



COMMONWEALTH OF PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Policy Name:	Classification and Compensation Plan Policy
Effective Date:	October 25, 2024
Reviewed Date:	October 25, 2024
Applies To:	Positions for which Board has Classification and Compensation Authority
Contact Person:	Executive Director, Deputy Executive Director for Administration

I. Purpose

The purpose of this policy is to develop and administer a reasonable and competitive Classification and Compensation Plan Policy (“Plan”) that attracts, motivates, and retains highly qualified, experienced professionals, for which the Board maintains classification and compensation setting authority, to achieve PSERS’ Mission.

II. Authority

The authority for the Public School Employees Retirement Board (“the Board”) to establish the Classification and compensation for these positions is defined at Pa C.S. 24 §8502 (a). At all times, the Board retains the authority to eliminate, suspend, or make changes to this Plan; however, such action requires Board approval.

III. Scope

This Plan shall be used in establishing the Classification and setting the compensation for all positions over which the Board maintains authority, as authorized in Section II, and further defined in Section VIII.

IV. Plan Oversight

Plan oversight is assigned to the Governance & Administration Committee, which shall review the Plan document in accordance with Section XVIII and recommend changes to the Board for approval and adoption.

V. Plan Administration

Administration of the Plan is delegated to the Executive Director, facilitated with assistance from Human Resources, consistent with the Plan as adopted by the Board.

VI. Plan Year, Fund Performance Periods, and Employee Performance Periods

The Plan Year, the Fund Performance Period(s), and Employee Performance Review period shall correspond to the Commonwealth's fiscal year, beginning July 1 and ending the following June 30.

VII. Definitions

- a. **Active Pay Status** – The condition in which any employee is actively working or is eligible to receive pay; this includes periods when the employee is performing their regular duties or on an authorized paid leave of absence.
- b. **Chief Audit Officer – CAO**
- c. **Chief Counsel – CC**
- d. **Chief Financial Officer – CFO**
- e. **Chief Investment Officer – CIO**
- f. **Classification** – The organization of work, based on the assigned duties, responsibilities, and qualifications required to perform them, used to establish compensation.
- g. **Consumer Price Index, Northeast Region (CPI)** – Data reported by the U.S. Bureau of Labor Statistics to reflect changes in the CPI for Delaware, the District of Columbia, New Jersey, Maryland, Pennsylvania, Virginia, and West Virginia.
- h. **Deputy Executive Director and Director for Defined Contribution Investments - (DED-DC)**
- i. **Employee Performance Review (EPR)** – The process through which an employee's work performance is evaluated and formalized in accordance with [Management Directive 540.7: Performance Management Program](#).
- j. **Executive Board of the Commonwealth (Executive Board)** – The Governor and heads of six departments, as designated by the Governor as an individual, who have the power and authority to carry out functions assigned under the Administrative Code of 1929.
- k. **Fund Performance Period** – The period between July 1-June 30 for which investment returns, net-of-fees, are calculated and reported in the Annual Comprehensive Financial Report.

- l. **General Pay Increase (GPI)** – A pay increase approved by the Executive Board and applied as an incremental increase to base salary and to the minimum and maximum of Commonwealth salary ranges.
- m. **Internal Audit Office – IAO**
- n. **Investment Office, Front Office (IO-FO)** – Specific positions within the Investment Office that directly or significantly affect the Fund performance. See Appendix 1 for listing of positions.
- o. **Investment Office, Middle Office (IO-MO)** – Specific positions within the Investment Office that focus primarily on support of investment management (e.g. risk management, compliance). See Appendix 1 for listing of positions.
- p. **Longevity Step** – A pay increase approved by the Executive Board and applied as an incremental increase to base salary up to the maximum of the salary range.
- q. **Merit Fund** – A pool of money approved annually for distribution to Investment Office eligible employees as base salary increases.
- r. **Office of Chief Counsel – OCC**
- s. **Office of Financial Management – OFM**
- t. **Zero-stepped** – The condition when an employee has met or exceeded the maximum of their respective salary range.

