



Performance, Compensation and Talent Management Committee

California Public Employees' Retirement System

Agenda Item 6

October 20, 2015

ITEM NAME: Primary Executive Compensation Consultant Request for Proposal – Selection Process Update

PROGRAM: Administration

ITEM TYPE: Information

EXECUTIVE SUMMARY

This item provides an update on activities, both completed and upcoming, on the Primary Executive Compensation Consultant Request for Proposal (RFP) selection process.

STRATEGIC PLAN

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. The Executive Compensation Program provides a means for recruiting and retaining highly-skilled executives and senior leadership, investment managers and financial services staff to the benefit of the CalPERS organization as a whole.

BACKGROUND

In August 2015, the Committee directed staff to initiate a competitive selection process to engage a consultant to be the Board's primary executive compensation consultant. The final contract awardee would be responsible for providing ongoing support to CalPERS executive compensation programs, including advice on streamlining and improving the current incentive compensation program.

ANALYSIS

At the August 2015 meeting of the Board of Administration (Board), the Subcommittee was announced to conduct the review and selection process for the Primary Executive Compensation Consultant. Subcommittee members include the following:

Michael Bilbrey, PCTM Committee Chair
Priya Mathur, PCTM Committee Vice Chair
John Chiang
Richard Gillihan

The Subcommittee will meet in noticed, open session meetings to review, evaluate and score the RFP responses submitted by the filing deadline; and conduct finalist interviews in November. The Subcommittee will recommend final selection of the Primary Executive Compensation Consultant to the Board for approval at the November Board meeting.

The anticipated schedule of events is as follows:

Process	Timeframe
RFP Release Date	September 25, 2015
Evaluation of Proposals and Finalists Selected for Interview	Early November 2015 Subcommittee meeting
Finalists Interviews	Early November 2015 Subcommittee meeting
Contract Awardee Selected	November 18, 2015
CalPERS Anticipated Contract Performance Start Date	November 30, 2015

BUDGET AND FISCAL IMPACTS

Ongoing costs associated with this contract will be funded from existing budgeted resources. Project-based funding needed beyond the current budgeted allocation will be addressed at the time of engagement.

BENEFITS/RISKS

The management of a competitive compensation program is critical for the attraction and retention of key executives at the highest levels of the organization. Contracting for executive compensation consultation services provides the necessary expertise to the Committee and the Board to ensure that CalPERS executive compensation program meets the needs of the system, and is based on sound compensation principles and best practices.

Without having a primary compensation consultant to provide ongoing, independent compensation expertise, there is risk of the CalPERS executive compensation program being out of alignment with organizational priorities. In addition, potential misalignment with relevant market compensation could result in difficulty in the hiring and retention of qualified candidates for key positions.

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