CalPERS

Performance, Compensation & Talent Management Subcommittee

Agenda Item 3a

October 30, 2025

Item Name: Board's Primary Executive and Investment Compensation Consultant Request for Proposal: Finalist Interviews and Selection

Program: Administration

Item Type: Action

Recommendation

1. Issue Notice of CalPERS intent to award under the Request for Proposal (RFP) No. 2025-9385 to the Finalist having the highest total score.
2. Approve CalPERS to enter contract negotiations with the Finalist, and in the event negotiations are unsuccessful, approve CalPERS to enter contract negotiations with the finalist having the second highest total score, and so on.

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 cultivate a risk-intelligent and innovative culture through our team and processes in the 2022-27 Strategic Plan. The Executive and Investment Compensation Program provides a means for recruiting, retaining, and empowering highly skilled executive and investment management professionals to meet the Board's organizational priorities.

Background

In June 2024, the PCTM Committee approved the release of a RFP and the associated process to select the Board's Primary Compensation Consultant. The RFP was released on May 16, 2025, and six proposals were received by the May 30, 2025, final filing date. Five 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

October 1, 2025, to discuss and determine a consensus technical score for each of the five proposals. The two assigned Subcommittee members observed that process.

Analysis

At today's meeting, the Subcommittee will conduct interviews with the three 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 Board of Administration at its November 2025 meeting. Upon approval by the Board of Administration, 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.

The chart summarizes the current ranking and preliminary total scores of the three finalists, including the Technical Proposal Scores, Fee Proposal Scores, and Disabled Veteran Business Enterprise (DVBE) Incentive Points.

Proposer	Technical Proposal Score	Fee Proposal Score	DVBE Incentive Points	Preliminary Total Score
Global Governance Advisors	195	600	60	855
Hugessen Consulting	185	553.8	100	838.8
Mercer (US)	195	553.8	60	808.8

Interviews provide the Subcommittee an opportunity to further consider each Finalist's proposal, including fees and any other specific areas of the proposals for which clarification is necessary. The Finalists are available to be interviewed at today's meeting.

In preparation for the interviews, the Finalist interview packets are provided separately to assist the Subcommittee with its interviews and evaluations. Each Finalist will have 45 minutes for an interview before the Subcommittee, which will consist of a five-minute introductory presentation, a 35-minute question and answer session, and an additional five-minute period for clarifying or follow-up questions for the Subcommittee members (if needed, based on the Finalist's responses).

Following the interviews, the Subcommittee will determine a score as a group for each Finalist and motion the Interview Score, with a maximum of 1200 points possible. Each Finalist's interview score will be combined with the Fee Proposal Score and any applicable preference and/or incentive points for a total score. The Finalists will be ranked according to the total scores from highest to lowest.

The distribution of maximum possible points is as follows:

- Technical Proposal: 200 points maximum
- Fee Proposal: 600 points maximum
- Subcommittee Interview: 1200 points maximum
- Preference or Incentive Points:
    - Disabled Veteran Business Enterprise (DVBE) Incentive – DVBE incentive points of 60-100 will be awarded to proposers based on confirmed DVBE participation level from 3.01 to 5 percent.

The Subcommittee will award the contract to the Finalist receiving the highest total score, subject to final negotiations and satisfaction of all requirements. If negotiations are not successful, the contract award will be made to the Finalist receiving the next highest total score, subject to final negotiations and satisfaction of all requirements. Notice of CalPERS intent to award to the selected Finalist will be posted at CalPERS website www.calpers.ca.gov for five State business days before the award is made.

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

Michelle Tucker, Chief
Human Resources Division