

## **The 2018 MPI Mutual Fund CCO Compensation Survey (Summary)**

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MPI recently completed its thirteenth annual Survey of Mutual Fund Chief Compliance Officer Compensation and Organizational Practices. This bulletin summarizes the findings and is based on the submissions of 66 mutual fund CCOs from all regions of the U.S., representing funds with \$2.9 trillion in assets. This year's study found that 64% of the participants were full-time employees and serve as CCO to both the fund and the advisor.

After a modest increase of just 0.8% in 2016, mutual fund CCOs saw more notable pay increases in 2017. The average total compensation for this year's participants was \$431,957, up 7.1% from \$403,375 in 2016. The average in 2015 was \$400,148. This trend is supported by a subset of the survey participants, which includes 40 CCOs for whom data exists for two years (2016 and 2017). This group saw an increase in total compensation of 10% over the previous year. The increase from 2015 to 2016 had been 2.5% and from 2014 to 2015 it was 5.7%.

The vast majority (93%) of CCOs receive a bonus as a 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 the largest complexes—\$75 billion and above—received the highest proportion of non-base pay; on average 65% of total compensation. The majority of CCOs reported that their bonus is influenced by management (92%) as well as the board (66%). 80% reported that company performance is a factor.

The range of CCO compensation for the reporting fund families was wide—\$100,000 to over \$1,000,000—and depended on many variables, such as geographic location, number of funds and portfolios, retail or institutional distribution, number of sub-advisors, and mix of insurance related products. We also found that many CCOs were long term employees of the management company, or had many years of experience at another fund company. As a result CCO compensation was sometimes correlated with age and experience.

As the true costs and benefits of compliance have become clearer over recent years, there has been a trend toward splitting the cost of CCO compensation between the funds and the manager. 54% of CCOs reported being paid at least in part by the fund in 2017.

Benefits for CCOs have seen some fluctuation since the financial crisis. Those qualifying for a matching defined contribution/401k plan were once as high as 72% in 2008, but this has decreased to 54% as many companies eliminated or suspended their matching programs. Just 15% of CCOs are eligible for defined benefit plans versus 38% before the crisis. Restricted stock plans have increased to 44% from 29% in 2007. However, stock options, once reported by 25% of participants, have now dropped to just 10%.

In addition to their compliance responsibilities, most participating CCOs perform other functions for the business. We found that 80% of the reporting CCOs perform analytical functions directly for the fund board, which might include involvement in the 15(c) contract renewal process or monitoring soft dollar expenditures. Also notable in this environment is a continued number of participants reporting “Risk Management Support” as an additional duty, at 74% in 2017, up from 54% in 2007. 43% reported involvement in “Legal Support,” and 36% reported having “Global Responsibilities.”

The increasingly complex regulatory environment continues to affect the typical background and skill sets of fund CCOs. Nearly half (42%) of the respondents were lawyers and 48% reported some form of securities licensing. 14% were CPAs, down from 34% in 2007. 14% reported having prior SEC or other regulatory experience. The average CCO is 49 years old.

Internal reporting, apart from reporting to the board, saw 35% of CCOs reporting directly to the CEO and another 30% reporting to the general counsel or CLO (Chief Legal Officer). 21% report to a higher-ranked CCO at the advisor or parent company, with the rest reporting to the fund president, COO, CFO or CRO (Chief Risk Officer).

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*A CCOs compensation must be evaluated with regard to the effort, expertise and exposure involved with their particular fund complex. CCO compensation, as with any other position, is the result of determining how best to attract, motivate and retain the requisite talent for the specific assignment. For more information regarding the MPI Survey of Mutual Fund Chief Compliance Officer Compensation and Organizational Practices, please contact Management Practice.*

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