

Total Remuneration Review

State Compensation Insurance Fund

April 2018



Table of Contents

EXECUTIVE SUMMARY	3
PROCESS & METHODOLOGY OVERVIEW	5
GENERAL MARKET TARGET TOTAL REMUNERATION ANALYSIS	10
INS TARGET TOTAL DIRECT COMPENSATION ANALYSIS	19
GENERAL MARKET INDIVIDUAL MARKET ANALYSIS – TARGET TR	26
INS INDIVIDUAL MARKET ANALYSIS – TARGET TDC	42
APPENDICES	58

INSURANCE AND FINANCIAL SERVICES MARKET COMPARATOR ORGANIZATIONS

BENEFITS VALUATIONS METHODOLOGY

GEOGRAPHIC SALARY LEVELS

JOB LEVEL MATRIX



Executive Summary



Executive summary

Aggregate findings are shown in the table below:

Analysis Market	Pay Component	State Fund vs. Aggregate			Aggregate Positioning
		vs. P25	vs. P50	vs. P75	
General Market	Base Salary	-4%	-20%	-32%	P25
	Target Total Cash	-8%	-29%	-45%	P25
	Target TDC	-26%	-45%	-61%	<P25
	Benefits	78%	35%	-6%	P75
	Target Total R	-18%	-40%	-57%	<P25
INS	Base Salary	9%	-9%	-22%	P25-P50
	Target Total Cash	6%	-17%	-35%	P25
	Target TDC	-12%	-32%	-49%	<P25

- **Cash** – In aggregate, State Fund’s base pay and total cash trend from P25 – P50 in the insurance market but are positioned closer to P25 in the general market
- **Benefits** – The organization is above market median in aggregate
- **Total Remuneration** – The combination of cash and benefits creates an overall total remuneration position that in aggregate is below P25 in both the General Market and INS market



Process & Methodology Overview



Introduction

The California State Compensation Insurance Fund (State Fund) engaged Korn Ferry Hay Group (KFHG) to conduct a comprehensive review of total remuneration for the exempt team

State Fund engaged KFHG to:

- Review State Fund's total remuneration competitiveness (base salary + incentives + benefits value) relative to the reward philosophy
- Present our conclusions on the overall competitiveness of State Fund's exempt positions
- KFHG compared State Fund's compensation and benefits to the following markets: General Market (GM), Insurance and Financial Services (INS)

This report outlines the findings of these studies for State Fund's exempt team, consisting of 15 positions

- President & CEO
- Chief Operations Officer
- Chief Claims Operations Officer
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Chief Risk Officer
- SVP of Insurance Services
- Chief of Internal Affairs
- Chief Medical Officer
- EVP of Corporate Claims
- EVP of Strategic Planning
- Chief Actuary
- Chief Underwriting Officer
- Pricing Actuary



Methodology

Data Gathering and Review

- KFHG consultants reviewed organizational and individual data provided by State Fund including: current compensation levels and benefits/perquisites

Job Evaluations

- State Fund's positions were sized (reflected in points) using KFHG's proprietary job evaluation methodology. Job size reflects how State Fund's positions compare to similar jobs at other organizations in terms of breadth and depth of responsibility and impact
- Market comparisons were made based upon the job evaluations for State Fund's incumbents:
 - Jobs were compared to the various comparator markets based on Hay Points and job title when appropriate
 - Based on Economic Research Institute's Alameda County differential, a 15% premium was placed on the market data (see Appendices for more detail)

Comparator group

- Given State Fund's strategy and goals, KFHG used the following comparator groups from KFHG's database to make comparisons and determine market total remuneration competitiveness:
 - General Market (comprised of 1,249 organizations)
 - Insurance and Financial Services
- Appendices provide a complete list of the comparator companies in the Insurance and Financial Services group



Methodology (cont'd)

State Fund incumbents were compared to market P25 (25th percentile), P50 (50th percentile or median), and P75 (75th percentile) for the following components of remuneration:

- Base Salary
- Target Total Cash (base salary + retention bonus and at-risk differential)
- Target Total Direct Compensation (Target Total Cash + LTI)
 - State Fund does not offer long-term incentives so total direct compensation is equal to Total Cash
- Total Benefits
- Target Total Remuneration (target total direct compensation + total benefits)
 - State Fund total remuneration consists of target total cash + total benefits
- KFHG considers pay element comparisons (incumbent pay divided by market comparison point) to be “competitive” (within range of a quartile market level) if the pay element is within +/- 10% of a market quartile for cash and benefits, and is within +/- 15% of a market quartile for total direct compensation/total remuneration



Summary of State Fund job hierarchy and compensation

Title	HRL	Base Salary ("Base")	Bonus / Short-term Incentive ("STI")	Total Cash ("TC")	Total Remuneration ("Total R")
			Target	Target	Target
President & CEO	28	\$475	\$173	\$648	\$731
Chief Operations Officer	26	\$392	\$118	\$510	\$591
Chief Claims Operations Officer	25	\$375	\$113	\$488	\$569
General Counsel	25	\$375	\$94	\$469	\$550
Chief Information Officer	25	\$358	\$133	\$491	\$572
Chief Financial Officer	25	\$320	\$151	\$471	\$551
Chief Risk Officer	25	\$310	\$102	\$412	\$492
SVP of Insurance Services	24	\$326	\$98	\$423	\$503
Chief of Internal Affairs	24	\$310	\$62	\$372	\$451
Chief Medical Officer	23	\$368	\$74	\$441	\$522
EVP of Corporate Claims	23	\$300	\$60	\$360	\$440
EVP of Strategic Planning	23	\$276	\$55	\$331	\$410
Chief Actuary	22	\$280	\$56	\$336	\$413
Chief Underwriting Officer	22	\$221	\$44	\$265	\$332
Pricing Actuary	20	\$193	\$39	\$231	\$293



General Market Target Total Remuneration Analysis



GM analysis – summary

The table below outlines market competitiveness for incumbents by pay element

Title	Grade	Base Salary	TC	TDC	Benefits	TR
			Target	Target		Target
President & CEO	28	<P25	<P25	<P25	P50	<P25
Chief Operations Officer	26	<P25	<P25	<P25	P50-P75	<P25
Chief Claims Operations Officer	25	P25	P25	<P25	P75	<P25
General Counsel	25	<P25	<P25	<P25	P75	<P25
Chief Information Officer	25	P25	P25	<P25	P75	<P25
Chief Financial Officer	25	<P25	<P25	<P25	P50-P75	<P25
Chief Risk Officer	25	<P25	<P25	<P25	P50-P75	<P25
SVP of Insurance Services	24	P25-P50	P25-P50	<P25	P75	P25
Chief of Internal Affairs	24	P25	P25	<P25	P75	P25
Chief Medical Officer	23	P75	P50-P75	P25-P50	P75	P50
EVP of Corporate Claims	23	P50	P25-P50	P25	P75	P25
EVP of Strategic Planning	23	P25-P50	P25	<P25	P75	P25
Chief Actuary	22	P50-P75	P50	P25-P50	P75+	P50
Chief Underwriting Officer	22	P25	P25	<P25	P75	P25
Pricing Actuary	20	P50-P75	P50	P50	P75	P50-P75

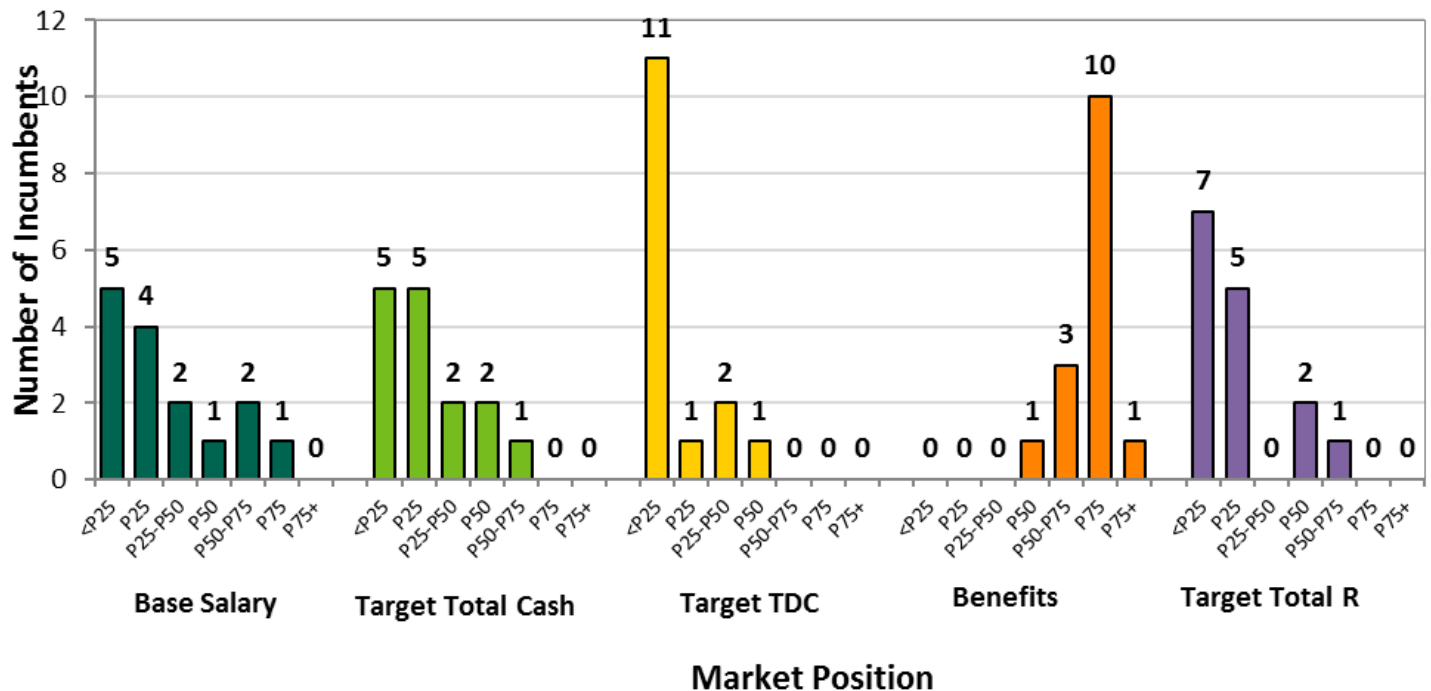
- The majority of State Fund’s incumbents trend from market P25 – P50 in Target Total Cash, but their positioning against the market is more conservative in Target Total Direct Compensation due to lack of a long-term incentive element
 - 6 incumbents positioned at, or above, market P25 in Target Total Cash are below market P25 in Target Total Direct Compensation (Chief Claims Operations Officer, CIO, SVP Insurance Services, Chief of Internal Affairs, EVP of Strategic Planning, Chief Underwriting Officer)



GM analysis – summary

Target Compensation

The following chart illustrates State Fund’s overall market position by pay component (measured by the number of incumbents) – base salary, total cash (target), total direct compensation (target), benefits, and total remuneration (target)



GM analysis – base salary

(000s)

Title	State Fund Base Salary	General Market Base Salary			State Fund vs. Market		
		P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$475	\$669	\$744	\$949	-29.0%	-36.2%	-49.9%
Chief Operations Officer	\$392	\$518	\$696	\$776	-24.2%	-43.6%	-49.4%
Chief Claims Operations Officer	\$375	\$347	\$422	\$508	7.9%	-11.2%	-26.1%
General Counsel	\$375	\$439	\$489	\$604	-14.6%	-23.3%	-37.9%
Chief Information Officer	\$358	\$380	\$505	\$567	-5.7%	-29.1%	-36.9%
Chief Financial Officer	\$320	\$463	\$506	\$561	-31.0%	-36.8%	-43.0%
Chief Risk Officer	\$310	\$347	\$422	\$508	-10.8%	-26.6%	-38.9%
SVP of Insurance Services	\$326	\$296	\$358	\$427	9.9%	-9.2%	-23.8%
Chief of Internal Affairs	\$310	\$296	\$358	\$427	4.6%	-13.5%	-27.5%
Chief Medical Officer	\$368	\$253	\$304	\$359	45.5%	21.0%	2.4%
EVP of Corporate Claims	\$300	\$253	\$304	\$359	18.8%	-1.2%	-16.4%
EVP of Strategic Planning	\$276	\$253	\$304	\$359	9.1%	-9.3%	-23.2%
Chief Actuary	\$280	\$216	\$258	\$301	29.6%	8.5%	-7.1%
Chief Underwriting Officer	\$221	\$216	\$258	\$301	2.1%	-14.5%	-26.9%
Pricing Actuary	\$193	\$159	\$187	\$212	20.9%	3.0%	-9.3%
OVERALL					-4.5%	-20.2%	-32.4%

Overall, State Fund incumbents are near the P25 of market base salary



GM analysis – target total cash

(000s)

Title	State Fund			General Market TTC			State Fund vs. Market		
	Base Salary	Target Bonus	Target Total Cash	P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$475	\$173	\$648	\$1,004	\$1,190	\$1,898	-35.5%	-45.6%	-65.9%
Chief Operations Officer	\$392	\$118	\$510	\$678	\$1,044	\$1,296	-24.7%	-51.1%	-60.6%
Chief Claims Operations Officer	\$375	\$113	\$488	\$461	\$597	\$768	5.7%	-18.3%	-36.5%
General Counsel	\$375	\$94	\$469	\$615	\$733	\$996	-23.8%	-36.1%	-52.9%
Chief Information Officer	\$358	\$133	\$491	\$531	\$742	\$862	-7.5%	-33.8%	-43.0%
Chief Financial Officer	\$320	\$151	\$471	\$649	\$810	\$937	-27.4%	-41.8%	-49.7%
Chief Risk Officer	\$310	\$102	\$412	\$461	\$597	\$768	-10.7%	-30.9%	-46.4%
SVP of Insurance Services	\$326	\$98	\$423	\$381	\$488	\$619	11.2%	-13.3%	-31.7%
Chief of Internal Affairs	\$310	\$62	\$372	\$381	\$488	\$619	-2.3%	-23.7%	-39.9%
Chief Medical Officer	\$368	\$74	\$441	\$315	\$400	\$500	39.9%	10.2%	-11.8%
EVP of Corporate Claims	\$300	\$60	\$360	\$315	\$400	\$500	14.2%	-10.1%	-28.0%
EVP of Strategic Planning	\$276	\$55	\$331	\$315	\$400	\$500	4.9%	-17.4%	-33.9%
Chief Actuary	\$280	\$56	\$336	\$263	\$331	\$407	27.7%	1.6%	-17.3%
Chief Underwriting Officer	\$221	\$44	\$265	\$263	\$331	\$407	0.6%	-20.0%	-34.9%
Pricing Actuary	\$193	\$39	\$231	\$186	\$229	\$271	24.0%	0.8%	-14.8%
OVERALL							-8.4%	-28.8%	-45.0%

Overall, State Fund incumbents are near the P25 of market target total cash (base salary + retention bonus + at-risk differential)



GM analysis – target total direct compensation

(000s)

Title	State Fund		General Market TTDC			State Fund vs. Market		
	Target Total Cash	Target TDC	P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$648	\$648	\$1,205	\$1,451	\$2,340	-46.3%	-55.4%	-72.3%
Chief Operations Officer	\$510	\$510	\$883	\$1,403	\$1,912	-42.2%	-63.6%	-73.3%
Chief Claims Operations Officer	\$488	\$488	\$639	\$909	\$1,303	-23.8%	-46.4%	-62.6%
General Counsel	\$469	\$469	\$747	\$964	\$1,393	-37.2%	-51.4%	-66.4%
Chief Information Officer	\$491	\$491	\$663	\$973	\$1,259	-25.9%	-49.5%	-61.0%
Chief Financial Officer	\$471	\$471	\$781	\$1,041	\$1,334	-39.7%	-54.7%	-64.7%
Chief Risk Officer	\$412	\$412	\$593	\$828	\$1,165	-30.5%	-50.2%	-64.6%
SVP of Insurance Services	\$423	\$423	\$512	\$719	\$1,016	-17.4%	-41.1%	-58.4%
Chief of Internal Affairs	\$372	\$372	\$473	\$650	\$899	-21.4%	-42.8%	-58.6%
Chief Medical Officer	\$441	\$441	\$374	\$504	\$681	17.8%	-12.5%	-35.2%
EVP of Corporate Claims	\$360	\$360	\$374	\$504	\$681	-3.9%	-28.5%	-47.1%
EVP of Strategic Planning	\$331	\$331	\$374	\$504	\$681	-11.7%	-34.4%	-51.4%
Chief Actuary	\$336	\$336	\$294	\$385	\$504	14.2%	-12.7%	-33.3%
Chief Underwriting Officer	\$265	\$265	\$294	\$385	\$504	-10.1%	-31.3%	-47.5%
Pricing Actuary	\$231	\$231	\$186	\$229	\$271	24.0%	0.8%	-14.8%
OVERALL						-25.6%	-45.4%	-60.8%

