

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

**BOARD OF RETIREMENT
2223 WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701**

PERSONNEL COMMITTEE MEETING

Wednesday, February 26, 2020

**12:30 P.M. OR UPON ADJOURNMENT OF THE INVESTMENT COMMITTEE MEETING,
WHICHEVER IS LATER**

Members of the Committee

Chris Prevatt, Chair

Wayne Lindholm, Vice Chair

Roger Hilton

AGENDA

This agenda contains a brief general description of each item to be considered. The Committee may take action on any item included in the agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Committee may consider matters included on the agenda in any order, and not necessarily in the order listed.

PUBLIC COMMENTS

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Committee; and (2) any matter appearing on the Consent Agenda. **Persons wishing to provide public comment at this time should fill out a speaker card located on the counter at the back of the room and deposit it in the Recording Secretary's inbox on the wall near the middle of the room.** When addressing the Committee, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

In addition, public comment on matters listed on this agenda will be taken at the time the item is addressed.

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Committee Member requests separate action on a specific item.

C-1 COMMITTEE MEETING:

Approval of Meeting and Minutes

Personnel Committee Meeting

Personnel Committee Meeting

November 7, 2019

January 31, 2020

Orange County Employees Retirement System
February 26, 2020
Personnel Committee Meeting - Agenda

Page 2

Recommendation: Approve minutes.

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Committee's discussion of the item. **Persons wishing to provide public comment at this time should fill out a speaker card located on the counter at the back of the room and deposit it in the Recording Secretary's inbox on the wall near the middle of the room.**

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

A-2 PROPOSED 2020 PERSONNEL COMMITTEE MEETING SCHEDULE

Presentation Steve Delaney, Chief Executive Officer

Recommendation: Approve the 2020 OCERS Personnel Committee Meeting Schedule.

INFORMATION ITEMS

I-1 COMPENSATION WORKSHOP

Presentation Igor Shegolev, CPS-HR Consultant

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

REGULAR BOARD MEETING

March 16, 2020

9:30 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

Orange County Employees Retirement System
February 26, 2020
Personnel Committee Meeting - Agenda

Page 3

INVESTMENT COMMITTEE MEETING

March 25, 2020

9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

PERSONNEL COMMITTEE MEETING

March 25, 2020

1:00 P.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

All supporting documentation is available for public review in the retirement office during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Thursday and 8:00 a.m. – 4:30 p.m. on Friday.

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at adminsupport@ocers.org or call 714-558-6200 as soon as possible prior to the meeting to tell us about your needs and to determine if accommodation is feasible. We would appreciate at least 48 hours notice, if possible. Please also advise us if you plan to attend meetings on a regular basis.

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF RETIREMENT
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**PERSONNEL COMMITTEE MEETING
November 7, 2019
1:30 p.m.**

Members of the Committee

Chris Prevatt, Chair
Wayne Lindholm, Vice Chair
Roger Hilton

MINUTES

Attendance was as follows:

Present: Chris Prevatt, Chair; Wayne Lindholm, Vice Chair; Roger Hilton

Also

Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Molly Murphy, Chief Investment Officer; Gina Ratto, General Counsel; Cynthia Hockless, Director of Administrative Services; Anthony Beltran, Visual Technician; and Brittany Cleberg, Recording Secretary

The Chair called the meeting to order at 1:33 p.m.

CONSENT AGENDA

MOTION by Lindholm, **seconded** by Hilton, to approve staff's recommendation on all of the following items on the Consent Agenda:

C-1 COMMITTEE MEETING:

Personnel Committee Meeting

October 1, 2019

Recommendation: Approve minutes.

The motion passed **unanimously**.

ACTION ITEMS

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

No items were trailed from the Consent Agenda.

Orange County Employees Retirement System
November 7, 2019
Personnel Committee Meeting - Minutes

Page 2

A-2 STAFFING PLAN RECOMMENDATIONS

Presentation Cynthia Hockless, Director of Administrative Services and Steve Delaney, Chief Executive Officer

After discussion by the Committee, **MOTION** by Lindholm, **seconded** by Hilton, to approve the following items related to the Staffing Plan Recommendations:

1. Approve the creation of two career ladder positions one in the Member Services department and one in the Administrative Services department.
2. Create a HR Analyst position to allow for additional skilled assistance to facilitate the OCERS Learning and Development initiatives, cross-training throughout the department and other high-level HR related tasks.
3. Change the organization structure of the Administrative Services Department by dividing the department into two separate departments: Human Resources, Operations Support Services (see the organizational chart for assignment of positions reporting in each newly created department – no change to total headcount).
 - a. Add a position of Senior Manager of Operations Support Services.
 - b. Drop a position of Staff Assistant.
4. Change the titles of four positions:
 - a. Director of Administrative Services - change to Director of Human Resources
 - b. IT Manager - change to Information Security Manager
 - c. Director of Cyber Security - change to Director of Information Security
 - d. Training Manager – change to Learning and Organizational Development Manager

The motion passed **unanimously**.

A-3 OCERS CERTIFICATION INCENTIVE PROGRAM

Presentation by Steve Delaney, Chief Executive Officer

After discussion by the Committee, staff was directed to gather more information to evaluate the additional certifications for OCERS' certification pay program:

Certified Information Systems Security Professional (CISSP), Society for Human Resource Management Certified Professional (SHRM-CP), Society for Human Resource Professional Senior Certified Professional (SHRM-SCP), and Certified Internal Auditor

A-4 APPOINTMENT OF CEO AS OCERS' LABOR NEGOTIATOR

Presentation Gina M. Ratto, General Counsel

After discussion by the Committee, **MOTION** by Lindholm, **seconded** by Hilton, to appoint Chief Executive Officer, Steve Delaney, as OCERS' labor negotiator to negotiate the terms and conditions of employment with OCERS direct employees.

Orange County Employees Retirement System
November 7, 2019
Personnel Committee Meeting - Minutes

Page 3

The motion passed **unanimously**.

CLOSED SESSION

The Committee **ADJOURNED** to Closed Session at 2:50 p.m. for item E-1.

The Committee **reconvened** in Open Session at 3:53 p.m. and reported out the following actions taken during closed session on item E-1.

**E- 1 CONFERENCE WITH OCERS' LABOR NEGOTIATOR (Government Code section 54957.6)
Adjourn into closed session pursuant to Government Code section 54957.6 to confer with
Labor Negotiator**

OCERS' Designated Representative: Steve Delaney, CEO
Unrepresented Employees: All OCERS Direct Employee

There was **no reportable action taken** in closed session.

COMMITTEE MEMBER/CEO/CONSULTANT/COUNSEL COMMENTS

None

The meeting **ADJOURNED** at 3:54 p.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Committee

Chris Prevatt
Chair

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF RETIREMENT
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**PERSONNEL COMMITTEE MEETING
January 31, 2020
11:00 a.m.**

Members of the Committee
Chris Prevatt, Chair
Wayne Lindholm, Vice Chair
Roger Hilton

MINUTES

Attendance was as follows:

Present: Chris Prevatt, Chair; Wayne Lindholm, Vice Chair; Roger Hilton

Also

Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; Cynthia Hockless, Director of Administrative Services; Anthony Beltran, Visual Technician; and Brittany Cleberg, Recording Secretary

The Chair called the meeting to order at 11:06 a.m.

CONSENT AGENDA

C-1 COMMITTEE MEETING:

-None

ACTION ITEMS

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

No items were trailed from the Consent Agenda.

