

Department of State Treasurer Statement of Compensation Objectives

December 10, 2014

Josh Wilson
Jon Mason

Process

- **Phase 1 – Planning and Strategy Development**
 - Kick off meetings
 - Stakeholder Interviews
 - Prepare Statement of Compensation Objectives
 - Submit proposal for investment jobs to be exempt from State Human Resources Act
- **Phase 2 – Competitive Pay Assessment**
 - Define comparator group
 - Collect DST job documentation
 - Match DST jobs to relevant compensation surveys
 - Compile market survey statistics
- **Phase 3 – Compensation Framework Design**
 - Develop proposed compensation ranges
 - Compare current state to frame work design
- **Phase 4 – Communication of Results**
 - Develop Final Report with summary findings and recommendations

Project Team & Influencers

Project Team	
Mercer	DST Representatives
Josh Wilson	CIO - Kevin SigRist
Jon Mason	COO – Bryan Lewis
Karli Thode	Kristen Bierline
Other Analyst Staff	Thom Wright

Who We've Spoken with				
IMD	State Treasurer's Office	IAC	Legislature	State of North Carolina
Chief Investment Officer	Treasurer	All members of the IAC	TBD	Manager of Talent Management
Investment Director - COO	Chief of Staff			Classification & Compensation Manager
Directors – Asset Class Heads	Deputy Chief of Staff			Organizational Effectiveness Manager
Focus Group of PMs	Deputy Treasurer/CFO			
	Deputy Director - Financial Ops			
	General Counsel			

Key Project Dates/Deliverables

Date	Deliverable
December 10th	IAC meeting to discuss Initial Fact Finding, Initial Drafting of Statement of Compensation Objectives, Assessment of Investment-Related jobs
Beginning of January	Competitive Pay Analysis
End of January	Compensation Framework Design Complete
Middle of February	Communication of Results and Recommendations

- Subject to change based on the final selection of the comparator group and the involvement of incentives

Statement of Compensation Objectives

- As part of the engagement, Mercer was tasked with gaining input from senior management, the IAC, and the State Treasurer regarding the organization's perspective and objectives around compensation. The input was then molded into a statement of compensation objectives that the organization can use as the framework for decisions around remuneration in the future.
- Mercer has crafted this proposed language based on our understanding of the organization and the viewpoints of management, the IAC and the Treasurer.
 - *The Investment Management Division ("IMD") within North Carolina's Department of State Treasurer exists to provide high-performing yet low cost asset management services for the State of North Carolina Retirement programs and other asset pools. IMD's ability to execute on this initiative hinges in large part on the ability to recruit and retain top talent within the investment management industry. In order to ensure competitive compensation practices, IMD will periodically commission compensation studies to compare the existing rewards programs to those offered at similarly situated public pension institutions, or other asset management firms as appropriate. IMD will set a philosophy to provide base salary compensation to its core investment-related staff between the 50th and 75th percentiles of comparable organizations. This above-median base salary philosophy has been derived to offset the impact of not offering an annual bonus program to IMD staff, as is often provided to the investment-related staff of other public state pension funds.*

Tentative View on Defining “Investment-Related Roles”

Future Compensation Structure		Existing Compensation Structure
Core Investment Jobs	Non-Core With Specialized Asset Mgmt Knowledge	Non-Core Without Specialized Asset Mgmt Knowledge
Chief Investment Officer	Assistant General Counsel	Administrative staff
Investment Director - COO	Attorney Supervisor I/General Counsel	
Investment Directors (n=6)	Accountant	
Portfolio Managers (n=18)	Deputy Director – Financial Operations	
Investment Analyst (n=9)	CFO	

- There are additional positions that are currently under consideration for inclusion