Overall, State Fund's target total direct compensation (target total cash + long-term incentives) position trends below market P25

- State Fund's target total direct compensation is equal to target total cash due to the lack of a long-term incentive

**Note that TTDC is not the sum of TTC and LTI; many companies do not report LTI and TTDC captures compensation for companies that report LTI and those that do not report any LTI awards; in the case of CEO and COO, GM data for TTDC is less than TTC + LTI*



GM analysis – total benefits

(000s)

Title	State Fund Total Benefits	General Market Total Benefits			State Fund vs. Market		
		P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$84	\$55	\$80	\$125	52.4%	3.9%	-33.0%
Chief Operations Officer	\$81	\$48	\$67	\$99	68.7%	21.9%	-18.3%
Chief Claims Operations Officer	\$81	\$46	\$61	\$89	78.5%	32.8%	-9.2%
General Counsel	\$81	\$46	\$61	\$89	78.5%	32.8%	-9.2%
Chief Information Officer	\$81	\$46	\$61	\$89	76.9%	31.6%	-10.0%
Chief Financial Officer	\$80	\$46	\$61	\$89	75.7%	30.7%	-10.6%
Chief Risk Officer	\$80	\$46	\$61	\$89	75.2%	30.3%	-10.8%
SVP of Insurance Services	\$80	\$43	\$57	\$81	85.0%	41.5%	-1.2%
Chief of Internal Affairs	\$79	\$43	\$57	\$81	83.1%	40.0%	-2.2%
Chief Medical Officer	\$81	\$41	\$53	\$74	95.8%	53.9%	9.8%
EVP of Corporate Claims	\$80	\$41	\$53	\$74	92.0%	50.9%	7.6%
EVP of Strategic Planning	\$79	\$41	\$53	\$74	90.6%	49.8%	6.9%
Chief Actuary	\$77	\$40	\$49	\$68	93.1%	55.6%	13.3%
Chief Underwriting Officer	\$68	\$40	\$49	\$68	70.3%	37.3%	-0.1%
Pricing Actuary	\$62	\$37	\$44	\$59	66.3%	40.2%	6.1%
OVERALL					78.2%	35.2%	-6.1%

Overall, State Fund's total benefit position approximates the 75th percentile

- Market position for benefits is driven by the competitive retirement and health care programs provided through CalPERS



GM analysis – target total remuneration

(000s)

Title	State Fund			General Market Target Total Remuneration			State Fund vs. Market		
	Target TDC	Total Benefits	Target Total R	P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$648	\$84	\$731	\$1,260	\$1,532	\$2,465	-42.0%	-52.3%	-70.3%
Chief Operations Officer	\$510	\$81	\$591	\$931	\$1,470	\$2,012	-36.5%	-59.8%	-70.6%
Chief Claims Operations Officer	\$488	\$81	\$569	\$685	\$970	\$1,393	-17.0%	-41.4%	-59.2%
General Counsel	\$469	\$81	\$550	\$792	\$1,025	\$1,483	-30.6%	-46.4%	-62.9%
Chief Information Officer	\$491	\$81	\$572	\$709	\$1,034	\$1,348	-19.3%	-44.7%	-57.6%
Chief Financial Officer	\$471	\$80	\$551	\$826	\$1,102	\$1,424	-33.3%	-50.0%	-61.3%
Chief Risk Officer	\$412	\$80	\$492	\$639	\$889	\$1,255	-23.0%	-44.7%	-60.8%
SVP of Insurance Services	\$423	\$80	\$503	\$556	\$775	\$1,097	-9.4%	-35.1%	-54.1%
Chief of Internal Affairs	\$372	\$79	\$451	\$517	\$707	\$980	-12.6%	-36.1%	-54.0%
Chief Medical Officer	\$441	\$81	\$522	\$416	\$557	\$755	25.5%	-6.2%	-30.8%
EVP of Corporate Claims	\$360	\$80	\$440	\$416	\$557	\$755	5.7%	-21.0%	-41.8%
EVP of Strategic Planning	\$331	\$79	\$410	\$416	\$557	\$755	-1.5%	-26.4%	-45.7%
Chief Actuary	\$336	\$77	\$413	\$334	\$434	\$572	23.6%	-5.0%	-27.8%
Chief Underwriting Officer	\$265	\$68	\$332	\$334	\$434	\$572	-0.5%	-23.5%	-41.8%
Pricing Actuary	\$231	\$62	\$293	\$224	\$273	\$330	31.0%	7.2%	-11.1%
OVERALL							-18.0%	-39.8%	-56.8%

Overall, State Fund target total remuneration (target total direct compensation + total benefits) trends below market P25

- State Fund's target total remuneration consists of target total cash + total benefits only

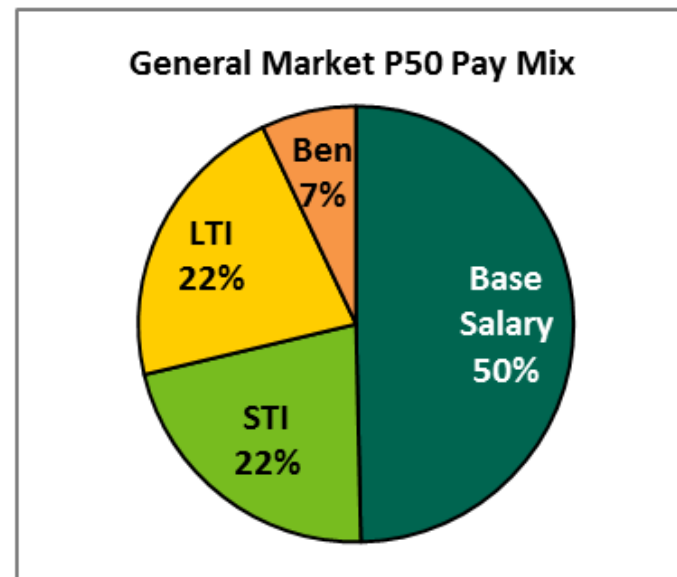
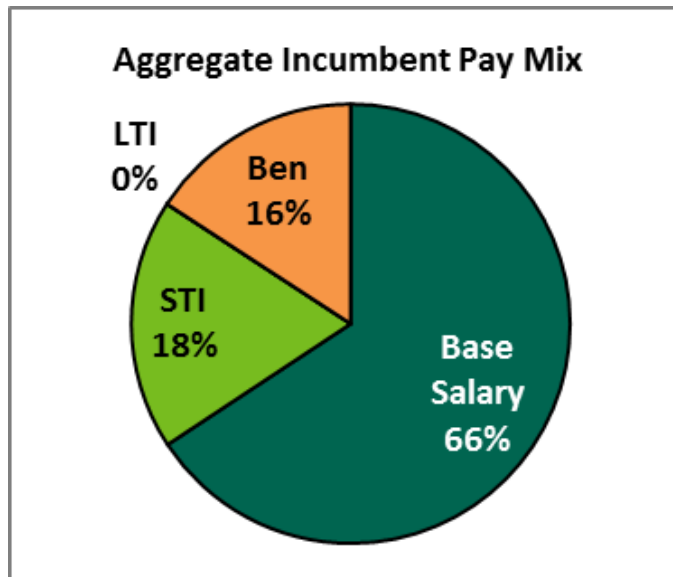
**Note that TTR is not the sum of TTC plus benefits plus LTI; many companies do not report LTI and TTR captures compensation for companies that report LTI and those that do not report any LTI awards; in the case of CEO and COO, GM data for TTR is less than TTC + benefits + LTI*



GM analysis – target pay mix

The pay mix charts below compare State Fund's mix of pay to the general market

- In the general market, long-term incentive pay (LTI) is prevalent



INS Target Total Direct Compensation Analysis



INS analysis – summary

The table below outlines market competitiveness for incumbents by pay element

Title	HRL	Base Salary	TC	TDC
			Target	Target
President & CEO	28	<P25	<P25	<P25
Chief Operations Officer	26	P25	P25	<P25
Chief Claims Operations Officer	25	P50	P25-P50	P25
General Counsel	25	P75+	P50-P75	P25
Chief Information Officer	25	P50-P75	P75	P25-P50
Chief Financial Officer	25	P25	P25-P50	P25
Chief Risk Officer	25	P25	P25	<P25
SVP of Insurance Services	24	P50	P50	P25
Chief of Internal Affairs	24	P25-P50	P25	<P25
Chief Medical Officer	23	P75+	P75	P50
EVP of Corporate Claims	23	P50	P50	P25
EVP of Strategic Planning	23	P50	P25	P25
Chief Actuary	22	P75	P50-P75	P50
Chief Underwriting Officer	22	P25-P50	P25	P25
Pricing Actuary	20	P50	P50	P50

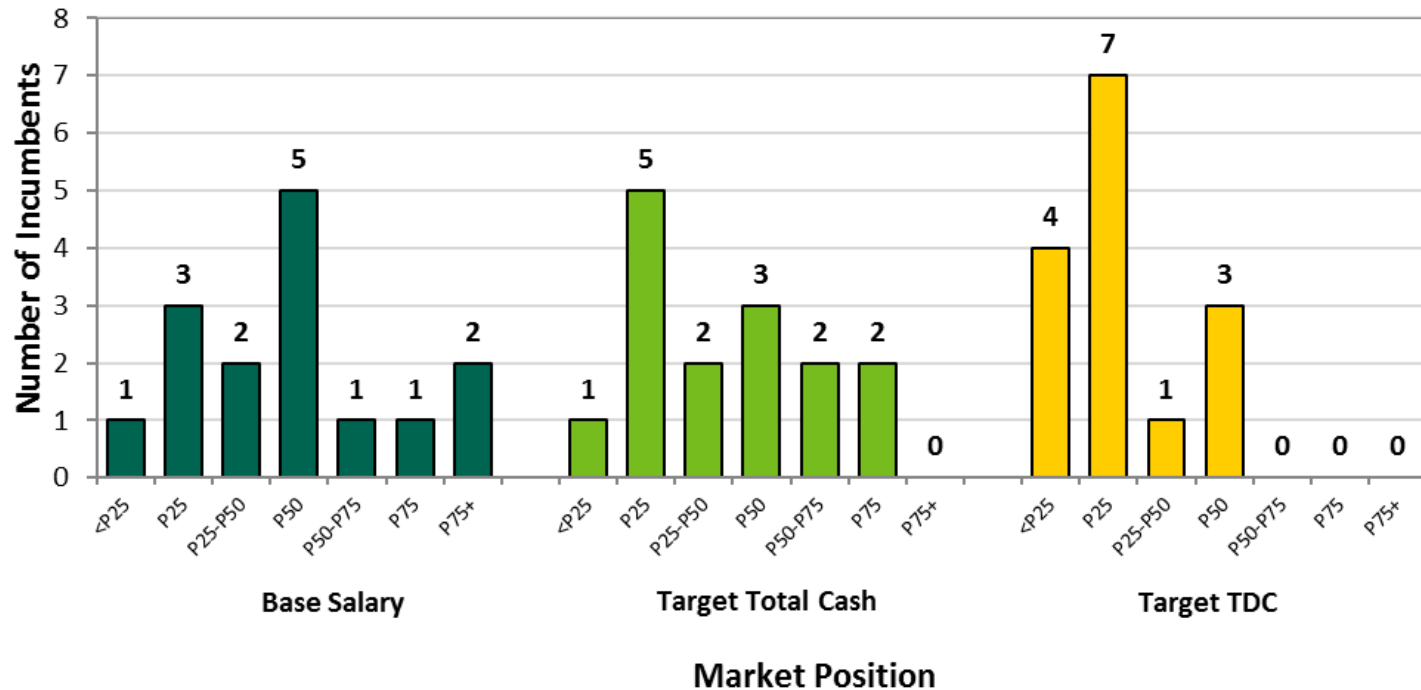
- The majority of State Fund’s incumbents trend between P25 and P50 of the insurance and financial services industry in target total cash and target total direct compensation



INS analysis – summary

Target compensation

The following chart illustrates State Fund’s overall market position by pay component (measured by the number of incumbents) – base salary, total cash (target), and total direct compensation (target)



INS analysis – base salary

(000s)

Title	State Fund Base Salary	INS Market Base Salary			State Fund vs. Market		
		P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$475	\$598	\$863	\$1,053	-20.6%	-44.9%	-54.9%
Chief Operations Officer	\$392	\$397	\$459	\$514	-1.1%	-14.5%	-23.7%
Chief Claims Operations Officer	\$375	\$340	\$394	\$445	10.2%	-4.9%	-15.7%
General Counsel	\$375	\$288	\$306	\$340	30.4%	22.6%	10.2%
Chief Information Officer	\$358	\$284	\$330	\$365	26.0%	8.5%	-1.8%
Chief Financial Officer	\$320	\$302	\$384	\$524	5.8%	-16.7%	-39.0%
Chief Risk Officer	\$310	\$340	\$394	\$445	-8.9%	-21.4%	-30.3%
SVP of Insurance Services	\$326	\$294	\$342	\$388	10.6%	-4.7%	-16.0%
Chief of Internal Affairs	\$310	\$294	\$342	\$388	5.3%	-9.2%	-20.0%
Chief Medical Officer	\$368	\$252	\$293	\$334	45.9%	25.3%	10.2%
EVP of Corporate Claims	\$300	\$252	\$293	\$334	19.1%	2.3%	-10.0%
EVP of Strategic Planning	\$276	\$250	\$290	\$330	10.4%	-4.9%	-16.5%
Chief Actuary	\$280	\$215	\$251	\$288	30.2%	11.7%	-2.6%
Chief Underwriting Officer	\$221	\$205	\$239	\$274	7.7%	-7.8%	-19.4%
Pricing Actuary	\$193	\$155	\$183	\$214	24.0%	5.3%	-10.0%
OVERALL					9.2%	-9.1%	-21.8%

Overall, State Fund's base salary position trends between market P25 – P50



INS analysis – target total cash

(000s)

Title	State Fund			INS Market TTC			State Fund vs. Market		
	Base Salary	Target Bonus	Target Total Cash	P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$475	\$173	\$648	\$885	\$1,527	\$2,107	-26.8%	-57.6%	-69.3%
Chief Operations Officer	\$392	\$118	\$510	\$552	\$646	\$797	-7.5%	-21.1%	-36.0%
Chief Claims Operations Officer	\$375	\$113	\$488	\$454	\$533	\$655	7.4%	-8.6%	-25.6%
General Counsel	\$375	\$94	\$469	\$382	\$428	\$517	22.6%	9.5%	-9.4%
Chief Information Officer	\$358	\$133	\$491	\$351	\$436	\$512	40.1%	12.8%	-4.0%
Chief Financial Officer	\$320	\$151	\$471	\$402	\$576	\$871	17.1%	-18.3%	-45.9%
Chief Risk Officer	\$310	\$102	\$412	\$454	\$533	\$655	-9.3%	-22.8%	-37.1%
SVP of Insurance Services	\$326	\$98	\$423	\$379	\$446	\$545	11.7%	-5.1%	-22.4%
Chief of Internal Affairs	\$310	\$62	\$372	\$379	\$446	\$545	-1.8%	-16.6%	-31.8%
Chief Medical Officer	\$368	\$74	\$441	\$313	\$370	\$449	40.8%	19.1%	-1.9%
EVP of Corporate Claims	\$300	\$60	\$360	\$313	\$370	\$449	15.0%	-2.8%	-19.9%
EVP of Strategic Planning	\$276	\$55	\$331	\$312	\$377	\$462	6.0%	-12.2%	-28.4%
Chief Actuary	\$280	\$56	\$336	\$259	\$313	\$373	29.6%	7.2%	-9.8%
Chief Underwriting Officer	\$221	\$44	\$265	\$254	\$301	\$361	4.2%	-12.2%	-26.8%
Pricing Actuary	\$193	\$39	\$231	\$178	\$213	\$259	29.9%	8.4%	-11.0%
OVERALL							6.5%	-16.9%	-34.7%

Overall, State Fund's target total cash position approximates market P25 (6.5% above)

- The majority of State Fund's incumbents trend from P25 to P50 in target total cash



INS analysis – target total direct compensation

(000s)

