

July 2024

RETAINING EXCELLENCE

Compensation Committee Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

**Minutes of the Compensation Committee
May 2, 2024**

The Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas met on May 2, 2024, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

Committee members present:

Mr. James D. Nance, Chair
Mr. Michael Ball
Mr. Jarvis V. Hollingsworth
Mr. Elvis Williams

Other TRS Board Members present:

Ms. Brittny Allred
Mr. David Corpus
Ms. Nanette Sissney
Mr. Robert H. Walls, Jr.

Others who participated:

Brian Guthrie, TRS	Josh Wilson, Mercer
Andrew Roth, TRS	Susan Lemke, Mercer
Heather Traeger, TRS	
Don Green, TRS	
Jase Auby, TRS	
Shunne Powell, TRS	
Michelle Gray, TRS	
Katherine Farrell, TRS	
Suzanne Dugan, Cohen Milstein	

Compensation Committee Chair, Mr. James D. Nance, called the meeting to order at 3:54 p.m.

1. Call roll of Committee members.

Ms. Farrell called the roll. A quorum was present, Mr. Elliott was absent.

2. Consider the approval of the proposed minutes of the December 2023 committee meeting – Chair.

On a motion by Mr. Hollingsworth, seconded by Mr. Williams, the committee unanimously approved the proposed minutes for the December 2023 Compensation Committee meeting as presented.

Mr. Nance announced without objection taking up Agenda Items 3 and 4 together.

- 3. Receive an overview of the Compensation Committee’s Calendar Year 2024 Work Plan – Shunne Powell.**
- 4. Receive an update on staffing and turnover – Shunne Powell.**

Ms. Shunne Powell presented the Compensation Committee’s work plan for the calendar year 2024. She reviewed the timing of performance evaluations for the Board’s direct reports.

Ms. Michelle Gray reported on the turnover and vacancy trends. She noted TRS turnover rate was half of the state average. She said there were 47 total terminations, 32 voluntary and six were retirements with the balance being involuntary terminations. As for recruiting and staffing, she said it was positive and on track to exceed fiscal year ’23 that had 15,000 plus applications.

- 5. Receive an update from the Board’s Compensation Consultants – Josh Wilson and Susan Lemke, Mercer**

Mr. Josh Wilson provided an overview of the work they were tasked to perform. He said first they looked at the compensation philosophy and benchmarked the 218 IMD jobs independently. He reported that of those 218 jobs 5 percent are below the stated philosophy on base salaries and about 8 percent below stated philosophy on total cash. He said at the next meeting in July they will look at the legal positions covered by the incentive plan and provide input on the IMD and Executive Director’s incentive plans. Ms. Susan Lemke provided a more detail of how the packages compared against market for the IMD jobs reviewed breaking them up in three categories: investment roles, investment-adjacent roles and support roles. She reported the vast majority of the employees reviewed are within the investment role category. Mr. Wilson noted that compensation was not an exact science so if you are within 10 percent, plus or minus, of the desired comp philosophy, then you are considered within range.

With no further business before the Committee, the meeting adjourned at 4:15 p.m.

Approved by the Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas on July __, 2024.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



Organizational Excellence

July 18, 2024

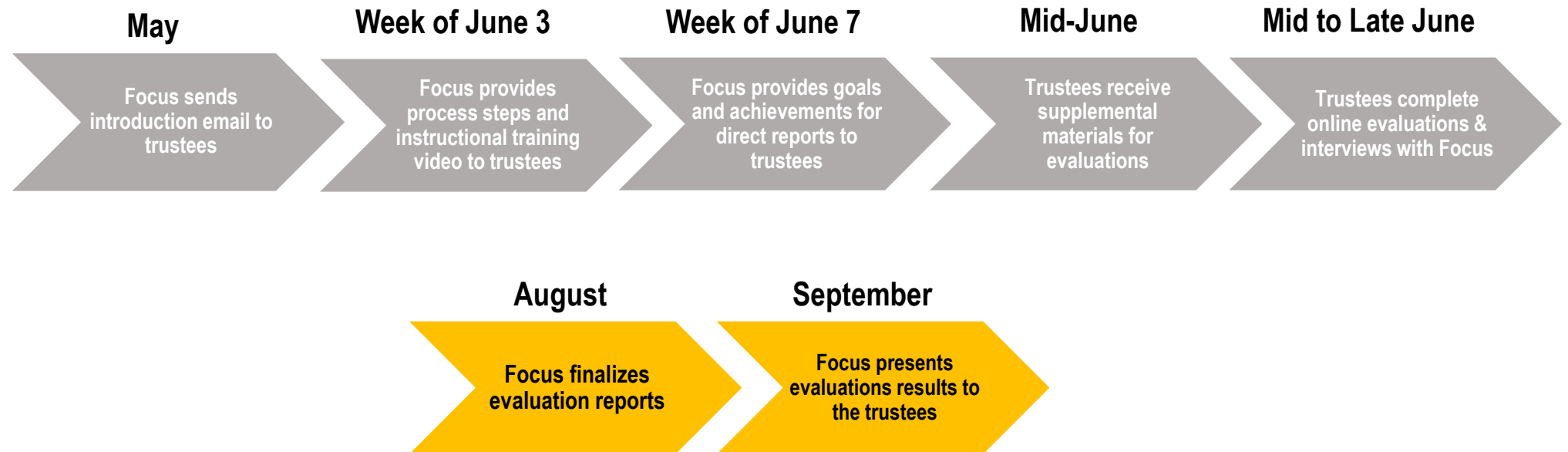
Presented By:

Shunne Powell, Chief Organizational Excellence Officer

Michelle Gray, Deputy Chief of Organizational Excellence



2024 Evaluation Timeline for Board Direct Reports



Executive Director – Incentive Compensation Timeline

	February	May	July	September	December
How are goals established and areas of focus (AOF) determined?	Board reviews proposed updates/changes to the Strategic Plan (Strategic Planning Committee)	Board approves updates to the Strategic Plan (Strategic Planning Committee)	Areas of Focus for FY25 are laid out for the board to review (Strategic Planning Committee)	Final version of Areas of Focus presented to the board (Strategic Planning Committee)	
How is progress toward those goals and AOF tracked?		Board receives Results Forum Report (Q1) (Strategic Planning Committee)	Board receives Results Forum Report (Q2) (Strategic Planning Committee)	Board receives Results Forum Report (Q3) (Strategic Planning Committee)	Board receives Results Forum Report (Q4) (Strategic Planning Committee)
How is the incentive plan reviewed and approved?			Board receives a report of proposed changes to the performance pay plan, if needed (Compensation Committee)	Board reviews and adopts ED Incentive Plan, which includes AOF discussed in Strategic Planning Committee (Compensation Committee)	
How is incentive compensation determined?				Board considers incentive pay amount for Executive Director (Full Board)	



Talent Update



Turnover and Vacancy Trends



TALENT
Effectiveness

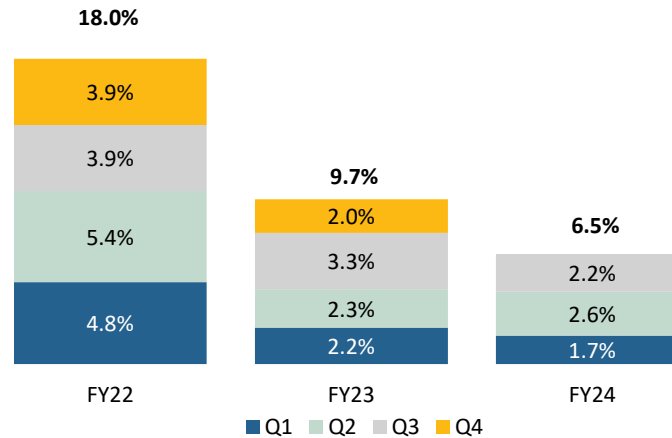
Turnover rates remain stable

- FY24 trend reported in February remains stable. TRS' turnover rate holds at 50% below the state average.

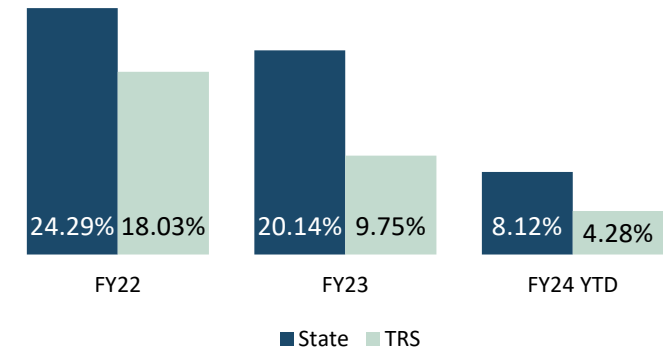
Vacancy trends remain low

- Over the past two years the percentage of vacant positions has steadily declined
- As of July 1, 2024, 4.9% of positions approved to be filled are vacant

