



**CFA Institute**  
**2007 Member Compensation Survey**

**Major Findings: Germany**



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## **Introduction, Methodology, and Compensation Calculation**



## Introduction

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The 2007 Member Compensation Survey is designed to provide CFA Institute members with compensation information to help with career assessment and planning. The self-reported data included in this report covers broadly defined positions and, as such, provide members with useful directional frames of reference about pay levels.

It should also be noted that because the survey includes only data from a sample of CFA Institute members, it is not necessarily representative of the full CFA Institute membership or the total population of individuals in these positions.

CFA Institute members continually express the value they derive from the compensation survey. The priority for the 2007 Member Compensation Survey was, therefore, to thoroughly review the survey instrument, methodology, and reporting practices both internally and with outside experts. The goal of this review was to enhance the rigor of the entire survey process and improve the validity and precision of the compensation data provided to members this year and in years to come. To accomplish this objective, CFA Institute worked collaboratively with two independent parties to blend their unbiased analysis and subject matter expertise. CFA Institute commissioned Harris Interactive, an independent global market research firm, to lead the 2007 Member Compensation Survey research process. Additionally, AON Corporation contributed to the design of the survey instrument and to the design and interpretation of the data reports.

Significant enhancements were made to improve the quality of the findings in 2007. In summary, the following changes were made:

1. The data were standardized to the extent possible by not including data that might distort the compensation results. This was accomplished by including only:
  - Individuals who were employed on a full-time basis throughout 2006.
  - Individuals who were **not** covered under expatriate pay arrangements in 2006.
  - Individuals who were in the same position at the same company for the whole of 2006.
2. The organizations and occupations tracked in reporting have been more precisely defined to provide greater consistency.
3. The total number of questions was limited to reduce respondent fatigue and maintain or improve response rates.
4. The questions included in the compensation calculation were reengineered to more accurately capture the appropriate pay elements to calculate total compensation.
5. All compensation data points were reviewed to confirm validity for inclusion in the calculation.

Because of the extensive changes made to the survey instrument in 2007, it is **not possible to make accurate comparisons with past survey data**. However, we believe these changes significantly improve the quality of the compensation data reported, and the 2007 survey will be a strong benchmark for future comparisons.



## Methodology

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CFA Institute commissioned Harris Interactive, an independent global market research firm, to conduct the 2007 Member Compensation Survey. Additionally, AON Corporation contributed to the design of the survey instrument and to the design and interpretation of the data reports.

The Member Compensation Survey was conducted online from 30 April through 29 May 2007. CFA Institute sent invitations to participate via e-mail, followed by two reminder e-mails. Each e-mail contained a link to the survey housed on a secure website managed by Harris Interactive. The survey took seven minutes, on average, to complete.

CFA Institute members in Germany – 1,198 members in total – were invited via e-mail to participate in the survey<sup>1</sup>. A total of 261 members responded to the survey, and 250 members are included in this report, representing 21 percent of the CFA Institute membership in Germany.

### *A note about reporting*

The following sample size thresholds were implemented in reporting the data:

- The text reports display results for sample sizes of 10 respondents or more.
- The online searchable database displays results for sample sizes of 5 respondents or more.
- Low- and high-quartile data are displayed for sample sizes of 10 respondents or more.

These thresholds were set in order to provide members with the greatest amount of information while still protecting the confidentiality of individual responses. The sample sizes for some of the reported data are quite small. Care should be taken when interpreting the data based on small sample sizes, as the results may not be representative of the total audience.

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<sup>1</sup> Sample based on CFA Institute members in Germany with a valid e-mail address as of April 2007. Members requesting not to receive e-mail or survey communications from CFA Institute were excluded.



