

PEGASYSTEMS INC
Form 8-K
March 19, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 13, 2009

Pegasystems Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 1-11859

Massachusetts
(State or other jurisdiction of

incorporation)

101 Main Street, Cambridge, Massachusetts 02142

04-2787865
(IRS Employer

Identification No.)

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(Address of principal executive offices, including zip code)

617-374-9600

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. **Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**

- .. **Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**

- .. **Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**

- .. **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(e) On March 13, 2009, the Compensation Committee of the Board of Directors of Pegasystems Inc. (the Company) approved the 2009 Section 16 Officer/FLT Member Corporate Incentive Compensation Plan (the Incentive Plan) and the 2009 base salaries and target bonus payments for the Company s executive officers (the Executive Officers). The aggregate 2009 target bonus payments for Executive Officers are \$745,000 (the Aggregate Target Bonus Amount).

The Incentive Plan covers the period from January 1, 2009 through December 31, 2009 (the Incentive Period). The Incentive Plan is designed to establish a pool of funds to be available for making bonus payments to the Executive Officers if the Company achieves certain performance goals during the Incentive Period. For purposes of the Incentive Plan, these goals are divided into two categories. The first category is comprised of the corporate financial goals related to revenue, bookings and profitability approved by the Board of Directors in connection with establishing the Company s 2009 annual budget. The second category is comprised of the qualitative strategic goals approved by the Board of Directors as part of the Company s 2009 annual strategic planning. Together, these two categories make up a single performance goal under the Incentive Plan (the Corporate Performance Target), with the financial goals being weighted 70% toward achievement of the Corporate Performance Target and the strategic goals being weighted 30% toward achievement of the Corporate Performance Target. The percentage achievement of the Corporate Performance Target (the Funding Percentage) determines the extent to which the Incentive Plan is funded. The Incentive Plan will be funded with an amount equal to the Aggregate Target Bonus Amount multiplied by the Funding Percentage, except that if the Funding Percentage is less than 70% then the Incentive Plan will not be funded at all. If the Corporate Performance Target is exceeded, the percentage achievement of the Corporate Performance Target for purposes of funding the Incentive Plan is deemed equal to 100% plus an enhanced incentive as determined by the Board in its discretion.

Each Executive Officer is entitled to a bonus amount equal to 50% of his or her target bonus multiplied by the Funding Percentage (the Corporate Bonus Amount), plus an additional bonus amount of up to the Corporate Bonus Amount based upon his or her level of contribution to the Company s strategic goals, as determined by the Company s Chief Executive Officer in his discretion.

For 2009, the Company will permit each Executive Officer to elect to receive a portion of his or her 2009 bonus equal to 50% of his or her target bonus payment in the form of restricted stock units (RSUs) instead of in cash. For this purpose, RSUs will be valued at their fair value on the grant date. If elected, the equity grant will occur during the open trading period following the public release of the Company s 2008 financial results and will vest 100% on the Incentive Plan payout date in 2010 for all participants. Vesting is conditioned upon threshold funding of the Incentive Plan and, with respect to each Executive Officer, on his or her continued active employment with the Company. If these conditions are not met, the equity grant cannot be exercised by the Executive Officer and will expire.

The foregoing summary description of the Incentive Plan is qualified in its entirety by reference to Exhibit 99.1 to this Current Report on Form 8-K. The 2009 base salaries and target bonus payments for the Executive Officers are attached as Exhibit 99.2 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits

99.1 2009 Section 16 Officer/FLT Member Corporate Incentive Compensation Plan

99.2 2009 Executive Officers Base Salaries and Target Bonus Payments

Signature(s)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Pegasystems Inc.

Date: March 19, 2009

By: /s/ Shawn Hoyt
Shawn Hoyt
General Counsel and Secretary

Exhibit Index

Exhibit No.	Description
99.1	2009 Section 16 Officer/FLT Member Corporate Incentive Compensation Plan
99.2	2009 Executive Officers Base Salaries and Target Bonus Payments