



RFP 2022-01
**Compensation Consultant Services,
Employees' Retirement System
of the State of Hawaii.**

ADDENDUM RELEASE
DATE: 11/24/2021

**Addendum No. 2,
Questions and Answers to
RFP 2022-01 for Sealed Competitive Proposals for
Compensation Consultant Services for the
Employees' Retirement System
of the State of Hawaii,
RFP issue date: November 03, 2021.**

Addendum No 2 is a compilation of the vendors' questions submitted via email by November 19, 2021 4:00 pm HST to the Employees' Retirement System (reference RFP Specifications, Section 1.6 Procurement Timetable), and the State's answers.

The compilation is attached herein.

SJ Melendrez, PMO
Procurement Specialist
Email: steven.melendrez@hawaii.gov



RFP 2022-01
Compensation Consultant Services,
Employees' Retirement System
of the State of Hawaii.



RFP 2022-01 SEALED COMPETITIVE PROPOSALS, COMPENSATION CONSULTANT SERVICES, QUESTIONS & ANSWERS

Following Questions were asked by vendors in response to the RFP 2022-01 and answers are provided by the State.

Questions due by November 19, 2021 @ 4:00 pm HST

Answers response November 24, 2021

<u>QUEST #</u>	<u>VENDOR QUESTIONS</u>	<u>STATE ANSWERS</u>
1	From which data sources does ERS draw in order to make pay decisions for the individuals covered by the proposed study?	Primary McLagen
2	Does ERS participate in the McLagen study?	Yes
3	To which other compensation surveys do you have access?	Not Applicable
4	When was the most recent market benchmarking for your investment professionals conducted?	2019
5	What was the effective date of the most recent salary increase for the employees covered by the study?	Exempt staff salaries adjusted July 1, 2019.
6	Was the increase an across-the-board X% increase (what %?), or was the increase an individual performance/merit-based increase?	No across the board increases were awarded. Increases for exempt staff have historically been performance based.
7	Prior to the most recent salary increase have salary increases been across-the-board or performance/merit based?	Performance based.
8	To what extent does ERS have precedent for a long-term incentive arrangement for any or all of the individuals covered by the proposed study?	We have no precedent for a long-term incentive arrangement.
9	What are the obstacles that may have been identified (and or currently exist) to the implementation of a successful, long-term incentive arrangement?	May include Legislative support & approval, budget authorization, civil service dominated culture.
10	How is extraordinary ERS fund performance currently recognized financially for individuals covered by the proposed study?	Not recognized.
11	What are the compelling elements of ERS' employee value proposition which attract and retain the employees covered by the proposed study (i.e., why would an investment professional choose Hawaii ERS over other employers)?	Essential nature of work, life balance, executive and managerial leadership, local culture and environment.
12	Who does ERS consider its competitors for investment professionals? How does this vary by employee level?	Our national competitors would be public pension Funds. Locally, banks, foundations and other financial services organizations. There is little variance by level as we employ within the investment division very few lower level staff.
13	Historically, what has been the turnover rate for investment professionals at ERS? How does this vary by employee level? By length of ERS tenure? How does this vary by employee level? By length of ERS tenure? Has this rate increased/decreased in this post-pandemic era?	Little to no turnover in 8-person investment team since 2014 and modest growth in staffing and structure. First two members of the investment office, a CIO and Analyst have both moved on, Analyst rose to the level of CIO departed in late 2016. The pandemic has had no impact on turnover but has changed prospects for recruitment.
14	From which data sources does ERS draw in order to make pay decisions for the individuals covered by the proposed study?	See question 2 above
15	What is the currency/accuracy of the job descriptions for the individuals covered by the proposed study?	Investment Officer & related job descriptions are recently updated. Contractor will merely review for form & major content and/or omissions and validate currency of descriptions with participants.



RFP 2022-01
Compensation Consultant Services,
Employees' Retirement System
of the State of Hawaii.



RFP 2022-01 SEALED COMPETITIVE PROPOSALS, COMPENSATION CONSULTANT SERVICES, QUESTIONS & ANSWERS Following Questions were asked by vendors in response to the RFP 2022-01 and answers are provided by the State.