## Compensation Calculation

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Members were allowed to provide their compensation information in their currency of choice. All compensation data were then converted to both Euros and U.S. dollars. **The data presented in this report are in Euros.** At the end of the report, a summary of the data is provided in U.S. dollars. The exchange rate used was the average of the daily average Interbank Rate for the period 1 January 2006 through 31 December 2006 as reported on [www.oanda.com](http://www.oanda.com). The compensation categories are defined as follows:

Base salary	The median of the annual base salary, determined by multiplying one's monthly salary as of 1 March 2007 by 12. As applicable, this <i>includes</i> fixed bonuses and/or other payments that are part of one's annual salary and <i>excludes</i> year-end cash bonuses.
Cash bonus	Median total cash bonus awarded for 2006 performance. This <i>includes</i> all cash payments related to the 2006 performance year, including commission payments, and <i>excludes</i> prior year deferrals paid out in 2006, long-term incentive grants, and pension and other retirement funds. <b>Note:</b> Only those eligible for a cash bonus in 2006 are included in the cash bonus calculation.
Total cash compensation	Total cash compensation was first calculated for each individual respondent by summing 2007 base salary and cash bonus awarded for 2006 performance. Median total cash compensation was then calculated for the full sample. Therefore, median total cash compensation will not necessarily equal the sum of the median base salary and median cash bonus.
Total compensation	Total compensation was first calculated for each individual respondent by summing base salary, cash bonus awarded for 2006 performance, and long-term incentives awarded for the 2006 performance year*. Median total compensation was then calculated for the full sample. Due to the small number of respondents who were awarded long-term incentives for the 2006 performance year, total compensation is the same as total cash compensation in some cases.
Low quartile / high quartile	Total compensation at the 25 <sup>th</sup> percentile and 75 <sup>th</sup> percentile.
N	Number of qualified survey respondents included in the reported data.

\* Long-term incentives include the expected cash equivalent value of share options, restricted shares, and other long-term incentives granted for 2006 performance. This *includes* the portion of 2006 cash bonus mandatorily deferred, phantom shares, performance units, and investment partnership payments and *excludes* pension and other retirement funds.

**Note:** In order to calculate the most accurate cash bonus and long-term incentive figures for the 2006 performance year, the data exclude members who were not in the same position at the same company for the whole of 2006. The data do include members who may have changed their position and/or company during January through May 2007, which is reflected in the reported 2007 base salary.



## **Respondent Profile**



## Respondent Profile

Below is a summary of the demographic profile of the 250 CFA Institute members included in this report. It is important to keep in mind the profile of these respondents when reviewing the compensation results, as the group responding is not necessarily representative of the full CFA Institute membership in Germany or the total population of investment professionals in Germany.

<b>Respondent Profile: Germany</b>			
<b>Year of Experience</b>			
Less than 2 years	3%		
2 years to less than 5 years	22		
5 years to less than 10 years	60		
10 years to less than 20 years	14		
20 years or more	1		
<b>Advanced Degrees</b>			
MBA or equivalent	29%		
Masters' degree or equivalent	57		
Ph.D. or equivalent	5		
None of the above	17		
<b>Charterholder Status</b>			
Charterholder	94%		
Candidate	6		
<b>Organization Type</b>			
Investment management firm	42%		
Investment bank, commercial bank, brokerage firm	26		
Consulting, accounting, law firm	11		
Insurance company	9		
Government agency/department	1		
Corporate plan sponsor	1		
Family office	1		
Rating agency	1		
Hedge fund or hedge fund of funds	<1		
Educational institution	0		
Endowment, foundation	0		
Other	8		
<b>Assets under Management (executives and buy-side only)</b>			
Under €398.5 million	5%		
€398.5 million to less than €1.6 billion	7		
€1.6 billion to less than €8.0 billion	16		
€8.0billion to less than €39.9 billion	21		
€39.9 billion to less than €79.7 billion	9		
€79.7 billion or more	42		



## Respondent Profile

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<b>Occupations: Germany</b>	<b>%</b>	<b>N</b>
Chief executive officer	<1	1
Chief administrative officer/chief operating officer	1	2
Chief investment officer	<1	1
Head of equities	1	2
Head of fixed income	1	2
Portfolio manager	26	66
Buy-side research analyst	2	6
Buy-side trader	1	2
Buy-side sales/marketing	1	3
Strategist	3	8
Manager of managers	2	5
Financial advisor/broker	1	2
Private banker	<1	1
Investment banker	5	12
Sell-side research analyst	5	13
Sell-side trader	1	3
Sell-side sales	5	12
Performance analyst	<1	1
Risk manager	4	9
Accountant/auditor	5	13
Actuary	2	5
Consultant	10	25
Credit analyst (rating)	2	4

