

Office of the President

TO MEMBERS OF THE GOVERNANCE AND COMPENSATION COMMITTEE:

ACTION ITEM

For Meeting of January 17, 2019

APPROVAL OF INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2017-18 FOR JAGDEEP SINGH BACHHER AS CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION

EXECUTIVE SUMMARY

The President of the University requests approval of an incentive award of \$490,985 payable in three annual installments for Jagdeep Singh Bachher, Chief Investment Officer (CIO) and Vice President – Investments for the 2017-18 Plan Year. This award falls under the Office of the Chief Investment Officer Annual Incentive Plan (AIP) and will be funded entirely through investment returns, using no State funds.

Assets under management by the Office of the Chief Investment Officer total \$118.7 billion for the Plan Year ending June 30, 2018. The proposed award of \$490,985 has been reviewed by the President, as well as approved by the Administrative Oversight Committee (AOC) established by the Board of Regents and consisting of the members as stated in the plan document. Per policy, the award for the Chief Investment Officer requires Regental approval in addition to approval by the AOC. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services as directed by the Chief Compliance and Audit Officer.

The AIP is a performance-based incentive plan that places a certain amount of pay at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers' Retirement System (CalSTRS), the California Public Employees' Retirement System (CalPERS), and other large public pension funds and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value.

Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

RECOMMENDATION

The Committee recommends to the Regents approval of an incentive award of \$490,985 for Plan Year 2017-18, under the Office of the Chief Investment Officer Annual Incentive Plan (AIP), for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments, Office of the President. The recommended incentive award represents 75.252 percent of Mr. Bachher’s annual base salary of \$652,454.

Recommended Compensation

Effective Date: upon Regents’ approval

Base Salary: \$652,454

AIP Award: \$490,985 (75.252 percent of base salary)

Base Salary Plus Recommended AIP Award: \$1,143,439

Funding: non-State-funded

Prior Year Data (2016-17 Plan Year)

Effective Date: upon Regents’ approval

Base Salary: \$652,454

AIP Award: \$1,013,959 (155.407 percent of base salary)

Base Salary Plus Recommended AIP Award: \$1,666,412

Funding: non-State-funded

The incentive compensation described above shall constitute the University’s total commitment regarding incentive compensation 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 Sherman
Office of the President, Systemwide Human Resources