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 November 7, 2019
Personnel Committee Meeting January 31, 2020
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
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.
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.
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).
   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.
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     Chris Prevatt
Secretary to the Committee   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:
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                                 Chris Prevatt
Secretary to the Committee                    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:

Steve Delaney
Chief Executive Officer

SD - Approved
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:

Steve Delaney
Chief Executive Officer

SD - Approved
Orange County
Employees Retirement System (OCERS)

Methodologies & Guiding Principles of the Project

February 26, 2020

Presented by
Igor Shegolev, Senior Consultant (Compensation)
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
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

<table>
<thead>
<tr>
<th>Surveyed Agency</th>
<th>Classification Title</th>
<th>Monthly Min.</th>
<th>Monthly Max.</th>
<th>Monthly Midpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange County Employees Retirement System (OCERS)</td>
<td>Investment Analyst</td>
<td>$5,014</td>
<td>$8,365</td>
<td>$6,690</td>
</tr>
<tr>
<td>California Public Employees Retirement System (CalPERS)</td>
<td>Investment Officer I</td>
<td>$3,728</td>
<td>$6,841</td>
<td>$5,285</td>
</tr>
<tr>
<td>California State Teachers Retirement System (CalSTRS)</td>
<td>Investment Officer I</td>
<td>$3,710</td>
<td>$7,046</td>
<td>$5,378</td>
</tr>
<tr>
<td>County of Orange</td>
<td>No Comparable Class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles City Employees Retirement System (LACERS)</td>
<td>No Comparable Class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles County Employees Retirement Association (LACERA)</td>
<td>Finance Analyst I</td>
<td>$7,115</td>
<td>$9,333</td>
<td>$8,224</td>
</tr>
<tr>
<td>Los Angeles Fire and Police Pensions (LAFPP)</td>
<td>Management Analyst</td>
<td>$5,846</td>
<td>$8,547</td>
<td>$7,197</td>
</tr>
<tr>
<td>San Bernardino County Employees Retirement Association (SBCERA)</td>
<td>Investment Analyst</td>
<td>$6,407</td>
<td>$9,522</td>
<td>$7,965</td>
</tr>
<tr>
<td>San Diego City Employee Retirement System (SDCERS)</td>
<td>No Comparable Class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County Retirement Association (SDCERA)</td>
<td>No Comparable Class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Francisco Employees Retirement System (SFERS)</td>
<td>Security Analyst</td>
<td>$8,881</td>
<td>$10,792</td>
<td>$9,837</td>
</tr>
</tbody>
</table>

| Base Salary Mean | $5,948 | $8,680 | $7,314 |
| Base Salary Median | $6,127 | $8,940 | **$7,581** |
| Base Salary 75th Percentile | $6,938 | $9,475 | **$8,159** |

| Percentage Above or Below Mean | -18.62% | -3.77% | -9.34% |
| Percentage Above or Below Median | -22.19% | -6.87% | -13.32% |
| 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
Sources of Market Data: ERI

![Benchmark List Image]

**Benchmark List**

<table>
<thead>
<tr>
<th>Position</th>
<th>10th Percentile</th>
<th>25th Percentile</th>
<th>Survey Median</th>
<th>75th Percentile</th>
<th>90th Percentile</th>
<th>Actual Salary</th>
<th>Market Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Analyst</td>
<td>6,069</td>
<td>6,870</td>
<td>7,196</td>
<td>7,830</td>
<td>8,470</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>double-click to add position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Adjustments to Compensation Analysis**

Area: Los Angeles, California
Industry: Government - County/Parish Support Services
Code: NAICS: 921100, USSEC: 9721
Size: (Data reported by years of experience)
Planning Date: 2/11/2020
Annualized Salary Trend: 2.7% (Adjustment: 0.65%)
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 surveyed incumbents, contiguous data included
- >= 20 & <35 Between 20 and 34 surveyed incumbents
- > 35 & <50 Between 30 and 59 surveyed incumbents
- >= 50 & <95 Between 50 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
Assigning Jobs to Pay Grades

Accountant

<table>
<thead>
<tr>
<th>LM 25&lt;sup&gt;th&lt;/sup&gt;</th>
<th>LM 50&lt;sup&gt;th&lt;/sup&gt;</th>
<th>LM 75&lt;sup&gt;th&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 27.00</td>
<td>$ 32.50</td>
<td>$ 34.00</td>
</tr>
</tbody>
</table>