Title	State Fund		INS Market TTDC			State Fund vs. Market		
	Target Total Cash	Target TDC	P25	P50	P75	vs. P25	vs. P50	vs. P75
President & CEO	\$648	\$648	\$1,268	\$1,543	\$2,484	-49.0%	-58.0%	-73.9%
Chief Operations Officer	\$510	\$510	\$667	\$839	\$1,065	-23.5%	-39.2%	-52.1%
Chief Claims Operations Officer	\$488	\$488	\$541	\$679	\$861	-9.8%	-28.2%	-43.4%
General Counsel	\$469	\$469	\$497	\$649	\$777	-5.8%	-27.8%	-39.7%
Chief Information Officer	\$491	\$491	\$423	\$575	\$676	16.1%	-14.5%	-27.3%
Chief Financial Officer	\$471	\$471	\$523	\$853	\$1,271	-10.0%	-44.8%	-62.9%
Chief Risk Officer	\$412	\$412	\$541	\$679	\$861	-23.8%	-39.3%	-52.1%
SVP of Insurance Services	\$423	\$423	\$441	\$553	\$698	-4.1%	-23.5%	-39.4%
Chief of Internal Affairs	\$372	\$372	\$441	\$553	\$698	-15.7%	-32.7%	-46.7%
Chief Medical Officer	\$441	\$441	\$354	\$442	\$553	24.7%	-0.2%	-20.3%
EVP of Corporate Claims	\$360	\$360	\$354	\$442	\$553	1.8%	-18.5%	-34.9%
EVP of Strategic Planning	\$331	\$331	\$325	\$424	\$538	1.9%	-22.0%	-38.5%
Chief Actuary	\$336	\$336	\$280	\$351	\$434	19.8%	-4.3%	-22.6%
Chief Underwriting Officer	\$265	\$265	\$267	\$331	\$409	-0.8%	-20.1%	-35.3%
Pricing Actuary	\$231	\$231	\$178	\$213	\$259	29.9%	8.4%	-11.0%
OVERALL						-12.0%	-31.6%	-48.5%

Overall, State Fund's target total direct compensation position trends below market P25 (12.0% below)

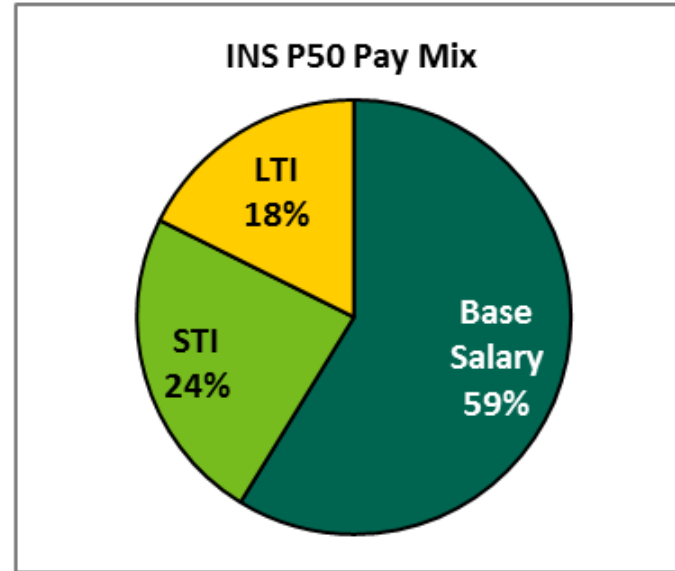
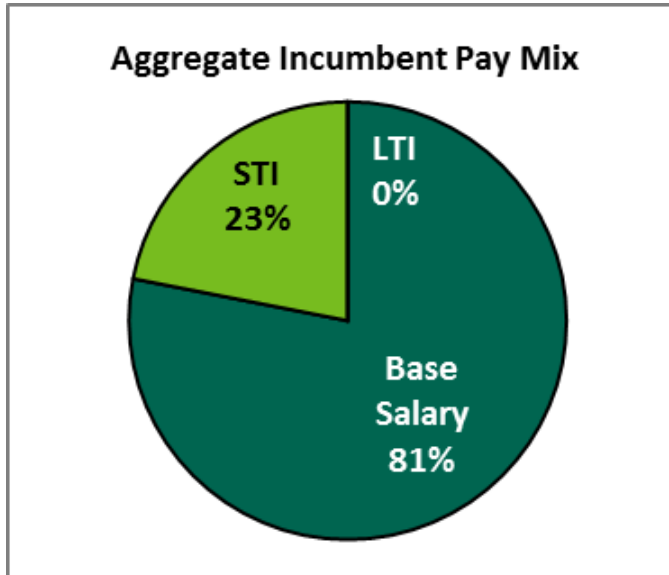
- The majority of State Fund's incumbents approximate market P25 in target total cash

**Note that TTDC is not the sum of TTC and LTI; many companies do not report LTI and TTDC captures compensation for companies that report LTI and those that do not report any LTI awards; in the case of the CEO, INS data for TTDC is less than TTC + LTI*



INS analysis – target pay mix

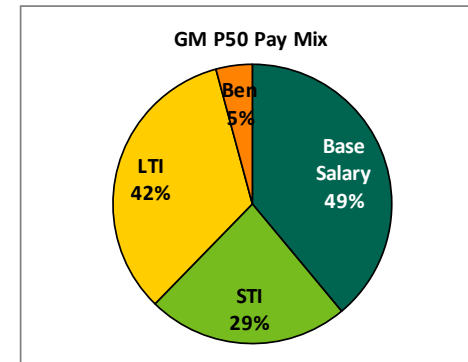
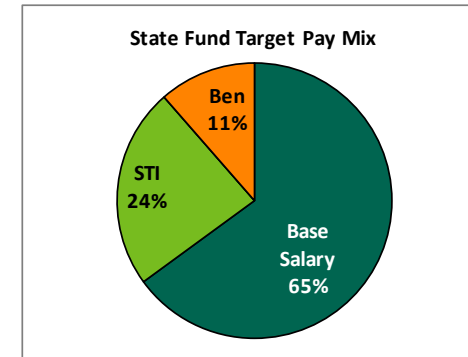
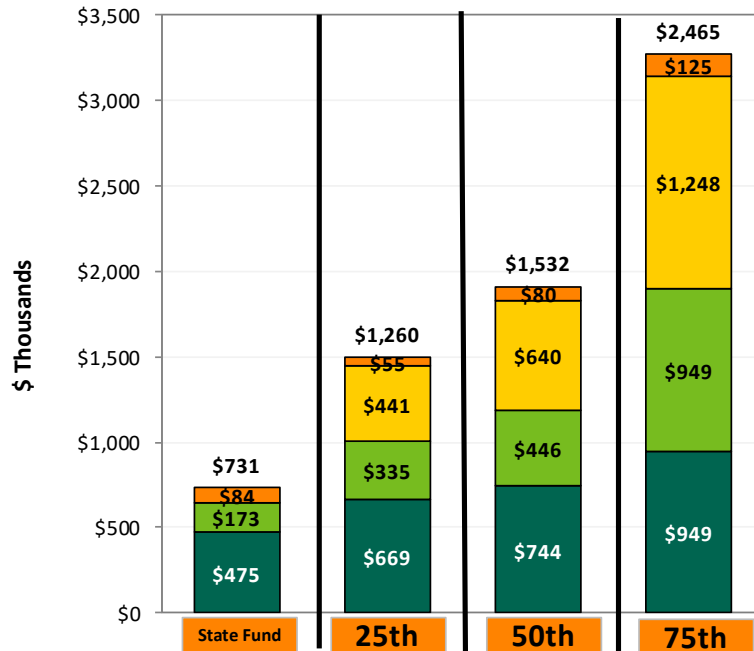
- In the INS market, 42% of target total direct compensation is variable compensation (24% STI and 18% LTI) whereas 23% of State Fund’s target total direct compensation is variable compensation
- The pay mix charts below compare State Fund’s mix of pay to the INS market



General Market Individual Market Analysis



President & Chief Executive Officer

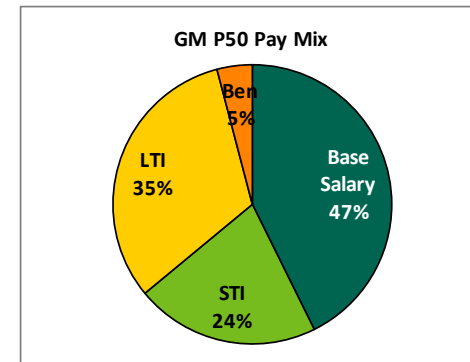
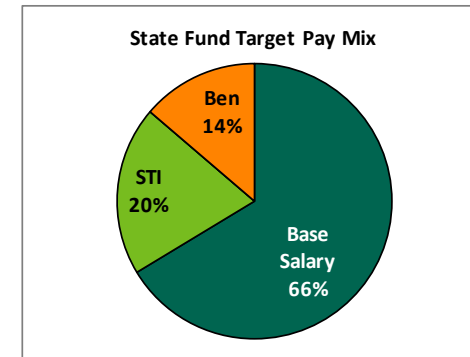
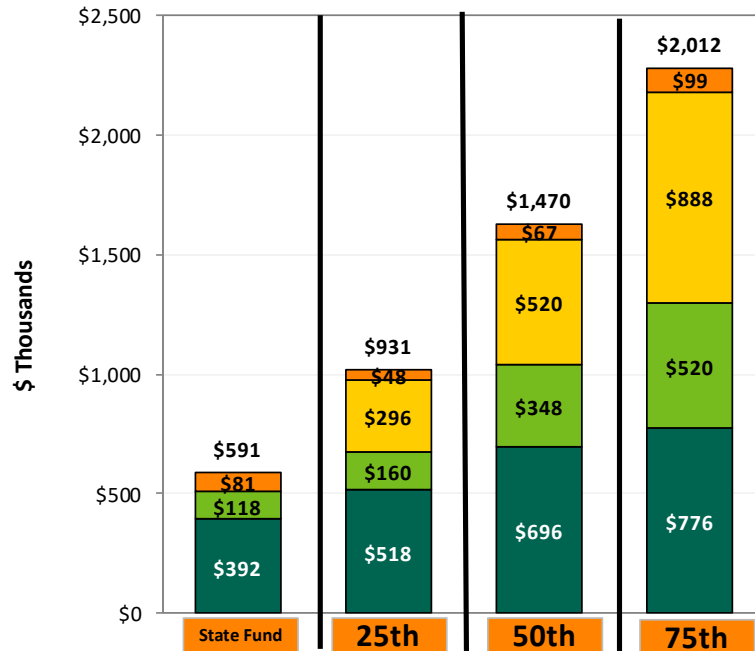


President & CEO Grade 28	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$475	\$669	\$744	\$949
■ Target Short-term Incentive	\$173	\$335	\$446	\$949
■ Long-term Incentive	\$0	\$441	\$640	\$1,248
■ Total Benefits	\$84	\$55	\$80	\$125

Target Total Remuneration \$731 \$1,260 \$1,532 \$2,465

**Note that TTR is not the sum of TTC plus benefits plus LTI; many companies do not report LTI and TTR captures compensation for companies that report LTI and those that do not report any LTI awards; in the case of CEO and COO, GM data for TTR is less than TTC + benefits + LTI*

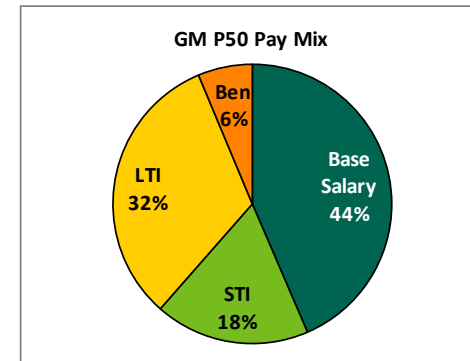
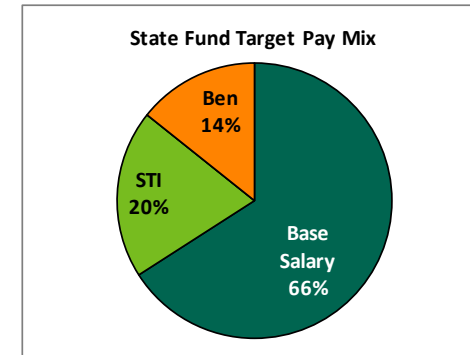
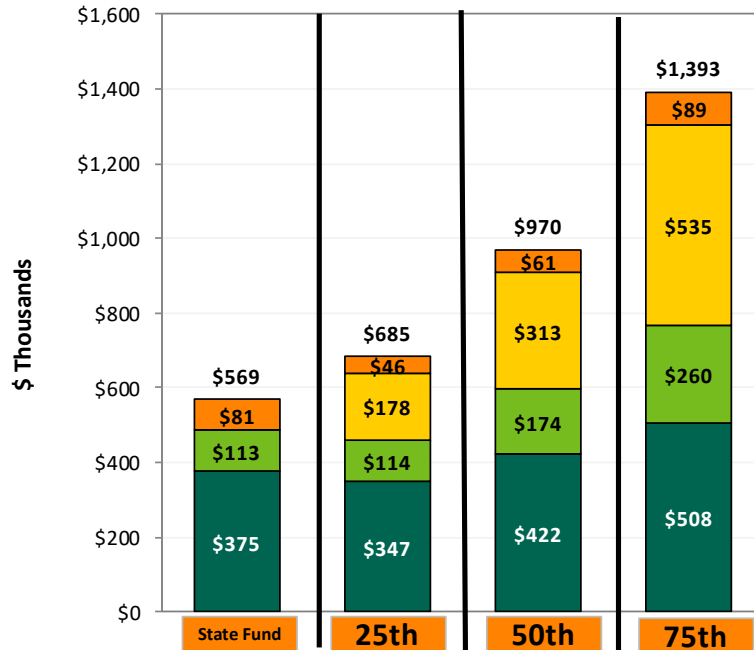
Chief Operations Officer



Chief Operations Officer Grade 26	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$392	\$518	\$696	\$776
■ Target Short-term Incentive	\$118	\$160	\$348	\$520
■ Long-term Incentive	\$0	\$296	\$520	\$888
■ Total Benefits	\$81	\$48	\$67	\$99
Target Total Remuneration	\$591	\$931	\$1,470	\$2,012

*Note that TTR is not the sum of TTC plus benefits plus LTI; many companies do not report LTI and TTR captures compensation for companies that report LTI and those that do not report any LTI awards; in the case of CEO and COO, GM data for TTR is less than TTC + benefits + LTI

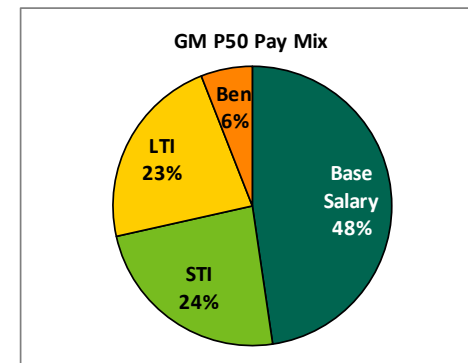
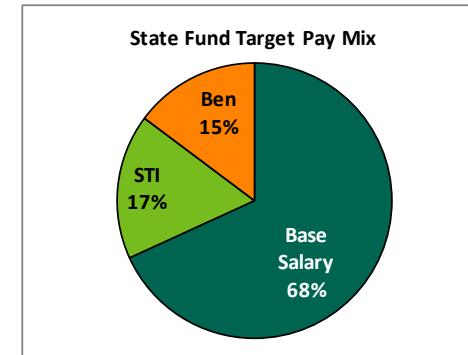
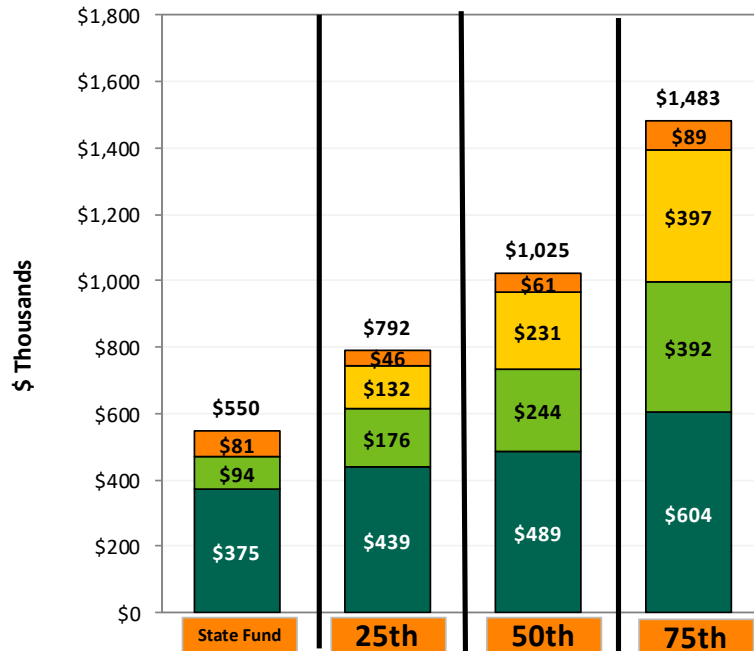
Chief Claims Operations Officer



Chief Claims Operations Officer Grade 25	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$375	\$347	\$422	\$508
■ Target Short-term Incentive	\$113	\$114	\$174	\$260
■ Long-term Incentive	\$0	\$178	\$313	\$535
■ Total Benefits	\$81	\$46	\$61	\$89
Target Total Remuneration	\$569	\$685	\$970	\$1,393