INFORMATION ITEMS

The following informational items were presented to the Committee:

Orange County Employees Retirement System
January 31, 2020
Personnel Committee Meeting - Minutes

Page 2

I-1 REVIEW OF PERSONNEL COMMITTEE CHARTER

Presentation Cynthia Hockless, Director of Human Resources

I-2 PERSONNEL GOVERNANCE TASKS IN 2020

Presentation Steve Delaney, Chief Executive Officer

I-3 OCERS COMPENSATION PHILOSOPHY

Presentation Cynthia Hockless, Director of Human Resources and Steve Delaney, Chief Executive Officer

ACTION ITEMS

A-2 PROPOSED 2020 PERSONNEL COMMITTEE MEETING SCHEDULE

Presentation Steve Delaney, Chief Executive Officer

The Committee discussed the 2020 proposed meeting dates month by month. The agreed upon dates were February 26, 2020; March 25, 2020; April 15, 2020; May 7, 2020; June 24, 2020; July 29, 2020; August 26, 2020; October 28, 2020; November 18, 2020; December 1, 2020. The executive staff will bring forth a proposed schedule at the next meeting for approval.

COMMITTEE MEMBER/CEO/CONSULTANT/COUNSEL COMMENTS

None

The meeting **ADJOURNED** at 12:04 p.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Committee

Chris Prevatt
Chair



Memorandum

DATE: February 26, 2020
TO: Members of the Personnel Committee
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: 2020 OCERS PERSONNEL COMMITTEE MEETING CALENDAR

Recommendation

Approve the 2020 OCERS Personnel Committee meeting schedule.

Background/Discussion

This memo outlines the dates your staff is proposing for the OCERS Board of Retirement’s Personnel Committee meetings in 2020.

RECOMMENDATIONS:

Personnel Committee Meetings –

- Wednesday - March 25 after the Investment Committee Meeting
- Wednesday - April 22 after the Investment Committee Meeting
- Thursday - May 7 at 11:00 AM
- Wednesday - June 24 after the Investment Committee Meeting
- Wednesday - July 29 after the Investment Committee Meeting
- Wednesday - August 26 after the Investment Committee Meeting
- Wednesday - October 28 after the Investment Committee Meeting
- Wednesday - November 18 after the Investment Committee Meeting
- Tuesday - December 1 at 11:00 AM

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer



Memorandum

DATE: February 14, 2020
TO: Members of the Personnel Committee
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **COMPENSATION WORKSHOP**

Recommendation

Review presentation from CPS-HR Senior Compensation Consultant, Igor Shegolev.

Background/Discussion

In August 2018, OCERS contracted with CPS-HR, a Human Resources consulting firm, to conduct a total compensation study of the OCERS direct classifications. The purpose of the study is to provide an objective and comprehensive comparison of OCERS' total compensation (salary, performance award, and benefits) with other public sector employees.

An initial review of that data was provided to the Personnel Committee on June 17, 2019. A number of questions were raised at that time by Trustees, and it was determined that hearing directly from CPS HR on their methodology and how best to use the data would be of value to all involved.

The process then paused as the committee next considered the modified Employee Handbook and especially the challenge of what was then unlimited annual leave accrual.

As stated at the January 21, 2020 meeting of the Personnel Committee, we are ready to return to the issue of OCERS direct employees' salary and benefits. At the February 26, 2020, Personnel Committee meeting, CPS-HR Senior Compensation Consultant, Igor Shegolev, will present an education session regarding the methodology and data collection methods utilized to complete the most recent study. The purpose of this session is for the Personnel Committee to understand the technique and process used to develop the salary ranges. This session is geared towards the Personnel Committee's understanding of how the decisions of the Committee regarding adopting a Compensation Philosophy geared to attract, develop and retain strong leaders will dictate the outcome of the salary structure. This session is set to be an educational session that invites questions and discussion.

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer

Orange County Employees Retirement System (OCERS)

Methodologies & Guiding Principles of the Project

February 26, 2020

Presented by

Igor Shegolev, Senior Consultant (Compensation)

CPS HR  CONSULTING™

About CPS HR

History, Mission, and Board of Directors

Mission of CPS HR is to promote human resource excellence in the public sector

- We are a Joint Powers Authority
- Self-supporting public agency
- **31 years in public sector**
- Services to Cities, Counties, and Special Districts



City of Anaheim, CA
•Jason Motsick



County of Sacramento, CA
•David Devine



East Bay Municipal Utility District, Oakland, CA
•Laura Bronson



County of Pinellas, FL
•Dave Blasewitz*



City of Las Vegas, NV
•Dan Tarwater



County of Mecklenburg, NC
•Chris Peek



Hayward Unified School District, Hayward, CA
•Fernando Yanez



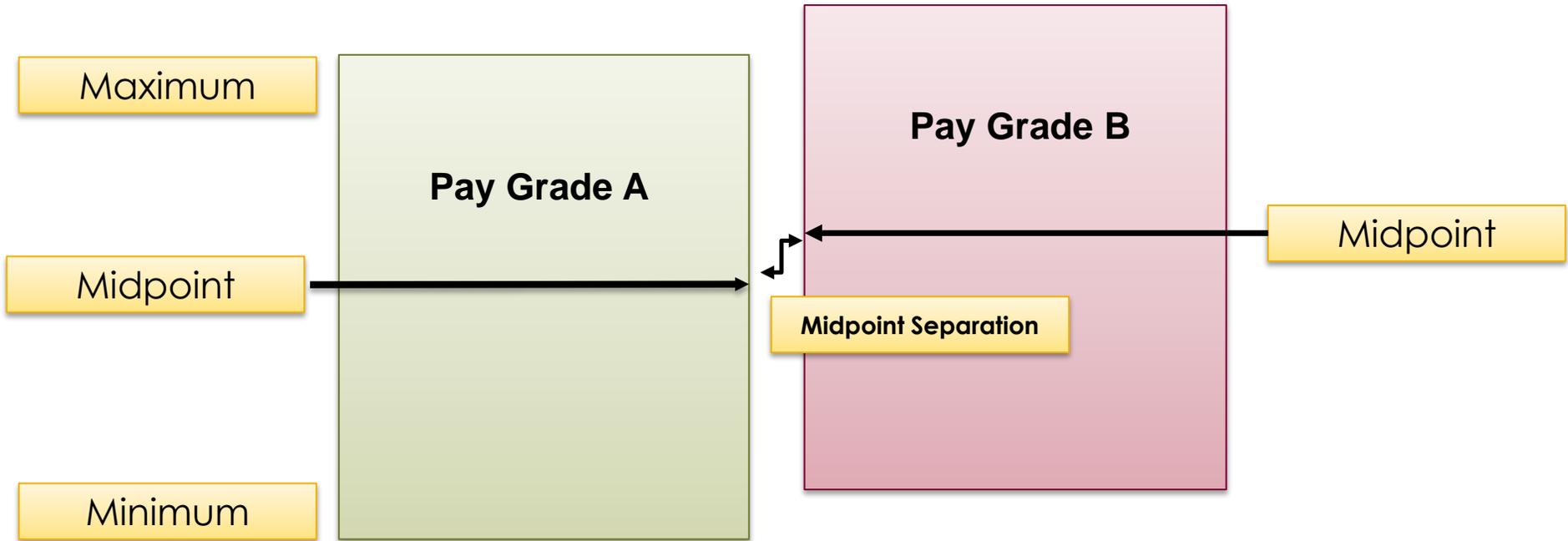
City of Plano, TX
•Jim Parrish

Agenda

- Introductions
- Terminology and guiding principles
- Detailed review of methodology and techniques used
- Explain practice of selecting market strategy (position against the market)
- Examine market review process for Investment Analyst
- Additional topics if time allows:
 - Limitations of current pay structure
 - Best practices and techniques to improve pay administration
 - Proposed new pay structure
 - Market adjustments and employee target pay rate

