

COMMITTEE ON COMPENSATION

ACTION ITEM

For Meeting of January 23, 2014

APPROVAL OF TOTAL COMPENSATION FOR JAGDEEP S. BACHHER AS CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION

Background to Recommendation

Following an international search, Jagdeep S. Bachher was selected as the top candidate for the position of Chief Investment Officer and Vice President – Investments, Office of the President.

The Chief Investment Officer is responsible for managing over \$80 billion in assets for the University's pension, endowment, short-term and Total Return investment pools. Given the critical importance of meeting the University's pension obligations and guiding the growth of its endowment, the international search focused on senior-level leaders in the investment management arena with a high level of strategic and technical expertise and a strong reputation in the industry.

Mr. Bachher has been with Alberta Investment Management Corporation (AIMCo) since 2009, currently as its Executive Vice President, Venture and Innovation, and previously serving as Deputy Chief Investment Officer and Chief Operating Officer. AIMCo is one of Canada's largest and most diversified institutional investment fund managers, with a portfolio of approximately \$70 billion. It is governed by an independent board of directors and invests for public sector pension plans, provincial endowment and government funds.

Mr. Bachher also worked at ManuLife Financial in Boston, serving as President and Chief Investment Officer of JH Investments (Delaware) LLC, and in Toronto as Assistant Vice President of MFC Global Investment Management.

Mr. Bachher has written extensively about investment strategy. Although he is taking a substantial reduction in total compensation to join the University, he looks forward to taking part in UC's mission, drawing on the significant academic resources of the University, and contributing to the University's community of scholars.

Mr. Bachher has a Ph.D. in management sciences from the University of Waterloo in Ontario, Canada, and is Chairman Emeritus of the Institutional Investors Roundtable, a group of global institutional investors representing over \$2 trillion in assets under management.

Recommendation

The Committee recommends that, contingent upon Jagdeep S. Bachher's appointment by the Regents as Chief Investment Officer and Vice President – Investments and effective with his start date on or about April 1, 2014, the following items be approved in connection with that appointment:

- (1) Per policy, an annual base salary of \$615,000, to be funded by non-State sources.
- (2) Per policy, eligible to participate in the Office of the Chief Investment Officer Annual Incentive Plan (AIP) with a target award of 100 percent of base salary (\$615,000) and a maximum potential award of 165 percent of base salary (\$1,014,750). Actual award will depend on performance against pre-established objectives. The awards are paid over a three-year period, with one-half paid in the first year and the remainder equally deferred over the next two years.
- (3) As an exception to policy, for the 2013-14 Plan Year, eligible to receive an AIP award of up to \$153,750 for his partial-year service of approximately three months, contingent upon satisfactory performance during this period. This is an exception to policy because the AIP Plan document provides that employees must have a start date no later than January 15 to be eligible to receive an AIP award for that Plan Year.
- (4) Per policy, a monthly contribution of five percent of base salary to the Senior Management Supplemental Benefit Program.
- (5) Per policy, annual automobile allowance of \$8,916.
- (6) Per policy, a relocation allowance of 25 percent of base salary (\$153,750), which is intended to offset additional unreimbursed expenses associated with accepting the University's offer and relocating at the request of the University. The relocation allowance will be paid in equal annual installments of \$38,437.50 over four years, subject to the limitations under policy. Any unpaid relocation allowance amounts will be forfeited at the time of separation.
- (7) Per policy, a hiring bonus of five percent of base salary (\$30,750), to be paid in annual installments of \$7,687.50 over four years, subject to the limitations under policy. Any unpaid hiring bonus amounts will be forfeited at the time of separation.
- (8) Per policy, 100 percent reimbursement of actual and reasonable expenses associated with moving Mr. Bachher's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- (9) Per policy, reimbursement for up to two house-hunting trips for Mr. Bachher and his spouse or partner to secure housing in the San Francisco Bay area, subject to the limitations under policy.

- (10) Per policy, reimbursement of reasonable travel expenses for all business-related visits to the Office of the President prior to Mr. Bachher’s official start date.
- (11) Per policy, eligible to participate in the UC Home Loan Program, subject to all applicable program requirements.
- (12) Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- (13) Per policy, standard pension and health and welfare benefits (including senior management life insurance and executive salary continuation for disability).

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: On or about April 1, 2014

Base Salary: \$615,000

Annual Incentive Plan (AIP) award (at target rate of 100 percent of base salary): \$615,000

Target Cash Compensation:* \$1,230,000

Funding: non-State-funded

Budget &/or Prior Incumbent Data

Title: Chief Investment Officer and Vice President – Investments

Base Salary: \$470,000

Annual Incentive Plan (AIP) award (at target rate of 100 percent of base salary): \$470,000

Target Cash Compensation:* \$940,000

Funding: non-State-funded

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

COMPETITIVE ANALYSIS FOR CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS

MARKET REFERENCE ZONE FOR BASE SALARY						MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
Percentiles	25 th	50 th	60 th	75 th	90 th	25 th	50 th	60 th	75 th	90 th
Market Data	\$428K	\$485K	\$524K	\$583K	\$678K	\$917K	\$1,360K	\$1,570K	\$1,886K	\$2,202K
% Difference from Market	43.7%	26.8%	17.4%	5.5%	-9.3%	34.1%	-9.6%	-21.7%	-34.8%	-44.1%

Survey Source: Mercer – Office of the Chief Investment Officer Compensation Assessment

The compensation described above shall constitute the University’s total commitment until modified by the Regents, the President, or the Chancellor, 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: Committee on Compensation Chair Kieffer
Office of the President, Human Resources