

# AGENDA

## COMPENSATION COMMITTEE

REGULAR MEETING  
WEDNESDAY, AUGUST 15, AT 1:00P.M.  
BOARD ROOM - GATEWAY COMPLEX

1. MEETING CALLED TO ORDER: Mary Neff, Chair
2. ROLL CALL: Neff, Birdsall, Brown, Roath
3. APPROVAL OF REPORT: Regular meeting July 19, 2018
4. RESIDENTS' FORUM
5. CHAIRMAN'S REPORT
6. UNFINISHED BUSINESS
7. NEW BUSINESS
  - a) Review key concepts of CMS (Mary)
  - b) Describe GRF 2018 Evaluation Process (Tim/Judith)
  - c) Introduction to Carl Brown's Compensation Analysis (Carl) (Attachment)
8. ADJOURNMENT
9. NEXT MEETING: October 10, 2018 at 1:00 p.m.

cc: GRF Board

## COMPENSATION COMMITTEE REPORT

REGULAR MEETING  
THURSDAY, JULY 19, 2108, AT 9:30 A.M.

A regular meeting of the Compensation Committee was convened by the Chairman, Mary K. Neff, at 9:30 a.m. in the Board Room at the Gateway Complex.

Present, in addition to the Chairman, were Leslie Birdsall and Carl W. Brown. Stephen D. Roath was absent. Also in attendance were Timothy O'Keefe, CEO; Anthony W. Grafals, General Counsel and Director of Confidential Services; and Richard S. Chakoff, CFO. Judith Perkins, Sr. Manager Human Resources was absent.

Attendance

The draft report of the Committee's meeting held on Wednesday, June 13, 2018, was reviewed and approved with one correction noted by the Committee.

Report of  
6/13/18  
Approved/  
Residents'  
Forum

No residents spoke at the Residents' Forum.

Under New Business, the Committee reviewed item 5a of the agenda packet, which asks the Committee to recommend to the Board of Directors that it approve increasing the non-represented employee benefits program budget for 2019 by \$92,000, based on projections from GRF's benefits broker. Mr. Chakoff provided an overview. Discussion followed.

A motion was made by Mr. Birdsall, seconded by Mr. Brown, and CARRIED UNANIMOUSLY to recommend to the GRF Board that it approve the Compensation Committee's recommendation to increase the non-represented employee benefits program budget for 2019 by \$92,000, based on projections from GRF's benefits broker.

Recom-  
mendation  
re.Increase  
in Benefits

The Committee then reviewed item 5b of the agenda packet, which asks the Committee to recommend to the Board of Directors to include \$180,000 in the 2019 GRF operations budget for increased contractual costs for the GRF union employees. Messer's Chakoff and Grafals provided an overview. Discussion followed.

A motion was made by Mr. Birdsall, seconded by Mr. Brown, and CARRIED UNANIMOUSLY to recommend to the GRF Board that it approve the Compensation Committee's recommendation to include \$180,000 in the 2019 GRF operations budget for increased contractual costs for the GRF union employees.

Recom-  
mendation  
re.Union  
Increase

Lastly, the Committee reviewed item 5c of the agenda packet, which asks the Committee to recommend to the Board of Directors that it approve fund allocations in the 2019 budget to allow for an increase in CEO wages of up to 3.2% (\$8,182), consistent with that of other employees, as well as an increase of up to 5% (\$12,784) to allow for a potential market/merit adjustment for the CEO, and an additional \$10,000 for a possible CEO performance recognition award, for a total line item increase of \$30,966, all subject to the final determination of such increases

by the Board at its November/December 2018 meeting.

A motion was made by Mr. Birdsall and seconded by Mr. Brown and CARRIED UNANIMOUSLY to recommend to the GRF Board that it approve the Compensation Committee's recommendation to allocate funds in the 2019 budget to allow for an increase in CEO wages of up to 3.2% (\$8,182), consistent with that of other employees, as well as an increase of up to 5% (\$12,784) to allow for a potential market/merit adjustment for the CEO, and an additional \$10,000 for a possible CEO performance recognition award.

