

The Skorina Letter

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<http://www.charlesskorina.com/> skorina@charlesskorina.com

Office: 520-529-5677

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Vickie Fuller: The after-life of a CIO

In our last letter [we featured Vickie Fuller](#), retiring CIO of the \$200 billion New York State Common Retirement Fund.

She intimated to us that she was considering a board position, but that she hadn't yet pulled the trigger.

Then, at the end of July, the publicly-listed Williams Companies (NYSE: WMB) announced her appointment to their board.

Tulsa-based Williams processes and transports natural gas, so what followed was annoying but predictable.

An outrage outfit called (appropriately) **Sludge**, with some like-minded media allies, produced a hit-piece which they called [New York Pension Chief Cashes in on Natural Gas](#).

It was echoed by the New York Post, with: [Ex-pension chief's cushy gas company gig raises eyebrows](#).

It's rife with dark hints and insinuations that, since NYSCRF had had some investments with Williams, Ms. Fuller must have been the beneficiary of some greasy quid-pro-quo.

Williams is an S&P 500 company, so virtually every institutional investor on the planet has a piece of their equity. And, if NYSCRF held Williams' (investment-grade) bonds, you can be sure that Ms. Williams – a crack credit-analyst and bond maven in her previous jobs – had the numbers to prove they were a suitable buy for her fund.

Ms. Fuller, prudently, chose not to dignify these charges with any public comment. But, we feel no such constraint.

Vickie Fuller, beginning with no special advantages, achieved success in both the corporate and non-profit spheres with a lifetime of hard work.

And, we highly doubt Ms. Fuller was looking for a “cushy” job when she accepted an offer from Williams.

She was a hot property as a potential board member and she was brought to Williams by a recruitment firm following a nation-wide search.

We pointed out in our letter that she appeared to be underpaid compared to (male, white) CIOs running comparably big public pensions. If she now has a chance to be properly compensated by helping to manage an \$8 billion energy company, then more power to her.

She'll be making something like [\\$340 thousand](#) (the average director comp in cash and stock in 2017) for serving on two key committees (audit, and governance) on the relatively small board of a big, complex company. That's about standard for a company of this size in this industry.

And, she'll be worth every penny of it.

Skorina seeks CIO for \$1.5 Billion portfolio

We're looking for a Chief Investment Officer to manage a \$1.5 Billion investment portfolio. This is a new position with a highly rated, multi-line insurance company located in the greater Philadelphia area.

We need a senior investment officer with experience at a top-tier asset owner such as an insurer, health system, endowment, foundation, pension fund, family office, or institutional asset manager.

A strong background in fixed income/credit is necessary. And experience with manager search and selection in opportunistic credit is highly desirable.

Compensation for this key position is competitive.

If you're interested, send me your resume. If you have a friend or colleague who might be suitable, please spread the word.

Charles Skorina & Co. is the exclusive search agent for this position.

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Who are the best-paid endowment CIOs?

Compensation is a delicate issue; but recruiters need to keep track of it. And, we see no reason why we shouldn't share some of that bounty with our readers. (See our complete compensation chart just below.)

Most of it is publicly available, anyway; as long as you're willing to scrounge for it. Private schools and some publics disclose it in IRS filings. The hitch is the long time-lag -- more than two years -- before the data is publicly available. The corresponding data for most public schools is often fresher, but it's scattered among various and often quirky databases in various jurisdictions with various disclosure rules.

It's ironic that data for public colleges has sometimes been the least public. But that's changed somewhat in recent years as more states adopt sunshine laws for public-employee pay generally. Or, you can file a FOIA request. But it's been like pulling teeth in many places.

And, even when public-school CIO comp is published, it can't always be trusted. Clever college administrators have sometimes found (or constructed) loopholes in those sunshine laws which let them conceal part of the CIO pay-package.

A recent and noisy case in point arose in Michigan. The official University of Michigan [salary-disclosure listing](#) (page 447) for 2017 showed CIO Erik Lundberg's total comp as \$720,000.

We've been skeptical of that number for a while, but the U was eventually prodded into disclosing that Mr. Lundberg actually made \$2 million in 2017.

Although the gross number had become public, the Detroit Free Press still sued the University to obtain details about how it was calculated.

