

**Association for Investment Management and Research
and
Russell Reynolds Associates**

**2001
Investment Management
Compensation Survey**

May 2001

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Introduction and Aggregate Results

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Competition for talent is a key reality in the investment management business. Those charged with building management teams must address a host of questions: Is there a premium paid for particular functions or areas of specialization? Is there a difference in remuneration among individuals who manage certain types of assets or work for a specific type of organization? Do firms put a monetary value on the Chartered Financial Analyst (CFA[®]) designation? Are their variations in compensation patterns and practices across countries?

Given the tremendous interest in this topic, the Association for Investment Management and Research (AIMR), the premier worldwide organization of investment management professionals, and Russell Reynolds Associates, a leading global executive recruiting firm, conducted a compensation survey to examine these issues as they had done in the first study published in 1999. The major findings from the survey are outlined in this report.

Methodology

As in 1999, AIMR and Russell Reynolds Associates commissioned Wirthlin Worldwide, an independent market research firm, to survey AIMR members. This time more than 41,000 AIMR members in the United States, Canada, United Kingdom, Hong Kong and Singapore received survey questionnaires in the first quarter of 2001. Data was received from over 10,000 respondents, representing a 24 percent response rate. Compensation figures include the respondents' current 2001 base salaries, anticipated 2001 cash bonuses and their estimate of the value of actual 2000 non-cash compensation, which includes incentives such as stock options, etc. The non-cash component for 2000 was used as a proxy for the 2001 numbers.

The very large survey response gives us considerable confidence that the aggregate results are representative of the membership of AIMR and of the investment management profession broadly. The large response in the U.S. and Canada gives us confidence that the compensation data collected in these countries are representative. The information for the United Kingdom, Hong Kong and Singapore, however, should be used with caution. Due to a much smaller AIMR membership in these countries, the compensation data represent the responses of fewer individuals.

In all cases, respondents were asked to provide their compensation figures in US dollars.

Survey Response

<u>Country</u>	<u>Surveys mailed*</u>	<u>Surveys returned</u>	<u>Response rate</u>
United States	31,380	8,049	26%
Canada	5,693	1,209	21%
United Kingdom	2,168	432	20%
Hong Kong	1,043	234	22%
Singapore	1,038	145	14%
TOTAL	41,322	10,069	24%

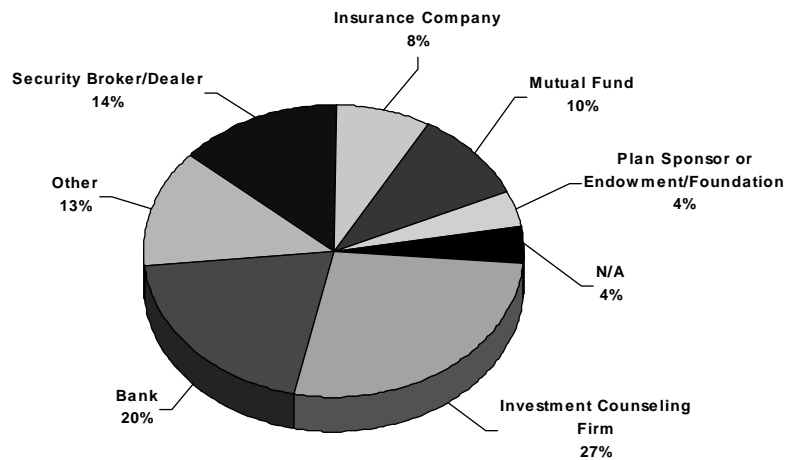
* A proportion of the surveys mailed were returned undeliverable.

AIMR members are believed to represent a large portion of chief investment officers, portfolio managers, research directors and securities analysts employed in the U.S., Canada, United Kingdom, Hong Kong and Singapore, and the compensation data collected in these categories should be representative. The information for certain other job functions should be used with caution, however. It is unlikely, for example, that AIMR members represent a large proportion of all chief executive officers, chief administrative officers, chief financial officers, marketers and traders employed by all financial institutions.

The compensation categories used in this survey are described in the “Reading the Data Book” section. It is important to note that in determining median total compensation, total compensation was first computed for each respondent based on the sum of the three compensation components reported (2001 median salary, 2001 median bonus, 2000 median non-cash compensation). The median was then computed from respondents’ total compensation. Please be aware that median total compensation will not necessarily equal the sum of median salary, median bonus and median non-cash compensation. Rather, median total compensation reflects the median of all total compensation figures.

