



**Investment Advisory Council  
Compensation Subcommittee Conference Call  
September 14, 2021**



**Agenda**  
**Investment Advisory Council (IAC) Compensation**  
**Subcommittee Conference Call**

**Tuesday, September 14, 2021**

- 
- |  |  |
|--|--|
| 1. <b>Welcome/Call to Order/Approval of Minutes of September 24, 2020 Meeting</b><br><b>(Attachments 1A and 1B)</b>                            | Vinny Olmstead, Chair                        |
| 2. <b>Opening Remarks</b>  | Vinny Olmstead, Chair                        |
| <b>Opening Remarks</b>   | Ash Williams,<br>Executive Director &<br>CIO |
| 3. <b>Recap of ED/CIO's FY 2020-21 Incentive Plan Design</b><br><b>(Attachment 2)</b>  | Josh Wilson, Merer                           |
| 4. <b>Presentation of Results of ED/CIO's Evaluation and Mercer's Salary Recommendation</b><br><b>(Attachments 3A, 3B, Appendix to 3B, 3C)</b> | Josh Wilson, Merer                           |
| 5. <b>Discussion of Evaluation Results by Subcommittee</b>   | Vinny Olmstead, Chair                        |
| 6. <b>Formulation of Recommendation to IAC and Trustees</b>  | Vinny Olmstead, Chair                        |
| 7. <b>ACTION REQUESTED: Approval of Recommendation</b>   | Vinny Olmstead, Chair                        |
| 8. <b>SBA Incentive Compensation Plan Follow-up</b><br><b>(Attachment 4)</b>   | Lamar Taylor, COO/CFO<br>Alison Romano, DCIO |
| 9. <b>Other Business/Audience Comments/Closing Remarks/Adjournment</b><br><b>(Attachment 5, Information Only)</b>                              |  |

# **Attachment 1A**

**MINUTES**  
**INVESTMENT ADVISORY COUNCIL**  
**COMPENSATION SUBCOMMITTEE CONFERENCE CALL**  
**September 24, 2020**

A special meeting of the Investment Advisory Council (IAC) Compensation Subcommittee was held on Thursday, September 24, 2020, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the September 24, 2020 meeting is hereby incorporated into these minutes.

IAC Members:        Vinny Olmstead, Chair (Via telephone)  
                              Chuck Cobb (Via telephone)  
                              Peter Collins (Via telephone)  
                              Gary Wendt (Via telephone)  
                              Peter Jones (Via telephone)

SBA Employees:      Ash Williams, Executive Director and CIO  
                              Alison Romano  
                              Kent Perez  
                              Lamar Taylor  
                              Randy Harrison  
                              John Kuczwanski

Consultants:         Jon Mason – Mercer (Via telephone)  
                              Josh Wilson – Mercer (Via telephone)

**WELCOME/CALL TO ORDER/APPROVAL OF MINUTES OF SEPT. 3, 2019 MEETING**

The meeting was called to order at 1:00 PM. Mr. Vinny Olmstead, Chair, IAC Compensation Subcommittee, welcomed everyone. Mr. Olmstead thanked the other comp committee members (Gary Wendt, Peter Collins, Ambassador Cobb, and Peter Jones who had also participated over the last couple of years), for their participation.

Mr. Olmstead made a motion to approve the minutes from the September 3, 2019 IAC Compensation Subcommittee conference call; Mr. Peter Collins and Ambassador Cobb seconded the motion. The minutes were unanimously approved.

**OPENING REMARKS**

Mr. Olmstead made opening remarks stating that the work of the committee should go smoothly as the members on the committee have been serving for at least three years, some longer. Specifically thanked Ambassador Cobb for his service as it will be his last year on the IAC. Mr. Olmstead also stated that Mercer would be participating in the meeting as they have since approximately 2012. Mr. Olmstead reminded all that the purpose of today's meeting is to make compensation recommendations exclusively for the director and CIO,

Ash Williams.

Mr. Ash Williams, ED/CIO, reported that the plan has drawn attention and emulation from other plans around the country and a handful in jurisdictions outside of the U.S. Mr. Williams said that he and Vinny had discussed the possibility of the comp committee doing an overall look at the incentive compensation plan of the SBA, not just the ED/CIO piece, but the overall plan. Mr. Williams reported that things have continued to run smoothly at the SBA, while functioning largely remotely and in recent days have seen a bit of evolution in the investment environment. Mr. Williams briefly reported that Alison Romano has started as the Deputy CIO since the last comp subcommittee meeting and that she has distinguished herself in that role.

Mr. Olmstead asked a brief question regarding audited final numbers. Mr. Williams explained the three qualifications which must be met regarding the incentive comp plan. Additional questions were asked by Mr. Peter Collins, Ambassador Cobb, and Mr. Olmstead as a result of Mr. Williams answer to the original question regarding audited final numbers. Mr. Williams answered those questions.

#### **RECAP OF ED/CIO'S FY2019-20 INCENTIVE PLAN DESIGN**

Mr. Jon Mason discussed in more detail the construct of the incentive compensation plan and thanked Mr. Williams for his explanation of same. Numerous questions were raised regarding the incentive compensation plan and the need for additional studies. Those questions by committee members were answered by Mr. Mason, Mr. Josh Wilson, Mr. Williams, and Mr. Taylor.

#### **PRESENTATION OF RESULTS OF ED/CIO'S EVALUATION AND MERCER'S SALARY RECOMMENDATION**

Mr. Mason discussed the results of the ED/CIO evaluation and explaining that there were high performance scores for Mr. Williams and positive comments for the job that Mr. Williams is doing. He provided details on the evaluation process.

#### **FORMULATION OF RECOMMENDATION TO IAC AND TRUSTEES and ACTION REQUESTED: APPROVAL OF RECOMMENDATION**

After much discussion of the plan, Ambassador Cobb made a motion for a 3% salary increase, with additional discussion on the discretionary bonus. The motion was seconded by Mr. Collins; unanimously approved by the committee. Additionally, Mr. Olmstead proposed that Mr. Williams be given the maximum of the individual component and propose they push through the max. Mr. Collins made the motion; motion passed unanimously.

#### **OTHER BUSINESS/AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURNMENT**

Mr. Williams thanked everyone for their support and understanding and reiterated that interaction with various groups would be better going forward

Ambassador Cobb suggested that the full nine-person board should start the incentive compensation plan review that Mr. Williams discussed. All members were in favor of same.

Mr. Olmstead was nominated and approved as continuing chair of the compensation subcommittee.

The meeting adjourned at 2:46 p.m.

---

Vinny Olmstead, Chair  
IAC Compensation Subcommittee

Dated: \_\_\_\_\_

# **Attachment 1B**

STATE BOARD OF ADMINISTRATION OF FLORIDA INVESTMENT ADVISORY COUNCIL

---

September 24, 2020

---

PHIPPS REPORTING

*Raising the Bar!*



STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL

COMPENSATION SUBCOMMITTEE

WEB CONFERENCE CALL

THURSDAY, SEPTEMBER 24, 2020  
1:10 P.M. - 2:46 P.M.

1801 HERMITAGE BOULEVARD  
HERMITAGE ROOM, FIRST FLOOR  
TALLAHASSEE, FL 32308

Stenographically Reported By:  
JO LANGSTON, RPR

Job No. : 152714

<p style="text-align: right;">Page 2</p> <p style="text-align: center;">APPEARANCES</p> <p>IAC MEMBERS:</p> <p>VINNY OLMSTEAD, CHAIR</p> <p>CHUCK COBB</p> <p>PETER COLLINS</p> <p>GARY WENDT</p> <p>PETER JONES</p> <p>SBA EMPLOYEES:</p> <p>ASH WILLIAMS, EXECUTIVE DIRECTOR AND CIO</p> <p>ALISON ROMANO</p> <p>KENT PEREZ</p> <p>LAMAR TAYLOR</p> <p>RANDY HARRISON</p> <p>JOHN KUCZWANSKI</p> <p>CONSULTANTS:</p> <p>JON MASON - (Mercer)</p> <p>JOSH WILSON - (Mercer)</p>	<p style="text-align: right;">Page 3</p> <p>1 INVESTMENT ADVISORY COUNCIL</p> <p>2 COMPENSATION SUBCOMMITTEE</p> <p>3 WEB CONFERENCE CALL</p> <p>4 * * *</p> <p>5 MR. OLMSTEAD: Let's kick it off. So Vinny</p> <p>6 Olmstead, chairman of the IAC committee and would</p> <p>7 love to call this meeting to order. So let's</p> <p>8 start by taking care of some administrative</p> <p>9 items. First of all, I want to thank the comp</p> <p>10 committee members, Gary Wendt, Peter Collins and,</p> <p>11 of course, Ambassador Cobb and also Peter Jones,</p> <p>12 who has sat in the last couple of years. We're</p> <p>13 appreciative of that.</p> <p>14 First hand of business is the minutes. So I</p> <p>15 have reviewed those in detail. I think they were</p> <p>16 September 3rd, 2019. And, yes, Gary Wendt, you</p> <p>17 were there. And so I'd love to move the minutes</p> <p>18 as of that date, if everybody has had a chance to</p> <p>19 review them and I can get a second.</p> <p>20 MR. COLLINS: Second. You're on mute, Gary.</p> <p>21 MR. COBB: Second. Chuck Cobb, second.</p> <p>22 MR. OLMSTEAD: All in favor?</p> <p>23 (Ayes)</p> <p>24 MR. OLMSTEAD: So for the court reporter,</p> <p>25 we're all unanimous on passing those minutes. We</p> <p>have a agenda that hopefully won't take the full</p>
<p style="text-align: right;">Page 4</p> <p>1 hour and a half. It's sort of broken into a few</p> <p>2 pieces. One is quick opening remarks by Ash and</p> <p>3 myself. Looking forward to the review by Mercer,</p> <p>4 from Josh, and then we'll discuss, and I'm sure</p> <p>5 along the way there will be a good amount of</p> <p>6 discussion during the Mercer conversation also</p> <p>7 with all of the compensation committee members.</p> <p>8 So I will kick off real quick with a few</p> <p>9 opening comments. And the first one I wanted to</p> <p>10 make mention of on the policy side and why this</p> <p>11 may go smoothly is that the folks who are on the</p> <p>12 committee have been here for at least three years</p> <p>13 and some longer. So we do have an understanding</p> <p>14 of what's happening with this compensation</p> <p>15 committee and how it works, and so appreciate,</p> <p>16 you know, volunteering your time to do that.</p> <p>17 It may be Ambassador Cobb's last year doing</p> <p>18 it, so I think it's important to thank him for</p> <p>19 his leadership and significant contribution in so</p> <p>20 many ways. I did want to note that. His</p> <p>21 insights are always invaluable because he has a</p> <p>22 long history and good insight on this. So thank</p> <p>23 you, Ambassador Cobb.</p> <p>24 MR. COBB: I thought I resigned a year ago.</p> <p>25 The chief financial officer doesn't seem to be</p>	<p style="text-align: right;">Page 5</p> <p>1 able to find a replacement.</p> <p>2 MR. OLMSTEAD: You're hard to replace, so I</p> <p>3 understand. And just for perspective, this plan</p> <p>4 has been underway long before I was part of this</p> <p>5 and many of us here and with Ash and with Mercer</p> <p>6 and others. So it's a very carefully thought-out</p> <p>7 plan that seems to be doing what it set out to</p> <p>8 do, which two primary things are let's retain our</p> <p>9 performance employees so that we continue to</p> <p>10 perform as a whole; and, secondly, that we can</p> <p>11 attract talented professionals. And we're</p> <p>12 certainly doing that.</p> <p>13 As a quick testament, not only does it seem</p> <p>14 to be working for the IAC, but there are other</p> <p>15 programs in the state of Florida, such as</p> <p>16 Division of Bond Finance and the Florida Prepaid</p> <p>17 tuition program that are emulating the very comp</p> <p>18 plan that was carefully rolled out. So nice job</p> <p>19 on that.</p> <p>20 I think, as I mentioned, Mercer will be</p> <p>21 here. Mercer, I think, has been around since</p> <p>22 2012 advising on compensation, even in the design</p> <p>23 of the comp plan. At one point along the way or</p> <p>24 multiple points along the way, they presented 15</p> <p>25 or more times in public meetings. So they have a</p>

<p style="text-align: right;">Page 6</p> <p>1 good history hear also that, as an independent</p> <p>2 firm, is great and keeps this compensation</p> <p>3 committee that will certainly ebb and flow over</p> <p>4 the years, it's nice to have some consistency</p> <p>5 there.</p> <p>6 As a quick refresher, this is a call to make</p> <p>7 compensation recommendations exclusively for the</p> <p>8 director and CIO, Ash. There are, again, as a</p> <p>9 refresher -- and Mercer will get into some more</p> <p>10 detail later -- there is a couple of components,</p> <p>11 the variable pay, which is the organizational or</p> <p>12 the formulaic compensation, which is 85 percent</p> <p>13 of the plan, and then there's an individual for</p> <p>14 15 percent of his overall variable compensation</p> <p>15 that is based on the feedback from this</p> <p>16 committee, which is where we'll focus a good part</p> <p>17 of our time.</p> <p>18 So the second piece for us to really</p> <p>19 contemplate is any changes in the base salary for</p> <p>20 the executive. So, again, our goal will be to</p> <p>21 focus on conversation around the 15 percent and</p> <p>22 around the base piece of it. And I think the</p> <p>23 other important piece to note is that the intent</p> <p>24 of this committee is to make a recommendation,</p> <p>25 but ultimately the final action is reserved for</p>	<p style="text-align: right;">Page 7</p> <p>1 the SBA trustees.</p> <p>2 So with that, I will then -- that's just a</p> <p>3 highlight, quick overview, and I will hand it off</p> <p>4 to Ash before we hand it off to Mercer.</p> <p>5 MR. WILLIAMS: Thank you, Mr. Chairman. And</p> <p>6 I guess what I would share with the group is, the</p> <p>7 history of this plan is such that, number one, it</p> <p>8 has served our interest here in Florida, as I</p> <p>9 think all of you will probably agree from what</p> <p>10 you've seen in the IAC.</p> <p>11 But it has also been a plan that has drawn</p> <p>12 attention and emulation from other plans, not</p> <p>13 only -- other organizations, not only those like</p> <p>14 the Division of Bond Finance and Florida Prepaid</p> <p>15 program that Vinny mentioned a moment ago, but</p> <p>16 also other funds around the country and a handful</p> <p>17 in other jurisdictions outside of the U.S. So</p> <p>18 it's actually a very, very professional design</p> <p>19 that's very consistent with best practice.</p> <p>20 One of the things that Vinny and I talked</p> <p>21 about briefly the other day when we were</p> <p>22 preparing for this call was the idea of the comp</p> <p>23 committee potentially doing an overall look at</p> <p>24 the incentive compensation plan of the SBA, not</p> <p>25 just my piece but look at the overall plan</p>
<p style="text-align: right;">Page 8</p> <p>1 design, which obviously was born out of the</p> <p>2 compensation subcommittee and the original work</p> <p>3 going back to 2012. I think that's completely</p> <p>4 prudent and doing so about every five years, just</p> <p>5 looking at the design, reviewing the original</p> <p>6 concepts (inaudible), how it's actually</p> <p>7 performed, have best practices changed over the</p> <p>8 period of time that it's been in existence, have</p> <p>9 our needs evolved in any way, et cetera.</p> <p>10 So that's probably a good thing to do over</p> <p>11 the next year or so. And to the extent the</p> <p>12 subcommittee feels there should be changes, then</p> <p>13 we would certainly work with everybody to get</p> <p>14 those done and propose them to the trustees. The</p> <p>15 incentive compensation plan for the board overall</p> <p>16 is in a document that's adopted by the trustees</p> <p>17 in public meeting, so the eventual process would</p> <p>18 be for them to do exactly that.</p> <p>19 So other than that, I guess what I would say</p> <p>20 is things have continued to run smoothly here.</p> <p>21 We've been functioning largely remotely, and it's</p> <p>22 gone quite smoothly. We have started to see a</p> <p>23 bit of evolution in the investment environment</p> <p>24 just in recent days.</p> <p>25 Everybody on this call is well familiar with</p>	<p style="text-align: right;">Page 9</p> <p>1 what we've seen happen in tech and what seems to</p> <p>2 have been a little bit of a head fake of rotation</p> <p>3 into some of the other sectors that have been</p> <p>4 dormant in these gains that we've seen since</p> <p>5 early April. I think it remains to be seen where</p> <p>6 all that goes and where the world goes</p> <p>7 environmentally, but that's the subject of the</p> <p>8 meeting we have coming up next week more than it</p> <p>9 is this meeting.</p> <p>10 So I think I would just say that our</p> <p>11 organization continues to advance. One of the</p> <p>12 key evolutions we had since our last comp</p> <p>13 subcommittee meeting is that we started</p> <p>14 contemplating a bit about succession. And in</p> <p>15 that regard, Alison Romano, as you're aware,</p> <p>16 moved into the deputy CO position effective 1</p> <p>17 December 2019.</p> <p>18 Alison has distinguished herself in that</p> <p>19 role, has a very effective working rapport with</p> <p>20 all of the senior investment officers and others</p> <p>21 here in management, has contributed to the</p> <p>22 overall intellectual body of thought in fund</p> <p>23 management by participating in a number of</p> <p>24 national and international professional groups</p> <p>25 and presentations in the time she's been in the</p>

<p style="text-align: right;">Page 10</p> <p>1 job and has done great generally. She's also</p> <p>2 interacted a bit with the offices downtown and</p> <p>3 some of our other stakeholders. So that's all</p> <p>4 going well.</p> <p>5 And with that, unless anyone has any</p> <p>6 questions for me, I'm happy to proceed with the</p> <p>7 agenda, Mr. Chair.</p> <p>8 MR. OLMSTEAD: That sounds great. And I</p> <p>9 want to make one more quick note. And, Ash, you</p> <p>10 can correct me if I'm wrong on this. But with</p> <p>11 regard to your organizational component, which is</p> <p>12 largely formulaic, that has not been completed</p> <p>13 yet because we do not have the audited final</p> <p>14 numbers in, correct?</p> <p>15 MR. WILLIAMS: Yeah. What will happen is</p> <p>16 the entire incentive comp plan is founded upon</p> <p>17 three qualifications being met. Two of the</p> <p>18 qualifications are fund-wide and the third is</p> <p>19 individually oriented. And the first two are</p> <p>20 that there has to be a net investment performance</p> <p>21 in excess of a certain minimal amount above</p> <p>22 benchmark. And if the total fund doesn't achieve</p> <p>23 that, then there is no incentive for anybody.</p> <p>24 The second gating factor -- and we do this</p> <p>25 structurally when we set the plan up -- was</p>	<p style="text-align: right;">Page 11</p> <p>1 designed to avoid the moral hazard of a</p> <p>2 misalignment of investment professionals seeking</p> <p>3 to achieve performance results that they have an</p> <p>4 economic stake in in excessive risk taking. So</p> <p>5 we put a provision in the gating that said that</p> <p>6 if the total fund risk violates certain</p> <p>7 boundaries, then there would be no incentive</p> <p>8 compensation scheme in that year.</p> <p>9 And then the third gate is individual. And</p> <p>10 that is, notwithstanding whether the first two</p> <p>11 qualifications are met on a total fund basis, if</p> <p>12 any individual participant of the incentive comp</p> <p>13 plan has either compliance violations or a</p> <p>14 disciplinary situation involving their</p> <p>15 performance at the State Board, then there will</p> <p>16 be no incentive for them.</p> <p>17 And that also includes the situation where</p> <p>18 the incentives are paid out over two years. So</p> <p>19 let's say that you're employed by the SBA, and in</p> <p>20 year one you get an award, you get half of it</p> <p>21 that year, and you're in line to receive the</p> <p>22 second half of it the following December.</p> <p>23 If during that pending 12-month period</p> <p>24 between getting paid the first piece and then</p> <p>25 you're due for the second one you have either a</p>
<p style="text-align: right;">Page 12</p> <p>1 compliance or a disciplinary issue, you forfeit</p> <p>2 your second part of your incentive. So I bring</p> <p>3 those criteria up for your information as well.</p> <p>4 MR. COLLINS: Mr. Chairman, can I ask a</p> <p>5 question?</p> <p>6 MR. OLMSTEAD: Of course.</p> <p>7 MR. COLLINS: Ash, given what happened in</p> <p>8 March and April, when we saw unbelievable</p> <p>9 volatility, how does that affect the gate in the</p> <p>10 incentive comp plan for not only you but for all</p> <p>11 the employees? So you have a situation where it</p> <p>12 looks like we took unbelievable risk or we dipped</p> <p>13 way into our risk budget, but, you know, it's one</p> <p>14 of those once in a 50-year kind of things, and it</p> <p>15 was short, it wasn't a systemic thing, it was an</p> <p>16 event-driven thing, how does that -- have you</p> <p>17 guys looked at that? How does that look like</p> <p>18 it's going to affect the incentive comp plan?</p> <p>19 MR. WILLIAMS: To be honest with you, it</p> <p>20 doesn't look very good. You're exactly right.</p> <p>21 As you know, we have -- private equity would be a</p> <p>22 good example. You have liquid market classes</p> <p>23 where the marks are in real time, and you have --</p> <p>24 you also have private market classes that are</p> <p>25 benchmarked to things that are specific to the</p>	<p style="text-align: right;">Page 13</p> <p>1 asset class. (Inaudible)</p> <p>2 And then you have asset classes like private</p> <p>3 equity or strategic investments where the</p> <p>4 performance benchmark is related to liquid</p> <p>5 markets. So, for example, private equity is</p> <p>6 tasked with overcoming the liquid equity</p> <p>7 benchmark by a certain number of basis points.</p> <p>8 And the trick we ran into was that on those</p> <p>9 asset classes where we have a disconnect between</p> <p>10 the benchmark being tied to a liquid market, with</p> <p>11 prices in real time and the actual performance</p> <p>12 tied to assets that are priced periodically, is</p> <p>13 that you suddenly get this huge disconnect</p> <p>14 between our performance and the benchmark</p> <p>15 performance, which normally would be caused by</p> <p>16 what's called active risk, the risk you take of</p> <p>17 being -- your portfolio being away from your</p> <p>18 benchmark.</p> <p>19 Well, in fact, you didn't take any -- we</p> <p>20 didn't make any changes in our portfolio that</p> <p>21 would have increased its risk profile. You just</p> <p>22 were whipsawed by the short-term limits in liquid</p> <p>23 equity prices, which over the course of the</p> <p>24 period from March to mid-April, I don't need to</p> <p>25 tell any of you, were absolutely stark in their</p>

<p style="text-align: right;">Page 14</p> <p>1 magnitude. And we did a couple of interim IAC</p> <p>2 calls during that period, so you remember hearing</p> <p>3 about it in real time.</p> <p>4 And the thrust of all that is that on our</p> <p>5 risk metrics, it looks like we're out of bounds</p> <p>6 on risk, in which case the logical outcome of</p> <p>7 that will be that it will bar the incentive plan</p> <p>8 going into effect for this year.</p> <p>9 We have addressed those issues internally in</p> <p>10 terms of our measurement in the short-term by</p> <p>11 resetting those boundaries so that we don't</p> <p>12 create an exception that would be a compliance</p> <p>13 issue. We'll know more when we see formal</p> <p>14 numbers, but our preliminary take is that we may</p> <p>15 have a problem.</p> <p>16 But I think everybody here understands that.</p> <p>17 And the rules that we wrote when we set the plan</p> <p>18 up were written with good intent and wholesome</p> <p>19 purpose. And we're mature players, and we're not</p> <p>20 suggesting changing the rules retrospectively,</p> <p>21 but we're going to pay attention to this on a</p> <p>22 go-forward basis, because we certainly don't want</p> <p>23 to have collateral outcomes that are</p> <p>24 unanticipated and not entirely constructive. And</p> <p>25 it could be --</p>	<p style="text-align: right;">Page 15</p> <p>1 MR. COBB: Mr. Chairman, I have two</p> <p>2 questions on all that. First, is the time period</p> <p>3 June 30 to June 30? Is that --</p> <p>4 MR. WILLIAMS: Yes.</p> <p>5 MR. COBB: So it's a one year period. So</p> <p>6 we're discussing the June 30 ending 2020, is what</p> <p>7 we're talking about.</p> <p>8 MR. WILLIAMS: Yes, sir.</p> <p>9 MR. COBB: So my second question is,</p> <p>10 according to the Aon report, we had 3.1 for the</p> <p>11 year compared to -- this is unaudited, I</p> <p>12 understand. We had 3.1 compared to a benchmark</p> <p>13 of 3.0. Forgetting the risk issue that you've</p> <p>14 talked about, does that 10th of 1 percent meet</p> <p>15 the minimum threshold in terms of the other</p> <p>16 number, or is that below the threshold, if that</p> <p>17 turns out to be correct, 3.1 to 3.0?</p> <p>18 MR. WILLIAMS: Yeah. The key to remember</p> <p>19 here is that the threshold is a rolling three</p> <p>20 year number. Because one of the other design</p> <p>21 factors that we did when we structured the plan</p> <p>22 was to make sure that it was not short-term</p> <p>23 oriented, which would be another misalignment.</p> <p>24 So it's a rolling three year number.</p> <p>25 And if you look at our outperformance in</p>
<p style="text-align: right;">Page 16</p> <p>1 prior years, even with a modest outperformance</p> <p>2 this year -- and keep in mind, the performance</p> <p>3 number usually goes up because the performance</p> <p>4 number does not have in it marks to market for</p> <p>5 private equity and real estate and some of the</p> <p>6 strategic investment areas.</p> <p>7 And our private equity performance this year</p> <p>8 I think has been pretty good, as it usually is.</p> <p>9 Real estate may be a drag this year, given what</p> <p>10 will go on in short-term marks there. But we had</p> <p>11 some good performance in strategic as well.</p> <p>12 So I think there's a chance that that number</p> <p>13 for the single year performance goes up a little</p> <p>14 bit. But even if it stays right where it is, I</p> <p>15 think on a rolling three year basis, there will</p> <p>16 probably be qualification for incentive, although</p> <p>17 perhaps not at the high level it is in years --</p> <p>18 recent years.</p> <p>19 You'll recall the three levels of attainment</p> <p>20 that drive the different levels of incentive.</p> <p>21 The first is a minimal or base attainment. The</p> <p>22 second is target, and the third is a maximum.</p> <p>23 And those gate, I believe, at 5, 25, and 50 basis</p> <p>24 points of outperformance respectively. So I</p> <p>25 think it's probably that on a three year basis we</p>	<p style="text-align: right;">Page 17</p> <p>1 will probably qualify for some level of</p> <p>2 incentive, absent this issue.</p> <p>3 MR. COBB: Thank you.</p> <p>4 MR. WILLIAMS: Thank you.</p> <p>5 MR. OLMSTEAD: And, Ash, one more</p> <p>6 clarification, if you would. If you don't meet</p> <p>7 that gate, does that mean that both the</p> <p>8 organizational and individual or formulaic and</p> <p>9 sort of review variable pay are off the table or</p> <p>10 is it just the formulaic?</p> <p>11 MR. WILLIAMS: It's the entire thing. So</p> <p>12 what it would do would be just a year of zero</p> <p>13 incentive, and that would be that.</p> <p>14 MR. WENDT: Gary Wendt has a question.</p> <p>15 MR. OLMSTEAD: Please.</p> <p>16 MR. WENDT: Before we get into the numbers,</p> <p>17 the raw display of things that we're going to</p> <p>18 have to analyze, I would like to know from Ash,</p> <p>19 what about the political sensitivities this year?</p> <p>20 We all expected that given the economic</p> <p>21 situations in the world, that it was going to be</p> <p>22 difficult for Florida not to have to make big</p> <p>23 cuts in their budgets. And they have done so</p> <p>24 already in the educational part, in the state</p> <p>25 university system, I know.</p>

