

# The Skorina Letter

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## Chief investment officers pay in 2018/2019

### Our projections - Growth slowing to 7 percent for endowment CIOs

Back in October, we reported the [latest-available compensation numbers](#) for 74 chief investment officers at the biggest (over-\$1 billion AUM) endowments.

We used the most recent filings for our data, but those numbers (for calendar year 2015) were already pretty stale.

As we said then, the hitch is the long time-lag -- more than two years -- before IRS data is publicly available.

Now we're back with our own estimates of what these CIOs are actually making right now, in real time, extrapolating from 2015 to 2018.

### **We find that typical CIO pay has been growing at a compound rate of more than 7 percent per year**

We looked at a large subset of those original 74 CIOs, 32 who had held office for five consecutive years, 2011 to 2015. It's a big enough and inclusive-enough

subset (big and small, public and private, geographically diverse) that we feel comfortable projecting our findings to the whole population of 74 CIOs.

From that time-series we projected out three more years to get point-estimates for 2018.

(To be clear, this is total W2 compensation, including base, bonus and "other" as classified by the IRS. It omits other benefits which are not taxable to the CIO, but which may be significant.)

*The median big-endowment CIO made approximately **\$609,000** in 2011. Five years later, in 2015, he or she was making about **\$1,100,000**. That's a rise of about 80 percent over five years.*

*Stated as a compound annual growth rate (CAGR), that's **12.6** percent per year.*

But that's based on historical data. We then needed to push our trendlines out from 2015 to 2018, for which we have no data. So, stand back, some freshman math is required.

We found that CIO pay is still growing briskly, but that the growth rate seems to be slowing in recent years.

*From 2015 to 2018, we estimate that the median CIO in our sample grew his/her pay from **\$1,100,000** to **\$1,380,000**, for a rise of **26** percent over three years.*

*As a CAGR, that's 7.1 percent per year.*

The chart below shows the pay for the 32 CIOs in our study and projections for the 21 who are still in office this year.

The estimated three-year CAGR is shown for each. Obviously, they vary, but most growth rates are in an envelope of plus or minus 4 percent around our 7.1 percent average.

In addition to the customized estimate for each of those 21, we show the generic estimated pay in 2018 for both the median and mean CIOs.

We also discuss our methodology in more detail. It's pretty boring, but some of our readers may be interested.

## Endowment Chief Investment Officers

### Mean and Median Growth of Total W2 Compensation

2011 to 2015

Compound Annual Growth Rate 2011-2015		CY 2011 Total Comp \$	CY 2015 Total Comp \$	CY 2018 Projected Total Comp \$
MEAN	<b>7.11%</b>	\$889,586	\$1,537,289	\$2,012,314
MEDIAN	<b>7.14%</b>	\$608,537	\$1,099,812	\$1,380,000

## Endowment Chief Investment Officers

### Projected compensation for 2018

Chief Investment Officer	Tenure	Years	Endowment	AUM FY2017 \$bn NACUBO	CY 2011 Total Comp \$mil	CY 2015 Total Comp \$mil	Trend- line CAGR % 2015- 2018	Projected CY2018 Total Comp \$mil
-	-	-	-	-	-	-	-	-
Scott Malpass	8/1/88- current	30.4	Notre Dame	\$9.35*	\$2.661	\$4.271	<b>6.63</b>	<b>\$5.552</b>
David Swensen	1/1/85- current	33.9	Yale	\$27.18	\$2.515	\$3.955	<b>7.73</b>	<b>\$5.980</b>
Lawrence Kochard	1/1/11- 12/31/17	7.0	Virginia	\$6.39	\$1.347	\$3.845	NA	NA
Andrew Golden	1/1/95- current	23.9	Princeton	\$23.81	\$1.962	\$3.522	<b>6.34</b>	<b>\$4.129</b>
William McLean	6/1/04- current	14.5	Northwestern	\$10.44	\$1.324	\$3.349	<b>8.89</b>	<b>\$4.210</b>
Neal Triplett	7/1/99- current	19.4	Duke	\$7.91	\$2.001	\$2.966	<b>5.74</b>	<b>\$3.710</b>
Douglas Phillips	1/1/00- current	18.9	Rochester	\$2.12	\$0.314	\$2.550	<b>9.20</b>	<b>\$1.040</b>
Bruce Zimmerman	1/1/07- 10/27/16	9.8	UTIMCO	\$28.79	\$1.966	\$2.365	NA	NA
Mark Schmid	7/1/09- current	9.6	Chicago	\$7.52	\$1.868	\$2.127	<b>1.82</b>	<b>\$2.240</b>
Seth Alexander	5/1/06- current	12.6	MIT	\$14.97	\$1.128	\$1.754	<b>6.47</b>	<b>\$2.210</b>
Mary Cahill	1/1/01- 8/31/17	16.7	Emory	\$6.91	\$0.799	\$1.699	NA	NA
Deborah Kuenster	2/1/09- current	9.8	Wellesley	\$1.93	\$0.457	\$1.399	<b>11.18</b>	<b>\$2.110</b>

