

The Skorina Letter

News, Interviews, Research for Institutional and Family Office Investors

● Retained Executive Search ●

Our Clients: Boards, C-suite Executives, Family Offices

We recruit board members, chief investment officers, financial executives

Building the World's Best Investment Management

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

Office: 520-529-5677

Pay and Chief Investment Officers: Good Money while It Lasts

In this letter, we highlight the compensation of one hundred chief investment officers at US university endowments.

Endowment investment chiefs are the ultimate long-term, strategic investors.

They have an infinite investment horizon, a global playing field, and can invest in anything anywhere - within the broad policy limits set by their institution.

Their performance is a bellwether for what's prudent and possible.

We recruit these executives for a living and avidly follow all institutional investment heads managing assets over \$1 billion (and many with less), tracking their performance and pay, and scrutinizing their abilities.

Foundations, family offices, and Wall Street firms also employ top investment professionals, but it's difficult to extract meaningful data on compensation or performance from opaque sources. So, we go with what we can get.

When it comes to pay, size matters

Nonprofit investors wear many hats but have essentially one metric by which they are judged; long-term performance. However, that does not seem to be the metric for how they are paid.

We ran some correlations using our archival data-sets to see how strongly pay links to AUM, tenure, and five-year performance.

As shown below, the correlation coefficient for AUM to comp is 0.69, which is moderately high. But, tenure and performance don't appear to have much impact on CIO pay.

There are some outliers, like Paula Volent at Bowdoin, a consistent top performer and deservedly well paid, managing an endowment with less than \$2bn AUM. But, in most cases, size trumps all other metrics.

Comp-vs- AUM: 0.69

Comp-vs-Tenure: 0.31

Comp-vs-5yr Rtn: 0.27

In the larger corporate world CEO pay is an object of great interest and controversy for obvious reasons. But the relationship of size to compensation looks just like what we see in our set of endowment CIO data.

Kevin Hallock at Cornell University is one of the go-to experts in this field. He's chair of their department of Labor Economics and director of their Institute for Compensation Studies. In [papers with his students and colleagues](#) he's studied CEO pay for many years.

He says: *It doesn't matter whether company size is measured as assets, market value, sales revenue or number of employees – bigger firms pay more ... way more.*"

“We can isolate the impact of all kinds of other characteristics (e.g., industry, return on assets, profitability, research and development expense, etc.) and even use complicated statistical techniques to remove the influence of “unmeasurable” characteristics, and the size-to-pay link remains intact.

The bottom line. Be it Wall Street, Main Street or nonprofit institutions – the bigger the assets, the better your chances at making more money.

It's that simple.

And now, on with the show

COMPENSATION: TOP 100 CHIEF INVESTMENT OFFICERS						
-	AUM FY19 (\$bn)	CEO / Pres / CIO	Institution	Base Comp CY2017	Bonus + Other CY2017	Total Pay Calendar Year 2017
-	-	-	-			-
1	\$ 11.27	Malpass, Scott	Notre Dame	\$1,075,834	\$8,931,278	\$10,090,221
2	\$ 39.43	Narvekar N. P. "Narv"	Harvard	\$999,464	\$8,252,322	\$9,251,786
3	\$ 30.31	Swensen, David F.	Yale	\$843,954	\$3,489,796	\$4,333,750
4	\$ 10.95	Holland, Peter	Columbia U	\$977,515	\$2,789,476	\$3,766,991
5	\$ 26.12	Golden, Andrew	Princeton	\$920,242	\$2,705,242	\$3,625,484
6	\$ 8.61	Triplett, Neal F.	Duke U	\$634,492	\$2,915,154	\$3,549,646
7	\$ 27.70	Wallace, Robert F	Stanford	\$985,292	\$2,284,092	\$3,269,384
8	\$ 1.74	Volent, Paula J.	Bowdoin College	\$1,753,380	\$1,006,701	\$2,760,081
9	\$ 14.70	Ammon, Peter H.	U Pennsylvania	\$850,478	\$1,803,706	\$2,654,184
10	\$ 8.26	Schmid, Mark	U Chicago	\$711,839	\$1,423,678	\$2,135,517
11	\$ 12.45	Lundberg, L. Erik*	U Michigan	\$720,000	\$1,280,000	\$2,000,000
12	\$ 7.33	Miranda, Kenneth	Cornell U	\$757,375	\$1,164,365	\$1,921,740
13	\$ 10.95	McLean, William H.	Northwestern U	\$863,176	\$1,018,210	\$1,881,386
14	\$ 17.57	Alexander, Seth	MIT	\$708,930	\$1,164,275	\$1,873,205
15	\$ 4.35	Jacobs, Kathleen E.	New York U	\$681,187	\$833,000	\$1,514,187
16	\$ 1.43	Crigler, Jeremy	Tulane U	\$397,000	\$985,000	\$1,382,000
17	\$ 3.67	King, Jonathon C	U North Carolina	\$656,960	\$715,444	\$1,372,404

