

DEPARTMENT OF STATE TREASURER

INVESTMENT MANAGEMENT DIVISION – PROPOSED ADDITION OF CLASSIFICATION TITLES TO COMPENSATION STRUCTURE

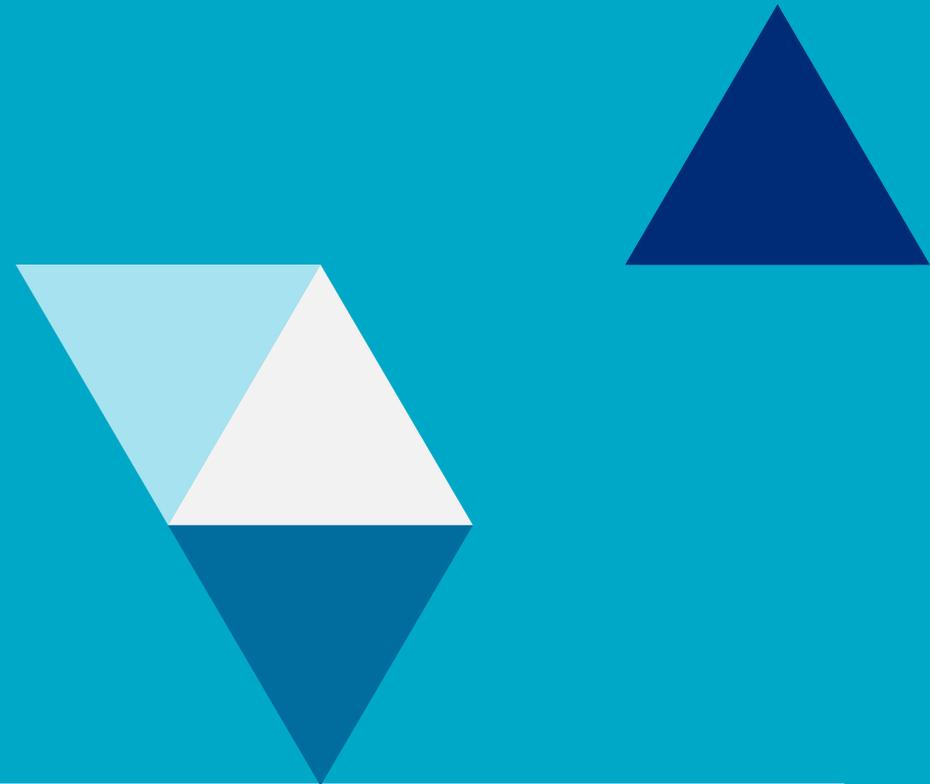
November 16, 2016

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BACKGROUND



BACKGROUND

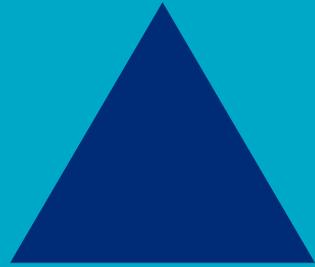
- In December 2014, the North Carolina Department of State Treasurer (NCDST) engaged Mercer to develop a compensation structure for investment-related classification titles, to be used in Fiscal Year 2015 (FY2015).
- In 2016, NCDST re-engaged Mercer to update the compensation structure based on market movement. NCDST plans to implement the updated structure in Fiscal Year 2017 (FY2017).
- The overview, methodology, and final structures for both the FY2015 and FY2017 compensation structures can be found in the Mercer report titled, “Investment Management Division – Compensation Structure Update,” from November 16, 2016.
 - The proposed FY2017 structure is provided on the following page, for reference.

BACKGROUND

FY2017 COMPENSATION STRUCTURE

Grade	Min	Mid	Max	Midpoint Progression	Range Width
10	\$48,000	\$59,000	\$71,000		50%
11	\$54,000	\$67,000	\$81,000	12.5%	50%
12	\$60,000	\$76,000	\$91,000	12.5%	50%
13	\$68,000	\$85,000	\$103,000	12.5%	50%
14	\$77,000	\$96,000	\$116,000	12.5%	50%
15	\$86,000	\$108,000	\$130,000	12.5%	50%
16	\$97,000	\$122,000	\$146,000	12.5%	50%
17	\$110,000	\$137,000	\$165,000	12.5%	50%
18	\$123,000	\$154,000	\$185,000	12.5%	50%
19	\$139,000	\$174,000	\$210,000	12.5%	50%
20	\$157,000	\$195,000	\$235,000	12.5%	50%
21	\$176,000	\$220,000	\$265,000	12.5%	50%
22	\$203,000	\$254,000	\$305,000	15.0%	50%
23	\$233,000	\$292,000	\$350,000	15.0%	50%
24	\$269,000	\$336,000	\$404,000	15.0%	50%
25	\$309,000	\$387,000	\$463,000	15.0%	50%

ADDITION OF CLASSIFICATION TITLES



ADDITION OF CLASSIFICATION TITLES OVERVIEW

- In addition to updating the compensation structure for FY2017, NCDST requested that several classification be added to the structure:
 - Legal Counsels C and J
 - Paralegals C, J and A
 - Policy Analyst C, J and A
 - Head of Investment Systems Analysis
 - Investment Systems Analysts C, J and A
- To slot the 12 new classes within the structure, Mercer benchmarked these classification titles to the competitive market using a similar methodology to the FY2015 study.
 - The exact methodology and surveys used in this analysis are shown on the following page.