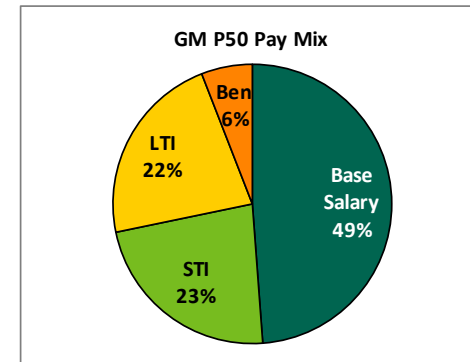
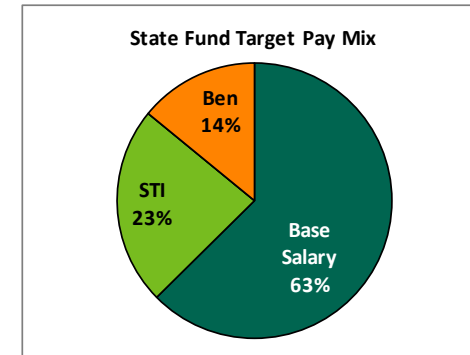
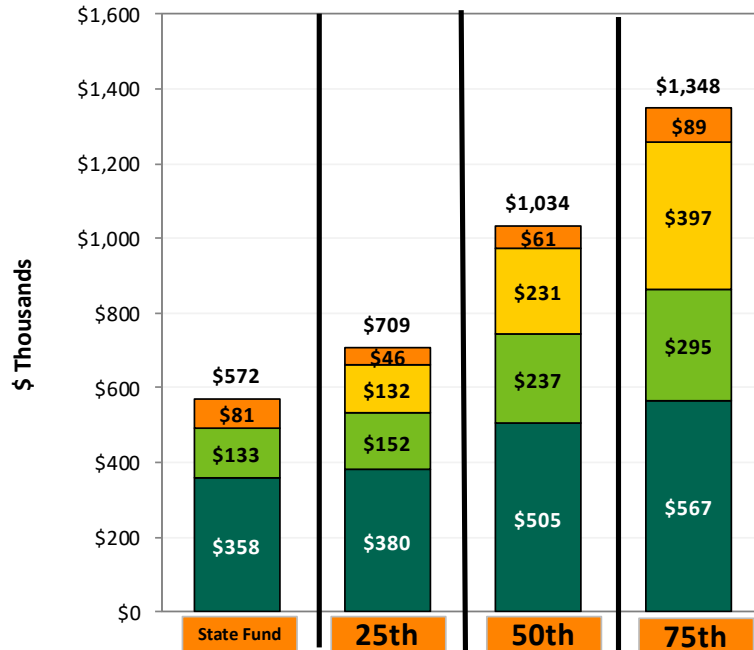
General Counsel



General Counsel Grade 25		State Fund	Market Data		
			P25	P50	P75
			GM	GM	GM
■	Base Salary	\$375	\$439	\$489	\$604
■	Target Short-term Incentive	\$94	\$176	\$244	\$392
■	Long-term Incentive	\$0	\$132	\$231	\$397
■	Total Benefits	\$81	\$46	\$61	\$89
Target Total Remuneration		\$550	\$792	\$1,025	\$1,483



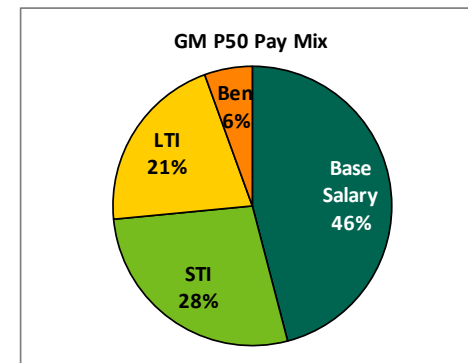
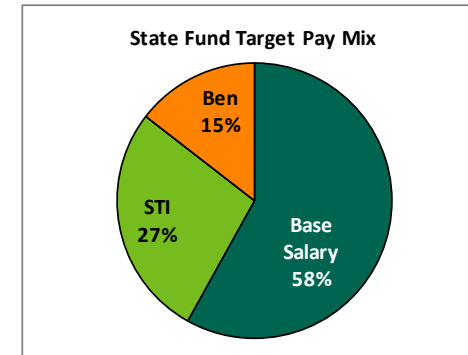
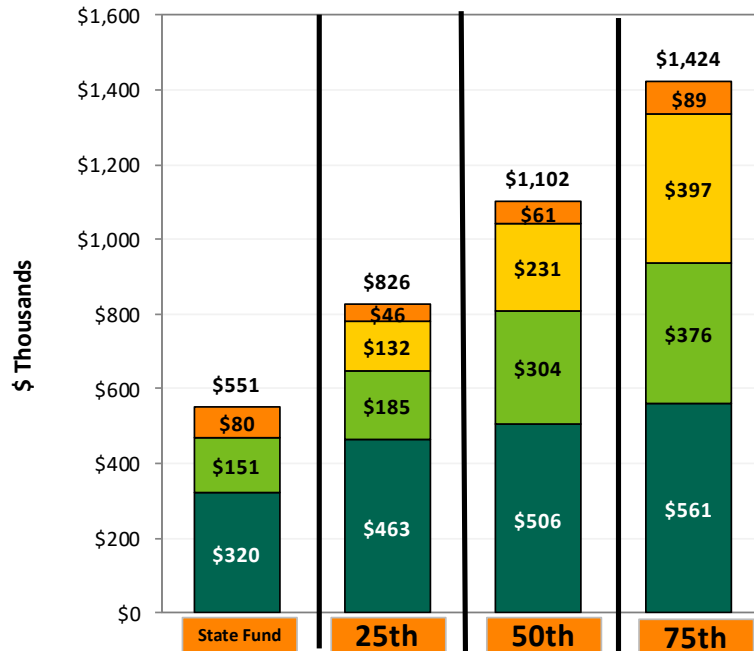
Chief Information Officer



Chief Information Officer Grade 25		State Fund	Market Data		
			P25	P50	P75
			GM	GM	GM
■	Base Salary	\$358	\$380	\$505	\$567
■	Target Short-term Incentive	\$133	\$152	\$237	\$295
■	Long-term Incentive	\$0	\$132	\$231	\$397
■	Total Benefits	\$81	\$46	\$61	\$89
Target Total Remuneration		\$572	\$709	\$1,034	\$1,348



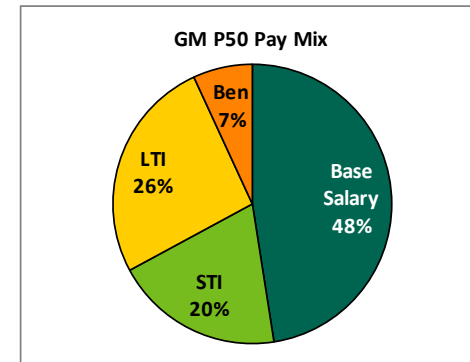
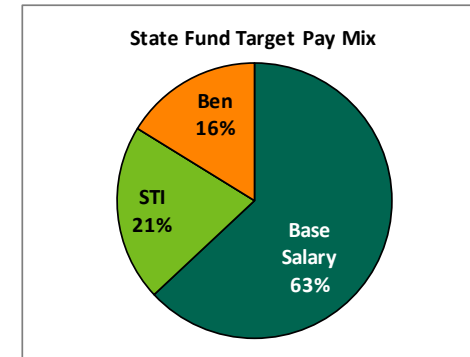
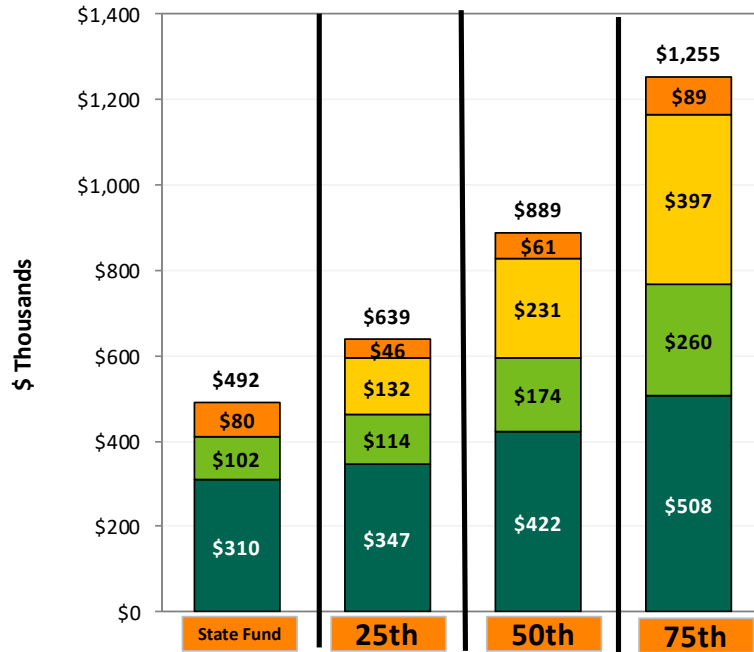
Chief Financial Officer



Chief Financial Officer Grade 25	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$320	\$463	\$506	\$561
■ Target Short-term Incentive	\$151	\$185	\$304	\$376
■ Long-term Incentive	\$0	\$132	\$231	\$397
■ Total Benefits	\$80	\$46	\$61	\$89
Target Total Remuneration	\$551	\$826	\$1,102	\$1,424



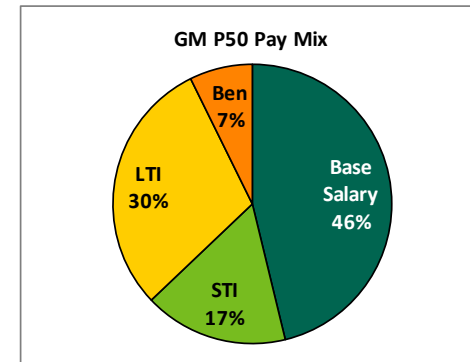
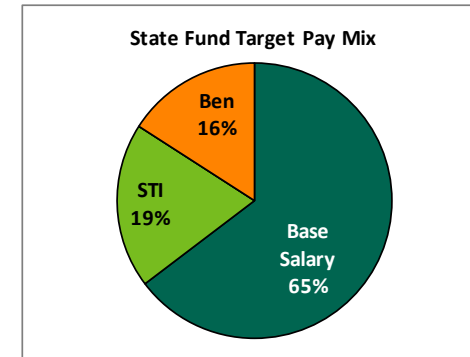
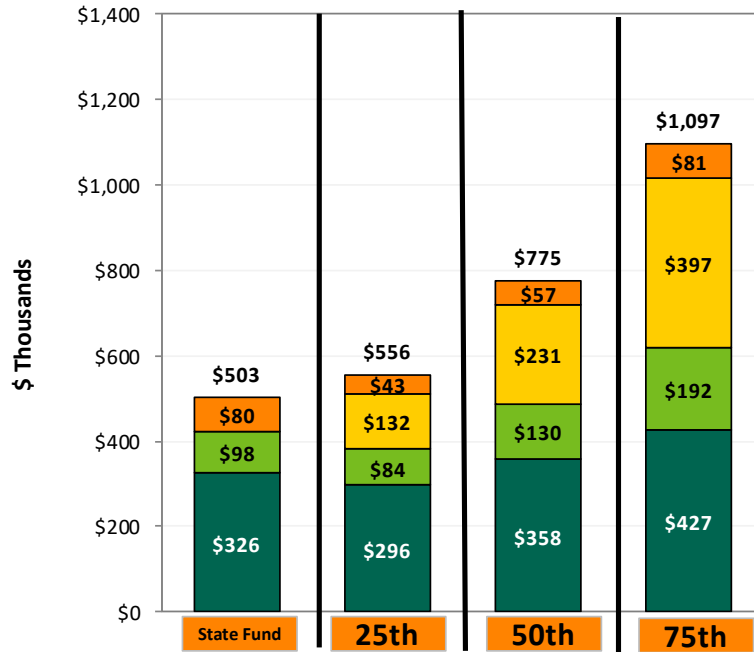
Chief Risk Officer



Chief Risk Officer Grade 25	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$310	\$347	\$422	\$508
■ Target Short-term Incentive	\$102	\$114	\$174	\$260
■ Long-term Incentive	\$0	\$132	\$231	\$397
■ Total Benefits	\$80	\$46	\$61	\$89
Target Total Remuneration	\$492	\$639	\$889	\$1,255



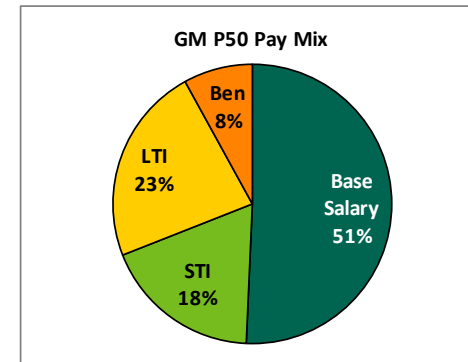
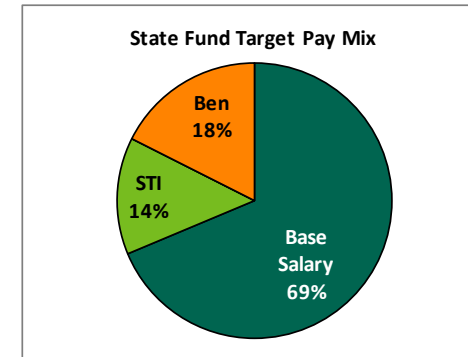
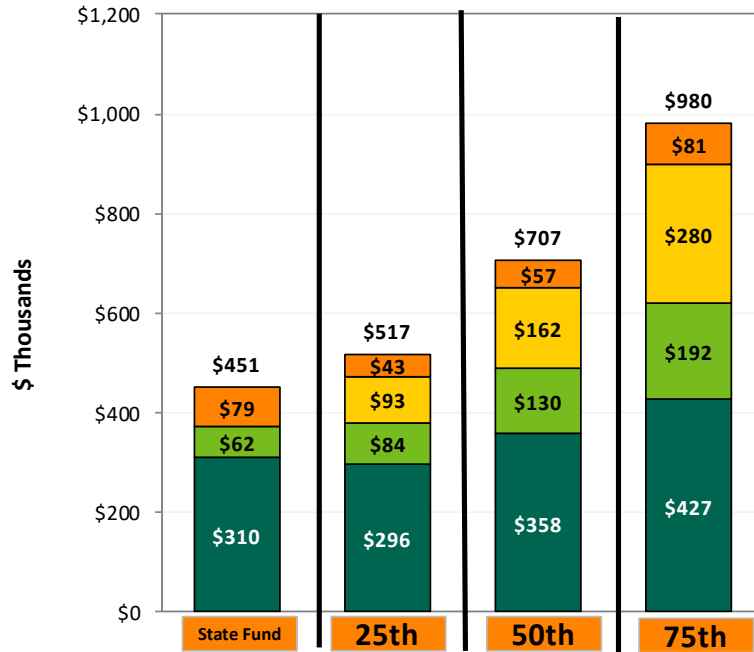
SVP of Insurance Services



SVP of Insurance Services Grade 24	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$326	\$296	\$358	\$427
■ Target Short-term Incentive	\$98	\$84	\$130	\$192
■ Long-term Incentive	\$0	\$132	\$231	\$397
■ Total Benefits	\$80	\$43	\$57	\$81
Target Total Remuneration	\$503	\$556	\$775	\$1,097



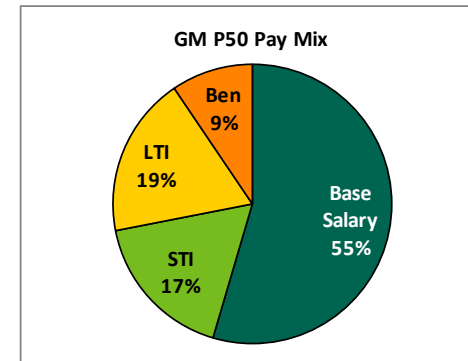
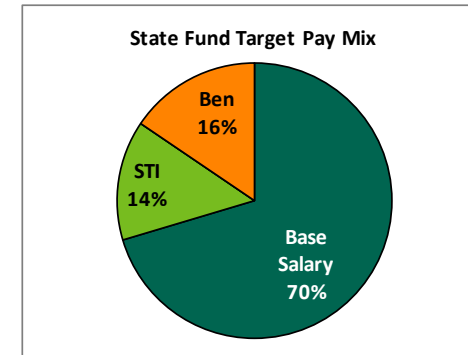
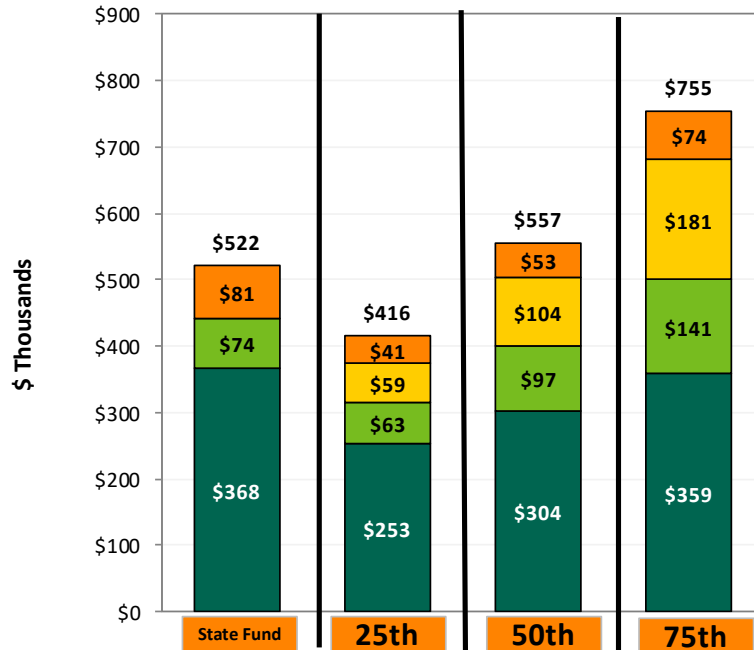
Chief of Internal Affairs



