

Mutual Fund Chief Compliance Officer Compensation

THE 2021 MPI ANNUAL SURVEY

November 16, 2021

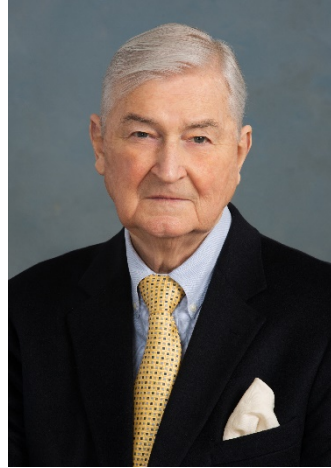
MANAGEMENT
PRACTICE[™]

Today's Speakers



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(Moderator)

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Agenda

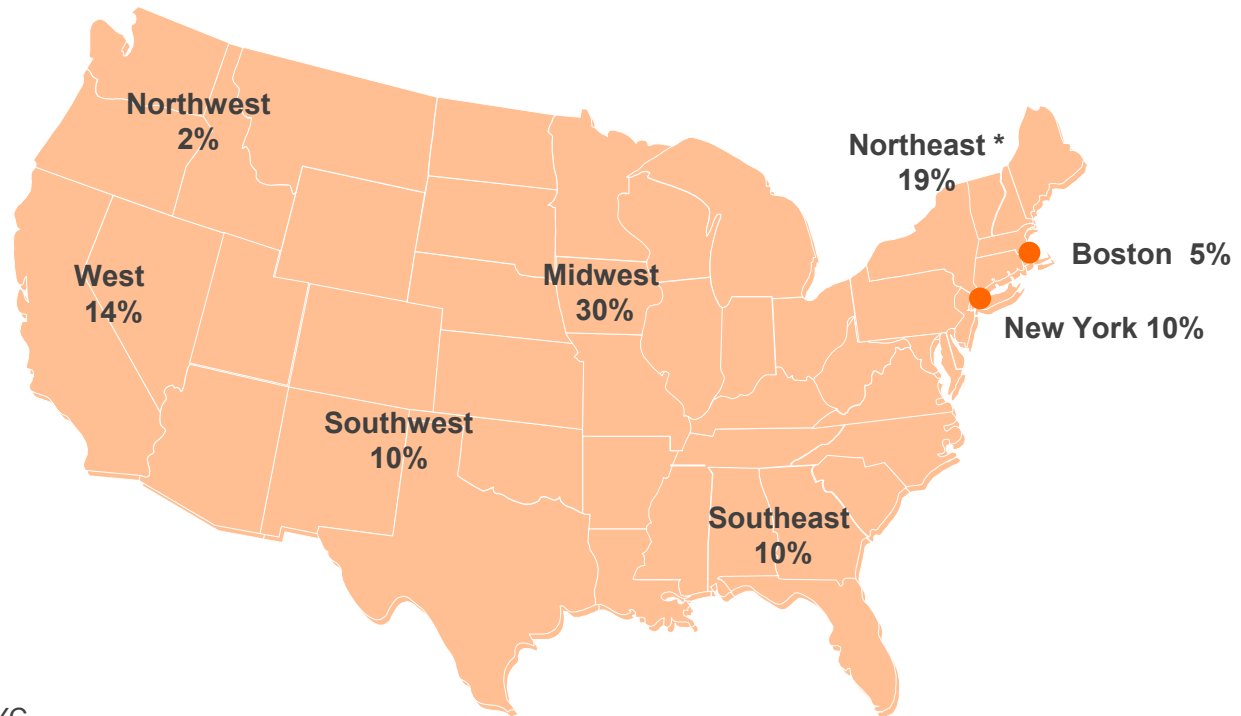
- Introduction/Survey Methodology
- Participant Details
- Executive Summary/Trends/Highlights
- CCO Compensation/Structure
- Other Benefits
- Organizational Practices

Survey Methodology

- 16th Annual Survey - Since 2006
- Data collection in spring, delivered to participants in June
- Mailed/emailed to database, usually distributed at ICI compliance conference, etc.
- Full confidentiality assured
- 59 participants in 2021
- Representative sample

Participant Details

Participating CCOs represented a total of \$3.6 trillion in fund assets under management. All regions of the U.S. were represented in the survey.