VIII. Plan Eligibility – Positions Covered

- a. The positions (and related Classifications) over which the Board maintains compensation setting authority that are covered by this Plan can be found in Appendix 1.
- b. Employee eligibility in the plan may be dependent upon continued Active Pay Status during the Plan Year as determined by the Executive Board or by the CIO.

IX. Salary Ranges

Salary ranges have been established for all Classifications eligible for the Plan and shall be used as the minimum and maximum base salary for all salary adjustments defined in this Plan. See Appendix 2 for complete salary ranges (minimums and maximums) for all Plan eligible Classifications.

X. Adjustments to Salary Ranges

- a. Adjustments to base salary ranges for all positions covered under this Plan with the exception of eligible positions in OCC shall be adjusted in accordance with Section XVIII.
- b. Adjustments to base salary ranges for eligible positions in the OCC that are on the Commonwealth's Attorney Pay Scale shall be adjusted in accordance with actions approved by the Executive Board for those salary ranges.

XI. Movement within Salary Ranges

- a. IO-MO, OFM (including the CFO), IAO (including the CAO), and the DED-DC - Eligible employees in these offices shall move within their respective base salary range in accordance with general Commonwealth pay rules as follows:
 - i. GPIs, as approved through the Executive Board, shall be applied as follows:
 - 1. Eligible employees whose base salary does not exceed the maximum of the salary range for their Classification shall receive the value of the GPI (calculated from the employee's base salary at the time the GPI is approved) applied to base salary up to the maximum of the salary range, with any excess paid as a one-time payout.
 - 2. Eligible employees whose base salary exceeds the maximum of the base salary range for their Classification shall receive the value of the GPI (calculated from the maximum of the respective salary range at the time the GPI is approved) as a one-time payout.
 - 3. GPIs shall not otherwise adjust the salary range (minimum or maximum) for any of these positions, as noted in Section X.a.
 - ii. Longevity Steps, as approved through the Executive Board, shall be applied as follows:
 - 1. Eligible employees whose base salary does not exceed the maximum of the salary range for their Classification shall receive the value of the Longevity Step (calculated from the employee's base salary at the time the Longevity Step is approved) applied to base salary up to the maximum of the salary range, with any excess paid as a one-time payout.
 - 2. Eligible employees whose base salary exceeds the maximum of the salary range for their Classification shall receive the value of the Longevity Step (calculated from the maximum of the salary range at the time the Longevity Step is approved) as a one-time payout.

3. Longevity Step increases shall not otherwise adjust the salary range (minimum or maximum) for any of these positions, as noted in Section X.a.
- b. OCC - Eligible employees in this office shall move within their respective base salary range in accordance with general Commonwealth pay rules as follows:
- i. GPIs, as approved through the Executive Board, shall be applied as follows:
 1. Eligible employees whose base salary does not exceed the maximum of the salary range for their Classification shall receive the value of the GPI (calculated from the employee's base salary at the time the GPI is approved) applied to base salary up to the maximum of the salary range, with any excess paid as a one-time payout.
 2. Eligible employees whose base salary exceeds the maximum of the base salary range for their Classification shall receive the value of the GPI (calculated from the maximum of the respective salary range at the time the GPI is approved) as a one-time payout.
 3. GPIs may adjust the salary range (minimum or maximum) if approved by the Executive Board, as noted in Section X.b.
 - ii. Longevity Steps, as approved through the Executive Board, shall be applied as follows:
 1. Eligible employees whose base salary does not exceed the maximum of the salary range for their Classification shall receive the value of the Longevity Step (calculated from the employee's base salary at the time the Longevity Step is approved) applied to base salary up to the maximum of the salary range, with any excess paid as a one-time payout.
 2. Eligible employees whose base salary exceeds the maximum of the salary range for their Classification shall receive the value of the Longevity Step (calculated from the maximum of the salary range at the time the Longevity Step is approved) as a one-time payout.
 3. Longevity Step increases shall not otherwise adjust the salary range (minimum or maximum) for any of these positions.
- c. CC - The CC shall move within their respective salary range as follows:
- i. GPIs, as approved through the Executive Board, shall be applied consistent with those applied to chief counsels in executive agencies.
 - ii. Longevity Steps, as approved through the Executive Board, shall be applied consistent with those applied to chief counsels in executive agencies.