*Occupations with no respondents are not shown.*



## **Research Findings**



## **Reported Compensation in Germany**

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This report includes selected results from the 2007 CFA Institute Member Compensation Survey. CFA Institute members can access the full dataset through an online searchable database located on the CFA Institute website:

<http://www.cfainstitute.org/memresources/private/surveys/index.html>.

The online searchable database contains all of the compensation results organized by country, select metropolitan areas, currency, organization type, and occupation where sample sizes permit. When looking at any aggregate totals, one should remember that several factors contribute to differences in compensation, including position, years of experience, size of organization, type of organization, and country. In many countries, limited sample sizes do not allow us to present a full cross-tabulation of all variables. To protect respondent confidentiality, results are only provided for sample sizes of five respondents or more. In this report, results are only shown for sample sizes of 10 respondents or more.

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Three-quarters (75 percent) of respondents report that their total compensation increased from 2005 to 2006; 31 percent said their compensation increased by 20 percent and 24 percent said the increase was between 10 and 20 percent. Only 6 percent said their total compensation decreased from 2005 to 2006.

Almost all respondents (94 percent) were eligible for a cash bonus in 2006. What is the largest determinant of cash bonus? Fifty-nine percent said their bonus is primarily tied to their individual performance – investment performance, financial contribution, or other individual factors. Twenty-two percent said bonus is driven by business unit/division performance, and 15 percent said overall firm performance is most important.

While most respondents were eligible for a cash bonus in 2006, one-quarter (27 percent) were awarded long-term incentives. Restricted shares account 38 percent of the long-term incentives granted, and share options only 12 percent. More than half (57 percent) of those awarded long-term incentives said they were in another form, such as the portion of 2006 mandatory deferred cash bonus, phantom shares, performance units, and investment partnership payments.



## Reported Compensation in Germany

Among those occupations with enough respondents to report, sell-side sales representatives are the most highly compensated (€203,000), followed by investment bankers (€137,000), sell-side research analysts (€130,000) and portfolio managers (€124,000). Respondents in occupations that are not directly responsible for investment management – consultants and accountants/auditors – tend to earn less than those in investment management positions (€94,000 and €84,000, respectively).

Germany Reported Compensation by Selected Occupations (in Euros)						
	<b>Portfolio Manager</b> (N = 66)	<b>Sell-Side Research Analyst</b> (N = 13)	<b>Sell-Side Sales</b> (N = 12)	<b>Investment Banker</b> (N = 12)	<b>Consultant</b> (N = 25)	<b>Accountant/ Auditor</b> (N = 13)
Base salary	€80,000	€80,000	€90,000	€85,000	€79,000	€70,000
Cash bonus	40,000	48,000	125,000	58,000	16,000	15,000
Total cash compensation	120,000	130,000	203,000	137,000	90,000	84,000
<b>Total compensation</b>	<b>124,000</b>	<b>130,000</b>	<b>203,000</b>	<b>137,000</b>	<b>94,000</b>	<b>84,000</b>
Low quartile	94,000	87,000	173,000	114,000	72,000	71,000
High quartile	170,000	211,000	348,000	192,000	110,000	122,000

**Research Caveat:** The compensation data reported here are based on responding CFA Institute members and are not necessarily representative of the full CFA Institute membership or the population of investment professionals as a whole.