18	\$ 2.29	Falls, Amy C.	Rockefeller U	\$558,250	\$714,525	\$1,272,775
19	\$ 2.50	Gorence, Douglas J.	U Minnesota	\$521,824	\$726,681	\$1,248,505
20	\$ 5.81	Thacker, Allison	Rice U	\$559,929	\$659,856	\$1,219,785
21	\$ 2.94	Ferguson, Keith	U Washington	\$1,200,600	-	\$1,200,600
22	\$ 3.98	Dowling, Joseph L. III	Brown U	\$600,000	\$594,738	\$1,194,738
23	\$ 1.82	Barry, Michael K.	Georgetown U	\$485,689	\$669,930	\$1,155,619
24	\$ 11.80	Bachher, Jagdeep	U Calif Regents	\$652,454	\$490,985	\$1,143,439
25	\$ 5.73	Mazzocco, Lisa	U So. Cal	\$658,895	\$447,065	\$1,105,960
26	\$ 2.30	Hunnewell, Clarissa	Boston U	\$646,730	\$423,112	\$1,069,842
27	\$ 1.71	Hille, James R.	Texas Christian U	\$587,465	\$420,107	\$1,007,572
28	\$ 1.30	Walker, William D.	Baylor College of Medicine	\$480,000	\$525,209	\$1,005,209
29	\$ 1.99	Smith, Daren	U of Toronto	\$989,308	\$403	\$989,711
30	\$ 2.52	Zona, John J.	Boston College	\$578,090	\$409,170	\$987,260
31	\$ 6.27	Hall, Anders W.	Vanderbilt U	\$753,528	\$178,850	\$932,378
32	\$ 1.83	Reeser, William S.	U of Florida	\$541,442	\$358,313	\$899,755
33	\$ 6.28	Perlioni, Jason,	Johns Hopkins U	\$383,993	\$515,000	\$898,993
34	\$ 1.84	Harkins, David	UC San Francisco	\$482,939	\$403,187	\$886,126
35	\$ 30.96	Harris, Thomas B. (Britt)*	UTIMCO (U TX/ TX A&M)	\$310,727	\$554,165	\$864,892
36	\$ 0.72	Kudravetz, Douglas	American U	\$858,448	-	\$858,448
37	\$ 2.98	Richland, Scott H.	Caltech	\$522,182	\$323,140	\$845,322
38	\$ 1.41	Agatone, Kristin	Lehigh U	\$421,251	\$350,618	\$771,869
39	\$ 1.47	Walter, Keith	U of Delaware	\$422,676	\$346,090	\$768,766
40	\$ 1.44	Gallo, Samuel N.	U Sys Maryland Fdn	\$416,962	\$347,930	\$764,892
41	\$ 1.00	Martin, Anne	Wesleyan U	\$442,211	\$295,426	\$737,637
42	\$ 2.24	Phillips, Douglas W.	U Rochester	\$703,254	\$28,338	\$731,592
43	\$ 0.97	Dineen, Anne	Hamilton College	\$392,086	\$337,920	\$730,006
44	\$ 2.35	Ellison, Ellen	U of Illinois	\$455,101	\$242,742	\$697,843
45	\$ 3.15	Van Cleave, Julie M.	U of Wisconsin	\$541,861	\$150,201	\$692,062
46	\$ 3.15	Warren, Nicholas	Brandeis U	\$639,313	\$31,750	\$671,063
47	\$ 5.73	Ruth, Alice	Dartmouth College	\$579,866	\$88,273	\$668,139
48	\$ 5.26	Lane, John C.	Ohio State U	\$650,004	-	\$650,004
49	\$ 1.02	Kerrigan, John	Santa Clara U	\$500,348	\$145,422	\$645,770
50	\$ 1.87	Dungan, Sally M.	Tufts U	\$377,767	\$267,003	\$644,770
51	\$ 2.54	Kennedy, Charles A.	Carnegie Mellon U	\$331,901	\$309,312	\$641,213
52	\$ 1.31	Webb, R. Brian	Baylor U	\$326,998	\$306,538	\$633,536
53	\$ 1.36	Ward, Daniel A.	Virginia Tech	\$412,007	\$188,524	\$600,531
54	\$ 0.94	Thayer, Jainen	Oberlin College	\$384,422	\$184,013	\$568,435
55	\$ 2.17	Kuenster, Deborah	Wellesley College	\$557,339	\$2,064	\$559,403
56	\$ 1.66	Dahiya, Rakesh	Southern Methodist U	\$402,679	\$136,585	\$539,264