<p style="text-align: right;">Page 18</p> <p>1 But do you feel that there's any pressure or  2 lack of pressure on giving increases or not  3 because of the situation the State is in, which  4 by the way, it currently isn't too bad, according  5 to the governor. He just said that he's  6 making -- that the State is better off than they  7 thought they would be. So I'd just like a little  8 information on what the political feeling is in  9 Tallahassee.</p> <p>10 MR. WILLIAMS: I think I'm -- your thinking  11 has not escaped me, Gary. And the short answer  12 is it's too early to say. It has not shown  13 itself in any way. And of course, in our case,  14 we're unusual compared to most of state  15 government because we're self-funding. And we're  16 also unusual in that usually dollars spent here  17 are not spent, quote, unquote. They are  18 literally invested and they produce a return.</p> <p>19 You're all familiar with the story about our  20 returns net of all costs over many, many years.  21 And I believe not this year but last year, when I  22 did my self evaluation, I wrote about the way in  23 making the increases in internal asset management  24 capacity that we've created in recent years and  25 managing more money in-house, enhancing the</p>	<p style="text-align: right;">Page 19</p> <p>1 controls (inaudible), all of that has taken both  2 money and more bodies. But the return on these  3 investments has been very, very substantial and  4 more than justified the infrastructure, both  5 human and systems, to support that activity.</p> <p>6 So we're in a different situation here. The  7 other place we're in a different situation is  8 that, because we're self-funding, to the extent  9 there are any kind of broad cuts elsewhere, they  10 wouldn't necessarily reach us.</p> <p>11 Now, we do understand that whether there's a  12 formal requirement or not, part of being a good  13 executive is not being tone deaf and not behaving  14 in a way that makes you look like you're not  15 perceptive of reality of your surroundings.</p> <p>16 So I think the short answer is, where you've  17 seen cuts in universities, it's primarily been in  18 the athletic departments. And those tend to be  19 areas that have simultaneously suffered a  20 complete collapse of revenues as a consequence of  21 sporting events not being what they used to be,  22 sales being down, revenues for television being a  23 fraction of what they were. And at the same  24 time, many schools, most notably the one we have  25 right here in the Capitol, had recently hired</p>
<p style="text-align: right;">Page 20</p> <p>1 coaching staffs and committed to millions and  2 millions of dollars in compensation for their  3 staffs. That's where those cuts have come so  4 far.</p> <p>5 And, fortunately, we have neither had the  6 revenue problems nor have we had the problem of  7 bringing a lot of outside talent that's fairly --  8 very highly compensated and creating a phased  9 shift upward in our compensation costs.</p> <p>10 I've not heard of cuts broadly in state  11 government yet, but I would underscore "yet,"  12 because I agree with you. Revenue was  13 interrupted. The hospitality industry, which is  14 a significant part of our economy, has certainly  15 been challenged.</p> <p>16 But we had a cabinet meeting day before  17 yesterday, and I had a pretty extensive  18 conversation with the governor in the live  19 cabinet meeting. And we were talking about the  20 way he has led the reopening of Florida and tried  21 to balance the smart practices of safe operation  22 and getting Disney reopened in Orlando, when  23 Disney in California stayed closed. And the  24 economic damage of businesses being closed, the  25 entire economy, versus opening them where we can</p>	<p style="text-align: right;">Page 21</p> <p>1 and where we think it's safe and having  2 guidelines.</p> <p>3 And the upshot of that was, we felt pretty  4 good about where our economy is and that we were  5 coming back, not as rapidly as we might like, but  6 we are coming back. And I did several other  7 calls with outside parties this week, all of whom  8 suggested that unemployment by the end of 2021  9 will probably be in the 6 or 7 percent ballpark  10 nationally.</p> <p>11 And if that's true nationally, certainly  12 that's worse than it was before COVID, but it's  13 nowhere near as bad as it was when it was  14 14 percent at the peak of the COVID contagion.  15 And Florida's unemployment, if we can figure out  16 the hospitality thing and get people meeting  17 again -- national issue, not a Florida issue, or  18 an international issue -- then I think our  19 economy will come back.</p> <p>20 I think the other thing we've seen is we've  21 all had the experience of knowing people who have  22 second homes in Florida who've chosen to leave  23 their offices in New York, Chicago, wherever on  24 the East Coast, come to their Florida place and  25 work from here. And a lot of people, when they</p>

<p style="text-align: right;">Page 22</p> <p>1 get down here and work for a while, they find  2 out, number one, they can work here, and number  3 two, they're reminded of the tax regime here  4 versus the one in Illinois or Massachusetts or  5 New York. And they think, You know what? This  6 is actually a pretty good idea. I'm going to  7 move a lot of my people down here, and this is  8 going to be our new home. So I think Florida  9 will get some benefit out of this whole thing  10 that some other states may not see.</p> <p>11 MR. WENDT: I understand that, and I think I  12 would agree with you that it's really hard to  13 say, but at this time at least things can be  14 looked at as optimistic. But I do want to make  15 sure that I'm right that we seem to make --  16 whatever we decide to pay the staff of SBA, it's  17 public information, correct?</p> <p>18 MR. WILLIAMS: Yes, sir. And we are  19 absolutely mindful of that in every one of our  20 actions.</p> <p>21 MR. WENDT: Okay. Thank you. I was pretty  22 sure of that. Thank you. Nothing in Florida  23 seems to be confidential anymore.</p> <p>24 MR. WILLIAMS: You're right about that.</p> <p>25 MR. WENDT: Thank you, Mr. Chairman.</p>	<p style="text-align: right;">Page 23</p> <p>1 MR. OLMSTEAD: With that, any other  2 questions? These are real questions and  3 important things to discuss and appreciate those.  4 If there aren't any other questions, let's -- I'm  5 certain there will be a bunch with Mercer and Jon  6 Mason and Josh Wilson as they go through their  7 findings and enlighten us on not only Florida  8 but, you know, comparatively, the benchmarks and  9 how things are happening in other pension funds.</p> <p>10 So unless there are any other questions,  11 we'll hand it over to Mercer to go through their  12 findings and report.</p> <p>13 MR. MASON: All right. Well, thank you, Mr.  14 Chairman. Again, Jon Mason, here. My colleague  15 Josh Wilson is on the line. This is actually an  16 upgrade for the two of us. I think for the past  17 four or five years we've done this  18 telephonically, so it's nice to see all your  19 faces on the call today.</p> <p>20 Ash did a really nice job going through the  21 construct of the incentive program, so maybe I'll  22 just touch on that quickly and then get into the  23 findings from our annual evaluation of the  24 ED/CIO's performance and review of the market  25 study, which is again compiled in-house by SBA as</p>
<p style="text-align: right;">Page 24</p> <p>1 a cost savings measure, and we review and  2 validate that work on an annual basis.</p> <p>3 So if you can see the table that Lamar has  4 shared here, this is the construct that Ash was  5 really talking about, so the total incentive  6 opportunity, with a large piece of that being the  7 organizational component, so 85 percent being  8 that organizational component and 15 percent  9 being the individual component.</p> <p>10 However, there are circuit breakers,  11 performance circuit breakers that are required to  12 pay out any incentive, as Ash mentioned. So even  13 if the incentive component was met, if the  14 financial components are not, there would be no  15 pay-out.</p> <p>16 I would highlight the top right box, the  17 maximum 52.5 percent. All in, for all  18 components, the very maximum pay-out for the  19 ED/CIO, 52.5 percent of base salary would be a  20 maximum pay-out. Not to jump into the findings,  21 but one of the interesting points to note there  22 is, when we designed this program back in --  23 initially back in 2012, it took a couple of years  24 to get it actually approved and installed, but  25 the landscape has really shifted in the past</p>	<p style="text-align: right;">Page 25</p> <p>1 eight to ten years.</p> <p>2 For reference, one of the things we found  3 for the maximum at your peer companies, it was  4 more like 150 percent was the median of those  5 that had plans versus your 52. So that was  6 really one of the interesting takeaways. It was  7 not necessarily in the design but the magnitude  8 of the plan. It's pretty starkly different than  9 SBA. And that's evolved over time.</p> <p>10 I don't think we need to spend too much more  11 time on the incentive construct. Again, I think  12 Ash did a fantastic job explaining how the pieces  13 fit together. But if there are no questions,  14 maybe we'll move into the next section.</p> <p>15 MR. OLMSTEAD: This is Vinny Olmstead again.  16 One of the things I think we struggled with last  17 year that was a little bit ambiguous is the  18 concept of total compensation versus the sort of  19 base and variable or incentive. And so when you  20 bring the point up of 150 percent, it's -- maybe  21 help us connect the dots.</p> <p>22 So if there are 14 in the peer group, are  23 there some that are at 150 percent? Do they  24 average 150 percent? One of the things I can't  25 get out of your -- one of the things I don't</p>

<p style="text-align: right;">Page 26</p> <p>1 fully -- maybe I'm missing it, but I don't get  2 the total comp opportunity on the peer group  3 based on your presentation here. So I would love  4 to understand that. I guess, if ours is 52.5, I  5 guess that some are 150, but in this -- what's  6 the real number competitively, so that you can  7 enlighten us with --  8 MR. MASON: Yeah. So it's a fantastic  9 point. There's really a situation in public  10 pensions of haves and have nots. And I believe  11 of the 14 -- the core peer group of the 14, I  12 believe eight had incentive programs. And so  13 that 150 percent was the median for those eight.  14 Some were lower. Some were higher. The median  15 point was 150 percent of maximum.  16 Now, there's a small minority, or I should  17 say a large minority that don't have programs at  18 all, right? So the situation is, if you throw  19 them -- as one of the lower payors that have  20 incentives, you're probably near the middle  21 point. But in terms of competing with those that  22 do have incentive plans, you're sort of at the  23 bottom, if that makes sense.  24 So that's why we've shied away from saying  25 here's the total comp number, because you sort of</p>	<p style="text-align: right;">Page 27</p> <p>1 take six-footers and eight-footers and on average  2 there are seven. But there's the context that  3 those that are moving to incentive plans tend to  4 be more lucrative. And that's just been a shift  5 that's happening over time. More and more public  6 pensions are adopting these, and those that do  7 are typically more lucrative. Is that helpful?  8 MR. OLMSTEAD: Sort of. But we're still  9 not -- we still don't get the picture of what the  10 comparable benchmark is for total compensation.  11 And so I still -- so if you take the eight, is  12 the total, you know, the -- is the total  13 1.2 million, 1.1? Do you have any more insight  14 as to what total compensation is?  15 You know, I know it's hard maybe to do it  16 with the eight that do and the eight that don't,  17 but I think it's relevant for us to understand  18 competitively where total compensation is.  19 MR. MASON: Sure. That's a good point. If  20 it would be okay -- so we haven't done that  21 calculation. We easily can. So we could follow  22 back up and say, Here's the all-in computation.  23 Again, that wasn't done by the SBA with the  24 review, but it's easy enough to do. And so we  25 can get back with that within a day or so of this</p>
<p style="text-align: right;">Page 28</p> <p>1 call.  2 MR. OLMSTEAD: Yeah. I think it's important  3 to understand. Yes. Thanks.  4 MR. MASON: Okay. So if we could move,  5 Lamar, to Attachment 3.  6 MR. TAYLOR: Is that what you want, or do  7 you want the summary of the --  8 MR. MASON: The executive summary, please.  9 MR. TAYLOR: Okay.  10 MR. COLLINS: Vinny, can I ask a quick  11 question on that?  12 MR. OLMSTEAD: Please.  13 MR. COLLINS: To your point, and I know  14 we're going to get to it, but in their letter,  15 the last paragraph, when it talks about the  16 52.5 percent -- and maybe this is what you were  17 getting at but a little different way of asking  18 it. I guess my question was, what's the max  19 incentive of the 75th percentile?  20 We go between like the top five public  21 pension funds, and then we do the 75th  22 percentile. So if that's really our peer group,  23 I guess what's the max incentive of those in the  24 75th percentile? Maybe a little bit more  25 specific.</p>	<p style="text-align: right;">Page 29</p> <p>1 MR. MASON: Yeah. Well, I can look that up  2 as we go through. I don't have it in front of  3 me. One of the challenges, of the top five, I  4 think, two of those are New York, and they don't  5 have incentives. So we think about the broader  6 group of 14. Just off the top of my head, it's  7 going to be in the 150 to 200 range, those that  8 have them.  9 And then, you know, when you're looking at  10 zeros, it's probably around 100, would be my  11 estimation. But I'd have to run the numbers  12 quickly here to tell you.  13 MR. COLLINS: Okay.  14 MR. MASON: If we could go to that one page,  15 Lamar, of our deck that's the summary.  16 MR. TAYLOR: So that would be here. Next  17 slide.  18 MR. MASON: One more. So here's the summary  19 of the evaluations that were completed this year.  20 And as we have in the past, we show the  21 performance ratings year over year for the  22 various questions that you were asked to assess  23 for the ED and CIO.  24 You know, the high level overview is that  25 the ED and CIO has continued to receive high</p>



<p style="text-align: right;">Page 30</p> <p>1 marks across the board. That's been the case  2 since we have worked with y'all for nine years  3 now. The same three categories, so the overall  4 mission, efficiencies, infrastructure, operations  5 and the individual rating continue to be the  6 highest rating among the five.</p> <p>7 A couple of the categories did fall minorly  8 year over year. All of the ratings, in terms of  9 aggregate scores, are between meets and exceeds.  10 They're typically closer to the exceeds. So  11 we're really talking A's versus A-minuses here.  12 But the interaction with the committee is the one  13 that fell the most significantly.</p> <p>14 And if you go to the -- if you read the  15 report, you'll see some of the commentary and the  16 comments from the committee. And it's just a  17 desire for more frequent touch points. And  18 virtually all of the feedback was really  19 constructive and not necessarily negative, more  20 constructive, like that desire for more  21 interaction with the committee, which I know can  22 be challenging in your environment.</p> <p>23 But this is, again, you know, from our  24 perspective, high marks across the board,  25 continuing to receive high marks in the same</p>	<p style="text-align: right;">Page 31</p> <p>1 areas that you have in the past, and nothing that  2 strikes us as a concern but more constructive  3 feedback. Are there any questions on any of what  4 we've said?</p> <p>5 MR. OLMSTEAD: No. I think this is always  6 interesting -- Vinny again -- in that there's  7 such a -- there's only, I think, four of us that  8 actually rank them. I sometimes contemplate --  9 which we don't need to decide now, but maybe when  10 we look at the overall. This is like a 15- to  11 30-minute exercise for each of us.</p> <p>12 And although the entire IAC is not  13 necessarily on the compensation committee, I  14 sometimes ask the question, though, why not just  15 get feedback from everybody but let the  16 compensation subcommittee sort of manage the  17 process. Again, historically, I don't know how  18 it was set up, but I'm curious as to whether that  19 makes any sense to contemplate going forward on.</p> <p>20 MR. WILSON: This is Josh Wilson speaking.  21 If that question is to Mercer, I think the answer  22 would be we don't see a reason why you wouldn't  23 do that, but I would defer that to management.  24 If there's less interaction with that group or  25 different interactions or they're not able to</p>
<p style="text-align: right;">Page 32</p> <p>1 comment on some of the things we're asking, that  2 would be the only reason from my perspective.</p> <p>3 MR. WILLIAMS: May I, Mr. Chair?</p> <p>4 MR. OLMSTEAD: Please.</p> <p>5 MR. WILLIAMS: It's fine with me either way,  6 and as a practical matter, it sort of works out  7 that way anyway because the comp subcommittee's  8 recommendation comes to the full IAC and it's  9 discussed in a public meeting. So there's input  10 for everybody one way or another. And if you  11 want to deepen the input, I defer to your  12 judgment.</p> <p>13 MR. OLMSTEAD: I don't think we need to make  14 that decision now. I think that's a good point.  15 And, again, the swings, I think, are more the N  16 equals four versus the N equals nine, so it may  17 be worth a discussion, but let's not spend a lot  18 of time on it now.</p> <p>19 MR. MASON: I may just jump into the  20 findings of the comp review without bringing it  21 up on the screen here, because it's in letter  22 format, and that may be a little difficult to  23 review. So maybe just talk a little bit high  24 level about what we found.</p> <p>25 So for your reference, the current base</p>	<p style="text-align: right;">Page 33</p> <p>1 salary is 575, which was approved last year.  2 Some interesting notes on the market study, so  3 when we looked at the three peer groups that we  4 compare SBA to, there's the top five pension  5 funds. The 75th percentile is what we identify  6 as the larger public pension fund group, and then  7 the 75th percentile of a broad group, it's not  8 necessarily exclusive to the very largest in  9 terms of asset size.</p> <p>10 One of the themes over the past eight years  11 has been significant year-over-year growth and  12 the sense that SBA has been behind and really  13 doing its best to catch up over time. One of the  14 findings this year was that the numbers actually  15 remain fairly flat to slightly contracting, from  16 the zero to minus 5 percent range. So we were  17 curious why that might happen.</p> <p>18 And the context behind it is, for the 14  19 larger peer groups, that for instance four of  20 those have brand new CIOs that have never been  21 CIOs before. Three were internal hires and one  22 was (inaudible). So I think that's really the  23 context behind why the numbers effectively  24 slightly decreased to stay constant year over  25 year.</p>

<p style="text-align: right;">Page 34</p> <p>1 So based on that, at the current pay level,  2 this is -- you don't see a marked gap to market  3 for your CIO on base salary specifically. Again,  4 that's always been the case because we've been  5 trying to catch up. And that's really not the  6 case this year. So from our perspective, when  7 we're looking at base salary and you're thinking  8 about market pay, there's no longer a market gap  9 to make up there.</p> <p>10 Of course, when you're setting individual  11 pay, there's really two things you look at. You  12 look at the market and then you look at the  13 individual circumstance, the performance, tenure,  14 et cetera. And I think most recognize that the  15 current situation is such that you have a highly  16 tenured, highly performing CIO. So market is one  17 piece, but also there's some desire to  18 differentiate from market.</p> <p>19 To Mr. Wendt's point, it could be a  20 challenging year to do anything significant  21 optically, potentially. So on the base salary  22 piece, our recommendation is, if you're going to  23 make any changes, they shouldn't be  24 market-oriented changes. They should be more  25 individual focused. And that would really align</p>	<p style="text-align: right;">Page 35</p> <p>1 more with what the SBA does in aggregate for the  2 rest of the population. So we mentioned a  3 3 percent as an example of that, or the typical  4 merit pool, something that aligns with that. But  5 there's not for the first year a number that  6 we're looking to to really close the gap to  7 market, if that makes sense. I'll pause there --  8 I said a lot -- and get your reaction.</p> <p>9 MR. OLMSTEAD: So any questions? I may have  10 one or two, but first open it up to my  11 colleagues. I think that's sort of anecdotally  12 helpful, but it's still ambiguous a little bit.  13 And, again, maybe I get caught up in this 85, 75  14 is right, but 52 percent is not right, and maybe  15 400,000 is right but 150 percent should be the  16 variable.</p> <p>17 So it's really hard for me to -- it's hard  18 to compare benchmark-wise in my opinion, based on  19 this data. I do think we need to grab that total  20 compensation data. I venture to state ultimately  21 that we are still -- that we're probably still  22 playing catch-up with our peer group with regards  23 to overall compensation that goes into probably  24 both the ED/CIO's pocket and also the broader  25 group.</p>
<p style="text-align: right;">Page 36</p> <p>1 But I think we should better understand  2 that, because I think ultimately, we can defend  3 our decisions much better if we really have the  4 complete data, because we keep putting these  5 things into two different buckets of fixed, you  6 know, the base and then the variable. And they  7 really have to be provided, I think.</p> <p>8 MR. COLLINS: Vinny, do we know how many of  9 the 14 split the role between CIO and ED? Or  10 maybe, Mercer, do you know how many split the  11 role between executive director and CIO?</p> <p>12 MR. MASON: I don't know that number off the  13 top of my head. If I had to guess, I mean,  14 certainly not all EDs, to your point.</p> <p>15 MR. WILSON: This is Josh. I think, when we  16 look at the data, when the executive director is  17 split out from the CIO, the CIO is paid  18 considerably more than the executive director.  19 And I think either -- I know we are getting the  20 highest paid people in each of these  21 organizations, whether they are the CIO/ED or  22 just the CIO.</p> <p>23 MR. COBB: This is Chuck Cobb speaking. I  24 agree with the chairman that total compensation  25 really should be the issue here, and we're</p>	<p style="text-align: right;">Page 37</p> <p>1 dealing with only half of it, because that's the  2 way the plan was set up.</p> <p>3 I'd like to know what is going to be the  4 average salary increase for the rest of the  5 troops. Has that been determined, Ash, and if it  6 has, what is it?</p> <p>7 MR. WILLIAMS: We won't know that,  8 Ambassador, until we get to the fourth quarter of  9 this year, which is when we do those things. We  10 have been through our evaluation cycle now. And  11 one of the things we want to see is what are the  12 audited numbers on the performance, and that has  13 ramifications for other compensation as well.</p> <p>14 But we have a pool every year that's an  15 aggregate pool for retention and other  16 compensation, recruitment and retention. And I  17 believe the number we have this year is between 4  18 and 5 percent. Lamar, which is it? Four, five?  19 Where are we?</p> <p>20 MR. TAYLOR: We requested five. I believe  21 we were approved five. It's about a million  22 dollars in total to spread over -- a little over  23 200 positions. Of course, that's not going to be  24 a pro rata determination.</p> <p>25 And, Ambassador, just to let you know, we do</p>