Jeremy Crigler	1/1/08-current	10.9	Tulane	\$1.29	\$0.607	\$1.339	9.44	\$1.450
Jonathon King	1/1/05-current	13.9	North Carolina	\$3.03	\$0.776	\$1.223	6.36	\$1.430
Kathryn Crecelius	9/1/05-6/30/16	10.8	Johns Hopkins	\$3.84	\$0.813	\$1.206	NA	NA
Amy Falls	4/1/11-current	7.7	Rockefeller U	\$2.05	\$0.436	\$1.108	10.02	\$1.470
James Hille	5/1/06-current	12.6	Texas Christian U	\$1.52	\$0.688	\$1.092	5.09	\$1.180
Collette Chilton	10/1/06-current	12.2	Williams	\$2.51	\$0.670	\$1.021	4.01	\$1.290
Kimberly Walker	11/1/06-12/31/16	10.2	Washington St. Louis	\$7.86	\$0.929	\$1.000	NA	NA
Lisa Mazzocco	4/18/11-current	7.6	U of Southern California	\$5.13	\$0.606	\$0.945	4.50	\$1.330
John-Austin Saviano	9/1/09-3/31/17	7.6	UC Berkeley	\$1.79	\$0.542	\$0.851	NA	NA
Douglas Gorence	1/1/99-current	19.9	Minnesota	\$2.10	\$0.610	\$0.821	4.04	\$1.000
Scott Richland	9/1/10-current	8.3	CalTech	\$2.61	\$0.389	\$0.818	9.03	\$1.160
Sally Dungan	9/1/02-current	16.3	Tufts	\$1.74	\$0.581	\$0.714	3.46	\$0.810
Sally Staley	1/1/02-2/28/17	15.2	Case Western Reserve	\$1.79	\$0.514	\$0.511	NA	NA
James Taylor	1/1/08-6/30/17	9.5	GeorgiaTech	\$1.99	\$0.397	\$0.498	NA	NA
Gary Stratten	1/1/02-current	16.9	Indiana U	\$2.23	\$0.274	\$0.477	6.64	\$0.610
Charles Kennedy	1/1/12-current	6.9	Carnegie Mellon U	\$2.15	\$0.236	\$0.454	7.46	\$0.610
Mauricia Geissler	11/1/03-current	15.1	Amherst	\$2.25	\$0.335	\$0.407	2.92	\$0.440
Janet Handley	4/1/01-1/31/17	15.8	Texas A&M Fdn	\$1.79	\$0.266	\$0.338	NA	NA
Karen Sisson	7/1/08-5/1/18	9.8	Pomona College	\$2.17	\$0.251	\$0.294	NA	NA
Mark Amstutz	1/1/11-current	7.9	Swarthmore College	\$1.96	\$0.206	\$0.271	4.20	\$0.310

**Note:** We mostly use NACUBO numbers for consistency. But they do not always accurately reflect the AUM managed by the chief investment officer. Scott Malpass at Notre Dame, for example, manages \$12 billion, not the \$9.35 listed above. The \$12bn Mr. Malpas manages includes working capital, plant reserves and other non-endowment assets that have a long time horizon. The same goes for many other CIOs.

## The Big picture

The main takeaway from all this is our estimate of average pay growth for the whole sector.

We left those departed CIOs in our list because they still contributed to the overall average (or median) total for each year, even if they don't need a personal 2018 estimate.

We didn't calculate individual numbers for all the CIOs in our October report. But our sample is big enough to be representative, and any reader can apply that 7.1 CAGR to the 2015 pay of any big-endowment CIO and get a reasonable guesstimate of what he or she has been making in subsequent years up to today.

### **Why only 32?**

Our report in October listed 2015 comp for 74 CIOs. So, why are there only 32 in this list?

Here, we listed only CIOs who had five full, consecutive years in office over 2011-2015. And we used only those for whom we have federal tax filings. As we explained in our previous report, some of those numbers for public schools are a little iffy, and less detailed than the federal data.

The missing people have either departed since December 2015, or they worked at public schools which don't file 990s. (Some publics do file with the IRS through their parallel foundations or asset-management companies, who are 501c3s in their own right. They include UTIMCO, UVIMCO, and six others. That's 25 percent of our list, so we do have a good representation of publics as well as privates in our sample.)

