



## Agenda Item 7

April 17, 2013

**ITEM NAME:** Investment Office Classification and Organization Redesign Effort

**PROGRAM:** Administration

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

This information item reports the progress made to-date and next steps in the Investment Office Classification and Organization Redesign Study.

### **STRATEGIC PLAN**

This agenda item supports Goals A and B of the 2012-17 Strategic Plan, including recruitment and retention of individuals with the skills and capabilities necessary to meet investment performance objectives and effectively manage operational and investment risk.

### **BACKGROUND**

In support of the Investment Office Roadmap strategic priority to strengthen its organization systems and controls, staff presented an information item in December 2011 to the Committee, outlining the process for conducting a classification and organizational study of the Investment Office (INVO). The intent of the study is to mitigate some of the high-risk areas identified in the INVO Risk Heat Map (Attachment 1) and enable delivery of INVO's Target Operating Model (TOM), including recruitment and retention of investment managers with the skills and capabilities necessary to meet investment performance objectives and effectively manage operational and investment risk.

The three phases of the study include the following:

**Phase I** - Assessment of Senior Investment Officer/Portfolio Manager classification structure, conducting of gap analysis, and development of recommendations for a revised classification and organizational structure.

**Phase II** - Development of a classification proposal for a revised Senior Investment Officer/Portfolio Manager required by control agencies, addressing gaps and recommendations identified in Phase I. It is within this phase that a classification proposal would be submitted to CalHR and State Personnel Board for approval.

**Phase III** - Implementation of approved classification proposal and change management efforts to ensure a seamless transition to a more effective classification and organizational structure.

In June of 2012, we reported on Phase I of the study, which was completed in January of 2012, and included the following components:

- A review of INVO's current Senior Investment Officer/Portfolio Manager classification structure and assessment of the appropriateness of the duties being performed;
- A comparison of the current organizational structure to required functions and other private and public sector investment management organizations;
- The identification of gaps in INVO's current classification plan; and
- The development of a set of considerations and recommendations which may be used in the modification of INVO's current classification structure.

## **ANALYSIS**

Since June, we have turned our focus to Phase II and the development of the steps necessary to address the gaps identified in Phase I. Phase II was just recently completed and the components included the following:

- A job analysis has been completed which documents the key tasks, knowledge, and abilities that are critical to success in each classification;
- A proposed revision to the Senior Investment Officer/Senior Portfolio Manager/Portfolio Manager series classification specification has been drafted to update and help ensure that it encompasses the full range of required knowledge, skills, abilities, and functions performed within INVO;
- Proposed new classification titles have been created to change perceptions that the work performed by incumbents is solely structured around portfolio management. The new class titles are:
  - Managing Investment Director (currently Senior Investment Officer)
  - Senior Investment Director (currently Senior Portfolio Manager)
  - Investment Director (currently Portfolio Manager);
- A proposed new bridging managerial classification has been developed between the Investment Officer III and the proposed new title of Investment Director. The title of the new bridging class will be Investment Manager and a proposed base salary will be presented for approval in May. We will not be requesting to increase current salary ranges for the proposed Investment Management Series;
- Functional groupings and specialties within the renamed Investment Management classification series have been created for all classifications;
- A hierarchical structure within the new Investment Management classification series has been developed (Attachment 2), and includes alignment of title structures and functional roles and responsibilities. Consideration was also

given to FINO's finance and investment leadership needs and the hierarchical structure incorporates appropriate levels within the series to address these needs; and

- Modified incentive compensation ranges based upon functional specialties and current market data have been recommended. We will not be requesting to increase incentive compensation ranges for the proposed classification.

Staff will present the above proposed actions to the Board of Administration for approval in May. Upon approval to proceed with the above proposed changes, HRSD will submit the required documents to CalHR and the State Personnel Board for their review and approval.

**ATTACHMENTS**

Attachment 1 – INVO Risk Heat Map

Attachment 2 – Investment Office Hierarchical/Classification Structure

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