* excluding Boston/NYC

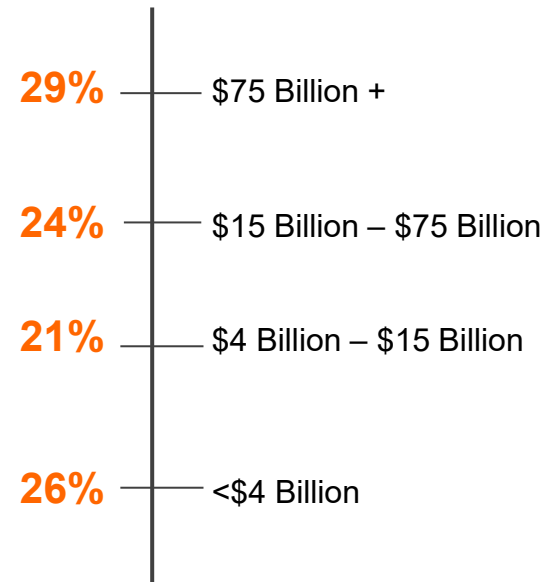
Participant Details

100% of participants are CCOs who are employed full-time. The average age was 51. 28% of the participants were female.

Respondents had the following qualifications:

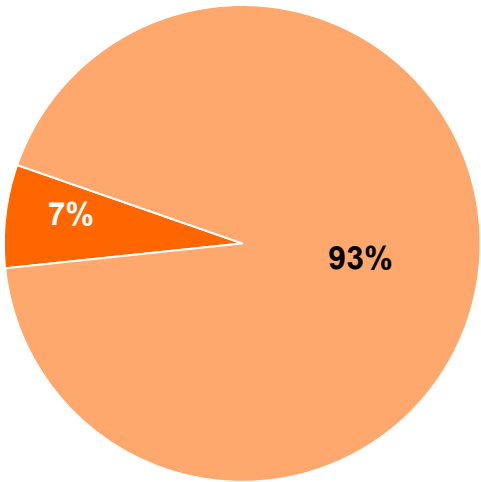
- 13%** were CPAs
- 40%** were lawyers
- 35%** have MBAs
- 40%** have some form of securities licensing; *most common were the Series 6, 7, 24, 26, 27 63 and 65*
- 16%** have SEC/other regulatory experience

Complex assets were represented as follows:

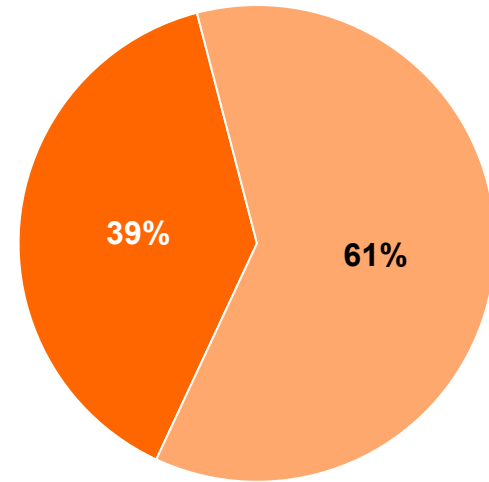


Participant Details

Independent contractors and “fund only” CCOs were in the minority; the majority of CCOs were full-time, salaried employees and performed duties for advisors, as well as the funds. 61% serve as CCO to both the funds and the advisor.



- Independent Contractors
- Salaried Employees



- Fund Only
- Fund & Advisor

Survey Summary/Trends

The average total compensation for this year's 59 participants was \$463,133, up 5.5% from last year's average of \$438,944. The averages in 2018, 2017, 2016 and 2015 were \$424,411, \$431,957, \$403,375 and \$400,148, respectively.

A subset of the survey participants, which includes 42 CCOs for whom data exists for two years (2019 and 2020), saw an increase of 4.1%. Similar subsets over the past five years saw increases of 6.2, 6.6%, 10%, 2.5%, and 5.7%.

The vast majority (93%) of CCOs receive a bonus as part of their total compensation. Bonuses and other compensation, such as stock options/grants and retirement contributions, represent an increasing proportion of total pay as the size of the fund complex grows. CCOs at larger complexes tend to receive a higher proportion of non-base pay. The majority of CCOs reported that their bonus is influenced by management (89%) as well as the board (66%). 84% reported that company performance is a factor.

Total Compensation

Range of Compensation

The range of CCO compensation for the reporting fund families was very wide and depended on many variables.

