AGENDA

COMPENSATION COMMITTEE

MEETING OF
WEDNESDAY, MARCH 21, 2018, AT 1:30 P.M.
BOARDROOM - GATEWAY

1. MEETING CALLED TO ORDER: Chair Steve Roath.

2. ROLL CALL: Roath, Birdsall, Brown, Kelso

3. APPROVAL OF REPORT OF JANUARY 24, 2018 (Attachment)

4. RESIDENTS’ FORUM

5. NEW BUSINESS

  OPEN DISCUSSION REGARDING COMPENSATION MANAGEMENT SYSTEM
  (ATTACHMENT)

6. NEXT MEETING: To Be Determined

7. ADJOURN

If an executive session is necessary, it will be announced during the regular meeting. Executive session topics are restricted to legal, personnel, and third-party contract matters.

cc: GRF Board
A regular meeting of the Compensation Committee was convened by Chair Steve Roath, at 1:30 PM, in the Board Room at the Gateway complex.

Present, in addition to the Chair, were Committee members Les Birdsall, Carl Brown, and Bob Kelso. Also in attendance were Tim O'Keefe, CEO of GRF; Anthony W. Grafals, General Counsel and Director of Confidential Services; and Judith Perkins, Sr. Manager Human Resources.

The report of the Committee’s meeting held on July 10, 2017, was reviewed and approved by the Committee as presented.

GRF Board Members Mel Fredlund, Ken Haley and Mary Neff were present. No other residents attended, and no comments were offered during the residents’ forum.

The committee discussed BLS data published by the California EDD as a possible alternative to purchasing commercial salary surveys. Staff provided information regarding the differences between the sources and data.

The next meeting was set for May 16, 2018, or earlier if one was determined to be necessary.

The meeting was adjourned at 3:20 pm.

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Steve Roath, Chair
Compensation Committee
SUMMARY REPORT
GOLDEN RAIN FOUNDATION COMPENSATION COMMITTEE

REPORT PREPARED BY: ANTHONY W. GRAFALS, GENERAL COUNSEL

REQUESTED ACTION/RECOMMENDATION: DISCUSS COMPENSATION MANAGEMENT SYSTEM

BACKGROUND:

On March 16, 2018, Questions were submitted to staff regarding the Compensation Management System (“CMS”) by the Chair of the Committee for discussion at the next Compensation Committee Meeting. Presently, the Senior Manager of HR is out on leave for jury duty. However, she was able to review the questions and proposed responses after hours and provide feedback. The questions and responses are attached.

ATTACHMENTS: NONE

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1. Discuss the CMS position that we achieve a median pay that is 5% above the Market Median for the same......

(JP) This actually comes from the compensation philosophy which says the Foundation is going to offer “competitive compensation” in order to “attract and retain competent, experienced employees”. That statement was derived from the Comp Committee and Ad Hoc Resident Committee advice and discussions, which set the entry level at .9 of median or average, and the cap at 1.2 of median/average or the 75th percentile, whichever is lower. The two ends were discussed extensively by both the Comp Committee and the Ad Hoc Resident Committee. The terms ‘average or median’ were used because not all surveys report in the same fashion, and it was necessary to provide enough flexibility to be useful.

2. Identify the level of Market pay rates at which we set the Floor (or, entry level) of a Band. NOTE: CMS says 90% of the Market Median for the job level (family etc).

(JP) See #1 above.

3. How and when are the Bands adjusted? And with what frequency? Are our Bands too restrictive? (High or Low)

[AWG] The band itself consists of the range i.e. high and low. The band (both the high and low) should be reviewed whenever we “touch” a compensation band. (JP) If the review indicates that our range is no longer appropriate, the range is adjusted. If the range is OK, we leave it alone. [AWG] This occurs when we post/hire for a job, modify a job description, and when we provide raises to anyone who is capped or below their floor, (JP) or an employee transfers between positions. [AWG] Raises given to employees earning near the middle of their band will not likely put someone over the top of their band. So, we don’t need to look at a band when we give someone a 1% to 3% increase who is near the middle. However, if a person near the top of their band receives an increase that puts them close to cap, then that is a trigger to look at their band. Likewise, when raises are given to someone below their band or near the bottom, we should re-evaluate their band at that time and report on their status as either being below, or in danger of dropping below the bottom. Staff does not have the resources to look at every band every year.

