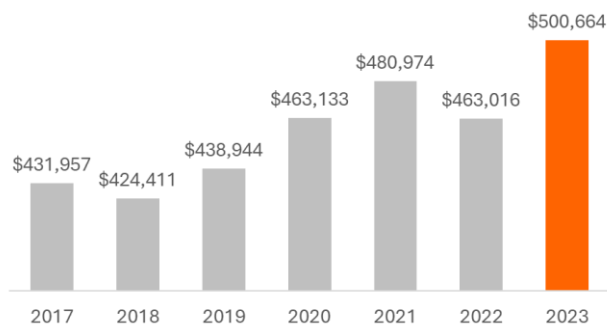


The 2024 MPI Mutual Fund CCO Compensation Survey (Summary)

By Jay Keeshan Management Practice (MPI)

MPI recently completed its nineteenth annual Survey of Mutual Fund Chief Compliance Officer Compensation and Organizational Practices. This bulletin summarizes the findings and is based on the submissions of 64 mutual fund CCOs from all regions of the U.S., representing funds with \$4.6 trillion in assets and overseeing over 2,600 funds. This year's study found that 66% of the participants serve as CCO to both the fund and the advisor.

The average total compensation for this year's 64 participants was \$500,664, up 8.1% from last year's average of \$463,016, which had decreased by 3.7%.



A subset of the survey participants, which includes 46 CCOs for whom data exists for two years (2022 and 2023), saw an increase of 4.5%. A similar subset in last year's report saw a decrease of 0.4%, while similar subsets over the previous six years saw increases of 8.3%, 4.1%, 6.2%, 6.6%, 10%, and 2.5%

The vast majority (94%) 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 (91%) as well as the board (61%). 82% reported that company performance is a factor.

The range of CCO compensation for the reporting fund families was wide—\$100,000 to over \$1,700,000—and appears to be affected by many variables, such as geographic location, number of funds/portfolios, retail or institutional distribution, number of sub-advisors, and assets overseen. 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 is also likely 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. 60% of CCOs reported being paid at least in part by the fund(s) in 2023.

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 79% in 2007, but this has decreased to 56% as many companies eliminated or suspended their matching programs. Just 10% of CCOs are eligible for defined benefit plans versus 38% before the crisis. Restricted stock plans have increased to 38% from 29% in 2007. However, stock options, once received by 25% of participants, have now dropped to just 5%.

In addition to their compliance responsibilities, most participating CCOs perform other functions for the business. We found that 37% of the CCOs reported supporting the board in ways beyond their CCO duties, 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 63% in 2023, up from 54% in 2007. 47% reported involvement in “Legal Support,” and 39% reported having “Global Responsibilities.”

The increasingly complex regulatory environment continues to affect the typical background and skill sets of fund CCOs. Over a third (40%) of the respondents were lawyers and 43% reported some form of securities licensing. Just 8% reported being CPAs, down from 34% in 2007. 15% reported having prior SEC or other regulatory experience. The average CCO is 51 years old. 27% of participating CCOs were female.

Internal reporting, apart from reporting to the board, saw 28% of CCOs reporting directly to the CEO and another 28% reporting to a higher-ranked CCO at the advisor or parent company. 21% report to the general counsel or CLO (Chief Legal Officer), with the majority of the rest reporting to the fund president, COO, CIO, CFO, or CRO (Chief Risk Officer).

A CCO’s 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.