Geographic location, number of funds and portfolios, retail or institutional distribution, number of sub-advisers, and mix of insurance related products were among the numerous variables affecting pay levels.

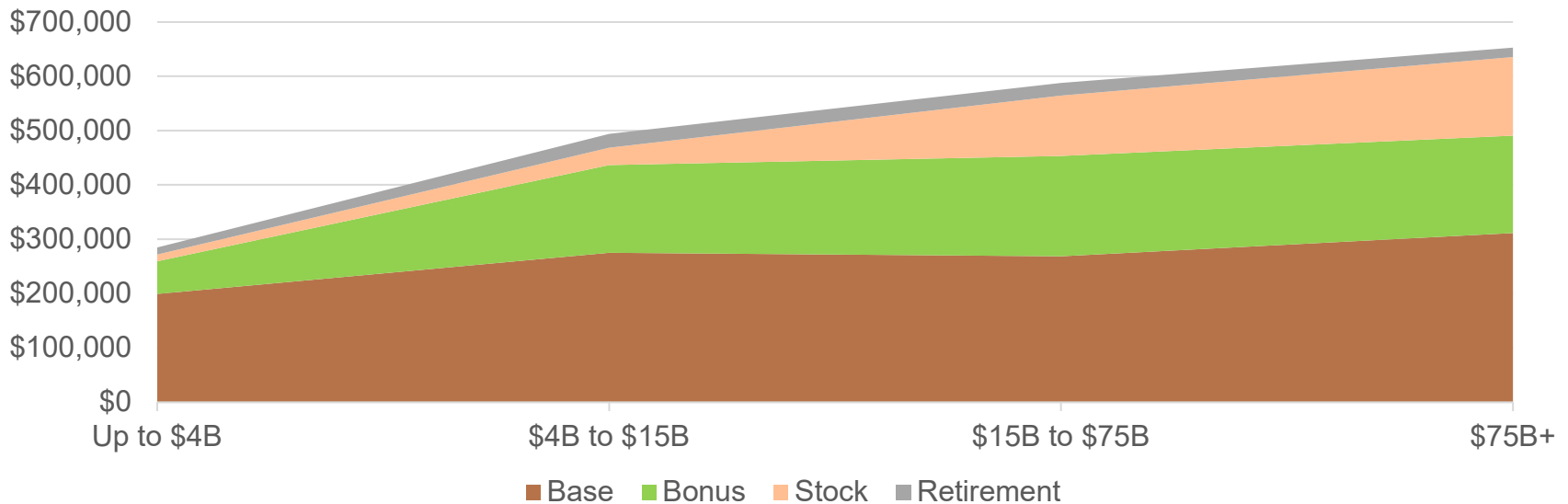
Many CCOs had been long-term employees of the management company, or had many years of experience at another fund company.

As a result, CCO compensation is often correlated with age or length of experience.

Base, Bonus, Stock, and Retirement as Elements of Total Compensation

While base salaries are relatively stable, other forms of compensation, including bonuses, stock, and retirement benefits are a significant factor in total compensation. The proportion of non-base pay as a percentage of total pay typically grows with the size of the complex.

Average CCO Compensation - 2020



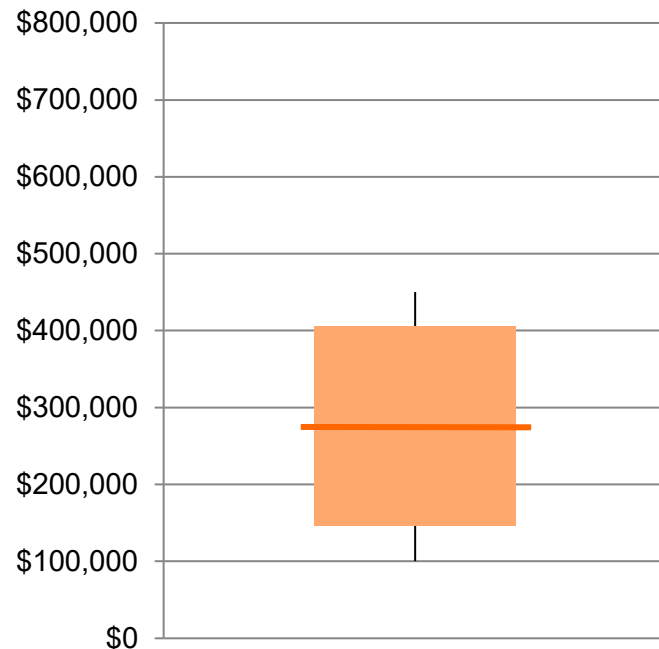
CCO Total Compensation: Assets up to \$4 Billion

The average total compensation for this group was \$275,585 with a range of \$145,868 to \$405,302 within one standard deviation.

