

Office of the President

TO MEMBERS OF THE GOVERNANCE AND COMPENSATION COMMITTEE:

ACTION ITEM

For Meeting of May 17, 2017

APPROVAL OF APPOINTMENT OF AND COMPENSATION USING NON-STATE FUNDS FOR EDUARD VAN GELDEREN AS SENIOR MANAGING DIRECTOR, OFFICE OF THE CHIEF INVESTMENT OFFICER AS DISCUSSED IN CLOSED SESSION

EXECUTIVE SUMMARY

The President of the University recommends approval for the appointment of and compensation using non-State funds for Eduard van Gelderen as Senior Managing Director, Office of the Chief Investment Officer, effective no earlier than June 1, 2017. This position will report directly to the Chief Investment Officer.

Following a worldwide open recruitment, Mr. van Gelderen emerged as the top candidate for this role. Consistent with policy, the proposed base salary being near the 75th percentile of the Market Reference Zone is reflective of the limited talent pool and competitiveness of the market for strong investment management expertise. Additionally, Mr. van Gelderen has deep and broad experience and a unique skill set in that he has directly managed three complex product types: pension, public equity, and real assets. As a point of comparison, the California Public Employees' Retirement System (CalPERS) chief investment officer in 2016 had total pay of \$768,309 and 15 CalPERS managing directors and directors had total pay ranging from \$416,000 to \$626,000. The California State Teachers' Retirement System (CalSTRS) chief investment officer had 2016 total pay of \$650,971 and six other CalSTRS executives had total pay ranging from \$440,000 to \$638,000.¹

Mr. van Gelderen has been a member of the Executive Board as Chief Investment Officer (CIO) of APG Groep N.V. since September 1, 2014. Mr. van Gelderen is also the Statutory Director and Chief Executive Officer of APG Asset Management, a pension fund investment management company representing \$480 billion in assets. Previously, he held positions as Deputy-CIO at ING Investment Management and Head of Investments at Lombard Odier Darier Hentsch. During the first eight years of his career, he held different investment banking positions in Amsterdam and London. Mr. van Gelderen holds various ancillary positions. He is Chairman of the advisory board of the investment committee of the Instituut Gak, Chairman of Conspect Trust, and a member of the Advisory Council of the AQR Asset Management Institute at the London

¹ Information taken from the online database Transparent California for 2016.

Business School. Mr. van Gelderen will comply with current Outside Professional Activity (OPA) policies. Mr. van Gelderen studied quantitative finance at the Erasmus University in Rotterdam and Asset Liability Management at the University of Maastricht. He also is a Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM).

As Senior Managing Director, Mr. van Gelderen will report directly to the Chief Investment Officer. Mr. van Gelderen will have the following key responsibilities:

- (1) Product Manager for the \$56 billion UC Pension.
- (2) Oversight of the \$52 billion Public Equity program. This is the single largest asset class across the Office of the Chief Investment Officer and is a significant driver of added value. Mr. van Gelderen will apply his significant experience in leading and restructuring Public Equity portfolios.
- (3) Oversight of over \$1 billion in the Real Assets program. Mr. van Gelderen has a strong background and professional interest in Real Assets, which will contribute greatly as the University looks to expand this asset class.
- (4) Growing the University's investment portfolio. Mr. van Gelderen's European investment relationships will be a key factor in achieving growth for the portfolio that is currently predominantly US-based.

In light of Mr. van Gelderen's deep experience and unique skill set, and because of the very scarce candidate pool and competitive market, the proposed base salary of \$393,000 is necessary to attract him to the position. It is 0.4 percent below the 75th percentile (\$394,000) of the Market Reference Zone (MRZ) for this position. The recommended base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation. As indicated in Regents Policy 7701: "Salaries near the 75th percentile of the MRZ will be assigned to SMGs who are very experienced and have a unique skill set. In addition, a salary near the 75th percentile may be assigned where the SMG's position is moderately broader or more complex in scope than that of peer positions or the benchmark position(s) used in surveys of the applicable market. A salary near the 75th percentile may also be assigned in situations where the talent pool for the position is limited and/or very competitive." Mr. Van Gelderen's H-1B non-immigrant visa has been approved, therefore he can be appointed following approval of this action.

RECOMMENDATION

The President of the University recommends that the Governance and Compensation Committee recommend to the Regents approval of the following items in connection with the appointment of and compensation for Eduard van Gelderen as Senior Managing Director, Office of the Chief Investment Officer:

- A. Per policy, appointment of Eduard van Gelderen as Senior Managing Director, Office of the Chief Investment Officer, at 100 percent time.

- B. Per policy, an annual base salary of \$393,000, using non-State funds.
- C. Per policy, beginning in the 2017-18 Plan Year, eligibility to participate in the Office of the Chief Investment Officer Annual Incentive Plan (AIP) with a target award of 60 percent of base salary (\$235,800) and a maximum potential award of 120 percent of base salary (\$471,600). The actual award will be determined based on performance against pre-established objectives and may be pro-rated in his first year of participation based on the date of hire. The award is paid over a three-year period. The first half of the award is paid after the conclusion of the first plan year. The remaining half is paid in two equal payments when awards are paid in each of the next two plan years.
- D. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service).
- E. Per policy, monthly contribution to the Senior Management Supplemental Benefit Program.
- F. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- G. Per policy, house-hunting trip reimbursement for Mr. van Gelderen and his spouse or domestic partner, subject to the limitations under policy.
- H. Per policy, reimbursement of temporary housing-related expenses actually and reasonably incurred, subject to the limitations under policy.
- I. Per policy, reimbursement of actual and reasonable expenses associated with moving Mr. van Gelderen's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- J. This action will be effective no earlier than June 1, 2017.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: No earlier than June 1, 2017

Annual Base Salary: \$393,000

Chief Investment Officer Annual Incentive Plan (AIP): \$235,800 (at 60 percent target rate)

Target Cash Compensation:* \$628,800

Funding: Non-State-funded

Budget &/or Prior Incumbent Data

Title: Senior Managing Director, Public Equities Investments

Base Salary: \$321,360

Chief Investment Officer Annual Incentive Plan (AIP): \$192,816 (at 60 percent target rate)

Target Cash Compensation:* \$514,176

Funding: Non-State-funded

* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

**COMPETITIVE ANALYSIS FOR SENIOR MANAGING DIRECTOR, OFFICE OF THE CHIEF
INVESTMENT OFFICER**

(MRZ TITLE: SENIOR MANAGING DIRECTOR, PUBLIC EQUITY INVESTMENTS)

Percentiles	MARKET REFERENCE ZONE FOR BASE SALARY					Percentiles	MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
	25 th	50 th	60 th	75 th	90 th		25 th	50 th	60 th	75 th	90 th
Market Data	\$268K	\$315K	\$355K	\$394K	\$531K	Market Data	\$429K	\$574K	\$701K	\$829K	\$2,111K
% Difference from Market	46.6%	24.8%	10.7%	-.03%	-26.0%	% Difference from Market	46.6%	9.5%	-10.3%	-24.2%	-70.2%

Survey Sources: Western Management Group (WMG) Education Survey, Mercer Treasury Survey

The compensation described above shall constitute the University's total commitment until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: President Napolitano

Reviewed by: Governance and Compensation Committee Chair Reiss
Office of the President, Human Resources