4. The CMS lists the Surveys we use. Describe their frequency, costs, and use.

(JP) We use 3 annual surveys for adjusting pay ranges. These are the A J Gallagher, Fair Pay for Northern California Non-Profits, and the World@Work salary surveys. The Gallagher survey is most useful, as it encompasses a very broad range of positions (many at multiple skill levels), draws the data from SF Bay Area for profit, non-profit, and government organizations, and can be used to evaluate pay ranges for many of our non-union positions. The Fair Pay survey looks at non-profits only throughout northern California; because GRF is not a charitable non-profit, this survey covers a much smaller portion of our non-union positions. And the World@Work national survey provides state-wide information and context for increases in positions not explicitly found in either Gallagher or Fair Pay. In addition we have access to a current market salary database through our benefits broker,
Willis Towers Watson; this is a no-additional-cost service; the information is searchable by industry, job title, and area, so it is more generic than the Gallagher survey; it does offer guidance for some less common positions. And we also consult various specialty surveys for recreation/fitness, golf, and HOA positions, which are generally not available in any of the broader surveys.

The Gallagher, Fair Pay, and World@Work surveys are annual. Gallagher is typically published in October and will cost about $600 in 2018; Fair Pay is typically published in June/July and cost $120 in 2018; and the World@Work survey typically comes out in July/August and will cost $425 in 2018. (These are all participant rates; non-participants pay $100-$200 more.)

The two HOA professional organizations (CACM and CAI) publish salary surveys on an intermittent basis; the last were published in 2014. They ran around $150-$200 each.

The California Park & Recreation group usually publishes a salary survey in alternate years. They missed in 2017.

Mark Heptig is sometimes able to get me salary survey information from the PGA; it’s not regularly available however.

In the absence of regular salary information for the specialty positions, we consult local city and agency published salary information; job descriptions are also available from these sources, which makes it easier to match our jobs to theirs, as titles are only general indicators. We also use published salary guides from selected temp agencies for some lower level administrative positions, as the pay ranges for these positions don’t always change at the same rate as the higher skilled administrative positions. And when all else fails, I tap my HR network to see if anyone to whom I’m connected can offer salary range guidance.

5. We apparently don’t want persons to be above or below their Bands.. when would we know? And when adjusted?

[AWG] See #3 above.

(JP) We check ranges for a specific position whenever it is touched: new hires, internal transfers, changes in the job description, when someone either falls beneath the floor or hits the cap. We check a limited set of ranges each year when the surveys are all available (typically in late October/early November). Pay ranges are typically adjusted in November for the ensuing year.

6. “Merit Pay” does add to the total compensation for even those at the Cap of their Band. Discuss Options for handling.

[AWG] neither market nor merit increases are allowed to put someone over their band. For someone who is at or near the top or perhaps even above, the CEO has to approve giving a one-time lump sum to that person. That would be based on a manager’s recommendation with the
CEO’s approval. Tim would have to weigh in on the circumstances under which he would approve or deny such a recommendation.

It is important to remember that lump sum awards do not add to the ongoing wage base, and so do not compound over time. In addition, the CMS does not address “total compensation” (a phrase which includes value of holidays, vacation, paid sick leave, professional development, etc.) but only the annual salary/wages paid for a position.

7. We have changed the CMS to add back the “merit” component as well as fund to catch-up the “few”. by adding those components in addition to the COLA component. What is the likely impact on Salaries positioned within our Bands?

