



# Competitive Pay Level Analysis

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## **San Diego County Employees Retirement Association**

**December 16, 2010**

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## Introduction

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- The San Diego County Employees Retirement Association (SDCERA) investment staff, under the direction of the Portfolio Strategist, actively manage the Fund's pension investments and look for opportunities to generate long-term above-benchmark results through a mix of public and private investments.
- Under the guidance of the Portfolio Strategist, investment staff are responsible for generating performance returns in excess of assigned benchmarks (and within targeted risk parameters). This is accomplished through staff's strategic investment decision-making and implementation processes, tactical asset allocation shifts and external manager selection.
- In order to meet its long-term investment objectives, SDCERA is considering diversifying its asset allocation by: increasing investments in non-traditional and alternative assets; creating an investment strategy and macro-research team; and, building an in-house asset management capability.
- To accomplish this, SDCERA might significantly increase staffing levels through a mixture of internal and external resources. To attract and retain the high-caliber investment talent it will require, SDCERA must offer a competitive pay program.
- To this end, SDCERA would like to better understand the competitive marketplace to ensure that its compensation program is competitive in order to attract and retain experienced investment talent needed to:
  - Continue to generate superior performance results.
  - Create significant value-add for members and retirees.

## Overview

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- SDCERA asked McLagan to:
  - Provide information about current pay trends in the public and private sectors.
  - Complete a competitive pay level analysis for about 25 current and prospective investment and investment support positions.
  - Review its current and prospective organizational structure and staffing levels to ensure they are optimal given its investment and human resource objectives.
  - Based on a comparative analysis of other similar organizations (i.e., based on size and investment approach), make suggestions about SDCERA's current and prospective organizational models and the associated compensation levels for each model.
- The scope of the review encompassed:
  - Providing SDCERA's management and Board an update on current pay trends in the public and private sectors.
  - Identifying competitive pay rates (base salary plus cash bonus) for current and prospective investment and invest support positions.
  - Providing suggestions about SDCERA's organizational structure based on the comparative analysis and our experience working with other public and private sector organizations.

## Project Approach

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- Our approach to this project involved four steps:
  1. **Conducted Interviews.** We interviewed SDCERA's management and senior human resources staff to better understand the roles and responsibilities of current and prospective investment staff.
  2. **Provided Competitive Pay Level Data.** We compiled competitive pay data for each position using various pay comparator groups as follows:
    - All 60 public funds that participate in our annual compensation survey.
    - Leading public funds (i.e., funds that have complex investment portfolios and/or that manage a portion of their fund's assets internally).
    - U.S. corporate pension funds that participate in our annual compensation survey with AUM greater than \$5 billion.
    - All endowments and foundations that participate in our annual compensation survey.
    - All Canadian pension funds that participate in our annual compensation survey.
    - Asset management firms with AUM between \$5 and \$20 billion.
  3. **Provided information about organizational structures and staffing levels at other similar public and private organizations** based on data we collect as part of our annual surveys.
  4. **Provided management and the Board a report that summarizes our analysis and findings.**

## Highlights

### Private Sector Pay

- 2009. Revenues and profits down.
- Year-end bonus process was messy:
  - Unparalleled firm-to-firm dispersion.
  - Changes in incentive mix and salary rates at the big banks.
  - Rocket-like Q3 and Q4 P&L recovery.
  - *At median*, incentive funding fell  $\approx 5\%$  '08 to '09 and  $20\%$  '07 to '09.
- 2010. A good P&L, but still skittishness & uncertainty (future business results, economy, financial regulation and pay).
  - Pressure to restore higher earners pay to 2007 remains intense, but likely won't happen.
  - Early forecast: Median incentive pool funding up 10% to 15%.

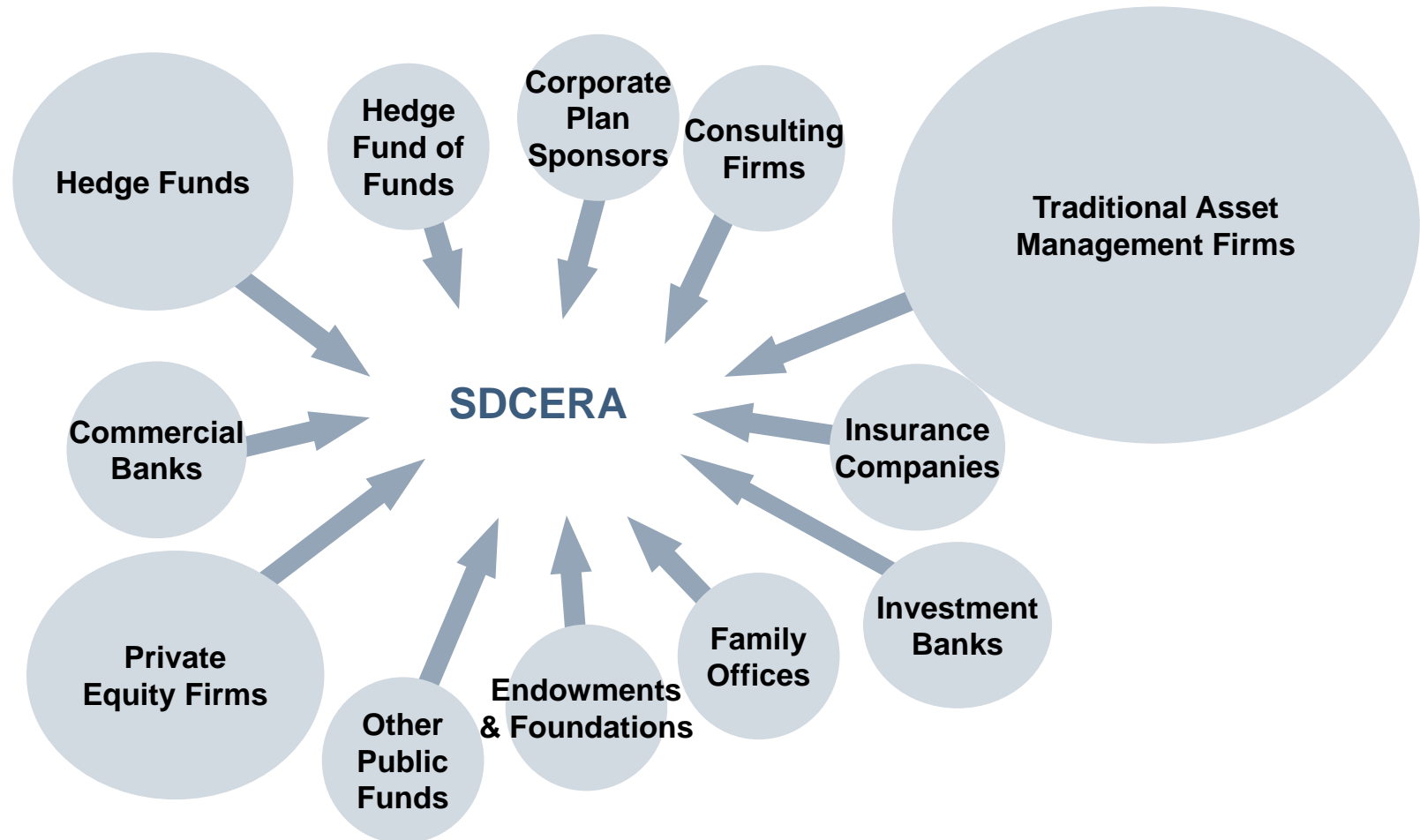
### Public Sector Pay

- Fiscal YE 06/10: Changes in pay levels were mixed.
  - Median pay levels have increased modestly, but changes have varied, especially at incentive-paying funds depending on performance and, in one instance, cancelled bonuses.
  - Salary levels were mainly flat as many states remain on a salary freeze.
  - Looking ahead, pay opportunities have remained relatively unchanged.

## Competitive Market

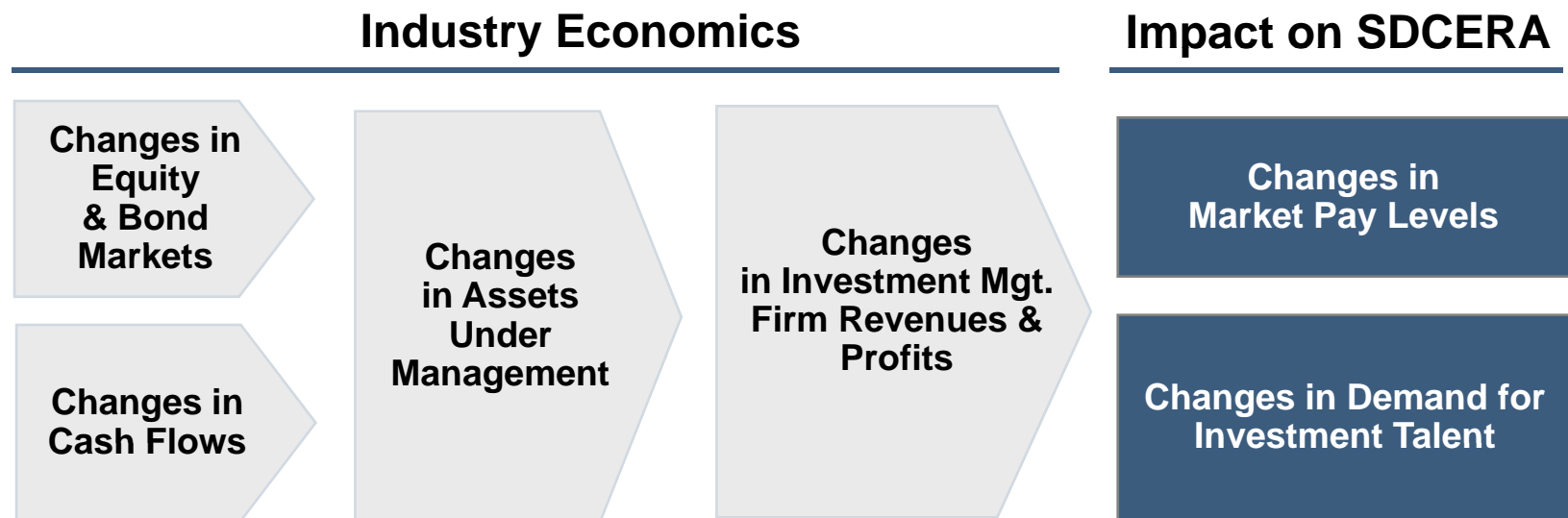
**For its Investment Positions, SDCERA Competes with a Broad Range of Firms**

- Measured by potential “job openings,” the labor market for investment talent is dominated by private sector investment management firms, not other public funds.



## Industry Economics Drive Industry Pay

- In the private sector, asset management industry economics drive pay levels and demand for investment talent.
- While not an investment management company, SDCERA competes with the private sector for investment talent and, as a result, is impacted by industry economics.