- d. IO-FO shall have salary adjustments as follows:
 - i. Employees in the IO-FO shall move within their respective base salary range through participation in the Merit Fund (see Section XII).
 - ii. Employees in the IO-FO eligible to receive a Merit Fund base salary increase that would be above the maximum for their base salary range will receive any amount above the maximum of that base salary range as a one-time payment (calculated from the maximum of the salary range on the last day of the Fund Performance Period).

- e. Compensation for the CIO - Compensation for the CIO shall be reviewed by the Investment Committee in accordance with the EPR period with any compensation adjustment recommended to and adopted by the Board.

XII. The Merit Fund

- a. Data Requirements – The following data points shall be considered in calculating the annual funding for the Merit Fund:
 - i. Performance of the fund (in basis points):
 - 1. 1-Year total fund return, net-of-fees weighted at 10%.
 - 2. 3-year trailing total fund return, net-of-fees weighted at 30%.
 - 3. 5-year trailing total fund return, net-of-fees weighted at 60%.
 - ii. Approved policy benchmarks for each of the above performance periods.
 - iii. CPI for the Northeast Region, as reported by the U.S. Bureau of Labor Statistics capped at four percent (4%).
 - iv. Total annual actual salary expense of all Merit Fund eligible employees, excluding the CIO, as of June 30 the previous year.

- b. Merit Fund Calculation
 - i. The Merit Fund annual funding will be calculated considering Total Fund performance, net-of-fees, and CPI. Generally, for total fund returns, net-of-fees, above the approved policy benchmarks, the annual funding will be higher than CPI and less than CPI for underperformance.
 - ii. The following is a sample calculation of the annual funding. The methodology and detailed calculations are attached as Appendix 3.

Example Purposes Only

Overall Weighted Investment Performance Multiplier	1.32
CPI	<u>x 2.6</u>
Merit Fund Multiplier	3.43
Eligible Employees Total Salaries as of 6/30	\$5,500,000
Merit Fund Multiplier	<u>x 3.43</u>
Merit Fund Value	\$188,650

- c. Merit Fund Distribution – The distribution of Merit Fund through base salary increases to eligible employees shall be determined by the CIO with input as appropriate from other IO leaders, considering factors such as the employee’s tenure and work contributions, and including but not limited to the following:
 - i. Quantitative - total fund performance
 - ii. Quantitative - asset class performance
 - iii. Qualitative - individual performance as evaluated and annotated through the EPR process.
- d. Merit Fund base salary increases shall be applied to Merit Fund eligible employees base salary effective January 1 following the close of the Fund Performance Period.

XIII. Promotions

Promotions under this Plan shall advance through one of three processes at the discretion of the CIO, CFO, CAO, or CC. A promotion through any of these processes cannot occur as a benefit to an employee to earn a higher salary at the time other salary adjustments are applied or processed.

- a. Promotion via automatic Longevity and Performance (Pay Group 1 only) - Positions at the Pay Group 1 level shall qualify for automatic promotion to the entry level of Pay Group 2 based upon the following criteria:
 - i. Successful work from the date of hire to first anniversary as memorialized by a minimum rating of “Commendable” in the EPR; or
 - ii. Successful work from date of hire to second anniversary date as memorialized by a minimum rating of “Satisfactory” in the EPR.
 - iii. To effectuate automatic Longevity and Performance promotion, management shall ensure:
 - 1. Documentation that the employee has met the requirements is provided to Human Resources;
 - 2. Employee position description is appropriately updated to reflect higher level duties; and