Midpoint Separation: 10.00%

Bandwidth: 50.00%

<table>
<thead>
<tr>
<th>Min</th>
<th>1Q</th>
<th>Mid</th>
<th>3Q</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 20.00</td>
<td>$ 22.50</td>
<td>$ 25.00</td>
<td>$ 27.50</td>
<td>$ 30.00</td>
</tr>
<tr>
<td>$ 22.00</td>
<td>$ 24.75</td>
<td>$ 27.50</td>
<td>$ 30.25</td>
<td>$ 33.00</td>
</tr>
<tr>
<td>$ 24.20</td>
<td>$ 27.23</td>
<td>$ 30.25</td>
<td>$ 33.28</td>
<td>$ 36.30</td>
</tr>
<tr>
<td>$ 26.62</td>
<td>$ 29.95</td>
<td>$ 33.28</td>
<td>$ 36.60</td>
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<tr>
<td>$ 29.28</td>
<td>$ 32.94</td>
<td>$ 36.60</td>
<td>$ 40.26</td>
<td>$ 43.92</td>
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<tr>
<td>$ 32.21</td>
<td>$ 36.24</td>
<td>$ 40.26</td>
<td>$ 44.29</td>
<td>$ 48.32</td>
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<td>$ 35.43</td>
<td>$ 39.86</td>
<td>$ 44.29</td>
<td>$ 48.72</td>
<td>$ 53.15</td>
</tr>
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</table>
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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Wage Increases</th>
<th>Consumer Price Index</th>
<th>Real Wage Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.2%</td>
<td>2.7%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>2010</td>
<td>2.5%</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2011</td>
<td>2.9%</td>
<td>3.0%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>2012</td>
<td>3.0%</td>
<td>1.7%</td>
<td>1.3%</td>
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<tr>
<td>2013</td>
<td>3.1%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2014</td>
<td>3.1%</td>
<td>0.8%</td>
<td>2.3%</td>
</tr>
<tr>
<td>2015</td>
<td>3.1%</td>
<td>0.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2016</td>
<td>3.0%</td>
<td>2.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2017</td>
<td>3.0%</td>
<td>2.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2018</td>
<td>2.9%</td>
<td>1.9%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2019</td>
<td>3.1%</td>
<td>2.3%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>
## Current Pay Structure Analysis

<table>
<thead>
<tr>
<th>Position Title</th>
<th>Salary Range (As of January 1, 2020)</th>
<th>Range Width</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Analyst</td>
<td>$63,211 - $105,462</td>
<td>66.8%</td>
</tr>
<tr>
<td>Internal Auditor</td>
<td>$74,353 - $111,419</td>
<td>49.9%</td>
</tr>
<tr>
<td>Contracts &amp; Risk Performance Administrator</td>
<td>$63,211 - $123,443</td>
<td>95.3%</td>
</tr>
<tr>
<td>Learning &amp; Org Development Manager</td>
<td>$63,211 - $123,443</td>
<td>95.3%</td>
</tr>
<tr>
<td>Staff Analyst</td>
<td>$63,211 - $105,462</td>
<td>66.8%</td>
</tr>
<tr>
<td>Information Security Manager</td>
<td>$66,961 - $140,321</td>
<td>109.6%</td>
</tr>
<tr>
<td>Director of Finance</td>
<td>$118,369 - $165,915</td>
<td>40.2%</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>$63,211 - $123,443</td>
<td>95.3%</td>
</tr>
<tr>
<td>Director of Member Services</td>
<td>$124,877 - $167,680</td>
<td>34.3%</td>
</tr>
<tr>
<td>Retirement Analyst</td>
<td>$66,961 - $140,321</td>
<td>109.6%</td>
</tr>
<tr>
<td>Member Services Manager</td>
<td>$63,211 - $123,443</td>
<td>95.3%</td>
</tr>
<tr>
<td>Disability Manager</td>
<td>$63,211 - $123,443</td>
<td>95.3%</td>
</tr>
</tbody>
</table>
## Proposed Pay Structure

<table>
<thead>
<tr>
<th>Grade</th>
<th>Min (Hourly, $)</th>
<th>Mid (Hourly, $)</th>
<th>Max (Hourly, $)</th>
<th>Grade Progression</th>
<th>Bandwidth, %</th>
<th>Min (Monthly, $)</th>
<th>Mid (Monthly, $)</th>
<th>Max (Monthly, $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>30.00</td>
<td>37.50</td>
<td>45.00</td>
<td>10.0%</td>
<td>50%</td>
<td>5,200</td>
<td>6,500</td>
<td>7,800</td>
</tr>
<tr>
<td>102</td>
<td>33.00</td>
<td>41.25</td>
<td>49.50</td>
<td>10.0%</td>
<td>50%</td>
<td>5,720</td>
<td>7,150</td>
<td>8,580</td>
</tr>
<tr>
<td>103</td>
<td>36.30</td>
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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)

- 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

<table>
<thead>
<tr>
<th>Grade</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
<th>Grade Separation</th>
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<td>$5,735</td>
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</table>
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

Pay Grade with 22% Bandwidth

Market pay range with 50% Bandwidth

Midpoint

Market
Small Midpoint Separation (2%-3%) …will restrain employee wage progression

Grade from which Ee being promoted

Next Pay Grade

Grade Overlap
Traditional Open-Range Pay Structure
Fan Style Pay Structure

- 30%
- 40%
- 50%
- 58%
- 60%
- 65%
- 67%
- 67%
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

Minimum  $20,000  33%  Range Midpoint  $26,000  66%  Maximum  $32,000

0%  50% Penetration  100%
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: \[ WP = \frac{Employee's\ Salary - Grade\ Minimum}{Grade\ Maximum - Grade\ Minimum} \]

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<th>Wage Penetration (WP)</th>
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### Wage Penetration

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</table>
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: $(Max - Min) \times 46\% + Min$

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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!