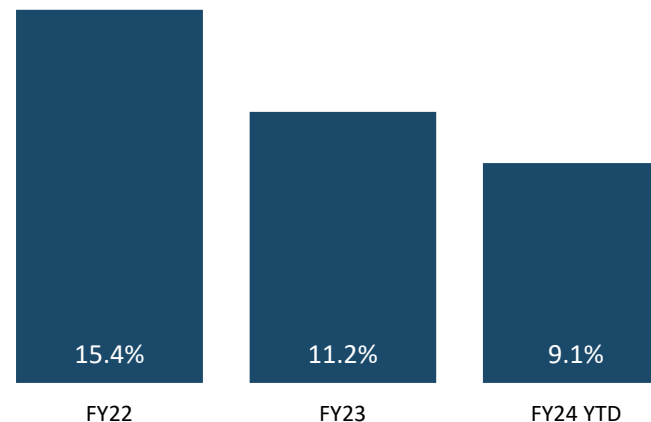
TRS Turnover*



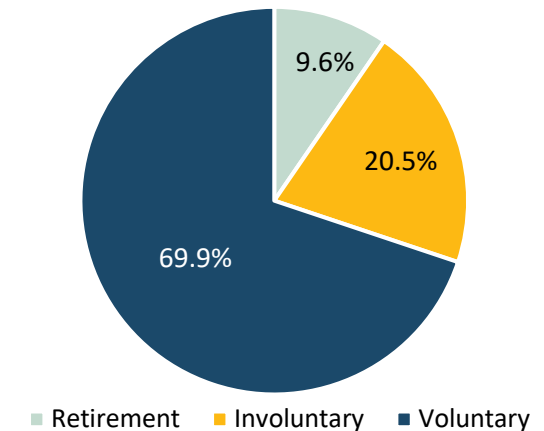
State versus TRS Turnover**



Average Vacant Positions*



FY24 Turnover Breakdown*



Notes

*FY 24 data – as of 5/31/2024

**FY 24 Q3 State turnover available was not yet available



Summer Internship Program



TALENT
Effectiveness

- TRS started its intern program in 2010 with 16 interns
- For this intern cycle, we received 2,771 applications.
- There are 34 interns this year.
- Interns have four opportunities to learn from TRS executives over the course of the summer.
- New intern program elements include customized resume review; interview tips; mock interviews and enhanced information related to onboarding.





Mercer Update

July 18, 2024

Presented By:

Josh Wilson, Partner Mercer Consulting

Susan Lemke, Senior Principal Mercer Consulting



TAB 4

Teacher Retirement System of Texas

Incentive Plan Review

Josh Wilson
Susan Lemke
Aimee Kudela
Lanni Barrie

July 2024

A business of Marsh McLennan

1. Project Overview
2. IMD and TRICOT Incentive Program Overview and Market Assessment
3. Executive Director Incentive Program Overview and Market Assessment
4. Legal and Compliance Benchmarking Results

Project Overview



Project Overview

IMD Compensation Review

- Texas TRS requested Mercer conduct a **comprehensive audit of IMD's incentive program**:

“ Completing a **comprehensive, holistic, and historical review** of the Investment Incentive Plan including a review of the **compensation philosophy, benchmarks, job mapping process, salary ranges, plan design, and incentive titles/targets**. Mercer will present findings and make recommendations to the Board on potential changes, and opportunities to strengthen the process. ”

- Mercer agrees that **a thorough review of IMD's incentive program would necessitate an assessment of all the foundational compensation elements** contextualizing the incentive design



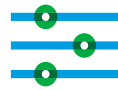
Today's Focus

Project Overview



Understand **current state practices and compensation philosophy** and **assess market competitiveness** of IMD compensation through a consistent market benchmarking methodology

- Current philosophy is base salary at 3rd quartile of public pension peers and incentive pay at 1st quartile of private asset management peers
- How does IMD compare to market?



Review and make **recommendations to the salary ranges and pay administration practices** currently in place to align with compensation philosophy and market best practices

- Do IMD's salary ranges and administration support TRS's compensation philosophy?
- Should IMD's structures differ from the rest of the organization?



Review IMD incentive program (incl. eligibility, metrics, performance standards, and measurement period) and make recommendations to align with market best practices and talent strategy

- What is the goal of the IMD incentive program? Does it drive and reward the right performance?
- How does the incentive program align with the broader total rewards framework?

TRS Incentive Plans Review

- The purpose of this incentive plan review is to assess TRS' plans in the context of the market and make recommendations to align with market best practices and talent strategy
- TRS has three incentive plans in place:
 - IMD
 - TRICOT
 - Executive Director
- There are three primary competitive markets to which Mercer has compared TRS' incentive plans:
 - Other large public pensions (Mercer Public Pensions >\$100B and McLagan surveys)
 - Endowments and foundations (Mercer E&F Investment Group Survey – Top 20 Endowments)
 - Private asset management (McLagan) / Financial Services (Mercer)

IMD and TRICOT Incentive Program Overview and Market Assessment



IMD and TRICOT Incentive Plan Summary

Below are the details of the IMD and TRICOT incentive plans. Detailed assessment on following pages.

	Current IMD / TRICOT Incentive Plan Design	Alignment to Market	Comments
Eligibility	<ul style="list-style-type: none"> All employees within IMD / TRICOT are eligible for the incentive plan (with ED on a separate plan) 	●	<ul style="list-style-type: none"> TRS includes additional lower level operations / admin staff than peers, but aligns with talent strategy
Performance Measurement	<ul style="list-style-type: none"> Investment performance vs benchmark = 50% of award for CIO through Director; 30% for Investment Manager through Admin Assistant Investment performance vs peer group = 30% of award Includes asset class for both benchmark and peer group metrics; all eligible positions must have at minimum 20% of award related to <i>total fund</i> performance Qualitative performance = 20% for CIO through Director; 40% for Investment Manager through Admin Assistant 	●	<ul style="list-style-type: none"> TRS has more complexity in their plan than is typical in the market including the use of both fund and asset class Use of peer groups is also atypical in the large public pension market
Performance Standards	<ul style="list-style-type: none"> TRS sets threshold and maximum achievement goals for each metric (see following pages) Awards payout depend on a Total Fund return greater than 0 and cannot be earned until January 1 following the next Performance Period in which the Total Fund has a return greater than zero 	●	<ul style="list-style-type: none"> Standards are aligned with market typical
Incentive Opportunity	<ul style="list-style-type: none"> Maximum award opportunities range from 5% to 175% of base salary Projected realized percentage of maximum award is 55% for CIO to Director and 65% for Investment Manager through Admin Assistant leading to a projected target award of 3% to 96% of base salary 	●	<ul style="list-style-type: none"> Opportunity tends to be above the median of >\$100B public pension peers but this is aligned with TRS's AUM in comparison to other orgs
Measurement Period/Timing of Payout	<ul style="list-style-type: none"> 1- and 3-year performance periods are measured, with 33% weighting on the 1- year plan and 67% weighting on the 3- year plan 1-year performance for all components is measured from October 1 through September 30 Full payouts are made in the January/February time frame 	●	<ul style="list-style-type: none"> While 3-year investment performance is typical in the market, 1-year investment performance is uncommon

