



## Performance, Compensation & Talent Management Subcommittee

# Agenda Item 3a

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**August 5, 2020**

**Item Name:** The Board's Primary Executive and Investment Compensation Consultant RFP: Technical Score Consensus, Fee Scoring, and Finalist Selection for Interviews

**Program:** Administration

**Item Type:** Action

### **Recommendation**

1. Accept the consensus technical scores as presented by the CalPERS Internal Evaluation Team or recommend and reach by consensus an alternate technical score for each proposal response submitted for Request for Proposal 2019-8776, Board's Primary Executive and Investment Compensation Consultant.
2. Determine the highest scoring proposals to identify those firms which will continue in the evaluation process to the interview phase.

### **Executive Summary**

This item outlines the process for the Subcommittee of the Performance, Compensation, and Talent Management (PCTM) Committee to determine finalists to be interviewed for the selection of 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 the associated process to select the Board's Primary Compensation Consultant. The RFP was released on March 17, 2020, and seven proposals were received by the May 5, 2020 final filing date. All seven proposals were deemed to have

met the minimum qualifications and other requirements prescribed by the RFP. The CalPERS Internal Evaluation Team also received the proposal responses and met on July 31, 2020, to discuss and determine a consensus technical score for each of the seven proposals. The two assigned Subcommittee members observed that process.

### **Analysis**

At today's meeting, the Subcommittee will be presented with the technical scores determined by CalPERS Internal Evaluation Team for each proposal response. This agenda item and meeting provides the opportunity for the Subcommittee to review the scores determined by the CalPERS Internal Evaluation Team and accept those scores or come to consensus on an alternate, final technical score for each proposal. To aid in the Subcommittee's discussion and scoring, Attachment 1 contains the Services to Be Provided from the RFP for reference.

Once the Subcommittee adopts technical scores, a short break will be taken, and CalPERS team members will open fees submitted by each of the seven proposers. Fee scores will be calculated as prescribed in the RFP and combined with each proposer's technical score. The combined technical and fee scores will then be presented to the Subcommittee.

The Subcommittee will then determine which proposers are the highest scoring and will be considered finalists to proceed to the interview phase of the evaluation process. Interviews will be with the Subcommittee at a subsequent meeting scheduled for August 14, 2020.

### **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 finalists to be interviewed for the Board's Primary Compensation Consultant is that the process will continue as outlined in the RFP. Once interviews are completed and a single finalist is selected, CalPERS can enter into 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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Michelle Tucker, Chief  
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