

1. SALARY ADMINISTRATION

1.1. MISCELLANEOUS

The Board continually strives to have a compensation plan for Investment professional staff that attracts and retains highly qualified individuals, establishes internal equity of positions, and maintains external competitiveness.

Compensation decisions shall not be influenced by race, color, religion, sex, sexual orientation, national origin, disability, age, or ancestry.

The Board retains salary-setting authority for the Chief Investment Officer and the Managing Director positions, except as provided in section 1.4 of this Policy. Except for the Office of Financial Management positions, the Board delegates, subject to this Policy Manual, salary setting authority for all other Investment Professional positions to the Chief Investment Officer and the Executive Director. In the case of the Office of Financial Management positions, the Board delegates salary setting authority, subject to this Policy Manual, to the Chief Financial Officer and the Executive Director for the Investment Accounting positions and to the Executive Director and PSERS' Human Resource Director for the Chief Financial Officer position.

Pay increases shall be based on performance, expanded job duties, retention, internal pay equity relationships, periodic market comparison of peers, or other relevant issues. Annual salary reviews will be conducted to make adjustments to pay based upon merit and competitive levels as necessary, as more particularly provided herein.

1.2. PEER COMPARATOR GROUP

The Board selects the following Public Funds Select Group as the peer comparator group for determining both the base salary and total maximum pay opportunities for PSERS' Investment Professionals:

- California Public Employees' Retirement System
- California State Teachers' Retirement System
- Florida State Board of Administration
- Division of Investment Services, State of Georgia
- Michigan State Retirement Systems
- New Jersey Division of Investment
- New York State Common Retirement Fund
- North Carolina Retirement Systems
- Ohio Public Employees' Retirement System
- State Teachers Retirement System of Ohio
- Pennsylvania State Employees Retirement System
- Teachers Retirement System of Texas

1.3. PAY SCHEDULE

The Board adopts the following Pay Schedule for each of the six pay groups identified in Section 2.1 of this Policy Manual, effective July 2007.

Investment Pay Schedule

	⇨ Pay Group	1	2	3	4	5	6
⇩ Pay Level							
1	Hourly	20.45	32.72	44.99	57.26	71.58	102.25
	Biweekly	1,533.75	2,454.00	3,374.25	4,294.50	5,368.50	7,668.75
	Annually	40,000	64,000	88,000	112,001	140,010	200,001
Midpoint	Hourly	30.67	40.90	56.24	71.57	89.47	127.81
	Biweekly	2,300.25	3,067.50	4,218.00	5,367.75	6,710.25	9,585.75
	Annually	59,991	80,000	110,005	139,991	175,003	249,996
20	Hourly	36.81	49.08	67.49	85.89	107.37	153.38
	Biweekly	2,760.75	3,681.00	5,061.75	6,441.75	8,052.75	11,503.50
	Annually	72,000	96,000	132,010	168,001	210,016	300,011

Note: The midpoint is shown as a reference point only.

Salary ranges shall be determined based on competitive market data and will be collected periodically, every two to three years, or as necessary (e.g., when a key position becomes vacant).

The Pay Schedule identifies a minimum and maximum salary for each of the six pay groups identified in Section 2.1 of this Policy Manual, based upon the results of the most recent market study and the median of the Public Pension Funds Select Group.

Salaries (base compensation) and maximum pay opportunities (base salaries plus incentive compensation) for each incumbent shall be targeted to the median of the Public Pension Funds Select Group.

1.4. ANNUAL SALARY ADJUSTMENTS

In accordance with the chart below, the Chief Investment Officer, with the concurrence of the Executive Director, will determine movement within the salary range (lateral) for each individual in Pay Groups 1-5, (except for the Office of

Deleted: 4

Financial Management positions), based on an individual's overall annual performance evaluation (both quantitative and qualitative contributions) and an individual's position in the range at the time of the annual review. In the case of the Office of Financial Management positions, the Chief Financial Officer and the Executive Director will make that determination. In the case of the Chief Investment Officer and Chief Financial Officer, the Executive Director with the concurrence of PSERS' Human Resources Director will make that determination. Notwithstanding the preceding, all adjustments made under this section shall be done only after consultation with the Chair of the Board and the Chairs of the Board's Finance and Personnel Committees. Annual salary adjustments are to be implemented separate from and prior to any fiscal year promotion action.

Deleted: The Board shall determine movement within the salary range (lateral) for each individual for individuals in Pay Groups 5-6.

Performance Rating	Position in Salary Range Before Adjustment				
	1 st Quartile	2 nd Quartile	Midpoint	3 rd Quartile	4 th Quartile
Outstanding	10.0%	8.0%	7.0%	6.0%	4.0%
Exceeds Expectations	8.0%	6.0%	5.0%	4.0%	2.0%
Meets Expectations	6.0%	4.0%	3.0%	2.0%	0.0%
Below Expectations	0.0%	0.0%	0.0%	0.0%	0.0%

1.5. PROMOTIONS

Upon promotion (a move from one pay group to a higher pay group) an employee will receive a 9% pay increase per pay group/range or be placed at the minimum of the pay group/range, whichever is greater. Promotions to non-supervisory level jobs in the Investment Office (Intermediate Investment Professional, Senior Investment Professional, and Portfolio Manager) will be determined for the beginning of each fiscal year by the Chief Investment Officer, with the concurrence of the Executive Director. The Chief Financial Officer and the Executive Director will determine promotions for the Office of Financial Management positions. Said promotions will become effective in July of that fiscal year. Promotions to these levels are not necessarily reflective of a change in position, but rather recognition of an individual's overall impact and contribution to the investment process.

1.6. SALARY INCREASE FOR COMPLETION OF CHARTERED FINANCIAL ANALYST (CFA) EXAM

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group/range and the overall performance evaluation (both quantitative and qualitative contributions), to award an individual an increase of up to 2.5% of annual base salary for having successfully completed a level of the three levels