<p style="text-align: right;">Page 38</p> <p>1 have data in the appendix for the previous years  2 in terms of average increases, percentile  3 increases for both incentive eligible and  4 non-incentive eligible positions. So there  5 should be information with respect to going back  6 up to 2019, the past two or three years.  7 MR. COBB: Thank you.  8 MR. WILLIAMS: I think it would also be  9 helpful to note, Ambassador, that the way this  10 works is we have the (inaudible) for the pool.  11 I'm going to give guidance to supervisors. And  12 there are two categories. There are supervisors  13 and people who are under the incentive  14 compensation program and then those who are not.  15 And what we commonly try and do is give a  16 little bigger pool of money to the people who are  17 not incentive eligible, so that their basis can  18 be moved a little bit more. And we're very, very  19 careful, given the optics of being a public  20 entity, as Mr. Wendt pointed out earlier, that we  21 don't do anything radical and we try and keep  22 them within a generally very reasonable bound.  23 The exceptions would be -- and I say  24 reasonable. Let me put some specificity on that.  25 Commonly, these raises range between, say, 3 and</p>	<p style="text-align: right;">Page 39</p> <p>1 5 or 6 percent. And to the extent anything goes  2 above that, it's usually addressing an anomaly,  3 where an individual has recently moved into a  4 position barely at the minimum or, worse, they  5 might be slightly below the minimum or for other  6 reasons it just needs to be less, or the market  7 environment has changed dramatically around that.  8 Those are the exceptions, not the rule.  9 MR. OLMSTEAD: Okay. Mercer, do you have  10 some more to discuss here?  11 MR. MASON: I don't think so. I mean, what  12 we will commit to is to pulling together sort of  13 the all-in figure for you by tomorrow so that you  14 have a sense of (inaudible). And I think it  15 would be helpful to show you quartiles, not just  16 the 75th but higher and lower, because of that  17 dynamic of the haves and have nots, because you  18 can see a pretty big spread for folks that don't  19 have the incentive versus do have the incentive.  20 But we're happy to pull that together for you so  21 that it can aid in making your decision.  22 MR. OLMSTEAD: It's an interesting -- like  23 you said, these are interesting financial times,  24 of which on one side I get the impression that  25 the compensation is still in catch-up mode and</p>
<p style="text-align: right;">Page 40</p> <p>1 not where the market is, and then you have this  2 environment where there's so much uncertainty in  3 financial and there may be -- you don't want to  4 send those wrong signals.  5 And so we as the comp committee, you know, I  6 think we -- A, it would be fair to discuss --  7 well, there's two things for us to discuss, which  8 is the individual component, the smaller  9 component of 15 percent, and then the salary.  10 And I'll pose the question, not wanting to  11 punt this to another time, but should we get more  12 data before we make the decision on the -- you  13 know, with the individual, it's been great  14 performance with the anomaly of some of the  15 volatility, putting overall and over the past  16 three years.  17 And I think we all acknowledge that Ash is a  18 great leader, has both roles and deserves to be  19 at the top of the heap with regards to his  20 competitors. I just don't know where his  21 competitors really are. Or should we just move  22 forward? I'm open to discussion. Should we just  23 move forward with making a recommendation? I'd  24 love to poll at least the subcommittee members,  25 get their opinions on that.</p>	<p style="text-align: right;">Page 41</p> <p>1 MR. COBB: I'll respond first.  2 MR. WENDT: I was going to respond first.  3 MR. COBB: Okay. Then you go first.  4 MR. WENDT: No. Go ahead.  5 MR. COBB: No. You go first.  6 MR. WENDT: I'll go second.  7 MR. COBB: Okay. Here's my judgment.  8 First, I think we need a new plan, and I think we  9 need a new plan for the following reasons. A,  10 that many plans have incentive compensations much  11 greater than 52 percent, and there's a flaw in  12 our plan that the max is only 52 percent, in my  13 judgment. And so, therefore, that has hurt our  14 ability to have compensation packages.  15 Number two, you know, we have the situation  16 on the salary where Ash is about at the 75th  17 percentile, and so we're kind of having a hard  18 time recommending more, even though we think he's  19 underpaid because of the compensation situation.  20 Number three, it seems to me this issue of,  21 out of the risk profile because of the private  22 equity and the late reporting and -- and that  23 just seems to me -- and I guess we're going to  24 get to that in a moment, but it seems to me there  25 needs to be an exception, some sort of exception</p>

<p style="text-align: right;">Page 42</p> <p>1 made on that, or at least in the future plan, it 2 should clear.</p> <p>3 Then the last point, where I'm in the 4 minority, I think that the performance -- while 5 we're looking at the performance of the -- excuse 6 me -- while we're looking at the compensation of 7 the major plans, we should also be looking at the 8 performance of the major plans. And while I 9 agree performance vis-a-vis benchmark is the most 10 important and should be weighted more than 11 performance versus our peers, I think performance 12 versus our peers is important.</p> <p>13 And so our performance versus our peers the 14 last year has not been good, and it actually 15 hasn't been good for the last three years. And 16 so it just seems to me that should be considered 17 as part of a new plan.</p> <p>18 And so where do we come down? I don't want 19 to take all of these mostly pluses and some 20 minuses. I think that there should be a modest 21 increase in the salary this year, and I think we 22 should go -- we should give max on the 15 percent 23 discretionary, because I think under the plan, 24 that that is -- that's the least we can do, and 25 we should signal that we think this risk issue</p>	<p style="text-align: right;">Page 43</p> <p>1 needs to be analyzed very carefully because it 2 seems to me that seems to be unfair.</p> <p>3 So those are my three comments as it relates 4 to this plan today. I don't think we need new 5 information because we already have a plan. And 6 if we're going to have -- if we're going to 7 change the plan, then we should do that for next 8 year.</p> <p>9 MR. WENDT: This is Gary Wendt, who said 10 he'd be second. Ambassador, you covered an awful 11 lot of things there. I'm going to try not to 12 cover so many things. But one statement you made 13 was the one that caused my hair to go up, what 14 little bit I have left, which was that our 15 performance for the last two years has been poor.</p> <p>16 And I was not of that impression. We've 17 been looking at things every quarter. And 18 although there was one quarter recently when some 19 anomaly caused it to be pretty bad -- and I think 20 Ash explained that as being our mix of stocks 21 versus other types of assets and how that 22 affected what we were doing in that quarter. I 23 would like to see the data that says we have been 24 bad in the last --</p> <p>25 MR. COBB: I'll give it to you. It's on</p>
<p style="text-align: right;">Page 44</p> <p>1 page 11 and 12 of the Aon report. And we are 2 above benchmark for three years, as Ash said. We 3 have beaten benchmark for three years. And so, 4 therefore, we should get -- on that, we should 5 reward ourselves. And that should be the most 6 important, we beat benchmark for three years. 7 But compared to our peers, we're in the bottom 8 13 percent over three years.</p> <p>9 MR. WENDT: I'm not going to have a chance 10 to look through this whole thing now, because 11 I've got the whole board book in front of me 12 here.</p> <p>13 MR. COBB: Go to page 12 of chapter 6.</p> <p>14 MR. WENDT: Okay. The second point I would 15 make is we really don't have time to change the 16 plan at this point in the year. Maybe we should 17 have a new plan. I don't think so, because the 18 first plan that was set up was well-thought-out, 19 and it was made so that it was very heavily 20 directed towards the numerical activities and 21 only a little bit towards the individual part. 22 And I think as long as the numerical activities 23 that we have are the same as they were seven 24 years ago when we put this plan together, I don't 25 see the need for a new plan.</p>	<p style="text-align: right;">Page 45</p> <p>1 The one thing I do agree with you on -- 2 maybe we could get this part out of the way -- is 3 that Ash should be given a raise this year, but 4 it should be nominal and -- because I think he's 5 pretty well caught up with the rest of the group, 6 from the information I've seen. But I think the 7 recommendation of our advisers, the 3 percent 8 increase, I just think you do that and move on to 9 all the other issues, which are more difficult.</p> <p>10 MR. COLLINS: Mr. Chairman, I think I'm 11 somewhere in between those. I love that 12 Ambassador Cobb keeps bringing up the performance 13 against the peers, and I think it is important to 14 look at our peers, but I don't think -- you know, 15 he and I have this argument every time we bring 16 this up.</p> <p>17 We have no idea what their asset allocation 18 looks like. We have no idea what their risk 19 budgets look like. We don't know what kind of 20 restraint or lack thereof they're under or 21 operating under when they're investing their 22 dollars. So I think -- I think it's difficult to 23 compare ourselves to those peers when they're 24 really only our peers relative to size. They 25 could be running totally different asset</p>

<p style="text-align: right;">Page 46</p> <p>1 allocations.</p> <p>2 So I like the sentiment. I think we should</p> <p>3 look at them, but we set the asset allocations.</p> <p>4 We oversee that asset allocation. We oversee the</p> <p>5 benchmark. And that's our main duty, really.</p> <p>6 And so for us to compensate on that seems</p> <p>7 perfectly logical to me. I'm not opposed to</p> <p>8 having some sort of homage to the other -- the</p> <p>9 performance of the other people. I just wouldn't</p> <p>10 judge Ash or the rest of the staff that heavily</p> <p>11 based on it.</p> <p>12 I agree with the Ambassador, though. I do</p> <p>13 think we -- I don't know that we need a new plan,</p> <p>14 but we started this plan in 2012. And by the</p> <p>15 way, Mercer, if it's true that everybody is using</p> <p>16 our plan now, I don't think we've been getting</p> <p>17 any licensing revenue from that. So we could go</p> <p>18 back and give Ash whatever licensing revenue we</p> <p>19 can go back and get from our plan.</p> <p>20 But I think we did -- we set it up a while</p> <p>21 ago, and we've learned a lot. We've learned a</p> <p>22 lot about the other -- what everybody else is</p> <p>23 doing. Everybody has changed and not the same in</p> <p>24 the ensuing eight years or seven years.</p> <p>25 The only thing I would say, look, I agree on</p>	<p style="text-align: right;">Page 47</p> <p>1 both the fact that I think Ash deserves a raise</p> <p>2 and that the optics are not good for that raise.</p> <p>3 But that's -- I don't care. I'm not a</p> <p>4 politician. I just think we all want to do</p> <p>5 what's right.</p> <p>6 But I do think we need to wait and get</p> <p>7 performance, get the final performance, see what</p> <p>8 those numbers really look like, and then have</p> <p>9 that conversation about the risk adjustment. And</p> <p>10 even if we don't -- and let's say that the risk</p> <p>11 bucket issue, we decide, hey, it was an anomaly,</p> <p>12 we're not going to look at that this year but</p> <p>13 we're not going to pay it this year either.</p> <p>14 We're not going to pay the bonus this year.</p> <p>15 We're going to withhold that bonus and pay it</p> <p>16 over the next two years. Certainly the decisions</p> <p>17 that Ash and staff made during the downturn,</p> <p>18 we're going to see how those decisions turn out.</p> <p>19 And so maybe -- I'm not ready to say how</p> <p>20 much today we would compensate or raise. I think</p> <p>21 we need to get the final numbers, and I think we</p> <p>22 also need to decide -- and I don't know if we do</p> <p>23 it or, Ash, you do it, the staff or the trustees</p> <p>24 have to look at that, the risk issue. But I'm</p> <p>25 comfortable that all of us are comfortable in</p>
<p style="text-align: right;">Page 48</p> <p>1 looking at it and saying, yeah, that's an</p> <p>2 unintended consequence of an otherwise good</p> <p>3 policy.</p> <p>4 So for that reason, Mr. Chairman, I would</p> <p>5 say that -- I don't know that we should vote on</p> <p>6 something, a specific amount today. But I'm all</p> <p>7 for it if people want to, but I do think we need</p> <p>8 to see the final numbers, and I do think we need</p> <p>9 to figure out how we get around this gating, this</p> <p>10 risk gating issue.</p> <p>11 MR. OLMSTEAD: So if I can parse a few</p> <p>12 things real quickly after those great comments.</p> <p>13 One is, look, I'm on a number of compensation</p> <p>14 committees, and there's very few that last in</p> <p>15 perpetuity for eight years without at least</p> <p>16 tweaking, if not revamping. And so I think --</p> <p>17 and Ash and I had this conversation yesterday,</p> <p>18 and he wholeheartedly agreed.</p> <p>19 So we're not getting it done this year, and</p> <p>20 whether you call -- whether you call the peer an</p> <p>21 additive or not an additive, it probably needs to</p> <p>22 happen. Maybe we put that in the corner for</p> <p>23 right now, but it needs to be reviewed.</p> <p>24 But on the discussion of both the</p> <p>25 organizational and individual component, you</p>	<p style="text-align: right;">Page 49</p> <p>1 know, maybe it makes sense to understand whether</p> <p>2 or not that gate happens or not before we even</p> <p>3 vote on it. It's not as though directionally</p> <p>4 this group doesn't think that Ash is performing,</p> <p>5 but we need to understand what can happen with</p> <p>6 that anomaly. And it may be a completely moot</p> <p>7 point.</p> <p>8 And then on his base salary, again, I get</p> <p>9 this inclination that tomorrow we'll learn that</p> <p>10 Ash's total comp is probably perhaps not as high</p> <p>11 as others, but I wouldn't be uncomfortable</p> <p>12 personally with moving forward with the 3 percent</p> <p>13 on the salary. But if we decided to delay, wait</p> <p>14 for the numbers and wait to see whether the gate</p> <p>15 is open or not, I would not have a problem with</p> <p>16 waiting and having the conversation in totality.</p> <p>17 So that's sort of -- I tried to summarize</p> <p>18 the spirit and the commonality amongst my other</p> <p>19 three peers here, and that's sort of at least</p> <p>20 worth a discussion.</p> <p>21 MR. COLLINS: Relative to a new plan, I</p> <p>22 think it is important to find out how many other</p> <p>23 of those -- of our 14 peers have an executive</p> <p>24 director/CIO combo and who -- and is the highest</p> <p>25 compensated person at the other plan the CIO? Is</p>

<p style="text-align: right;">Page 50</p> <p>1 it the executive director? What are those  2 individual salaries like?  3 To Ambassador Cobb's point, as we start to  4 look at a new plan, I think that that's  5 important. Again, we're comparing ourselves to  6 14 people, but we don't know how they  7 structure -- you know, are we comparing ourselves  8 to two people at the top, or is there one person  9 that has both roles like Ash?  10 That's, in my mind, what makes Ash a little  11 bit more unique and why I think -- if he's behind  12 relative to other CIOs, then he's really behind  13 relative to other CIOs plus executive directors.  14 MR. WENDT: Gary Wendt has a question, which  15 he'll ask in a way (inaudible). It's probably  16 because I've been on this committee for a long  17 time, including when this plan was developed, and  18 remember how much we went into the arithmetic  19 parts of the award, that I'm not having as much  20 of a problem as other people are with the plan.  21 But I would certainly ask this question. If  22 we don't have the information we need to make  23 decisions today, why are we having this meeting?  24 MR. WILLIAMS: Let me see if I can help out  25 with all of these, Mr. Chair.</p>	<p style="text-align: right;">Page 51</p> <p>1 MR. OLMSTEAD: Please.  2 MR. WILLIAMS: A couple of things here.  3 First of all, on the plan design issues, I think  4 we're all in agreement and it's consistent with  5 best practice -- and I think Mercer would affirm  6 this -- that with a comp plan, just like any  7 other major function of an organization, it  8 should be periodically reviewed, commonly a cycle  9 of every five years or thereabouts, and we're  10 beyond that with this plan, to ensure that it's  11 still fulfilling its original purpose and it  12 doesn't need to be tweaked in some way. And to  13 the extent it needs to be adjusted -- and  14 Ambassador Cobb identified a number of potential  15 areas for adjustment, then it can be adjusted.  16 I will tell you from my own knowledge that  17 the comps between what we do here at the board  18 and what our peers do separate fairly early in  19 the game. I'm not aware of any other pension  20 fund in the country that runs a reinsurance  21 company with a billion-dollar-plus-a-year  22 business that's highly politically visible and  23 very much subject to hands-on management,  24 particularly during the legislative session every  25 year.</p>
<p style="text-align: right;">Page 52</p> <p>1 And I would say, beyond that, there are a  2 number of plans that have executive director/CIO  3 roles combined. To the extent they're separated,  4 I think Mercer correctly said earlier that CIOs  5 commonly are the higher compensated of the two.  6 And in a number of plans, the multiple of the  7 incentive component of the salary relative to  8 base, as Chairman Olmstead referred to a moment  9 ago, is a multiple of the base, not a fraction of  10 the base.  11 And exactly as Vinny was saying, the total  12 compensation is much more heavily oriented toward  13 incentive than it is base comp. And there are a  14 lot of reasons that Mercer can revisit at the  15 appropriate time -- I don't think we need to  16 rehash them all now -- why the ratio was set  17 where it was set originally.  18 Lastly, on the question of the risk  19 exception, I think in the short-term, we need to  20 pay attention to that. Come back to the question  21 that Mr. Wendt raised earlier in the meeting  22 about optics. If we find ourselves in December  23 at a period where the State is in some sort of  24 financial crisis and the budget is -- the  25 legislature is forced to come in and do budget</p>	<p style="text-align: right;">Page 53</p> <p>1 cuts and there are furloughs and God knows what  2 other sorts of terrible things that could happen,  3 that have happened in some states but not here,  4 because we're better managed than most states, I  5 mean the State in aggregate, not the SBA, if  6 we're in that environment, then the last thing we  7 need to be doing is finding reasons to overrule  8 our own structure and pay out a bunch of money.  9 And making that speech is contrary to my own  10 economic interest, but I have the greater good of  11 the SBA and the longer term at heart when I say  12 that.  13 So I want to come back to the focus of what  14 this meeting is for. And the answer, Mr. Wendt,  15 to your question of why are we having this  16 meeting if we don't have the final information,  17 the purpose of this meeting specifically is to  18 talk about the component of my compensation that  19 is subjective, which is what you guys rate me on,  20 and what the actual numbers are that flow out of  21 that are a function of the audited performance  22 numbers and whether or not we have an incentive  23 scheme at all. If we end up having no incentive  24 scheme, then obviously the subjective component  25 of this is moot, because there isn't going to be</p>


<p style="text-align: right;">Page 54</p> <p>1 one.</p> <p>2 So those would be my broad comments. And I</p> <p>3 think the discussion of maybe not necessarily an</p> <p>4 entirely new plan but some readjustment, some</p> <p>5 recalibration and some fine-tuning of the</p> <p>6 existing plan to address the issues the</p> <p>7 ambassador and others have correctly brought up</p> <p>8 is totally appropriate.</p> <p>9 So I think that's where we are. And I'm</p> <p>10 happy to answer any questions about any of the</p> <p>11 comments I just offered.</p> <p>12 MR. COBB: Mr. Chairman, I would move a</p> <p>13 3 percent salary increase, and then let's next</p> <p>14 discuss the discretionary bonus.</p> <p>15 MR. COLLINS: I would second that.</p> <p>16 MR. OLMSTEAD: All in favor?</p> <p>17 (Ayes)</p> <p>18 MR. OLMSTEAD: So for the court reporter and</p> <p>19 others, all four voted positively for the</p> <p>20 3 percent increase in the salary.</p> <p>21 And I think the next -- well, there's two</p> <p>22 things here, salary and then there is the</p> <p>23 organizational or the subjective component. And</p> <p>24 I think we have two options here. We vote now or</p> <p>25 we wait and see whether or not the gate opens or</p>	<p style="text-align: right;">Page 55</p> <p>1 closes and vote then.</p> <p>2 MR. WENDT: Please refresh my memory. I'm</p> <p>3 looking at unnumbered page -- there are no</p> <p>4 numbers on these pages. This is a Mercer</p> <p>5 document. It says Incentive Plan Design, and of</p> <p>6 course it is our incentive plan. But this 85</p> <p>7 organizational and 15 individual is for everyone,</p> <p>8 including Ash. Is that correct?</p> <p>9 MR. WILLIAMS: No, sir. May I, Mr. Chair?</p> <p>10 MR. OLMSTEAD: Please.</p> <p>11 MR. WILLIAMS: The percentage of</p> <p>12 organizational or quantitative and individual or</p> <p>13 subjective varies by individual. And depending</p> <p>14 on what your seniority is, you may have more or</p> <p>15 less subjective. And the reasoning for that is</p> <p>16 the following. If you are a newly hired junior</p> <p>17 research analyst on the global equity team, your</p> <p>18 actions materially affecting the outcome of that</p> <p>19 portfolio are nowhere near what they would be if</p> <p>20 you were Tim Taylor, the senior investment</p> <p>21 officer of global equities.</p> <p>22 So, therefore, the organizational component,</p> <p>23 or the lion's share piece is bigger for the more</p> <p>24 senior person that has more direct effect on the</p> <p>25 investment outcome. And for the more junior</p>
<p style="text-align: right;">Page 56</p> <p>1 person, the individual component or the</p> <p>2 subjective component is larger because it's more</p> <p>3 about what your level of initiative is, your</p> <p>4 cooperation, your talent, et cetera, et cetera.</p> <p>5 If you look across the organization, the</p> <p>6 highest component of organizational or</p> <p>7 quantitative is mine. And the reason is,</p> <p>8 arguably, as the person who signs all the</p> <p>9 investment documents for every strategy and every</p> <p>10 asset class and has a strong hand in recruiting,</p> <p>11 retaining, motivating and making sure the team is</p> <p>12 qualified, that's the way it rolls up.</p> <p>13 To be blunt, the other reason it rolls up</p> <p>14 that way -- and this is something Mercer could</p> <p>15 comment -- is mine is the one that's subject to a</p> <p>16 public (inaudible) and is, therefore, most at</p> <p>17 risk of anyone here. And I'm also the one who's</p> <p>18 the first one hung if something goes wrong, and</p> <p>19 rightly so, because I'm responsible for it. So</p> <p>20 the idea of having a higher quantitative or</p> <p>21 organizational component for me versus some of</p> <p>22 the other people is why.</p> <p>23 And Mercer can explain what the thresholds</p> <p>24 are, but as I recall, in the plan design, I think</p> <p>25 we have either four or five tiers of people. And</p>	<p style="text-align: right;">Page 57</p> <p>1 each one of those tiers, as they get more senior,</p> <p>2 the component of organizational or quantitative</p> <p>3 incentive goes up relative to the subjective. I</p> <p>4 hope that's helpful.</p> <p>5 MR. WENDT: A continuing question, just very</p> <p>6 quickly, then a quick answer, please. But the</p> <p>7 85/15 component that we see as Attachment 2 is</p> <p>8 for you. Is that correct?</p> <p>9 MR. WILLIAMS: That's correct. Those</p> <p>10 numbers would shift for other people. So, for</p> <p>11 example, I think for senior portfolio manager --</p> <p>12 MR. WENDT: I got it. I got it, Ash. Thank</p> <p>13 you.</p> <p>14 MR. WILLIAMS: Thank you.</p> <p>15 MR. WENDT: I don't recall that in the past</p> <p>16 few years we've had any dramatic change between</p> <p>17 the audited financials and the estimates as of</p> <p>18 now, so I don't know why we can't go ahead.</p> <p>19 MR. OLMSTEAD: I'm fine with that, Gary.</p> <p>20 The only question is whether or not, again, maybe</p> <p>21 there is a different approach, that the gate</p> <p>22 isn't met with -- and, Ash, I don't know what the</p> <p>23 reality is of something happening there, you</p> <p>24 know, or not, or whether, you know, that's to be</p> <p>25 a conversation that's exclusive of -- we may vote</p>

<p style="text-align: right;">Page 58</p> <p>1 on this and it may be moot, or we may go back and</p> <p>2 if the gate -- we don't meet the gate but we</p> <p>3 determine it's an anomaly, there may be a whole</p> <p>4 different way to look at compensation. I just</p> <p>5 don't know how that works.</p> <p>6 MR. WILLIAMS: I would say this. Let me</p> <p>7 respond to that, if I may, Vinny. I want to be</p> <p>8 careful here. I personally do whatever serves</p> <p>9 the greater interest of the SBA, and I want to be</p> <p>10 very careful not to do anything that looks like</p> <p>11 we're gaming a violation of a risk standard.</p> <p>12 That's just not a position I want to put the</p> <p>13 board in.</p> <p>14 So for the time being, I would suggest that</p> <p>15 we've already had a motion, a second and a vote</p> <p>16 on a base salary change. I would let that alone</p> <p>17 for the time being. Go ahead, your call, but I</p> <p>18 would say you follow the comp subcommittee's</p> <p>19 normal process on the individual component of the</p> <p>20 incentive, notwithstanding whether or not there's</p> <p>21 an incentive, because you've already evaluated</p> <p>22 me. You know what the background is, so it's</p> <p>23 more or less clear where this is headed. You</p> <p>24 just haven't put it to a vote yet.</p> <p>25 And then on the issue of the volatility</p>	<p style="text-align: right;">Page 59</p> <p>1 issue that we saw because of the stock market</p> <p>2 movement back in March, April, Mr. Wendt is</p> <p>3 correct. Normally there is a shift in the audit</p> <p>4 numbers, but they're not huge, and they tend to</p> <p>5 be improvements in performance, not declines.</p> <p>6 Whether that has bearing on this risk issue, I</p> <p>7 don't know, but we've got plenty of time to work</p> <p>8 that issue in between now and then.</p> <p>9 And back to Mr. Wendt's original point, if</p> <p>10 optically we're in a bad spot come December, the</p> <p>11 last thing we need to do is make it worse by</p> <p>12 going out of our way to help me. I can take that</p> <p>13 action on behalf of the rest of the team, but as</p> <p>14 the leader of the organization, I would much</p> <p>15 rather see the troops fed before I eat. And I'm</p> <p>16 happy to play by the rules and take the hit for</p> <p>17 the group if that's what it comes to, and we'll</p> <p>18 work through the rest of it. But we've got to do</p> <p>19 the right thing, whatever it is, on this risk</p> <p>20 issue.</p> <p>21 MR. COLLINS: So, Ash, is this something</p> <p>22 that the comp committee has to weigh in on the</p> <p>23 interpretation of the risk issue or a change of a</p> <p>24 standard, or is that something that you do at the</p> <p>25 board?</p>
<p style="text-align: right;">Page 60</p> <p>1 MR. WILLIAMS: I already have the authority</p> <p>2 to change the standard, and we've done it on a</p> <p>3 temporary basis, so that we're not out of whack</p> <p>4 for a protracted period on this inappropriately.</p> <p>5 We involved Aon in it. We've looked at it at the</p> <p>6 investment committee level, and then yesterday we</p> <p>7 took it up at senior leadership group, which is</p> <p>8 the appropriate process for us to go through.</p> <p>9 What we have done is set up some temporary</p> <p>10 risk parameters that are broader, with the idea</p> <p>11 that when we see risk, as reflected by volatility</p> <p>12 levels in the market, come back within normal</p> <p>13 bounds and remain there for a period of</p> <p>14 (inaudible) consecutive months, then we'll go</p> <p>15 back to our old parameters. In the meantime --</p> <p>16 MR. COLLINS: I don't necessarily mean that.</p> <p>17 I mean, if we're going to -- if you were in</p> <p>18 violation but we're going to pay you anyway, does</p> <p>19 the comp committee need to -- I would think that</p> <p>20 we would need to at least have officially</p> <p>21 recognized what happened and had made some sort</p> <p>22 of statement, right? It can't just be that, oh,</p> <p>23 well, you guys went back and you changed the</p> <p>24 standard, and therefore we paid you.</p> <p>25 MR. WILLIAMS: Oh, no. And that's not what</p>	<p style="text-align: right;">Page 61</p> <p>1 we're trying to do at all.</p> <p>2 MR. COLLINS: I know. Exactly. And nor are</p> <p>3 we just trying to say, yeah, that's just</p> <p>4 something that happened, but we're just going to</p> <p>5 ignore it. We should at least say, we recognize</p> <p>6 this happened. Here's why it happened, and</p> <p>7 here's why we don't believe it should have</p> <p>8 applied relative to this comp, and make an</p> <p>9 affirmative statement to that and then -- and be</p> <p>10 done with it.</p> <p>11 MR. WILLIAMS: Right. There are also some</p> <p>12 legal questions there on plan design. And I</p> <p>13 think, rather than giving you a final answer</p> <p>14 there, maybe we ought to consider this a little</p> <p>15 further in-between here and there and have a</p> <p>16 subsequent conversation on it.</p> <p>17 But for purposes of today, I think the</p> <p>18 fundamentals are fairly plain, and we ought to</p> <p>19 not try and solve this risk issue today. And I</p> <p>20 think I did hear an expression -- again, this is</p> <p>21 for you guys. Perhaps the incoming chair of the</p> <p>22 comp subcommittee would like to be heard on this,</p> <p>23 but I think the revisitation of the design</p> <p>24 elements is an appropriate activity over the</p> <p>25 ensuing year.</p>



