



## Performance, Compensation & Talent Management Subcommittee

# Agenda Item 3a

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**August 14, 2020**

**Item Name:** The Board's Primary Executive and Investment Compensation Consultant RFP: Finalist Interviews and Finalist Selection

**Program:** Administration

**Item Type:** Action

### **Recommendation**

1. Select a single finalist to be presented to the Performance, Compensation, and Talent Management Committee as the Board's Primary Executive and Investment Compensation Consultant

### **Executive Summary**

This item summarizes final steps the Subcommittee of the Performance, Compensation, and Talent Management (PCTM) Committee will undertake to select the Board's Primary Executive and Investment Compensation Consultant (Board's Primary Compensation Consultant).

### **Strategic Plan**

This agenda item supports CalPERS' Strategic Goal to promote a high-performing and diverse workforce in the 2017-22 Strategic Plan. The Executive and Investment Compensation Program provides a means for recruiting, retaining, and empowering highly skilled executives and investment professionals to meet our organizational priorities.

### **Background**

In September 2019 and November 2019, the PCTM Committee approved the release of a Request for Proposal (RFP) and process to select the Board's Primary Compensation Consultant. The RFP was released on March 17, 2020, and all seven proposals received by the May 5, 2020 final filing date were deemed to have met the minimum qualifications and other requirements prescribed by the RFP. On July 31, 2020, under the observation of the two assigned Subcommittee members, the CalPERS Internal Evaluation Team determined a consensus technical score for each proposal. On August 5, 2020, the Subcommittee adopted

those as the final technical score for each proposal; and fee scores were calculated and combined with the technical scores as follows:

| No. | Proposer                         | Technical Score<br>(consensus score;<br>200 points<br>maximum) | Fee Score<br>(based on formula<br>prescribed in RFP;<br>600 points<br>maximum) | Total<br>Combined<br>Score |
|-----|----------------------------------|--|--|----------------------------|
| 1.  | Grant Thornton Public Sector LLC | 167  | 518.75   | 685.75                     |
| 2.  | Domain Experts Corporation       | 71   | 600  | 671                        |
| 3.  | Mercer (US)                      | 162  | 457.72   | 619.72                     |
| 4.  | Gallagher                        | 96   | 498  | 594                        |
| 5.  | Global Governance Advisors LLC   | 188  | 383.08   | 571.08                     |
| 6.  | Segal                            | 102  | 422.03   | 524.03                     |
| 7.  | Korn Ferry (US)                  | 131  | 196.06   | 327.06                     |

The Subcommittee then determined the highest scoring proposers who would proceed to the interview process by setting a 570 combined score threshold. As indicated in the table above, the first five proposers received a combined score of at least 570 and were invited to be interviewed at today's meeting.

### **Analysis**

At today's meeting, the Subcommittee will conduct interviews with the five finalists and come to consensus on an interview score for each one. Attachment 1 contains the Services to Be Provided from the RFP for the Subcommittee's reference during the interview process.

Once the Subcommittee adopts an interview score for each finalist, a short break will be taken, and CalPERS team members will calculate total final scores. The total final score will include the combined technical and fee score, the interview score, and any additional preference and/or incentive points awarded as prescribed in the RFP. The Subcommittee will be presented with the total final scores and may select the highest scoring finalist for recommendation as the Board's Primary Compensation Consultant to the PCTM Committee at its September 2020 meeting. Upon approval by the PCTM Committee, CalPERS can enter contract negotiations with that finalist. As prescribed by the RFP, if negotiations with the highest scoring finalist are unsuccessful, CalPERS may enter contract negotiations with the next highest scoring finalist.

### **Budget and Fiscal Impacts**

This section is not applicable to this agenda item. The budget and fiscal impact cannot be determined until the final selection of the Board's Primary Compensation Consultant is complete. Budget and fiscal impacts will be based on the fees submitted within the selected vendor's RFP fee proposal response.

## **Benefits and Risks**

The benefit of selecting a single finalist as the Board's Primary Compensation Consultant is that CalPERS can enter contract negotiations to execute a contract. Upon contract execution, the Board will have access to an expert in the field of compensation. Not having a compensation consultant creates a risk that compensation packages may be misaligned with the industry and CalPERS' organizational priorities.

## **Attachments**

Attachment 1 – Services to Be Provided

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