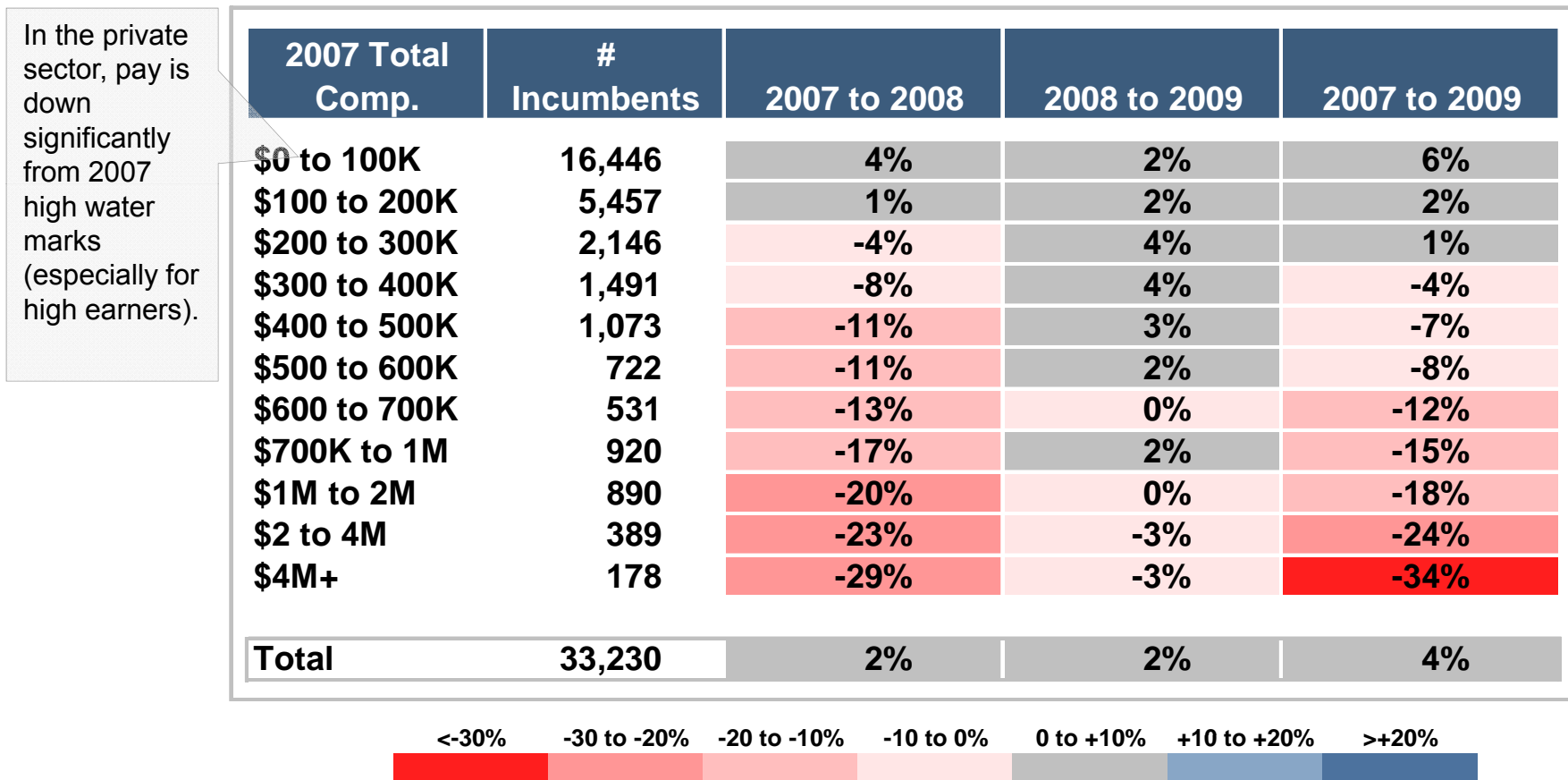
**Note:** As shown on the next two pages, in the private sector, the financial market meltdown had a significant impact on pay in 2008. This continued in 2009, but will likely reverse in 2010 as the recovery in financial markets will result in improved profits and, hence, pay levels.

## Private Sector Pay Update

# What Happened to Total Comp. at Median? By Pay Level

Constant incumbents; All advisory firms; All functions

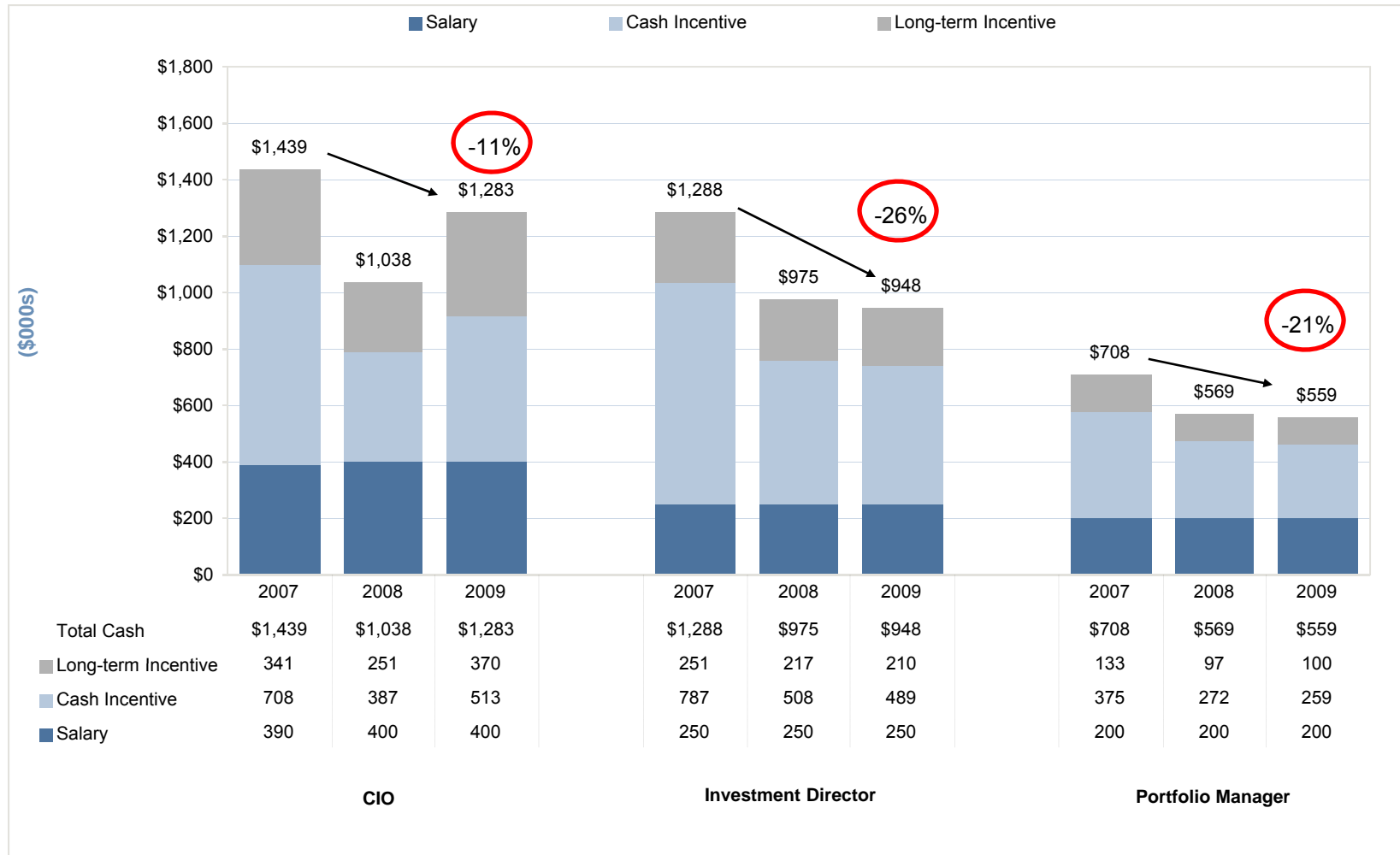
## Percent Change in Total Compensation at Median: All Firms





Private Sector Pay Update

# What Happened to Total Comp. at Median? By Position



NOTE: Based on 240 private sector investment organizations that participated in our 2010 pay survey.

# What Happened to Public Fund Salaries in 2010?

60 Public Funds - Constant incumbents; Investment professionals

## Median Percent Change in Salary: 2008 to 2009

2008 Salary	# of Incs.	10th	25th	50th	75th	90th
\$0 to 50K	61	0%	0%	0%	3%	6%
\$50 to 75K	234	0%	0%	0%	5%	9%
\$75 to 100K	223	0%	0%	0%	4%	8%
\$100 to 125K	171	0%	0%	0%	3%	6%
\$125 to 150K	126	0%	0%	0%	0%	6%
\$150 to 200K	157	0%	0%	0%	0%	7%
\$200 to 250K	70	0%	0%	0%	0%	5%
\$250+	30		0%	0%	0%	
<b>Total</b>	<b>1,072</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>3%</b>	<b>7%</b>

Public fund salary levels are mainly flat as many states remain on a salary freeze.

Example: At the 90th percentile, 10% or 7 of the 70 incumbents earning between \$200K and \$250 had a base salary increase of 5%.



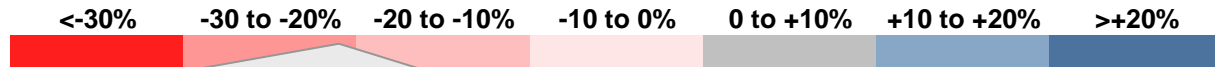
# What Happened to Maximum Pay Opportunities in 2010?