<p style="text-align: right;">Page 62</p> <p>1 MR. WENDT: But I think one of the things</p> <p>2 you said -- and I just want to make sure this is</p> <p>3 clear, because I'm quite okay with it. You're</p> <p>4 saying for now let's don't worry about the bonus,</p> <p>5 let's wait until December when we have more</p> <p>6 information. Is that the simple -- is that a</p> <p>7 simple summary of what you said?</p> <p>8 MR. WILLIAMS: Well, what I suggested was,</p> <p>9 you've already got the scoring on a backward</p> <p>10 looking basis for the period that we're talking</p> <p>11 about. You've already evaluated me. So think</p> <p>12 what you could do is you could go ahead and say,</p> <p>13 as if there's going to be an incentive program,</p> <p>14 which we don't know whether there will or not,</p> <p>15 but if there is, here's what we would recommend,</p> <p>16 fully understanding that there may be a gate that</p> <p>17 it doesn't happen and also fully understanding</p> <p>18 that you may choose to come back and revisit that</p> <p>19 question. But for the time being, I would just</p> <p>20 do the basics the way you normally do and let it</p> <p>21 stand at that.</p> <p>22 MR. COLLINS: I'm good with that.</p> <p>23 MR. OLMSTEAD: Okay. So I think with that,</p> <p>24 we've heard Mercer's -- I concur. Ambassador</p> <p>25 Cobb, are you fine with that?</p>	<p style="text-align: right;">Page 63</p> <p>1 MR. COBB: Yes, sir.</p> <p>2 MR. OLMSTEAD: So, with that, I think we've</p> <p>3 seen fairly -- very high marks, not only from --</p> <p>4 you know, from this group and looking at the peer</p> <p>5 group, bringing in things such as CIO and the ED,</p> <p>6 long story short, based on the formal responses</p> <p>7 that we've given back, I would -- and assuming</p> <p>8 that the gate goes forward, I would propose that</p> <p>9 we grant Ash the maximum of the individual</p> <p>10 component, because I do think, whether it be the</p> <p>11 reaction of the bad market or the performance,</p> <p>12 especially against benchmarks, retention, team,</p> <p>13 and all the things that we sort of commented on,</p> <p>14 that he has done an excellent job and we're lucky</p> <p>15 to have him. So I would propose that we push</p> <p>16 through the max (inaudible).</p> <p>17 MR. WENDT: Does that include the</p> <p>18 organizational component as well as the</p> <p>19 individual?</p> <p>20 MR. OLMSTEAD: That's just the individual.</p> <p>21 MR. WENDT: That's the individual. Thank</p> <p>22 you.</p> <p>23 MR. COLLINS: So we're essentially approving</p> <p>24 \$41,000.</p> <p>25 MR. OLMSTEAD: Yes, sir. So there's</p>
<p style="text-align: right;">Page 64</p> <p>1 threshold, target and maximum. And the maximum,</p> <p>2 again, would be the 41,000, which would be a</p> <p>3 small component of the overall \$275,000, but</p> <p>4 would be representative of, quite frankly, the</p> <p>5 marks that we pushed across through the Mercer</p> <p>6 process.</p> <p>7 MR. COLLINS: Do you need somebody to make</p> <p>8 that motion?</p> <p>9 MR. OLMSTEAD: Sure.</p> <p>10 MR. COLLINS: I'll make the motion to</p> <p>11 approve the maximum individual component.</p> <p>12 MR. COBB: So I just have one question for</p> <p>13 Ash. So -- and this is my earlier question, and</p> <p>14 I'd now like to get it to real dollars, that if</p> <p>15 it turns out that for the year or for the three</p> <p>16 years that we are 6.1 compared to our benchmark</p> <p>17 of 5.6, if we are a half of 1 percent, 50 basis</p> <p>18 points per year for three years over our</p> <p>19 benchmark, and forget this risk issue but just</p> <p>20 looking at the performance, does that get you the</p> <p>21 max or it gets you the organizational middle</p> <p>22 ground?</p> <p>23 In other words -- or does that get you the</p> <p>24 difference -- target would get you 27 and max</p> <p>25 would get you 41, based on the numbers. In other</p>	<p style="text-align: right;">Page 65</p> <p>1 words, if we give you target and you end up</p> <p>2 getting -- if we give you max of 41 but the whole</p> <p>3 team only gets target, so I guess you get the 156</p> <p>4 and the 43? Is that how it would work?</p> <p>5 MR. WILLIAMS: May I, Mr. Chair?</p> <p>6 MR. OLMSTEAD: Please.</p> <p>7 MR. WILLIAMS: No, Ambassador. They're two</p> <p>8 different things. The organizational component</p> <p>9 is truly driven by the investment performance.</p> <p>10 And that is separate and distinct from the</p> <p>11 individual component. You'll note that the</p> <p>12 individual component is a percentage that's being</p> <p>13 calculated based on where the whole thing could</p> <p>14 go. But, anyway, you're voting on a proportion</p> <p>15 based on personal behaviors, not the</p> <p>16 quantitative.</p> <p>17 MR. COBB: I understand that. But my</p> <p>18 question wasn't that. My question is, if you are</p> <p>19 50 basis points -- if it turns out you are 50</p> <p>20 basis points over in three years, which</p> <p>21 preliminary numbers show, will you get target or</p> <p>22 will you get max on the organizational component</p> <p>23 side?</p> <p>24 MR. WILLIAMS: Oh, on the -- that's exactly</p> <p>25 the right focus. On the organizational side, the</p>

<p style="text-align: right;">Page 66</p> <p>1 trigger for the max performance is capped at 50</p> <p>2 basis points, or rather the max you can get is 50</p> <p>3 basis points, which is the trigger for max. Is</p> <p>4 that correct, Mercer?</p> <p>5 MR. MASON: It is. So the answer, I think,</p> <p>6 Ambassador Cobb, is, yes. If it turns out that</p> <p>7 it's 50 basis points or more over the three year</p> <p>8 benchmark, on the organizational component, the</p> <p>9 ED/CIO would get 234,281.</p> <p>10 MR. COBB: That's my question.</p> <p>11 MR. MASON: That would be added -- yes. So</p> <p>12 the answer to that question is yes. And then it</p> <p>13 would be added -- or the individual component,</p> <p>14 whatever you decide today, would be added on</p> <p>15 that.</p> <p>16 MR. COBB: Okay. So now my follow-up</p> <p>17 question is, if we vote for you to get the 41,000</p> <p>18 and it turns out that you, on the three years</p> <p>19 after audit, you're only 45 basis per year over</p> <p>20 and you get target, do you then get the middle</p> <p>21 number, which I can't read?</p> <p>22 MR. COLLINS: 156,000.</p> <p>23 MR. COBB: 156 and the 41, or do you get --</p> <p>24 in other words, how does that work? So you would</p> <p>25 get 156 and 41?</p>	<p style="text-align: right;">Page 67</p> <p>1 MR. WILLIAMS: Correct.</p> <p>2 MR. COBB: That's right. Okay. Thank you.</p> <p>3 So I second that motion, if no one else has, and</p> <p>4 I think we should vote on it.</p> <p>5 MR. OLMSTEAD: All in favor?</p> <p>6 (Ayes)</p> <p>7 MR. OLMSTEAD: So for the court reporter,</p> <p>8 all four have voted positively.</p> <p>9 All right. Any other business or closing</p> <p>10 remarks in the time we have?</p> <p>11 MR. WILLIAMS: Mr. Chair, I'd just like to</p> <p>12 say thank you to everyone for your support and</p> <p>13 your understanding. I am mindful that the score</p> <p>14 that I received this year on the interaction with</p> <p>15 the various groups, the audit committee and IAC,</p> <p>16 dropped a little bit, and all I can say is that's</p> <p>17 not lost on me and I will do a better job going</p> <p>18 forward with that.</p> <p>19 MR. TAYLOR: Hi, Ash and the group. I guess</p> <p>20 just one other item was on the agenda. It's up</p> <p>21 to you-all whether to take this up or not. It's</p> <p>22 item 5. I don't recall that we --</p> <p>23 MR. COLLINS: We've already passed that.</p> <p>24 MR. COBB: Mr. Chairman, I guess I would</p> <p>25 like to move that this committee recommend to our</p>
<p style="text-align: right;">Page 68</p> <p>1 full nine-person board that we start the review</p> <p>2 that Ash talked about and that we consider the</p> <p>3 things that several of us have talked about,</p> <p>4 particularly with a focus on the max of</p> <p>5 52 percent, which our consultant tells us is low,</p> <p>6 and that we consider all those things as a -- and</p> <p>7 whether it be this committee or another</p> <p>8 committee, the full board can vote on that at our</p> <p>9 next meeting. So I move that.</p> <p>10 MR. OLMSTEAD: A clarifying question. So is</p> <p>11 the intent to have -- at the next board meeting,</p> <p>12 just to have that discussion, not to have a</p> <p>13 recommendation at that point?</p> <p>14 MR. COBB: No. To do both. To do the</p> <p>15 recommendation, that's for this year, but for</p> <p>16 future, the committee thinks we might make some</p> <p>17 tweaks and improve our process, and we'd like to</p> <p>18 start that process. We as a committee are</p> <p>19 recommending to the full board that for future</p> <p>20 years, we might tweak our process and improve it,</p> <p>21 fully recognizing we'll need the trustees'</p> <p>22 approval.</p> <p>23 MR. COLLINS: Do we need their permission to</p> <p>24 look at it, Ambassador, or can we just look at it</p> <p>25 and then go to them and say, Hey, we'd like to</p>	<p style="text-align: right;">Page 69</p> <p>1 make some tweaks?</p> <p>2 MR. COBB: Okay. I don't know what the --</p> <p>3 I'm just recommending that.</p> <p>4 MR. COLLINS: I agree with that. Yeah.</p> <p>5 MR. OLMSTEAD: I think we're pretty much all</p> <p>6 in agreement on that, so I'll second it. All in</p> <p>7 favor.</p> <p>8 (Ayes)</p> <p>9 MR. COLLINS: Yeah, I think we should take</p> <p>10 it up. And maybe we look at the overall -- maybe</p> <p>11 we work with Mercer and look at the overall</p> <p>12 compensation for all the employees. Ash, I don't</p> <p>13 know when the last time you guys did that, but</p> <p>14 maybe we need to look at that.</p> <p>15 MR. WILLIAMS: We do that -- Mr. Chair, if I</p> <p>16 may. We do that every three years as part of our</p> <p>17 normal (inaudible). Mercer helps us out. We do</p> <p>18 a lot of the work ourselves. They validate the</p> <p>19 methodology to make sure that we're doing it the</p> <p>20 right way. And to the extent there are national</p> <p>21 comps, they help us put it together.</p> <p>22 We also get a little data from another firm</p> <p>23 called McLagan. You know, everybody can't afford</p> <p>24 Mercer all the time, so some people use these</p> <p>25 other firms here and there. But anyway, I think</p>

<p style="text-align: right;">Page 70</p> <p>1 the trustees will welcome the work on this. And</p> <p>2 part of it would be to look at the structure of</p> <p>3 the ICP, the people who are included in it. That</p> <p>4 issue came up when we did our governance risk and</p> <p>5 compliance review with a big third-party outside</p> <p>6 thing with Funston Associates back in 2018. They</p> <p>7 felt that our inclusion was too narrow.</p> <p>8 So there are a number of issues that could</p> <p>9 be looked at, including the overall structure of</p> <p>10 the plan, the way it functions for everyone, all</p> <p>11 of which is appropriate. And I think the</p> <p>12 trustees would welcome the effort on your part if</p> <p>13 you're willing to undertake it.</p> <p>14 MR. COLLINS: What do you think, Ambassador?</p> <p>15 What do you think, Gary? I mean, are we willing</p> <p>16 to look at that as well?</p> <p>17 MR. WENDT: Yeah. We're still looking at</p> <p>18 the plan, right? We're going to look at the plan</p> <p>19 and see what changes are necessary?</p> <p>20 MR. COLLINS: Yes.</p> <p>21 MR. WENDT: (Inaudible) all in favor of</p> <p>22 that.</p> <p>23 MR. OLMSTEAD: And more broadly (inaudible)</p> <p>24 the ED.</p> <p>25 MR. COBB: The organizational issue is a</p>	<p style="text-align: right;">Page 71</p> <p>1 separate issue.</p> <p>2 MR. COLLINS: Right.</p> <p>3 MR. WENDT: And what is the organizational</p> <p>4 issue? I think I missed that.</p> <p>5 MR. COLLINS: What we're talking about is</p> <p>6 looking at the overall comp plan for all the</p> <p>7 employees. Right now --</p> <p>8 MR. WENDT: Oh, yeah. Don't we do that</p> <p>9 every three years? I thought we did that every</p> <p>10 three years.</p> <p>11 MR. COLLINS: The board does it. We don't</p> <p>12 do it. The staff of the board does it. We don't</p> <p>13 do it. We've only gotten involved with executive</p> <p>14 director.</p> <p>15 MR. WENDT: Okay. I love committee work, so</p> <p>16 if we can add some on, that's good.</p> <p>17 MR. COLLINS: Okay. We'll do it. Anything</p> <p>18 else, guys? Vinny?</p> <p>19 MR. WILLIAMS: Did item 5 get addressed?</p> <p>20 MR. COLLINS: No.</p> <p>21 MR. WENDT: I nominate Vinny Olmstead to be</p> <p>22 continuing chair.</p> <p>23 MR. COLLINS: Second.</p> <p>24 MR. OLMSTEAD: I'll abstain.</p> <p>25 (Ayes)</p>
<p style="text-align: right;">Page 72</p> <p>1 MR. COLLINS: There we go.</p> <p>2 MR. OLMSTEAD: Thank you. I'm not sure if</p> <p>3 that's a compliment or not, but I will agree to</p> <p>4 go forward for another year here. All right.</p> <p>5 Well, first, thank you, Mercer. Thank you, staff</p> <p>6 and Ash. Thank you for your hard work and your</p> <p>7 uniqueness, and thank the committee for spending</p> <p>8 a -- the subcommittee for spending a lot of time</p> <p>9 and I think a really substantive conversation</p> <p>10 today. And if there's nothing else, we are</p> <p>11 adjourned.</p> <p>12 (Thereupon, the meeting concluded at 2:46</p> <p>13 p.m.)</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 73</p> <p>1 CERTIFICATE OF REPORTER</p> <p>2</p> <p>3 STATE OF FLORIDA</p> <p>4 COUNTY OF LEON</p> <p>5</p> <p>6 I, JO LANGSTON, RPR, certify that I was</p> <p>7 authorized to and did stenographically report the</p> <p>8 foregoing meeting, and that the transcript is a true</p> <p>9 and complete record of my stenographic notes.</p> <p>10 Dated this 6th day of October 2020.</p> <p>11</p> <p>12</p> <p>13 </p> <p>14 JO LANGSTON, RPR</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

<hr/> <p><b>\$</b></p> <hr/> <p><b>\$275,000</b> 64:3 <b>\$41,000</b> 63:24</p> <hr/> <p><b>1</b></p> <hr/> <p><b>1</b> 64:17 <b>1.1</b> 27:13 <b>1.2</b> 27:13 <b>100</b> 29:10 <b>11</b> 44:1 <b>12</b> 44:1,13 <b>13</b> 44:8 <b>14</b> 25:22 26:11 29:6 33:18 36:9 49:23 50:6 <b>15</b> 24:8 40:9 42:22 55:7 <b>15-</b> 31:10 <b>150</b> 25:4,20, 23,24 26:5,13, 15 29:7 35:15 <b>156</b> 65:3 66:23,25 <b>156,000</b> 66:22</p>	<hr/> <p><b>2</b></p> <hr/> <p><b>2</b> 57:7 <b>200</b> 29:7 37:23 <b>2012</b> 24:23 46:14 <b>2018</b> 70:6 <b>2019</b> 38:6 <b>234,281</b> 66:9 <b>27</b> 64:24 <b>2:46</b> 72:12</p> <hr/> <p><b>3</b></p> <hr/> <p><b>3</b> 28:5 35:3 38:25 45:7 49:12 54:13,20 <b>30-minute</b> 31:11</p> <hr/> <p><b>4</b></p> <hr/> <p><b>4</b> 37:17 <b>400,000</b> 35:15 <b>41</b> 64:25 65:2 66:23,25 <b>41,000</b> 64:2 66:17 <b>43</b> 65:4</p>	<p><b>45</b> 66:19</p> <hr/> <p><b>5</b></p> <hr/> <p><b>5</b> 33:16 37:18 39:1 67:22 71:19 <b>5.6</b> 64:17 <b>50</b> 64:17 65:19 66:1,2,7 <b>52</b> 25:5 35:14 41:11,12 68:5 <b>52.5</b> 24:17,19 26:4 28:16 <b>575</b> 33:1</p> <hr/> <p><b>6</b></p> <hr/> <p><b>6</b> 39:1 44:13 <b>6.1</b> 64:16</p> <hr/> <p><b>7</b></p> <hr/> <p><b>75</b> 35:13 <b>75th</b> 28:19,21, 24 33:5,7 39:16 41:16</p>	<hr/> <p><b>8</b></p> <hr/> <p><b>85</b> 24:7 35:13 55:6 <b>85/15</b> 57:7</p> <hr/> <p><b>A</b></p> <hr/> <p><b>A's</b> 30:11 <b>A-MINUSES</b> 30:11 <b>ability</b> 41:14 <b>able</b> 31:25 <b>absolutel</b> <b>y</b> 22:19 <b>abstain</b> 71:24 <b>acknowled</b> <b>ge</b> 40:17 <b>action</b> 59:13 <b>actions</b> 22:20 55:18 <b>activitie</b> <b>s</b> 44:20,22 <b>activity</b> 61:24 <b>actual</b> 53:20 <b>additive</b> 48:21 <b>address</b> 54:6 <b>addressed</b> 71:19 <b>addressin</b> <b>g</b> 39:2</p>	<p><b>adjourned</b> 72:11 <b>adjusted</b> 51:13,15 <b>adjustmen</b> <b>t</b> 47:9 51:15 <b>adopting</b> 27:6 <b>advisers</b> 45:7 <b>affirm</b> 51:5 <b>affirmati</b> <b>ve</b> 61:9 <b>afford</b> 69:23 <b>agenda</b> 67:20 <b>aggregate</b> 30:9 35:1 37:15 53:5 <b>agreed</b> 48:18 <b>agreement</b> 51:4 69:6 <b>ahead</b> 41:4 57:18 58:17 62:12 <b>aid</b> 39:21 <b>align</b> 34:25 <b>aligns</b> 35:4 <b>all-in</b> 27:22 39:13 <b>allocatio</b> <b>ns</b> 46:1 <b>ambassado</b> <b>r</b> 37:8,25</p>
--	--	---	--	--

38:9	<b>approve</b>	45:25		<b>better</b>
43:10	64:11	56:10		36:1,3
45:12	<b>approved</b>	<b>asset all</b>	<b>B</b>	53:4
46:12	24:24	<b>ocation</b>	<b>backgroun</b>	67:17
50:3	33:1	45:17	<b>d</b>	<b>beyond</b>
51:14	37:21	46:4	58:22	51:10
54:7	<b>approving</b>	<b>asset all</b>	<b>backward</b>	52:1
62:24	63:23	<b>ocations</b>	62:9	<b>big</b>
65:7 66:6	<b>April</b>	46:3	<b>bad</b>	39:18
68:24	59:2	<b>assets</b>	43:19,24	70:5
70:14	<b>areas</b>	43:21	59:10	<b>bigger</b>
<b>ambiguous</b>	31:1	<b>Associate</b>	63:11	38:16
25:17	51:15	<b>s</b>	<b>barely</b>	55:23
35:12	<b>arguably</b>	70:6	39:4	<b>billion-</b>
<b>amount</b>	56:8	<b>assuming</b>	<b>basics</b>	<b>dollar-</b>
48:6	<b>argument</b>	63:7	62:20	<b>plus-a-</b>
<b>analyst</b>	45:15	<b>Attachmen</b>	<b>basis</b>	<b>year</b>
55:17	<b>arithmeti</b>	<b>t</b>	24:2	51:21
<b>analyzed</b>	<b>c</b>	28:5 57:7	38:17	<b>blunt</b>
43:1	50:18	<b>attention</b>	60:3	56:13
<b>anecdotal</b>	<b>Ash</b>	52:20	62:10	<b>board</b>
<b>ly</b>	23:20	<b>audit</b>	64:17	30:1,24
35:11	24:4,12	59:3	65:19,20	44:11
<b>annual</b>	25:12	66:19	66:2,3,7,	51:17
23:23	37:5	67:15	19	58:13
24:2	40:17	<b>audited</b>	<b>bearing</b>	59:25
<b>anomaly</b>	41:16	37:12	59:6	68:1,8,
39:2	43:20	53:21	<b>beat</b>	11,19
40:14	44:2 45:3	57:17	44:6	71:11,12
43:19	46:10,18	<b>authority</b>	<b>beaten</b>	<b>bonus</b>
47:11	47:1,17,	60:1	44:3	47:14,15
49:6 58:3	23 48:17	<b>average</b>	<b>behaviors</b>	54:14
<b>Aon</b>	49:4	25:24	65:15	62:4
44:1 60:5	50:9,10	27:1 37:4	<b>benchmark</b>	<b>book</b>
<b>appendix</b>	55:8	38:2	27:10	44:11
38:1	57:12,22	<b>award</b>	42:9	<b>bottom</b>
<b>applied</b>	59:21	50:19	44:2,3,6	26:23
61:8	63:9	<b>aware</b>	46:5	44:7
<b>approach</b>	64:13	51:19	64:16,19	<b>bound</b>
57:21	67:19	<b>awful</b>	66:8	38:22
<b>appropriate</b>	68:2	43:10	<b>benchmark</b>	<b>bounds</b>
<b>te</b>	69:12	<b>Ayes</b>	<b>-wise</b>	60:13
52:15	72:6	54:17	35:18	<b>box</b>
54:8 60:8	<b>Ash's</b>	67:6 69:8	<b>benchmark</b>	24:16
61:24	49:10	71:25	<b>s</b>	<b>brand</b>
70:11	<b>assess</b>		23:8	33:20
<b>approval</b>	29:22		63:12	<b>breakers</b>
68:22	<b>asset</b>		<b>benefit</b>	24:10,11
	33:9		22:9	