ADDITION OF CLASSIFICATION TITLES BENCHMARKING METHODOLOGY

- To benchmark the new classification titles, Mercer used the most recent versions of the survey sources used in the FY2015 study. These surveys represent other large public funds that are comparable to NCDST. The sources are listed below:

FY2017 Structure Sources	FY2015 Structure Sources
Mercer’s 2015 Compensation Design for Public Pension Fund Investment Professionals Survey	Mercer’s 2013 Compensation Design for Public Pension Fund Investment Professionals Survey
McLagan’s 2016 and 2015* US Public Funds Compensation Survey	McLagan’s 2014 US Public Funds Compensation Survey
Mercer’s 2016 Benchmark Database	Mercer’s 2014 Benchmark Database

*2016 McLagan data was used for all classification titles, with the exception of the Investment Systems Analyst - A, Investment Systems Analyst - J, and the Head of Investment Systems Analysis. 2015 data was used for these classification titles, as 2016 data was unavailable.

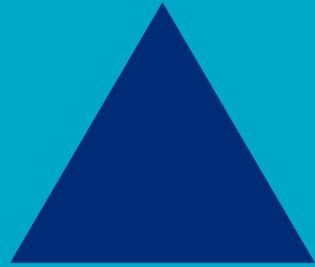
- All market data for the updated structure was trended forward to November 1, 2016. An annual increase rate of 3% was used, based on the median actual increases for US employees in 2015 and 2016¹.
- Detailed market data by classification title can be found in the Appendix of this report.

ADDITION OF CLASSIFICATION TITLES FY2017 STRUCTURE SLOTTING

- New classification titles (in bold) were slotted into the FY2017 Structure based on their competitive market benchmarking and relative positioning compared to other roles within NCDST:

Grade	Job Titles	Min	Mid	Max	Midpoint Progression	Range Width
10	Paralegal - C	\$48,000	\$59,000	\$71,000		50%
11	Paralegal - J	\$54,000	\$67,000	\$81,000	12.5%	50%
12	Investment Analyst - C, Paralegal - A	\$60,000	\$76,000	\$91,000	12.5%	50%
13	Investment Analyst - J, Corporate Governance Analyst - C, Investment Systems Analyst - C	\$68,000	\$85,000	\$103,000	12.5%	50%
14	Investment Analyst - A, Investment Systems Analyst - J, Corporate Governance Analyst - J	\$77,000	\$96,000	\$116,000	12.5%	50%
15	Accounting Manager, Investment Systems Analyst - A, Corporate Governance Analyst - A	\$86,000	\$108,000	\$130,000	12.5%	50%
16	Legal Counsel - C, Head of Investment Systems	\$97,000	\$122,000	\$146,000	12.5%	50%
17	Legal Counsel - J	\$110,000	\$137,000	\$165,000	12.5%	50%
18	Portfolio Manager - C, Legal Counsel - A, Deputy Director Financial Operations	\$123,000	\$154,000	\$185,000	12.5%	50%
19	Portfolio Manager - J, General Counsel	\$139,000	\$174,000	\$210,000	12.5%	50%
20	Portfolio Manager - A	\$157,000	\$195,000	\$235,000	12.5%	50%
21	Investment Director - C, CFO	\$176,000	\$220,000	\$265,000	12.5%	50%
22	Investment Director - J	\$203,000	\$254,000	\$305,000	15.0%	50%
23	Investment Director - A	\$233,000	\$292,000	\$350,000	15.0%	50%
24		\$269,000	\$336,000	\$404,000	15.0%	50%
25	Chief Investment Officer	\$309,000	\$387,000	\$463,000	15.0%	50%

APPENDIX



APPENDIX

DETAILED MARKET DATA

Title	Mercer Title Match	McLagan Title Match	FY2017 Study Mercer & McLagan Blend
Paralegal - C	Legal Assistant - Entry	Not Available	\$52,962
Paralegal - J	Legal Assistant - Experienced	Not Available	\$60,276
Paralegal - A	Legal Assistant - Senior	Not Available	\$83,944
Legal Counsel - C	Legal Counsel - Experienced -10%	Corporate Governance Director -20%	\$118,153
Legal Counsel - J	Legal Counsel - Experienced	Corporate Governance Director -10%	\$132,107
Corporate Governance Analyst - C	Not Available	Not Available	No Data ¹
Corporate Governance Analyst - J	Not Available	Not Available	No Data ¹
Corporate Governance Analyst - A	Not Available	Not Available	No Data ¹
Head of Investment Systems Analysis	Not Available	Head of Investment Systems - Senior Investment Systems Analyst (2015 Data) + 20%	\$126,464
Investment Systems Analyst - C	Not Available	Intermediate Investment Systems Analyst	\$83,439
Investment Systems Analyst - J	Not Available	Senior Investment Systems Analyst (2015 Data) - 10%	\$94,848
Investment Systems Analyst - A	Not Available	Senior Investment Systems Analyst (2015 Data)	\$105,387

¹ Mercer and DST were unable to find sufficiently comparable benchmark jobs in the marketplace for the Corporate Governance Analyst classification titles. Rather than choosing a job match that is incomparable, Mercer slotted these roles into the FY2017 compensation structure, based on an assessment of the level of these classification titles relative to other roles at NCDST. This is a standard practice that Mercer utilizes as not all jobs are “benchmark” jobs.



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