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Why Urge Pay For Performance And Then Ignore Performance?

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CalPERS' Global Principles of Accountability for Corporate Governance declare:

> *Compensation programs are one of the most powerful tools available to the company to attract, retain, and motivate key employees to optimize operating performance, profitability and sustainable long-term shareowner return. CalPERS considers long-term to be five or more years for mature companies and at least three years for other companies.*

Accordingly, you might expect that CalPERS would be very pleased with a company whose shares, according to The Street, "shares have gained nearly 40% in the past 12-months, and nearly 800% in the past five years, outperforming the S&P 50?. According to CalPERS'Facts at a Glance, its own total returns for the five year period ended June 30, 2013 were 3.5% (returns for the year then ended were considerably better – 13.2%).

CalPERS' Global Principles also recommend that a "significant portion of executive compensation should be comprised of 'at risk' pay linked to optimizing the company's operating performance and profitability that results in sustainable long-term shareowner value creation". Thus, you might expect that CalPERS would be very pleased with aCompensation Committee that "places a significant focus on performance-based compensation, resulting in a target percentage for performance-based compensation for each named executive officer, not including the Chief Executive Officer, being approximately 67% of their respective total direct compensation".

Notwithstanding these principles and the company's performance, CalPERS is not at all happy. Before the company's annual meeting, CalPERS tweeted "Due to egregious pay practices . . . CalPERS will be voting against exec [sic] compensation measure". CalPERS also disclosed that it would not vote its shares in favor of the reelection of the Chairman of the company's compensation committee. The company? Domino's Pizza, Inc.

The Birth of Pizza or "Look Dad, We're Eating Our Tables!"

The Aeneid by Vergil is the epic foundation story of Rome. In Vergil's telling, the Trojan hero, Aeneas, escapes Troy with his son, Iulus. Destined to found Rome, Aeneas and his men land on one of the Strophades islands where they encounter harpies. These are female winged creatures that repeatedly battle the Trojans for their food. Angered, one of the harpies tells Aeneas that he won't found the City of Rome until the Trojans are so hungry that they eat their own tables. If we fast-forward in the tale, Aeneas eventually makes it to Italy and I'll let Vergil pick up the story:

> *Aeneas primique duces et pulcher Iulus corpora sub ramis deponunt arboris altae instituuntque dapes et adorea liba per herbam subiciunt epulis (sic Iuppiter ipse monebat) et Cereale solum pomis agrestibus augent. Consumptis hic forte aliis ut vertere morsus exiguam in Cererem penuria adegit edendi et violare manu malisque audacibus orbem fatalis crusti patulis nec parcere quadris: "Heus ! etiam mensas consumimus," inquit Iulus . . .*
>
> *The leader Aeneas and handsome Iulus place their bodies beneath the branches of a high tree. The set up a banquet and place on the grass spelt (wheat) cakes piled with meats (so Jupiter himself commanded) and spread the bread on the ground with rustic fruits. Having consumed these, they turned their to eating the left over bread violating by hand and fierce jaws the circle of the fateful crust and sparing the squares [of bread] spread out on the grass. Then Iulus said "Hey, are we eating our tables?"*

The Aeneid, Bk 7, lines 107-116. (my translation). This is often described as the first description of pizza (both round and square). Incidentally, Julius Caesar's name is traceable to little Iulus.

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