<b>bring</b> 25:20 45:15	<b>categories</b> 30:3,7 38:12	<b>CIO/ED</b> 36:21	36:8 45:10	16,18 71:15
<b>broad</b> 33:7 54:2	<b>cetera</b> 34:14	<b>CIOS</b> 33:20,21 50:12,13	49:21 54:15	72:7
<b>broader</b> 29:5 35:24 60:10	<b>chair</b> 32:3 50:25	<b>circuit</b> 24:10,11	59:21 60:16	<b>committee</b> 48:14
<b>broadly</b> 70:23	<b>chairman</b> 22:25 23:14	<b>circumstance</b> 34:13	61:2 62:22	<b>commonality</b> 49:18
<b>bucket</b> 47:11	<b>challenge</b> 29:3	<b>clarifyin</b> g 68:10	63:23 64:7,10	<b>commonly</b> 38:15,25 51:8 52:5
<b>buckets</b> 36:5	<b>challenge</b> s 29:3	<b>class</b> 56:10	66:22 67:23	<b>comp</b> 26:2,25 32:7,20 40:5
<b>budget</b> 52:24,25	<b>challengi</b> ng 30:22 34:20	<b>closer</b> 30:10	68:23 69:4,9	49:10 51:6
<b>budgets</b> 45:19	<b>chance</b> 44:9	<b>closes</b> 55:1	70:14,20 71:2,5, 11,17,20, 23 72:1	52:13 58:18 59:22 60:19 61:8,22 71:6
<b>bunch</b> 23:5 53:8	<b>changes</b> 34:23,24 70:19	<b>Cobb</b> 36:23 38:7 41:1,3,5, 7 43:25	<b>combined</b> 52:3	<b>companies</b> 25:3
<b>business</b> 51:22 67:9	<b>chapter</b> 44:13	<b>Cobb's</b> 50:3	<b>combo</b> 49:24	<b>comparabl</b> e 27:10
<b>C</b>	<b>choose</b> 62:18	<b>colleague</b> 23:14	<b>comfortab</b> le 47:25	<b>comparati</b> vely 23:8
<b>calculate</b> d 65:13	<b>Chuck</b> 36:23	<b>colleague</b> s 35:11	<b>comment</b> 32:1 56:15	<b>compare</b> 33:4 35:18 45:23
<b>calculati</b> on 27:21	<b>CIO</b> 29:23,25 34:3,16 36:9,11, 17,22 49:25 63:5	<b>COLLINS</b> 28:10,13 29:13	<b>commentar</b> y 30:15	<b>compared</b> 44:7 64:16
<b>capped</b> 66:1			<b>commented</b> 63:13	<b>comparing</b> 50:5,7
<b>care</b> 47:3			<b>comments</b> 30:16 43:3 48:12 54:2,11	<b>compensat</b> e 46:6 47:20
<b>careful</b> 38:19 58:8,10			<b>commit</b> 39:12	<b>compensat</b> ed 49:25 52:5
<b>carefully</b> 43:1			<b>committee</b> 30:12,16, 21 31:13 40:5 50:16 59:22 60:6,19 67:15,25 68:7,8,	
<b>catch</b> 33:13 34:5				
<b>catch-up</b> 35:22 39:25				

<b>compensat ion</b>	53:18, 24 54:23	<b>consisten t</b>	<b>country</b>	40:12
25:18	55:22	51:4	<b>course</b>	<b>decisions</b>
27:10, 14,	56:1, 2, 6,	<b>constant</b>	34:10	36:3
18 31:13,	21 57:2, 7	33:24	37:23	47:16, 18
16 35:20,	58:19	<b>construct</b>	55:6	50:23
23 36:24	63:10, 18	23:21	<b>cover</b>	<b>deck</b>
37:13, 16	64:3, 11	24:4	43:12	29:15
38:14	65:8, 11,	25:11	<b>covered</b>	<b>declines</b>
39:25	12, 22	<b>construct ive</b>	43:10	59:5
41:14, 19	66:8, 13	30:19, 20	<b>crisis</b>	<b>decreased</b>
42:6	<b>component</b>	31:2	52:24	33:24
48:13	<b>s</b>	<b>consultan t</b>	<b>curious</b>	<b>deepen</b>
52:12	24:14, 18	68:5	31:18	32:11
53:18	<b>comps</b>	<b>contempla te</b>	33:17	<b>defend</b>
58:4	51:17	31:8, 19	<b>current</b>	36:2
69:12	69:21	<b>context</b>	32:25	<b>defer</b>
<b>compensat ions</b>	<b>computati on</b>	<b>continued</b>	34:1, 15	31:23
41:10	27:22	29:25	<b>cuts</b>	32:11
<b>competing</b>	<b>concept</b>	<b>contracti ng</b>	53:1	<b>delay</b>
26:21	25:18	33:15	<b>cycle</b>	49:13
<b>competiti vely</b>	<b>concern</b>	<b>contrary</b>	37:10	<b>depending</b>
26:6	31:2	53:9	51:8	55:13
27:18	<b>concluded</b>	<b>conversat ion</b>	<hr/>	<b>deserves</b>
<b>competito rs</b>	72:12	47:9	<b>D</b>	40:18
40:20, 21	<b>concur</b>	48:17	<b>data</b>	47:1
<b>compiled</b>	62:24	49:16	35:19, 20	<b>design</b>
23:25	<b>confident ial</b>	57:25	36:4, 16	25:7 51:3
<b>complete</b>	22:23	61:16	38:1	55:5
36:4	<b>connect</b>	72:9	40:12	56:24
<b>completed</b>	25:21	<b>cooperati on</b>	43:23	61:12, 23
29:19	<b>consecuti ve</b>	56:4	69:22	<b>designed</b>
<b>completel y</b>	60:14	<b>core</b>	<b>dealing</b>	24:22
49:6	<b>consequen ce</b>	26:11	37:1	<b>desire</b>
<b>complianc e</b>	48:2	<b>corner</b>	<b>December</b>	30:17, 20
70:5	<b>consider</b>	48:22	52:22	34:17
<b>complimen t</b>	61:14	<b>correctly</b>	59:10	<b>determina tion</b>
72:3	68:2, 6	52:4 54:7	62:5	37:24
<b>component</b>	<b>considera bly</b>	<b>cost</b>	<b>decide</b>	<b>determine</b>
24:7, 8, 9,	36:18	24:1	22:16	58:3
13 40:8, 9	<b>considere d</b>		31:9	<b>determine d</b>
48:25	42:16		47:11, 22	37:5
52:7			66:14	<b>developed</b>
			<b>decided</b>	50:17
			49:13	<b>differenc e</b>
			<b>decision</b>	64:24
			32:14	
			39:21	

<b>differentiate</b> 34:18	<b>dots</b> 25:21	<b>eight</b> 25:1	<b>estimates</b> 57:17	<b>executive</b> 28:8
<b>difficult</b> 32:22 45:9,22	<b>downturn</b> 47:17	26:12,13 27:11,16	<b>estimation</b> 29:11	36:11,16, 18 49:23 50:1,13 52:2 71:13
<b>direct</b> 55:24	<b>dramatic</b> 57:16	33:10 46:24 48:15	<b>et</b> 34:14 56:4	<b>exercise</b> 31:11
<b>directed</b> 44:20	<b>dramatically</b> 39:7	<b>eight-footers</b> 27:1	<b>evaluated</b> 58:21 62:11	<b>existing</b> 54:6
<b>directionally</b> 49:3	<b>driven</b> 65:9	<b>elements</b> 61:24	<b>evaluation</b> 23:23 37:10	<b>explain</b> 56:23
<b>director</b> 36:11,16, 18 50:1 71:14	<b>dropped</b> 67:16	<b>eligible</b> 38:3,4,17	<b>evaluations</b> 29:19	<b>explained</b> 43:20
<b>director/cio</b> 49:24 52:2	<b>duty</b> 46:5	<b>employees</b> 69:12 71:7	<b>everybody</b> 31:15 32:10 46:15,22, 23 69:23	<b>explaining</b> 25:12
<b>discretionary</b> 42:23 54:14	<b>dynamic</b> 39:17	<b>enlighten</b> 23:7 26:7	<b>evolved</b> 25:9	<b>expression</b> 61:20
<b>discuss</b> 23:3 39:10 40:6,7 54:14	<hr/> <b>E</b> <hr/>	<b>ensuing</b> 46:24 61:25	<b>exactly</b> 52:11 61:2 65:24	<hr/> <b>F</b> <hr/>
<b>discussion</b> 32:17 40:22 48:24 49:20 54:3 68:12	<b>easily</b> 27:21	<b>ensure</b> 51:10	<b>example</b> 35:3 57:11	<b>faces</b> 23:19
<b>distinct</b> 65:10	<b>eat</b> 59:15	<b>entire</b> 31:12	<b>exceeds</b> 30:9,10	<b>fact</b> 47:1
<b>documents</b> 56:9	<b>economic</b> 53:10	<b>entirely</b> 54:4	<b>excellent</b> 63:14	<b>fairly</b> 33:15 51:18 61:18 63:3
<b>dollars</b> 37:22 45:22 64:14	<b>ED</b> 29:23,25 36:9 63:5 70:24	<b>entity</b> 38:20	<b>exception</b> 41:25 52:19	<b>fall</b> 30:7
	<b>ED/CIO</b> 24:19 66:9	<b>environme nt</b> 30:22 39:7 40:2 53:6	<b>exception s</b> 38:23 39:8	<b>fantastic</b> 25:12 26:8
	<b>ED/CIO's</b> 23:24 35:24	<b>equals</b> 32:16	<b>exclusive</b> 33:8 57:25	<b>favor</b> 54:16 67:5 69:7 70:21
	<b>EDS</b> 36:14	<b>equities</b> 55:21	<b>excuse</b> 42:5	<b>fed</b> 59:15
	<b>effect</b> 55:24	<b>equity</b> 41:22 55:17		
	<b>effective ly</b> 33:23	<b>especiall y</b> 63:12		
	<b>efficiencies</b> 30:4	<b>essential ly</b> 63:23		
	<b>effort</b> 70:12			



<b>feedback</b>	29:3 30:6	54:19		58:9
30:18	33:4	56:25		<b>ground</b>
31:3,15	37:18,20,	67:8	<b>G</b>	64:22
<b>fell</b>	21 51:9	<b>fourth</b>	<b>game</b>	<b>group</b>
30:13	56:25	37:8	51:19	25:22
<b>felt</b>	<b>fixed</b>	<b>fraction</b>	<b>gaming</b>	26:2,11
70:7	36:5	52:9	58:11	28:22
<b>figure</b>	<b>flat</b>	<b>frankly</b>	<b>gap</b>	29:6
39:13	33:15	64:4	34:2,8	31:24
48:9	<b>flaw</b>	<b>frequent</b>	35:6	33:6,7
<b>final</b>	41:11	30:17	<b>Gary</b>	35:22,25
47:7,21	<b>Florida</b>	<b>front</b>	43:9	45:5 49:4
48:8	22:8,22	29:2	50:14	59:17
53:16	23:7	44:11	57:19	60:7
61:13	<b>flow</b>	<b>fulfillin</b>	70:15	63:4,5
<b>financial</b>	53:20	<b>g</b>	<b>gate</b>	67:19
24:14	<b>focus</b>	51:11	49:2,14	<b>groups</b>
39:23	53:13	<b>full</b>	54:25	33:3,19
40:3	65:25	32:8	57:21	67:15
52:24	68:4	68:1,8,19	58:2	<b>growth</b>
<b>financial</b>	<b>focused</b>	<b>fully</b>	62:16	33:11
<b>s</b>	34:25	26:1	63:8	<b>guidance</b>
57:17	<b>folks</b>	62:16,17	<b>gating</b>	38:11
<b>finding</b>	39:18	68:21	48:9,10	
53:7	<b>follow</b>	<b>function</b>	<b>generally</b>	<b>H</b>
<b>findings</b>	27:21	51:7	38:22	
23:7,12,	58:18	53:21	<b>giving</b>	<b>hair</b>
23 24:20	<b>follow-up</b>	<b>functions</b>	61:13	43:13
32:20	66:16	70:10	<b>global</b>	<b>half</b>
33:14	<b>following</b>	<b>fund</b>	55:17,21	37:1
<b>fine-</b>	41:9	33:6	<b>God</b>	64:17
<b>tuning</b>	55:16	51:20	53:1	<b>hand</b>
54:5	<b>forced</b>	<b>fundament</b>	<b>goes</b>	23:11
<b>firm</b>	52:25	<b>als</b>	35:23	56:10
69:22	<b>forget</b>	61:18	39:1	<b>hands-on</b>
<b>firms</b>	64:19	<b>funds</b>	56:18	51:23
69:25	<b>formal</b>	23:9	57:3 63:8	<b>happens</b>
<b>first</b>	63:6	28:21	<b>gotten</b>	49:2
35:5,10	<b>format</b>	33:5	71:13	<b>happy</b>
41:1,2,3,	32:22	<b>Funston</b>	<b>governanc</b>	39:20
5,8 44:18	<b>found</b>	70:6	<b>e</b>	54:10
51:3	25:2	<b>furloughs</b>	70:4	59:16
56:18	32:24	53:1	<b>grab</b>	<b>hard</b>
72:5	<b>four</b>	<b>further</b>	35:19	22:12
<b>fit</b>	23:17	61:15	<b>grant</b>	27:15
25:13	31:7	<b>future</b>	63:9	35:17
<b>five</b>	32:16	42:1	<b>greater</b>	41:17
23:17	33:19	68:16,19	41:11	72:6
28:20	37:18		53:10	

<b>haves</b> 26:10 39:17	<b>highest</b> 30:6 36:20 49:24 56:6	<b>identify</b> 33:5 <b>ignore</b> 61:5 <b>Illinois</b> 22:4 <b>important</b> 23:3 28:2 42:10,12 44:6 45:13 49:22 50:5 <b>impressio</b> <b>n</b> 39:24 43:16 <b>improve</b> 68:17,20 <b>improveme</b> <b>nts</b> 59:5 <b>in-</b> <b>between</b> 61:15 <b>in-house</b> 23:25 <b>inappropri</b> <b>ately</b> 60:4 <b>inaudible</b> 33:22 38:10 39:14 50:15 56:16 60:14 63:16 69:17 70:21,23 <b>incentive</b> 23:21 24:5,12, 13 25:11, 19 26:12, 22 27:3 28:19,23 38:3,13, 17 39:19	41:10 52:7,13 53:22,23 55:5,6 57:3 58:20,21 62:13 <b>incentive</b> <b>s</b> 26:20 29:5 <b>inclinati</b> <b>on</b> 49:9 <b>include</b> 63:17 <b>including</b> 50:17 55:8 70:9 <b>inclusion</b> 70:7 <b>incoming</b> 61:21 <b>increase</b> 37:4 42:21 45:8 54:13,20 <b>increases</b> 38:2,3 <b>individua</b> <b>l</b> 24:9 30:5 34:10,13, 25 39:3 40:8,13 44:21 48:25 50:2 55:7,12, 13 56:1 58:19 63:9,19, 20,21 64:11 65:11,12 66:13	<b>infrastru</b> <b>cture</b> 30:4 <b>initially</b> 24:23 <b>initiativ</b> <b>e</b> 56:3 <b>input</b> 32:9,11 <b>insight</b> 27:13 <b>installed</b> 24:24 <b>instance</b> 33:19 <b>intent</b> 68:11 <b>interacti</b> <b>on</b> 30:12,21 31:24 67:14 <b>interacti</b> <b>ons</b> 31:25 <b>interest</b> 53:10 58:9 <b>interesti</b> <b>ng</b> 24:21 25:6 31:6 33:2 39:22,23 <b>internal</b> 33:21 <b>interpret</b> <b>ation</b> 59:23 <b>investing</b> 45:21 <b>investmen</b> <b>t</b> 55:20,25 56:9 60:6 65:9
<b>head</b> 29:6 36:13 <b>headed</b> 58:23 <b>heap</b> 40:19 <b>hear</b> 61:20 <b>heart</b> 53:11 <b>heavily</b> 44:19 46:10 52:12 <b>help</b> 25:21 50:24 59:12 69:21 <b>helpful</b> 27:7 35:12 38:9 39:15 57:4 <b>helps</b> 69:17 <b>hey</b> 47:11 68:25 <b>Hi</b> 67:19 <b>high</b> 29:24,25 30:24,25 32:23 49:10 63:3 <b>higher</b> 26:14 39:16 52:5 56:20	<b>highlight</b> 24:16 <b>highly</b> 34:15,16 51:22 <b>hired</b> 55:16 <b>hires</b> 33:21 <b>historica</b> <b>lly</b> 31:17 <b>hit</b> 59:16 <b>homage</b> 46:8 <b>home</b> 22:8 <b>hope</b> 57:4 <b>huge</b> 59:4 <b>hung</b> 56:18 <b>hurt</b> 41:13 <hr/> <b>I</b> <hr/> <b>IAC</b> 31:12 32:8 67:15 <b>ICP</b> 70:3 <b>idea</b> 22:6 45:17,18 56:20 60:10 <b>identifie</b> <b>d</b> 51:14	<b>identify</b> 33:5 <b>ignore</b> 61:5 <b>Illinois</b> 22:4 <b>important</b> 23:3 28:2 42:10,12 44:6 45:13 49:22 50:5 <b>impressio</b> <b>n</b> 39:24 43:16 <b>improve</b> 68:17,20 <b>improveme</b> <b>nts</b> 59:5 <b>in-</b> <b>between</b> 61:15 <b>in-house</b> 23:25 <b>inappropri</b> <b>ately</b> 60:4 <b>inaudible</b> 33:22 38:10 39:14 50:15 56:16 60:14 63:16 69:17 70:21,23 <b>incentive</b> 23:21 24:5,12, 13 25:11, 19 26:12, 22 27:3 28:19,23 38:3,13, 17 39:19	41:10 52:7,13 53:22,23 55:5,6 57:3 58:20,21 62:13 <b>incentive</b> <b>s</b> 26:20 29:5 <b>inclinati</b> <b>on</b> 49:9 <b>include</b> 63:17 <b>including</b> 50:17 55:8 70:9 <b>inclusion</b> 70:7 <b>incoming</b> 61:21 <b>increase</b> 37:4 42:21 45:8 54:13,20 <b>increases</b> 38:2,3 <b>individua</b> <b>l</b> 24:9 30:5 34:10,13, 25 39:3 40:8,13 44:21 48:25 50:2 55:7,12, 13 56:1 58:19 63:9,19, 20,21 64:11 65:11,12 66:13	<b>infrastru</b> <b>cture</b> 30:4 <b>initially</b> 24:23 <b>initiativ</b> <b>e</b> 56:3 <b>input</b> 32:9,11 <b>insight</b> 27:13 <b>installed</b> 24:24 <b>instance</b> 33:19 <b>intent</b> 68:11 <b>interacti</b> <b>on</b> 30:12,21 31:24 67:14 <b>interacti</b> <b>ons</b> 31:25 <b>interest</b> 53:10 58:9 <b>interesti</b> <b>ng</b> 24:21 25:6 31:6 33:2 39:22,23 <b>internal</b> 33:21 <b>interpret</b> <b>ation</b> 59:23 <b>investing</b> 45:21 <b>investmen</b> <b>t</b> 55:20,25 56:9 60:6 65:9

<b>involved</b> 60:5 71:13		<b>letter</b> 28:14 32:21	39:16	18 32:19
<b>issue</b> 36:25 41:20 42:25 47:11, 24 48:10 58:25 59:1, 6, 8, 20, 23 61:19 64:19 70:4, 25 71:1, 4	<hr/> <b>K</b> <hr/> <b>keeps</b> 45:12 <hr/> <b>L</b> <hr/> <b>lack</b> 45:20 <b>Lamar</b> 24:3 28:5 29:15 37:18 <b>landscape</b> 24:25 <b>large</b> 24:6 26:17 <b>larger</b> 33:6, 19 56:2 <b>largest</b> 33:8 <b>Lastly</b> 52:18 <b>late</b> 41:22 <b>leader</b> 40:18 59:14 <b>leadershi</b> <b>p</b> 60:7 <b>learn</b> 49:9 <b>learned</b> 46:21 <b>left</b> 43:14 <b>legal</b> 61:12 <b>legislati</b> <b>ve</b> 51:24 <b>legislatu</b> <b>re</b> 52:25	<b>level</b> 29:24 32:24 34:1 56:3 60:6 <b>levels</b> 60:12 <b>licensing</b> 46:17, 18 <b>line</b> 23:15 <b>lion's</b> 55:23 <b>logical</b> 46:7 <b>long</b> 44:22 50:16 63:6 <b>longer</b> 34:8 53:11 <b>looked</b> 22:14 33:3 60:5 70:9 <b>lost</b> 67:17 <b>lot</b> 22:7 32:17 35:8 43:11 46:21, 22 52:14 69:18 72:8 <b>love</b> 26:3 40:24 45:11 71:15 <b>low</b> 68:5 <b>lower</b> 26:14, 19	<b>lucky</b> 63:14 <b>lucrative</b> 27:4, 7 <hr/> <b>M</b> <hr/> <b>magnitude</b> 25:7 <b>major</b> 42:7, 8 51:7 <b>manage</b> 31:16 <b>managed</b> 53:4 <b>managemen</b> <b>t</b> 31:23 51:23 <b>manager</b> 57:11 <b>March</b> 59:2 <b>marked</b> 34:2 <b>market</b> 23:24 33:2 34:2, 8, 12, 16, 18 35:7 39:6 40:1 59:1 60:12 63:11 <b>market-</b> <b>oriented</b> 34:24 <b>marks</b> 30:1, 24, 25 63:3 64:5 <b>Mason</b> 23:6, 13, 14 26:8 27:19 28:4, 8 29:1, 14,	<b>Massachus</b> <b>etts</b> 22:4 <b>materiall</b> <b>y</b> 55:18 <b>max</b> 28:18, 23 41:12 42:22 63:16 64:21, 24 65:2, 22 66:1, 2, 3 68:4 <b>maximum</b> 24:17, 18, 20 25:3 26:15 63:9 64:1, 11 <b>Mclagan</b> 69:23 <b>measure</b> 24:1 <b>median</b> 25:4 26:13, 14 <b>meet</b> 58:2 <b>meeting</b> 32:9 50:23 52:21 53:14, 16, 17 68:9, 11 72:12 <b>meets</b> 30:9 <b>members</b> 40:24 <b>memory</b> 55:2 <b>mentioned</b> 24:12
<hr/> <b>J</b> <hr/> <b>job</b> 23:20 25:12 63:14 67:17 <b>Jon</b> 23:5, 14 <b>Josh</b> 23:6, 15 31:20 36:15 <b>judge</b> 46:10 <b>judgment</b> 32:12 41:7, 13 <b>jump</b> 24:20 32:19 <b>junior</b> 55:16, 25				

35:2	<b>missed</b>	<b>necessari</b>	<b>notes</b>	25:15
<b>Mercer</b>	71:4	<b>ly</b>	33:2	27:8
23:5,11	<b>missing</b>	25:7	<b>nots</b>	28:2,12
31:21	26:1	30:19	26:10	31:5
36:10	<b>mission</b>	31:13	39:17	32:4,13
39:9	30:4	33:8 54:3	<b>notwithst</b>	35:9
46:15	<b>mix</b>	60:16	<b>anding</b>	39:9,22
51:5	43:20	<b>negative</b>	58:20	48:11
52:4,14	<b>mode</b>	30:19	<b>number</b>	51:1 52:8
55:4	39:25	<b>new</b>	22:2	54:16,18
56:14,23	<b>modest</b>	22:5,8	26:6,25	55:10
64:5 66:4	42:20	29:4	35:5	57:19
69:11,17,	<b>moment</b>	33:20	36:12	62:23
24 72:5	41:24	41:8,9	37:17	63:2,20,
<b>Mercer's</b>	52:8	42:17	41:15,20	25 64:9
62:24	<b>money</b>	43:4	48:13	65:6
<b>merit</b>	38:16	44:17,25	51:14	67:5,7
35:4	53:8	46:13	52:2,6	68:10
<b>met</b>	<b>months</b>	49:21	66:21	69:5
24:13	60:14	50:4 54:4	70:8	70:23
57:22	<b>moot</b>	<b>newly</b>	<b>numbers</b>	71:21,24
<b>methodolo</b>	49:6	55:16	29:11	72:2
<b>gy</b>	53:25	<b>nice</b>	33:14,23	<b>open</b>
69:19	58:1	23:18,20	37:12	35:10
<b>middle</b>	<b>motion</b>	<b>nine</b>	47:8,21	40:22
26:20	58:15	30:2	48:8	49:15
64:21	64:8,10	32:16	49:14	<b>opens</b>
66:20	67:3	<b>nine-</b>	53:20,22	54:25
<b>million</b>	<b>motivatin</b>	<b>person</b>	55:4	<b>operating</b>
27:13	<b>g</b>	68:1	57:10	45:21
37:21	56:11	<b>nominal</b>	59:4	<b>operation</b>
<b>mind</b>	<b>moved</b>	45:4	64:25	<b>s</b>
50:10	38:18	<b>nominate</b>	65:21	30:4
<b>mindful</b>	39:3	71:21	<b>numerical</b>	<b>opinion</b>
22:19	<b>movement</b>	<b>non-</b>	44:20,22	35:18
67:13	59:2	<b>incentive</b>		<b>opinions</b>
<b>mine</b>	<b>moving</b>	38:4	<b>O</b>	40:25
56:7,15	27:3	<b>normal</b>	<b>offered</b>	<b>opportuni</b>
<b>minimum</b>	49:12	58:19	54:11	<b>ty</b>
39:4,5	<b>multiple</b>	60:12	<b>officer</b>	24:6 26:2
<b>minority</b>	52:6,9	69:17	55:21	<b>opposed</b>
26:16,17		<b>normally</b>	<b>officiall</b>	46:7
42:4	<b>N</b>	59:3	<b>y</b>	<b>optically</b>
<b>minorly</b>		62:20	60:20	34:21
30:7	<b>narrow</b>	<b>note</b>	<b>old</b>	59:10
<b>minus</b>	70:7	24:21	60:15	<b>optics</b>
33:16	<b>national</b>	38:9	<b>Olmstead</b>	38:19
<b>minuses</b>	69:20	65:11	23:1	47:2
42:20				52:22