The judge sided with the Freep, but the university argued that they had legitimate reasons for keeping them private.

"Despite the court's ruling, we believe disclosure of the ... Incentive Plan will put U-M at a competitive disadvantage," a school spokesman said. "Because there are very few public universities in our endowment peer group, virtually no comparison [sic] schools will ever have to make their plans public. These are the employers against which the university competes for talent recruitment and retention."

The fact that a major university would go to some trouble to avoid disclosing that information does speak to the highly competitive market for top CIOs. If you have a good one (and Mr. Lundberg is very good), there's always anxiety that someone with deeper pockets will whisk him or her away. And, if you're crafting a competitive offer, it certainly helps to know exactly what you have to beat.

As the Lundberg case confirmed, these pay packages are complex. In our chart below, we can only offer the bare numbers. The IRS requires a certain degree of granularity and, in most cases, we see items for base salary, bonus, "other," and total. What we can't do is explain how these numbers were arrived at. The contracts at the larger endowments are often custom-crafted in negotiations between employer and employee, and no two are exactly the same.

We do observe that some contracts mandate a biggish base salary and smallish bonus; others, the opposite. But the incentive formula is usually confidential. And items in the "other" column are not always explicable.

Our chart shows W2 earnings only, paid in calendar year 2015 and taxable to the CIO. Other, non-W2 items benefitting the CIO are often reported to the IRS (and are sometimes substantial) but we omit them for our purposes.

To take one example, when Jagdeep Bachher moved down from Alberta to northern California as CIO at University of California Regents he landed in a far more expensive housing market. His new employer gave him a \$1.8 million mortgage loan at (presumably) a very nice interest rate. This kind of bennie has long been typical for school presidents, but it's becoming more common for senior administrators.

The reader should also be warned that pay for a given year, while accurate, is not always typical for that CIO.

An example is Douglas Phillips at University of Rochester. He received a big payout classified as "other" in calendar 2015. This is probably deferred comp which was accrued over several years and finally disbursed per his contract. It was probably meant to motivate retention, with some or all of the accrued pay forfeited if the employee leaves too soon. Mr. Phillips is an effective and well-credentialed CIO and Rochester, understandably, wants to fend off offers from other, bigger schools. His typical pay is less than half the total shown for CY2015.

There are probably other cases of non-typical payouts on the list, but we can't identify all of them.

Where's Harvard? And other mysteries.

We wanted this chart to be a book-end to our reporting of investment performance for FY2017. Accordingly, we wanted to list only CIOs who were the managers-of-record for that period so that pay could be usefully compared to performance. But, obviously, we could only report pay for CY2015 if the CIO had held the same job in that prior period. We're convoluted, but we're consistent.

Harvard's CIO-of-record in FY2017 was Narv Narvekar. But he was only hired in late 2016, and he had no pay for that position in CY2015. For the record, the CIO back in CY2015 was Stephen Blyth who had total comp of \$14.8 million (it was both his first and last year). Most of that consisted of a \$13.6 million bonus. It would be highly misleading to ascribe that comp to Mr. Narvekar, so we didn't. (He was paid \$4.3 million by Columbia University in that period, but that was under a different contract with a different employer with a smaller AUM, making it triply apples-to-oranges.)

While Harvard is the most conspicuous case, a few other CIOs are also MIA in this chart for similar reasons.

The two-year lag in comp reporting is annoying, although we get to blame the IRS. But, in an upcoming supplement to this letter, we'll look at recent historical trends in CIO pay, and will even daringly attempt to extrapolate what current (calendar 2018) pay may be for some of these CIOs based on that trendline.

We should also mention that we used a \$1 billion AUM lower bound for this list. About half the schools in the \$500 million - \$1 billion range also have a dedicated CIO or equivalent, but they are omitted here, however well paid they may have been.