Chief of Internal Affairs Grade 24	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$310	\$296	\$358	\$427
■ Target Short-term Incentive	\$62	\$84	\$130	\$192
■ Long-term Incentive	\$0	\$93	\$162	\$280
■ Total Benefits	\$79	\$43	\$57	\$81
Target Total Remuneration	\$451	\$517	\$707	\$980



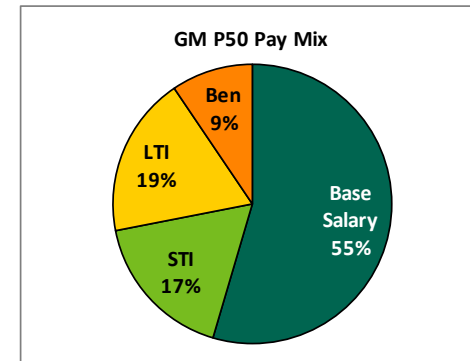
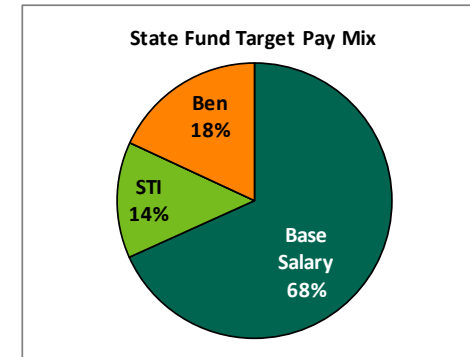
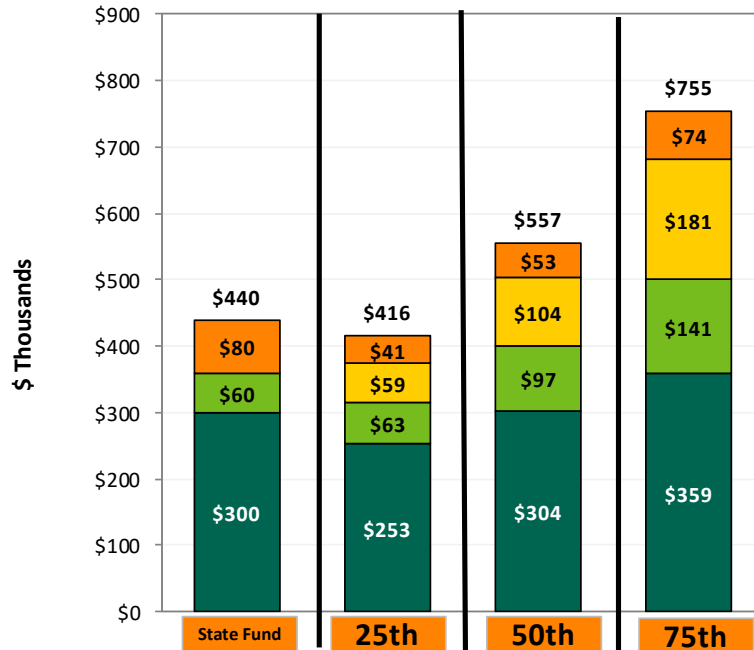
Chief Medical Officer



Chief Medical Officer Grade 23		State Fund	Market Data		
			P25 GM	P50 GM	P75 GM
■	Base Salary	\$368	\$253	\$304	\$359
■	Target Short-term Incentive	\$74	\$63	\$97	\$141
■	Long-term Incentive	\$0	\$59	\$104	\$181
■	Total Benefits	\$81	\$41	\$53	\$74
Target Total Remuneration		\$522	\$416	\$557	\$755



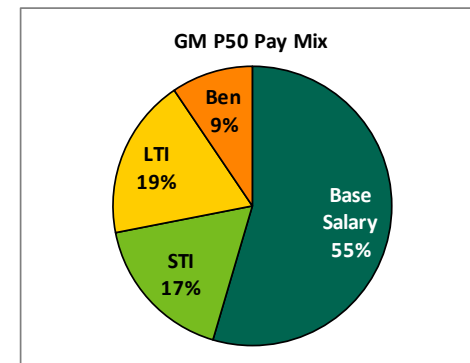
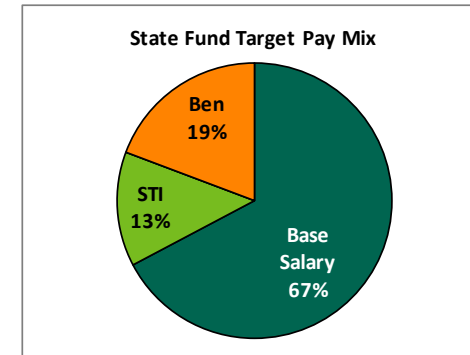
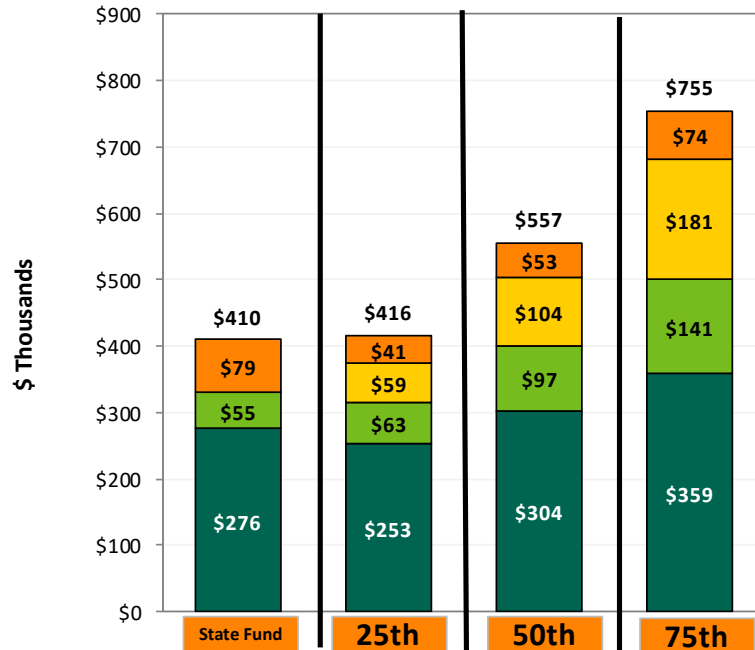
EVP of Corporate Claims



EVP of Corporate Claims		State Fund	Market Data		
			P25	P50	P75
Grade 23					
■	Base Salary	\$300	\$253	\$304	\$359
■	Target Short-term Incentive	\$60	\$63	\$97	\$141
■	Long-term Incentive	\$0	\$59	\$104	\$181
■	Total Benefits	\$80	\$41	\$53	\$74
Target Total Remuneration		\$440	\$416	\$557	\$755



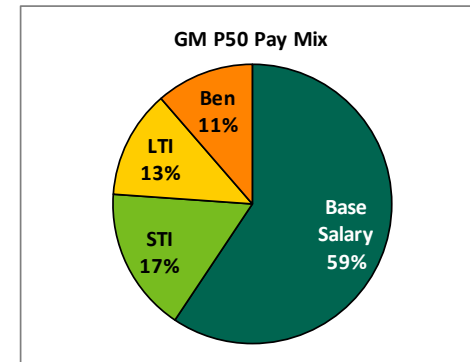
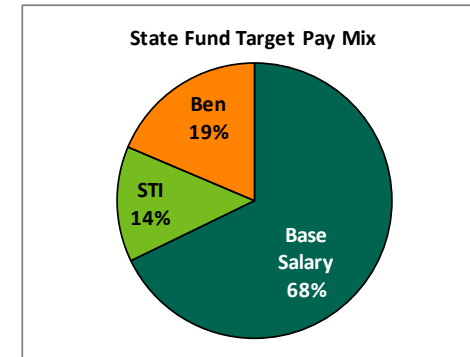
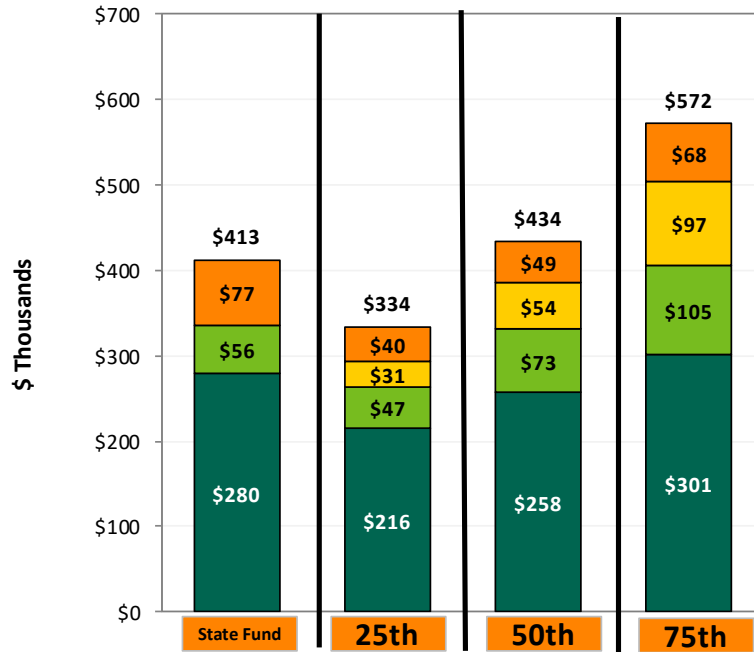
EVP of Strategic Planning



EVP of Strategic Planning Grade 23	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$276	\$253	\$304	\$359
■ Target Short-term Incentive	\$55	\$63	\$97	\$141
■ Long-term Incentive	\$0	\$59	\$104	\$181
■ Total Benefits	\$79	\$41	\$53	\$74
Target Total Remuneration	\$410	\$416	\$557	\$755



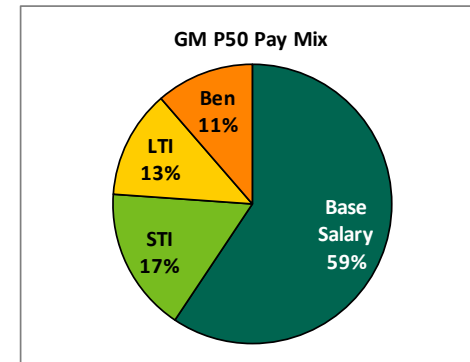
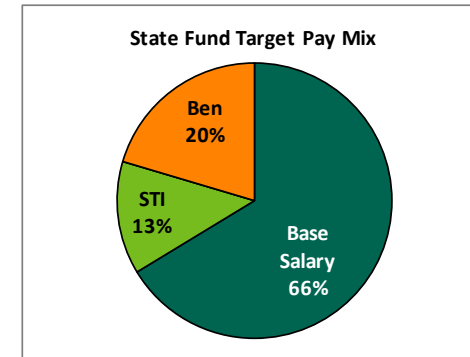
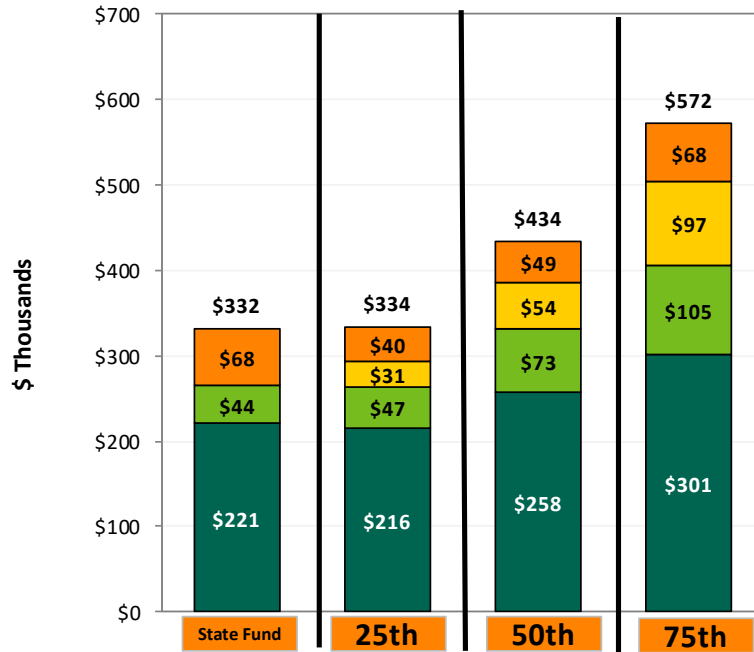
Chief Actuary



Chief Actuary Grade 22	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$280	\$216	\$258	\$301
■ Target Short-term Incentive	\$56	\$47	\$73	\$105
■ Long-term Incentive	\$0	\$31	\$54	\$97
■ Total Benefits	\$77	\$40	\$49	\$68
Target Total Remuneration	\$413	\$334	\$434	\$572



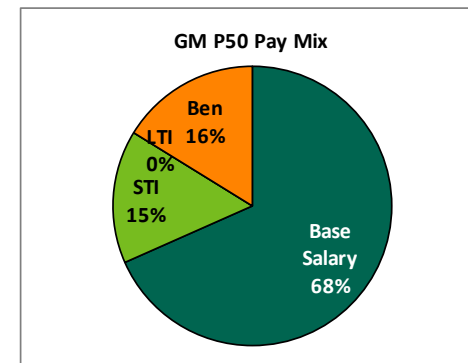
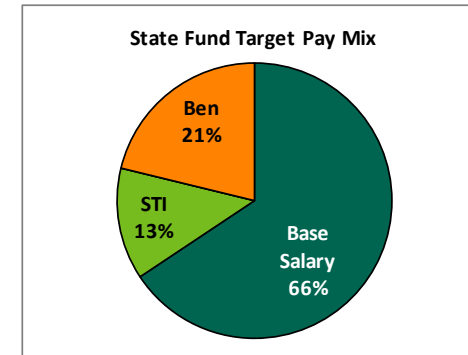
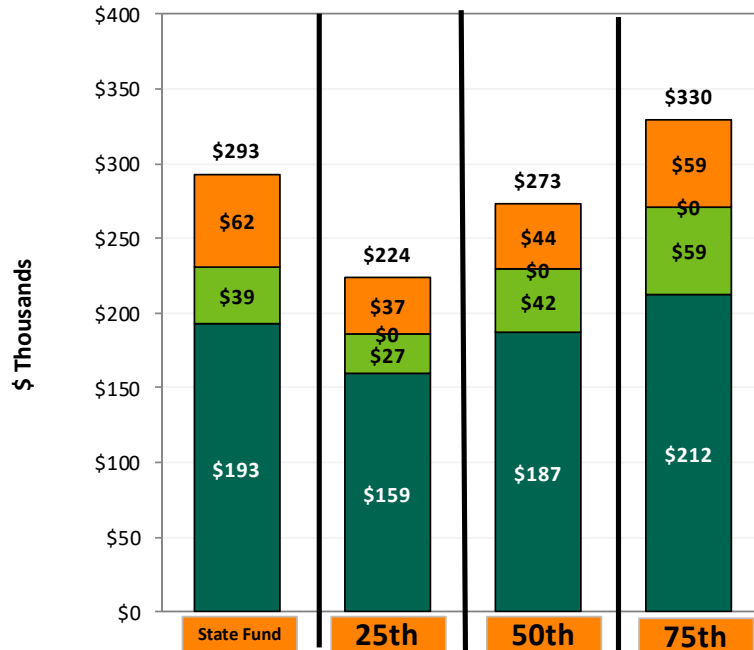
Chief Underwriting Officer



Chief Underwriting Officer Grade 22		State Fund	Market Data		
			P25	P50	P75
			GM	GM	GM
■	Base Salary	\$221	\$216	\$258	\$301
■	Target Short-term Incentive	\$44	\$47	\$73	\$105
■	Long-term Incentive	\$0	\$31	\$54	\$97
■	Total Benefits	\$68	\$40	\$49	\$68
Target Total Remuneration		\$332	\$334	\$434	\$572