3. EPR date is reset from anniversary date to the respective business area schedule.
- b. Promotion via Reclassification Action - Positions at the Pay Group 2 level and above may be considered for reclassification action.
 - i. The process shall include creation of documentation supporting the performance of higher-level duties, review of relevant past performance and discipline, and confirmation of two years of a minimum rating of “Satisfactory” in the EPR at the next lowest level.
 - ii. When the reclassification action process is used, the process followed shall align to that used for other PSERS positions not covered by this Plan.
 - iii. Upon successful completion of the reclassification action process, the employee shall receive a salary at the entry level or an appropriate level within the next highest pay scale not to exceed 9% of their current salary.
 - c. Promotion via Vacancy-Based Posting - Promotions at the Pay Group 2 and above may occur as the result of a Vacancy-Based Posting.
 - i. At management’s discretion, positions at a higher level deemed necessary for the operations may be posted internally, externally, or both for bidding by any eligible employee.
 - ii. When Vacancy-Based Posting is used, the process followed shall align to the process used for other PSERS positions not covered by this Plan.
 - iii. Upon selection as the successful candidate following a Vacancy-Based Posting, employee shall receive a salary at the entry level or an appropriate level within the next highest pay scale not to exceed 9% of their current salary.

XIV. Certifications

The Board promotes and encourages the continued education and professional development of all employees.

- a. In recognition of an eligible employee covered by this Plan achieving certifications required for or directly relating to their position’s responsibilities, the Plan provides provisions for employer-paid coursework (including required continued education credits), testing (if test results in a “pass” outcome), and payment of a one-time honorarium (not added to base salary) in accordance with Appendix 4.

- b. Employees covered by this Plan who have begun a certification under the Policy Manual for Investment Professionals (prior policy) prior to the effective date of this Plan shall have until March 31, 2025, to complete that certification. Upon successful completion, employees will be paid in accordance with the Policy Manual For Investment Professionals through a base salary increase as defined under the former policy.
- c. For any certification not found in Appendix 4, the Commonwealth's [Management Directive 535.3, Out-Service Training](#) shall apply.
- d. To be eligible for the one-time honorarium, employees must complete the certification while in an Active Pay Status with PSERS and must provide documentation supporting successful completion of the certification.

XV. Performance Management

PSERS is committed to attracting, developing, managing, and retaining a high performing diverse and productive workforce. As such, PSERS requires effective performance management, which entails constructive direction, training, assessment, feedback, and recognition of employees by managers and supervisors to assure a competent, high-performing, and motivated workforce. Establishing clear expectations and evaluating performance are very important parts of that process. The annual performance review provides supervisors the opportunity to formally discuss performance expectations and outcomes with staff.

- a. EPRs for investment professional staff shall be issued consistent with the Commonwealth policy as defined in section VII.i.
- b. EPRs for the CIO and OCC-CC shall be administered in accordance with the Board's adopted [Board Direct Report Evaluation Procedures](#).

XVI. At Will Employment

The Board reserves the right to terminate the employment of any employee covered by this Plan at any time for any reason or no reason, except as prohibited by law.

XVII. Audit of Calculations

- a. All calculations associated with the Plan that cannot be automated for both calculation and payroll processing shall be computed by Human Resources and reviewed by the Human Resources Director.
- b. Thereafter, all calculations associated with the Plan that cannot be automated for both calculation and payroll processing shall be audited by a member of the Internal Audit Office, who is not compensated under this Plan, prior to submission to the Executive Director.
- c. The Executive Director shall serve as the final reviewer for all salary increases prior to submission to payroll processing.

XVIII. Compensation Studies

- a. At least once every three (3) years, the Governance and Administration Committee working with the Executive Director, Deputy Executive Director for Administration, and Human Resources Director shall execute a procurement process to complete a formal Compensation Study.
- b. The Compensation Study results shall be used to adjust salary ranges (minimum and maximum), where necessary, covered by this Plan to remain competitive and aligned to similar functions within the market.

XIX. Review of Plan

The Governance and Administration Committee maintains oversight of this Plan and shall review and make recommendations to the Board at least once every three years to provide direction related to the Compensation Study as described in Section XVIII.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Deputy Executive Director for Administration
- c. **Summary of Changes:**

Date	Version	Author	Summary
October 2024	1.0	Governance & Administration Committee	This policy rescinds and replaces the former Policy Manual for Investment Professionals.