(Compensation as of calendar year-end 2015. AUM as of June 30, 2017)

COMPENSATION: TOP 74 CHIEF INVESTMENT OFFICERS

Baseline compensation year: December 31, 2015

(latest available public filings)

R a n k	AU M FY17 \$bn	Chief Investment Officer	University	Base Comp	Bonus + Other	Total Comp CY 2015
-	-	-	-			-
1	9.4	Malpass, Scott	University of Notre Dame	\$1,013,777	\$3,257,348	\$4,271,125
2	27.2	Swensen, David F.	Yale University	\$849,202	\$3,105,479	\$3,954,681
3	10.0	Holland, Peter	Columbia University	\$825,814	\$3,045,788	\$3,871,602
4	23.8	Golden, Andrew	Princeton University	\$848,604	\$2,673,732	\$3,522,336
5	10.4	McLean, William H.	Northwestern University	\$792,425	\$2,556,872	\$3,349,297
6	7.9	Triplett, Neal F.	Duke University	\$635,256	\$2,331,085	\$2,966,341
7	2.1	Phillips, Douglas W.	University of Rochester	\$643,488	\$1,906,877	\$2,550,365
8	41.3	(ex) Zimmerman, Bruce E.	UTIMCO: U of Texas & Texas A&M	\$701,906	\$1,663,353	\$2,365,259
9	6.4	(ex) Kochard, Lawrence	University of Virginia	\$607,549	\$1,687,873	\$2,295,422
10	1.5	Volent, Paula J.	Bowdoin College	\$1,171,670	\$1,005,450	\$2,177,120
11	7.5	Schmid, Mark	University of Chicago	\$656,616	\$1,470,671	\$2,127,287
12	10.9	Lundberg, Erik L.	University of Michigan	\$600,000	\$1,400,000	\$2,000,000
13	15.0	Alexander, Seth	MIT	\$619,417	\$1,134,504	\$1,753,921
14	6.9	(ex) Cahill, Mary	Emory University	\$648,144	\$1,051,275	\$1,699,419
15	12.2	Ammon, Peter H.	University of Pennsylvania	\$729,291	\$951,314	\$1,680,605
16	2.4	Blandford, Rob	Spider Mgmt Co (U of Richmond)	\$569,246	\$950,410	\$1,519,656
17	1.9	Kuenster, Deborah	Wellesley College	\$564,000	\$835,422	\$1,399,422
18	5.0	(ex) Peedin, Pamela L.	Dartmouth College	\$526,230	\$861,372	\$1,387,602
19	2.1	(ex) Pulavarti, Srinivas ("Srini")	UCLA	\$761,250	\$603,857	\$1,365,107
20	1.3	Crigler, Jeremy	Tulane University	\$380,000	\$959,000	\$1,339,000
21	3.0	King, Jonathon C.	University of North Carolina	\$640,435	\$582,288	\$1,222,723
22	3.2	Dowling, Joseph L. III	Brown University	\$576,639	\$619,978	\$1,196,617
23	2.0	Falls, Amy C.	Rockefeller University	\$510,550	\$597,536	\$1,108,086
24	9.8	Bachher, Jagdeep	University of California Regents	\$621,618	\$485,070	\$1,106,688
25	4.1	Hall, Anders W.	Vanderbilt University	\$721,825	\$377,916	\$1,099,741
26	1.5	Hille, James R.	Texas Christian University	\$557,396	\$534,142	\$1,091,538
27	5.8	Thacker, Allison	Rice University	\$504,754	\$583,748	\$1,088,502
28	2.0	Hunnewell, Clarissa	Boston University	\$565,000	\$459,527	\$1,024,527
29	2.5	Chilton, Collette	Williams College	\$448,959	\$571,656	\$1,020,615
30	2.5	Ferguson, Keith	University of Washington	\$948,400	\$0	\$948,400
31	5.1	Mazzocco, Lisa	U of Southern California	\$608,503	\$336,946	\$945,449