Pricing Actuary



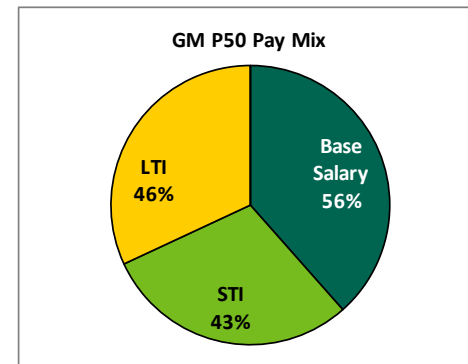
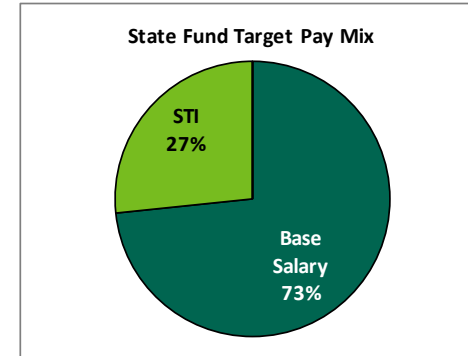
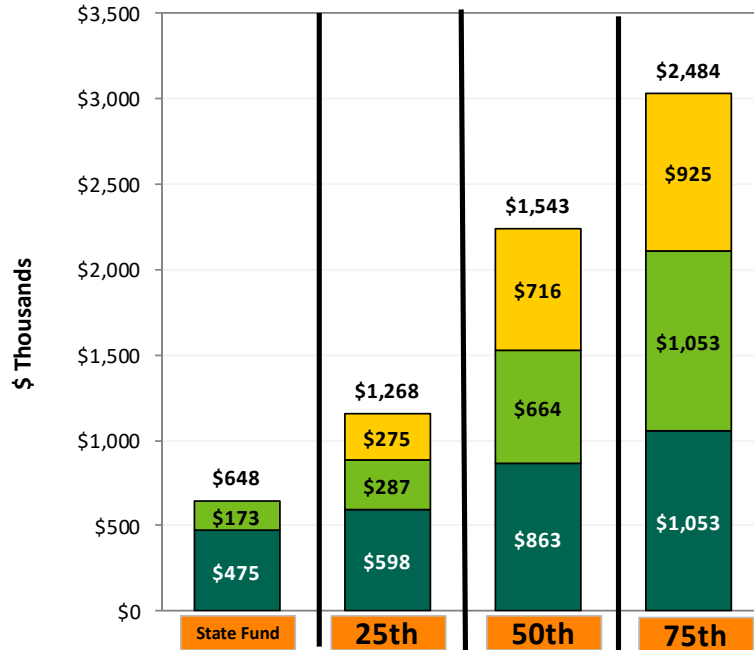
Pricing Actuary Grade 20	State Fund	Market Data		
		P25	P50	P75
		GM	GM	GM
■ Base Salary	\$193	\$159	\$187	\$212
■ Target Short-term Incentive	\$39	\$27	\$42	\$59
■ Long-term Incentive	\$0	\$0	\$0	\$0
■ Total Benefits	\$62	\$37	\$44	\$59
Target Total Remuneration	\$293	\$224	\$273	\$330



INS Individual Market Analysis



President & Chief Executive Officer

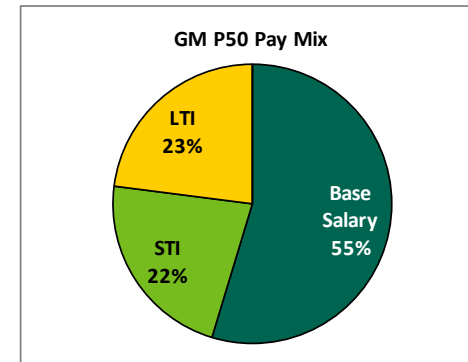
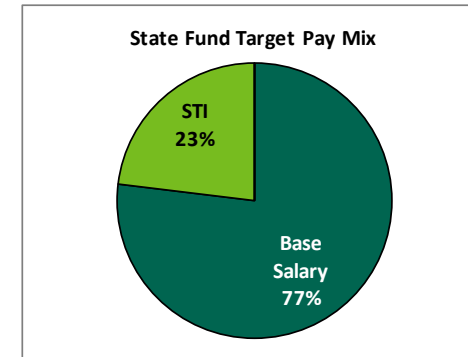
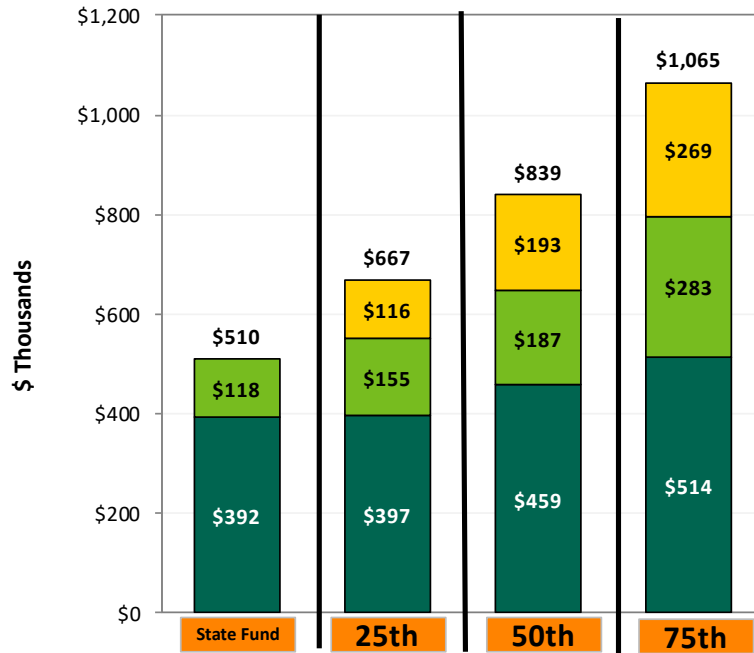


President & CEO Grade 28		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$475	\$598	\$863	\$1,053
■	Target Short-term Incentive	\$173	\$287	\$664	\$1,053
■	Long-term Incentive	\$0	\$275	\$716	\$925
Target TDC		\$648	\$1,268	\$1,543	\$2,484

*Note that TTDC is not the sum of TTC and LTI; many companies do not report LTI and TTDC captures compensation for companies that report LTI and those that do not report any LTI awards; in the case of the CEO, INS data for TTDC is less than TTC + LTI



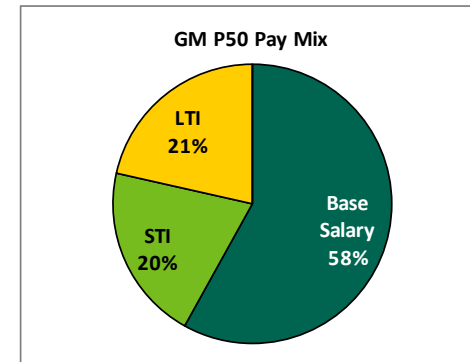
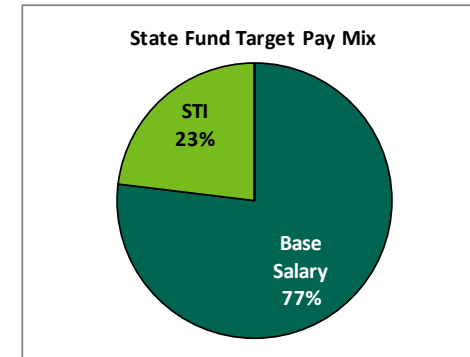
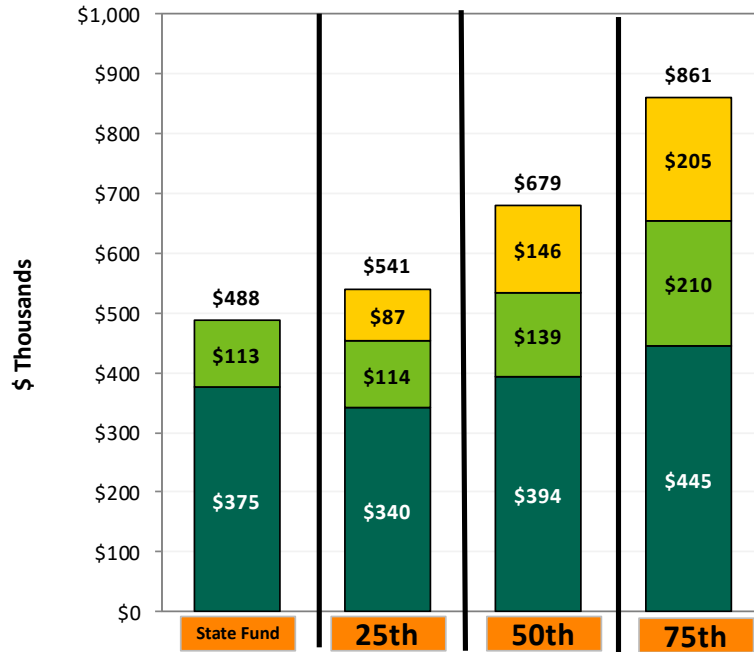
Chief Operations Officer



Chief Operations Officer Grade 26	State Fund	Market Data		
		P25	P50	P75
		INS	INS	INS
■ Base Salary	\$392	\$397	\$459	\$514
■ Target Short-term Incentive	\$118	\$155	\$187	\$283
■ Long-term Incentive	\$0	\$116	\$193	\$269
Target TDC	\$510	\$667	\$839	\$1,065



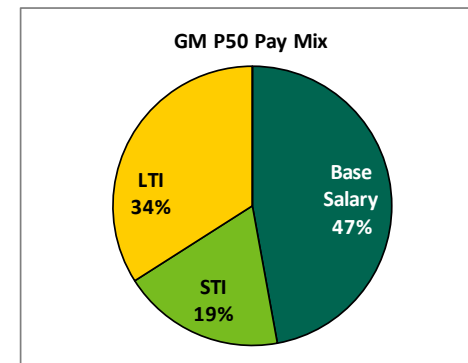
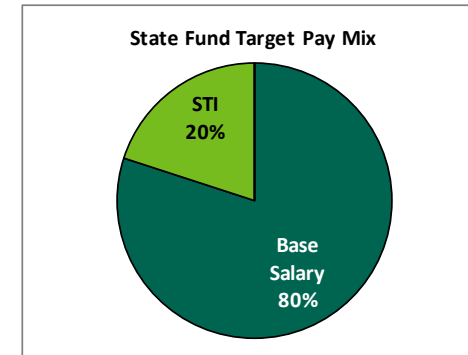
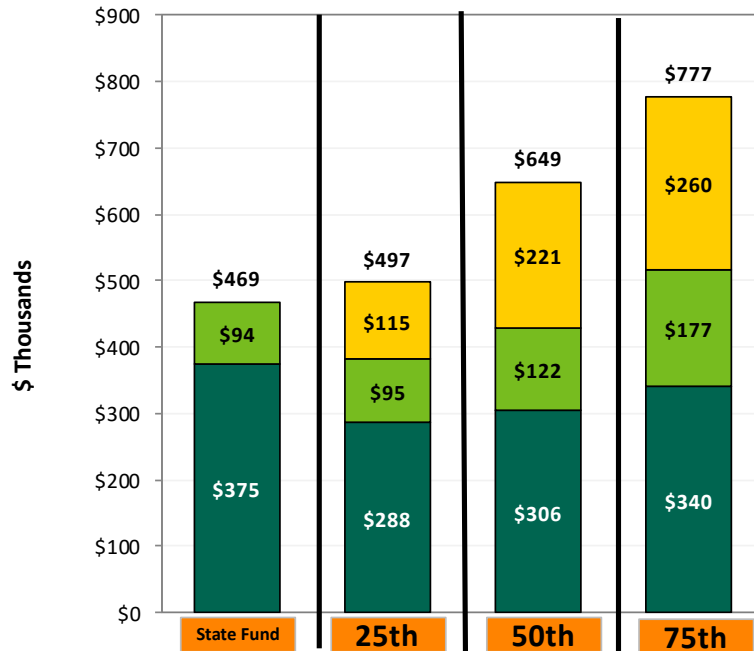
Chief Claims Operations Officer



Chief Claims Operations Officer Grade 25		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$375	\$340	\$394	\$445
■	Target Short-term Incentive	\$113	\$114	\$139	\$210
■	Long-term Incentive	\$0	\$87	\$146	\$205
Target TDC		\$488	\$541	\$679	\$861



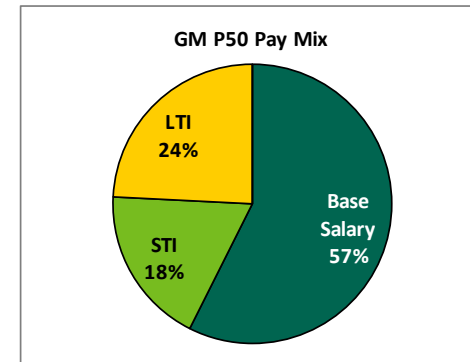
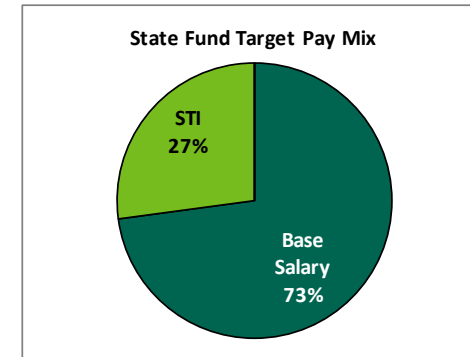
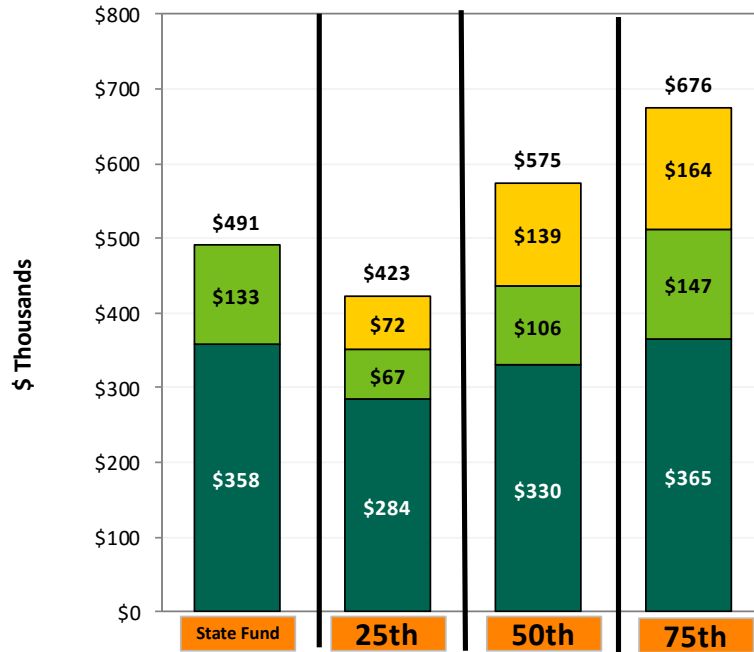
General Counsel



General Counsel Grade 25		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$375	\$288	\$306	\$340
■	Target Short-term Incentive	\$94	\$95	\$122	\$177
■	Long-term Incentive	\$0	\$115	\$221	\$260
Target TDC		\$469	\$497	\$649	\$777



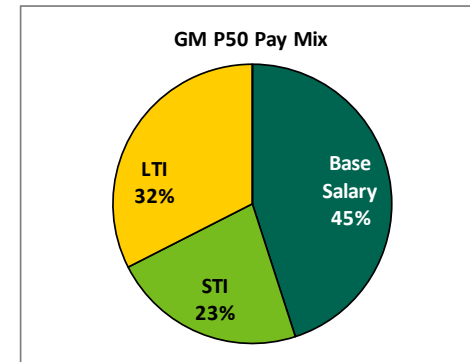
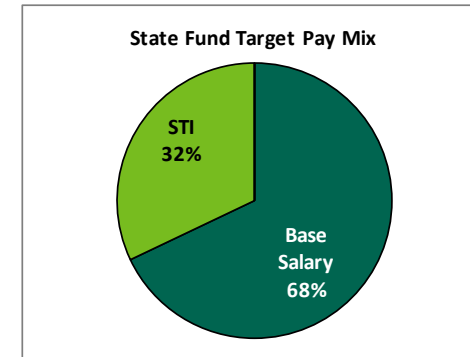
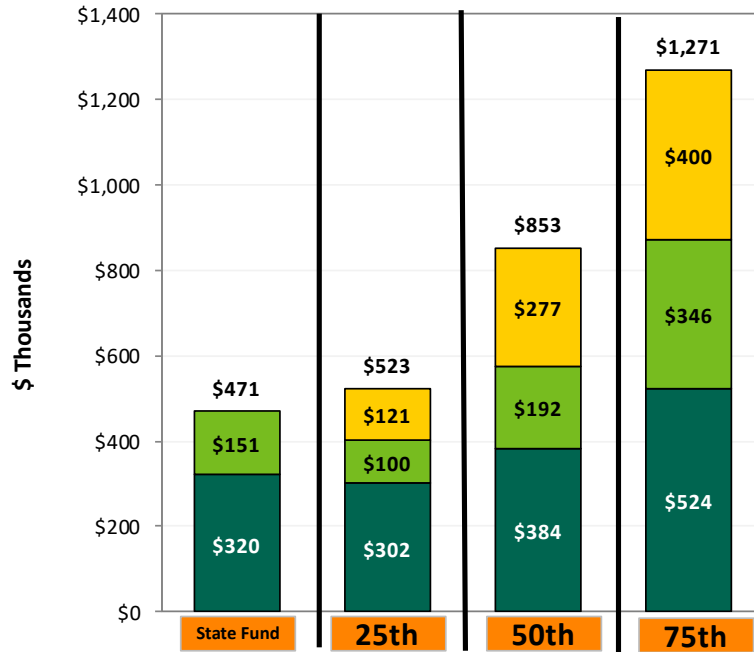
Chief Information Officer