## Reported Compensation in Germany

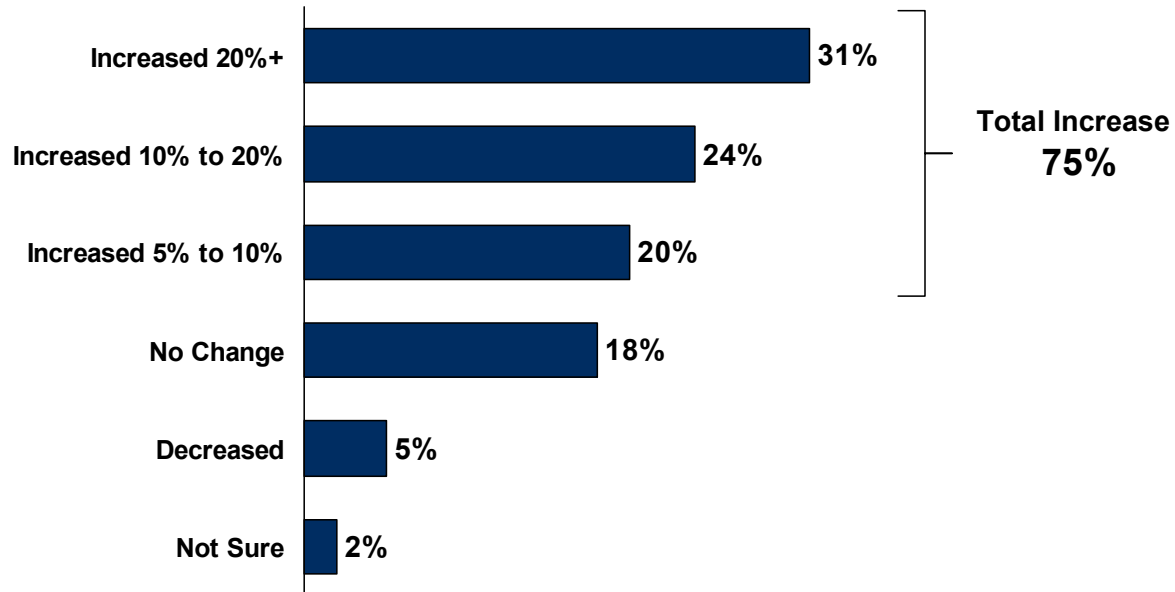
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Germany Reported Median Total Compensation by Years of Experience for Selected Occupations (in Euros)				
	Total	Less than 5 Years Experience	5 to Less than 10 Years Experience	10+ Years Experience
Portfolio manager	€124,000		€122,000	€207,000
Sell-side research analyst	130,000		108,000	
Consultant	94,000		101,000	

**Note:** Shaded areas indicate N sizes too small to report.

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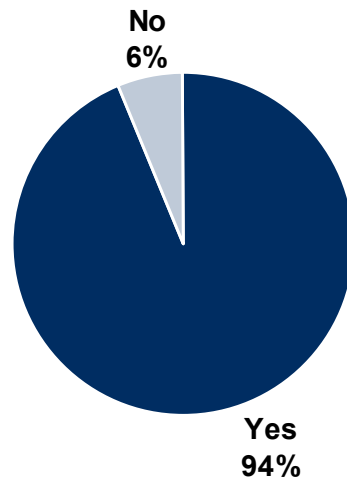
## Reported Change in Total Compensation from 2005 to 2006 Germany



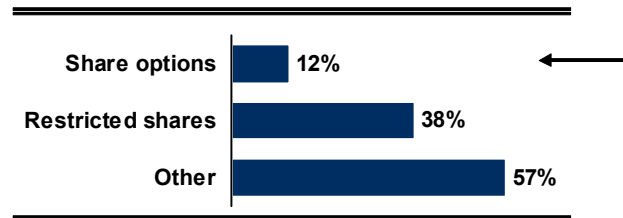
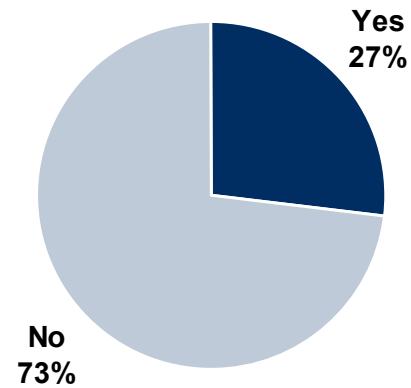
Q: How much did your total compensation increase or decrease from 2005 to 2006? Total compensation includes annual base salary rate, total cash bonus, and long-term incentives.