The full range was from roughly \$100,000 to \$450,000.

Non-base pay for this group averaged approximately 30% of total compensation.

**CCO Total Compensation
(AUM < \$4bn)**



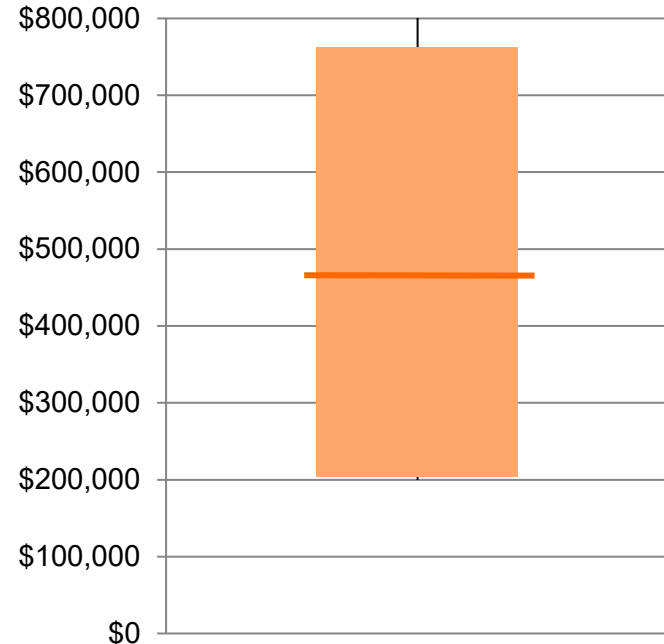
CCO Total Compensation: Assets \$4 Billion to \$15 Billion

The average total compensation for this group was \$483,317 with a range of \$204,109 to \$762,525 within one standard deviation.

The full range was from roughly \$200,000 to \$900,000.

Non-base pay for this group averaged approximately 45% of total compensation.

**CCO Total Compensation
(AUM \$4bn - \$15bn)**



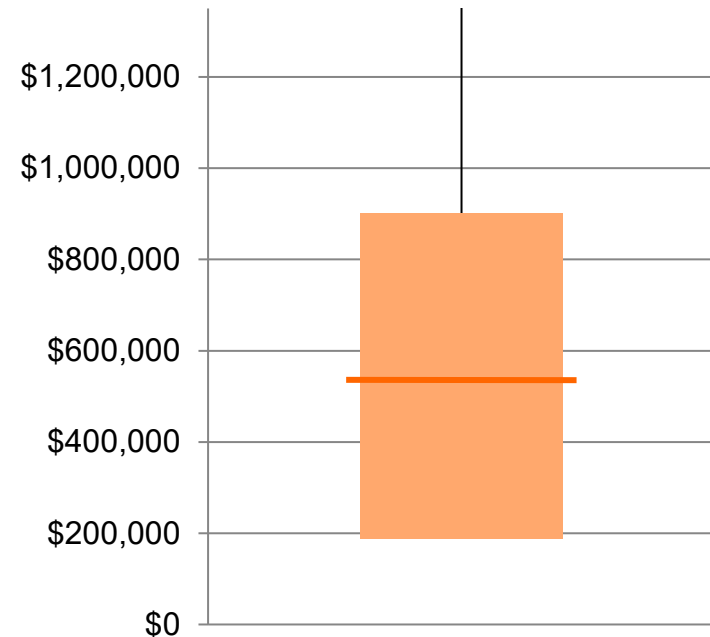
CCO Total Compensation: Assets \$15 Billion to \$75 Billion

The average total compensation for this group was \$545,440 with a range of \$189,127 to \$901,752 within one standard deviation.

The full range was from roughly \$250,000 to \$1,600,000.

Non-base pay for this group averaged approximately 58% of total compensation.