Questions due by November 19, 2021 @ 4:00 pm HST

Answers response November 24, 2021

<u>QUEST #</u>	<u>VENDOR QUESTIONS</u>	<u>STATE ANSWERS</u>
16	To what extent will the contractor be responsible for job description updates. How many unique positions are included in the study?	See question #15 above
17	What will the composition and anticipated level of involvement for the ERS project team that will partner with contractor?	Project Team to consist of the Executive Director, the CIO, the Deputy ED, the Deputy CIO and a board member (Chair of the Compensation Review Committee).
18	Has the ERS established a budget for this project? If so, will that amount be shared with bidders?	Budget is subject to appropriation and not yet established. Estimate between \$ 150 - \$ 300 K. Savings important in current environment.
19	What is the anticipated project launch date given the final contracting process?	Jan 2022, See Specification Timetable
20	You mentioned in the pre-bid conference that ERS needs the updated benchmarking data in anticipation of the budgeting process for the new fiscal year. By what date will ERS need the delivery of the final Phase 1 report?	We will target June 2022 for Phase I.
21	Will you accept scanned signatures in lieu of original ink?	Yes
22	Regarding notarized forms, we have the ability to notarize the forms but due to employees working remotely, all forms will be scanned. Is that acceptable	Yes
23	What are the current compensation structures (i.e., %salary, %incentive comp, %non-financial benefits)?	Cash 100 %, incentive comp N/A, Non-financial Benefit 62.78%
24	What are the current incentive compensation benchmarks (to the extent they exist)?	N/A
25	Is there a statement of compensation philosophy? If so, can you please provide?	See Attached Compensation Philosophy
26	In the project second phase which involves the development of a proposed incentive plan, is the expectation for this plan to have a narrow focus on the incentive component of the compensation structure (i.e., metrics to be employed in the determination of the annual incentive compensation component of the compensation structure) or to have a broad focus which includes non-financial variables in addition to cash compensation? Please clarify	Narrow focus. Non-financial incentives not generally subject to negotiation.
27	Do you have a fee range or maximum for this assignment that you will be employing in the evaluation of the proposed fees? If so, can you please articulate that fee expectation or maximum?	See Question 18 above.

ERS Executive and Investment Staff Compensation Philosophy

Employees' Retirement System of the State of Hawaii Compensation Philosophy

ERS must attract, retain and motivate qualified executive and investment staff to achieve its Mission of "Working together to provide a responsive, competent, and cost-effective retirement program that elicits pride, confidence and trust."

ERS' exempt executive and investment staff compensation package should be designed to support this Mission.

Competitiveness and Comparability

Positions are evaluated against the labor market based on a comparison of the duties, responsibilities, and required qualifications of employees serving in similar positions and at comparable public pension plans.

ERS intends to be competitive with its level of pay, which corresponds to aligning the executive and investment staff pay structure at the market median total cash compensation (i.e., base salary and incentive pay), which is defined by the following characteristics:

Industry

The labor market will be comprised of other public pension funds given the specialty nature of the investment staff positions.

Size of the Organization

The labor market will be comprised of peer funds as measured by comparable investment strategy and assets under management to ensure that the organizations are comparable.

Geography

The labor market will include peer funds nationwide. Our national survey will be adjusted to Honolulu, Hawaii based on cost-of-labor differentials.

Compensation Components

The ERS Executive and Investment Staff Compensation Policy includes the following compensation components:

Base Salary

Base salary is the annual fixed rate that an individual is paid for performing a job, which serves the following objectives:

- Attract and retain strong talent with competitive base pay levels
- Compensate employees for consistent performance
- Communicate the link between pay and performance for employees

Base salary levels will target the market median of the competitive labor market. Actual compensation will vary within an acceptable range of pay to distinguish pay based on experience and performance.

Incentive Pay and Total Cash Compensation

Total cash compensation is the sum of base salary and incentive pay. Incentive pay is the actual direct compensation paid under a short-term cash compensation plan that provides variable awards based on established criteria, which additionally serves the following objectives:

- Support and reward high performance culture
- Drive superior performance of individuals and the organization

Incentive pay will allow individuals to achieve market competitive total cash compensation when targeted levels of performance are achieved, while providing greater than market median total cash compensation opportunities for superior performance.