Pay Structure Terminology

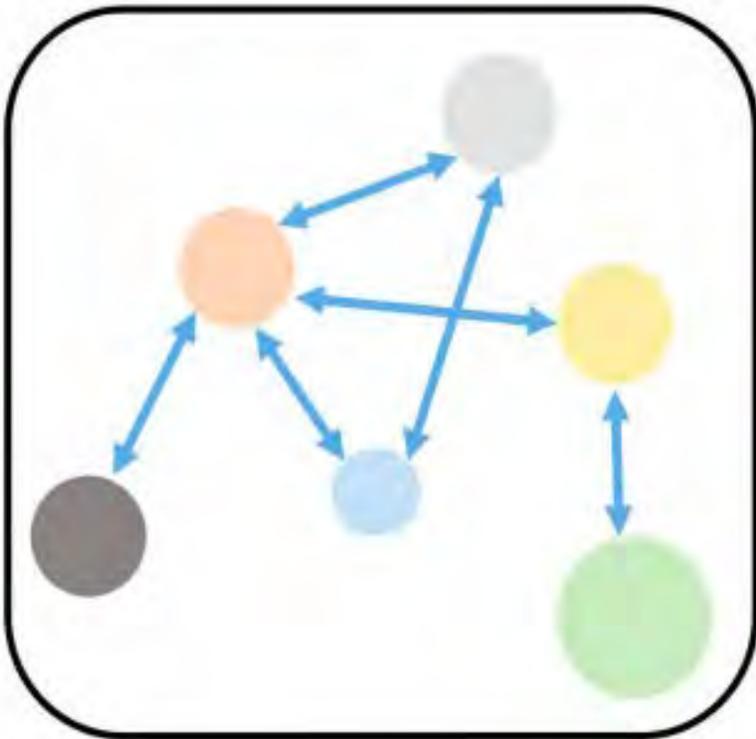
(Range Bandwidth, Grade Overlap, Grade Parameters, Midpoint Separation)



Relevant Labor Market: Definition

- Any labor market from where you get...
- ...and where you lose qualified staff
- Public and private mix possible
- IRS allowed use of private industry salary data for nonprofit organizations
- Government doesn't need IRS approval

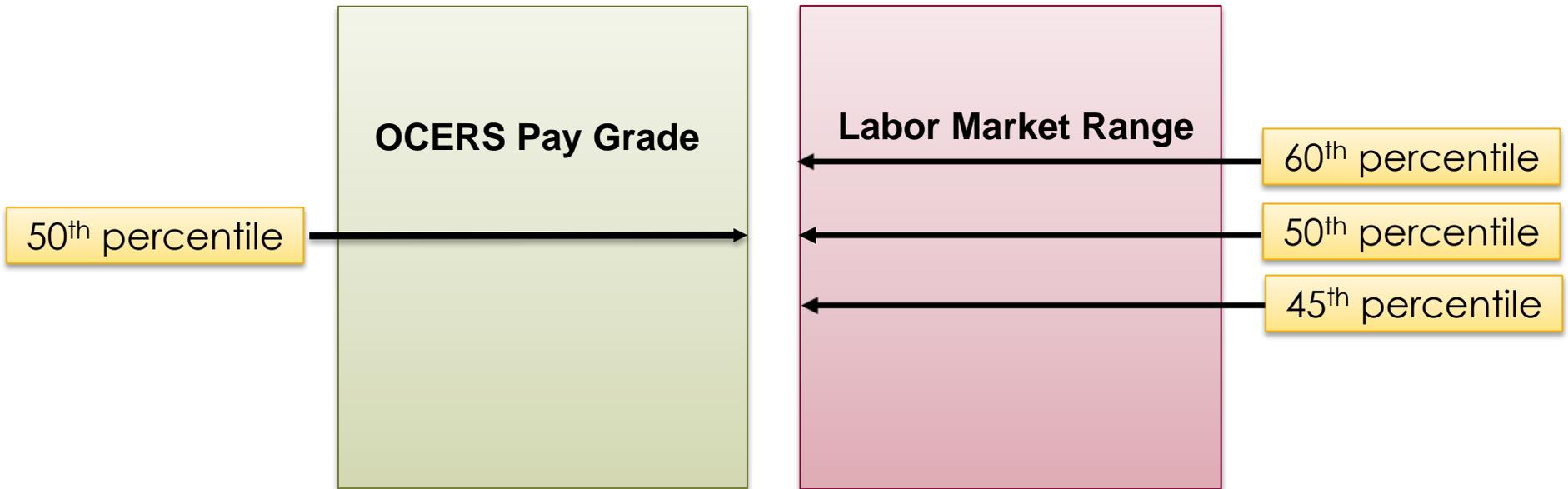
Select Market Segments: Comparator's Size



- Some jobs are size sensitive (i.e. CFO, etc.)
- ...some are NOT...
- Examine analyst, nurse, cartographer, etc.
- Must include all relevant market segments
- If not - the market picture is incomplete
- Size matters: larger sample – more stable data

Market Positioning: Comp Strategy

(Select your market position, aligning to 45th or 65th percentiles)



Investment Analyst: Datasheet



Investment Analyst

Surveyed Agency	Classification Title	Monthly Min.	Monthly Max.	Monthly Midpoint
Orange County Employees Retirement System (OCERS)	Investment Analyst	\$5,014	\$8,365	\$6,690
California Public Employees Retirement System (CalPERS)	Investment Officer I	\$3,728	\$6,841	\$5,285
California State Teachers Retirement System (CalSTRS)	Investment Officer I	\$3,710	\$7,046	\$5,378
County of Orange	No Comparable Class			
Los Angeles City Employees Retirement System (LACERS)	No Comparable Class			
Los Angeles County Employees Retirement Association (LACERA)	Finance Analyst I	\$7,115	\$9,333	\$8,224
Los Angeles Fire and Police Pensions (LAFPP)	Management Analyst	\$5,846	\$8,547	\$7,197
San Bernardino County Employees Retirement Association (SBCERA)	Investment Analyst	\$6,407	\$9,522	\$7,965
San Diego City Employee Retirement System (SDCERS)	No Comparable Class			
San Diego County Retirement Association (SDCERA)	No Comparable Class			
San Francisco Employees Retirement System (SFERS)	Security Analyst	\$8,881	\$10,792	\$9,837
Base Salary Mean		\$5,948	\$8,680	\$7,314
Percentage Above or Below Mean		-18.62%	-3.77%	-9.34%
Base Salary Median		\$6,127	\$8,940	\$7,581
Percentage Above or Below Median		-22.19%	-6.87%	-13.32%
Base Salary 75th Percentile		\$6,938	\$9,475	\$8,159
Percentage Above or Below 75th Percentile		-38.37%	-13.27%	-21.97%
Percentile of District class base salary within total labor market		33.3%	33.3%	33.3%

Sources of Market Data: Selected Agencies

The screenshot shows the LACERA website interface. At the top, there is a navigation menu with links for HOME, MY LACERA, DISCLAIMER, FAQ, LINKS, and CONTACT US. Below this is a banner for the Los Angeles County Employees Retirement Association (LACERA) featuring a group photo of employees. A secondary navigation bar includes links for About LACERA, Benefits, Healthcare, Investments, Communications, and Opportunities.

