

## **PRIMARY EXECUTIVE COMPENSATION CONSULTANT PROPOSED SCOPE OF SERVICES**

The selected contractor will be the primary advisor to the CalPERS Board of Administration and its Performance, Compensation and Talent Management Committee, providing ongoing independent expertise on the subject of executive compensation. Issues that have arisen in the past include compensation program structure and design, schedules and benchmarks for investment executives' annual performance awards, the degree to which compensation decisions for individuals should be delegated to executive staff or retained by the Committee and Board of Administration, and the overall complexity of the existing program.

As issues may arise during the contract period, the selected contractor will be expected to provide advice on the administration of the compensation program, consult, and prepare and present written reports and recommendations in public meetings of the Performance, Compensation and Talent Management Committee.

In addition to the ongoing advisory services outlined below, the selected contractor will also conduct, in the first 18 months of the contract, a comprehensive review and evaluation of CalPERS' current incentive compensation programs, to ensure compensation policies, philosophy and rationale remain appropriate and relevant. The contractor will provide feedback and recommendations to the Committee regarding streamlining the programs and policies to ease administration and increase transparency, including education to assist the Board in determining a comprehensive compensation philosophy.

As the primary compensation advisor to the Board and Committee, the selected contractor will provide ongoing independent expertise on compensation issues including but not limited to the following:

### **1. Consultation on Compensation Program Structure:**

- Conducting fundamental examination of program structure, compensation trends, and academic research on topics pertinent to development and implementation of the compensation program for the Chief Executive Officer, Chief Actuary, General Counsel, Chief Financial Officer, Chief Investment Officer, investment management and financial services positions, as well as other senior leadership positions;
- Attending all scheduled meetings of the Board's Performance, Compensation and Talent Management Committee, and Board meetings as requested;
- Reviewing compensation materials; provide comments/advice to Committee members on materials and committee agenda items, including:
  - Labor market benchmarks for and results of salary surveys, incentive schedules, salary ranges, compensation packages and performance metrics;
  - Incentive program components and policies; and

- Other compensation-related studies and research provided by staff and outside compensation consultants; including salary surveys, salary ranges, incentive schedules and compensation packages.

**2. Consultation on Compensation Program and Policy Administration:**

Upon request, selected contractor may be called upon as the primary advisor regarding administration and implementation of the compensation program and related policies and procedures (policy document is included herein as Exhibit 1). Such consultation may be via telephone, written correspondence, and/or in person, and may involve the preparation of formal reports or presentations before the Committee.

Selected contractor will be the primary advisor regarding revisions to the compensation program policies, including but not limited to:

- Streamlining and improving the incentive compensation policies;
- Reviewing incentive criteria and levels and making recommendations for the implementation, as needed; and
- Recommending changes to compensation policies based on industry trend or as requested by the Committee, including specific policy language and procedures to implement such changes.