IMD and TRICOT Incentive Plan Recommendations

	Current IMD / TRICOT Incentive Plan Design	Alignment to Market	Comments	Recommendation
Eligibility	<ul style="list-style-type: none"> All employees within IMD / TRICOT are eligible for the incentive plan (with ED on a separate plan) 	●	<ul style="list-style-type: none"> TRS includes additional lower level operations / admin staff than peers, but aligns with talent strategy 	<ul style="list-style-type: none"> <u>Ongoing review of roles that exist both in IMD and across the agency to improve functional and compensation alignment.</u> Responsibility will fall to Executive Director, OE and CIO.
Performance Measurement	<ul style="list-style-type: none"> Investment performance vs benchmark = 50% of award for CIO through Director; 30% for Investment Manager through Admin Assistant Investment performance vs peer group = 30% of award Includes asset class for both benchmark and peer group metrics; all eligible positions must have at minimum 20% of award related to <i>total fund</i> performance Qualitative performance = 20% for CIO through Director; 40% for Investment Manager through Admin Assistant 	●	<ul style="list-style-type: none"> TRS has more complexity in their plan than is typical in the market including the use of both fund and asset class Use of peer groups is also atypical in the large public pension market 	<ul style="list-style-type: none"> <u>Continue current practice.</u> comparisons to peers is critical to various stakeholder groups and motivating to IMD Staff
Measurement Period/Timing of Payout	<ul style="list-style-type: none"> 1- and 3-year performance periods are measured, with 33% weighting on the 1- year plan and 67% weighting on the 3- year plan 1-year performance for all components is measured from October 1 through September 30 Full payouts are made in the January/February time frame 	●	<ul style="list-style-type: none"> While 3-year investment performance is typical in the market, 1-year investment performance is uncommon 	<ul style="list-style-type: none"> <u>Continue current practice.</u> One-year view aids in attraction and retention of newer staff members and balances three-year performance

Market Eligibility

Public Pension	Endowments and Foundations	Financial Services
<ul style="list-style-type: none">• 70% of participating organizations >\$100B provide incentive compensation to at least some investment professionals.• Most organizations extend participation in incentives to the Top Investment Officer down through Senior Investment Analysts. A slight majority also provide incentives to Junior and Intermediate Investment Analysts.• It is also common to provide incentives to managers and above for the investment operations staff, but slightly less common for lower-level operations roles.	<ul style="list-style-type: none">• 92% of organizations provide incentive compensation to investment staff.• Of those providing incentive compensation, virtually all include Senior Investment Analysts and above; prevalence drops slightly to 89% for lower-level investment analysts.	<ul style="list-style-type: none">• 80% of organizations with incentive plans include executives and 100% include management in their incentive plans.• 93% go down to the professional and 73% go down to the para-professional level.• Except at executive levels, where US STI targets tend to be higher, UK STI targets are close to those in the US. Actual percentage of employees receiving incentive is much lower in the UK.

Considerations for TRS

- IMD and TRICOT include all roles (except ED, on their own plan) including investment, investment operations, and investment support functions from the highest to lowest levels of the organization
- Including most or all investment roles is typical in the market; it is also typical to include management and above operations staff
- TRS includes lower level investment operations and support roles which may not be eligible elsewhere in the market; this practice has been in place for over 15 years and helps alignment and culture across the IMD organization.

Market Performance Measures

Public Pension	Endowments and Foundations	Financial Services
<ul style="list-style-type: none"> 100% of incentive plans utilize quantitative metrics to assess performance. 100% also include qualitative/individual performance in determination of the award. Of those that provide incentive compensation <ul style="list-style-type: none"> 100% measure performance of the total fund relative to a composite benchmark; no other funds >\$100B utilize total fund performance versus peer group. 71% (5 of 7) use an asset class measure for Senior Investment Executives, Second Level Investment Executives, and/or Investment Managers. 60% also extend down to Investment Analysts. Weighting of performance measures typically varies by position and level. 	<ul style="list-style-type: none"> Of those incentive plans that utilize quantitative measurement, investment performance at the total portfolio level is measured: <ul style="list-style-type: none"> Relative to the policy portfolio benchmark in 89% of organizations Relative to a peer group in 68% of organizations Using absolute / real return in 26% of organizations Qualitative / Individual performance is measured in 75% of organizations. Weighting of performance measures typically varies by position and level – typically the more influence a position has on total portfolio performance, the greater the quantitative portion of the incentive award. 	<ul style="list-style-type: none"> In Financial Services, weighting on performance measures ranges from 22% individual / 78% department/division/corporate for executives to 30% individual / 70% department / division / corporate for professional employees