Sample Composition

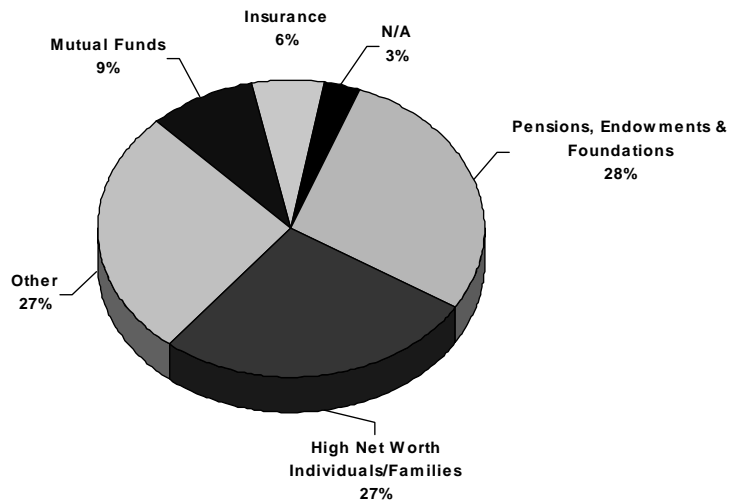
Survey Respondents included individuals working at the following *types of organizations*:



Type of Organization by Country

	<u>Total</u>	<u>Canada</u>	<u>Hong Kong</u>	<u>Singapore</u>	<u>UK</u>	<u>US</u>
Investment Counseling Firm	27%	28%	10%	14%	16%	28%
Bank	20%	15%	35%	29%	24%	20%
Securities Broker/Dealer	14%	19%	22%	14%	14%	13%
Mutual Fund	10%	8%	13%	12%	15%	11%
Insurance company	8%	6%	6%	3%	10%	8%
Plan sponsor or Foundation/Endowment	4%	5%	0%	2%	3%	4%
Other	13%	15%	11%	18%	10%	12%
No Answer	4%	4%	3%	8%	8%	4%

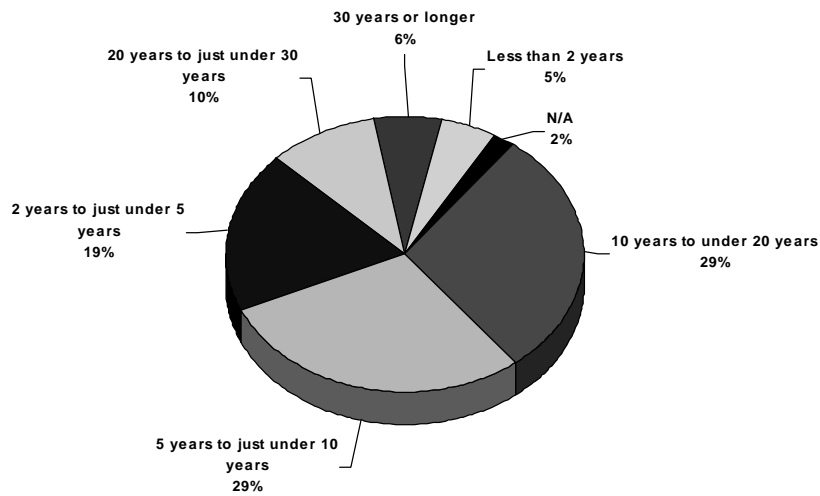
Survey Respondents described the types of assets they personally managed as:



Type of Assets by Country

	<u>Total</u>	<u>Canada</u>	<u>Hong Kong</u>	<u>Singapore</u>	<u>UK</u>	<u>US</u>
Pensions, Endowments & Foundations	28%	28%	21%	33%	40%	27%
High net worth individuals/families	27%	22%	16%	15%	11%	29%
Mutual fund	9%	8%	7%	4%	10%	10%
Insurance	6%	5%	3%	3%	5%	6%
Other	27%	33%	50%	35%	29%	25%
No answer	3%	3%	3%	10%	5%	3%

Survey Respondents included individuals with the following *years of experience*:



Years of Experience by Country

	<u>Total</u>	<u>Canada</u>	<u>Hong Kong</u>	<u>Singapore</u>	<u>UK</u>	<u>US</u>
Less than 2 years	5%	6%	9%	14%	3%	5%
2 years to under 5 years	19%	28%	30%	30%	25%	17%
5 years to under 10 years	29%	30%	44%	28%	36%	28%
10 years to under 20 years	29%	25%	16%	21%	27%	31%
20 years to under 30 years	10%	6%	0%	1%	6%	11%
30 years or longer	6%	4%	1%	0%	2%	7%
5+ years	74%	65%	61%	50%	71%	77%
10+years	45%	35%	17%	22%	35%	49%
No answer	2%	1%	<1%	6%	1%	1%

Country Compensation Differences

This year, the survey universe was broadened beyond North America to include the UK, Hong Kong and Singapore and results for the US and Canada were also broken out separately. The overall survey results indicate investment management professionals continue to be well compensated. The 2001 median total compensation for investment management professionals with more than 10 years of experience is approximately US\$236,000, which includes a median base salary of US\$135,000, an anticipated cash bonus of US\$70,000 and non-cash compensation, usually in the form of stock options, of US\$20,000. Additionally, the top 10% of investment managers surveyed with more than ten years of experience expect to earn approximately US\$880,000, with many earning into seven figures.