The main content area is titled "JOB DESCRIPTIONS AND PAY" and is powered by NEOGOV. It includes a welcome message and a search bar. Below the search bar, there are three job listings:

Class Title	Min Monthly Salary	Max Monthly Salary
Finance Analyst I, LACERA	\$7,115.73	\$9,333.00
Finance Analyst II, LACERA	\$10,299.28	\$15,588.75
Finance Analyst III, LACERA	\$13,754.37	\$20,818.30

At the bottom of the page, contact information is provided: Email: Welcome@LACERA.com - 1-800-786-6464 - 626-564-6132 Fax: 626-564-6155 - Business Hours M-F 8:00 AM - 5:00 PM Office address: 300 N. Lake Ave., Pasadena, CA 91101-4199 - Mailing address: P.O. Box 7060 Pasadena, CA 91109-7060

Sources of Market Data: ERI

ECONOMIC RESEARCH INSTITUTE

Logout Iguerra@cpsnr.us Help Settings Salary Assessor

Update Available Data as of 10/1/2019

Salaries By Experience/Size Salaries By Level **Benchmark List** Geographic List Salary Planning Advanced Reports

Benchmark List -- Select Saved List --

Compensation Type: Base Salaries Pay Period: Monthly Percentiles: Customize Experience: Default

#	Position	10th Percentile	25th Percentile	Survey Median	75th Percentile	90th Percentile	Actual Salary	Market Index
1	Investment Analyst	6,089	6,570	7,109	7,835	8,470		
2	double-click to add position						0	

Adjustments to Compensation Analyses

MPA Dec 2019

Area: Los Angeles, California

Industry: Government - County/Parish Support Services

Codes: eSIC: 9103 NAICS: 921100 usSEC: 9721

Size: (Data reported by years of experience)

Planning Date: 2/11/2020

Annualized Salary Trend: 2.7% (Adjustment: 0.69%)

Annual Base Salaries Graph

Base Salaries

Years of Experience

10th Percentile Median 90th Percentile

Sources of Market Data: Sample Size

Survey Population

Position Title: Investment Analyst

Area: California - Statewide, CA

Employees in Position: Between 1820 and 2014 surveyed incumbents

Real Time Data: Salary Assessor provides virtual real time data. Traditional wage surveys provide a "historical report card" of past wage rates or "what was." ERI's Salary Assessor provides real time wage data on "what is." Virtual real time data is based on ERI's proprietary time analysis methodologies.

Employees: Some survey data sources may be copyrighted. In addition, some individuals and or organizations may participate in multiple surveys. In deference to copyright protection and multiple surveys participation, the Salary Assessor statistically groups survey data in terms of number of incumbents.

Statistical Groups: ERI statistically groups survey data in terms of number of incumbents for specified job in specified area. The following statistical groupings are utilized:

<20	<20 surveyed incumbents, contiguous data included
>= 20 & <35	Between 20 and 34 surveyed incumbents
>= 35 & <60	Between 30 and 59 surveyed incumbents
>= 60 & <95	Between 60 and 94 surveyed incumbents
>= 95 & <140	Between 95 and 139 surveyed incumbents
>= 140 & <195	Between 140 and 194 surveyed incumbents
>= 195 & <260	Between 195 and 259 surveyed incumbents
>= 260 & <420	Between 260 and 419 surveyed incumbents
>= 420 & <515	Between 420 and 514 surveyed incumbents
>= 515 & <620	Between 515 and 619 surveyed incumbents
>= 620 & <735	Between 620 and 734 surveyed incumbents
>= 735 & <860	Between 735 and 859 surveyed incumbents
>= 860 & <995	Between 860 and 994 surveyed incumbents
>= 995 & <1140	Between 995 and 1139 surveyed incumbents

✓ OK

Assigning Jobs to Pay Grades

Accountant

Midpoint Separation: 10.00%
 Bandwidth: 50.00%

LM 25 th	LM 50 th	LM 75 th
\$ 27.00	\$ 32.50	\$ 34.00

Min	1Q	Mid	3Q	Max
\$ 20.00	\$ 22.50	\$ 25.00	\$ 27.50	\$ 30.00
\$ 22.00	\$ 24.75	\$ 27.50	\$ 30.25	\$ 33.00
\$ 24.20	\$ 27.23	\$ 30.25	\$ 33.28	\$ 36.30
\$ 26.62	\$ 29.95	\$ 33.28	\$ 36.60	\$ 39.93
\$ 29.28	\$ 32.94	\$ 36.60	\$ 40.26	\$ 43.92
\$ 32.21	\$ 36.24	\$ 40.26	\$ 44.29	\$ 48.32
\$ 35.43	\$ 39.86	\$ 44.29	\$ 48.72	\$ 53.15

Additional topics if time allows

-
- Limitations of current pay structure
 - Best practices and techniques to improve pay administration
 - Proposed new pay structure
 - Market adjustments and employee target pay rate

Wages & CPI

(SOURCE: BLS, WorldatWork, Economist)

Year	Actual Wage Increases	Consumer Price Index	Real Wage Increases
2009	2.2%	2.7%	-0.5%
2010	2.5%	1.5%	1.0%
2011	2.9%	3.0%	-0.1%
2012	3.0%	1.7%	1.3%
2013	3.1%	1.5%	1.6%
2014	3.1%	0.8%	2.3%
2015	3.1%	0.7%	2.4%
2016	3.0%	2.1%	0.9%
2017	3.0%	2.1%	0.9%
2018	2.9%	1.9%	1.0%
2019	3.1%	2.3%	0.8%

Current Pay Structure Analysis

Position Title	Salary Range (As of January 1, 2020)		Range Width
	Min	Max	
Investment Analyst	\$63,211	\$105,462	66.8%
Internal Auditor	\$74,353	\$111,419	49.9%
Contracts & Risk Performance Administrator	\$63,211	\$123,443	95.3%
Learning & Org Development Manager	\$63,211	\$123,443	95.3%
Staff Analyst	\$63,211	\$105,462	66.8%
Information Security Manager	\$66,961	\$140,321	109.6%
Director of Finance	\$118,369	\$165,915	40.2%
Finance Manager	\$63,211	\$123,443	95.3%
Director of Member Servies	\$124,877	\$167,680	34.3%
Retirement Analyst	\$66,961	\$140,321	109.6%
Member Services Manager	\$63,211	\$123,443	95.3%
Disability Manager	\$63,211	\$123,443	95.3%

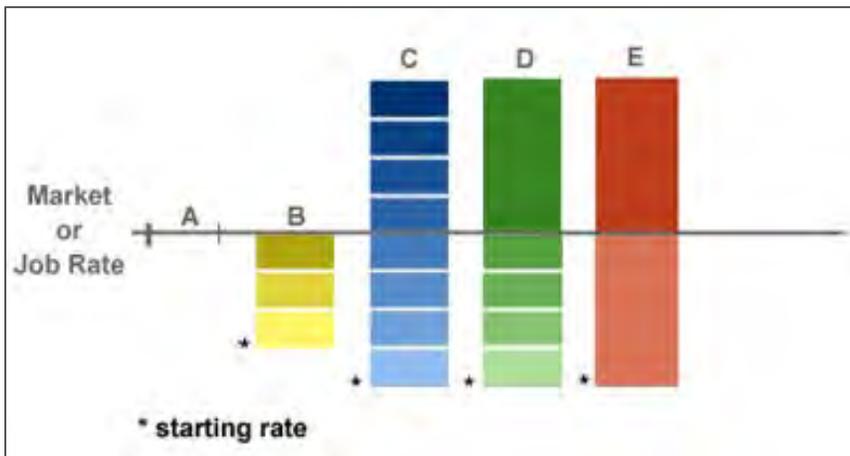
Proposed Pay Structure

Grade	Min (Hourly, \$)	Mid (Hourly, \$)	Max (Hourly, \$)	Grade Progression	Bandwidth, %	Min (Monthly, \$)	Mid (Monthly, \$)	Max (Monthly, \$)
101	30.00	37.50	45.00		50%	5,200	6,500	7,800
102	33.00	41.25	49.50	10.0%	50%	5,720	7,150	8,580
103	36.30	45.38	54.45	10.0%	50%	6,292	7,865	9,438
104	39.93	49.91	59.90	10.0%	50%	6,921	8,652	10,382
105	43.92	54.90	65.88	10.0%	50%	7,613	9,517	11,420
106	48.32	60.39	72.47	10.0%	50%	8,375	10,468	12,562
107	53.15	66.43	79.72	10.0%	50%	9,212	11,515	13,818
108	58.46	73.08	87.69	10.0%	50%	10,133	12,667	15,200
109	64.31	80.38	96.46	10.0%	50%	11,147	13,933	16,720
110	70.74	88.42	106.11	10.0%	50%	12,261	15,327	18,392
111	77.81	97.27	116.72	10.0%	50%	13,487	16,859	20,231
112	85.59	106.99	128.39	10.0%	50%	14,836	18,545	22,254
113	94.15	117.69	141.23	10.0%	50%	16,320	20,400	24,480
114	103.57	129.46	155.35	10.0%	50%	17,952	22,440	26,928
115	113.92	142.41	170.89	10.0%	50%	19,747	24,684	29,620
116	125.32	156.65	187.98	10.0%	50%	21,722	27,152	32,583
117	137.85	172.31	206.77	10.0%	50%	23,894	29,867	35,841
118	151.63	189.54	227.45	10.0%	50%	26,283	32,854	39,425
119	166.80	208.50	250.20	10.0%	50%	28,912	36,139	43,367
120	183.48	229.35	275.22	10.0%	50%	31,803	39,753	47,704