Considerations for TRS

- TRS uses benchmark and peer group are both used to assess performance. Peer groups are not typically used in the largest Public Pensions, though they are common in E&F.
- TRS also assesses asset class performance compared to both benchmark and peer group; this is atypical

Market Performance Standards

Public Pension	Endowments and Foundations	Financial Services
<ul style="list-style-type: none"> Of participants providing data on performance standards for awards based on the total fund benchmark: <ul style="list-style-type: none"> The threshold level of performance required for any payout from the incentive plan is most frequently set at 0 basis points in excess of the benchmark (i.e., meeting the benchmark) Target performance is typically defined as 20-50 basis points in excess of the benchmark. Maximum performance is typically set at 2X target performance (i.e., 40-100 basis points in excess of the benchmark). 	<ul style="list-style-type: none"> Of organizations measuring performance against a policy portfolio benchmark: <ul style="list-style-type: none"> The threshold level of performance required for any payout from the incentive plan is most frequently 0 basis points in excess of the benchmark (i.e., meeting the benchmark) Target incentive opportunity is earned when performance is 100 basis points in excess of the benchmark at the median (most common value is 100 basis points). Target typically ranges between 5 and 100 basis points Maximum incentive opportunity is most frequently earned when performance is 200 basis points in excess of the benchmark (median 200 bps), but typically ranges between 140 and 235 basis points. 	<ul style="list-style-type: none"> N/A

Considerations for TRS

- TRS defines threshold and maximum performance; while target is not defined, a projected realized percentage of maximum between 55-65% is used.
- Typically in the market, where target is defined, it is 1/2 of maximum; this roughly approximates the TRS approach.

Market Performance Period

Public Pension	Endowments and Foundations	Financial Services
<ul style="list-style-type: none">• 86% (6 of 7) of incentive plans measure performance over a three-year period.• One other >\$100B organization measures performance over one year; they measure both 1- and 3- year performance.	<ul style="list-style-type: none">• Investment performance is measured over a rolling three-year period in the majority (90%) of organizations.• Less common is the use of a one-year performance period (30%) or a five-year performance period (60%), often used in tandem with a three-year period.• 60% of organizations use multiple periods to measure performance.	<ul style="list-style-type: none">• The majority of organizations measure performance annually, though some may measure quarterly or on another timeframe
Considerations for TRS		
<ul style="list-style-type: none">• TRS measures 33% on 1-year performance and 67% on 3-year performance• 1-year performance can be helpful in certain circumstances but may be adding to the overall complexity of the plan		

Executive Director Incentive Program Overview



Executive Director Incentive Plan

Below are the details of the ED incentive plan

	Current Executive Director Incentive Plan Design	Alignment to Market	Commentary
Eligibility	<ul style="list-style-type: none"> Executive Director 	●	<ul style="list-style-type: none"> Typically, ED or CEO are included in main Inv/Exec incentive program
Performance Measurement	<ul style="list-style-type: none"> Two areas measured separately: <ul style="list-style-type: none"> 50% Investment Oversight: Subset of the IMD metrics - the total fund level vs. TRS's established passive total fund index (percentage of target alpha achieved, or PTAA) 50% Leadership Performance Award: Qualitative assessment across five key accountabilities <ul style="list-style-type: none"> Member Focused; Continuous Improvement; Operational Effectiveness; Leadership Effectiveness; Talent Effectiveness 	●	<ul style="list-style-type: none"> Typical to assess highest leadership on both total fund performance and qualitative metrics; a 50% weighting on qualitative is appropriate given size and complexity of TRS
Performance Standards	<ul style="list-style-type: none"> Investment Oversight: Maximum award achievement at the alpha target of 75 bps Leadership Performance Award: The Board assess and determines an overall score across the five key accountabilities which equates to a payout percentage 	●	<ul style="list-style-type: none"> Qualitative performance has migrated from overly analytical to board discretion based on performance management evaluation
Incentive Opportunity	<ul style="list-style-type: none"> Maximum award opportunity at 100% of base salary with each area earning up to a maximum of 50% of base salary 	●	<ul style="list-style-type: none"> A maximum 100% award opportunity is aligned with ERS and is below the maximum of 150% for the CEOs of CalSTRS and CalPERS
Measurement Period/Timing of Payout	<ul style="list-style-type: none"> Investment Oversight measured over 1- and 3-year periods; Leadership Performance assessed over one year. 33% weighting on 1-year and 67% on 3-year 1-year performance is measured from October 1 through September 30 Full payout is made in the January/February time frame 	●	<ul style="list-style-type: none"> While 3-year investment performance is typical in the market, 1-year investment performance is uncommon For the qualitative component, annual measurement is common