As recruiters we're well aware that when a new CIO is brought in, the previous pay formula is going to be reset. The new formula will be the product of a negotiation, and the new guy may make more, less, or about the same as his predecessor, depending on his bargaining position.

For our purposes we wanted data for a given individual over five years, not for different people in different periods. Not to mention that there's often a transition year with a caretaker in office, which further screws up the compensation time-series.

### **A slight simplification**

Our main chart up above is simplified. It implies that we get the 2018 estimate shown when we grow the 2015 comp number for three years by the stated CAGR rate.

But that's not quite right in many cases. We show the historical, actual comp for 2015 in the chart, so that it ties to our previously published numbers. We thought that would be less confusing for readers.

For Mr. Swensen, for instance, the chart implies that if we start with that actual 2015 comp of \$3.96 million, and then grow it by 7.73 percent for three years, we get \$5.98 million in 2018. (The 7.73 percent CAGR becomes a growth factor of 1.0773, which has to be raised to the fourth power for the four years 2015-2018.)

Then:

$$\$3,954,681 (1.0773^4) = \$3,954,681 (1.3467) \approx \$5,326,698.$$

But, that putative 2018 number is 11 percent lower than our official estimate!  
What's up with that?

Well, that CAGR is actually the growth rate along the trendline. It isn't derived from the raw data.

The trendline equation says that the comp for 2015 should be found by:

$$Y = 0.5133(15) - 3.2595 \approx \$4,440,201$$

In other words, his actual comp in 2015 was 11 percent below our trendline value for that year.

If we use the trendline comp and grow it by the trendline CAGR rate, we do get (approximately) our official estimate:

$$\$4,440,201 (1.0773^4) = \$4,440,201 (1.3467) \approx \$5,980,000.$$

So, there's really nothing fishy going on. That \$5.98 million is our best statistical guess for what Mr. Swensen is currently making, based on his 2011-2015 time series, which is the best data available to an outsider. And, if the 2015 number happens to be close to the trendline, as it is for Mr. Malpass, it won't make much difference which way you calculate it.

Also, if we're right, then Mr. Swensen will have moved up to the number-one position in our pay charts, surpassing Mr. Malpass.

We'll only have to wait two years to find out. By then, if we're lucky, no one will remember if we got it wrong.

### **Texans and other tribulations**

Our R-squared numbers in most cases are pretty healthy: half are above 0.9. and two-thirds are above 0.8. This suggests that our trendlines are well-fitted and that we can have some confidence in our projections.

But there are a few problem children with R-squares below 0.5.

Two of them are Texans: Mr. Zimmerman, who ran UTIMCO for five years: and Mr. Hille, who's still going strong at TCU. A third is Ms. Walker, ex-CIO at Washington U in St. Louis.

Of those three, only Mr. Hille is still in office, but his low R-squared suggests that we should have only limited confidence in his 2018 point-estimate. (It's probably still in the ballpark. Just a bigger ballpark.)

The majority of the pay for most of these CIOs is labeled as "bonus" or "other" in the tax filings, and those items are pretty much a black box for outside observers. (We show that breakdown in our previous report. Here we consider only total pay.)

We do know that much of the bonus money in any given year is deferred. It eventually shows up as taxable income in some future period, sometimes spread over several years, rather than in the period it was earned.

When the shifted amounts are substantial, or when a contract is re-negotiated, or the formula is re-jiggered from time to time, then the year-over-year changes in reported W2 income can be lumpy, or even retrograde. In some unusual situations there could even be clawbacks of bonuses that haven't fully vested. Then they don't graph as the kind of nice, straight, ascending line we would prefer to see.

Here, we'd like to pause and salute Mr. Malpass. In addition to his being an excellent chief investment officer and a very pleasant man, he's thoughtfully arranged for his comp to graph straight as a ruler with an R-squared number that is very close to 1.0. Whew!

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## **Skorina seeks Chief Investment Officer for \$1.5 Billion portfolio**

We're looking for a Chief Investment Officer to manage a \$1.5 Billion investment portfolio. This new position is 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.

Contact: [skorina@charlesskorina.com](mailto:skorina@charlesskorina.com)

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## The Skorina Letter

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Our insights and commentary come from our clients - board members, CEOs, chief investment officers - and the global investment community within which we work as executive search professionals.

Institutional investors operate at the crossroads of capital, talent, and ideas, shepherding over seventy trillion dollars in global assets. It's a constantly evolving spectacle and The Skorina Letter gives readers a ringside seat.

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