Appendix 1: Eligible Positions and related Classifications

Investment Office (Front Office & Middle Office)	Office of Financial Management	Internal Audit Office	Office of Chief Counsel	Deputy Executive Director and Director for Defined Contributions
Jr. Investment Professional	Investment Acct. Spec.	Jr. Investment Audit Spec.	Attorney 1	DED-DC
Intrm. Investment Professional	Sr. Investment Acct. Spec.	Investment Audit Spec.	Attorney 2	
Sr. Investment Professional	Manager, Investment Acct.	Assistant Audit Executive	Attorney 3	
Manager, IO	Director, Investment Acct.	Chief Audit Officer	Attorney	
Sr. Manager, IO	Chief Financial Officer		Attorney 5	
Director, IO			Chief Counsel	
Managing Director, IO				
Deputy Chief Investment Officer				
Chief Investment Officer				

Appendix 2: Salary Ranges
IO-FO, IO-MO, OFM, IAO, OCC, OCC-CC, DED-DC

OFFICE OF FINANCIAL MANAGEMENT - INVESTMENT POSITIONS			
Level	Job Title	Salary Range	
2	Inv. Acctng. Spec.	\$ 74,588	\$ 113,831
3	Sr. Inv. Acctng. Spec.	\$ 97,393	\$ 148,666
4	Manager of Inv. Acctng.	\$ 127,224	\$ 181,670
5	Director of Inv. Acctng.	\$ 166,169	\$ 237,265
6	Chief Financial Officer	\$ 181,670	\$ 277,253

INTERNAL AUDIT OFFICE - INVESTMENT POSITIONS			
Level	Job Title	Salary Range	
ST9*	Jr. Investment Audit Spec.	\$ 74,191	\$ 112,666
ST10*	Investment Audit Spec.	\$ 84,597	\$ 128,627
ST11*	Asst Audit Executive	\$ 96,626	\$ 146,798
5	Chief Audit Officer	\$ 166,169	\$ 237,265

*These ranges align to the Commonwealth's Standard Pay schedule as of July 1, 2024. Adjustments to these ranges will be made only in accordance with the Plan, as outlined in Section XVIII.

INVESTMENT OFFICE - MIDDLE OFFICE			
Level	Job Title	Salary Range	
1	Jr. Investment Prof.	\$ 65,262	\$ 99,586
2	Intrm. Investment Prof.	\$ 74,588	\$ 113,831
3	Sr. Investment Prof.	\$ 97,393	\$ 148,666
4	Manager, IO	\$ 127,224	\$ 194,211
5	Sr. Manager, IO	\$ 166,169	\$ 253,639
6	Director, IO	\$ 181,670	\$ 277,253

DEPUTY EXECUTIVE DIRECTOR, DIRECTOR FOR DEFINED CONTRIBUTION			
Level	Job Title	Salary Range	
5	DED - Director DC	\$ 166,139	\$ 253,639

INVESTMENT OFFICE - FRONT OFFICE			
Level	Job Title	Salary Range	
2	Jr. Investment Prof.	\$ 74,588	\$ 113,831
3	Intrm. Investment Prof.	\$ 97,393	\$ 139,063
4	Sr. Investment Prof.	\$ 127,224	\$ 181,670
5	Manager, IO	\$ 166,169	\$ 253,639
6	Sr. Manager, IO	\$ 181,670	\$ 277,253
7	Director, IO	\$ 207,626	\$ 316,836
8	Managing Director, IO	\$ 248,060	\$ 378,564
9	Deputy CIO	\$ 309,873	\$ 472,891
10	CIO	\$ 362,083	\$ 552,570

OFFICE OF CHIEF COUNSEL			
Job Title		AT Schedule (as of 7/1/2024)	
Attorney 1		\$ 66,250	\$ 100,636
Attorney 2		\$ 75,678	\$ 114,915
Attorney 3		\$ 86,299	\$ 143,277
Attorney 4		\$ 98,563	\$ 159,981
Attorney 5		\$ 112,450	\$ 174,671
Chief Counsel		Salary range approved by the PSERS Board with consideration of the Commonwealth's Chief Counsel Salary Range	

Appendix 3: Merit Fund Calculation Example

Merit Fund Calculation:

For each of the three performance periods (most recent, 3-year trailing, 5-year trailing), the actual performance of the total fund shall be subtracted from the approved policy benchmark to establish the Performance Value:

$$\text{Actual performance (in bps)} - \text{Policy Benchmark (in bps)} = \text{Performance Value (X or (X))}$$

For each of the three Performance Values calculated, an Investment Performance Factor shall be computed following the scale below using an interpolated calculation to ensure points within a range are calculated exactly:

Performance Excess Added Value (bps)								
-100	-75	-50	-25	0	25	50	75	100
Investment Performance Factor Range								
0.00	0.25	0.50	1.00	1.00	1.00	1.50	1.75	2.00

Results from each Performance Period calculation shall be weighted in accordance with section XII.a.i and added together to determine an overall investment performance factor.