**CCO Total Compensation
(AUM \$15bn - \$75bn)**



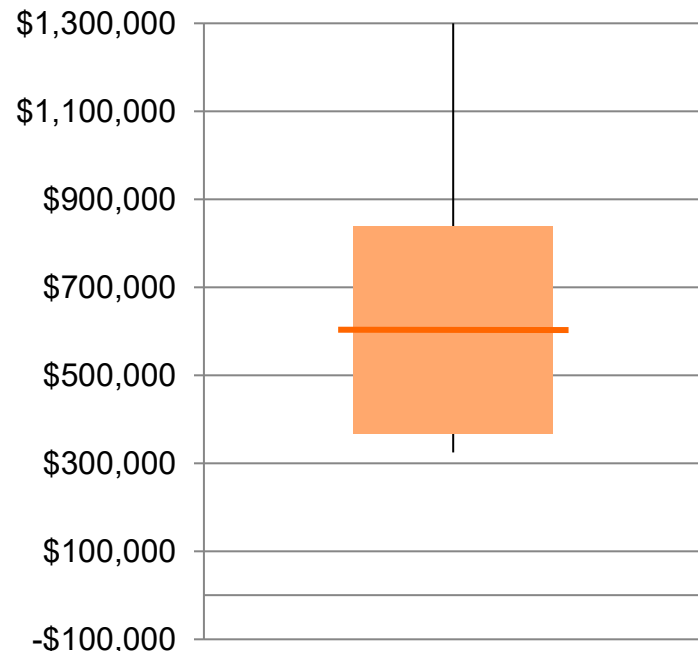
CCO Total Compensation: Assets \$75 Billion +

The average total compensation for this group was \$603,590 with a range of \$368,089 to \$839,091 within one standard deviation.

The full range was from roughly \$325,000 to \$1,300,000.

Non-base pay for this group averaged approximately 56% of total compensation.

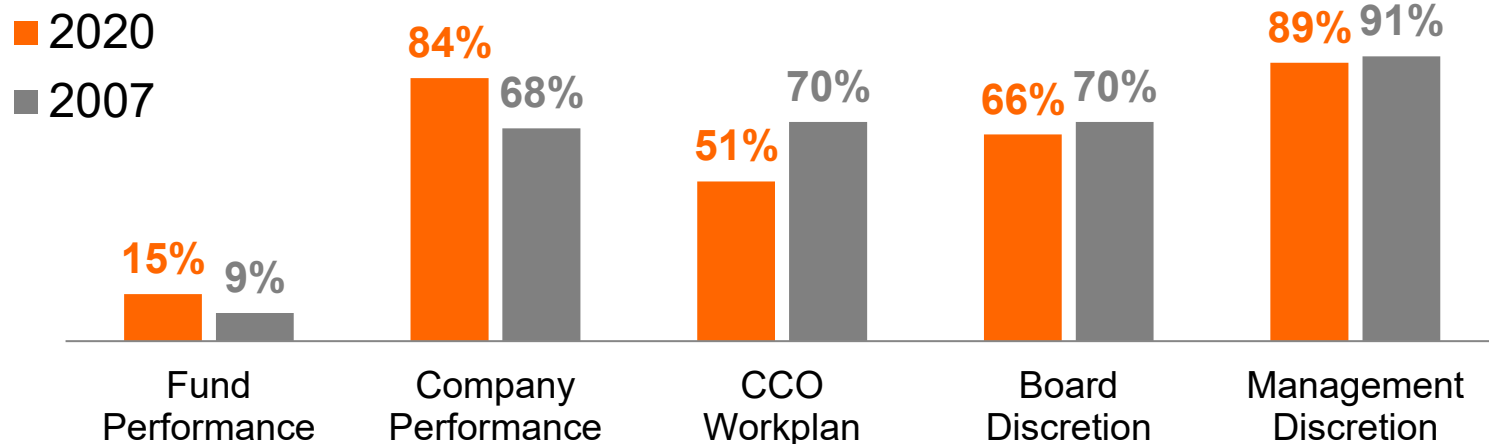
CCO Total Compensation
(AUM > \$75bn)