<b>optimistic</b> 22:14	<b>overrule</b> 53:7	47:13,14, 15 52:20	68:5	<b>person</b> 49:25
<b>options</b> 54:24	<b>oversee</b> 46:4	53:8	<b>percentag e</b> 55:11	50:8
<b>organizat ion</b> 51:7 56:5 59:14	<b>overview</b> 29:24	60:18	65:12	55:24
<b>organizat ional</b> 24:7,8 48:25 54:23 55:7,12, 22 56:6, 21 57:2 63:18 64:21 65:8,22, 25 66:8 70:25 71:3	<hr/> <b>p</b> <hr/>	<b>pay-out</b> 24:15,18, 20	<b>percentil e</b> 28:19,22, 24 33:5,7 38:2 41:17	56:1,8
<b>organizat ions</b> 36:21	<b>p.m.</b> 72:13	<b>payors</b> 26:19	<b>perfectly</b> 46:7	<b>personal</b> 65:15
<b>oriented</b> 52:12	<b>packages</b> 41:14	<b>peer</b> 25:3,22 26:2,11 28:22	<b>performan ce</b> 23:24 24:11 29:21 34:13 37:12 40:14 42:4,5,8, 9,11,13 43:15 45:12 46:9 47:7 53:21 59:5 63:11 64:20 65:9 66:1	<b>personall y</b> 49:12 58:8
<b>original</b> 51:11 59:9	<b>page</b> 29:14 44:1,13 55:3	33:3,19 35:22 48:20 63:4	<b>periodica lly</b> 51:8	<b>perspecti ve</b> 30:24 32:2 34:6
<b>originall y</b> 52:17	<b>pages</b> 55:4	<b>peers</b> 42:11,12, 13 44:7 45:13,14, 23,24 49:19,23 51:18	<b>performin g</b> 34:16 49:4	<b>picture</b> 27:9
<b>ought</b> 61:14,18	<b>paid</b> 36:17,20 60:24	<b>pension</b> 23:9 28:21 33:4,6 51:19	<b>period</b> 52:23 60:4,13 62:10	<b>piece</b> 24:6 34:17,22 55:23
<b>outcome</b> 55:18,25	<b>paragraph</b> 28:15	<b>pensions</b> 26:10 27:6	<b>performin g</b> 34:16 49:4	<b>pieces</b> 25:12
<b>outside</b> 70:5	<b>parameter s</b> 60:10,15	<b>percent</b> 24:7,8, 17,19 25:4,20, 23,24 26:13,15 28:16 33:16 35:3,14, 15 37:18 39:1 40:9 41:11,12 42:22 44:8 45:7 49:12 54:13,20 64:17	<b>periodica lly</b> 51:8	<b>plain</b> 61:18
<b>overall</b> 30:3 31:10 35:23 40:15 64:3 69:10,11 70:9 71:6	<b>parse</b> 48:11		<b>period</b> 52:23 60:4,13 62:10	<b>plan</b> 25:8 37:2 41:8,9,12 42:1,17, 23 43:4, 5,7 44:16,17, 18,24,25 46:13,14, 16,19 49:21,25 50:4,17, 20 51:3, 6,10 54:4,6 55:5,6 56:24 61:12 70:10,18 71:6
	<b>part</b> 42:17 44:21 45:2 69:16 70:2,12		<b>periodica lly</b> 51:8	<b>plans</b> 25:5 26:22 27:3
	<b>particula rly</b> 51:24 68:4		<b>permissio n</b> 68:23	
	<b>parts</b> 50:19		<b>perpetuit y</b> 48:15	
	<b>passed</b> 67:23			
	<b>pause</b> 35:7			
	<b>pay</b> 22:16 24:12 34:1,8,11			

41:10 42:7,8 52:2,6 <b>play</b> 59:16 <b>playing</b> 35:22 <b>please</b> 28:8,12 32:4 51:1 55:2,10 57:6 65:6 <b>plenty</b> 59:7 <b>plus</b> 50:13 <b>pluses</b> 42:19 <b>pocket</b> 35:24 <b>pointed</b> 38:20 <b>points</b> 24:21 30:17 64:18 65:19,20 66:2,3,7 <b>policy</b> 48:3 <b>political</b> <b>ly</b> 51:22 <b>politicia</b> <b>n</b> 47:4 <b>poll</b> 40:24 <b>pool</b> 35:4 37:14,15 38:10,16 <b>poor</b> 43:15 <b>populatio</b> <b>n</b> 35:2 <b>portfolio</b> 55:19	57:11 <b>pose</b> 40:10 <b>position</b> 39:4 58:12 <b>positions</b> 37:23 38:4 <b>positivel</b> <b>y</b> 54:19 67:8 <b>potential</b> 51:14 <b>potential</b> <b>ly</b> 34:21 <b>practical</b> 32:6 <b>practice</b> 51:5 <b>prelimina</b> <b>ry</b> 65:21 <b>presentat</b> <b>ion</b> 26:3 <b>pretty</b> 22:6,21 25:8 39:18 43:19 45:5 69:5 <b>previous</b> 38:1 <b>private</b> 41:21 <b>pro</b> 37:24 <b>probably</b> 26:20 29:10 35:21,23 48:21 49:10 50:15 <b>problem</b> 49:15	50:20 <b>process</b> 31:17 58:19 60:8 64:6 68:17,18, 20 <b>profile</b> 41:21 <b>program</b> 23:21 24:22 38:14 62:13 <b>programs</b> 26:12,17 <b>proportio</b> <b>n</b> 65:14 <b>propose</b> 63:8,15 <b>protracte</b> <b>d</b> 60:4 <b>provided</b> 36:7 <b>public</b> 22:17 26:9 27:5 28:20 32:9 33:6 38:19 56:16 <b>pull</b> 39:20 <b>pulling</b> 39:12 <b>punt</b> 40:11 <b>purpose</b> 51:11 53:17 <b>purposes</b> 61:17 <b>push</b> 63:15 <b>pushed</b> 64:5	<b>put</b> 38:24 44:24 48:22 58:12,24 69:21 <b>putting</b> 36:4 40:15 <hr/> <b>Q</b> <hr/> <b>qualified</b> 56:12 <b>quantitat</b> <b>ive</b> 55:12 56:7,20 57:2 65:16 <b>quarter</b> 37:8 43:17,18, 22 <b>quartiles</b> 39:15 <b>quick</b> 28:10 57:6 <b>quickly</b> 23:22 29:12 48:12 57:6 <b>quite</b> 62:3 64:4 <hr/> <b>R</b> <hr/> <b>radical</b> 38:21 <b>raise</b> 45:3 47:1,2,20 <b>raised</b> 52:21 <b>raises</b> 38:25	<b>ramificat</b> <b>ions</b> 37:13 <b>range</b> 29:7 33:16 38:25 <b>rank</b> 31:8 <b>rata</b> 37:24 <b>rate</b> 53:19 <b>rating</b> 30:5,6 <b>ratings</b> 29:21 30:8 <b>ratio</b> 52:16 <b>reaction</b> 35:8 63:11 <b>readjustm</b> <b>ent</b> 54:4 <b>reality</b> 57:23 <b>reasonabl</b> <b>e</b> 38:22,24 <b>reasoning</b> 55:15 <b>reasons</b> 39:6 41:9 52:14 53:7 <b>recalibra</b> <b>tion</b> 54:5 <b>receive</b> 29:25 30:25 <b>received</b> 67:14 <b>recognize</b> 34:14 61:5
--	--	---	--	--

<b>recognize</b>	<b>relative</b>	<b>retention</b>	<b>rules</b>	54:15
<b>d</b>	45:24	37:15,16	59:16	58:15
60:21	49:21	63:12	<b>run</b>	67:3 69:6
<b>recognizi</b>	50:12,13	<b>revamping</b>	29:11	71:23
<b>ng</b>	52:7 57:3	48:16	<b>running</b>	<b>section</b>
68:21	61:8	<b>revenue</b>	45:25	25:14
<b>recommend</b>	<b>relevant</b>	46:17,18	<b>runs</b>	<b>send</b>
62:15	27:17	<b>review</b>	51:20	40:4
67:25	<b>remain</b>	23:24		<b>senior</b>
<b>recommend</b>	33:15	24:1	<b>s</b>	55:20,24
<b>ation</b>	60:13	27:24		57:1,11
32:8	<b>remarks</b>	32:20,23	<b>salaries</b>	60:7
34:22	67:10	68:1 70:5	50:2	<b>seniority</b>
40:23	<b>reminded</b>	<b>reviewed</b>	<b>salary</b>	55:14
45:7	22:3	48:23	24:19	<b>sense</b>
68:13,15	<b>report</b>	51:8	33:1	26:23
<b>recommend</b>	23:12	<b>revisit</b>	34:3,7,21	31:19
<b>ing</b>	30:15	52:14	37:4 40:9	33:12
41:18	44:1	62:18	41:16	35:7
68:19	<b>reporting</b>	<b>revisitat</b>	42:21	39:14
69:3	41:22	<b>ion</b>	49:8,13	49:1
<b>recruitin</b>	<b>represent</b>	61:23	52:7	<b>sentiment</b>
<b>g</b>	<b>ative</b>	<b>reward</b>	54:13,20,	46:2
56:10	64:4	44:5	22 58:16	<b>separate</b>
<b>recruitme</b>	<b>requested</b>	<b>rightly</b>	<b>savings</b>	51:18
<b>nt</b>	37:20	56:19	24:1	65:10
37:16	<b>required</b>	<b>risk</b>	<b>SBA</b>	71:1
<b>reference</b>	24:11	41:21	22:16	<b>separated</b>
25:2	<b>research</b>	42:25	23:25	52:3
32:25	55:17	45:18	25:9	<b>serves</b>
<b>referred</b>	<b>respect</b>	47:9,10,	27:23	58:8
52:8	38:5	24 48:10	33:4,12	<b>session</b>
<b>reflected</b>	<b>respond</b>	52:18	35:1	51:24
60:11	41:1,2	56:17	53:5,11	<b>setting</b>
<b>refresh</b>	58:7	58:11	58:9	34:10
55:2	<b>responses</b>	59:6,19,	<b>scheme</b>	<b>seven</b>
<b>regards</b>	63:6	23 60:10,	53:23,24	27:2
35:22	<b>responsib</b>	11 61:19	<b>score</b>	44:23
40:19	<b>le</b>	64:19	67:13	46:24
<b>regime</b>	56:19	70:4	<b>scores</b>	<b>share</b>
22:3	<b>rest</b>	<b>role</b>	30:9	55:23
<b>rehash</b>	35:2 37:4	36:9,11	<b>scoring</b>	<b>shared</b>
52:16	45:5	<b>roles</b>	62:9	24:4
<b>reinsuran</b>	46:10	40:18	<b>screen</b>	<b>shied</b>
<b>ce</b>	59:13,18	50:9 52:3	32:21	26:24
51:20	<b>restraint</b>	<b>rolls</b>	<b>second</b>	<b>shift</b>
<b>relates</b>	45:20	56:12,13	41:6	27:4
43:3	<b>retaining</b>	<b>rule</b>	43:10	57:10
	56:11	39:8	44:14	59:3

<b>shifted</b> 24:25	<b>solve</b> 61:19	39:18	<b>study</b> 23:25	<hr/> <b>T</b> <hr/>
<b>short</b> 63:6	<b>somebody</b> 64:7	<b>staff</b> 22:16	33:2	<b>table</b> 24:3
<b>short-term</b> 52:19	<b>sort</b> 25:18	46:10	<b>subcommit</b>	<b>takeaways</b> 25:6
<b>side</b> 39:24	26:22, 25	47:17, 23	<b>tee</b> 31:16	<b>talent</b> 56:4
65:23, 25	27:8	71:12	40:24	<b>talks</b> 28:15
<b>signal</b> 42:25	31:16	72:5	61:22	<b>target</b> 64:1, 24
<b>signals</b> 40:4	32:6	<b>stand</b> 62:21	72:8	65:1, 3, 21
<b>significa</b>	35:11	<b>standard</b> 58:11	<b>subcommit</b>	66:20
<b>nt</b> 33:11	39:12	59:24	<b>tee's</b> 32:7	<b>tax</b> 22:3
34:20	41:25	60:2, 24	58:18	<b>Taylor</b> 28:6, 9
<b>significa</b>	46:8	<b>starkly</b> 25:8	<b>subject</b> 51:23	29:16
<b>ntly</b> 30:13	49:17, 19	<b>start</b> 50:3	56:15	37:20
<b>signs</b> 56:8	52:23	68:1, 18	<b>subjectiv</b>	55:20
<b>simple</b> 62:6, 7	60:21	<b>started</b> 46:14	<b>e</b> 53:19, 24	67:19
<b>sir</b> 22:18	63:13	<b>state</b> 35:20	54:23	<b>team</b> 55:17
55:9	<b>sorts</b> 53:2	52:23	55:13, 15	56:11
63:1, 25	<b>speaking</b> 31:20	53:5	56:2 57:3	59:13
<b>situation</b> 26:9, 18	<b>specific</b> 28:25	<b>statement</b> 43:12	<b>subsequen</b>	63:12
34:15	48:6	60:22	<b>t</b> 61:16	65:3
41:15, 19	<b>specifica</b>	61:9	<b>substanti</b>	<b>telephoni</b>
<b>six-</b>	<b>lly</b> 34:3	<b>states</b> 22:10	<b>ve</b> 72:9	<b>cally</b> 23:18
<b>footers</b> 27:1	53:17	53:3, 4	<b>suggest</b> 58:14	<b>tells</b> 68:5
<b>size</b> 33:9	<b>specifici</b>	<b>stock</b> 59:1	<b>suggested</b> 62:8	<b>temporary</b> 60:3, 9
45:24	<b>ty</b> 38:24	<b>stocks</b> 43:20	<b>summarize</b> 49:17	<b>ten</b> 25:1
<b>slide</b> 29:17	<b>speech</b> 53:9	<b>story</b> 63:6	<b>summary</b> 28:7, 8	<b>tend</b> 27:3 59:4
<b>slightly</b> 33:15, 24	<b>spend</b> 25:10	<b>strategy</b> 56:9	29:15, 18	<b>tenure</b> 34:13
39:5	32:17	<b>strikes</b> 31:2	62:7	<b>tenured</b> 34:16
<b>small</b> 26:16	<b>spending</b> 72:7, 8	<b>strong</b> 56:10	<b>superviso</b>	<b>term</b> 53:11
64:3	<b>spirit</b> 49:18	<b>structure</b> 50:7 53:8	<b>rs</b> 38:11, 12	<b>terms</b> 26:21
<b>smaller</b> 40:8	<b>split</b> 36:9, 10,	70:2, 9	<b>support</b> 67:12	30:8 33:9
	17	<b>struggled</b> 25:16	<b>swings</b> 32:15	
	<b>spot</b> 59:10			
	<b>spread</b> 37:22			



38:2 <b>terrible</b> 53:2 <b>Thanks</b> 28:3 <b>themes</b> 33:10 <b>thereabout</b> <b>ts</b> 51:9 <b>thereof</b> 45:20 <b>thing</b> 22:9 44:10 45:1 46:25 53:6 59:11,19 65:13 70:6 <b>thinks</b> 68:16 <b>third-</b> <b>party</b> 70:5 <b>three</b> 30:3 33:3,21 38:6 40:16 41:20 42:15 43:3 44:2,3,6, 8 49:19 64:15,18 65:20 66:7,18 69:16 71:9,10 <b>threshold</b> 64:1 <b>threshold</b> <b>s</b> 56:23 <b>throw</b> 26:18	<b>tiers</b> 56:25 57:1 <b>Tim</b> 55:20 <b>times</b> 39:23 <b>top</b> 24:16 28:20 29:3,6 33:4 36:13 40:19 50:8 <b>total</b> 24:5 25:18 26:2,25 27:10,12, 14,18 35:19 36:24 37:22 49:10 52:11 <b>totality</b> 49:16 <b>totally</b> 45:25 54:8 <b>touch</b> 23:22 30:17 <b>trigger</b> 66:1,3 <b>troops</b> 37:5 59:15 <b>true</b> 46:15 <b>truly</b> 65:9 <b>trustees</b> 47:23 70:1,12 <b>trustees'</b> 68:21	<b>turn</b> 47:18 <b>turns</b> 64:15 65:19 66:6,18 <b>tweak</b> 68:20 <b>tweaked</b> 51:12 <b>tweaking</b> 48:16 <b>tweaks</b> 68:17 69:1 <b>two</b> 22:3 23:16 29:4 34:11 35:10 36:5 38:6,12 40:7 41:15 43:15 47:16 50:8 52:5 54:21,24 65:7 <b>types</b> 43:21 <b>typical</b> 35:3 <b>typically</b> 27:7 30:10  <b>U</b>  <b>ultimatel</b> <b>y</b> 35:20 36:2 <b>uncertain</b> <b>ty</b> 40:2	<b>uncomfort</b> <b>able</b> 49:11 <b>underpaid</b> 41:19 <b>undertake</b> 70:13 <b>unfair</b> 43:2 <b>unintende</b> <b>d</b> 48:2 <b>unique</b> 50:11 <b>uniquenes</b> <b>s</b> 72:7 <b>unnumbere</b> <b>d</b> 55:3 <b>upgrade</b> 23:16  <b>V</b>  <b>validate</b> 24:2 69:18 <b>variable</b> 25:19 35:16 36:6 <b>varies</b> 55:13 <b>various</b> 29:22 67:15 <b>venture</b> 35:20 <b>versus</b> 22:4 25:5,18 30:11 32:16 39:19 42:11,12, 13 43:21 56:21	<b>Vinny</b> 25:15 28:10 31:6 36:8 52:11 58:7 71:18,21 <b>violation</b> 58:11 60:18 <b>virtually</b> 30:18 <b>vis-a-vis</b> 42:9 <b>visible</b> 51:22 <b>volatilit</b> <b>y</b> 40:15 58:25 60:11 <b>vote</b> 48:5 49:3 54:24 55:1 57:25 58:15,24 66:17 67:4 68:8 <b>voted</b> 54:19 67:8 <b>voting</b> 65:14  <b>W</b>  <b>wait</b> 47:6 49:13,14 54:25 62:5 <b>waiting</b> 49:16 <b>wanting</b> 40:10 <b>weigh</b> 59:22
---	---	---	---	---

<b>weighted</b> 42:10	<b>willing</b> 70:13,15	
<b>welcome</b> 70:1,12	<b>Wilson</b> 23:6,15	
<b>well-</b>	31:20	
<b>thought-</b>	36:15	
<b>out</b>	<b>withhold</b>	
44:18	47:15	
<b>Wendt</b>	<b>words</b>	
22:11,21,	64:23	
25 38:20	65:1	
41:2,4,6	66:24	
43:9	<b>worked</b>	
44:9,14	30:2	
50:14	<b>works</b>	
52:21	32:6	
53:14	38:10	
55:2	58:5	
57:5,12,	<b>worry</b>	
15 59:2	62:4	
62:1	<b>worse</b>	
63:17,21	39:4	
70:17,21	59:11	
71:3,8,	<b>worth</b>	
15,21	32:17	
<b>Wendt's</b>	49:20	
34:19	<b>wrong</b>	
59:9	40:4	
<b>whack</b>	56:18	
60:3		
<b>wholeheartedly</b>	<b>y</b>	
48:18		
<b>WILLIAMS</b>	<b>y'all</b>	
22:18,24	30:2	
32:3,5	<b>year-</b>	
37:7 38:8	<b>over-year</b>	
50:24	33:11	
51:2	<b>York</b>	
55:9,11	22:5 29:4	
57:9,14		
58:6	<b>z</b>	
60:1,25		
61:11	<b>zero</b>	
62:8	33:16	
65:5,7,24	<b>zeros</b>	
67:1,11	29:10	
69:15		
71:19		

# Attachment 2

## Incentive Plan Design ED/CIO - FY 2020-2021

- Individual component level for ED/CIO position accounts for 15% of total award
- Organizational and individual component payouts at various incentive achievement levels are shown below. Evaluation criteria for individual component was determined by IAC Compensation Subcommittee in June 2015.

		<b>Incentive as a % of Salary</b>		
	Mix	Threshold	Target	Maximum
Total Incentive Opportunity	100%	17.500%	35.000%	52.500%
Organizational Component	85%	14.875%	29.750%	44.625%
Individual Component	15%	2.625%	5.250%	7.875%

<b>Incentive Opportunity Breakdown (Annual Salary = \$592,250)</b>				
	Mix	Threshold	Target	Maximum
Total Incentive Opportunity	100%	\$103,644	\$207,288	\$310,931
Organizational Component	85%	\$88,097	\$176,194	\$264,291
Individual Component	15%	\$15,547	\$31,094	\$46,640

Note: Mr. Williams has announced his retirement, effective September 30, 2021. The above information does not reflect the plan's substantial risk of forfeiture provisions and is shown as if Mr. Williams were not retiring.

# Attachment 3A

## **ED/CIO Incentive Plan Evaluation Process - FY 2020-2021**

### **ED/CIO Individual/Qualitative Measurement**

The sections below outline the approved criteria and process for evaluating the ED/CIO's individual/qualitative performance, which constitutes 15% of his incentive award (the other 85% of the award is determined by the level of outperformance of the FRS Pension Fund). Any changes to the criteria for the next Performance Period (fiscal year) need to have been determined and communicated to the ED/CIO prior to July 1.

### **ED/CIO Individual/Qualitative Performance Criteria**

#### **Criteria Approved for FY 2020-2021 Performance Period**

In line with the overall framework for the incentive plan, criteria for the individual/qualitative performance portion of the ED/CIO's incentive award approved in June 2015 are: (1) Overall Mission; (2) People; (3) Efficiencies/Infrastructure/Operations; and (4) Interaction with the Investment Advisory Council and Audit Committee. The Qualitative Evaluation Form (Attachment 1) includes more descriptive information regarding each rating area.

### **Process and Schedule for ED/CIO Individual/Qualitative Performance Rating**

In June 2015 it was decided the Compensation Subcommittee will rate the qualitative performance of the ED/CIO and recommend to the full IAC the amount of incentive to be awarded for the Performance Period. The IAC will vote to approve or disapprove the recommendation.

**July 1-15:** ED/CIO prepares summary of accomplishments in each of the four areas (Mission, People, Efficiencies/Infrastructure/Operations, and Interaction with IAC and Audit Committee). As part of the summary, the ED/CIO may want to encourage the individual Compensation Subcommittee or IAC raters to speak with individual members of the Audit Committee to gain additional perspective on interactions with them.

**By July 15:** ED/CIO sends his/her Summary to raters (members of Compensation Subcommittee) along with the attached evaluation form.

**By July 31:** Raters evaluate ED/CIO and return form to Mercer. Mercer may seek clarification of the ratings and/or comments of individual raters.

**By August 31:** Mercer compiles final ratings and all final comments from raters and sends them to the ED/CIO, who will compile the materials for a noticed public meeting of the Compensation Subcommittee to review/discuss the evaluation with ED/CIO and provide an overall recommendation to the Trustees. The Subcommittee will present its recommendation to the IAC for its approval or disapproval prior to sending the recommendation to the Trustees.

**Following the public meetings of the Subcommittee and the IAC,** the Subcommittee Chair communicates the recommendation regarding qualitative incentive award and supporting rationale to the Trustees, with a copy to IAC members, as materials for a noticed public meeting of the Trustees.

**September:** Trustees consider recommendation in public meeting.

# Attachment 3B

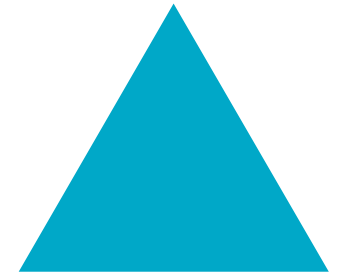
**STATE BOARD OF  
ADMINISTRATION FLORIDA**

**EXECUTIVE DIRECTOR/ CIO  
PERFORMANCE  
EVALUATION SUMMARY**

AUGUST 2021

**Josh Wilson**

Atlanta



MAKE TOMORROW, TODAY





# INTRODUCTION

- Mercer has advised State Board of Administration Florida on a variety of human capital needs since 2012.
- Mercer acts as the independent party in the annual review process of the Executive Director/CIO for SBA by the Compensation Subcommittee of the IAC
- In this process, Mercer collects the performance evaluations completed by the Compensation Subcommittee members and disseminates a summary of the findings.
- Performance reviews were completed by the following members:
  - Gary Wendt
  - Peter Collins
  - Vinny Olmstead
  - Note: In prior years, there have been four IAC members who have submitted evaluations, but Ambassador Chuck Cobb retired from the IAC
- The following pages include an overall summary of the responses and detailed pages on the survey questions

## EXECUTIVE SUMMARY

Question	2021 Average Rating (out of a possible score of 4)	2020 Average Rating (out of a possible score of 4)
Overall Mission	4	4
People	4	3.625
Efficiencies/ Infrastructure /Operations	4	3.75
Interaction with Committees	3.33	3.25
Individual Rating	4	3.75

- The ED continues to receive high marks across the board
- Interaction with Committee was the only area which did not receive top marks in 2021 evaluation

- Mercer converted the verbal rating scale to a numerical scale as follows:
  - Exceeds = 4 out of 4
  - Meets = 3 out of 4
  - Below = 2 out of 4
  - Poor = 1 out of 4

## OVERALL MISSION

- The rating for this category should reflect the degree to which the ED/CIO has:
- Assured appropriate alignment with the investment policy of the SBA's mandates (e.g., FRS Defined Benefit Pension Fund, FRS Investment Plan, Florida PRIME, Florida Hurricane Catastrophe Fund (FHCf), etc.), considering the long term needs of the relevant fund, the risk tolerance of SBA Trustees, and the perceived market environment.
- Provided leadership for effective functioning of the SBA, FHCf and the Office of Defined Contribution Programs.
- Maintained/strengthened the reputation/brand and performance of the SBA in relation to its large public pension fund peers; external communications and issue management

# 4 OUT OF 4

### Comments:

- *"Exceptional job on all fronts. Balances the complexity of investing, politics and human capital incredibly well"*
- *"One of the top performers among peers in 2020/21"*

## PEOPLE

- The rating for this category should reflect the degree to which the ED/CIO has:
  - Developed subordinate staff
  - Recruited and retained key talent

4 OUT OF 4

### Comments:

- *“Consistent, loyal senior management with little turnover”*
- *“During an unbelievably challenging period, Ash managed the team beautifully”*

## EFFICIENCIES/INFRASTRUCTURE/OPERATIONS

- The rating for this category should reflect the degree to which the ED/CIO has:
  - Assured the development of organizational structures, systems and processes that enable effective functioning of the SBA, FHCF and the Office of Defined Contribution Programs.
  - This includes such areas as communication of knowledge; development and institutionalization of systems and structures to enhance performance and control risk; efficient acquisition and use of data and other resources; business continuity planning, etc.