## Cash Bonuses and Long-Term Incentives Germany

**Eligible for a  
Cash Bonus in 2006**

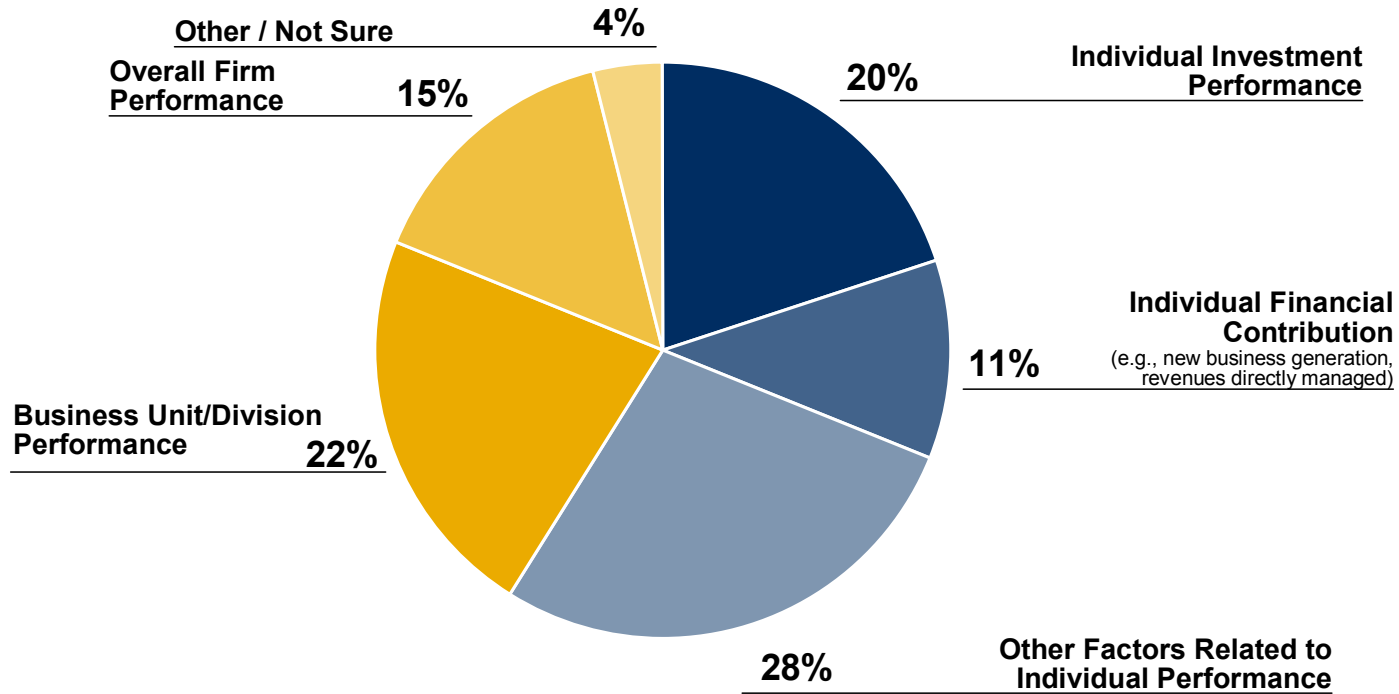


**Long-Term Incentives  
Awarded in 2006**



Q: Were you eligible for a cash bonus in 2006?  
 Q: Which of the following long-term incentives were you awarded for the 2006 performance year? (Select all that apply): Share options, Restricted shares, Other long-term incentives, including mandatory deferred cash, phantom shares, performance units, and investment partnership payments, None of these.

### Most Important Determinant of Cash Bonus Germany



Q: Which of the following is the SINGLE MOST IMPORTANT consideration in the determination of your cash bonus?