60 Public Funds - Constant incumbents; Investment professionals

## Median Percent Change in Max Pay Opportunity: 2009 to 2010

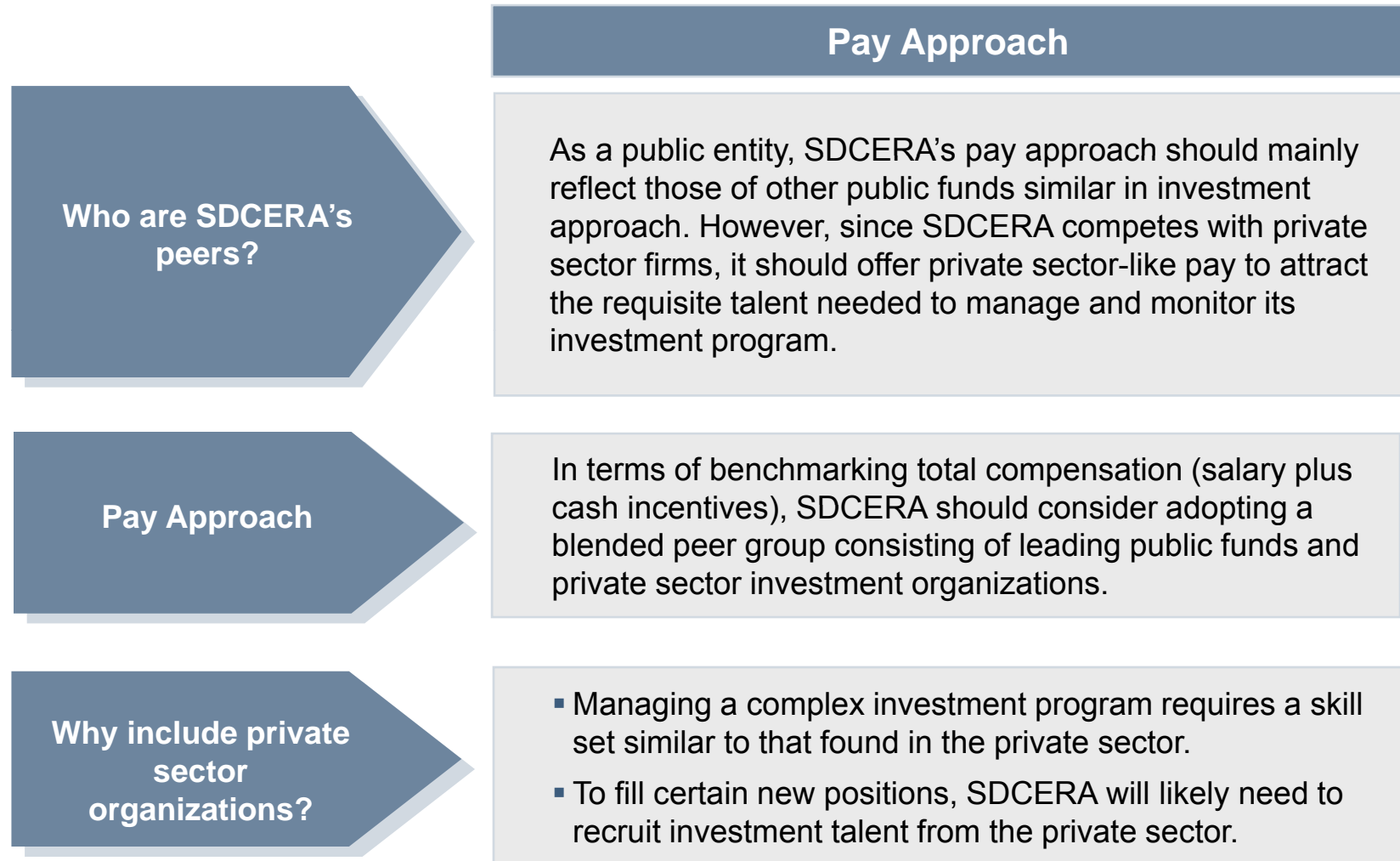
2008 Total Comp	# of Incs.	10th	25th	50th	75th	90th
<b>\$0 to 50K</b>	59	0%	0%	0%	5%	10%
<b>\$50 to 75K</b>	214	0%	0%	0%	5%	12%
<b>\$75 to 100K</b>	191	-1%	0%	0%	4%	19%
<b>\$100 to 125K</b>	150	-10%	0%	0%	4%	10%
<b>\$125 to 150K</b>	113	-9%	0%	0%	0%	9%
<b>\$150 to 200K</b>	152	-10%	0%	0%	5%	15%
<b>\$200 to 250K</b>	76	-12%	0%	0%	2%	10%
<b>\$250 to 300K</b>	43	-12%	0%	0%	2%	7%
<b>\$300 to 400K</b>	33		-15%	0%	0%	
<b>\$400K+</b>	25		-16%	0%	0%	
<b>Total</b>	1,056	-4%	0%	0%	4%	12%

Although there has been much public and Board scrutiny over pay the past two years, pay opportunities at public funds have remained largely unchanged.



Declines in pay opportunities primarily reflects the reduction in incentive opportunities at one fund, the elimination of incentive pay at one other fund and the “temporary” capping of incentives to lower levels at two other funds.

## Who are SDCERA's Peers?

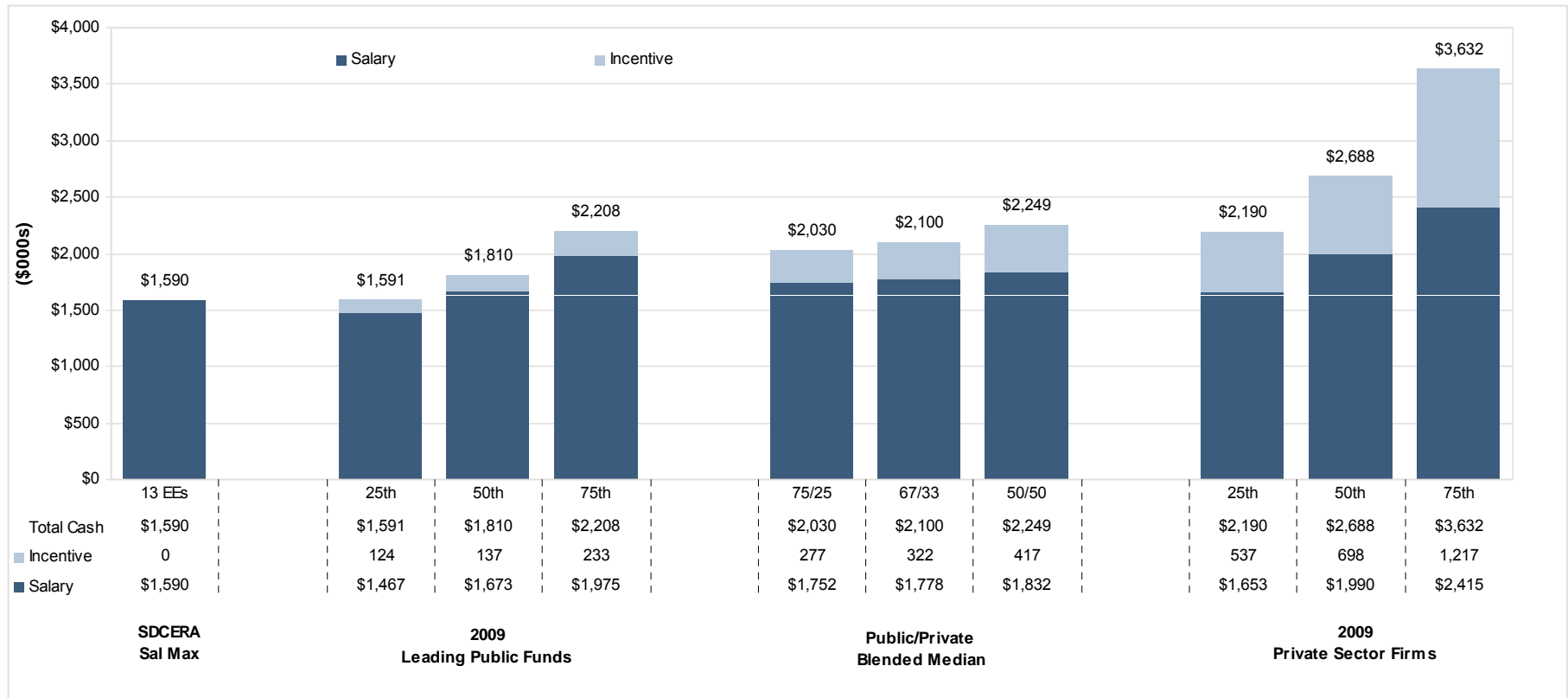


## Competitive Pay Level Analysis

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- Exhibit A contains detailed information about competitive pay levels at competing organizations. Appendix III summarizes competitive pay levels for certain key positions.
- The information below outlines for each position type the applicable (i.e., the most likely types of organizations where SDCERA would recruit or lose investment talent) pay groups used for the competitive pay level analysis:
  - ***CIO and Assistant CIO:*** Leading Public Funds, Corporate Plan Sponsors, Endowments and Foundations.
  - ***Quantitative Research:*** Leading Public Funds and Asset Management firms.
  - ***Exposure Management:*** Leading Public Funds and Asset management Firms.
  - ***External Management:*** Leading Public Funds, Corporate Plan Sponsors, Endowments, Foundations and Hedge Fund of Funds.
  - ***Funds Management and Administration:*** Leading Public Funds and Asset Management Firms.

# Aggregate Pay Spend Competitive Pay Level Analysis



This analysis compares SDCERA's total pay spend to the public and private sector peer groups (e.g., assuming that SDCERA sought to replace each of its people with an incumbent that was paid at the competitive low quartile, median, or high quartile, where available).

Overall Findings – SDCERA’s Current Positions

# Competitive Pay Level Analysis – 2009 Total Cash

- Detailed results of our analysis can be found in Exhibit A and Appendix III.
- When analyzing SDCERA’s pay levels versus the competitive market, on a total cash basis (i.e., 2009 base salary plus cash incentives), on an aggregate basis, maximum salary levels are below the median versus leading public funds and private sector firms.

2009 Total Cash (2009 Base Salary + 2009 Cash Incentive)

SDCERA vs. Leading Public Funds									
Position (Average)	# of EES	SDCERA Max Salary (\$000s)	Low Quartile		Median		High Quartile		% vs. Mkt. Median
			Total Cash (\$000s)	Diff.	Total Cash (\$000s)	Diff.	Total Cash (\$000s)	Diff.	
Chief Investment Officer	1	\$214	\$283	-25%	\$341	-37%	\$376	-43%	
Assist Chief Investment Officer	1	173	199	-13%	213	-19%	269	-36%	
Investment Officer	5	144	135	6%	153	-6%	197	-27%	
Investment Analyst	2	90	100	-9%	111	-19%	126	-28%	
Investment Support	4	76	58	30%	68	12%	82	-7%	
<b>TOTAL</b>	<b>13</b>	<b>\$1,590</b>	<b>\$1,591</b>	<b>0%</b>	<b>\$1,810</b>	<b>-12%</b>	<b>\$2,208</b>	<b>-28%</b>	

2009 Total Cash (2009 Base Salary + 2009 Cash Incentive)

SDCERA vs. Private Sector Firms									
Position (Average)	# of EES	SDCERA Max Salary (\$000s)	Low Quartile		Median		High Quartile		% vs. Mkt. Median
			Total Cash (\$000s)	Diff.	Total Cash (\$000s)	Diff.	Total Cash (\$000s)	Diff.	
Chief Investment Officer	1	\$214	\$483	-56%	\$587	-64%	\$883	-76%	
Assist Chief Investment Officer	1	173	252	-31%	297	-42%	420	-59%	
Investment Officer	5	144	200	-28%	253	-43%	341	-58%	
Investment Analyst	2	90	109	-17%	131	-31%	154	-41%	
Investment Support	4	76	59	29%	69	10%	79	-4%	
<b>TOTAL</b>	<b>13</b>	<b>\$1,590</b>	<b>\$2,190</b>	<b>-27%</b>	<b>\$2,688</b>	<b>-41%</b>	<b>\$3,632</b>	<b>-56%</b>	

# Overall Findings – SDCERA’s Current Positions

## Competitive Pay Level Analysis – 2010 Salary

2010 Base Salary

SDCERA vs. Leading Public Funds									
Position (Average)	# of EES	SDCERA Max Salary (\$000s)	Low Quartile		Median		High Quartile		% vs. Mkt. Median
			Salary (\$000s)	Diff.	Salary (\$000s)	Diff.	Salary (\$000s)	Diff.	
Chief Investment Officer	1	\$214	\$268	-20%	\$299	-28%	\$348	-39%	
Assist Chief Investment Officer	1	173	184	-6%	215	-19%	247	-30%	
Investment Officer	5	144	121	19%	137	5%	156	-8%	
Investment Analyst	2	90	99	-9%	108	-17%	125	-28%	
Investment Support	4	76	59	28%	70	9%	84	-9%	
<b>TOTAL</b>	<b>13</b>	<b>\$1,590</b>	<b>\$1,493</b>	<b>7%</b>	<b>\$1,693</b>	<b>-6%</b>	<b>\$1,958</b>	<b>-19%</b>	

2010 Base Salary

SDCERA vs. Private Sector Firms									
Position (Average)	# of EES	SDCERA Max Salary (\$000s)	Low Quartile		Median		High Quartile		% vs. Mkt. Median
			Salary (\$000s)	Diff.	Salary (\$000s)	Diff.	Salary (\$000s)	Diff.	
Chief Investment Officer	1	\$214	\$355	-40%	\$414	-48%	\$530	-60%	
Assist Chief Investment Officer	1	173	190	-9%	227	-24%	265	-35%	
Investment Officer	5	144	148	-3%	192	-25%	230	-37%	
Investment Analyst	2	90	97	-7%	111	-18%	127	-29%	
Investment Support	4	76	54	41%	59	28%	71	7%	
<b>TOTAL</b>	<b>13</b>	<b>\$1,590</b>	<b>\$1,694</b>	<b>-6%</b>	<b>\$2,060</b>	<b>-23%</b>	<b>\$2,484</b>	<b>-36%</b>	

In looking at 2010 Salaries, we observe that SDCERA’s aggregate salary spend is:

- 6% below the select public fund median.
- 23% below the median versus private sector firms.