32	1.8	(ex) Saviano, John-Austin	UC Berkeley	\$476,139	\$375,000	\$851,139
33	1.2	Dunn, James J.	Verger Capital Mgt (Wake Forest)	\$557,475	\$283,478	\$840,953
34	1.7	Barry, Michael K.	Georgetown University	\$397,841	\$441,800	\$839,641
35	2.3	Zona, John J.	Boston College	\$549,559	\$285,010	\$834,569
36	1.2	Walker, William	Baylor College of Medicine	\$491,065	\$341,319	\$832,384
37	2.1	Gorence, Douglas J.	University of Minnesota	\$474,120	\$346,849	\$820,969
38	2.6	Richland, Scott H.	California Institute of Technology (Caltech)	\$517,394	\$300,462	\$817,856
39	1.4	Walter, Keith	University of Delaware	\$408,502	\$400,000	\$808,502
40	2.7	Van Cleave, Julie M.	University of Wisconsin Fdn	\$519,831	\$213,790	\$733,621
41	1.6	Reeser, William S.	University of Florida	\$509,094	\$214,042	\$723,136
42	1.7	Dungan, Sally M.	Tufts University	\$365,380	\$348,881	\$714,261
43	1.1	Gallo, Samuel N.	University System of Maryland Fdn	\$343,731	\$271,250	\$614,981
44	4.3	Lane, John C.	Ohio State University	\$576,564	\$0	\$576,564
45	1.2	Webb, R. Brian	Baylor University	\$300,868	\$260,248	\$561,116
46	1.6	Johnson, Bradley J.	University of Oklahoma Foundation	\$180,493	\$360,986	\$541,479
47	2.6	Ellison, Ellen	University of Illinois Foundation	\$462,365	\$70,000	\$532,365
48	1.2	Gower, J. Michael	Rutgers University	\$490,830	\$22,562	\$513,392
49	1.8	(ex) Staley, Sally	Case Western Reserve University	\$283,460	\$227,833	\$511,293
50	2.0	Taylor, James B.	Georgia Tech Foundation	\$350,921	\$147,100	\$498,021
51	24.8	Wallace, Robert F. *	Stanford Management Company	\$447,364	\$32,682	\$480,046
52	2.2	Stratten, Gary A.	Indiana University Foundation	\$235,257	\$241,820	\$477,077
53	3.9	Marsh, Amy K.	University of Pittsburgh	\$441,082	\$16,921	\$458,003
54	2.2	Kennedy, Charles A.	Carnegie Mellon University	\$295,155	\$158,347	\$453,502
55	1.3	Scheer, Karl	University of Cincinnati Fdn	\$334,869	\$102,280	\$437,149
56	1.1	Shear, Jonathan	University of Utah	\$416,034	\$0	\$416,034
57	2.2	Geissler, Mauricia	Amherst College	\$405,584	\$1,518	\$407,102
58	4.0	Pomeroy, John C. II	Pennsylvania State University	\$400,000	\$0	\$400,000
59	1.0	Buck, Kevan C.	University of Tulsa	\$334,847	\$25,220	\$360,067
60	1.8	(ex) Handley, Janet	Texas A&M Foundation	\$290,193	\$48,125	\$338,318
61	1.4	Mason, Stuart	University of Minnesota	\$318,544	\$0	\$318,544
62	1.3	Barrett, Tim	Texas Tech University	\$312,752	\$0	\$312,752
63	2.2	Sisson, Karen	Pomona College	\$269,830	\$24,000	\$293,830
64	2.0	Amstutz, Mark C.	Swarthmore College	\$271,215	\$0	\$271,215
65	1.1	Peloquin-Dodd, Mary	North Carolina State University	\$268,850	\$0	\$268,850

66	1.3	Moon, Don C.	Liberty University	\$250,823	\$0	\$250,823
67	1.3	Shupp, Todd	University of Kentucky	\$250,000	\$0	\$250,000
68	1.3	Harkins, David	UC San Francisco	\$196,885	\$52,839	\$249,724
69	1.6	Richards, Thomas	University of Missouri System	\$244,605	\$0	\$244,605
70	1.1	Whitworth, Gary A.	Saint Louis University	\$232,982	\$1,326	\$234,308
71	1.4	Bethea, Jim	University of Iowa Foundation	\$197,387	\$360	\$197,747
72	1.2	Mecherlee, Raymond P. "Rip"	University of Tennessee	\$186,455	\$0	\$186,455
73	1.0	Dahnert, Stephen	Vassar College	\$175,510	\$701	\$176,211
74	1.6	Neale, Brian	University of Nebraska Foundation	\$158,241	\$10,809	\$169,050

* Rob Wallace, Stanford start date July 2015. Total comp: considerably more than 990 filing

Some observations and a quick look at CIO vs. presidential pay

We mostly follow the industry-standard AUMs reported to NACUBO, but we depart from them in a few cases. For example, because we are CIO-centric rather than school-centric, we report AUM for UTIMCO endowments as a whole and don't distinguish between U. of Texas and Texas A&M since the endowments are mostly handled as a single pool under a single CIO who earns a single paycheck. (The smaller TAM Foundation is managed separately.)