Chief Information Officer Grade 25		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$358	\$284	\$330	\$365
■	Target Short-term Incentive	\$133	\$67	\$106	\$147
■	Long-term Incentive	\$0	\$72	\$139	\$164
Target TDC		\$491	\$423	\$575	\$676



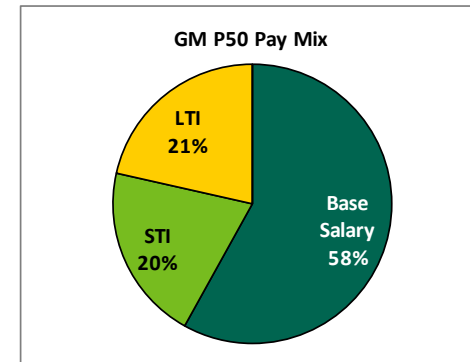
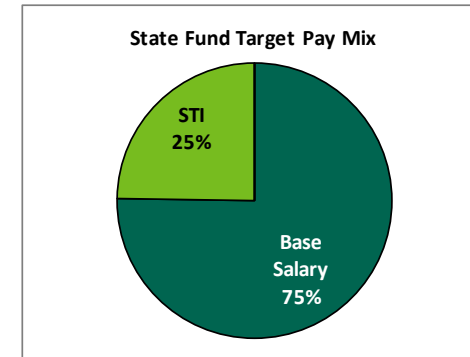
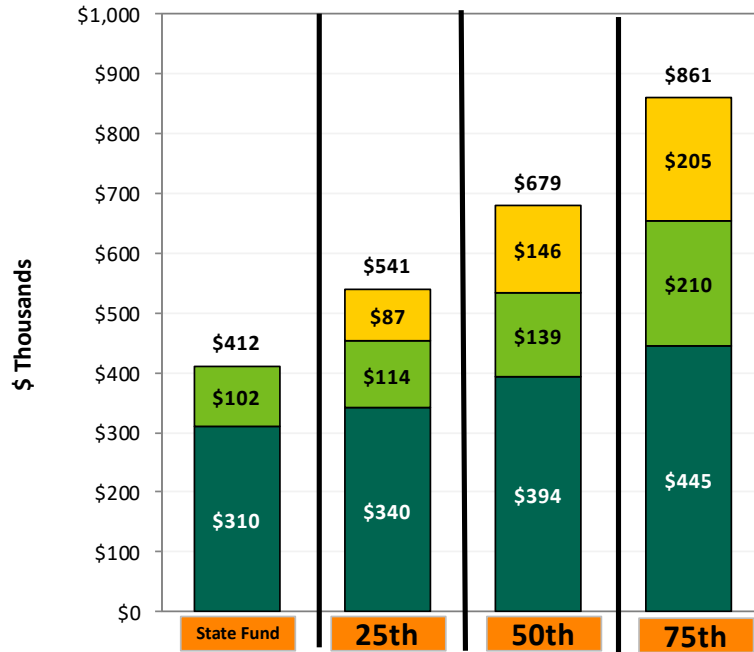
Chief Financial Officer



Chief Financial Officer Grade 25		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$320	\$302	\$384	\$524
■	Target Short-term Incentive	\$151	\$100	\$192	\$346
■	Long-term Incentive	\$0	\$121	\$277	\$400
Target TDC		\$471	\$523	\$853	\$1,271



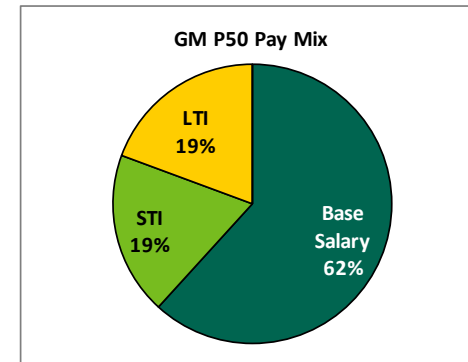
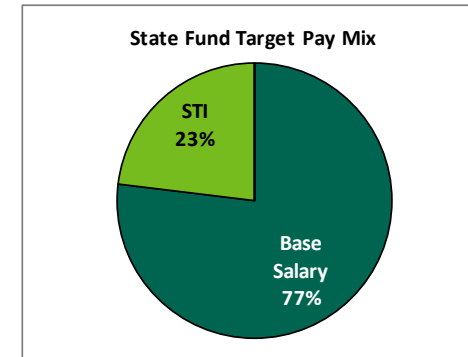
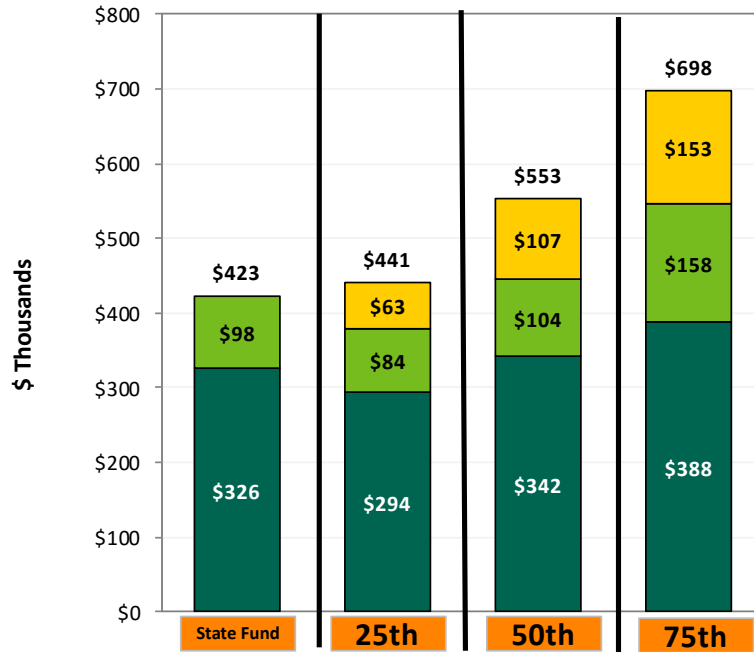
Chief Risk Officer



Chief Risk Officer Grade 25		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$310	\$340	\$394	\$445
■	Target Short-term Incentive	\$102	\$114	\$139	\$210
■	Long-term Incentive	\$0	\$87	\$146	\$205
Target TDC		\$412	\$541	\$679	\$861



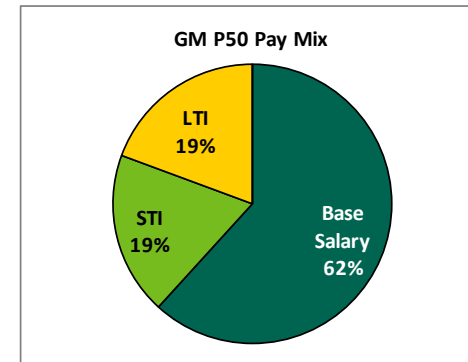
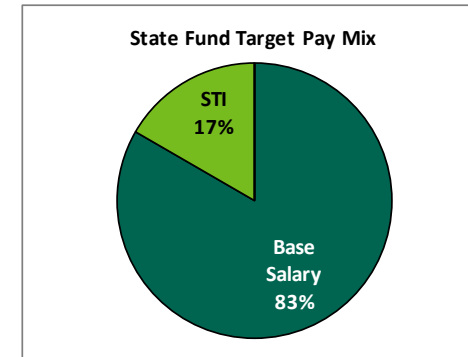
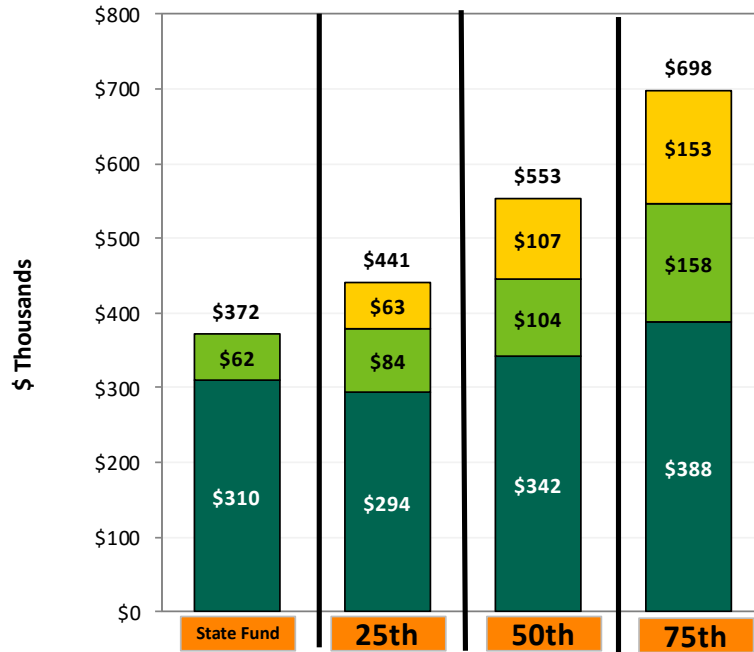
SVP of Insurance Services



SVP of Insurance Services Grade 24	State Fund	Market Data		
		P25	P50	P75
		INS	INS	INS
■ Base Salary	\$326	\$294	\$342	\$388
■ Target Short-term Incentive	\$98	\$84	\$104	\$158
■ Long-term Incentive	\$0	\$63	\$107	\$153
Target TDC	\$423	\$441	\$553	\$698



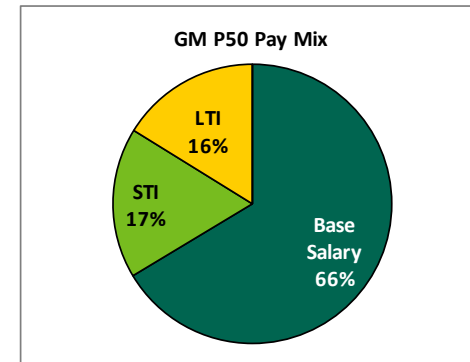
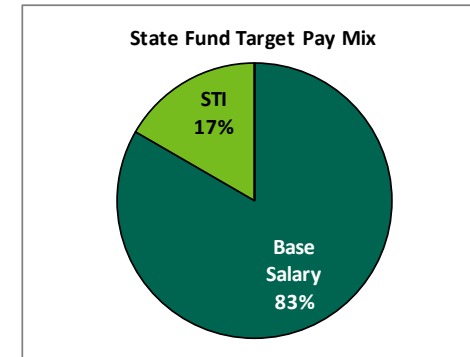
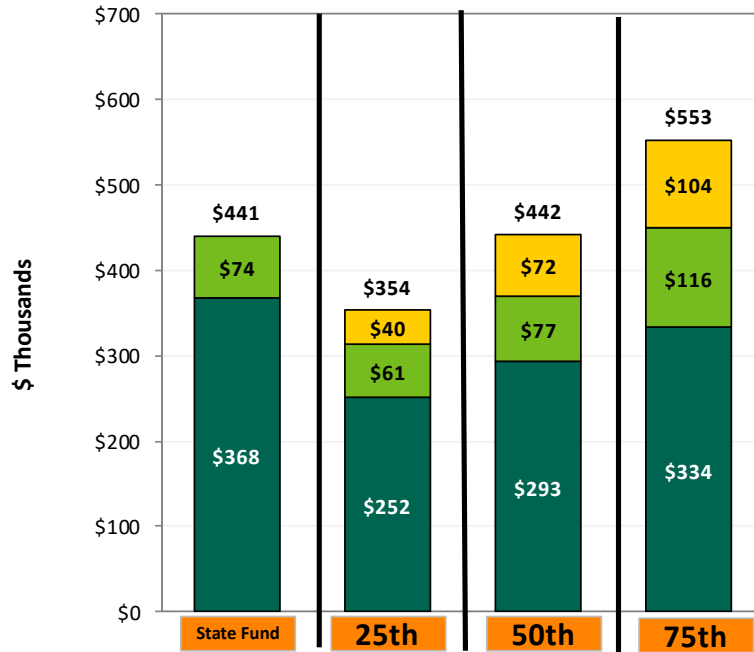
Chief of Internal Affairs



Chief of Internal Affairs Grade 24		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$310	\$294	\$342	\$388
■	Target Short-term Incentive	\$62	\$84	\$104	\$158
■	Long-term Incentive	\$0	\$63	\$107	\$153
Target TDC		\$372	\$441	\$553	\$698



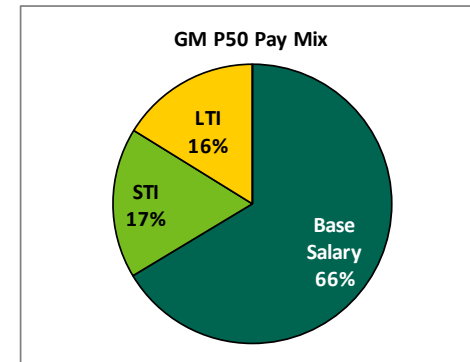
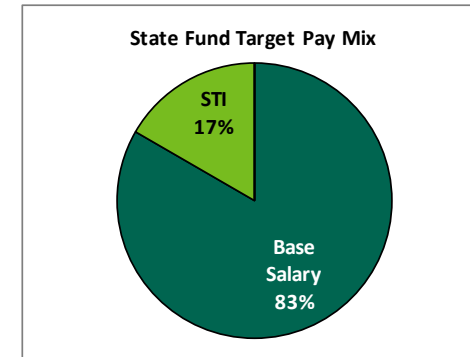
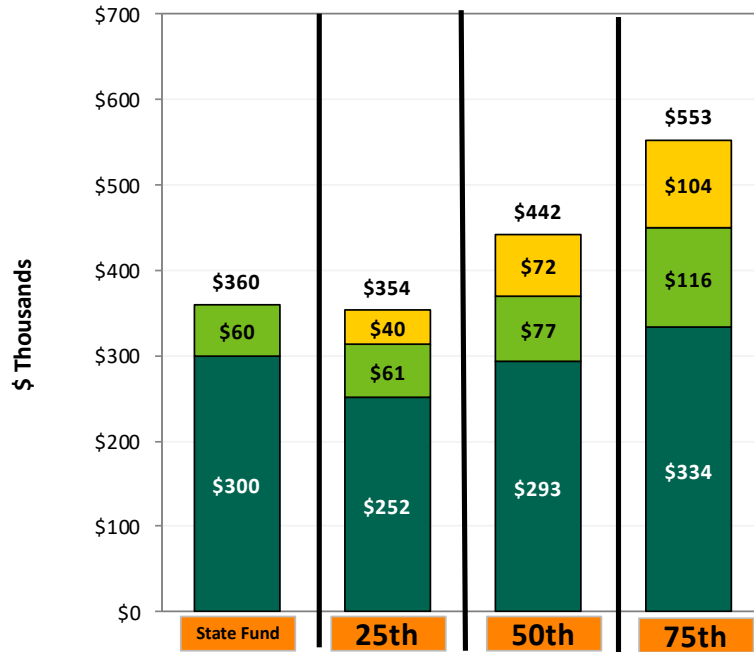
Chief Medical Officer



Chief Medical Officer Grade 23		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$368	\$252	\$293	\$334
■	Target Short-term Incentive	\$74	\$61	\$77	\$116
■	Long-term Incentive	\$0	\$40	\$72	\$104
Target TDC		\$441	\$354	\$442	\$553