# 4 OUT OF 4

### Comments:

- *“Especially during the pandemic. Shifted to virtual and still optimized performance.”*
- *“This was borne out of the pandemic. Overnight, people went remote and productivity/results did not diminish”*

## INTERACTION WITH IAC & AUDIT COMMITTEE

- The rating for this category should reflect the degree to which the ED/CIO has:
  - Maintained effective working relationships with individual IAC members and the Council as a whole, and with members of the Audit Committee on matters within the concern of each body.
  - Provided requested information and transparency. Note: As part of the evaluation process, individual raters may speak with individual members of the IAC, Audit Committee to gain perspective on ED/CIO interactions with them.

# 3.33 OUT OF 4

### Comments:

- *“There is no interaction other than the quarterly formal meetings which this year were all virtual. Limited knowledge given year of virtual meetings with no other contact with the ED/CIO”*

# OVERALL INDIVIDUAL/QUALITATIVE PERFORMANCE RATING FOR THIS PERIOD

## 4 OUT OF 4

Note: No comments were provided for this final rating



# MERCER

MAKE TOMORROW, TODAY



# **Appendix to Attachment 3B**



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

**1801 HERMITAGE BOULEVARD, SUITE 100  
TALLAHASSEE, FLORIDA 32308  
(850) 488-4406**

**POST OFFICE BOX 13300  
32317-3300**

**RON DESANTIS  
GOVERNOR  
CHAIR**

**JIMMY PATRONIS  
CHIEF FINANCIAL OFFICER**

**ASHLEY MOODY  
ATTORNEY GENERAL**

**ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

July 15, 2021

Mr. Vinny Olmstead  
Chair, IAC Compensation Subcommittee  
2770 Indian River Boulevard, Suite 501  
Vero Beach, FL 32960

Dear Vinny:

Consistent with the process adopted by the Investment Advisory Council (IAC) Compensation Subcommittee and affirmed by the IAC, following is my self-assessment, inclusive of the fiscal year ended June 30, 2021, together with a Qualitative Evaluation Form (attachment 1) for you to complete and return to Josh Wilson at Mercer by July 31. For your convenience, an addressed, stamped envelope is enclosed for this purpose. Mercer will review the responses and may contact responders for clarification. They will then compile the ratings and final comments from raters and return them to me by August 31. I will share them with you and the other Subcommittee members and compile materials for a noticed public meeting of the Subcommittee to discuss and adopt a recommendation for the IAC. Please see "ED/CIO Incentive Plan Evaluation Process – FY 21-22" (attachment 2) for additional process details.

As a reminder, in keeping with Florida's Sunshine Law, please do not discuss this evaluation with any other members of the IAC. All members will have the chance to discuss this evaluation at the noticed public meeting planned for September.

Background

Upon being triggered by audited total fund performance as of fiscal year-end June 30, implementation of SBA's incentive compensation structure is based on achievement as evidenced by quantitative investment performance measures and qualitative assessment of each incentive plan participant's contributions to the accomplishment of SBA's objectives. These are summarized at a high level in our Mission and Vision Statements:

**Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.**

**Our vision is to be the best public sector investment and administrative service provider while exemplifying the principles of trust, integrity and performance.**

As Executive Director & CIO, my priority is to keep our organization's team, culture, reputation, credibility and resources at a strength that empowers mission and vision fulfillment. This is consistent with the Trustees' delegation of authority to the Executive Director & CIO. Our most visible output is investment results, the adequacy or inadequacy of which is readily seen. Taking a long term view, what is actually more important but less visible is the team and culture building, policy and strategy formation, resource provision, risk management and execution that create the many investment outcomes that sum to the total fund's return. If these are right, the probability of consistent investment outcomes that earn trust, enhance the SBA's reputation and build brand value is vastly enhanced. The result is a virtuous cycle where our credibility and performance help garner critical policy support from key SBA stakeholders (Trustees, Legislature, local governments, beneficiaries, taxpayers, media, etc.), which in turn, positions us as a serious, stable, and desirable investment partner in the marketplace. This enables us to build well-aligned relationships with other exceptional organizations and capture superior deal flow with more favorable terms and pricing, driving the performance that earns trust, enhances reputation and builds brand value. I take responsibility for ensuring that the SBA executes effectively at all levels of this cycle.

While effective strategy execution and policy engagement describe my responsibilities at a high level, the purpose of this letter is to communicate specifically my performance over the past year for your consideration. Evaluation of the Executive Director & CIO to be provided to the Trustees falls to the IAC Compensation Subcommittee and the full IAC. As I am retiring, effective September 30, I will not be receiving an incentive award this year. Nevertheless, your evaluation of my performance for the previous year will still be of value to the Trustees as an important input into their oversight of the SBA. Accordingly, following are my thoughts on my contribution and accomplishments relating to each of the four central performance areas for the ED/CIO to be evaluated by the Subcommittee and addressed on the Evaluation Form.

**1) Overall Mission**

The fiscal year ended 30 June, 2021, began in the midst of a still-raging global pandemic. The SBA was just coming off a roller coaster year of market dislocation and volatility as well as continuing to adjust to remote working. Florida and the nation would not see the peak of the Coronavirus pandemic until January, when vaccines began rolling out in force. Like much of the rest of the world, the SBA began contemplating re-opening for in-office work in the spring of 2021. While many of our colleagues and much of the private sector continue to wrestle with when or in some cases whether to return to full in-office work settings, the SBA commenced 100% in-office work for all of our colleagues this past July 6<sup>th</sup>. We agree with Blackstone President and COO Jonathan Gray, who said "we believe we are better together."

The FRS defined benefit plan asset value began the year at \$160.7 billion, and ended the year (based on the latest numbers) at \$198.5 billion, an increase of approximately \$37.7 billion, which is net of \$7.5 billion in beneficiary payments. Total fund performance for the year is estimated at 28.74%, which is approximately 1.21% ahead of benchmark. These numbers will evolve as final, June 30 numbers come in from the private asset classes. To say it was a good year for the FRS's market value and performance would be an understatement.

Unlike the virus or the real economy, the markets continued a steady upward trajectory all throughout last year buoyed by supportive monetary and fiscal policies, vaccine deployment, and the release of pent-up demand. Through asset allocation, diversification and strategy selection, we continued to structure our investments to achieve our long-term return objective. FRS was well positioned during the start of the pandemic and this last year – we rebalanced into equities near the low, garnering public and private equity gains and finding pockets of opportunity within all the asset classes. In total, we reallocated \$6.35bn on equity market strength over the year, adhering to our long term asset allocation discipline. We continued to partner with best in class active managers, allowing them to pull the active levers aligned to their skillset, across regions, styles, security types. We were also active in identifying opportunities and committing capital in the private markets. This approach has driven both strong absolute and benchmark relative performance. In fact, over the last 3, 5 and 10 years (through March 31, 2021), Aon has reported that FRS total fund performance has been top quartile relative to the public plan peer group. Further, as an example, Private Equity consistently ranks in the top quartile of performance across Cambridge Associates client returns.

It was also a successful year for the SBA from a mission execution perspective. Over the last 12 months, the SBA:

- Operated effectively in a remote work environment for the entire year. Business processes and workflows continued unabated; internal and external meetings were held virtually; all audits were completed on time with no material findings; all oversight meetings continued to occur as scheduled with full participation by the oversight bodies and access by the public; and all legal, investment, personnel and compliance processes continued without interruption.
- Upgraded key IT and IT security systems, including commencing implementation on a new private market investment management system solution as well as upgrading the SBA's virtual meeting capabilities.
- Enhanced the funding capacity of the Florida Hurricane Catastrophe Fund by closing on \$3.5 billion of pre-event financing bonds for the Florida Hurricane Catastrophe Fund at an all-in true interest cost of 1.84%. This brings the currently available resources of the fund for the 2021/2022 Contract Year to \$15.4 billion. This is just shy of the fund's \$17 billion statutory liability limit, but brings the difference between the statutory limit and

available funding to well within the most recent bonding capacity estimates (\$19.2 billion over a 0 – 24 month issuance time frame).

- Served as a resource to the Florida legislature during the 2020 legislative session. Two particular pieces of legislation were relevant to the SBA: Senate Bill 84, which proposed closing the FRS defined benefit plan to new members except special risk employees, and another, House Bill 5011, liquidating the Lawton Chiles Endowment Fund and transferring the proceeds to the State's Budget Stabilization Fund. Senate Bill 84 was proposed as an effort to reduce employers' exposure to future investment risk in the defined benefit pension plan. The SBA worked with stakeholders, including the legislature and the Department of Management Services, to provide relevant information and comment as needed during the process. Ultimately, the bill was never heard in the House and died during the session. In contrast, House Bill 5011, provided for the liquidation of the roughly \$1 billion Lawton Chiles Endowment Fund managed by the SBA and the transfer of the liquidation proceeds to the State's Budget Stabilization Fund. The Governor signed this bill into law, which became effective July 1. On that day, the SBA liquidated the fund, locking in gains of over \$250 million for the year, and on July 8<sup>th</sup> transferred \$1.05 billion to the Department of Financial Services pursuant to the legislation.
- Increased the balance in Florida PRIME to \$17.4 billion from \$15.1 billion a year ago. Continued exceptional performance, transparency and value have supported ongoing client satisfaction and fund growth.
- Grew the FRS Investment Plan balance to \$14.8 billion from \$11.5 billion the year prior. The SBA continues to see increased growth and participation in the FRS Investment Plan stemming from the legislature's 2018 change in the default retirement plan for new hires. Through March 31, 2021, Fiscal Year growth for the FRS Investment Plan membership is on pace to exceed 10% with 253,000 members, up from 229,000 for Fiscal Year 2020.
- Successfully completed another budget cycle with full funding of SBA requested budget priorities, including additional necessary investment and operations positions, additional critical IT Infrastructure projects, and continued support of SBA's revised compensation program. The continued support of the IAC Compensation Subcommittee and the IAC at large has been indispensable in helping the SBA secure the necessary funding for these critical objectives. The SBA seeks to honor this support by continuing to generate 5-year value added returns in the top 20% of our peers while operating at an annual cost lower than two thirds of our peers, each as measured by CEM.
- Reconvened a 100% in-office work policy. Effective July 6, 2021, the SBA moved to

Phase 3 of its return to in-office work plan, which required 100% of SBA colleagues to return to the office full-time. After 15 months of working remotely, in light of the success of the COVID vaccines and the significant drop in incidences of COVID nationally and locally, the SBA returned to full in-office work. While we are certainly technologically capable of maintaining a distributed work force, we believe there is no substitute for face-to-face conversations and personal interactions in maintaining the collaborative, effective culture we have cultivated over these many years.

## 2) People

As Warren Buffet said, “Someone is sitting in the shade today because someone planted a tree a long time ago.” Our business is inherently long term focused; we prepare for financial events decades in the future. As prior years’ letters outlined, continuation of excellence cannot be assumed; it must be willfully conceived and provided for. Truly great organizations understand their own frailty and institutionalize strategies to sustain their strength, anticipating and meeting human capital needs, taking pains to recruit, grow and retain professionals with depth and diversity that empowers orderly succession and sustains cultural values. Circumstances and context are ever changing, but the right cultural norms and personal standards will always distinguish real winners from the less successful. The SBA has the good fortune to own an excellent investment track record, excellent team, strong culture rooted in shared beliefs and a sterling reputation. Getting succession right is critical to preserving what is good in organizations and improving what isn’t as good as it could be. Thus far, our succession management has been highly effective; we need to keep it that way.

- Currently, 17% of the SBA workforce has established a date within the next few years by which they intend to retire or will be eligible to retire by December 31, 2022. This equates to 36 FTEs, 18 of which are in management positions, representing roughly 20% of SBA managers. Succession is an issue we have been keenly aware of and managing over the nearly 13 years I have been back at the SBA. We are starting to see the benefits of the focus and planning in this area. Over the last year, which was undeniably challenging on a personal level, the SBA saw its turnover increase to 7.0% from 3.9% the year before. Out of 16 total departures, 10 were due to retirement, up from 3 retirements in the previous year. We have added and grown talent at all levels of the organization and developed succession plans in all our business units. I believe we are in a strong position, largely as a result of the IAC’s leadership in crafting and implementing our current comp system. Competitive economic compensation and benefits, paired with a very positive combination of workplace quality/culture and smaller city/university town/family friendly lifestyle have proven effective in hiring smart, motivated people and expanding their skills and responsibilities over time.
- Consecutive profitable years for the financial services industry and asset management in particular, together with the growing presence of major financial and investment

organizations in Florida and the South generally, is worthy of note because SBA professional talent has greater opportunity to “go private” and can do so without relocating to a traditional money center market (New York, Boston, Chicago, Los Angeles, San Francisco, etc.).

- I will retire from the SBA in September of 2021 and am working with the Trustees to make their decisions around succession as straightforward and seamless as possible.
- This past year presented many challenges in all areas of recruitment, with almost all positions being filled on a virtual basis without the normal face-to-face interviews. Issues of diversity and inclusion remain a significant focus of the SBA. I continue to reaffirm SBA’s commitment to be a meritocracy with opportunity for all. More importantly, our actions support the value statement. There is always more that can be done and in that regard, we have implemented a mentorship program and strive to improve diversity in candidate pools. Perhaps most importantly, we listen to our employees and do our best to honor their skills and service.
- Consistent with SBA’s culture of thought leadership, I continue to encourage SBA colleagues to be active in professional organizations relevant to their responsibilities and beneficial to the SBA. Staff are involved in the leadership of the Council of Institutional Investors (CII), Institutional Limited Partners Association, National Association of Public Pension Attorneys and International Corporate Governance Network. In addition, accounting, audit, Inspector General and compliance staff are active in the American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Public Pension Fund Auditors, Information Systems Audit and Control Association and the Association of Certified Fraud Examiners. During the year I completed my third term as CII Chair and termed off the Board. I was elected to membership in the Council on Foreign Relations.

### 3) Efficiencies / Infrastructure / Operations

SBA continues to be among the very lowest cost large providers of retirement investment service providers. CEM Benchmarking, an independent third party cost analysis firm’s latest compilation of peer metrics show that the Pension Plan’s 5-year investment performance exceeded three-fourths of its peers, and its most recent one-year all-in costs were lower than two-thirds of peers. The keys to this productivity are internal asset management (which we continue to grow) and scale economies captured in the structure, terms and fees of our asset management and service provider relationships.

- To maintain and improve support for the investment process, trust services, FL PRIME and the FL Hurricane Catastrophe Fund, the SBA has continued to build out its IT infrastructure, including commencing implementation of a private market investment

management system solution (discussed below) and significant upgrades to the SBA's video conferencing and collaboration tools. In addition, this past July, the SBA Trustees approved a budget request that included an additional \$1 million of investment directed to IT and IT security projects, including additional funding to improve investment analytics across the SBA, exploration of a cloud-based tertiary disaster recovery solution, and continued investment in robotic process automation (RPA).

- eFront. This past March, the SBA completed contract negotiations with BlackRock for the acquisition of a new private market investment management solution, eFront. This product will centralize data management, holdings and performance information and enable more robust analytics with respect to performance and reporting. This is a significant investment in time, cost and talent for the SBA. In addition to benefits expected to be realized within the private market asset classes, information in eFront is expected to seamlessly flow into the SBA's total fund risk system Aladdin, which is also owned by BlackRock. Implementation of eFront commenced in March and is expected to be completed in December 2021.
- MS Teams. While the SBA's video conferencing tools at the start of the pandemic were adequate to support SBA's distributed work needs, they did not easily integrate with our existing Microsoft suite of solutions, such as Outlook calendars and SharePoint. Accordingly, as we were transitioning to Outlook 365, Microsoft's cloud-based email solution, we also decided to fully implement Microsoft Teams in the cloud as well. Teams was fully implemented in January, and the SBA has already seen a significant upgrade in video conferencing efficiency and quality. In addition, there are many other aspects of Teams we will seek to more fully integrate into SBA processes in the coming months.
- IT security has been a topic in prior letters and remains a priority as cyber-crime is perhaps the world fastest growing business. Over the past year, we have continued to invest in new firewalls, logging tools, scanners and infrastructure improvements. We continue to work with our annual third-party Cybersecurity auditor to test and continuously refine our security systems. On an annual basis, our IT security infrastructure, which now consists of 3 full-time employees (up from 2 the year before), numerous systems (including endpoint, web-gateway, email filtering and data loss prevention systems) along with a 24/7 contracted third party managed security services provider, analyzes literally hundreds of millions of security events, any one of which, if not prevented, could result in a significant negative impact to the SBA.

#### 4) Interaction with the Investment Advisory Council and the Audit Committee

The IAC plays a central role in the credibility and success of the SBA; the expert independent



oversight and guidance provided to the Trustees and stakeholders is one of the keys to the success of our governance model, especially relative to many of our peers. I defer to your judgement on the quality and productivity of our relationship. Regarding the Audit Committee, I attend and actively participate in their meetings and maintain good rapport with its members. Please feel free to contact any of the members of the Audit Committee individually to hear their perception of my interaction with them (see attachment 3 for their contact information).

As this will be my last self-appraisal prior to my September 30 retirement, provided below is a brief look back at what has been accomplished through the combined efforts of the SBA's, Trustees, IAC, professional staff since I returned to the SBA in late October 2008. The numbers below reflect the period from November 1, 2008 through June 30, 2021.<sup>i</sup>

- Total fund value as of November 1, 2008 = \$99.4B.
- Total fund value as of June 30, 2021 = \$199.0B
- Investment gain of \$166.9B.
- Net benefit payments of \$67.2B.
- Pension Plan return 10.28% vs. benchmark return 9.41%, value added 87bps.
- Investment performance value added \$14.0B.

Thank you for sharing your time and talent by serving on the IAC and for your additional commitment to serve on the Compensation Subcommittee. Your effort and wisdom are valued and have contributed meaningfully to our investment success and the strength of our organization. You have advanced the economic interests of our beneficiaries in the purest sense of fiduciary duty, while also benefiting stakeholders and taxpayers. It is my sincere hope that the organization and track record we have built together will be preserved after my retirement and the deep and talented SBA team will continue to deliver exceptional outcomes and value.

With best regards,



Ashbel C. Williams

<sup>i</sup> FY 2021 is estimated performance, prior periods are audited performance.

# Attachment 3C

## MEMO

**TO:** Vinny Olmstead, Chairman, Compensation Subcommittee of the Investment Advisory Council, State Board of Administration

**DATE:** September 2, 2021

**FROM:** Josh Wilson, Mercer

**SUBJECT:** ED/CIO Salary History and 2021 Performance Evaluation

Dear Chairman Olmstead

In 2012-13, Mercer was engaged to conduct a compensation study for the State Board of Administration of Florida (SBA). Near the conclusion of that study, Mercer issued a letter of recommendation to Chuck Newman, a prior Chairman of the Compensation Subcommittee of the Investment Advisory Council, State Board of Administration with regard to the SBA's ED/CIO (Mr. Ash Williams) compensation. The recommendation was to increase the ED/CIO's annual salary to \$410,000, which approximated the median of the five largest public pension funds in the United States. Mr. Williams' salary was adjusted from \$325,000 to \$367,500 effective 12/10/13 and adjusted again to \$389,500 effective 12/1/2014. Mr. Williams' salary was not adjusted in 2015.

In 2016, the SBA refreshed the analysis done in 2013 but did so internally (as a fee savings measure) and Mercer reviewed and validated the work. In Mercer's view, the process undertaken by the SBA was appropriate and consistent with the approach Mercer would have taken. Mercer's recommendation for 2016 was to increase Mr. Williams' base salary to \$425,000 (with the intention of ultimately adjusting the ED/CIO to \$455,000, but over a two-year period). However, in 2016 Mr. Williams' base salary was actually adjusted to \$411,000.

In 2017 & 2018, SBA continued conducting the benchmarking work internally with validation from Mercer. Based on the 2017 assessment and the ED/CIO's annual performance review, Mercer maintained its prior recommendation of an ultimate adjustment to \$455,000 which the Subcommittee accepted. In 2018 Mercer recommended two alternatives for adjustments and the IAC adopted the higher of the two proposals (a salary of \$525,000) based on Mr. Williams' performance and positioning in the marketplace.

In 2019, Mercer recommended an adjustment to \$575,000 based on that year's market study and the results from the Executive Director/CIO's performance assessment. At the time, we also offered a more conservative alternative adjustment to \$545,000 and the Committee ultimately opted to adjust the ED/CIO's base salary to the higher alternative of \$575,000.

In 2020, based on Mercer's review and validation of the benchmarking data shown below, Mercer felt that the ED/CIO position was competitive with the market and recommended a merit increase in line with other SBA employees and the market. The IAC agreed and moved Mr. Williams' salary to \$592,250.

- 1) Median of top 5 public pension funds - \$450,000 (Group consists of CalPERS, CalSTRS, New York State Common, New York City Retirement, Teachers Retirement System of Texas)
- 2) 75<sup>th</sup> percentile of Larger Public Pension Funds peer group (n=14) - \$566,500
- 3) 75<sup>th</sup> percentile of Broader Public Pension Funds peer group (n=20) - \$515,500
- 4) 75% percentile of Mercer's Large and Leading Pension Funds (n=12) - \$586,500

#### 2021 Review of ED/CIO's Performance

Mercer received feedback from all three members of the Compensation Subcommittee pertaining to the annual performance of the ED/CIO. Consistent with prior years, Mr. Williams received high marks in all categories, with all Subcommittee members giving the highest possible ratings with respect to performance related to the organization's mission.

#### Salary Recommendations

Mr. Williams has announced his retirement effective September 30, 2021. If Mr. Williams was not retiring, Mercer would have recommended another merit increase based on performance.

If you have any questions, please do not hesitate to contact me.

Thank you,  
Josh

# Attachment 4

## MEMO

**TO:** Mr. Lamar Taylor, COO/CFO, Florida SBA  
**DATE:** September 3, 2021  
**FROM:** Josh Wilson, Mercer  
**SUBJECT:** Review of SBA Incentive Compensation Plan

Dear Mr. Taylor

SBA implemented an incentive compensation plan in 2014 to incent outperformance by the investment staff and to ensure that the total compensation packages for investment staff was competitive with the market.

The plan has been in place for 6+ years and has been performing as designed. SBA performance has been strong over the past years and the payouts have been commensurate with performance. Turnover has slowed down at SBA, which was one of the rationales for implementing the plan.

Mercer was asked to review the plan to see if there were any areas of the plan that should be modernized or improved to further support SBA's mission and human capital strategy. Below is a summary of the major findings of the study.

Element	SBA Practice	Market	Considerations
<b>Eligibility</b>	62 participants, investment staff and senior management.	Minority practice on including related roles (accounting, risk/compliance, legal).  Eligibility to the lowest levels or to employees far outside the investment group is atypical in the market.	Current plan has been accepted and digested by the State. Adding more participants increases the visibility of the plan and may raise concerns.  However, having ineligible colleagues working side by side with incentive eligible colleagues creates cultural problems.
<b>Plan Targets</b>	Targets range from 35% for the CIO to 10% for analysts.  The maximum upside for all participants is 1.5X.	Target of 75% for the CIO ranging down to the 20-25% for analysts.  Typical upside in the market is 2X Target.	There is both a cost and a publicity risk in increasing the target incentives for SBA employees.  However, without increases, SBA cannot compete as well against the market from a total compensation standpoint and recruiting and retention will be impacted.