NOTE:

- Public fund salaries are the salaries in effect as of July 1, 2010.
- Private sector salaries are the salaries in effect as of January 1, 2010.



## Pay Program Considerations

Steps	Considerations
<ul style="list-style-type: none"> <li>▪ Review competitive pay level analysis/results</li> </ul>	<ul style="list-style-type: none"> <li>▪ Results reflect market pay levels versus SDCERA's likely competitors for investment talent.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Determine Target Pay Comparator Group</li> </ul>	<ul style="list-style-type: none"> <li>▪ The pay comparisons on the preceding pages focus on pay levels versus other leading public funds and the private sector. Private sector pay levels are higher than public fund pay levels.</li> <li>▪ SDCERA should determine to what extent, if any, private sector pay levels should be reflected in its pay philosophy.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Modify current salary levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Based on the analysis, salary levels for most positions are below the median versus leading public funds and private sector firms, especially for more senior level investment positions.</li> <li>▪ In the near term, subject to individual performance, salary levels should be adjusted to competitive market levels.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Consider introducing an incentive program for staff</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total Cash levels are below the median versus leading public funds and private sector firms.</li> <li>▪ <b>With the absence of an incentive pay program, near-term, SDCERA should consider targeting salaries toward the median total cash levels of the leading public fund comparator group (see next page).</b></li> <li>▪ Longer-term, SDCERA should consider introducing an incentive program for investment-related positions only if it wishes to benchmark pay, in part or in whole, to the private sector.</li> </ul>

# Suggested Salary Range Adjustments

San Diego County Employees Retirement Association									
SDCERA vs. Leading Public Fund Median Total Cash									
Incumbent	SDCERA Current Salary Max	Leading Public Funds	Variance		Suggested Salary Ranges			Midpoint	
					Low	Midpoint	Maximum	Variance from Market	Variance from Current Salary Max
	(\$000s)	(\$000s)	(\$000s)	(%)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
CIO	\$213.6	\$341.4	-\$127.8	-37%	\$240.0	\$300.0	\$360.0	-\$41.4	\$86.4
Assistant CIO	173.3	212.9	-39.6	-19%	150.0	215.0	270.0	2.1	41.7
Investment Officer	143.9	152.5	-8.6	-6%	100.0	155.0	210.0	2.5	11.1
Senior Research Analyst*	90.3	110.8	-20.5	-19%	80.0	110.0	140.0	-0.8	19.7
Research Analyst*	76.3	76.3	0.0	0%	60.0	75.0	90.0	-1.3	-1.3
Secretary	65.7	63.7	2.0	3%	45.0	60.0	75.0	-3.7	-5.7
Administrative Assistant	56.8	48.2	8.6	18%	35.0	50.0	65.0	1.8	-6.8
<b>Total</b>	<b>\$819.9</b>	<b>\$1,005.9</b>	<b>-\$185.9</b>	<b>-18%</b>	<b>\$710.0</b>	<b>\$965.0</b>	<b>\$1,210.0</b>	<b>-\$40.9</b>	<b>\$145.1</b>

\*SDCERA should have two analysts levels: one for more senior level staff and one for junior staff.

## Summary Observations

## Organizational Model: Investment Staff

Current State	Observations/Considerations
<p><b>Functional Model</b></p>	<ul style="list-style-type: none"> <li>▪ In terms of its current design, SDCERA is mainly similar to other peer investment organizations (except that most peer organizations do not outsource the Portfolio Strategist/CIO function).</li> <li>▪ As well, peer organizations typically have more senior level resources with direct responsibility for an asset class or other major investment function (e.g., strategy, asset allocation, etc.).</li> </ul>
<p><b>Staffing Levels</b></p>	<ul style="list-style-type: none"> <li>▪ Based on current staffing levels (7 investment professionals and 2 vacant positions), SDCERA appears low versus other peer organizations (at the median, staff sizes comprise about 16 investment professionals).</li> <li>▪ Consistent with SDCERA's prospective organizational model, SDCERA should consider creating Director level positions for each major asset class and add more junior analyst positions.</li> </ul>
<p><b>Organizational Hierarchy</b></p>	<ul style="list-style-type: none"> <li>▪ While most investment organizations are relatively flat in terms of reporting lines, a certain level of hierarchy is necessary in order to, among other things, provide a mechanism to develop/promote staff and create a succession management framework within the organization.</li> <li>▪ SDCERA's organizational hierarchy is somewhat in-line with typical industry models and its peers. However, as noted above, SDCERA should consider adding senior level resources.</li> </ul>

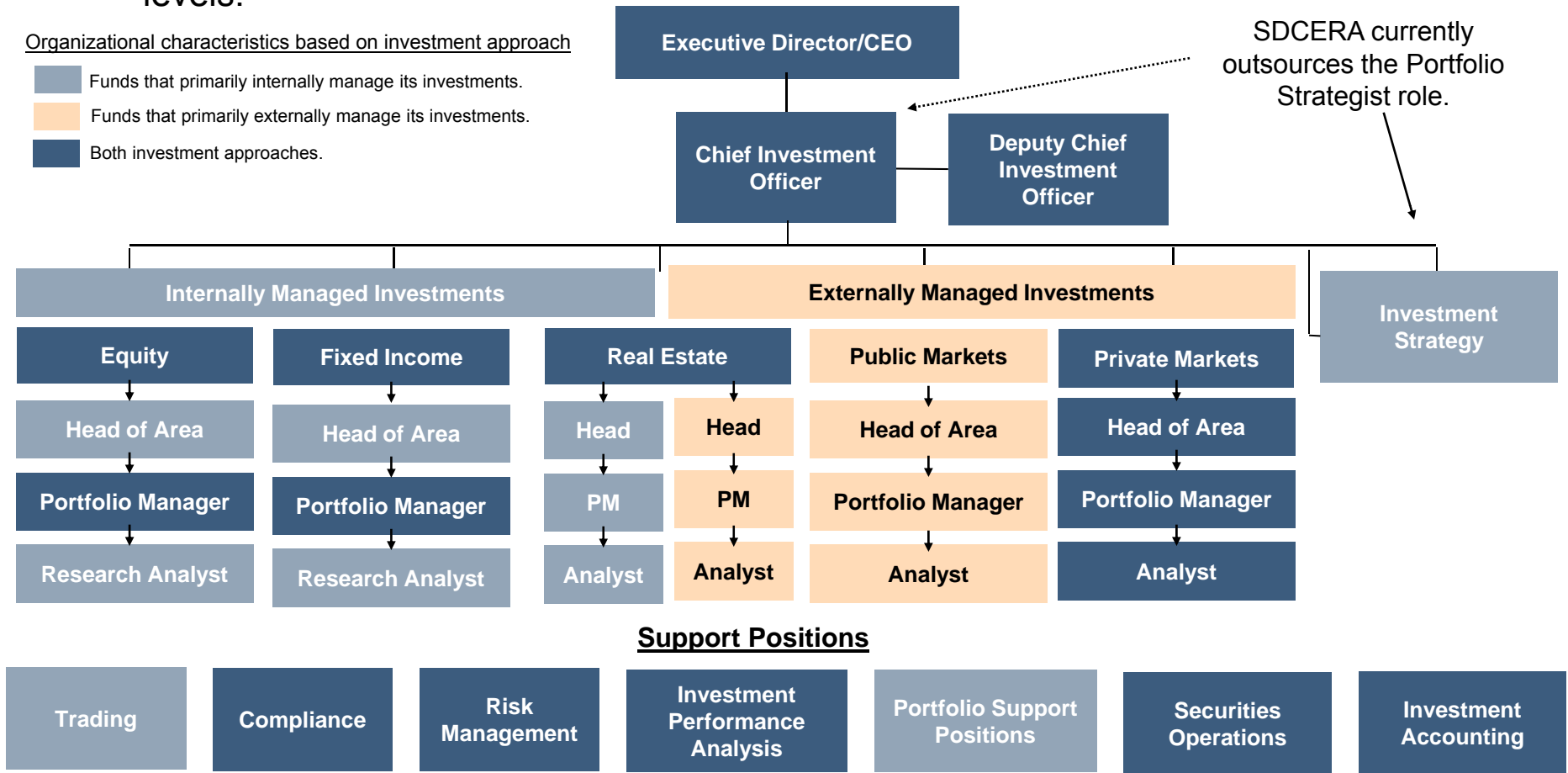
# Organizational Structure

## Industry Models

- A fund’s approach to managing its investments (i.e., internally managed vs. externally managed) is the primary driver of organizational design and staffing levels:

Organizational characteristics based on investment approach

- Funds that primarily internally manage its investments.
- Funds that primarily externally manage its investments.
- Both investment approaches.



Organizational Structure

# Industry Staffing Levels: Investment Staff

Profile of Peer Organizations						
	Size (AUM) \$bils.	Total Staff*	Internal Staff	External Staff	Asset Allocation	
					Internal	External
25th Percentile	\$7.2	15	2	8	6%	84%
50th Percentile	14.3	16	3	11	9%	91%
75th Percentile	18.5	17	7	15	16%	94%
Average	\$14.0	16	5	10	13%	87%

\* Includes senior management (e.g., Chief Investment Officer, Deputy Chief Investment Officer).