There are notable differences in compensation levels by country. AIMR members in the United Kingdom and United States out earn their peers by a wide margin in terms of median compensation. Those surveyed in Canada and Singapore reported median compensation that significantly trailed their counterparts in other countries. It should be noted that incentive compensation accounts for a higher proportion of total compensation in the United Kingdom than in other countries.

Country Differences

US\$

	<u>Total</u>	<u>Canada</u>	<u>Hong Kong</u>	<u>Singapore</u>	<u>U.K.</u>	<u>U.S.</u>
2001 Median Salary	\$105,000	\$ 65,000	\$ 97,000	\$ 70,000	\$112,000	\$115,000
2001 Median Bonus	\$ 50,000	\$ 30,000	\$ 30,000	\$ 22,000	\$ 70,000	\$ 50,000
2000 Median Non-Cash Compensation	\$ 10,000	\$ 2,000	\$ 10,000	\$ 7,000	\$ 20,000	\$ 10,000
Median Total Compensation	\$178,000	\$108,000	\$136,000	\$112,000	\$200,000	\$190,000
90 th Percentile	\$610,000	\$380,000	\$511,500	\$419,000	\$710,000	\$650,000

When looking only at those with more than ten years of experience, compensation levels across countries are more consistent. The exceptions are investment professionals in Canada, who earn significantly less than their peers with ten or more years of experience in other countries (35 percent below the overall median compensation).

Country Differences – 10+ years experience only
US\$

	<u>Total</u>	<u>Canada</u>	<u>Hong Kong</u>	<u>Singapore</u>	<u>U.K.</u>	<u>U.S.</u>
2001 Median Salary	\$135,000	\$ 87,000	\$166,000	\$144,500	\$150,000	\$140,000
2001 Median Bonus	\$ 70,000	\$ 50,000	\$ 85,000	\$ 75,000	\$ 90,000	\$ 75,000
2000 Median Non-Cash Compensation	\$ 20,000	\$ 7,000	\$ 45,000	\$ 30,000	\$ 40,000	\$ 20,000
Median Total Compensation	\$236,000	\$153,000	\$240,000	\$295,000	\$257,500	\$245,000
90 th Percentile	\$880,000	\$675,000	\$842,000	\$720,000	\$1,100,000	\$900,000

The Effect of Gender

The study reveals that there is a substantial difference between the compensation of men and women. Overall, 17 percent of those responded were women. Across all levels of experience and in each of the markets surveyed, women earn significantly less than men. In aggregate, women’s median total compensation is 16 percent less than men’s. Interestingly, the “gender gap” was most pronounced in Singapore with men out-earning women by 26 percent at the median.

While there is no simple explanation for the imbalance, one factor may be the greater proportion of men in the most senior and high paying roles, such as Chief Executive Officer and Chief Investment Officer positions, and the greater concentration of men employed by securities firms.

The Gender Gap US\$

Years of Experience

	<u>Total</u>	<u>Less than 5 Years</u>	<u>5 to just under 10 Years</u>	<u>10 to just under 20 Years</u>	<u>20+ Years</u>	<u>5+ Years</u>	<u>10+ Years</u>
Men's Median Total Compensation	\$183,000	\$115,000	\$175,000	\$237,000	\$254,500	\$215,000	\$245,000
Women's Median Total Compensation	\$154,000	\$104,000	\$155,000	\$186,000	\$230,000	\$180,000	\$200,000
Gap (as a % of Men's Compensation)	16%	10%	11%	22%	10%	16%	18%

Conclusion

This survey is one of the most extensive and far reaching compensation surveys ever conducted within the investment management industry, including AIMR members in the US, Canada, the United Kingdom, Hong Kong and Singapore. The results illustrate that investment professionals in the major financial centers around the world are relatively well paid. While base salary and incentive compensation vary widely by country, it is apparent that the highest paid investment professionals in each of the markets surveyed are those with more than 10 years experience employed by large organizations. An investment professional's compensation also depends on the type and size of his or her employer, the asset class he or she manages and the type of clients served. A "gender gap" can also be observed. Men are out earning women with comparable levels of experience in the investment management field in virtually every market surveyed. It was also clear that a compensation premium exists for CFA charterholders.

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