Influence on Bonus

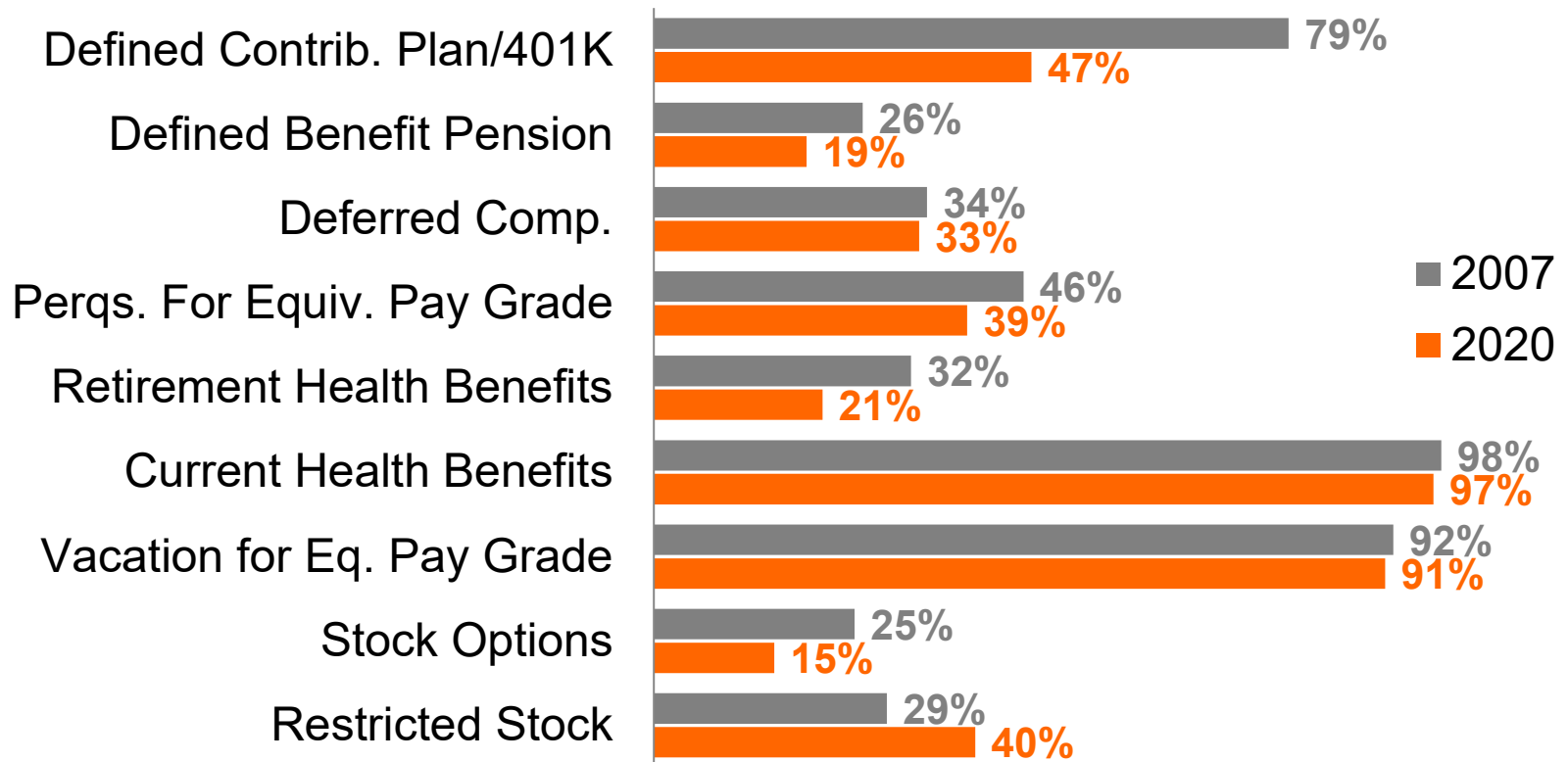
The vast majority of full-time CCOs (93%) receive a bonus as a part of their total compensation. Management companies and increasingly fund boards each have a strong influence in setting bonuses.