Pay Structure Guidelines: Midpoint Separations

- Difference between midpoints of adjacent grades
- Calibrate midpoint progression in systematic manner
- WorldatWork guidelines:
 - *5% to 12% between grades for clericals/trades*
 - *8% to 15% between grades for professional/management*
 - *15% to 25% total midpoint differential between supervisor and subordinates*

Types of Pay Structures



- A – single-rate
- B – narrow step (market rate is a top step)
- C – wide step (market rate is a median)
- D – mixed step and open-range
- E – open-range

SOURCE: Economic Research Institute

Step vs. Open Range

Step System

- Steps are fixed, inflexible
- Increases depend on time intervals
- Difficult to control labor costs
- Annual movement through grades may create entitlement
- Typically distance between steps express by fixed percentage
- Wage inflations are imbedded into the system

Open Range Structure

- Grade range is open, flexible
- Increases depend on budget availability
- Labor costs are easy to control
- Annual movement through open range must be justified, based on selected criteria
- Increases are not tied to fixed percentages and may vary based on budget and achievements
- Wage inflations are administered as needed

Narrow Step Systems May Cause Inequities

(SOURCE: CPS HR, Economic Research Institute)

Year 2020	Step 1	Step 2	Step 3	Step 4	Step 5
	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078
		5.0%	5.0%	5.0%	5.0%

Year 2021	Step 1	Step 2	Step 3	Step 4	Step 5
	\$5,150	\$5,408	\$5,678	\$5,962	\$6,260
		5.0%	5.0%	5.0%	5.0%

- Narrow range is designed when the expectation is that workers don't stay within one grade very long
- Some public agencies use it for all jobs
- Grade then must be moved annually to adjust for inflation
- Experienced workers remain at the top of the range
- Others receive both, COLA and step increase
- Result: workers in the same job receive inadequate pay increases

Limitations of Small Grade Separation

(SOURCE: CPS HR, WorldatWork)

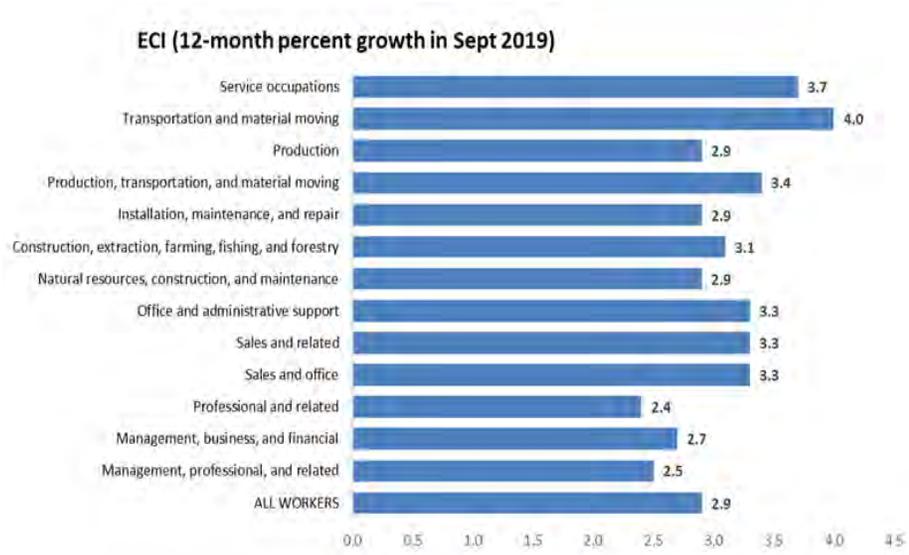
- Difference between midpoints of adjacent grades

- WorldatWork guidelines:
 - ✓ 5% to 12% between grades for clericals/production
 - ✓ 8% to 15% between grades for professional/management
 - ✓ 15% to 25% total midpoint differential between supervisor and subordinates
 - ✓ 20% to 35% midpoint differential between grades for executives

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Grade Separation
A	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078	2.0%
B	\$5,100	\$5,355	\$5,623	\$5,904	\$6,199	2.0%
C	\$5,202	\$5,462	\$5,735	\$6,022	\$6,323	2.0%

Limitations of Step Progression

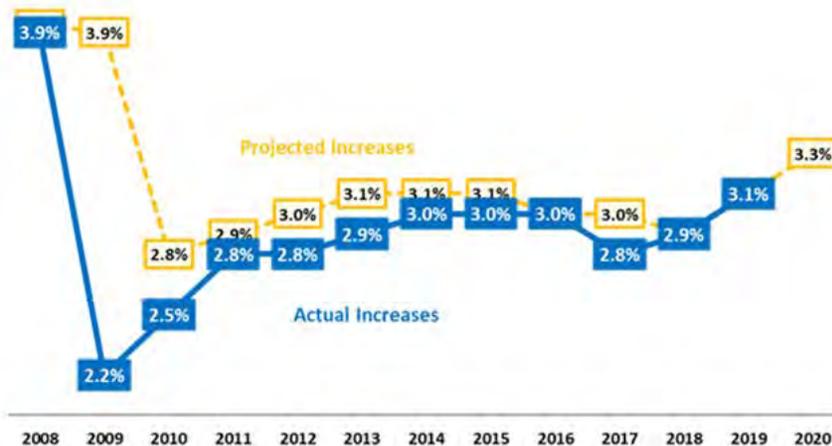
(SOURCE: BLS DOL, WorldatWork, CPS HR)



- Many step systems have fixed 5% increase between steps
- Employer Cost Index (ECI) in 2019 was 2.9%
- Cost of Living in 2019 was 2.1%
- ECI and CPI constantly change
- Step separation *Does Not*
- Disconnect between fixed step increase & labor market
- Flexibility
- WorldatWork: “Experience is primary determinant of starting rate”
- Other criteria can be used as well

Flexibility of Pay Progression

(SOURCE: WorldatWork, EPI, CPS HR)



- Average of actual and budgeted pay increases – 3%
- Often follow economic conditions
- Never fixed, never guaranteed
- Inconsistent with step increases
- Impede employers’ flexibility
- Impacts motivation and engagement