57	\$ 1.00	Hiestand, Brian	College of William & Mary	\$531,586	-	\$531,586
58	\$ 0.94	Watters, James H.	Rochester Inst of Technology	\$477,051	\$26,276	\$503,327
59	\$ 1.82	Kraich, Rick	West Virginia U	\$312,960	\$166,936	\$479,896
60	\$ 1.37	Johnson, Bradley J.	U of Oklahoma	\$266,986	\$207,620	\$474,606
61	\$ 0.94	Namyet, Jay D.	U of Oregon	\$469,281	-	\$469,281
62	\$ 1.28	Kulczycki, Gitta	U of Alberta	\$394,435	\$66,670	\$461,105
63	\$ 1.71	Silgado, Rajiv	U of British Columbia	\$427,268	\$17,890	\$445,158
64	\$ 0.89	Pippin, Jeffrey	Pepperdine U	\$378,041	\$62,406	\$440,447
65	\$ 1.45	Scheer, Karl	U of Cincinnati	\$438,600	-	\$438,600
66	\$ 2.47	Geissler, Mauricia	Amherst College	\$432,096	\$2,838	\$434,934
67	\$ 0.87	O'Donnell, Hugh	Colby College	\$335,457	\$92,800	\$428,257
68	\$ 1.39	Mason, Stuart	U of Minnesota	\$404,000	-	\$404,000
69	\$ 0.83	Bohrer, Joseph	Lafayette College	\$347,975	\$44,028	\$392,003
70	\$ 0.88	Jacobson, Raymond A.	Davidson College	\$367,843	\$20,595	\$388,438
71	\$ 0.87	Floyd, James	Claremont McKenna College	\$349,378	\$37,242	\$386,620
72	\$ 0.95	Hope, Joseph S.	Colgate U	\$384,063	-	\$384,063
73	\$ 2.49	Stratten, Gary A.	Indiana U	\$241,977	\$130,388	\$372,365
74	\$ 0.76	Tidwell, Ryan	Oklahoma State U	\$269,701	\$101,448	\$371,149
75	\$ 3.03	Zecher, Philip	Michigan State U	\$370,000	-	\$370,000
76	\$ 1.48	Macdonald, Jason	Rutgers U	\$309,000	\$34,535	\$343,535
77	\$ 2.09	Wall, Ben	Texas A&M	\$274,484	\$67,986	\$342,470
78	\$ 1.32	Barrett, Tim	Texas Tech U	\$340,900	-	\$340,900
79	\$ 0.77	Martin, Gary	Macalester College	\$333,152	\$1,520	\$334,672
80	\$ 0.79	Jarry, Timothy	College of the Holy Cross	\$330,227	\$216	\$330,443
81	\$ 1.74	Richards, Thomas	U of Missouri	\$325,000	-	\$325,000
82	\$ 1.04	Barker, Craig	U of Arizona	\$283,078	\$26,440	\$309,518
83	\$ 2.15	Amstutz, Mark C.	Swarthmore College	\$308,657	-	\$308,657
84	\$ 0.54	Emery, Janice	American U Cairo	\$304,753	\$1,390	\$306,143
85	\$ 0.54	Grosner, David	Lebanese American U	\$302,360	-	\$302,360
86	\$ 1.12	Dahnert, Stephen	Vassar College	\$287,074	\$774	\$287,848
87	\$ 1.14	Janiec, Donna M.	Queen's U	\$282,192	\$310	\$282,502
88	\$ 1.82	Clarke, James	Kansas U	\$268,212	\$10,000	\$278,212
89	\$ 0.53	Casel, Michael H.	Haverford College	\$277,647	-	\$277,647
90	\$ 1.40	Peloquin-Dodd, Mary	North Carolina State U	\$268,225	-	\$268,225
91	\$ 2.00	MacDonald, Bruce	Virginia Commonwealth U	\$267,500	-	\$267,500