Generally, market (COLA) increases should keep pace with most positions. The only positions that would be adversely affected by a market-only increase would be those that are hard to fill because of demand.

In addition, employees at or near the bottom of the band may fall beneath the floor if the COLA increase is not as great as the market changes for that particular position because the position is in heavy demand.

Presently, we’re finding that to be the case with Counselors, life guards, transportation managers, and some other positions.

Merit increases should be the only awards that would move a person higher within their band. Based on the percentages we generally deal with, only those that are already close to the top would be at risk of hitting their cap. If they hit their cap, then we go no higher, unless directed to by the CEO and/or the Board. Tim is generally very judicious about even considering paying someone anything above their band.

To date, he has not approved paying someone over the current band.

8. Discuss the use of BLS vs COLA data to adjust (project) the Bands for the coming year?

BLS collects both the jobs data and the cost of living data we have been talking about. BLS data is not collected for the purpose of actually administering salaries or setting prices. The BLS itself says as much. Instead, BLS data provides a benchmark to compare actual price movements and wages against to see how it compares with the broader market.

BLS jobs data is for macro-economic analysis purposes and data is captured across very broad categories, too broad to be useful for a particular job, and the sample sizes for a particular position are too small within the job field to be useful for setting salaries. Plus, the index that Carl presented aggregates both full-time and part-time wages, which artificially pushes down the real numbers. For macro-economic purposes, it is used not to set actual wages, but for broader market trend analysis. For example, whether white collar jobs are trending higher versus blue collar, whether science, engineering, financial, etc. is moving in a particular direction, etc. Therefore, it’s
the movement from period to period in a like position/sector that is important, not the absolute dollar amount of a salary for a particular job.

Cost of Living (COLA) data similarly is a market comparator. It is not the absolute number of the index that’s important, but the movement in the index from year to year. The cost of living gives a generic indication of the cost of a bundle of goods and services in the market place. If the index rises by 3%, then one can broadly conclude that the same bundle of goods and services costs 3% more in the later year measured. Therefore a person earning $X in year one, would theoretically need to earn $X times 3% in year two to merely MAINTAIN the same standard of living. Earning more, raises their economic position, earning less lowers their economic position.

The surveys we subscribe to are specific and detailed. They focus narrowly on a particular job, not just a particular field or segment. The survey provides a detailed description of the job so that it can be used to compare with a similar job inside the organization, regardless of the job title. For example, titles like “administrator” could refer to either administrative assistants performing at a very low level, or a manager with a high degree of discretion. Therefore, it is CRITICAL to have that detailed job description so we can match similar positions against each other, regardless of the title. My title is General Counsel, but my job bears very little resemblance to the General Counsel for Microsoft. So, we don’t want to compare me to the General Counsel for Microsoft. The data in the surveys we use is reported by the company, not a worker who may be trying to artificially inflate his position. The companies that report data also use the data, and pay a lot of money for the surveys. That means they have a vested interest in the accuracy of the data, and therefore, the best surveys have a high degree of accuracy, and cost more money. Additionally, top ranked surveys will include either a margin of error based on sample size, or provide sufficient information for the user to evaluate the validity of the data.

The reason we subscribe to more than one is that they cut across different markets, and because some samples tend to be more widely used by different industries. So, a sample that is excellent and has a large sampling of laborers, might not be as useful for white collar workers and vice versa.

Unfortunately, not all surveys report data in the same manner. So, there is some art in reading/interpreting and applying survey sample data in the workplace. Most well-trained HR professionals are proficient in that art. Judith has a Ph.D., and a certification from the Society for Human Resources Management, as well as several other distinguished designations. Those designations require a minimum number of years of experience and passage of a rigorous test that many people don’t pass, and that she receive annual training of at least a minimum number of hours in a broad range of disciplines. I do not possess those credentials so I defer to her to decipher the information in the surveys and apply it.