Factors Influencing Bonus for Full-Time CCOs



Employee Benefits

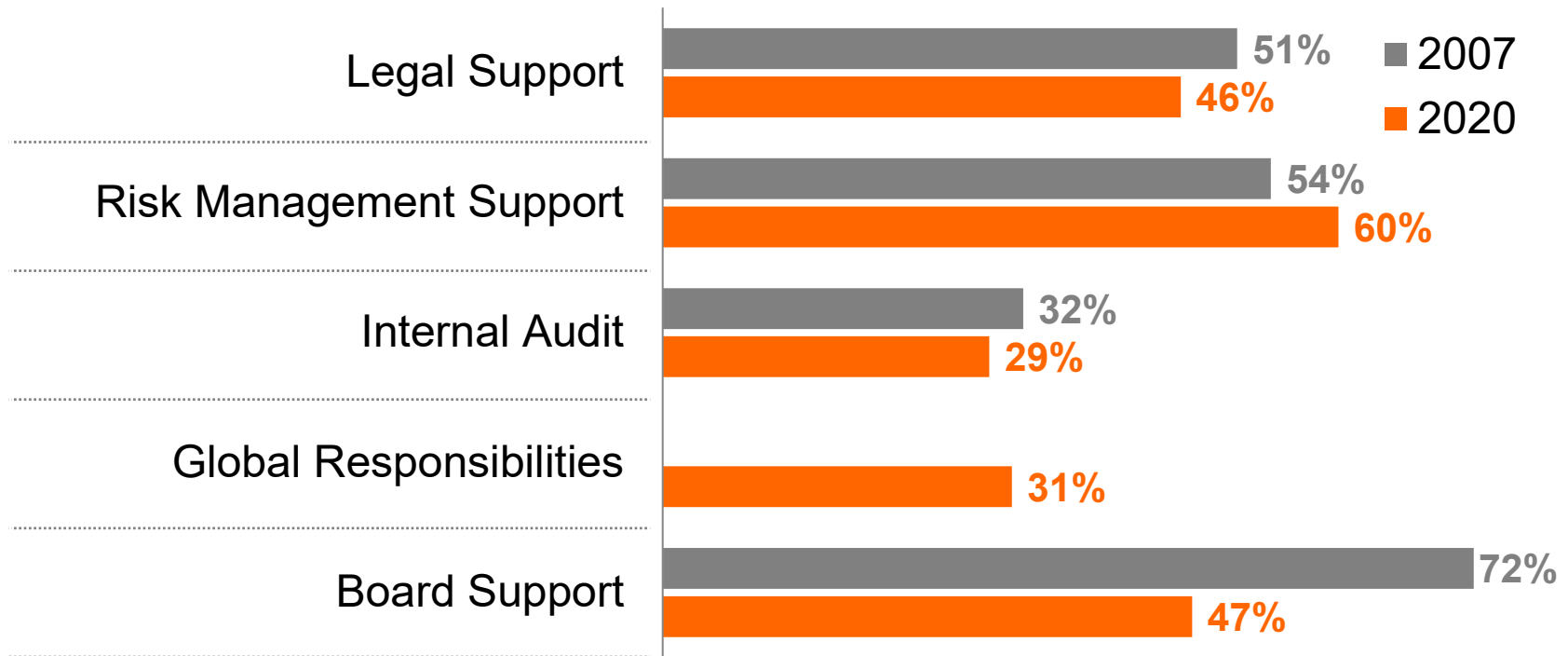
The CCO position benefits are typical for an officer of his/her salary grade (Full-time salaried employees).



Organizational Practices

Additional Duties

The majority of participant CCOs perform other functions for the funds, management, or both.