Components of Open Range Structures

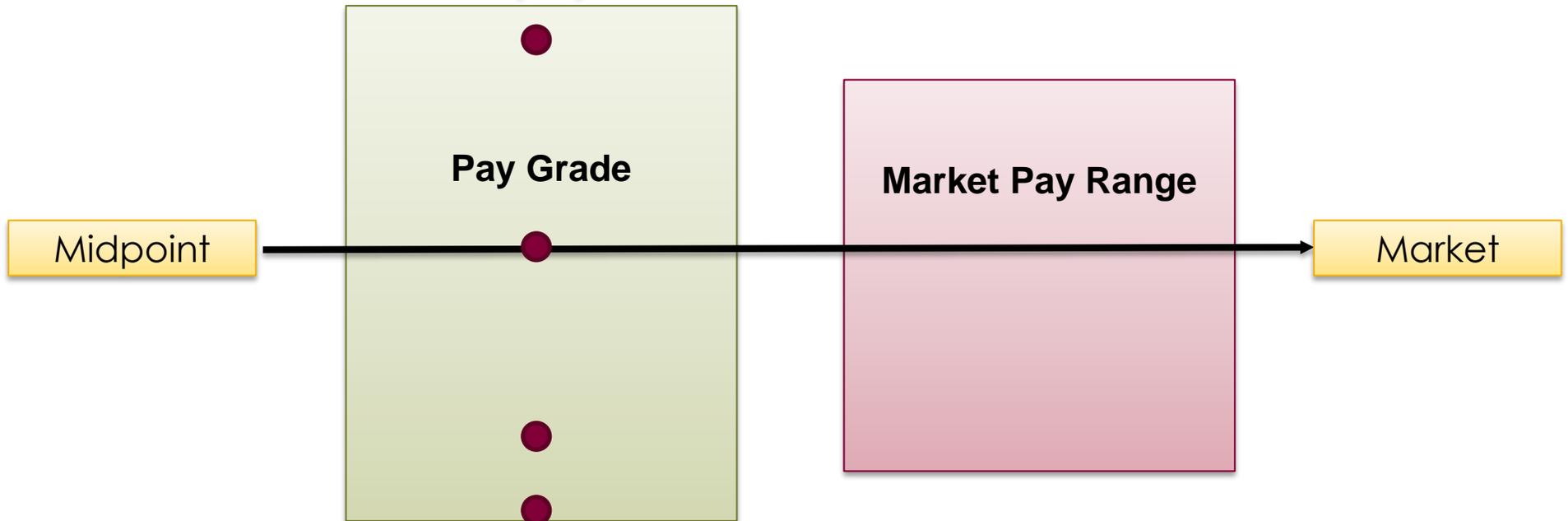
- Grade bandwidth percentage
- Equal bandwidth for all grades
- “Fan” approach (grade bandwidth varies)
- Midpoint progression (%)
- Grade overlap

CA Cities with Open Range Structures

- Some CA agencies adopted open-range structures
- Their structures have minimums and maximums of ranges, no steps
- Here are some of them, among many:
 - City of Lancaster
 - City of Marina
 - City of San Jose
 - City of San Francisco
 - City of Thousand Oaks

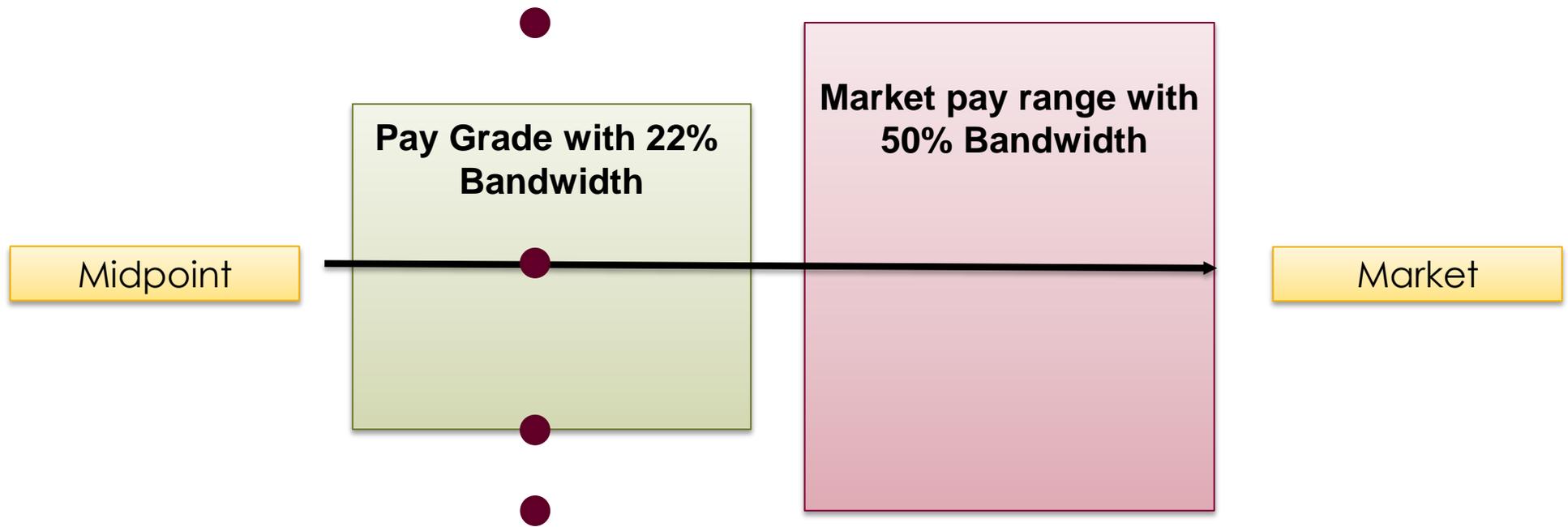
Wide Ranges

- - *Make hiring rate below market minimums*
- - *Grow pay rates above market maximums*



