Koff & Associates
A Gallagher Company

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Total Compensation Study - CEO Final Report

City of San José, Office of Retirement Services

KOFF & ASSOCIATES

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September 30, 2022

Mr. Prabhu Palani
Chief Investment Officer
Office of Retirement Services
City of San Jose
1737 N 1st Street, 6th Floor
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Dear Mr. Palani:

In January 2022, the City of San Jose's Office of Retirement Services (Office) contracted with Koff & Associates (K&A) to conduct a total compensation study for the Chief Executive Officer (CEO) classification. The data presented in this report was collected during the months of July and August 2022 and is reflective of market practices of the comparator agencies at that time. The following represents, in brief, the study process, findings, and recommendations with respect to the Chief Executive Officer classification, organized in the following manner:

- Labor Market Comparator Agencies
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Comparator Agencies

An important step in conducting a market salary study is the determination of appropriate agencies for comparison. In developing the list of potential comparator agencies, K&A utilized agencies that the Office has historically used as comparator agencies for prior compensation studies. Additionally, K&A reviewed retirement agencies within the State of California, since they are the predominant agencies with whom the Office competes for talent. Comparators were selected based on the following factors:

1. **Organizational type and structure –** It is generally recommended that agencies of a similar size and providing similar services to that of the Office be used as comparators. For this study

specifically, agencies which had investment related classifications were preferred since the purpose of the study was to identify market trends on how these jobs are paid in the market.

When it comes to non-management classes, the size of an organization is not as critical, as these classes perform fairly similar work. The difference in size of an organization becomes more important when comparing classes at the management level. The scope of work and responsibility for management becomes much larger as an organization grows. Factors such as management of a large staff, consequence of error, the political nature of the job, and its visibility all grow with larger organizations. When it is difficult to find agencies that are similarly sized, it is important to get a good balance of smaller and larger agencies.

2. **Similarity in the size of assets managed, number of employees and members served in the retirement system** – These elements provide guidelines in relation to value of assets for which the Office is responsible, staffing required to deliver services, and membership served.
3. **Scope of services provided** – For the majority of classifications, it is important to select agencies providing similar services. Organizations providing the same services are ideal for comparators and comparator agencies surveyed provide similar services to the Office.
4. **Labor market and geographic location** – In the reality that is today's labor market, many agencies are in competition for the same pool of qualified employees. No longer do individuals necessarily live in the communities they serve. The geographic labor market area, where the Office may be recruiting from or losing employees to, was taken into consideration when selecting comparator organizations. By selecting employers within a geographic proximity to the Office, the resulting labor market data generally reflects the region's cost of living, housing costs, growth rate, and other demographic characteristics to the same extent as competing employers to the Office. However, because of the very specialized services provided by the Office, K&A recommended the use of eleven agencies in different regions within the State of California to provide a balanced mixture of agencies across the State.

K&A compiled and analyzed data from a variety of potential comparator agencies based on the aforementioned factors. In collaboration with the Office's stakeholders, K&A refined the list of potential comparators to include those agencies determined to be most similar to the Office based on the preceding factors. The Office also requested that we gather data from CalPERS on CEO compensation. The eight (8) comparator agencies utilized for this compensation study are provided in Table 1.

Table 1. Comparator Agencies

Agency
1. Alameda County Employees' Retirement Association
2. Contra Costa County Employees' Retirement Association
3. Los Angeles City Employees' Retirement System
4. Orange County Employees Retirement System
5. San Bernardino County Employees' Retirement Association
6. San Francisco Employees' Retirement System
7. San Mateo County Employees' Retirement Association
8. California Public Employees' Retirement Association

Cost of Labor Differential

Use of a broader geographic survey group, as was done in this study, generally raises questions on the impact of regional differences in wages. Cost of Labor measures regional differences in wage trends and is an effective measure in drawing a comparison between salaries. To accomplish this, we used databases from the Economic Research Institute (ERI), a nationally recognized provider of data with respect to differences in the costs of living and cost of labor in counties with a population of over 10,000. The Cost of Labor percentages reflect regional differences in wages and are relevant to making compensation decisions because the focus is on what other employers are paying within the region rather than the differences in the cost of consumer goods. Cost of Living focuses on the difference in the cost of consumer goods including housing and therefore can fluctuate more dramatically between locations. Information regarding ERI's methodology can be found in Appendix I.

