

## **THE BOARD'S PRIMARY EXECUTIVE AND INVESTMENT COMPENSATION CONSULTANT SCOPE OF SERVICES**

The selected contractor will be the primary advisor to the CalPERS Board of Administration (Board) and its Performance, Compensation and Talent Management Committee (Committee), providing ongoing independent expertise on the subject of executive and investment compensation. Topics which have been advised on in the past include compensation program structure and design; schedules and benchmarks for quantitative measures/metrics; design, implementation, and schedules for shared organizational metrics; the degree to which compensation decisions should be delegated to certain staff or retained by the Committee and Board; and the overall complexity of the existing program.

As need for compensation expertise may arise during the contract period, the selected contractor will be expected to provide consultation, advice, and recommendations related to any of the above noted topics and/or other compensation related issues. In regard to any expertise provided, the contractor may need to prepare and present written reports and recommendations in public meetings of the Committee and Board. In providing some of the services, the selected contractor will collaborate with CalPERS' Human Resources Division team members responsible for the administration of the CalPERS compensation program for executive and investment management positions. Detailed advisory services are outlined below.

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

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

The selected contractor may be called upon as the primary advisor regarding the program and its structure. 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 or Board. Relevant services may include, but are not limited to:

- Conduct fundamental examination of program structure, compensation trends, and academic research on topics pertinent to the compensation program for all executive and investment management positions covered under the Board's Policy for Executive and Investment Management Positions (Policy).
- Upon request, periodically review and analyze compensation structure, incentive measures and metrics, and calculation methodologies used to design incentive plans and pay out incentive awards to program participants. Prepare and present relevant recommendations to implement improvements or changes.

- Review compensation materials prepared for Committee meetings and provide comments and revision suggestions to CalPERS' Human Resources team members responsible for the preparation of those materials.
- As requested, attend Board and Committee meetings.
- Provide comments/advice to Committee members on materials prepared for and presented at Committee meetings.

## **2. Consultation on Compensation Policy**

The selected contractor may be called upon as the primary advisor regarding administration of the Policy and implementation of any revisions, including associated procedural processes. 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. Relevant services may include, but are not limited to:

- Streamline and improve the incentive compensation policies.
- Review incentive criteria and levels and make recommendations for changes and improvements, including implementation, as needed.
- Recommend changes to compensation policies based on industry trend and best practices or as requested by the Committee, including specific policy language and procedures to implement such changes.

## **3. Compensation Research, Analysis, and Recommendations**

The selected contractor may be called upon to conduct research, perform analysis, and provide recommendations on compensation for executive and investment management roles. Relevant services may include, but are not limited to:

- Research and conduct analysis on third party and industry data, including salary ranges, incentive opportunities, benchmarks and incentive payment schedules, compensation packages, performance measures, and compensation policies.
- Conduct informal salary surveys of relevant or requested peer groups and utilize the data gathered to provide advice and/or recommendations relevant to CalPERS' compensation program for Executive and Investment Management positions.
- As new information becomes available which may be relevant to CalPERS' compensation program, provide ongoing insight regarding industry trends or best practices.
- Provide educational sessions or workshops on compensation topics

## **4. Compensation Program Administration Analysis and Recommendations**

The selected contractor may be called upon as the primary advisor regarding the compensation program administration. Such consultation may be via telephone, written correspondence, and/or in person; and will often involve consultation directly

with CalPERS' Human Resources team members responsible for administration of the Policy and program elements. Relevant services may include, but are not limited to:

- Review processes and procedures associated with program administration and provide recommendations to ensure successful and appropriate administration.
- As new information becomes available which may be relevant to the administration of CalPERS' compensation program, provide ongoing insight regarding industry trends or best practices.