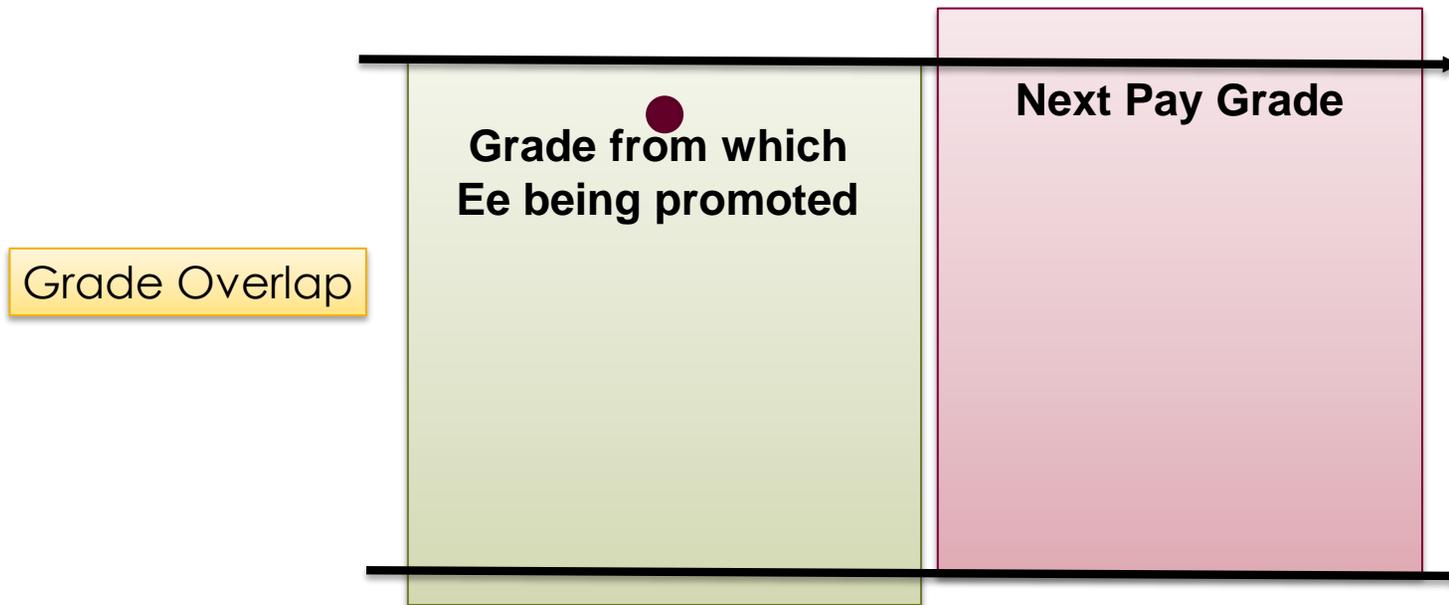
Narrow Ranges

...not the answer either

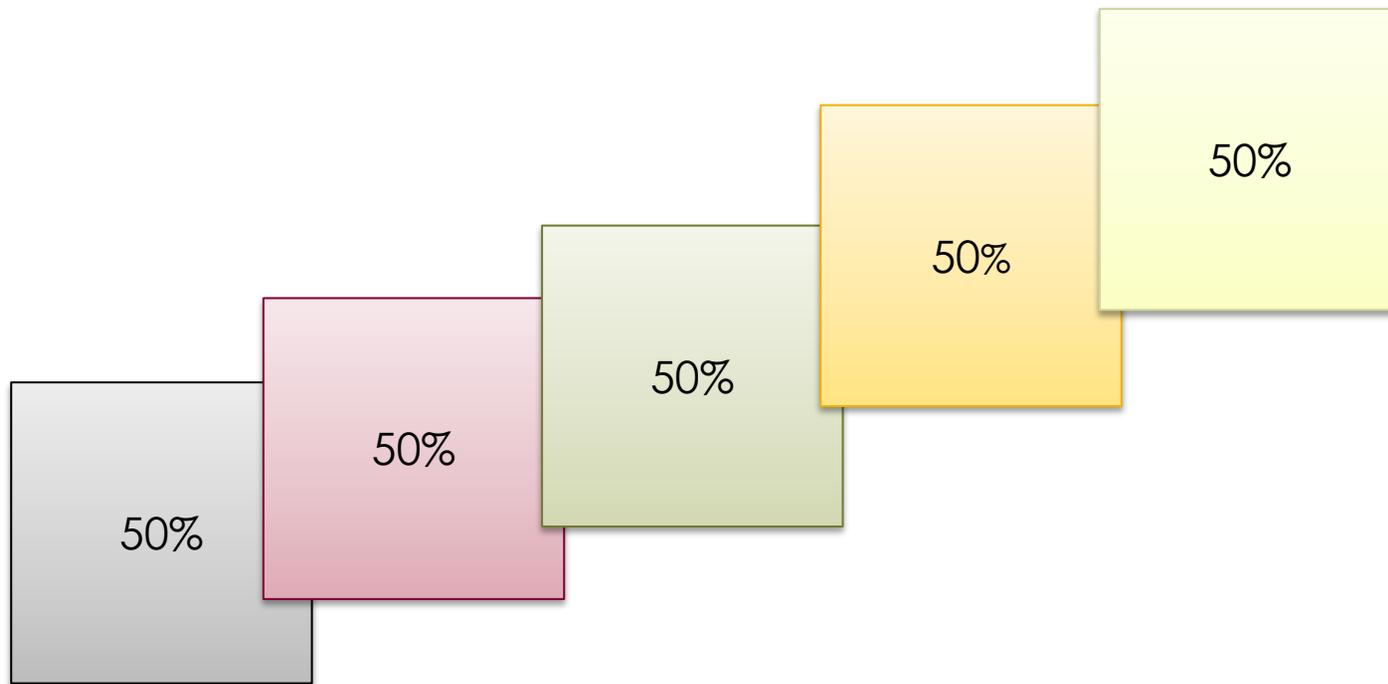


Small Midpoint Separation (2%-3%)

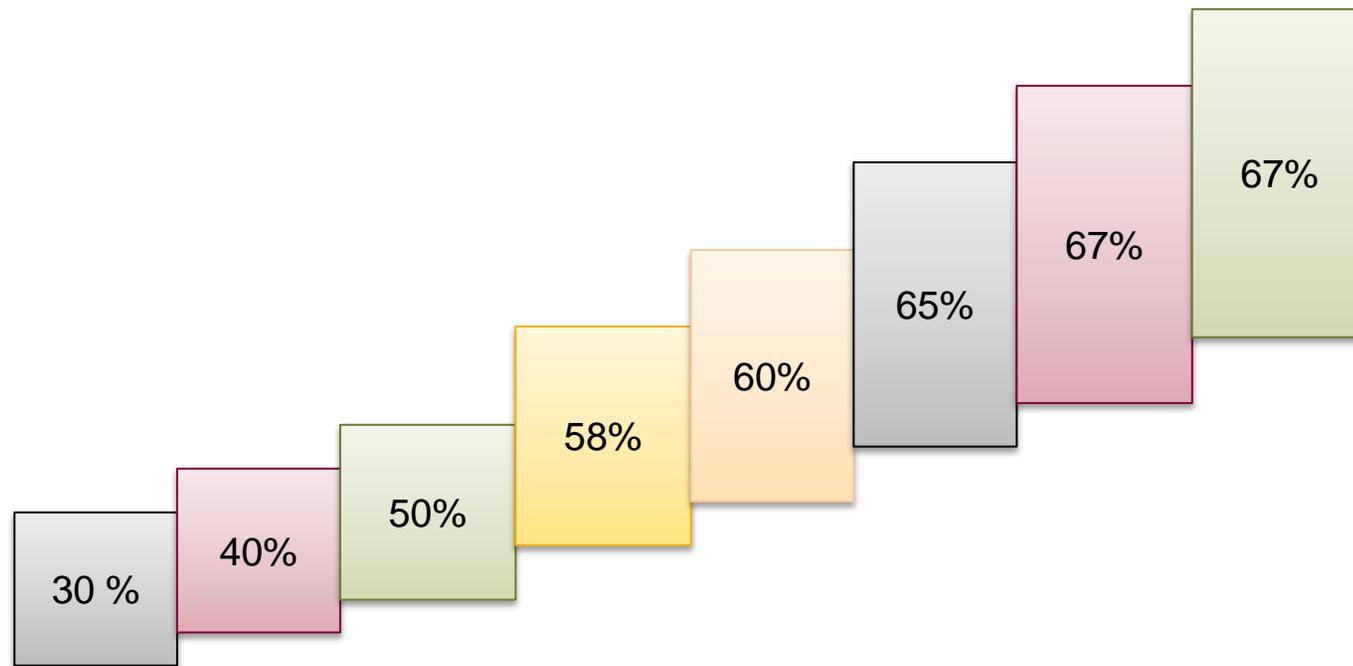
...will restrain employee wage progression



Traditional Open-Range Pay Structure



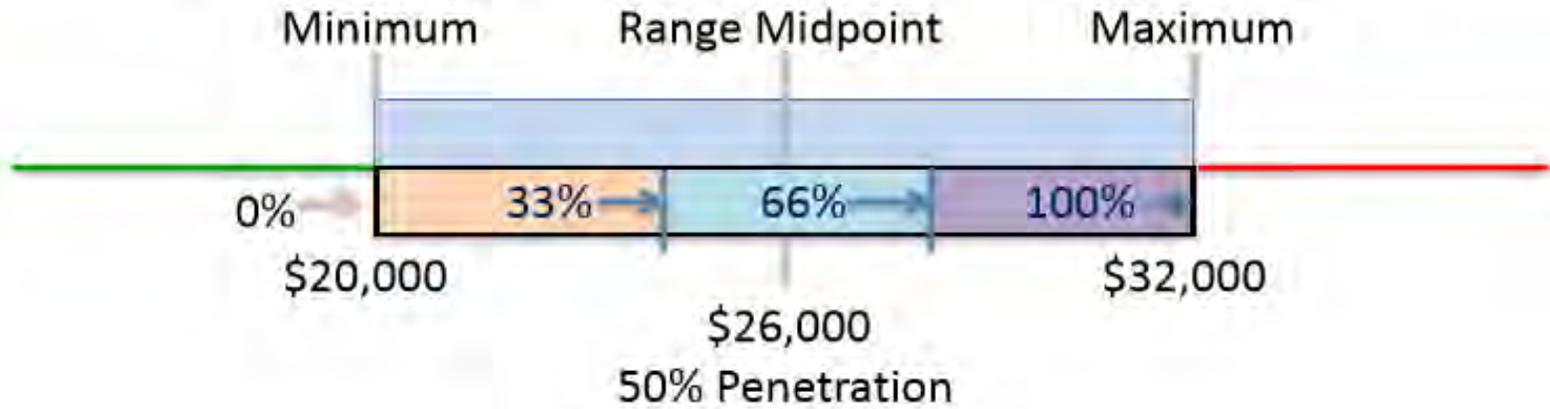
Fan Style Pay Structure



Individual Pay Adjustments

- Select criteria for determining individual pay rate
- Per WorldatWork, “Experience” is primary driver of starting rate
- Determine individual’s position within pay grade range (range penetration)
- Apply the same method consistently for all jobs