Cost of Labor differentials were applied to the top step salary of each of the comparator agencies outside of the Bay Area to ensure that wages reflect the regional pay levels of the Office. For those agencies where base salaries were adjusted, the Cost of Labor differential is displayed within the top monthly datasheets indicating the percentages by which base salaries were adjusted. The cost of labor utilized are as follows:

Table 2. Cost of Labor Differentials

Agency	Location	Salary Differential Applied
Alameda County Employees' Retirement Association	Oakland, CA	0%
Contra Costa County Employees' Retirement Association	Concord, CA	0%
Los Angeles City Employees' Retirement System	Los Angeles, CA	11%
Orange County Employees Retirement System	Santa Ana, CA	12.5%
San Bernardino County Employees' Retirement Association	San Bernardino, CA	15.7%
San Francisco Employees' Retirement System	San Francisco, CA	0%
San Mateo County Employees' Retirement Association	San Mateo, CA	0%
California Public Employees' Retirement System	Sacramento, CA	13.6%

Salary and Benefits Data

K&A collected the benefit data elements generally used in total compensation studies, as well as those requested specifically by the Office.

The following salary and benefits data were collected for the CEO classification.

1. Monthly Base Salary

The top of the salary range and/or control point. All figures are presented on a monthly basis, and total compensation is based on the top of the salary range and/or control point.

2. Employee Retirement

The retirement reflects the benefits offered to the classic tier:

- **Retirement Formula:** The service retirement formula for each agency's Classic plan.
- **Enhanced Formula Cost:** The baseline PERS formula for miscellaneous employees is 2%@62. There is typically a cost to the employer for offering a formula with a higher benefit than the baseline formula. For each enhanced formula, the cost to the employer is based on a state-wide actuarial percentage calculated by PERS. The percentage value for each enhanced formula for miscellaneous employees is:
  - **2%@60: 1.6%**
  - **2%@55: 3.2%**
  - **2.5%@55: 5.4%**
  - **2.7%@55: 7.1%**
  - **3%@60: 8.1%**
- **Employer Paid Member Contribution:** The amount of the employee's required retirement contribution that is paid by the employer (Employer Paid Member Contribution) on behalf of the employee.
- **Single Highest Year:** The period for determining the average monthly pay rate when calculating retirement benefits. The base period is 36 highest paid consecutive months. When final compensation is based on a shorter period of time, such as 12 highest paid consecutive months, there is a cost to the employer. Similar to the enhanced formula, the cost to the employer is based on a state-wide actuarial percentage calculated by PERS – amounts range from 0.9% to 1.2% of salary.
- **Social Security:** If an employer participates in Social Security, then the employer contribution of 6.2% of the base salary up to the federally determined maximum contribution of $759.50 per month for calendar year 2022.
- **Other:** Any other retirement contributions made by the employer.

The K&A methodology measures the value of enhancements to "Classic" retirement systems across the market, and it does not measure the value of the employer mandated contribution to the retirement system since these are highly variable amounts, determined by demographics and prior funding, factors unrelated to the value of the benefit to the employee, which change on an annual basis.

Deferred Compensation

Deferred compensation contributions provided to all employees of a classification with or without requiring the employee to make a contribution is reported.

3. Insurances

The employer paid premiums for an employee with family coverage was reported. The employer paid insurances included:

- Cafeteria/Flexible Benefit Plan
- Medical
- Dental
- Vision
- Other Insurance

4. Leaves

Other than sick leave, which is usage-based, the number of hours off for which the employer is obligated. All hours have been translated into direct salary costs.

- Vacation: The number of paid time off (or vacation) hours available to all employees who have completed five (5) years of employment.
- Holidays: The number of holiday hours (including floating hours) available to employees.
- Administrative: Administrative (or management) leave is normally the number of paid leave hours available to Fair Labor Standards Act ("FLSA") Exempt and/or management to reward for extraordinary effort (in lieu of overtime). This leave category may also include personal leave which may be available to augment vacation or other time off.

5. Auto Allowance

This category includes either the provision of an auto allowance or the provision of an auto for personal use only. If a vehicle is provided to any classification for commuting and other personal use, the average monthly rate is estimated at $450. Mileage reimbursement is not included.

6. Other

This category includes any other benefits that are automatic to all employees in a classification.