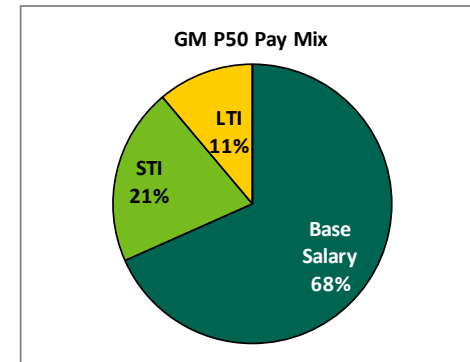
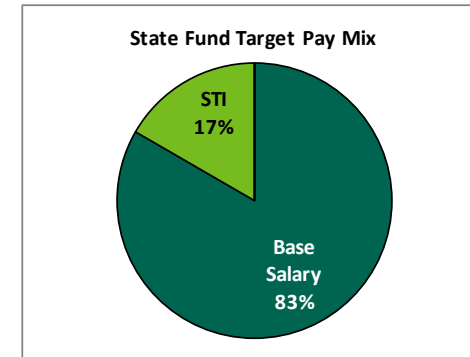
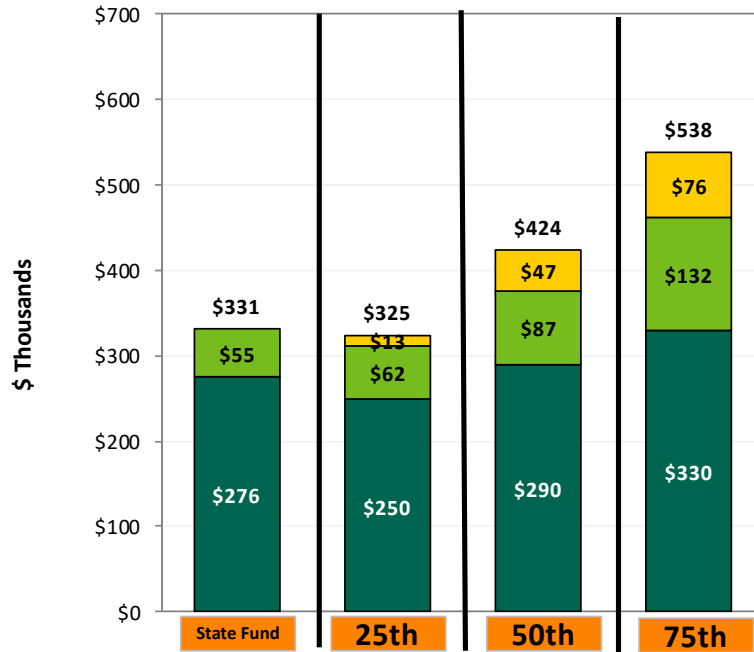
EVP of Corporate Claims



EVP of Corporate Claims		State Fund	Market Data		
			P25	P50	P75
Grade 23					
			INS	INS	INS
■	Base Salary	\$300	\$252	\$293	\$334
■	Target Short-term Incentive	\$60	\$61	\$77	\$116
■	Long-term Incentive	\$0	\$40	\$72	\$104
Target TDC		\$360	\$354	\$442	\$553



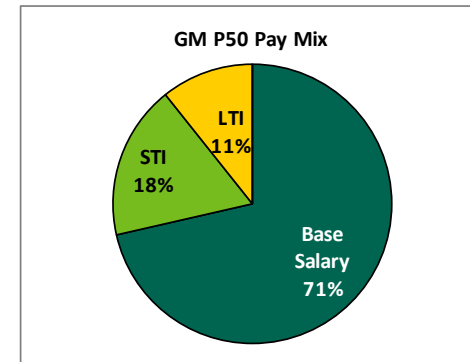
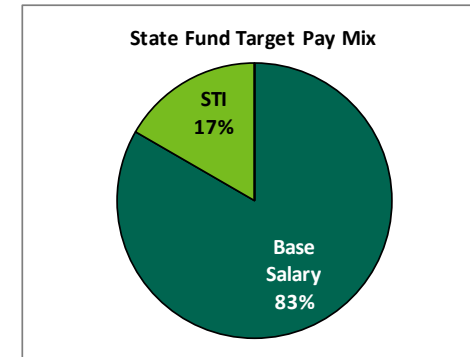
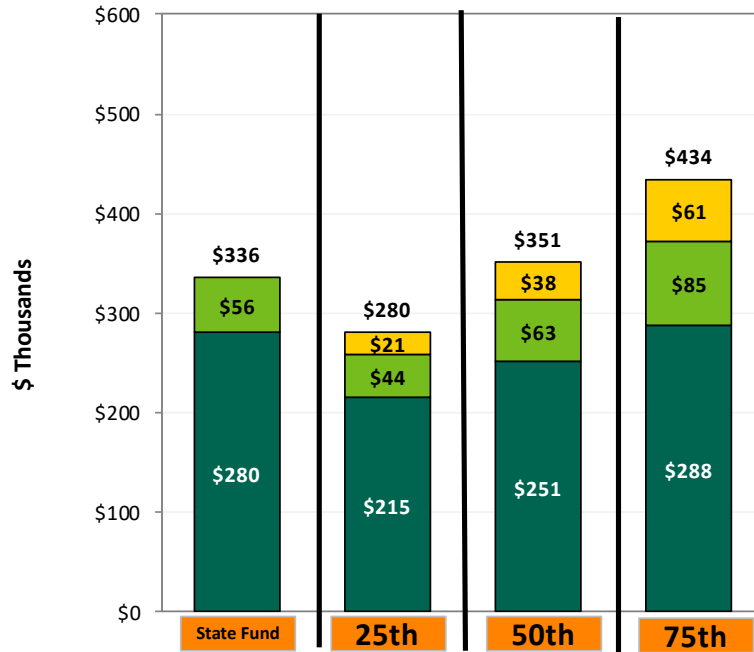
EVP of Strategic Planning



EVP of Strategic Planning		State Fund	Market Data		
			P25	P50	P75
Grade 23					
			INS	INS	INS
■	Base Salary	\$276	\$250	\$290	\$330
■	Target Short-term Incentive	\$55	\$62	\$87	\$132
■	Long-term Incentive	\$0	\$13	\$47	\$76
Target TDC		\$331	\$325	\$424	\$538



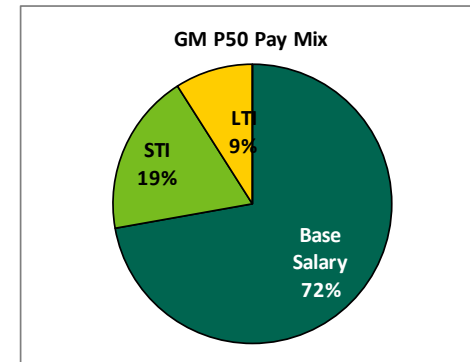
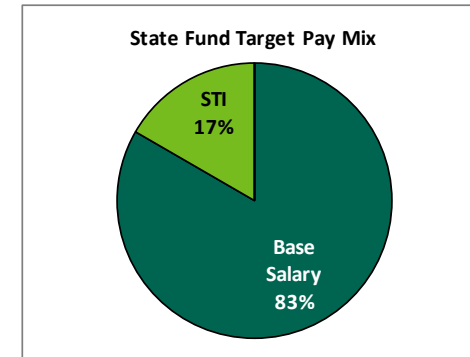
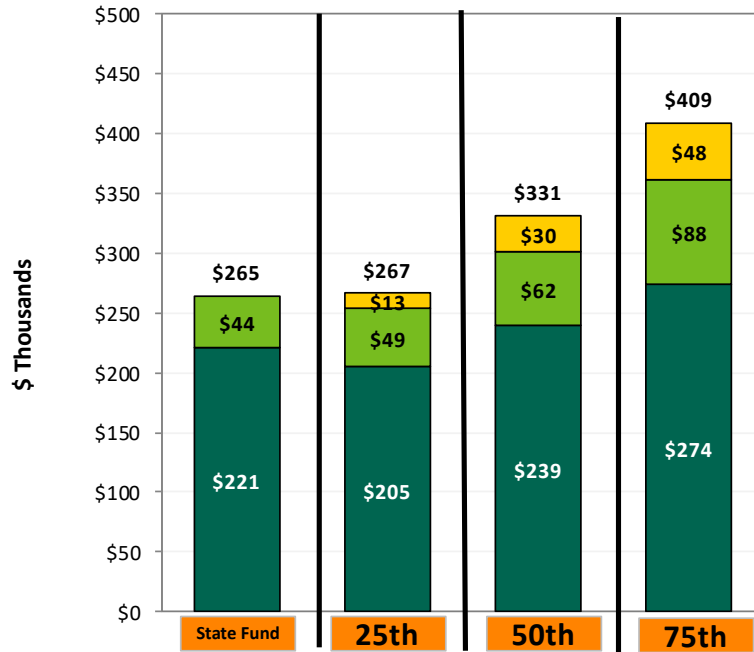
Chief Actuary



Chief Actuary Grade 22		State Fund	Market Data		
			P25	P50	P75
			INS	INS	INS
■	Base Salary	\$280	\$215	\$251	\$288
■	Target Short-term Incentive	\$56	\$44	\$63	\$85
■	Long-term Incentive	\$0	\$21	\$38	\$61
Target TDC		\$336	\$280	\$351	\$434



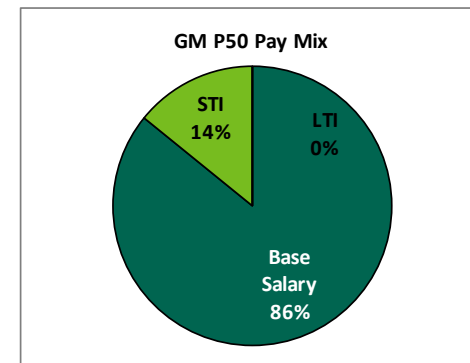
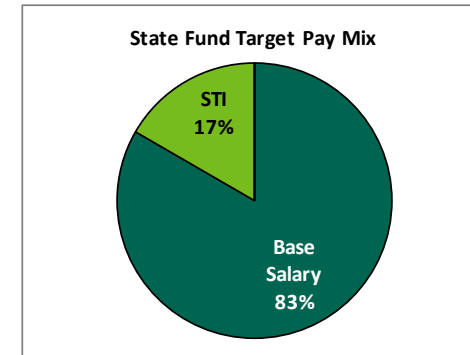
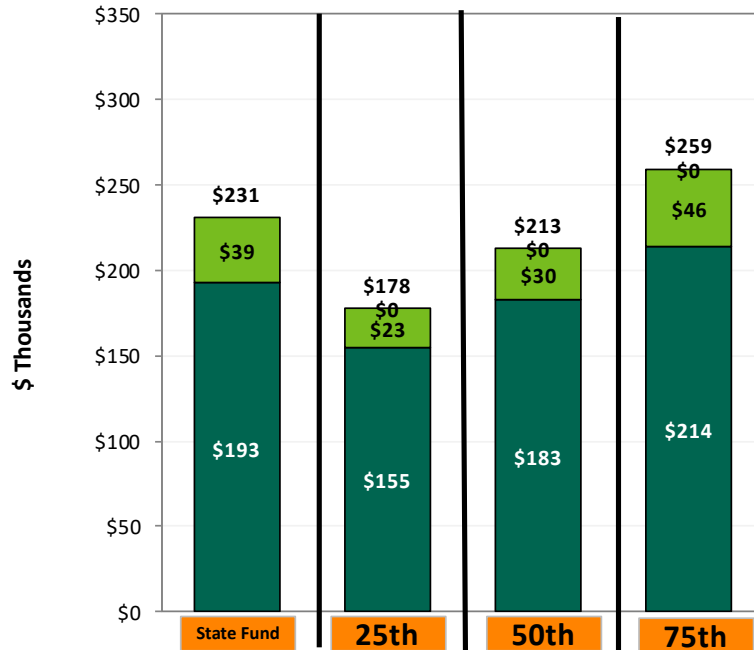
Chief Underwriting Officer



Chief Underwriting Officer Grade 22	State Fund	Market Data		
		P25	P50	P75
		INS	INS	INS
■ Base Salary	\$221	\$205	\$239	\$274
■ Target Short-term Incentive	\$44	\$49	\$62	\$88
■ Long-term Incentive	\$0	\$13	\$30	\$48
Target TDC	\$265	\$267	\$331	\$409



Pricing Actuary



Pricing Actuary Grade 20	State Fund	Market Data		
		P25	P50	P75
		INS	INS	INS
■ Base Salary	\$193	\$155	\$183	\$214
■ Target Short-term Incentive	\$39	\$23	\$30	\$46
■ Long-term Incentive	\$0	\$0	\$0	\$0
Target TDC	\$231	\$178	\$213	\$259



Appendices



Comparator organizations – INS

- ACUITY
- American Century Investments (Insurance & Financials)
- American Express
- American Family Insurance Group
- Ameriprise Financial
- Anonymous
- Anonymous
- Arch Insurance
- Arthur J. Gallagher
- Boston Financial Data Services
- Capital Group Companies
- Caterpillar Financial Services
- Charles Schwab
- Citizenm Financial Holding B.V.
- Colorado PERA
- Coverys
- Dollar Financial Group
- EBSCO Industries -- Real Estate Division
- EBSCO Industries -- SS Nesbitt
- Federal Reserve Bank of Dallas
- Federal Reserve Bank of Kansas City
- Fidelity Investments
- First Data
- FM Global (Industrial)
- Harford Mutual Insurance
- Hillwood Development
- Horace Mann Services Corporation
- Kansas City Life Insurance
- LL Global
- Loews Corporation
- Louisiana Workers' Compensation
- Main Street America Group
- Massachusetts Mutual Life Insurance -- OppenheimerFunds
- MasterCard International
- Member's First Credit Union
- Menlo Equities
- Montana State Fund
- Munich American Reassurance
- New York Life Insurance Company
- Ohio Mutual Insurance Group
- Penn National Insurance
- Penn National Insurance -- Inservco
- Preferred Mutual Insurance
- Simmons First National
- SKYGEN USA
- State Farm Insurance



Comparator organizations – INS (continued)

- State Farm Insurance (Call Center Survey)
- Stork B.V.
- Swiss Re
- T. Rowe Price
- TD AmeriTrade Holding
- Texas Mutual Insurance
- Toyota Financial Services
- TransUnion
- Tribal Lending Enter -- Upper Lake Processing Services(ULPS)
- Tribal Lending Enterprises
- Tribal Lending Enterprises -- ArrowShade
- Tuscarora Wayne Group of Companies
- Vanguard Group
- Verve Credit Union
- Western Union Financial Services
- Wills Group
- Workers Compensation Fund
- Regency Finance
- Resolution Life
- Securian
- Security Finance
- Security Finance Corp of Spartanburg -- Prof Financial Srvcs



Methodology – Hay Benefit Valuation Methodology

- KFHG utilizes a proprietary actuarial valuation methodology to evaluate benefit plans in terms of the cash equivalence of the benefits
- In establishing a program’s overall market competitiveness the Hay Benefit Valuation model uses “standard cost assumptions”, instead of a company’s specific costs, which eliminates the impact of such cost variables as demographics, geography, funding method, or purchasing power, etc.
 - The common cost approach is illustrated below using life insurance

	Basic Life Insurance Benefit	Salary Level	Actual Cost per month	Actual Cost Per year	Common Cost Rate	Common Cost per Year or VALUE
Client	1 x pay	\$200K	\$.20/\$1000	\$480	\$.1875/\$1000	\$450
Market	2 x pay	\$200K	\$.10/\$1000	\$480	\$.1875/\$1000	\$900

- If value is based on actual costs, then these benefits would be equal. By using the common cost approach i.e., eliminating the impact of company specific costs, the 2 x pay benefit has more value than the 1 x pay benefit



Methodology – Hay Benefit Valuation Methodology

- The utilization of “standard or common cost assumptions” provides a uniform quantitative evaluation method which produces values based solely on the level of the benefit provided
- The valuation model places a relative value on each specific feature of a benefit program. The value for each plan is then compiled to produce an overall program value appropriate for market comparison. In general, the more generous a particular feature is the higher the relative value

The valuation method is applied to a full range of employee benefits including:

- Healthcare Insurance (medical, dental, RX, vision, physical exams);
- Retirement Plans (defined benefit and defined contribution plans);
- Death Benefits (employer paid and voluntary life insurance plans);
- Disability and Sick Leave (sick leave, short-term, long-term disability plans); and
- Other benefits such as Tuition Reimbursement, Flex Plans, Statutory Benefits, etc.



Methodology – Hay Benefit Valuation Methodology

- Benefit values are calculated on an “Employer-paid” basis. Employer-paid benefit values are discounted to reflect the relationship of any required employee contributions to the program’s total value. For fully employee-paid plans, the discount is 95% (some value remains due to such things as group purchasing power, etc.). For fully employer-paid plans, there is no discount, and for cost shared plans, a pro-ration is applied
 - Using 401(k) plans as an example, the table below compares three match formulas:

	Match Formula	Salary Level	Maximum Match	Discount	Value
Client	100% of 6% of pay	\$200,000	\$12,000	3%	\$11,640
Market 1	100% of 3% of pay and 50% of next 2% of pay	\$200,000	\$8,000	7.5%	\$7,424
Market 2	50% of 6% of pay	\$200,000	\$6,000	13%	\$5,234

- The discount rate reflects the likelihood employees will maximize their contribution to receive the full employer match. In the example, employees are more likely to contribute 6% under Client’s plan because the match potential is 100%, whereas under the Market 1 plan the match potential is 80%. Under the Market 2 plan the match potential is only 50%, but of a higher 6% contribution



Geographic Salary Levels

- The table below illustrates the salary level in Alameda County, relative to national average
- A 15% premium was applied to the market data, given that the salaries of State Fund's exempt team are nearest the high end of the following base salary range

Comparison City vs. United States Average	\$75,000	\$100,000	\$150,000	\$200,000
Alameda County, California	121.7	121.3	117.9	115.2

**Source: Economic Research Institute*