Profile of Peer Organizations - External Staff Headcount					
	Number of Firms	25th Percentile	50th Percentile	75th Percentile	Average
<b>Manager of Manager Positions</b>					
Head	11	1	2	2	2
Portfolio Manager	11	2	4	5	3
Sr. Analyst	11	1	2	4	3
Intermediate Analyst	11	0	2	3	2
Analyst	11	0	1	2	1
Total		4	11	15	10

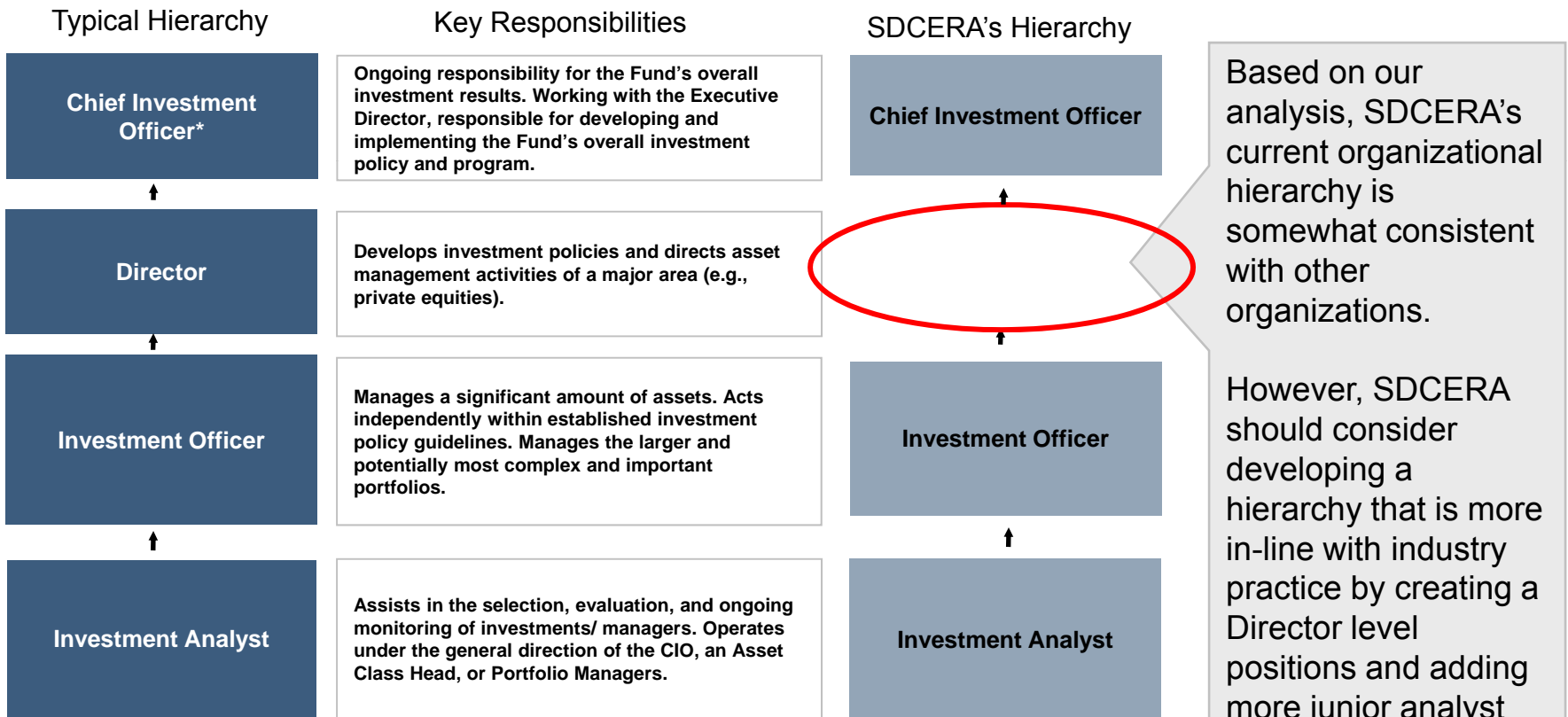
- Internal Staff refers to those individuals who focus primarily on internally managed investments (e.g., individual stock and fixed income portfolios).
- External staff refers to those individuals who focus on a fund's externally managed investments (e.g., third party manager selection and monitoring).
- Staffing levels at peer organizations does not reflect vacant or planned positions.

- The median fund in terms of size (\$14.3 billion) has an investment staff of about 16 professionals.
- At the median, eleven of the 16 person staff oversee externally managed investments.

Organizational Structure

# Organizational Hierarchy: Investment Staff

- While most investment organizations are mostly flat in terms of reporting lines, a certain level of hierarchy is necessary in order to, among other things, provide a mechanism to develop/promote staff and create a succession management framework within the organization.

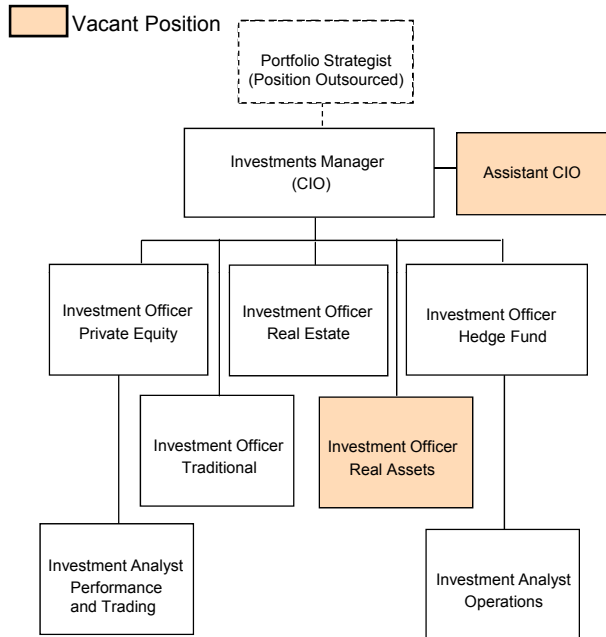


NOTE: The above hierarchy excludes the Assistant CIO position. While the Assistant CIO is a common position at public funds and reports directly to the CIO, investment positions typically do not report to this position.

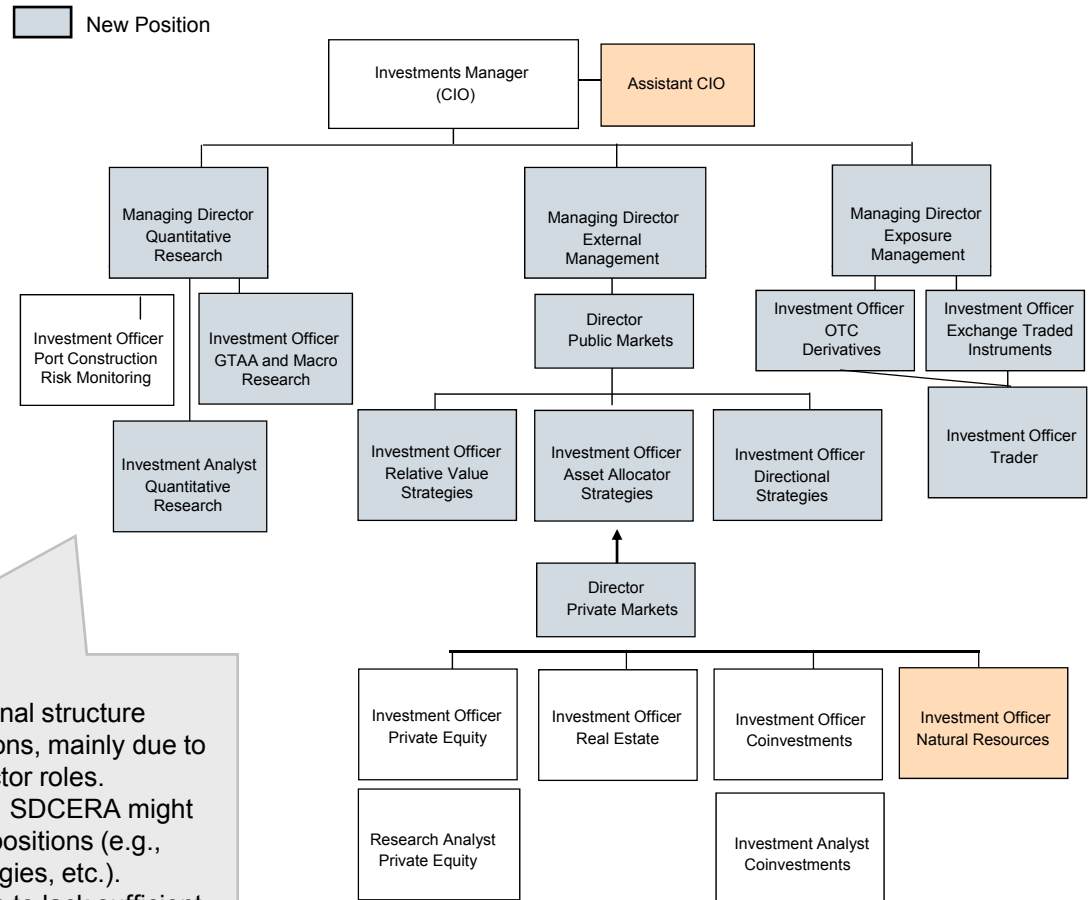
Organizational Structure – Investment Staff

# SDCERA’s Prospective Organizational Model

## SDCERA’s Current Structure



## SDCERA’s Prospective Structure



**Observations:**

1. Staffing levels at SDCERA’s prospective organizational structure appear somewhat high versus other peer organizations, mainly due to the addition of both the Managing Director and Director roles.
2. In addition, given the size of its fund, at least initially, SDCERA might consider combining one or more investment officer positions (e.g., Relative Value Strategies and Asset Allocator Strategies, etc.).
3. Lastly, the prospective organizational model appears to lack sufficient junior level analyst positions compared with other peer organizations.

## Organizational Structure

# Competitive Total Cash Levels for Prospective Staff

Competitive Total Cash Levels										
Position	# of Ees	Leading Public Funds			Public/Private Blended Median			Private Sector Firms		
		25th Percentile	50th Percentile	75th Percentile	75/25	67/33	50/50	25th Percentile	50th Percentile	75th Percentile
		(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
<b>Investment Staff</b>										
Managing Director - Quantitative Research	1	\$194.5	\$221.3	\$248.7	\$293.6	\$316.8	\$366.0	\$326.7	\$510.8	\$787.6
Managing Director -- External Managers	1	207.3	235.5	264.7	296.8	316.4	358.0	330.6	480.5	732.8
Managing Director - Exposure Management	1	153.3	186.6	202.8	236.7	252.7	286.8	308.9	387.1	515.2
Director -- Private Markets	1	179.4	205.0	205.0	241.1	252.7	277.2	273.8	349.5	485.5
Director -- Public Markets	1	179.4	205.0	205.0	241.1	252.7	277.2	273.8	349.5	485.5
Investment Officer -- GTAA and Macro Research	1	129.4	148.9	172.5	185.8	197.6	222.6	241.6	296.4	370.8
Investment Officer -- OTC Derivatives and Cash Management	1	121.6	144.8	180.7	187.1	200.6	229.3	223.1	313.8	404.2
Investment Officer -- Exchange Traded Instruments	1	121.6	144.8	180.7	187.1	200.6	229.3	223.1	313.8	404.2
Investment Officer -- Relative Value Strategies	1	136.9	153.4	198.4	177.0	184.5	200.5	199.6	247.6	329.7
Investment Officer -- Asest Allocator Strategies	1	136.9	153.4	198.4	177.0	184.5	200.5	199.6	247.6	329.7
Investment Officer -- Directional Strategies and Strategic Partnerships	1	136.9	153.4	198.4	177.0	184.5	200.5	199.6	247.6	329.7
Trader	1	95.5	105.3	126.3	132.7	141.5	160.1	156.5	214.9	292.7
Research Analyst -- Quantitative Research	1	73.8	88.0	95.2	112.1	119.8	136.3	149.3	184.5	203.7
<b>Total Prospective Staff</b>	<b>13</b>	<b>\$1,866.4</b>	<b>\$2,145.4</b>	<b>\$2,476.7</b>	<b>\$2,644.9</b>	<b>\$2,804.7</b>	<b>\$3,144.4</b>	<b>\$3,106.2</b>	<b>\$4,143.5</b>	<b>\$5,671.1</b>
<b>Total Current Staff (Including Investment Support Staff)</b>	<b>13</b>	<b>\$1,590.8</b>	<b>\$1,810.1</b>	<b>\$4,440.1</b>	<b>\$2,029.6</b>	<b>\$2,099.9</b>	<b>\$2,249.1</b>	<b>\$2,190.3</b>	<b>\$2,688.2</b>	<b>\$3,631.8</b>
<b>Total Current and Prospective Staff</b>	<b>26</b>	<b>\$3,457.2</b>	<b>\$3,955.5</b>	<b>\$6,916.8</b>	<b>\$4,674.5</b>	<b>\$4,904.6</b>	<b>\$5,393.6</b>	<b>\$5,296.5</b>	<b>\$6,831.7</b>	<b>\$9,302.9</b>

Example: With current AUM at about \$7.5 billion, If SDCERA targets total cash levels to the median of the 50-50 Blended peer group, then compensation spend would equal less than 1 basis points of total AUM.