Factors:	Interpolation Calculation
X = Performance Value	$Y = Y1 + ((X-X1)/(X2-X1)*(Y2-Y1))$
X1 = Low End Range of Fund Perf	
X2 = High End Range of Fund Perf	
Y1 = Low End CPI Multiplier	
Y2 = High End CPI Multiplier	

The Investment Performance Factor shall be multiplied by the CPI for the Northeast Region, capped at 4%.

The resultant Merit Fund Multiplier shall be multiplied by the total annual compensation as of June 30 of the previous year for all Merit Fund eligible participants, excluding the CIO, to determine the maximum Merit Fund amount for distribution to eligible participants.

See the following page for an example of this calculation.

Appendix 3: Merit Fund Calculation Example (continued)

SAMPLE	1 Year	3 Year	5 Year	Total					
Fund Performance Excess Added Value (bps)	33	178	(2)						
Weight Factor	10%	30%	60%						
Investment Performance Factor	0.12	0.60	0.60	1.32					
CPI Actual				2.6					
Merit Fund Multiplier				3.43					
	Fund Performance (bps)								
	(100)	(75)	(50)	(25)	0	25	50	75	100
	Investment Performance Factor Range								
	0.00	0.25	0.50	1.00	1.00	1.00	1.50	1.75	2.00
Interpolation Calc:									
X = Perf Excess Added Value bps	33			$Y = Y1 + ((X-X1)/(X2-X1) * (Y2-Y1))$					
X1=Low End Range Fund Perf	25								
X2=High End Range Fund Perf	50			$1.00 + ((33-25)/(50-25) * (1.50-1.00))$					
				$1.00 + (8/25) * (.50)$					
Y1=Low End Investment Perf Factor	1.00			$1.00 + (.32 * .50)$					
Y2= High End Investment Perf Factor	1.50			$1.00 + .16$					
		Proof		1.16					
		Formula		1.16	10%			0.116	
X = Perf Excess Added Value bps	178			$Y = Y1 + ((X-X1)/(X2-X1) * (Y2-Y1))$					
X1=Low End Range Fund Perf	100								
X2=High End Range Fund Perf	100								
Y1=Low End Investment Perf Factor	2.00								
Y2= High End Investment Perf Factor	2.00								
				2.00	30%			0.600	
X = Perf Excess Added Value bps	(2)			$Y = Y1 + ((X-X1)/(X2-X1) * (Y2-Y1))$					
X1=Low End Range Fund Perf	(25)								
X2=High End Range Fund Perf	0			$1.00 + ((-2--25)/0--25) * (1.00-1.00)$					
				$1.00 + (23/25) * (0)$					
Y1=Low End Investment Perf Factor	1.00			$1.00 + (.92 * 0)$					
Y2= High End Investment Perf Factor	1.00			$1.00 + 0$					
		Proof		1.00					
		Formula		1.00	60%			0.600	

Appendix 4: Certifications

Certification	Abb.	Org	Job Classifications	One-Time Honorarium Payment
Chartered Financial Analyst	CFA	IO	Refer to Classification Chart by organization in Appendix I.	\$ 2,000
Chartered Alternative Investment Analyst	CAIA	IO		\$ 1,500
Financial Risk Manager	FRM	IO		\$ 1,500
Professional Risk Manager	PRM	IO		\$ 1,500
Certified Securities Operations Professional	CSOP	IO		\$ 500
Certified Treasury Professional	CTP	IO		\$ 500
Certificate in Investment Performance Measurement	CIPM	IO		\$ 1,000
Certified Government Financial Manager	CGFM	OFM		\$ 1,500
Certified Treasury Professional	CTP	OFM		\$ 500
Certified Public Accountant	CPA	OFM, IAO		\$ 2,000
Certified Investments and Derivatives Auditor	CIDA	IAO		\$ 500
Certified Internal Auditor	CIA	IAO		\$ 1,500