## Compensation Data in U.S. Dollars

Below are the compensation data tables reported in U.S. dollars. The exchange rate used is 1.2562, which is the average of the daily average Interbank Rate for the period 1 January 2006 through 31 December 2006, as reported on [www.oanda.com](http://www.oanda.com).

<b>Germany Reported Compensation by Selected Occupations</b> <i>(in U.S. dollars)</i>						
	<b>Portfolio Manager</b> (N = 66)	<b>Sell-Side Research Analyst</b> (N = 13)	<b>Sell-Side Sales</b> (N = 12)	<b>Investment Banker</b> (N = 12)	<b>Consultant</b> (N = 25)	<b>Accountant/Auditor</b> (N = 13)
Base salary	\$100,000	\$100,000	\$113,000	\$106,000	\$99,000	\$88,000
Cash bonus	50,000	60,000	157,000	72,000	19,000	19,000
Total cash compensation	151,000	163,000	254,000	172,000	113,000	106,000
<b>Total compensation</b>	<b>156,000</b>	<b>163,000</b>	<b>254,000</b>	<b>172,000</b>	<b>118,000</b>	<b>106,000</b>
Low quartile	117,000	109,000	217,000	144,000	90,000	89,000
High quartile	214,000	265,000	437,000	241,000	138,000	153,000

<b>Germany Reported Median Total Compensation by Years of Experience for Selected Occupations</b> <i>(in U.S. dollars)</i>				
	<b>Total</b>	<b>Less than 5 Years Experience</b>	<b>5 to 10 Years Experience</b>	<b>10+ Years Experience</b>
Portfolio manager	\$156,000		\$153,000	\$260,000
Sell-side research analyst	163,000		136,000	
Consultant	118,000		126,000	

Note: Shaded areas indicate N sizes too small to report.

**Research Caveat:** The compensation data reported here are based on responding CFA Institute members and are not necessarily representative of the full CFA Institute membership or the population of investment professionals as a whole.



## **Appendix: Occupation Descriptions**



## Appendix: Occupation Descriptions

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Below is a full description of the occupations with enough respondents to be reported for Germany. Please refer to the Summary Report for a description of all of occupations captured in the survey.

### Portfolio manager includes:

Portfolio manager: equities (fundamental) – Portfolios/funds that consist largely of common shares issued by organizations. Investment approach focuses on analysis of individual securities’ financial performance, competitive advantage, quality of management, etc.

Portfolio manager: fixed income (fundamental) – Portfolios/funds that consist largely of fixed-income securities issued by organizations. Investment approach focuses on credit analysis and/or analysis of classes of securities, market trends, etc.

Portfolio manager: quantitative – Investment approach that seeks to maximize portfolio performance by using strategies that rely on mathematical models. Responsibilities include portfolio construction, monitoring, rebalancing, and model refinement.

Portfolio manager: indexed – Portfolios that are designed to replicate the performance of a specific index (e.g., MSCI, S&P 500).

Private client portfolio manager – Primarily responsible for managing individual and/or trust account assets and investment relationships

Portfolio manager: other – All other portfolio managers

### Sell-side research analyst includes:

Sell-side equity research analyst – Evaluates the earnings potential and prospective market value of publicly traded companies. Analyses are distributed to brokerage and/or banking clients.

Sell-side fixed-income research analyst – Evaluates the creditworthiness of debt issuers and the value of their outstanding debt. Analyses are distributed to brokerage and/or banking clients.

### Sell-side sales includes:

Equity sales – Provides equity brokerage and investment research services to institutional clients (e.g., asset managers, hedge funds).

Fixed income sales – Provides fixed-income brokerage and investment research services to institutional clients (e.g., asset managers, hedge funds).



## **Appendix: Occupation Descriptions**

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Investment banker – Helps corporations, governments, and other institutions raise equity, issue debt, and/or complete mergers and acquisitions, private placements, restructurings, etc.

Accountant/auditor – Provides accounting, process control, and/or tax advice to corporations, governments, individuals, etc.

Consultant – Provides expert advice in a specific area, such as business strategy, marketing, financial management, information technology.