Executive Director Incentive Plan Recommendations

	Current Executive Director Incentive Plan Design	Alignment to Market	Commentary	Recommendation
Incentive Opportunity	<ul style="list-style-type: none"> Maximum award opportunity at 100% of base salary with each area earning up to a maximum of 50% of base salary 	●	<ul style="list-style-type: none"> A maximum 100% award opportunity is aligned with ERS and is below the maximum of 150% for the CEOs of CalSTRS and CalPERS 	<ul style="list-style-type: none"> <u>Maintain current Maximum Award Opportunity.</u> Re-assess the market in 2-3 years.
Measurement Period/Timing of Payout	<ul style="list-style-type: none"> Investment Oversight measured over 1- and 3-year periods; Leadership Performance assessed over one year. 33% weighting on 1-year and 67% on 3-year 1-year performance is measured from October 1 through September 30 Full payout is made in the January/February time frame 	●	<ul style="list-style-type: none"> While 3-year investment performance is typical in the market, 1-year investment performance is uncommon For the qualitative component, annual measurement is common 	<ul style="list-style-type: none"> <u>Maintain consistency with IMD measurement.</u> Since recommendation for IMD is to preserve the one and three-year measurements, ED measurement should align with IMD

Legal and Compliance Benchmarking Results

4

Competitive Market Assessment

Methodology

- Both base salary and total cash compensation (base salary + short-term incentive) are compared to market
- Base salary is compared to large public pensions; due to TRS's asset size and complexity, TRS base salary is compared to the market 75th percentile
- Total cash compensation is compared to a market composite total cash comprising the public pension 75th percentile base salary (above) and private asset management 25th percentile STI
- TRS outlines maximum short-term incentives as a percentage of base salary with projected realized percentages of that maximum as a target value; figures used are shown to the right
 - Legal roles are aligned to incentive titles, e.g., Investment Counsel is aligned to the Senior Associate Incentive title

Incentive Title	Legal Titles	Max STI %	Projected Realized % of Max ("Target")	Target STI % (as of 2024)
CIO	--	175%	55%	96%
Senior Managing Director	--	175%	55%	96%
Managing Director	--	175%	55%	96%
Director	Chief Compliance & General Counsel	150%	55%	83%
Investment Manager	Director, L&C Investment	100%	65%	65%
Senior Associate	Investment Compliance Counsel Senior Investment Counsel Investment Counsel/Securities Litigation Counsel Senior Investment Counsel Senior Investment Compliance Counsel	75%	65%	49%
Associate	Investment Compliance Officer Senior Investment Compliance Officer Investment Attorney	65%	65%	42%
Senior Analyst	--	40%	65%	26%
Analyst	--	30%	65%	20%
Junior Analyst	Investment Legal Specialist	15%	65%	10%
Assistant	--	5%	65%	3%

Grouping by Level

Legal & Compliance incumbents are grouped by their relevant Mercer Benchmark Database match

Level	Role Titles
Director / Executive	Chief Compliance & General Counsel Director, L&C Investment
Senior Counsel	Investment Counsel/Securities Litigation Counsel Senior Investment Counsel Senior Investment Compliance Officer Senior Investment Compliance Counsel Senior
Counsel	Investment Counsel Investment Compliance Officer Investment Compliance Counsel Investment Attorney
Paralegal	Investment Legal Specialist

Findings by Level

		TRS vs Market Gap	
Level	Role Titles	Base Salary (Pub/NFP 75 th)	Total Cash (Pub/NFP 75 th Base + Private 25 th STI)
Director / Executive	Chief Compliance & General Counsel Director, L&C Investment	-9%	-6%
Senior Counsel	Investment Counsel/Securities Litigation Counsel Senior Investment Counsel Senior Investment Compliance Officer Senior Investment Compliance Counsel Senior	9%	16%
Counsel	Investment Counsel Investment Compliance Officer Investment Compliance Counsel Investment Attorney	-17%	-13%
Paralegal	Investment Legal Specialist	-15%	-13%

Appendix

Survey Participants – Pension & Endowments

Pension		Endowment
Mercer Public Pensions >\$100B	McLagan Leading Public Pensions Funds	Mercer E&F Investment Group Survey – Top 20 Endowments
CA Public Employee's Retirement System (CalPERS)	CA Public Employee's Retirement System (CalPERS)	Columbia Investment Management Company
California State Teachers' Retirement System	California State Teachers' Retirement System	Cornell University
Florida State Board of Administration	Ohio Public Employee's Retirement System	Dartmouth College Investment College
New York City Comptroller, Bureau of Asset Management	Oregon Public Employees' Retirement Fund	DUMAC, Inc.
North Carolina Department of State Treasurer	State of Wisconsin Inv Board	Emory University
NYS Teachers' Retirement System	Virginia Retirement System	Harvard Management Company
Ohio Public Employee's Retirement System	Washington State Board	Massachusetts Institute of Technology
State of Georgia Retirement System		Northwestern University
Teacher Retirement System of Texas		Princeton University Investment Company
University of California		The University of Chicago
		The University of Texas/Texas A&M Investment Management Company
		UNC Management Company, Inc.
		University of Michigan
		University of Notre Dame
		University of Pennsylvania
		University of Virginia Investment Management Company
		University of Washington
		Vanderbilt University
		Washington University in St. Louis
		Yale University Investment Office

Survey Participants – Private Asset Management

McLagan Private Sector Peer Detail

	# Firms	AUM (as of 12/31/22)		
		25 th %ile	50 th %ile	75 th %ile
Banks	40	\$22.8	\$63.7	\$324.3
Insurance Companies	74	22.9	60.2	136.9
Investment Management/Advisory Firms	219	14.4	47.1	208.3
Private Equity Firms	81	10.0	28.3	81.2
Real Estate Investment Management	42	14.1	42.0	82.0
TOTAL	456	\$14.5	\$47.7	\$157.8