In a very few cases we estimated comp based on our industry knowledge, rather than omitting a major school. E.g., the number for Mr. Pomeroy at Penn State is a very conservative estimate. He almost certainly makes more.

We're not going to do any deep mathematical analysis here, but certain patterns are pretty obvious.

CIO compensation is primarily a function of AUM. There are other explanatory factors: relative performance, geography, private vs. public, and even prestige of the school, but they are usually swamped by the size of the fund. So, the downward march of the comp rankings pretty closely follows the downward march of AUM on this list.

But there are exceptions. The most obvious one here is Paula Volent at Bowdoin College. Bowdoin ranks only 69th by AUM (FY2017), but 10th by CIO compensation in 2015. Bowdoin only recently broke into the billion-plus club, but

Ms. Volent -- a Yale Investment Office alumna -- has been consistently over-performing for years. Her 5-year return as of FY2017 was the highest of any major endowment at 11.9 percent. She exceeded even her mentor, the esteemed David Swensen, who was a close second with 11.7 percent. For FY 2018 she's turned in the best performance we've seen reported so far, a 1-year return of 15.7 percent. We doubt if anyone is going to top it.

She has almost 19 years on the job and her comp reflects how badly her board would like to keep her.

Our top earner -- Mr. Malpass at Notre Dame -- is deservedly well-paid and isn't going anywhere. But over 5 years Bowdoin beat him by 170 basis points!

As an extra, added bonus for those who have read this far, let's take a quick look at CIO vs. presidential pay at a few major schools.

In the corporate world, the CEO almost always commands the big bucks. But in big-time academia, CEO pay often trails the CIO and probably the football and basketball coaches as well.

Here are our top-ten highest paid endowment chief investment officers for calendar year-end 2015 compared to the pay of their respective presidents in the same period.

Presidential pay is structured very differently from a CIO's. They generally get no performance bonus (or only a modest one). But they may get significant "other" items to round up their total. Presidents get perks like first-class air travel, chauffeurs, club memberships for themselves and their spouses, etc. Much of this has to be declared as taxable W2 income to the employee per IRS rules and is therefore in our total.

Base salaries for presidents and CIOs at major schools may not be very different, but the big performance bonuses paid to the CIO can leave him or her making two or three times the president's total. This relationship does not necessarily hold at smaller schools, but it's pretty consistently true at the biggest ones.

COMPENSATION
Chief Investment Officers vs. University Presidents

Baseline compensation year: December 31, 2015
(latest available public filings)

University	Chief Investment Officer	Total Pay CY 2015	University President	Total Pay CY 2015	Pay ratio: CIO to Prez
-	-	-	-	-	-
University of Notre Dame	Malpass, Scott	\$4,271,125	Jenkins, John I.	\$787,144	5.4x
Yale University	Swensen, David F.	\$3,954,681	Salovey, Peter	\$1,103,747	3.6x
Columbia University	Holland, Peter	\$3,871,602	Bollinger, Lee C.	\$2,088,896	1.9x
Princeton University	Golden, Andrew	\$3,522,336	Eisgruber, Christopher	\$861,018	4.1x
Northwestern University	McLean, William H.	\$3,349,297	Schapiro, Morton O.	\$1,339,506	2.5x
Duke University	Triplett, Neal F.	\$2,966,341	Brodhead, Richard H.	\$1,182,780	2.5x
University of Rochester	Phillips, Douglas W.	\$2,550,365	Seligman, Joel S.	\$1,224,732	2.1x
UTIMCO: U of Texas & Texas A&M	(ex) Zimmerman, Bruce E.	\$2,365,259	McRaven, William H.	\$1,200,000	2.0x
University of Virginia	(ex) Kochard, Lawrence	\$2,295,422	Sullivan, Teresa A.	\$733,800	3.1x
Bowdoin College	Volent, Paula J.	\$2,177,120	Rose, Clayton	\$581,968	3.7x

The Skorina Letter

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Charles Skorina & Company

Retained Executive Search

Chief Investment Officers • Institutional Asset Managers

6080 N. Sabino Shadow Lane

Tucson, AZ 85750

520-529-5677

skorina@charlesskorina.com

www.charlesskorina.com

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