COMMONWEALTH OF PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Policy Name:	Classification and Compensation Plan Policy – Transition Plan
Effective Date:	October 25, 2024
Reviewed Date:	October 25, 2024
Applies To:	Positions for which Board has Classification and Compensation Authority
Contact Person:	Executive Director and Deputy Executive Director for Administration

I. Purpose

The purpose of this Transition Plan is to provide procedural guidance for transitioning from the former Policy Manual for Investment Professionals to the new Classification and Compensation Plan Policy (“Plan”).

II. Transition Plan Administration

Transition Plan administration is delegated to the Executive Director, facilitated with assistance from Human Resources, consistent with this Transition Plan, as adopted by the Board.

III. Definitions

See Plan document for definitions.

IV. Communication

- a. Following adoption of the Transition Plan by the Board, eligible Plan employees shall receive a copy of the Plan document and a meeting to review all components of the Plan shall be facilitated for all Plan eligible employees.
- b. Further meetings by business area may be scheduled and facilitated by the Deputy Executive Director for Administration and Human Resources on an as-needed basis.
- c. Questions regarding the Plan and this Transition Plan shall be compiled by Human Resources and a Q&A document shared regularly with eligible employees throughout the Plan timeline.

V. Compensation Adjustments

The following compensation adjustments shall be applied for the Fund Performance Period ending June 30, 2024, and shall serve as the Transition Plan to full implementation of the Plan for the Fund Performance Period ending June 30, 2025.

- a. IO-MO, OFM, IAO, and the DED-DC
 - i. As soon as practicable following the adoption of the Plan, Human Resources shall effectuate a 2% GPI increase (calculated and applied in accordance with the Plan) retroactive to July 1, 2024, for all Plan eligible employees in these business units.
 - ii. Effective January 1, 2025, Human Resources shall effectuate a 2.25% Longevity Step increase (calculated and applied in accordance with the actions approved by the Executive Board and the Plan) for all eligible employees in these business units.
 - iii. After January 1, 2025, all adjustments to eligible employees within these business units shall be calculated and applied in accordance with the actions approved by the Executive Board and the Plan.

- b. OCC and OCC-CC
 - i. Effective January 1, 2025, Human Resources shall effectuate a 2.25% Longevity Step increase (calculated and applied in accordance with the actions approved by the Executive Board and the Plan).
 - ii. After January 1, 2025, all adjustments shall be calculated and applied in accordance with the actions approved by the Executive Board and the Plan.

- c. IO-FO
 - i. Effective January 1, 2025, a Transition Plan fund to cover the Fund Performance period of July 1, 2023 – June 30, 2024, equal to 4.25% of the total compensation of all eligible IO-FO employees as of January 1, 2025, shall be established.
 - ii. The Transition Plan fund shall be distributed to eligible IO-FO employees in accordance with Merit Fund Distribution, as defined in the Plan at XII.c.
 - iii. After January 1, 2025, all adjustments shall be calculated and applied in accordance with the Plan.

VI. Audit of Calculations

- a. All calculations associated with the Transition Plan shall be computed by Human Resources and reviewed by the Human Resources Director.
- b. Thereafter, all calculations associated with the Transition Plan shall be audited by a member of the Internal Audit Office, who is not compensated under this Plan, prior to submission for payroll processing.
- c. The Executive Director shall serve as the final reviewer for all Transition Plan salary increases prior to submission to payroll processing.

VII. Expiration of Transition Plan

On January 2, 2025, unless there is intervening action taken by the Board, this Transition Plan shall expire.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Deputy Executive Director for Administration
- c. **Summary of Changes:**

Date	Version	Author	Summary
October 2024	1.0	Governance & Administration Committee	This Transition Plan serves to provide guidance in implementing the new Classification and Compensation Plan Policy.