

## **COMMITTEE ON COMPENSATION**

**SEPTEMBER 2007**

### **PARTICIPATION IN THE TREASURER'S OFFICE ANNUAL INCENTIVE PLAN FOR THE DIRECTOR OF OPERATIONS AND THE BUSINESS MANAGER, AND ADJUSTMENT TO THE RECENTLY APPROVED INCENTIVE TARGET FOR DIRECTOR OF COMMUNICATIONS**

#### **RECOMMENDATION**

The President recommended that the Committee on Compensation recommend to The Regents approval of participation in the Treasurer's Office Annual Incentive Plan (AIP) for the Director of Operations and the Business Manager, and an adjustment to the recently approved incentive target for the Director of Communications. All three new participants would have a target incentive of 20% of base pay. The annual cost of adding the three participants at a 20% target incentive totals \$68,905.

#### **BACKGROUND**

The current Plan document states, "Eligible participants include senior management, professional investment and trading staff, and other key positions in the Treasurer's Office as determined by the Treasurer, subject to approval by the President." Ms. Berggren has established goals for three key administrative staff (Director of Communications, the Director of Operations, and the Business Manager) to align their contributions with the department's overall objectives.

At the May 2007 Regents' meeting, Regents' item I4 listed the participants in the Plan along with each person's target incentive. Due to an administrative error the Director of Communications, Susan Rossi, was listed as a continuing participant in the Plan with a target incentive award of 35%. Upon further review the item should have noted Ms. Rossi's participation as a new request. Although the item presented to The Regents indicated a target incentive of 35% for Ms. Rossi this is being amended to a target of 20% to align with the requested target incentives of 20% for the Director of Operations and the Business Manager. The range of potential awards for these three participants will be from zero up to a maximum of 25%. Please note that although the Plan allows for key positions such as these to be included, there is limited market data that is inconclusive as to participation and appropriate target incentives. Ms. Berggren feels that these three are critical to the operations of the function and wishes to reinforce their focus on the strategic and operational objectives. For comparison and perspective, the University has a bonus plan (Staff Recognition Development Plan) that provides annual awards of up to 15% of base pay.

Any awards for these three new participants will be subject to the entity achieving a minimum level of threshold investment performance. Each person's award will be weighted entirely (100%) to the Subjective/Individual component with no weighting for entity or asset class performance awards. Each person's stretch goals and objectives will be specific and measurable and their contribution assessed to determine the appropriate amount, if any, of award.

Future participation and any target incentives are subject to the review and approval by The Regents each year. Approval of participation in the Plan for fiscal year 2007-2008 does not indicate authorization for continued participation in subsequent years, nor does it allow for continuation at the same target incentive or maximum award levels.

The following chart displays all participants in the AIP and their award targets, thresholds and maximums. The new participants are shown at the bottom of this chart.

[Chart attached.]

## Incentive Opportunity

### Current Incentive Plan

- Award opportunity by individual is as follows:

Incumbent	Position	AIP Award Opportunity		
		(% of Base Salary)		
		Threshold	Target	Maximum
Marie Berggren	Chief Investment Officer	50%	100%	150%
Melvin Stanton	Sr. MD	25%	60%	120%
Randy Wedding	Sr. MD, Fixed Income	25%	60%	120%
Jesse Phillips	Sr. MD, Risk Management	25%	60%	120%
Lynda Choi	MD, Absolute Return	20%	45%	90%
Gloria Gil	MD, Real Assets	20%	45%	90%
Tim Recker	MD, Private Equity	20%	45%	90%
Kim Evans	Sr. Portfolio Mgr, Fixed Income	20%	45%	90%
Linda Fried	Sr. Portfolio Mgr, Fixed Income	20%	45%	90%
David Schroeder	Sr. Portfolio Mgr, Fixed Income	20%	45%	90%
Satish Swamy	Sr. Portfolio Mgr, Fixed Income	20%	45%	90%
Alice Yee	Sr. Portfolio Mgr, Fixed Income	20%	45%	90%
David Hughes	Investment Officer, Public Equity	15%	35%	70%
Aileen Liu	Investment Officer, Risk Mgmt	15%	35%	70%
Thomas Lurquin	Investment Officer, Private Equity	15%	35%	70%
Jonathan Mandle	Investment Officer, Absolute Return	15%	35%	70%
Rebecca Stafford	Investment Officer, Real Assets	15%	35%	70%
Bill Ziomek	Investment Officer, Public Equity	15%	35%	70%
Aaron Staines	Jr. Portfolio Mgr	10%	20%	40%
Jung Cho	Sr. Analyst, Fixed Income	10%	20%	40%
Michelle Cucullu	Sr. Analyst, Private Equity	10%	20%	40%
Duane Gilyot	Risk Management Analyst	10%	20%	40%
Farhan Zamil	Risk Management Analyst	10%	20%	40%
Cay Sison	Sr. Analyst, Real Assets	10%	20%	40%
Leslie Watson	Jr. Analyst	10%	20%	40%
<b>NEW PARTICIPANTS</b>				
	Director Communications	10%	20%	25%
	Business Manager	10%	20%	25%
	Director Operations	10%	20%	25%