Recom-  
mendation  
re.  
Increase in  
CEO Wages

The next meeting of the Compensation Committee will be at 1:30 p.m. on Wednesday, August 15, 2018, in the Board Room at Gateway Complex. **There will not be a regular meeting of the Compensation Committee in September. A regular meeting of the Committee will be held on Wednesday, October 10, 2018, at 1:30 p.m. in the Board Room at Gateway Complex.**

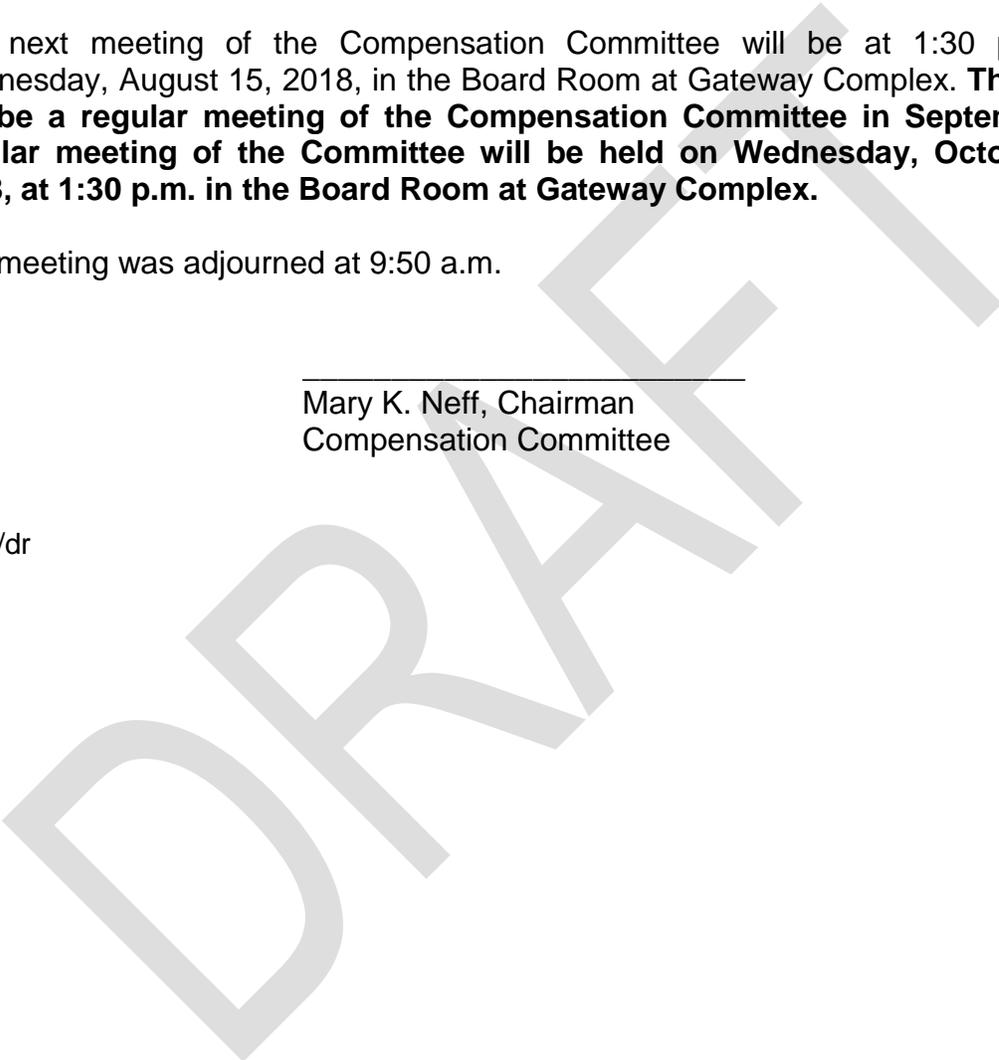
Next Mtg.  
8/15/18

The meeting was adjourned at 9:50 a.m.

Adjournment

\_\_\_\_\_  
Mary K. Neff, Chairman  
Compensation Committee

TO/dr



## Compensation Briefing 8/15/18

### Median vs Average

When the 2011 CMS guidelines were put together it made no distinctions between median and average. While often they are close in value, it is not always the case and knowing the difference is important.