## Organizational Structure

# Competitive Salary Levels for Prospective Staff

Competitive Salary Levels										
Position	# of Ees	Leading Public Funds			Public/Private Blended Median			Private Sector Firms		
		25th Percentile	50th Percentile	75th Percentile	75/25	67/33	50/50	25th Percentile	50th Percentile	75th Percentile
		(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
<b>Investment Staff</b>										
Managing Director - Quantitative Research	1	\$179.2	\$196.7	\$221.2	\$211.3	\$216.0	\$226.0	\$211.0	\$255.3	\$304.3
Managing Director -- External Managers	1	190.2	208.7	234.8	225.5	230.8	242.2	234.4	275.7	321.1
Managing Director - Exposure Management	1	142.6	165.0	184.1	175.5	178.9	186.0	185.9	207.0	246.2
Director -- Private Markets	1	179.2	190.1	190.1	200.6	204.0	211.1	201.9	232.2	317.6
Director -- Public Markets	1	179.2	190.1	190.1	200.6	204.0	211.1	201.9	232.2	317.6
Investment Officer -- GTAA and Macro Research	1	122.9	144.2	167.1	153.9	157.0	163.6	155.8	183.1	219.7
Investment Officer -- OTC Derivatives and Cash Management	1	115.0	137.4	164.5	148.4	151.9	159.3	139.4	181.2	220.1
Investment Officer -- Exchange Traded Instruments	1	115.0	137.4	164.5	148.4	151.9	159.3	139.4	181.2	220.1
Investment Officer -- Relative Value Strategies	1	122.0	136.9	154.6	151.4	156.1	166.0	150.6	195.1	230.5
Investment Officer -- Asest Allocator Strategies	1	122.0	136.9	154.6	151.4	156.1	166.0	150.6	195.1	230.5
Investment Officer -- Directional Strategies and Strategic Partnerships	1	122.0	136.9	154.6	151.4	156.1	166.0	150.6	195.1	230.5
Trader	1	92.5	103.1	118.7	111.1	113.6	119.1	112.5	135.0	167.5
Research Analyst -- Quantitative Research	1	73.7	85.0	93.6	91.8	93.9	98.5	95.0	112.0	140.0
<b>Total Prospective Staff</b>	<b>13</b>	<b>\$1,755.5</b>	<b>\$1,968.3</b>	<b>\$2,192.5</b>	<b>\$2,121.2</b>	<b>\$2,170.1</b>	<b>\$2,274.1</b>	<b>\$2,129.1</b>	<b>\$2,580.0</b>	<b>\$3,165.7</b>
<b>Total Current Staff (Including Investment Support Staff)</b>	<b>13</b>	<b>\$1,492.5</b>	<b>\$1,693.1</b>	<b>\$1,957.8</b>	<b>\$2,029.6</b>	<b>\$2,099.9</b>	<b>\$2,249.1</b>	<b>\$1,694.3</b>	<b>\$2,060.5</b>	<b>\$2,483.6</b>
<b>Total Current and Prospective Staff</b>	<b>26</b>	<b>\$3,248.0</b>	<b>\$3,661.4</b>	<b>\$4,150.3</b>	<b>\$4,150.8</b>	<b>\$4,270.0</b>	<b>\$4,523.3</b>	<b>\$3,823.4</b>	<b>\$4,640.4</b>	<b>\$5,649.3</b>

## Pay Comparator Group

**Leading Public Pension Funds**

Fund Name	AUM (12/31/09)
	<b>(\$bils.)</b>
California Public Employees' Retirement System	\$203.3
California State Teachers' Retirement System	133.2
Colorado Public Employees Retirement Association	32.9
Florida State Board of Administration	126.9
Los Angeles County Employees Retirement System	34.5
Massachusetts Pension Reserves Investment Management Board	42.6
Minnesota State Board of Investment	46.6
Missouri State Employees Retirement System	7.0
New York State & Local Retirement System	129.4
New York State Teachers' Retirement System	80.0
North Carolina Retirement System	67.0
Ohio Public Employees' Retirement System	68.8
Oregon Public Employees Retirement System	52.4
Pennsylvania Public School Employees' Retirement System	46.7
Pennsylvania State Employees Retirement System	24.3
South Dakota Investment Council	8.5
State of Wisconsin Investment Board	67.8
State Teachers Retirement System of Ohio	59.8
Teacher Retirement System of Texas	80.6
Virginia Retirement System	51.3
Washington State Investment Board	72.4
<b>Average</b>	<b>\$68.4</b>
<b>25th Percentile</b>	<b>42.6</b>
<b>50th Percentile</b>	<b>\$59.8</b>
<b>75th Percentile</b>	<b>80.0</b>

## Organizational Structure Analysis

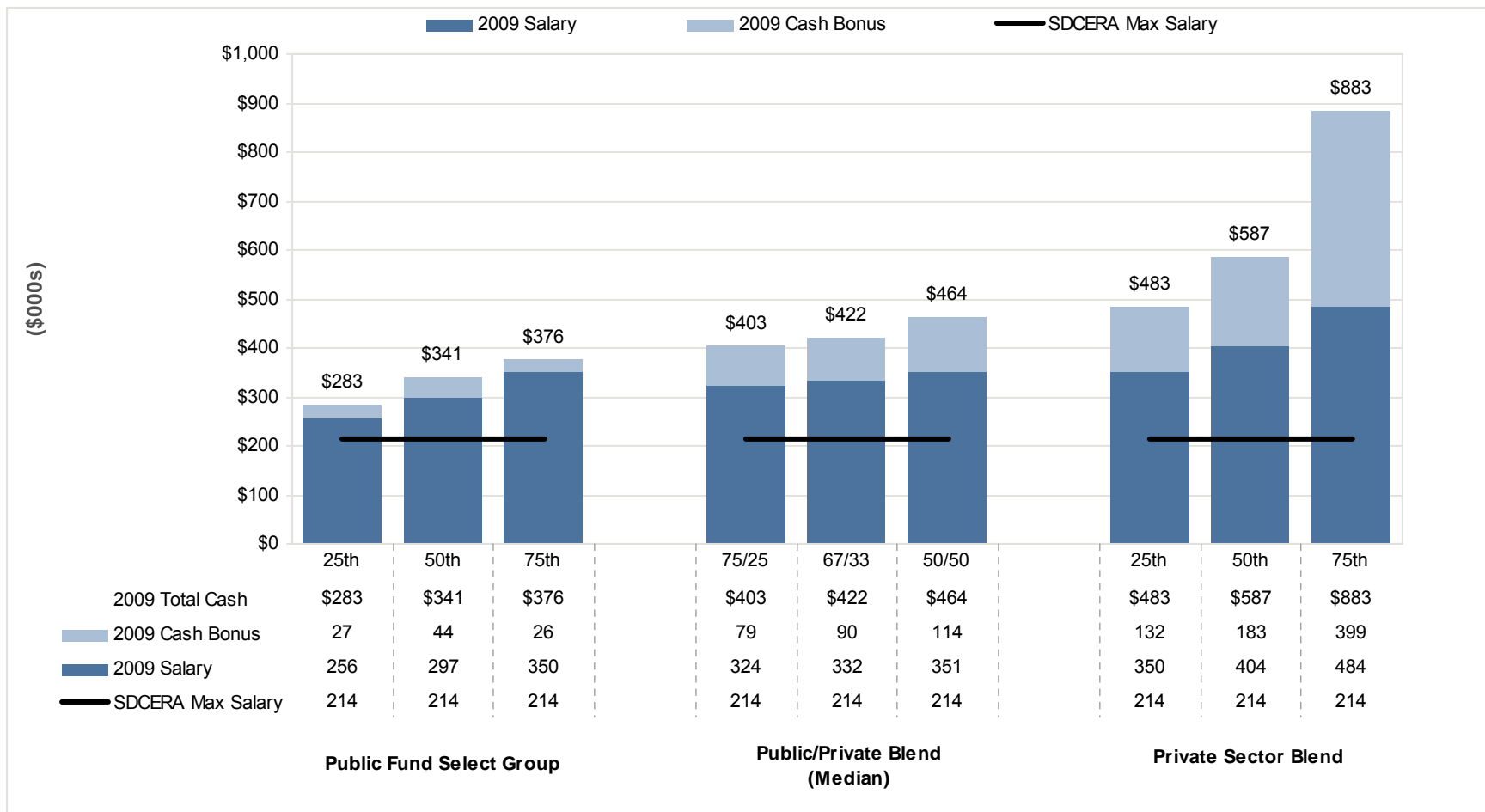
**Comparator Organizations**

Comparator Organizations	Assets Under Management (as of 12/31/09, \$s in billions)			
	Internally Managed	Externally Managed	Total Assets	% Internally Managed
Pension Fund	\$0.0	\$8.4	\$8.4	0%
Pension Fund	0.0	9.2	9.2	0%
Pension Fund	0.0	18.5	18.5	0%
Public Pension Fund	2.1	3.9	6.1	35%
Public Pension Fund	1.3	4.6	6.0	22%
Public Pension Fund	0.4	4.3	4.7	9%
Pension Fund	0.0	31.7	31.7	0%
Pension Fund	0.0	14.3	14.3	0%
Endowment	0.0	20.6	20.6	0%
Public Pension Fund	1.5	14.4	15.9	9%
Endowment	0.0	22.9	22.9	0%

