



# BOARD OF RETIREMENT

## Staff Report

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**File #:** 22-142.1

**Agenda Date:** 5/5/2022

**Agenda #:** 17.

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**FROM:** Stacey Barnier, Director of HR and Risk Management

**SUBJECT:** Incentive Compensation for Investment Officers

**RECOMMENDATION:**

Approve the addition of Incentive Compensation for Investment Officers; and adopt Resolution No. 2022-2: Approval of the Implementation of San Bernardino County Employees' Retirement Association Investment Staff Incentive Awards and Designation of Employees

**BACKGROUND:**

At its April 2, 2015 meeting, the Board approved the Incentive Compensation Plan which included the Chief Investment Officer (CIO) and Senior Investment Officer (SIO) positions as eligible for this compensation. As SBCERA's Investment program has grown in size, stature, and complexity, we must ensure that we can recruit and retain top talent for the Investment team. With historically tight labor markets, recruiters are actively pulling out top talent from pension systems and new job applicants often have multiple offers to consider. Many investment professionals are attracted to or accustomed to a partial variable pay-for-performance model such as our Incentive Compensation Plan.

The structure for the Investment team has changed with the departure of a Senior Investment Officer in June 2020; at that time, we underfilled the vacancy with an Investment Officer. At this time, staff recommends that the Board consider adopting the Incentive Compensation Plan for the Investment Officer incumbents, Jacob Abbott and Thomas Kim. The Investment Officers at SBCERA are critical to the process of evaluating new investment opportunities, managers and co-investment opportunities; they are critical to the ongoing evaluation and management of SBCERA's portfolio and regularly contribute to the asset allocation strategy adopted annually by the Board. Currently, the two investment officers have primary responsibility for \$2.8 and \$4.9 Billion in investments, over 8 and 10 manager relationships, respectively. Staff believes that with the way the work is structured in the Investment team, extending an incentive based performance award is appropriate.

Similar to the incentive award for the CIO and SIO, the incentive award for the Investment Officers shall be based on documented metrics (attached as Exhibit A). Also, similar to the existing incentive award for the Senior Investment Officer, at the end of each fiscal year, the scorecard will be completed for each Investment Officer. The Investment Officer must be an employee of SBCERA at the time the award is paid, and in no case shall SBCERA be liable for any partial payment should the Investment Officer not complete the full fiscal year of employment.

As the Senior Investment Officer was not planned to be filled this fiscal year, the associated incentive award was not budgeted for that position. The costs to implement the incentive award for the two Investment Officers for fiscal year 21-22 would not exceed \$77,000. Costs for any potential future

awards will be integrated into each year's annual budget process.

**COMMITTEE REVIEW:**

This item was reviewed by the Executive Committee at its April 14, 2022 meeting, and recommended Board approval with a 3-0 vote.

**BUDGET IMPACT:**

Costs for this item are not included in the current year administrative budget. The use of contingency funds will be required to fund this item

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Quality Employer and Workplace

**STAFF CONTACT:**

Stacey Barnier

**ATTACHMENTS:**

Exhibit A: Updated Incentive Compensation Scorecard

Exhibit B: Proposed Resolution No. 2022-2: Approval of the Implementation of San Bernardino County Employees' Retirement Association Investment Staff Incentive Awards and Designation of Employees