7. Additional Benefits

The Office requested that K&A collect additional benefits from the comparator group. The cost of these additional benefits was not factored into the total compensation calculations and is instead detailed in the tables contained in Appendix IV of this report; these supplemental benefits and premium pay practices included:

- Lump sum payments
- Education/Degree Incentive Pay
- Technology Allowance
- Executive Coaching
- Longevity Pay

All of the benefit elements are negotiated benefits provided to all employees in the classification. As such, they represent an ongoing cost for which an agency must budget. Other benefit costs, such as sick leave,

tuition reimbursement, and reimbursable mileage are usage-based and cannot be quantified on an individual employee basis.

Data Collection

Data was collected during the months of July and August 2022 through comparator agency websites, conversations with human resources or other staff at each comparator agency to understand their organizational structure and possible classification matches, and careful review of agency documentation such as classification descriptions, salary schedules, benefits summaries, memoranda of understanding, organization charts, and other relevant documents.

As such, the data presented in the following narrative, and included in the appendices of this report, is representative of the base and total compensation practices of the market, and of the Office, as they were at the time data was collected.

Matching Methodology

K&A believes that the data collection step is the most critical for maintaining the overall credibility of any study and relied on the Office's classification descriptions as the foundation for comparison.

When K&A researches and collects data from the comparator agencies to identify possible matches for each of the benchmark classifications, there is an assumption that comparable matches may not be made that are 100% equivalent to the classifications at the Office. Therefore, K&A does not match based upon job titles, which can often be misleading, but rather analyzes class descriptions in their totality before a comparable match is determined.

K&A's methodology is to analyze each class description and the whole position by evaluating factors such as:

- Definition and typical job functions;
- Distinguishing characteristics;
- Level within a class series (i.e., entry, experienced, journey, specialist, lead, etc.);
- Reporting relationship structure (for example, manages through lower-level staff);
- Education and experience requirements;
- Knowledge, abilities, and skills required to perform the work;
- The scope and complexity of the work;
- Independence of action/responsibility;
- The authority delegated to make decisions and take action;
- The responsibility for the work of others, program administration, and for budget dollars;
- Problem solving/ingenuity;
- Contacts with others (both inside and outside of the organization);
- Consequences of action and decisions; and
- Working conditions.

In order for a match to be included, K&A requires that a classification's "likeness" be at approximately 70% of the matched classification. For this single classification study, sufficient market matches were identified at each of the comparator agencies.

Data Spreadsheets

The Market Compensation data sheets (Appendix III) present the top monthly (base salary) and total monthly (base salary and benefits) findings for the CEO classification. To address the regional differences in cost of labor of the comparator market, the actual salaries of the matches have been adjusted based on the comparator's cost of labor in relation to the Office (as displayed in Table 2 above).

All documents comprise columns displaying top monthly salary, benefits package cost, total monthly compensation, effective dates of salaries, and the timing and amount of next increases, when known.

The Benefits Detail, part of Appendix III, provides the monthly costing/value of the different elements of total compensation; the monthly total cost of benefits was added to the top monthly salaries to produce the total monthly compensation.

The Results Summary data sheets (Appendix II) on each of the Market Compensation Data Sheets displays the average (mathematical mean of all data arrayed) and median (middle of all data arrayed) of all comparator data; in all cases, the Office's top monthly and total monthly amounts are excluded from the analyses.

The market compensation data includes two different comparisons to the market agencies; one figure includes CalPERS as a comparator agency, and the other excludes CalPERS. CalPERS was initially included as a comparator agency as an informational reference. Due to the difference in its size and scale of operations, is likely not representing a body of work at least 70% similar to the Office's CEO and should be excluded from further market analysis.

Market Compensation Findings

Based on the market compensation data (reflected in Table 3), the Office's CEO's base salary is 7.7% below market median (when CalPERS is excluded as a comparator agency); this figure increases to 8.7% below the market median when factoring in total compensation. This means that the Office's compensation level for the CEO loses market position by 1.0% when the impact of total compensation (benefits) is taken into consideration. As such, adjustments to the CEO's salary should be based off of adjusted base salary and benefits should be assessed separately to ensure total compensation is set according to the Office's compensation philosophy. One area to focus on for competitiveness is retirement contributions; 5 of the 8 comparators participate in social security in addition to a public employee retirement plan and half of the agencies contribute to a deferred compensation plan.

Table 3. Market Compensation Results Summary

Classification Title	# of Matches	Adjusted Top Monthly % Above or Below	Total Compensation % Above or Below
Chief Executive Officer (excluding CalPERS)	7	-7.7%	-8.7%
Chief Executive Officer (including CalPERS)	8	-8.7%	-11.7%

Generally, a classification falling within 5% of the median is considered to be competitive in the labor market for salary survey purposes because of the differences in compensation policy, actual scope of work, and position requirements. However, the Office can adopt a different standard.