Survey Participants – Financial Services

2023 United States Short-Term Incentive Plan Design Survey: Participant Profile

Type of organization

	Percentage of Organization
Parent/Corporate	58.8%
Subsidiary	37.0%
Multi-Division	1.3%
Division	2.9%

Based on responses from 238 organizations

Parent organization ownership

	Percentage of Organization
Publicly Traded on a Stock Exchange	58.4%
Privately Owned Organization	33.2%
Not-for-Profit	8.0%
Joint-Venture	0.4%
State-Owned Enterprise (Crown Corporation)	0.0%

Based on responses from 238 organizations

Full-time equivalents for the most recent completed fiscal year

	Percentage of Organization
Less than 100	4.1%
100 to 500	10.5%
501 to 1000	7.8%
1001 to 5000	40.2%
Over 5000	37.4%

Based on responses from 219 organizations

Super Sector

	Percentage of Organization
Banking/Financial Services	6.3%
Chemicals	5.0%
Consumer Goods	5.9%
Energy	8.0%
Health Care	5.9%
High Tech	8.0%
Insurance/Reinsurance	10.9%
Life Sciences	15.1%
Logistics	1.3%
Mining & Metals	2.1%
Other Manufacturing	8.4%
Other Non-Manufacturing	4.6%
Retail & Wholesale	8.0%
Services (Non-Financial)	8.0%
Transportation Equipment	2.5%

Based on responses from 238 organizations

Survey Participants – Financial Services

2024 Mercer Incentives Around the World used the Mercer's total remuneration survey (n = 156)

Organization Name	Industry	Super Sector	Organization Name	Industry	Super Sector
Advisor Group, Inc.	Financial Technology Solutions	Banking/Financial Services	Empower Annuity Insurance Company of America	Banking/Financial Services Organizations Combination	Banking/Financial Services
AgFirst Farm Credit Bank	Banking/Financial Services Organizations Combination	Banking/Financial Services	Exeter Finance	Consumer Finance & Retail Banking	Banking/Financial Services
Allied Solutions LLC	Financial Services Other	Banking/Financial Services	Farm Credit Bank Of Texas	Corporate & Commercial Banking	Banking/Financial Services
Ally Financial, Inc.	Consumer Finance & Retail Banking	Banking/Financial Services	Farm Credit of Western Arkansas	Financial Services Operations	Banking/Financial Services
American Financial Group, Inc.	Asset Management	Banking/Financial Services	Federal Home Loan Bank of Atlanta	Financial Services Other	Banking/Financial Services
Associated Bank, N.A.	Universal (Diversified) Banking	Banking/Financial Services	Federal Home Loan Bank of Cincinnati	Financial Services Operations	Banking/Financial Services
Atlantic Union Bank	Consumer Finance & Retail Banking	Banking/Financial Services	Federal Reserve Bank of Atlanta	Financial Services Other	Banking/Financial Services
Avantax	Asset Management	Banking/Financial Services	Federal Reserve Bank of Chicago	Financial Services Other	Banking/Financial Services
AvidXchange Holdings, Inc.	Financial Technology Solutions	Banking/Financial Services	Federal Reserve Bank of Cleveland	Financial Services Other	Banking/Financial Services
Bayview Asset Management LLC	Financial Services Other	Banking/Financial Services	Federal Reserve Bank of Dallas	Financial Services Other	Banking/Financial Services
BMO - Bank of Montreal	Consumer Finance & Retail Banking	Banking/Financial Services	Federal Reserve Bank of Kansas City	Financial Services Other	Banking/Financial Services
BMW Financial Services NA, LLC	Consumer Finance & Retail Banking	Banking/Financial Services	Federal Reserve Bank Of Minneapolis	Financial Services Other	Banking/Financial Services
Board of Governors of the Federal Reserve System	Financial Services Other	Banking/Financial Services	Federal Reserve Bank Of Philadelphia	Financial Services Other	Banking/Financial Services
Boeing Employees Credit Union (BECU)	Consumer Finance & Retail Banking	Banking/Financial Services	Federal Reserve Bank of Richmond	Financial Services Other	Banking/Financial Services
BOK Financial Corporation	Corporate & Commercial Banking	Banking/Financial Services	Federal Reserve Bank of St. Louis	Financial Services Other	Banking/Financial Services
Bread Financial Holdings, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services	Fengate Asset Management	Asset Management	Banking/Financial Services
Burke Group	Financial Services Other	Banking/Financial Services	Fidelity Investments	Financial Services Other	Banking/Financial Services
Cambridge Investment Research, Inc.	Financial Services Operations	Banking/Financial Services	Fiduciary Counselling Inc.	Financial Services Other	Banking/Financial Services
Canvas Credit Union	Consumer Finance & Retail Banking	Banking/Financial Services	Fifth Third Bancorp	Consumer Finance & Retail Banking	Banking/Financial Services
Capital One Financial Corp.	Financial Services Operations	Banking/Financial Services	Financial Accounting Foundation Inc.	Financial Services Other	Banking/Financial Services
Citigroup, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services	Financial Industry Regulatory Authority (FINRA), Inc.	Financial Services Other	Banking/Financial Services
City National Bank of Florida	Corporate & Commercial Banking	Banking/Financial Services	First American Financial Corporation	Financial Services Other	Banking/Financial Services
Colorado Public Employees Retirement Association	Financial Services Other	Banking/Financial Services	First Interstate BancSystem, Inc.	Corporate & Commercial Banking	Banking/Financial Services
Commerce Bancshares, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services	First National Bank of Omaha	Consumer Finance & Retail Banking	Banking/Financial Services
Consumers Credit Union	Banking/Financial Services Organizations Combination	Banking/Financial Services	First Western Financial, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services
CO-OP Financial Services	Financial Technology Solutions	Banking/Financial Services	FNZ (UK) Ltd	Asset Management	Banking/Financial Services
Corebridge Financial	Financial Services Other	Banking/Financial Services	Fremont Bank	Consumer Finance & Retail Banking	Banking/Financial Services
Credit Acceptance Corporation	Consumer Finance & Retail Banking	Banking/Financial Services	Fulton Financial Corporation	Banking/Financial Services Organizations Combination	Banking/Financial Services
Cullen/Frost Bankers, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services	GATX Corporation	Corporate & Commercial Banking	Banking/Financial Services
D.A. Davidson Companies	Financial Services Operations	Banking/Financial Services	General Motors Company - General Motors Financial Compa	Consumer Finance & Retail Banking	Banking/Financial Services
Daimler Truck Financial Services USA	Financial Services Operations	Banking/Financial Services	Global Payments, Inc.	Financial Technology Solutions	Banking/Financial Services
Delta Community Credit Union	Consumer Finance & Retail Banking	Banking/Financial Services	GoCardless Ltd	Financial Technology Solutions	Banking/Financial Services
Desert Financial Credit Union	Banking/Financial Services Organizations Combination	Banking/Financial Services	Golden State Farm Credit	Banking/Financial Services Organizations Combination	Banking/Financial Services
Discover Financial Services	Consumer Finance & Retail Banking	Banking/Financial Services	GreenStone Farm Credit Services	Banking/Financial Services Organizations Combination	Banking/Financial Services
Dorilton Capital	Capital Markets	Banking/Financial Services	Hilltop Holdings, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services
Eastern Bankshares, Inc.	Consumer Finance & Retail Banking	Banking/Financial Services	Huntington Bancshares, Inc.	Consumer Finance & Retail Banking	Banking/Financial Services
Elevations Credit Union	Consumer Finance & Retail Banking	Banking/Financial Services	Independent Bank Group, Inc.	Banking/Financial Services Organizations Combination	Banking/Financial Services