92	\$ 0.79	Shaver, Marlene	UC San Diego	\$259,705	\$5,000	\$264,705
93	\$ 0.77	Alexander, John C., Jr.	Clemson U	\$226,291	\$37,552	\$263,843
94	\$ 1.41	Shupp, Todd	U of Kentucky	\$250,000	-	\$250,000
95	\$ 0.51	Cox, Lois	Kansas State U	\$240,237	\$276	\$240,513
96	\$ 0.69	Kapoor, Kristopher N.	Furman U	\$192,223	\$40,120	\$232,343
97	\$ 2.63	Cooper, David	Purdue U	\$214,261	\$328	\$214,589
98	\$ 0.88	Gibbons, Jonathan	U Massachusetts	\$199,042	-	\$199,042
99	\$ 1.44	Neale, Brian	U of Nebraska	\$172,072	\$12,215	\$184,287
100	\$ 2.32	Wallace, David	Pomona college	\$151,120	-	\$151,120

Why is compensation reported for CY2017 while assets are reported for FY2019?

Most of our compensation numbers are publicly available as long as you are willing to dig for them. Private schools and some publics disclose them in IRS 990 filings. The hitch is the long time-lag - more than two years - before the data is publicly available. In this case, calendar year end 2017.

The AUM numbers, on the other hand, are for FY2019. In each case we use the latest data available.

The corresponding data for many public schools (those without parallel foundations) is often fresher, but it's scattered among various and often quirky databases in various jurisdictions with various disclosure rules.

Caveats aside, this report should give boards, CEOs, and CIOs a useful set of benchmarks as they consider what to pay their key investment executives.

Pay for performance? It's complicated

Our comp curve is very steep. The median pay for the 100 CIOs on our list is only about \$643 thousand. That's much less than the mean,

which indicates a lop-sided distribution with a few high-earners supporting the almost-\$1 million average.

Per our chart, the average CIO among our gang-of-100 makes a bit less than \$1 million, all in.

But this is less impressive than it seems because of the extreme range between top and bottom and variance in comp among more or less equivalent institutions.

Mr. Malpass for example, number one on our chart, is one of the most senior CIOs in the industry and delivers consistently excellent returns.

But, Mr. Swensen is also long-tenured and, as we all know, has produced excellent returns for decades.

Yet Mr. Malpass earned double Mr. Swensen's pay while managing a fund about one third the size. (\$11.3 billion vs \$30.3 billion as FY 2019).

We have no explanation for this apparent mis-match except that those are the bargains Malpass and Swensen have struck with their respective boards. They are private institutions and can spend their money as they think best.

Moreover, Mr. Malpass's \$10 million is sixty-six times what Mr. Wallace, a polished up-and-comer makes for managing \$2.3 billion at Pomona College. Yet Notre Dame's AUM is only about ten times as much as Pomona's. Go figure!

There's more than one way to manage the money

The all-in cost of an internal investment office is much more than just the CIO comp.

This explains why about a third of the schools in the \$500 million to \$1 billion range and most under \$500 million AUM use a different

management model, relying on a board and board-committee buttressed by (well-paid) external professional advisors.

Many of the under one-billion group earn respectable returns, especially if they can entice smart investment experts to work for free in service to their alma mater.

This also explains the burgeoning number of schools using an outsourced-CIO (OCIO) model, which we frequently report on in our newsletter.

Notes:

Britt Harris: CEO and CIO, UTIMCO

Our chart reports compensation for CY 2017. That's the basis for almost all our numbers (per 990s for FY2018).

However, Harris signed his employment contract on June 15, 2017. So, his W2 pay was adjusted to reflect the six-month period 15 June to 31 December 2017. Thus:

Base:	\$310,727
Bonus:	\$550,000
Other:	<u>\$4,165</u>
Total:	\$864,852

This explains why his comp appears to be too low and why IRS filings are not always straightforward. In subsequent years, we expect UTIMCO to report about \$1.5 million.

Erik Lundberg: CIO, University of Michigan

U of Michigan is one of the few big public schools without a parallel foundation managing its endowment. As such, it's not required to file

Form 990 with the U.S. Treasury. So employee pay is not readily available.

However, media outlets filed FOIA requests in Michigan and courts required the school to give up some of Mr. Lundberg's comp data under protest. UM conceded that he would be paid about \$2.0 million in CY2017.

We print that number as a close approximation. It remains to be seen whether the school will be more forthcoming re CY2018 and subsequent years.

Joseph Dowling, CEO (former CIO), Brown University

Mr. Dowling was promoted to CEO of the investment office six months after the end of 2017 calendar year.

Ms. Jane Dietze has succeeded him as CIO and we'll be reporting her as CIO going forward.

The Skorina Letter

Each issue explores how the world's most accomplished asset managers think and invest. Original content includes profiles and interviews with industry veterans and research on compensation and investment performance.

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.