Base Salary Recommendation

K&A recommends adjusting the top of the base salary range for the CEO classification by 7.7% which is the difference between the CEO's current base salary and the market median, bringing the top of the range to $29,270/month ($351,240/annually), with actual placement within the range determined by the Boards of Trustees.

Using Market Data as a Tool

The Office has many options regarding what type of compensation plan it wants to implement. This decision will be based on what the Office's pay philosophy is, at which level it desires to pay its employees compared to the market, whether it is going to consider additional alternative compensation programs, and how great the competition is with other agencies over recruitment of a highly qualified workforce.

K&A would like to reiterate that this report and the findings are meant to be a tool for the Office to utilize to create and implement an equitable compensation plan. Compensation strategies are designed to attract and retain excellent staff; however, financial realities and the Office's expectations may also come into play when determining appropriate compensation philosophies and strategies. The collected data presented herein represents a market survey that will give the Office an instrument to make future compensation decisions.

It has been a pleasure working with the Office on this critical project. Please do not hesitate to contact us if we can provide any additional information or clarification regarding this report.

Respectfully submitted by,
Koff & Associates

Katie Kaneko
Managing Director

Koff & Associates
A Gallagher Company

Appendix I

Geographic Accessor Methodology

Difference between cost of living and geographic wage differentials

Wage and salary differentials reflect the local demand for and supply of labor.

Cost of living is dictated by the local demand for and supply of goods and services. Local wages and salaries do not indicate the local cost of living. *Cost of living* indicates the comparable local buying power for any given salary.

The cost of living data that goes into ERI databases are downloaded from existing sources. This data includes: rental rates, income taxes, property taxes, gasoline prices, medical costs/services, major retail grocery and drug store prices, etc. Cost of living differentials, as reported by ERI, reflect cost models at different income levels (e.g., an auto of “x” value driven “y” miles/kilometers, home rental with no mortgage income tax deductions, home ownership with income tax mortgage deductions in North America, etc.).

Most compensation professionals agree that when a company is hiring from the local work force (that is, when no transfer or relocation occurs), wages and salaries should be set according to market pricing of wages and salaries only. *In general, branch pay should be dictated by market pricing of wage/salary differentials only*.

While employees may find it more desirable for their pay to be adjusted for local cost of living variances, this is an unusual practice. In many cases, this practice is not cost effective for the employer. That is, in many cases the employer would be competing against organizations with relatively lower compensation costs, and thus, be at a competitive disadvantage.

In most cases, cost of living is considered only when an employee incurs new expenses due to an “internal” move, from one branch office to another. In this situation, the new salary would be set according to the destination market (local wage and salary level). Then, any cost of living allowance would be awarded separately from salary and for a finite period of time.

It is undesirable to build a cost of living adjustment into salary, as the integrity of the current salary administration program will be compromised. For instance, the transfer of personnel into an office where locally hired employees are earning lower salaries than the transferee’s “cost of living adjusted salary” is an undesirable and avoidable situation. The transfer of personnel into an area where local competitors’ employees are earning higher salaries than the transferee’s “cost of living adjusted salary” is an equally undesirable and avoidable situation. Better solutions would include the award of a one-time (lump sum) moving bonus, or a gradually decreasing three-year cost of living allowance that is awarded separately from the new locally adjusted competitive salary. Each organization’s unique situation (tax considerations, cash-flow, etc.) will dictate the best method for handling cost of living allowances.

A random telephone survey by ERI’s Director found that only 2% of ERI subscribers pay “the same for all jobs nationally, but vary levels by the cost of living.” All other surveyed subscribers stated that they ignore cost of living and concentrate on supply and demand/local market pricing to administer geographic pay differentials.

Methodology
The Geographic Assessor® & Pay Survey

ERI Economic Research Institute was founded over 30 years ago to provide compensation applications for private and public organizations. ERI's applications are available to management, analysts and consultants and are now widely used by client organizations. Subscribers include corporate compensation, relocation, human resources, and other professionals, as well as independent consultants and counselors, and US and Canadian public sector administrators (including military, law enforcement, city/county, state/provincial, and federal government pay administrators).

ERI compiles the most robust salary, cost-of-living, and executive compensation survey data available, with current market data for more than 1,000 industry sectors. The majority of the Fortune 500 and thousands of other small and medium sized organizations rely on ERI data and analytics for compensation and salary planning, relocations, disability determinations, board presentations, and setting branch office salary structures in the United States, Canada, and worldwide.