Determine Employee Rate: Range Penetration



Criteria to Use for Equity

-
- Relevant to the Job Experience
 - Performance
 - Measure of Quantity/Quality
 - Education/Certification
 - Seniority
 - Skill level

Wage Penetration (WP)

Definition: The level of the employee's salary compared to the total pay range .

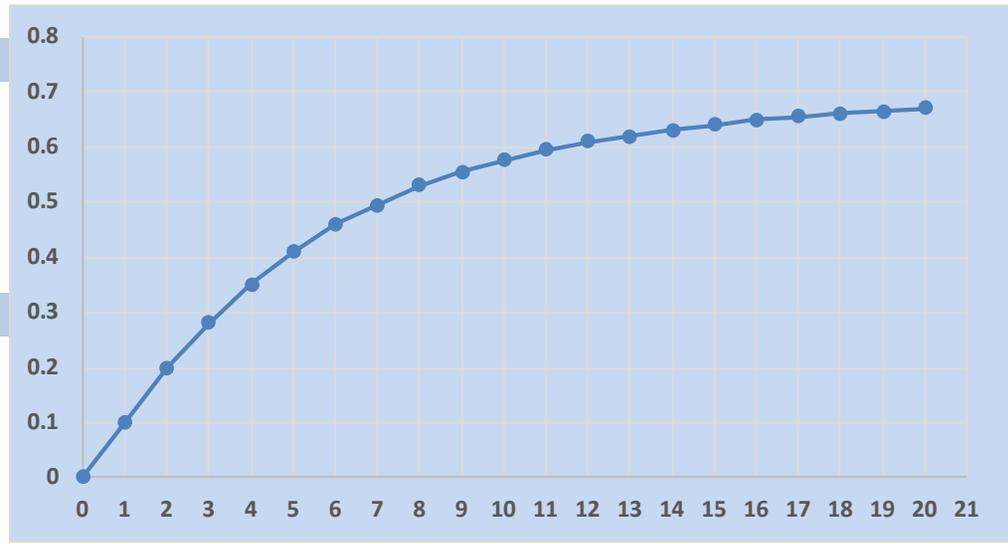
Use: Pay metric to compare pay of various employment groups

Formula:
$$WP = \frac{\text{Employee's Salary} - \text{Grade Minimum}}{\text{Grade Maximum} - \text{Grade Minimum}}$$

Years of Experience (YOE)	Wage Penetration (WP)
< 1 years	00.0%
< 2 years	10.0%
< 3 years	18.0%
< 4 years	25.0%
< 6 years	35.0%
< 8 years	45.0%
< 10 years	50.0%
< 12 years	55.0%
< 13 years	57.5%
< 14 years	60.0%
< 15 years	62.5%
> 15 years	65.0%

Wage Penetration

Years of Experience	Wage Penetration
0	0.0%
1	10.0%
2	20.0%
3	28.0%
4	35.0%
5	41.0%
6	46.0%
7	49.5%
8	53.0%
9	55.5%
10	57.5%
11	59.5%
12	61.0%
13	62.0%
14	63.0%
15	64.0%
16	65.0%
17	65.5%
18	66.0%
19	66.5%
20	67.0%



Calculate an Employee's "Target" Pay Rate

Scenario:



Jane is a new hire Accountant

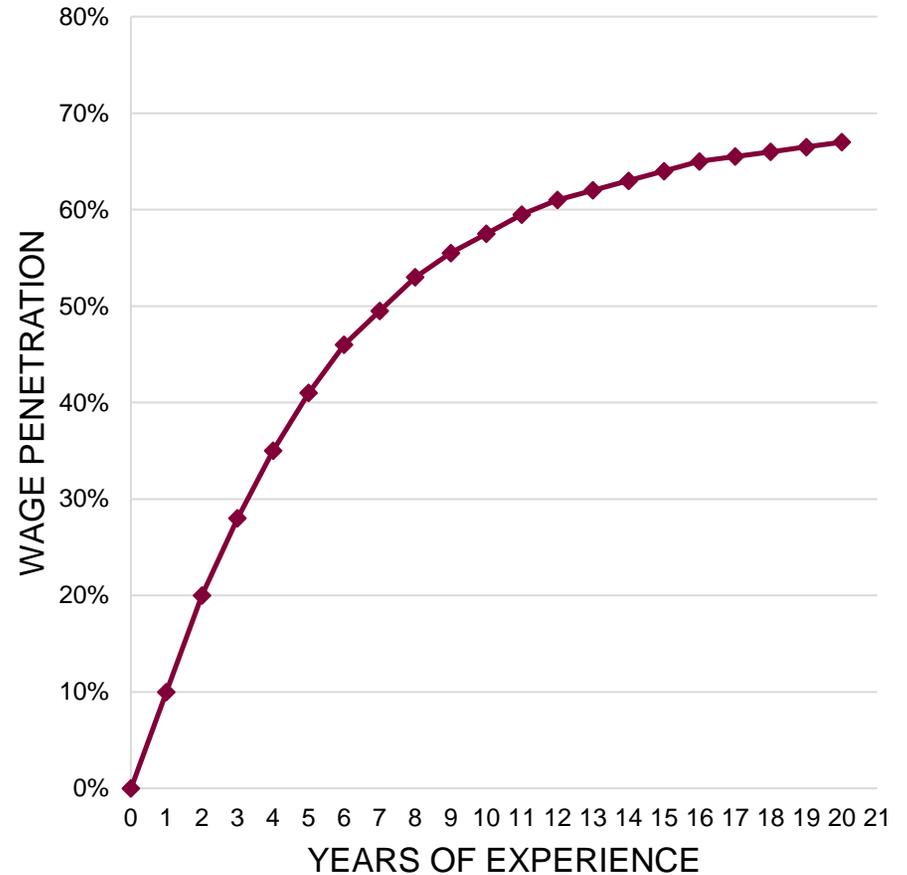
Grade Range: \$26 - \$39 (50%)

Years of Experience: 6

What is Jane's starting rate?

Formula: $(Max - Min) \times 46\% + Min$

YOE	WP
0	0.0%
1	10.0%
2	20.0%
3	28.0%
4	35.0%
5	41.0%
6	46.0%
7	49.5%
8	53.0%
9	55.5%
10	57.5%
11	59.5%
12	61.0%
13	62.0%
14	63.0%
15	64.0%
16	65.0%
17	65.5%
18	66.0%
19	66.5%
20	67.0%



Decisions to Make

- **Pay Structure:** Keep existing structure or redesign
- **Structure Type:** Step System or Open-Range
- **Market Alignment:** Meet, exceed, 75th percentile
- **Job Hierarchy (equity):** Assigning jobs to grades
- **Employees Salaries:** What criteria to use determining target salary
- **Project Timing**

Questions?

Thank you!

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