Element	SBA Practice	Market	Considerations
<b>Performance Measurement</b>	Fund's financial outperformance relative to defined benchmark. Measurement on total fund and asset classes as appropriate.  75-90% quantitative measurement, 10-25% qualitative to ensure long term sustainability of the investment function.	Majority of peers use both financial performance against a defined benchmark and a mix of quantitative and qualitative measures.  Most peers also measure asset class performance for incentive purposes.	SBA's performance measures are aligned with market practice among pension group peers though weighting for Total Fund performance Relative to Benchmark tends to be lower in market with a larger emphasis on Qualitative/Individual metrics.
<b>Performance Standards</b>	SBA requires minimum benchmark outperformance of 5 basis points in order to activate the incentive plan. 25 Bps of outperformance is required to achieve target incentive levels, and 50 Bps is required to achieve maximum incentive levels.	Market performance levels are 0 Bps/20 Bps/40 Bps (as compared to SBA's 5/25/50).	Excess return standard information from surveys can be useful as a data point when formulating entity specific standards, the focus should be on the entity's risk tolerance, investment guidelines, liquidity profile and other portfolio characteristics relative to the entity specific benchmark.  A common/best practice is to use peers as guidelines but calibrate off prior performance.
<b>Award Pay Out</b>	SBA pays out 50% of the earned incentive immediately and pays the other half one year later, which creates a retention hook for investment staff.	The market is split between deferring a portion of the award and paying it all immediately.  There is a trend to tie the deferred portion to future performance as well.	There is no compelling reason to shift away from current 1 year deferral practice.  Tying deferred payouts to following year performance is complicated and will not significantly add to the overall value of the plan.
<b>Risk Governors</b>	SBA has a active risk escalation standard that acts as a circuit breaker for the incentive plan to prevent too much risk being taken in the portfolio to earn an incentive payout.	The market does not typically have active risk circuit breakers. Some plans include risk in the overall calculation (such as an information ratio or a Sharpe ratio) to ensure the appropriate risk levels are taken.  Most States have prescribed asset allocation targets that prevent too much risk.	Having a risk measurement in the plan is a solid concept, but Mercer recommends that SBA may want to allow for discretion in unusual circumstances such as the COVID pandemic in 2020.

Overall, SBA's incentive plan is acting as designed and has helped SBA attract and retain top investment staff, which in turn has helped overall fund performance. There are some areas of the plan that could be examined to improve the effectiveness and competitiveness of the plan if SBA so desires.

If you have any questions, please do not hesitate to contact me.

Thank you,  
Josh



# Attachment 5

# 2020-2021 SBA Compensation Update



# SBA Incentive Compensation Update

	FY2015-2016	FY2016-2017	FY2017-2018	FY2018-2019	FY2019-2020 <sup>†</sup>	FY2020-2021
Total Eligible Positions	63	63	63	63	64	66 <sup>‡</sup>
Total Participants Receiving an Award	57	59	54	58	0	58
Maximum Possible Quantitative Award	\$1,786,970	\$1,783,384	\$1,831,456	\$1,962,033	\$2,182,470	\$2,123,588
Actual Quantitative Award (Paid over 2 years)	\$1,382,538	\$1,610,799	\$1,648,299	\$1,783,358	\$0	N/A
Maximum Possible Individual Award	\$339,580	\$343,442	\$350,144	\$369,655	\$417,468	\$403,005
Actual Individual Award (Paid over 2 years)	\$255,999	\$296,867	\$311,107	\$335,657	\$0	N/A
Maximum Possible Award	\$2,126,550	\$2,126,827	\$2,181,600	\$2,331,688	\$2,599,938	\$2,526,594
Actual Total Award Earned (Paid over 2 years)	\$1,638,535	\$1,907,665	\$1,959,406	\$2,119,014	\$0	N/A
Total Earned Quantitative ÷ Max Possible	77%	90%	90%	91%	0%	N/A
Total Earned Individual ÷ Max Possible	75%	86%	89%	91%	0%	N/A
Total Earned ÷ Max Possible	77%	90%	90%	91%	0%	N/A
% Participants Earning Max Possible	53%	63%	69%	37%	0%	N/A
Total Awards Paid in December following FY	\$869,218*	\$1,728,304	\$1,886,568	\$2,063,465*	\$0	N/A
Total Awards Deferred to December after next FY	\$769,318	\$953,833	\$979,703	\$922,488	\$0	N/A

# SBA Base Compensation Comparison for 2019 & 2020 Salary Adjustments

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
	December 2019 Adjustments	December 2020 Adjustments	December 2019 Adjustments	December 2020* Adjustments	December 2019 Adjustments	December 2020 Adjustments
Total Employees	182	170	127	113	55	57
Employees as % of Total Employees	-	-	70%	66%	30%	34%
SBA Compa-Ratio (Total Salaries ÷ Total Midpoints)	94%	97%	98%	101%	89%	93%

The table above reflects adjustments to SBA employees only and excludes ineligible employees, position reclassifications, and the ED/CIO adjustment.

\* 12 non-incentive eligible employees were ineligible for adjustments because they were hired or promoted between 7/1/2020 and 11/30/2020.  
10 non-incentive eligible employees were promoted or reclassified effective 12/1/2020.

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
	December 2019 Adjustments	December 2020 Adjustments	December 2019 Adjustments	December 2020* Adjustments	December 2019 Adjustments	December 2020 <sup>†</sup> Adjustments
Aggregate Rate Increase	\$820,393	\$868,523	\$509,856	\$366,276	\$310,537	\$502,248
Median Base Pay Increase	\$4,165	\$3,800	\$3,702	\$3,000	\$4,812	\$8,779
Average Base Pay Increase	\$4,508	\$5,109	\$4,015	\$3,241	\$5,646	\$8,811
Median % of Base Pay Increase	4.7%	4.0%	5.0%	4.0%	4.1%	6.1%
Average % of Base Pay Increase	4.8%	4.9%	5.1%	4.0%	4.1%	6.8%

# SBA Base Compensation Adjustments

## December 2020 – Latest Cycle

### Distribution Update

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
% of Increase	# of Employees	% of Employees	# of Employees	% of Employees	# of Employees	% of Employees
0% - 3%	22	13%	20	18%	2	4%
3.1% - 6%	113	66%	87	77%	26	46%
6.1% - 10%	24	14%	6	5%	18	32%
Greater than 10%	11	6%	0	0%	11	19%

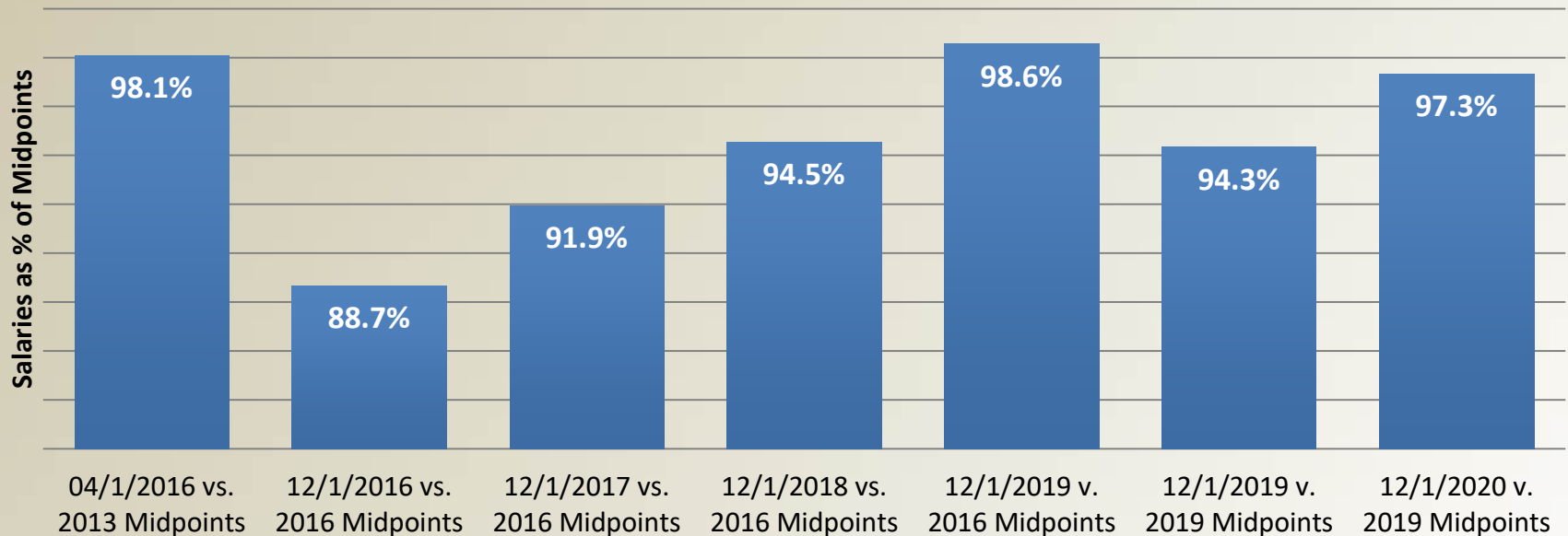
### Market-Based Base Pay Adjustments – Investment Positions

Positions	Number of Positions	Average Salary Grade Midpoint	Average Salary before 12/1/2020	Market Salary	Midpoint as % of Market	Pre 12/1/2020 Salary as % of Market	Average Adjusted Salary as of 12/1/2020	Adjusted Salary as % of Market
Portfolio Manager 1, Mgr. of Investment Analytics, and Mgr. Asset Allocation & Investment Analytics	9	\$95,378.00	\$84,054.00	\$100,000.00	95%	84%	\$89,659.66	90%
Portfolio Manager 2, Dir of Reporting & Analytics, and Real Estate Acquisitions Mgr.	12	\$130,000.00	\$112,173.00	\$142,000.00	92%	79%	\$125,153.14	88%
Senior Portfolio Manager	18	\$184,900.00	\$158,360.00	\$200,000.00	92%	79%	\$167,895.31	84%
Weighted Average	N/A	\$147,348.77	\$127,001.08	\$159,076.92	93%	80%	\$136,689.49	86%

# Progress Toward Target Salaries

(Organization-wide Compa-Ratio)

Progress Toward Target Salaries  
Salary as Percent of Pay Grade Midpoint  
(Total Salaries ÷ Total Midpoints)

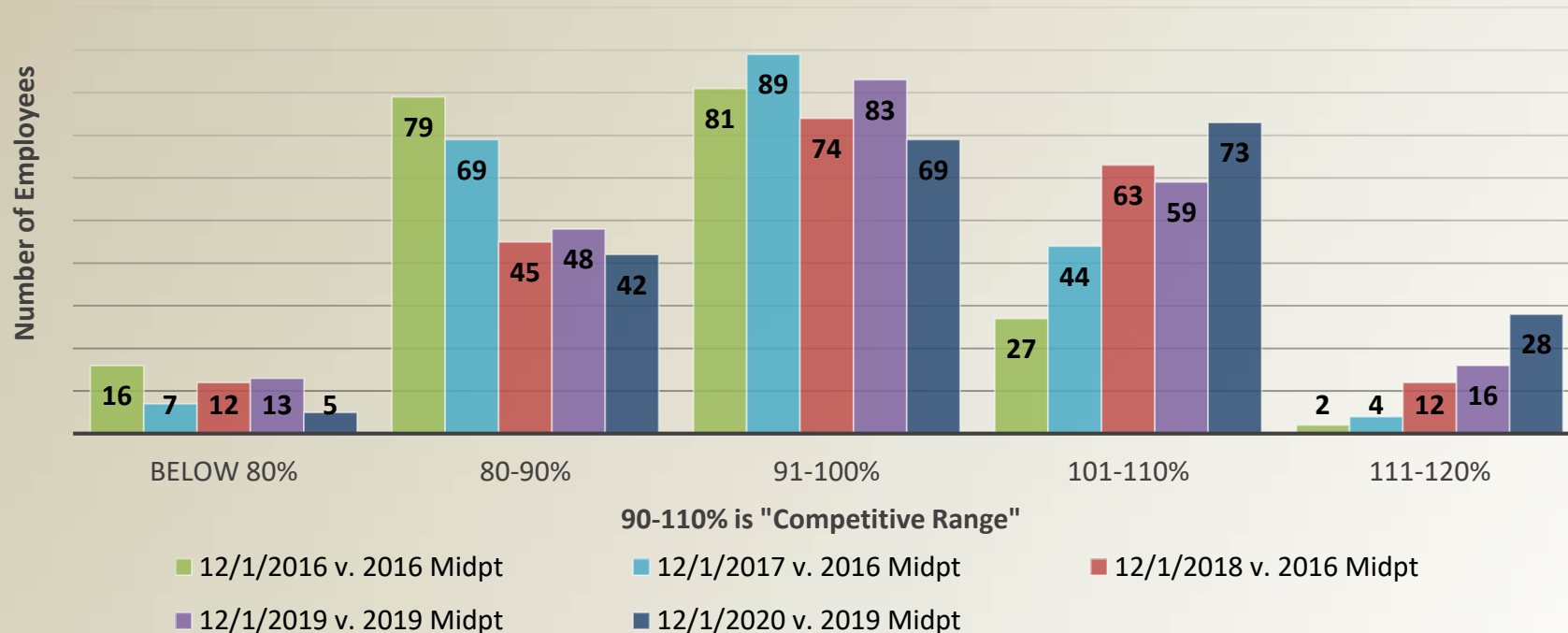


90-110% is "Competitive Range"

# Progress Toward Target Salaries

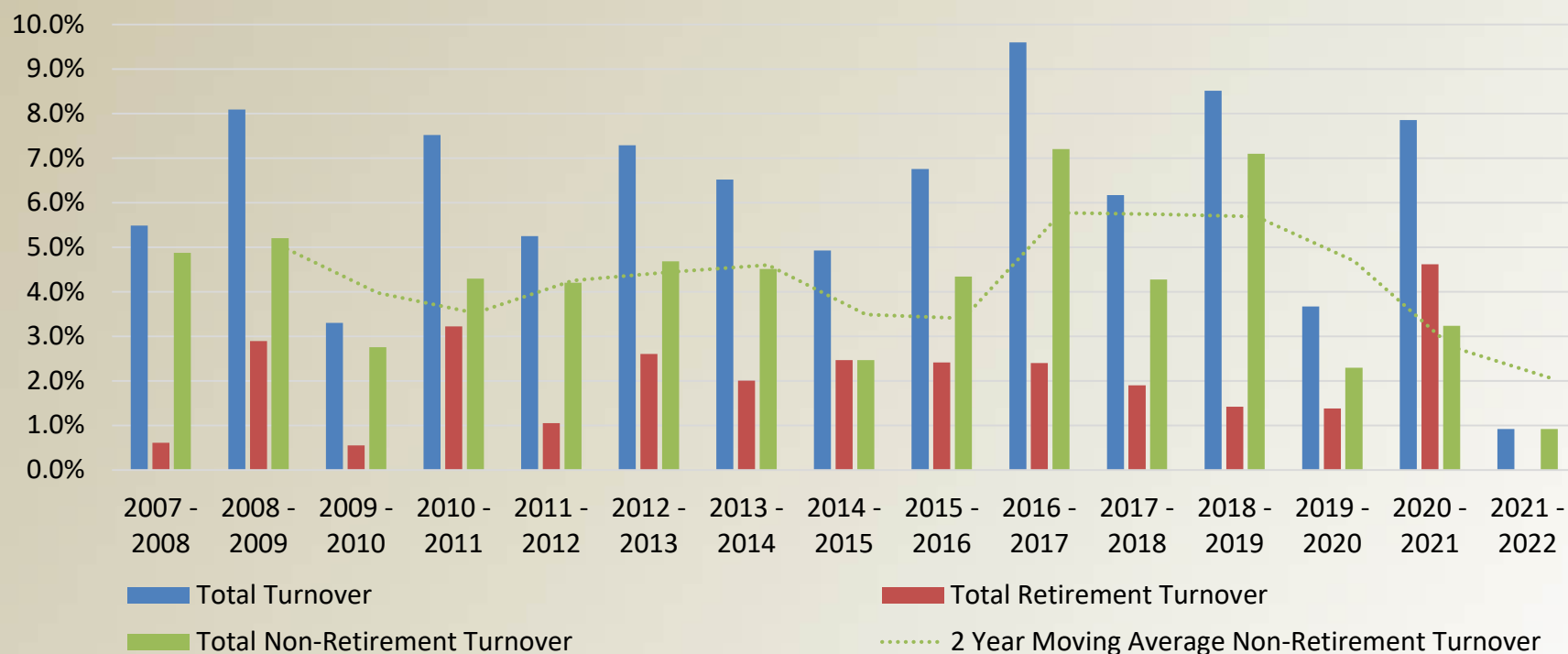
## (Distribution of Employees by Compa-Ratio)

### Progress Toward Target Salaries Salary as Percent of Pay Grade Midpoint



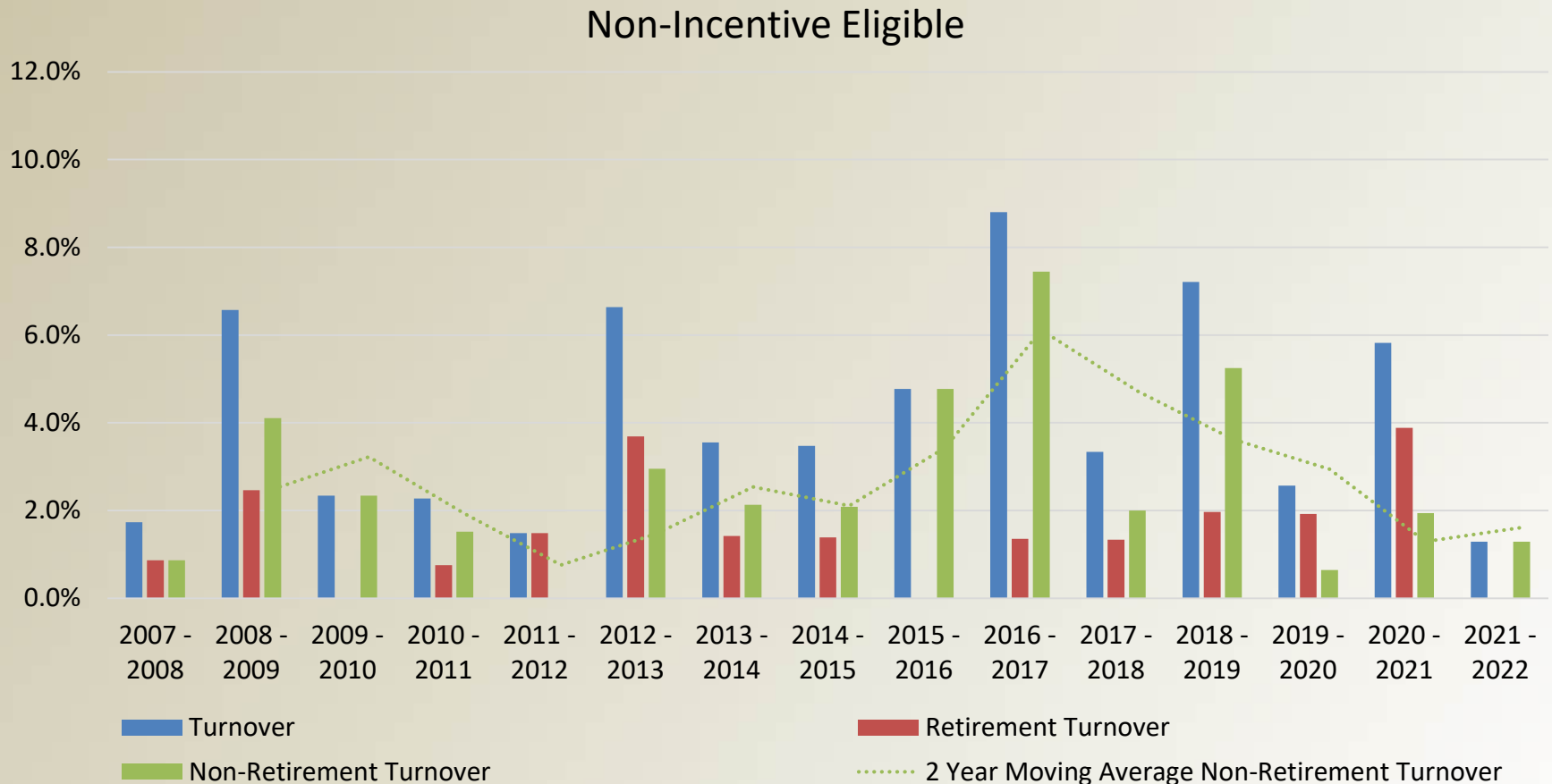
# Turnover for all SBA, ODCP, and FHCF Staff

All Employees

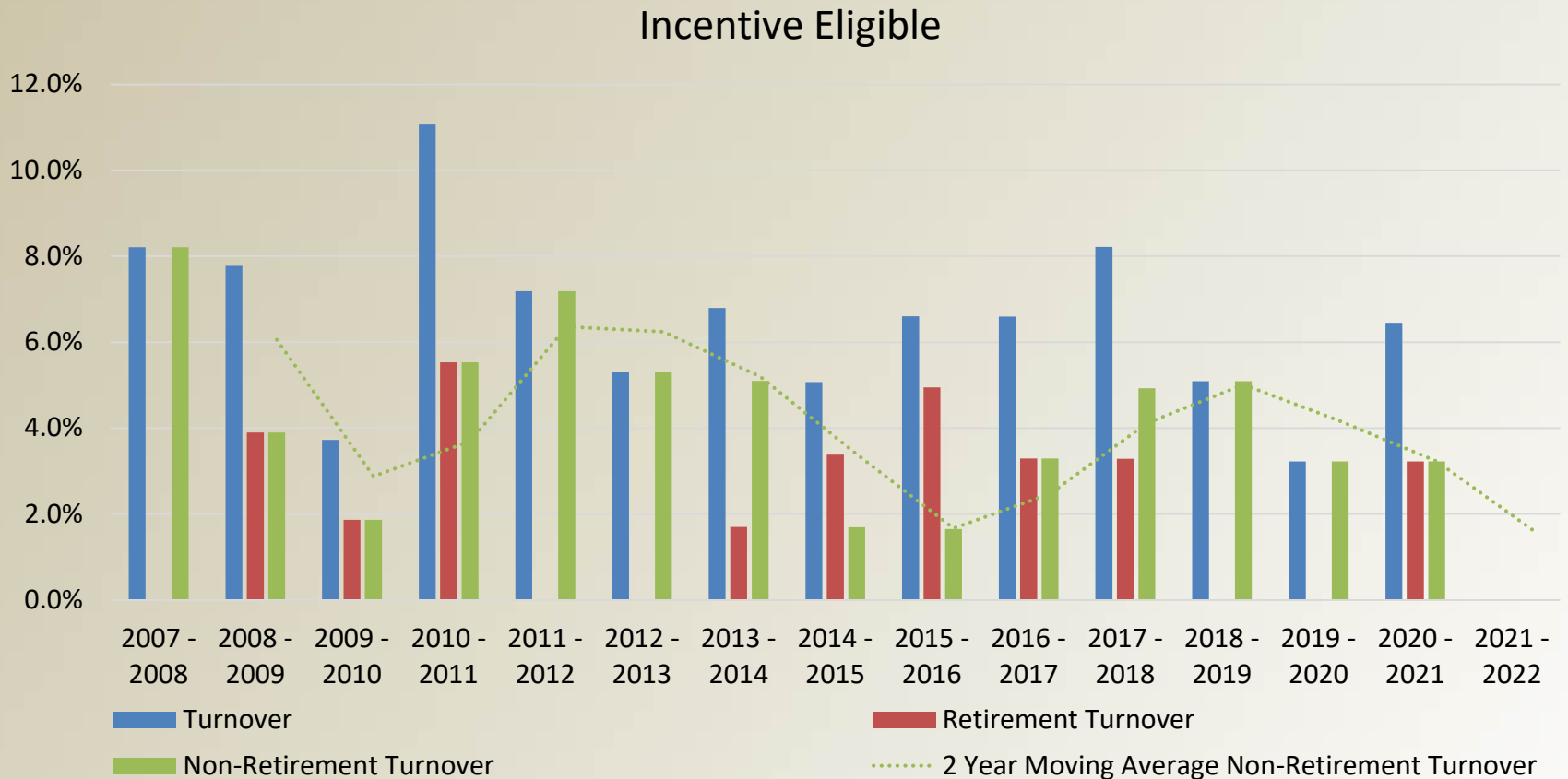




# Turnover for all SBA, ODCP, and FHCF Non-Incentive Eligible Staff



# Turnover for all SBA, ODCP, and FHCF Incentive Eligible Staff



# Projected Retirements by December 2027 for all SBA, ODCP, and FHCF Staff

- 75 (33.5%) of 224 employees are eligible to retire by the end of 2027.
- 43 (57.3%) of the 75 employees eligible to retire are manager/supervisor-level and above.
- There are 43 (49.4%) manager/supervisor-level and above employees eligible to retire of the 87 total manager/supervisor-level and above employees. This means that 49.4% of the SBA's manager/supervisor-level and above positions could be replaced by the end of 2027.
- Of the 75 employees eligible to retire, 17 (22.7%) are already in DROP. Of the 17 in DROP, 7 (41.2%) are manager/supervisor-level and above.
- Of the 75 employees eligible to retire, 16 (21.3%) are in an asset class and 59 (78.7%) are in operations.
- Of the 66 incentive eligible positions, 21 employees (31.8%) are eligible to retire by the end of 2027.