



JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
INVESTMENT MANAGEMENT DIVISION

KEVIN SIGRIST
CHIEF INVESTMENT OFFICER

Update on DST Market-Oriented Compensation Plan and New Positions

January 11, 2016

1. **August 2014.** The Appropriations Act of 2014 authorized:
 - a. 10 new investment positions, which became available for posting in November 2014.
 - b. A market-oriented compensation plan for DST employees possessing specialized skills/knowledge necessary for the proper administration of investment programs.
 - c. Exempting employees covered by the market-oriented compensation plan from OSHR classification and compensation rules and effectively making those employees "at-will".
 - d. Roughly \$2 million to support the new market-oriented compensation plan.
2. **November 2014 – February 2015.** Mercer Consulting conducted a study of public pension funds' pay practices with input from DST, Investment Advisory Committee, and OSHR.
3. **February 18, 2015.** Mercer Consulting reviewed final recommendations with the Investment Advisory Committee and DST:
 - a. Identifying positions Mercer Consulting deemed investment-related.
 - b. A new 16-grade structure with no bonus mechanism and salary midpoints modestly above public pension fund peer medians.
 - c. Methods to link pay-to-performance in the absence of bonuses.
 - d. Moving employees to mid-point upon final approval of the plan (i.e., not phasing-in).
4. **February 27, 2015.** State Treasurer sent a letter to the General Assembly communicating the structure of the new market-oriented compensation plan, rules for individual adjustments, approximate impact/cost by position and in aggregate, and Mercer Consulting's reports.
5. **June 1, 2015.** State Treasurer implemented the new market-oriented compensation plan.
 - a. 45 positions were reclassified, of which 26 were filled and the rest were in hiring status.
 - b. About 60% of the salary adjustments targeted line-level and supervisor positions.
 - c. Excluding Fixed Income staff, relative to the new range midpoints: 19% were above, 43% equal, and 38% less.
 - d. Total cost for filled positions was roughly \$1.3 million with a median increase of 17% (\$44,813) and a range of increases 0% to 102% (\$13,750 to \$87,872).
6. **January 8, 2016.** Of the 10 new positions: 7 are filled, 1 hiring package is being assembled, and 2 positions are in interview status.

We are extremely grateful for the General Assembly's strong partnership in providing additional resources and the flexibility to address long-standing and significant human capital risks in the Department's administration of state investment programs. The support of the General Assembly is key to promoting achievement of the long-term investment objectives for the \$90 billion North Carolina Retirement Systems. We all share the goal of improving the financial security of our public employee retirees by maintaining a cost-effective investment program.