ERI is a leader in the collection, and analysis of compensation, occupation, and cost-of-living data. All data are employer-provided and come from a variety of sources. Survey data are collected through internally conducted salary surveys and the purchase of salary surveys from survey vendors. Additional data are gathered through the digitization of Proxy and 10-K data and Freedom of Information Requests in the US. Compensation data are compiled in terms of mean and median salaries for jobs of similar duties, responsibilities, skills, and functions through an extensive job matching process. **ERI** produces surveys and application analyses by which managers, advisors, and Boards of Directors may make recommendations and/or decisions. **ERI** does not provide fee-for-service consulting; our sole focus is providing valid and reliable information to our subscribers.

Overview
The **Geographic Assessor & Pay Survey** application and databases present in-depth time series regression analyses of base salary and wage differences among and between different cities and areas. ERI researchers have utilized these regression techniques for decades, the difference from the original publication being the extent and quality of survey data that are available today. Geographic cost-of-labor regressions represent analyses of the demand and supply of labor (as opposed to cost-of-living's reflection of the demand and supply of goods and services). ERI has been collecting and analyzing salary surveys since its founding; over 20 million position incumbents' data are now included in ERI's survey databases. For those interested, we refer the reader to ERI's founder's original published article on this subject:

> Thomsen, D. J. (1974). Geographic Differentials in Salaries Within The United States*, Personnel Journal*, 53, 9, 670-4.

Salary/Wage Differentials
The **Geographic Assessor & Pay Survey** application is an easy-to-use program that aids with the assessment of branch location wage and salary competitiveness and the setting of salary structures. ERI's **Geographic Assessor & Pay Survey** application calculates wage and salary differentials between any of over 7,300 North American cities, over 1,700 European cities, and cities in myriad countries around the world.

Cost-of-Living Analyses
The original **Two City Comparison** table in the **Geographic Assessor** only reports summary cost-of-living differentials based on the rental housing market and benchmark assumptions for each earnings level. It is intended to provide only a first look at the relative buying power of wages/salaries in different areas. The **updated Two City Comparison** table in the **enhanced Geographic Assessor** includes cost-of-living data for both rental and home ownership scenarios, allowing for more in-depth cost-of-living analyses and modification of assumptions. The **Relocation Assessor** was specifically designed to build relocation packages and reports rental and ownership differentials, along with itemized

break-outs of the expenditure categories that can be modified by the user in the main table. While you should use the **Geographic Assessor** to set wage and salary levels based on geographic differentials, the **Relocation Assessor** is better suited to determine COLAs.

Statistical Methodology
The **Geographic Assessor & Pay Survey** application consists of linear regression analyses programs. Eight trend lines are created for any area. Local area salary data are compared to the corresponding national salary by job or job family to create a series of differentials per area. A sample of these differentials by job or job family is displayed on the Graphs tab. To create a single differential across jobs (one that can vary by salary level), the average, conditional on salary level, is computed via a simple linear regression (the regression line is also displayed on the Graphs tab). Since these differentials vary both by salary and salary structure, a separate regression is performed for each salary structure. The user only needs to input the salary level for the base location; the program automatically assigns the structure based on the ranges below and returns the corresponding differential.

Structures
These regression equations are expressed in terms of "structures," as follows:

Wage Earner Structure	Min - 24,000
Low Salary Structure	24,000 -36,000
Mid Salary Structure	36,000 - 48,000
High Salary Structure	48,000 - 72,000
Management Salary Structure	72,000 - 108,000
Executive-1 Structure	108,000 - 144,000
Executive-2 Structure	144,000 - 192,000
Executive-3 Structure	192,000+

The Wage/Salary area structures are the formulae resulting from ERI's regression analyses of all available data for the area. The program will automatically assign the correct structures by city on the Two City Comparison table, the Comparison List table, and the Graphs table.

Sources
Data used in the cost-of-labor calculations come from salary survey sources. **ERI** collects available salary survey data for jobs and areas; evaluates survey data for validity and reliability; and compiles mean and median salaries for positions with similar duties, responsibilities, skills, and functions. Because ERI has decades of experience collecting and evaluating salary data, we have refined methods for validating both the source data and results.

Selected FAQs

Who uses the Geographic Assessor application and databases? How do they use it and how should I?