See the "MBD Banking Financial Services Participants" Excel for the full list

Survey Participants

Law Firm Data		McLagan Leading Public Pensions Funds
Akin Gump	McDermott	CA Public Employee's Retirement System (CalPERS)
Baker Botts	Will & Emery	California State Teachers' Retirement System
Baker McKenzie	Norton Rose Fulbright	Ohio Public Employee's Retirement System
Caravath	O'Melveny	Oregon Public Employees' Retirement Fund
Cleary Gottlieb	Paul Hastings	State of Wisconsin Inv Board
Covington & Burling	Paul Weiss	Virginia Retirement System
Davis Polk	Proskauer	Washington State Board
Debevoise	Simpson Thacher	
Dechert	Skadden	
Fried Frank	Sidley Austin	
Gibson Dunn	Wachtell	
Hogan Lovells	Vinson & Elkins	
Holwell Shuster	Willkie Farr	
Kirkland	Yetter Coleman	
Mayer Brown		

Competitive Market Assessment

Methodology



The surveys Mercer used to benchmark the 11 roles within the Legal & Compliance department included **Law Firm, Not for Profit, and Private industries.**

Source	Survey	Industry
Mercer	MBD – Benchmark Database 4/1/2023	Not-for-Profit (Public)
McLagan	United States Financial Services – Infrastructure 4/1/2023	Private & Public
Towers Watson	General Industry 4/1/2023	Not-for-Profit (Public)
Law Firm Data	Representative of US Big Law firms	Law Firm (Private)

Legal Function and Inclusion in Incentive Plans

- Increasingly, the legal function is being included in state pension incentive plans to aid in offering a more competitive compensation package
 - The work being done by the investment teams requires a lot of legal expertise
 - Either that expertise comes from outside law firms or from internal resources.
 - Doing it in-house is much more economical, but requires expertise to do the work
 - The most common recruiting ground for that expertise is private organizations (Law firms generally)
 - Compensation for those roles in the private sector is substantial, so in order to recruit them, state pensions must offer a competitive package, which is more easily done through a combination of salary and incentives
- Public Plans that include at least the General Counsel in their incentive plan:
 - SBA Florida, SWIB, CALPERS, UTIMCO, Texas Permanent School Fund, ERS Texas, Colorado PERA, and Maine PERS
- Public Plans that include at key members of the legal team (i.e. attorneys) in their incentive plan:
 - SBA Florida, SWIB, UTIMCO, ERS and Colorado PERA
- The overwhelming majority of law firms include attorneys in an annual incentive plan
- Similarly, private organizations (Banks, private equity, corporations) almost always include attorneys in their annual incentive plan