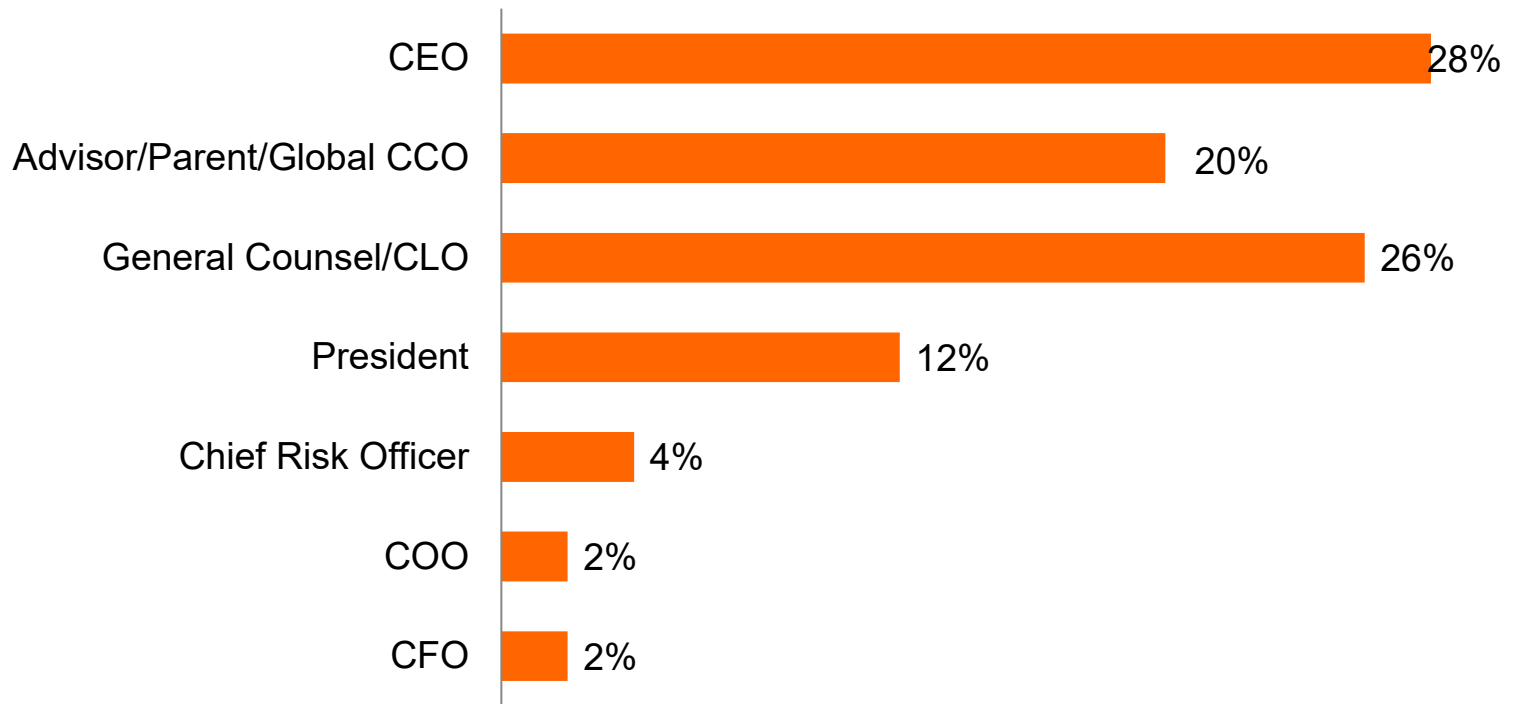


Other Metrics/Responsibilities

Average annual budget:	\$1.4 million
Average number of direct staff:	4
Average number of indirect staff:	5
Average number of sub-advisors overseen:	10.2
Average number of pricing services overseen:	3.5
Average number of other service providers overseen:	5.3

CCO Internal Reporting

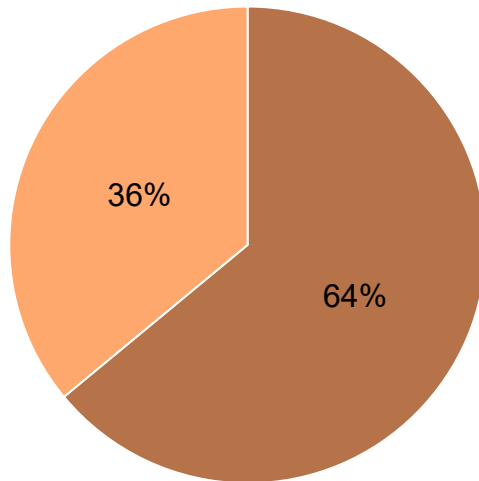
28% of CCOs report internally to the CEO, and 20% to a higher level of compliance/CCO.



Compensation Source

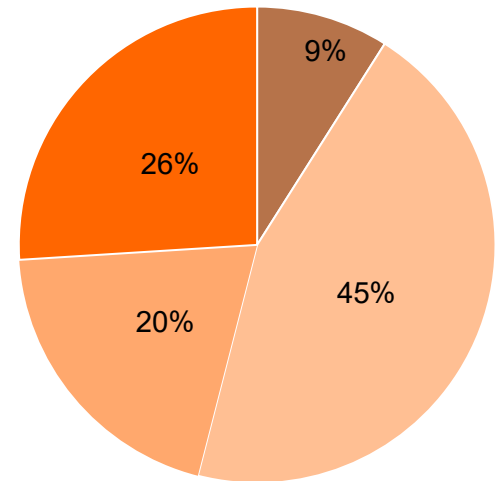
There has been a growing trend toward sharing the cost of the CCO between the funds and the manager. This year 64% reported some or all of their compensation being paid by the funds.

CCO Compensation Split



■ Fund Pays All or Part ■ Advisor Pays 100%

How Much the Funds Contribute (if they do contribute)



■ Up to 25% ■ 26% to 50%
■ 51% to 75% ■ 75% to 100%

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