



Investment Team Incentive Compensation

April 5, 2022

OCERS Personnel Committee Meeting



IN NUMBERS

AS OF DECEMBER 31, 2021



\$14.4 BILLION

TOTAL NET POSITION



44,000

MEMBERS STRONG



33.3%

FISCAL YEAR 20-21
NET RATE OF RETURN



91.2%

FUNDED (MVA)
(AS OF JUNE 2021)



13.7%

3-YEAR NET RATE OF
RETURN



16

PARTICIPATING EMPLOYERS



\$4,171

AVERAGE MONTHLY BENEFIT



San Bernardino County Employees'
Retirement Association

Incentive Compensation

Objectives:

- Align interests of investment staff with the long-term success of the Fund
- Attract, motivate and retain qualified investment talent
- Be fair and competitive
- Reflect the Board's perspectives about compensation, performance, risk and peer comparisons

Chief Investment Officer

Maximum incentive pay: 50% of base salary

Quantitative:

Fund Performance: 10%

Risk Component: 10%

Peer Comparison: 10%

Qualitative:

Administration/Management: 10%

Board Discretionary Portion: 5%

CEO Discretionary Portion: 5%

Fund Performance

Excess Return Over Policy Benchmark

Staff execution vs. Policy Benchmark

Excess Return Over Policy Benchmark (Staff execution versus policy benchmark)					
	Return ¹	Policy Index ¹	Return > Policy Index	Eligible Award	Actual Award
1-Year Performance			No	1.00%	0.00%
5-Year Performance			No	1.00%	0.00%
				2.00%	0.00%

Absolute Return Over Stated Return

Plan execution of mission

Absolute Return Over Stated Return (Plan execution of mission)				
Absolute Return ¹	Stated Return ²	Absolute Return > Stated Return	Eligible Award	Actual Award
	7.25%	No	3.00%	0.00%
	7.30%	No	5.00%	0.00%
			8.00%	0.00%

Risk Component

Alpha

Staff Execution vs. Policy Benchmark

Alpha (Staff execution versus policy benchmark)					
		Alpha ¹	Alpha > 0%	Eligible Award	Actual Award
1-Year Performance			No	1.00%	0.00%
5-Year Performance			No	1.00%	0.00%
				2.00%	0.00%

Sharpe Ratio

Absolute return focus

Sharpe Ratio (Absolute return focus)				
	Sharpe Ratio ¹	Sharpe Ratio > 0.5	Eligible Award	Actual Award
		No	3.00%	0.00%
		No	5.00%	0.00%
			8.00%	0.00%

Peer Comparison

Risk

Median with Investment Consultant universe metrics for Sharpe ratio and Alpha

	Risk (Median with Investment consultant universe metrics for Sharpe ratio and Alpha)				
	Risk (Sharpe / Alpha) ¹	Median (Sharpe / Alpha) ¹	Risk > Median	Eligible Award	Actual Award
1-Year Performance			No	1.00%	0.00%
5-Year Performance			No	1.00%	0.00%
				2.00%	0.00%

Return

Median with Investment Consultant universe metrics for Return

Return (Median with Investment consultant universe metrics for Return)				
Return ¹	Median Return ¹	Return > Median	Eligible Award	Actual Award
		No	3.00%	0.00%
		No	5.00%	0.00%
			8.00%	0.00%

Qualitative Considerations

Administration

- Overall performance evaluation
- Management of department
- Cohesion with executive management team
- Execution of strategic plan and priorities
- Execution & monitoring of policy
- Activity & performance in industry groups, public speaking
- Learning & growth

Board Discretionary Component

Determined annually; performance evaluation discussion in closed session

Open session determination of up to 5% award

CEO Discretionary Component

Determined annually

Senior Investment Officer

Maximum incentive pay: 30% of base salary

Quantitative (same metrics as CIO):

Fund Performance: 6%

Risk Component: 6%

Peer Comparison: 6%

Qualitative:

Administration/Management: 6%

CEO Discretionary Portion: 3%

CIO Discretionary Portion: 3%

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