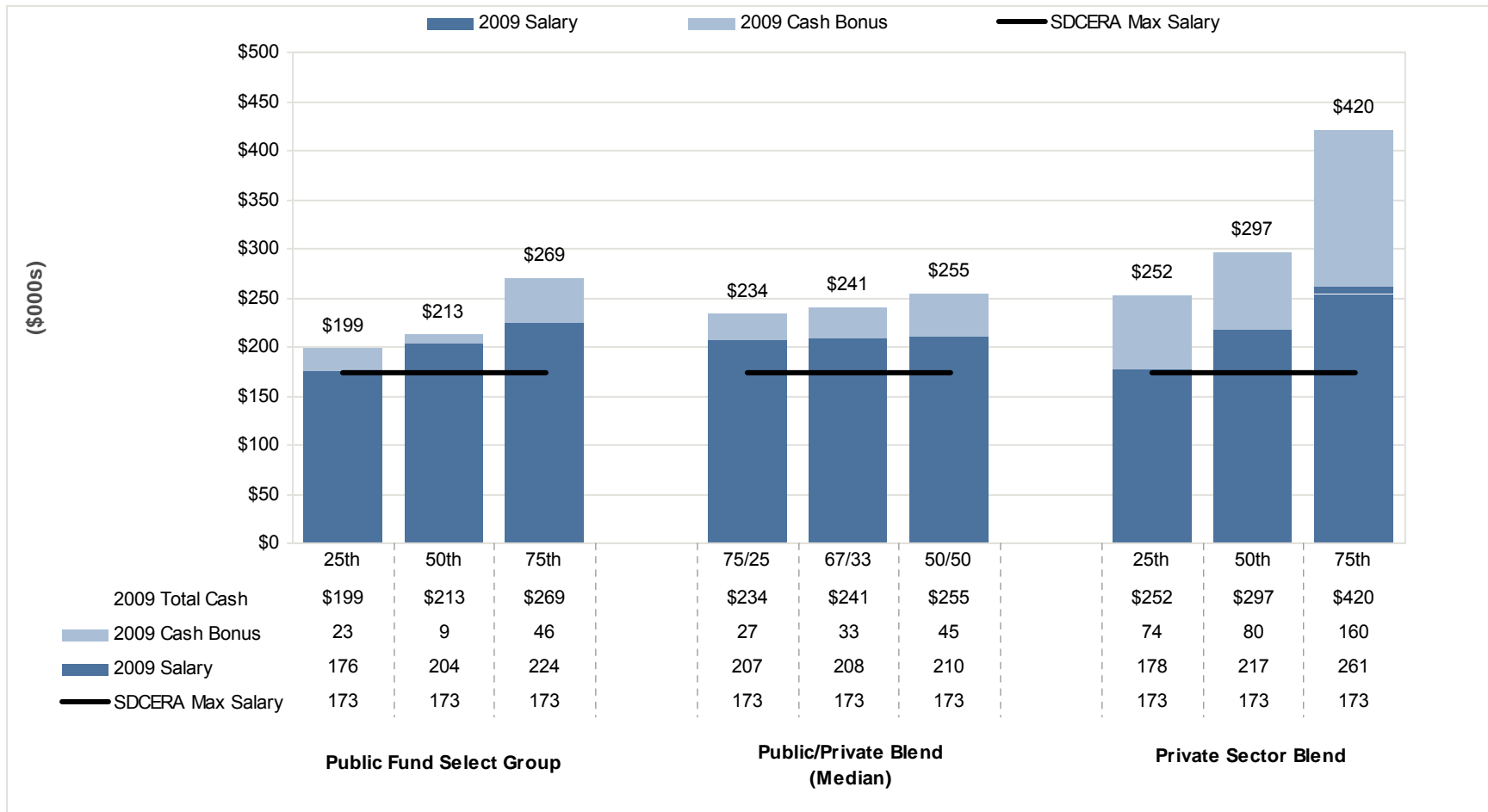
Comparator organizations were selected based on a number of factors, including:

- Fund size.
- Asset mix and complexity.
- McLagan's assessment of the degree of staff's involvement in the day-to-day decision-making and management of the fund.
- For some but not all funds, the existence of an in-house asset management capability.

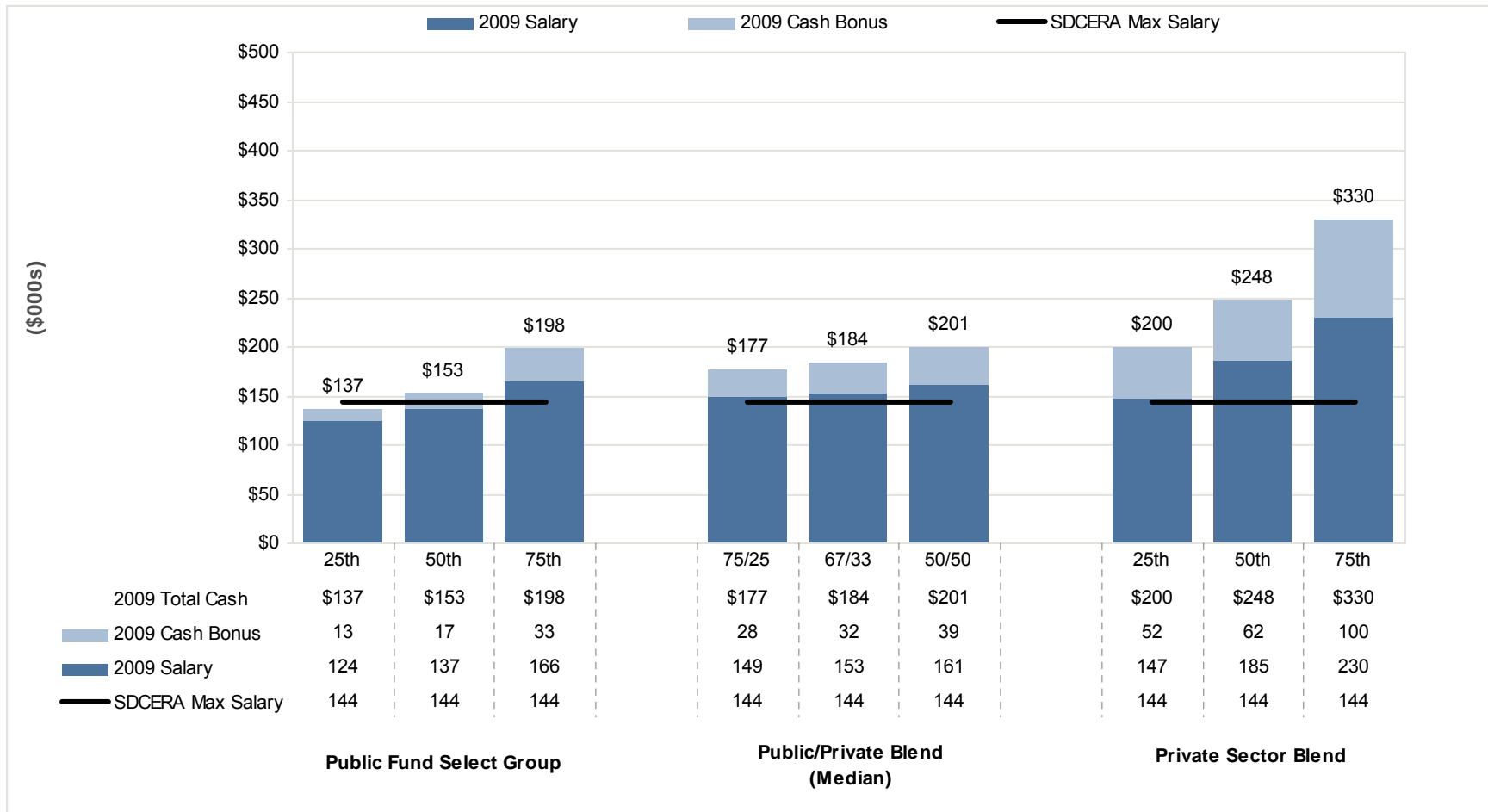
# Competitive Pay Level Analysis Chief Investment Officer



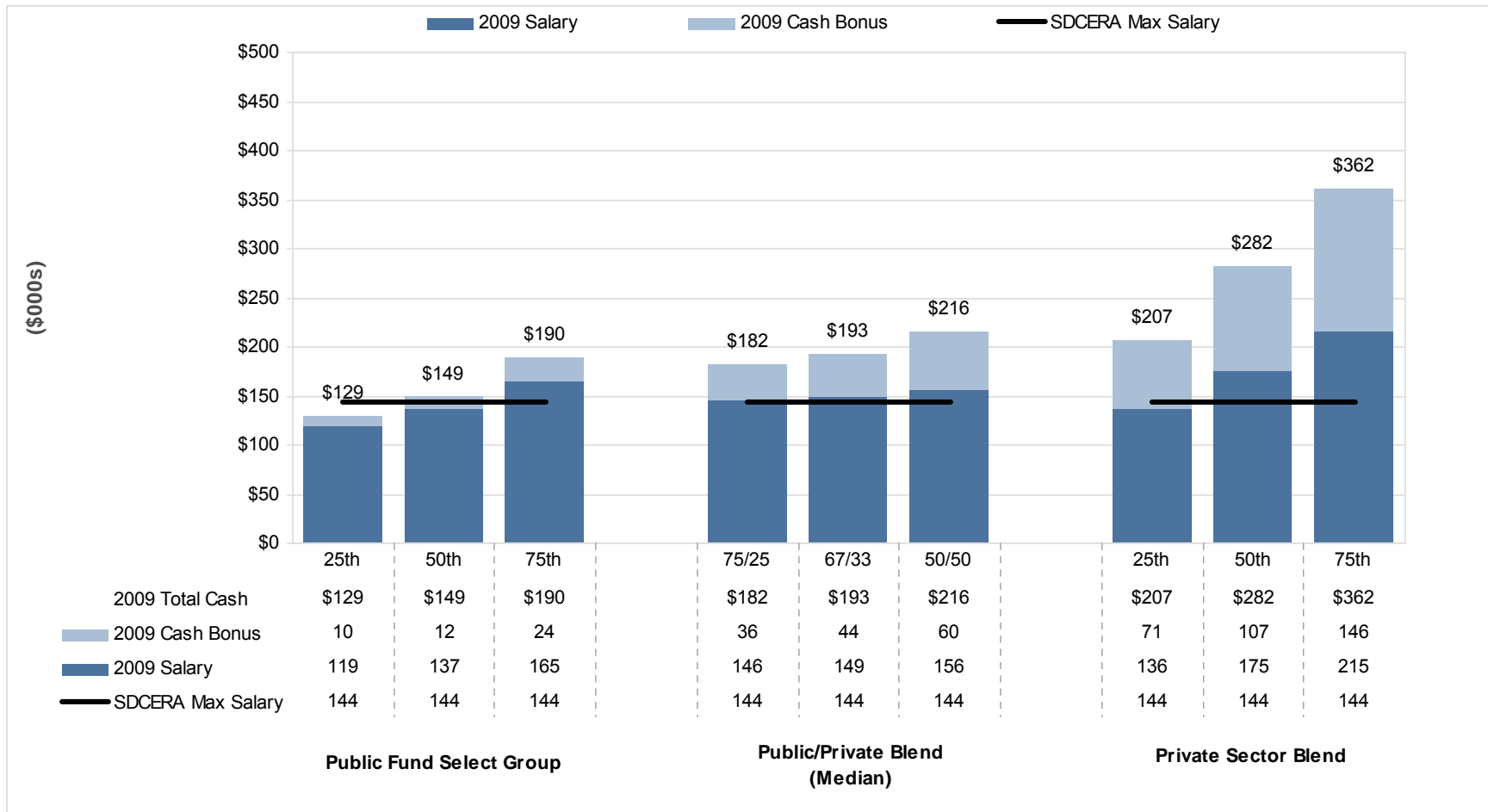
# Competitive Pay Level Analysis Assistant Chief Investment Officer



