individuals think and collaborate.

The Policy states that the Authority shall “Develop a succession plan to address the inevitable turn-over of executives and staff with the least interruption to the ongoing operations of the Authority.”

- The Authority’s By-Laws provide an emergency succession plan for the Chief Executive Officer.
- The Authority identified critical roles, in addition to the Chief Executive Officer, for succession and continuity and defined the competencies and motivational profiles required to undertake those roles.
- The Authority implemented a new, structured behavioral interview process and established a Hiring Team specially trained for interviewing to ensure candidates are hired consistent with the competencies and motivational profiles defined for each role.
- The Authority completed comprehensive behavioral/leadership assessments and 360-degree evaluations for all Officers, Directors and Managers. Individualized Performance Enhancement Plans were prepared based on these assessments to further develop staff in their current roles and to prepare for potential future roles at the Authority.
- An Executive Coaching pilot program was introduced to further support the growth and development of management staff.
- Staff prepared a list of employees eligible for retirement within the next five years identifying certain “at-risk” positions.
- A final review of competencies and skills and a gap analysis will be completed by year-end, and a succession map prepared as an additional planning tool.

Lastly, the Policy provides that the Authority will develop and make available “a package of development opportunities covering overall Board activities, Authority operations and responsibilities, and information specific to individual Committees and functions, including (a) On-board materials; (b) Issues awareness; (c) Core skills continuing education; (d) Ongoing development tools; (e) Management and leadership skills development for management track employees.

- As discussed above and also in the Annual Report to the Board on the Staffing and Employment, each of the above programs and opportunities are available to all employees.

Proposed Changes to the Board Policy

Staff proposes the Board eliminate the Board Policy on Development, Retention and Succession with the following separate actions:

- Amend the Board Policy on Staffing and Employment to incorporate development, retention and succession of the Authority’s staff.
- Amend the Board Policy on Annual Agenda Planning to a revised Board Policy titled “Governance and Agenda Planning,” which includes objectives regarding the skills, development and retention of Trustees.

These policy amendments are separately under consideration by the Board.

2018 Work Plan

LIPA's 2018 Work Plan includes the following goals to advance the Policy:

- **Goal # 70:** Implement development plans for LIPA staff.
- **Goal # 71:** Evaluate LIPA's retention strategies compared to other public power companies.
- **Goal #72:** Formalize process for succession planning to implement industry best practices.

These goals are scheduled to be completed by year end.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

Exhibit "B" Presentation to the Board on the Development, Retention and Succession Policy

Exhibit A

RESOLUTION RECOMMENDING APPROVAL of THE REPORT TO THE BOARD OF TRUSTEES ON THE DEVELOPMENT, RETENTION AND SUCCESSION POLICY

WHEREAS, the Development, Retention and Succession Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1321, dated September 21, 2016; and

WHEREAS, the Governance Committee has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Governance Committee has reviewed the Policy and affirms that the Policy will be replaced by incorporating its requirements in other policies of the Board;

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Governance Committee hereby recommends that the Authority has complied with the Policy for the period since the adoption of the Policy, recommends approval the annual report to the Board, and recommends approval the elimination of the Policy.

Dated: October 24, 2018



Development, Retention and Succession Policy: Annual Report to the Board of Trustees

October 24, 2018

Board Policy on Development, Retention and Succession



- Approved by the Board of Trustees on September 21, 2016
- It is the policy of the Long Island Power Authority to enhance the **value, industry expertise**, and **reputation** of the Authority staff
- This policy establishes the Board's expectations regarding what must be done to implement this objective

Board Expectations for Implementing Policy

Establish and maintain skill profiles for Authority executives that highlight the talent and experience desired for each position

- A comprehensive review of all job descriptions was recently completed
- All job descriptions are subject to a multi-level review process annually
- Consideration of additional competencies tailored specifically to critical roles is in process and is part of LIPA's continuing succession planning process.

Promote the retention of executives and staff as a critical success factor that ensures sound long-term decision making and continuity in the implementation of the Authority's goals

- Best practice retention strategies were identified by conducting research and surveying the retention practices of other Public Power companies.
- Many strategies identified were implemented or improved at the Authority

Board Expectations for Implementing Policy Continued...

Recognize diversity of talent, interests, background and experience as a key attribute to a healthy organization

- Mission Statement identifies “Teamwork” as a core value
- LIPA’s revised Employee Handbook includes policies that support and encourage diversity
- Newly created “Hiring Team,” “Employee Engagement Team,” the “Guest Auditor Program,” and the “Oversight Documentation Team.”

Develop a succession plan to address the inevitable turn-over of executives and staff with the least interruption to the ongoing operations of the Authority

- By-Laws provide an emergency succession plan for the Chief Executive Officer
- Identified additional critical roles for succession
- Completed comprehensive behavioral/leadership assessments and 360-degree evaluations for all Officers, Directors and Managers
- Individualized Performance Enhancement Plans for staff

Succession Planning

- Executive Coaching Pilot Program was introduced to further support the growth and development of management staff.
- Staff prepared a list of employees eligible for retirement within the next five years identifying certain “at-risk” positions.
- Next steps: A final review of competencies and skills and a gap analysis will be completed by year-end, and a succession map prepared as an additional planning and monitoring tool.



2018-2020 Workplan

LIPA's Workplan contains goals to advance this policy:

Goal #70

Implement development plans for LIPA staff

Goal #71

Evaluate LIPA's retention strategies compared to other public power companies.

Goal #72

Formalize process for succession planning to implement industry best practices



These goals are scheduled to be completed by year end



Questions?