

# Performance Incentive Compensation (PIC) Plan For FYE June 30, 2013

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# PIC Plan Background

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- RSIC hired McLagan (industry-leading compensation consultant) in early 2012 to evaluate the PIC plan
- PIC plan approved at 3/23/12 Commission meeting
- Compensation Policy adopted at 5/17-18/12 Commission meeting
- Payment of PIC FYE 6/30/12 was made in Oct 2012
- No changes to plan terms/mechanics for FYE 6/30/13



# Additional Background

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- Only Investment Staff are eligible, not Ops Staff
- Max Opportunity and final payout depends on factors such as position classification and performance (both for plan and individual)
- Approved Max Opportunity per Appendix B of Plan:
  - CIO, Deputy CIO and Directors: 100% of base salary
  - Officers: 80% of base salary
  - Analysts: 60% of base salary
- Have to be employed when paid
- Net returns need to exceed Policy Benchmark:
  - Policy Benchmark: Composite return if assets invested in index funds or other passive investments with weights per AIP allocations
  - Reflects additional value of investment staff decisions
  - Payout based on performance over multi-year periods (1, 2, 3 and 5)

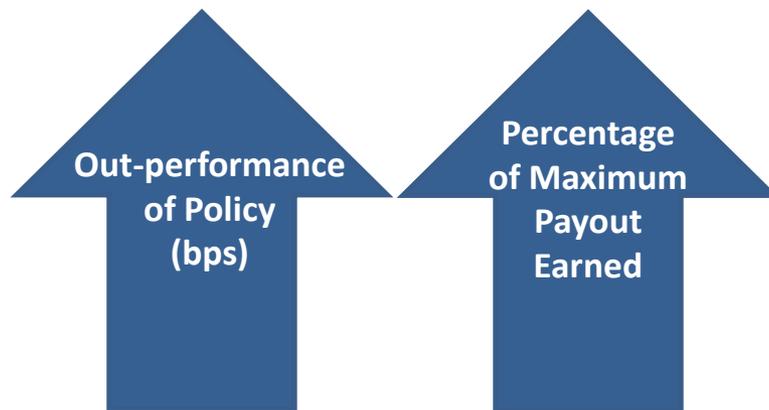
# RSIC PIC Plan Key Mechanics Summary

## Near the Beginning of Each Fiscal Year:

- Identify maximum incentive opportunities**
  - Expressed as a % of base salary, incentive maximums would vary by position.
- Weight maximum incentives to stand-alone performance/incentive components-Example:**

Weighting of Maximum Incentives		
	% of Total	Max \$s
1-Year Relative Performance	20%	\$10,000
3-Year Relative Performance	30%	15,000
5-Year Relative Performance	50%	25,000
<b>Total</b>	<b>100%</b>	<b>\$50,000</b>

- Confirm Performance-Award Scale: 0-50 bps**
  - The scale translates specific bps of out-performance to specific incentive payouts.



## After the End of Each Fiscal Year:

- Measure performance and determine what percentage of maximum incentives are earned (50 bps = 100%)**

Measure Performance and Determine Payouts					
	Performance		Payout	Maximum \$s	Earned \$s
	(illustrative)		(per scale)		
1-Year	+20 bps	→	0.40	x \$10,000 =	\$4,000
3-Year	+55 bps	→	1.00	x 15,000 =	15,000
5-Year	+40 bps	→	0.80	x 25,000 =	20,000
<b>Total</b>				<b>\$50,000</b>	<b>\$39,000</b>

- Pay Out Award:**

- If total fund one-year absolute returns are positive, awards are paid out in cash.
- If total fund one-year absolute returns are between 0% and -10%, the Commission retains the discretion to pay out or mandatorily defer earned awards. Deferred awards, if any, are paid out after the end of the first year of positive absolute returns. While deferred, awards accrue “interest” at the total fund’s annual rate of return, positive or negative.
- If total fund one-year absolute returns are less than -10%, earned awards for that fiscal year are forfeited.

# Result: Net Actual Plan Returns Versus Policy Returns

**Net Plan returns exceeded Policy Benchmark returns by at least 50 bps for all measurement periods under the PIC Plan:**

	Plan Returns	Policy Returns	Outperformance
One Year	9.99%	 8.13%	186 bps
Two Years	5.07%	 4.28%	79 bps
Three Years	9.30%	 8.40%	90 bps
Five Years	3.76%	 2.84%	92 bps

**Above Plan returns are per BNY. HEK reviewed, no material differences.**

# PIC Summary

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- As required, HEK has validated both the Plan returns and compliance with AIP
- 14 Investment Staff are eligible based on their hire date and when they joined Investment Team
- Total PIC payment is \$1,400,645
- Calculation based on all Investment staff including CIO paid at the Max Opportunity
- Calculation was reviewed and validated by Internal Audit & Compliance
- Upon Commission approval, will send package to Comptroller General for payment