Example:

5 Employees:

A \$15/hr.

B \$15/hr.

C \$18/hr.

D \$24/hr.

E \$28/hr.

Average =  $(15+15+18+24+28 = 100)/5 = 20$

Median = 18 (2 less and 2 greater) (50% percentile)

Give D a \$3 raise and E a \$2 raise

Average =  $(15+15+18+27+30 = 105)/5 = 21$

Median = 18 (2 less and 2 greater) (50% percentile)

As you can see even though the average changes, but the median does not.

When setting budgets, we use the average because unusual salaries affect the budget.

When hiring or looking at market equivalent salaries we need to use the Median. This is because most people tend to cluster around a typical median salary. It is better because it is unaffected by extremes. The superior employee's higher salary should not affect the salaries of the typical employees. At the other end of the spectrum those who do poorly get fired and don't affect the median either.

### DEMO

This chart shows that overall the payroll budget meets market standards. What it does not show is whether each individual employee is receiving a fair salary. In other words, are we over paying some people and underpaying others? If so, then it is reasonable to assume that the amount of overpay balances the amount of underpay.

Our adjustment process of paying everyone less than CPI-U has shifted everyone down in their bands and some to the floor of the band.

While we have kept employees above the floor and frozen raises if they are above the cap, our current system does not have any standard mechanism to adjust salaries to reposition employees within the band according to merit and other factors. Is this an issue? We will not know until we get the final data to do an analysis of individual paid position with relation to merit.

To do this I have developed an application to generate reports based on an analysis of individual employee data. The application is awaiting data to produce final results. Originally the application was developed to determine if there was a problem what could be done to fix it. It supported producing reports that produced different “what if” conditions for different decisions and market conditions.

It was changed to better reflect current conditions and answer the question of whether change is needed. Today I will focus in these aspects.

The application is based on the principle of reward for performance and other factors is the position one has in the band. Better performance should be rewarded with better pay. Employees who perform better are worth more. Better performers should be placed higher in the band. This reward system is better than a merit bonus because according to or CMS design we allow a 30% variance in salaries.

The application uses each employee’s rating and the job classification estimated median to calculate and ideal (target) salary. If we adopt this approach we probably will not immediately adjust to person’s salary to that amount but rather give them variable wage increases to adjust their salary so that over years will adjust to the target.

Let’s look at ratings. Not only is the data incomplete but staff has just instituted this system and is working on improving it to produce more meaningful results. There was only one employee who got a rating below 3.0. Below 2.8 they get no raise. I suspect we saw a median of 3.8 because that is the cutoff for merit bonuses.

All these numbers are hard to visualize so here is a histogram. It is expected that we might see a clustering around 3.0 or a bit higher because in some jobs it is hard to excel above expectations. Either you do your job or not but there is little opportunity to stand out.

On this rating page you will see a chart mapping a person’s rating to the position in the band based on the projected band median. A person rating a 3.7 would have a target salary equivalent to the projected median salary including the 5% market leading adjustment. A person getting a 3.0 rating would get 93% of the amount which is only 2% less than the projected market median. The advantage of a table like this is that it is easy to administer, and the adjustments factors can be tweaked to make the total salaries meet the budget or provide incentives for advancement in specific rating ranges.

The medium salary can adjusted for things like seniority, special duties or other factors. This adjusted value can be used to compute the target salary. The figures at the bottom of this page will help balance budget, target and actual salaries.

This report does a detail analysis of comparing current actual salaries versus calculated target salaries. These are sorted in order of the ratio between salary and target. The “Floor Adj” figure is the amount we will need to bring employees up to the floor if we give them a CPI-U raise and the band moves according to the ECI.

You will notice at the top some salaries that are very divergent. With incomplete data we have no idea if these values are accurate. Is a rating of 5.0 accurate? Does the person work 2080 hours a year? If he or she is a part time worker these figures are greatly distorted. The good news is that if these numbers are even close, the money saved by giving over paid employees a smaller raise will pay for giving underpaid employees a larger raise. In addition, our salary adjustment budget can speed up the adjustment process.