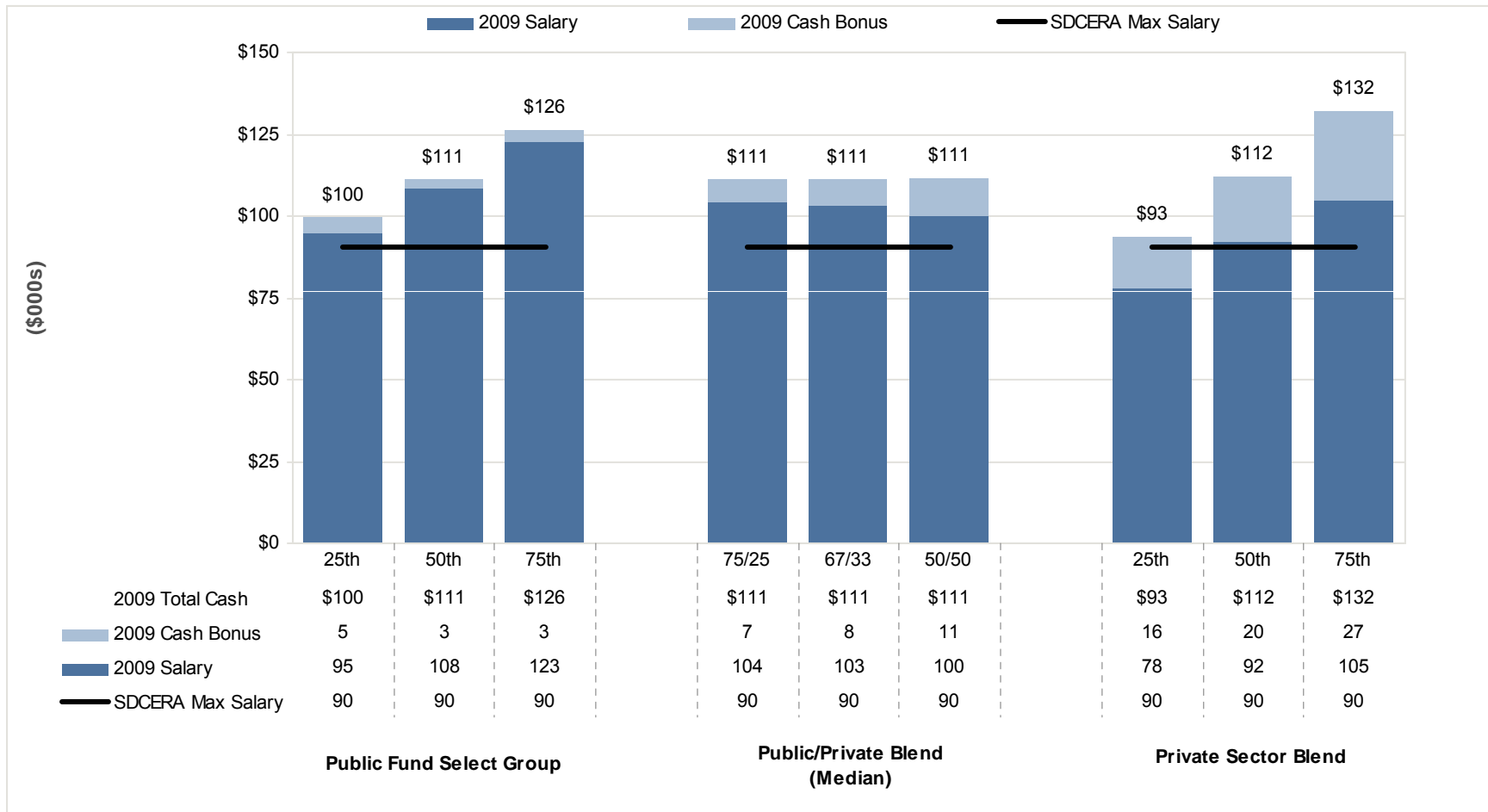
# Competitive Pay Level Analysis Investment Officer, Private Equity



# Competitive Pay Level Analysis Investment Officer, Portfolio Construction

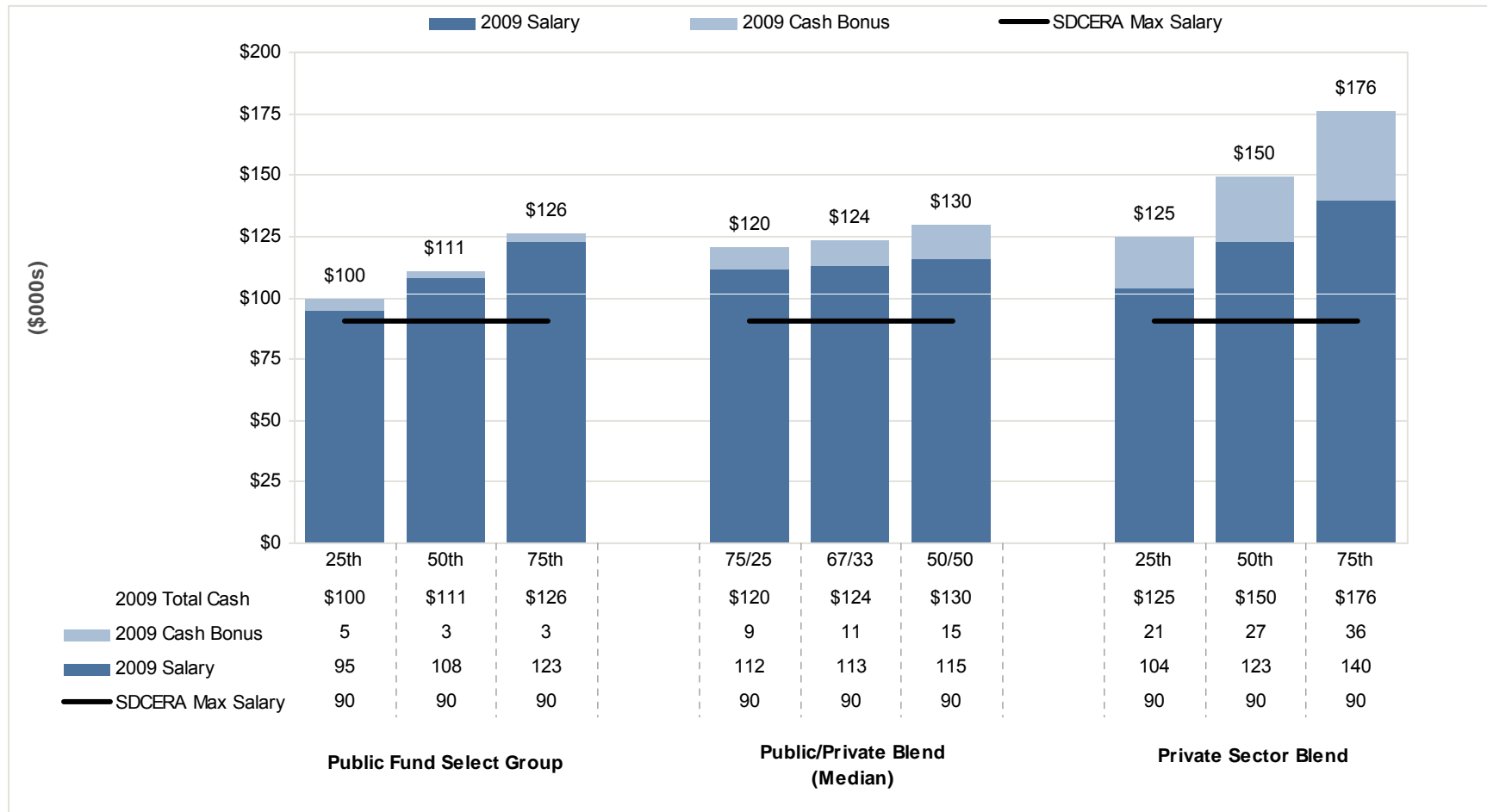


# Competitive Pay Level Analysis Investment Analyst, Private Equity





# Competitive Pay Level Analysis Investment Analyst, Coinvestments



# About McLagan

## COMPANY INFORMATION

At McLagan Partners, we help financial services organizations make important business decisions by leveraging the unique combination of our in-depth industry knowledge, proprietary pay data, and consulting expertise.

Our clients include virtually every leading global financial services firm, including investment and commercial banks, securities firms, investment management organizations, public funds, hedge funds, and insurance companies.

We serve our clients through a commitment to five principles:

1. **In-depth industry focus.** Our dedicated financial services industry focus and proprietary compensation survey data allows us to frame each assignment within a broad business context and shaped with a keen understanding of current business approaches, competitive issues, and pay practices.
2. **General management perspective.** We help our clients solve business problems and develop business opportunities.
3. **Experienced consultants on every assignment.** A senior consultant, typically with over 15 years of experience, leads every project team to ensure the highest level of quality, professionalism, and service.
4. **Seamless and integrated global services.** We are a global firm with operations in all leading global financial services markets.
5. **Integrity and discretion in all matters.** To protect our clients' interests, we operate with the highest ethical standards, always adhering to a strict code of confidentiality.

We provide public and private sector asset management organizations with a unique combination of proprietary compensation surveys and consulting services.

## OUR SERVICES FOR ASSET MANAGEMENT ORGANIZATIONS

Our compensation consulting work has been completed for a broad range of asset management organizations, including:

- Public Funds (e.g., Arizona PSPRS, CalSTRS, Colorado PERA, Florida SBA, Maryland SRA, MASS PRIM, MoDOT, NCRS, NYSCRF, Ohio PERS, Ohio SERS, Ohio STRS, Oregon PERS, PA. Public Schools, PA SERS, SWIB, VRS, Washington SIB and WVIMB).
- Private sector companies (e.g., mutual fund firms, institutional managers, corporate plan sponsors, banks, insurance companies and hedge funds).

For public funds, our compensation consulting assistance has taken three general forms:

1. Completing reviews/audits of pay levels and pay practices. As described below, our compensation surveys often play a key role in these activities.
2. Designing and reviewing incentive plans for investment staff and senior management.
3. Providing pay advisory assistance to senior management and Boards of Directors/Trustees.

McLagan Partners' consulting activities are often supported by data gathered as part of our annual compensation surveys. In particular, for over 40 years we have provided asset management organizations with compensation survey data covering a full range of functions and positions.

In terms of our survey activities, in the US, over 300 asset management organizations participated in our 2010 pay surveys, including approximately:

- 250+ private sector companies, including 49 of the 50-largest firms (per *Pensions and Investments*).
- 60 public pension funds as part of a study we conduct annually with the Pension Fund Data Exchange (PFDE) for investment positions.
- 50 public funds as part of a study that we conduct annually with the National Association of State Retirement Administrators (NASRA) for management and administration positions.