Companies setting salary structures, who pay different rates in different locations, use it. Branch pay differentials allow you to take advantage of the differing labor markets to minimize operating costs while maintaining the ability to attract, retain, and motivate employees in each area. Most often, companies use the labor cost differentials reported by the **Geographic Assessor** to make data-based decisions and manage complexity by adjusting existing structures based on local labor cost differentials or, when the differentials are sufficiently large, to develop new structures. Companies also use the labor cost differentials to research general overall labor cost differences associated with opening new branch offices. In addition to using the **Geographic Assessor** with salary structures, there are other uses of labor cost differentials, such as to adjust salary survey results directly, say from state or region to the national equivalent (or the inverse) when data at the desired geographic level or area is not directly available.

While these are all valid uses of labor cost differentials per se, each planning situation is different. So it is important to keep in mind the current planning context such as consistency with prior methods, compensation philosophy, and organizational culture, and so on when deciding how to best leverage the differentials reported. We at ERI are happy to answer questions on the data and general uses, but we do not do consulting.

In terms of specific users, a number of voluntary subscriber disclosures about reliance on ERI data are cited in customer testimonials (see http://www.erieri.com/testimonials) and corporate proxies (http://www.erieri.com/ExecutiveCompensationProxyData) and periodically appear in other authorized releases or public declarations. While ERI does not release listings of the names of its subscribers **ERI** has thousands of subscribers, including the majority of the Fortune 500 and several large government agencies. Subscribers include corporate compensation, relocation, and human resources specialists, plus other professionals, as well as independent consultants and counselors, and US and Canadian public sector administrators (including military, law enforcement, city/county, state/provincial, and federal government pay administrators).

A quick search of professional compensation forums will often return examples of uses of the **Geographic Assessor** in practice, like this anonymous posting:

> "In the last 3 organizations where I have worked, we used data from national surveys and applied geographical differentials to the survey data to create our salary ranges. We considered the national survey data to be 100%. We would then use the geographical differentials ([+] or -) from ERI and applied that to the survey data for each of the cities where we had offices."

Where do the numbers for salaries and wages come from?

Since its founding, ERI's methodology has been designed so as to be a premier provider of quality information and survey data. All salary surveys sources for jobs have been carefully evaluated for validity, reliability, and use. Unreliable data sources and questionable data are identified and excluded from ERI's analysis. Many of ERI's **Assessor Series** applications (including the **Geographic Assessor**) look at trends over time and multiple sources, allowing for a more thorough validation process than could be established using a single source or at a single point in time.

ERI methodology has evolved over the decades in our pursuit of the highest quality standards in our expanded offering of products. During this time, ERI has won the patent for online interactive salary surveys and managed that patented survey for over a decade, built trusting relationships where we exchange data and products with other survey firms, and contracted for leased proprietary datasets. ERI has also developed its series of traditional salary surveys to become a leader in both online data collection and traditional salary survey methodologies.

Where do the numbers for cost of living come from?

ERI collects, compiles, and analyzes data relating to cost of living from available sources and researches areas which are not commonly surveyed individually. ERI compiles actual housing sales data from commercially available sources. Gasoline, consumables, medical care premium costs, and effective income tax rates are also just as accurately collected from authoritative online databases, and ERI research staff audit these sources with additional detailed study.

Why does the Geographic Assessor's original Two City Comparison profile 'renter only' analyses?

In the original **Two City Comparison**, too many variables affect a home ownership analysis for ERI to make an appropriate set of assumptions for a cost-of-living comparison based solely on inputted earnings levels. However, the updated **Two City Comparison** in the enhanced **Geographic Assessor**, as well as the **Relocation Assessor** application and databases, are designed to allow you to input the many additional variables (down payment and interest rate information, for example) that affect a home ownership comparison.

Why do the differentials change at different base salary values?

The **Geographic Assessor** analyses illustrate that salary differentials are not constant for an area. That is, a single number is not sufficient to describe the relationship between geography and pay across all salary levels. To account for this variation, the **Geographic Assessor** uses regression analyses to report the most accurate differential as salary level changes.

What is the difference between cost-of-living and geographic pay differentials?

A more complete differentiation can be found in Help under *Assessor Series FAQ #3*, but this question arises often enough that an abbreviated response should be included here. Put simply, wage and salary differentials reflect the local demand for and supply of labor, whereas cost of living is dictated by the local demand for and supply of goods and services. Because different factors affect the supply and demand of labor than affect the market basket of goods (the basis of cost of living), these two differentials will not, in most cases, be the same. Research has shown they often do move in the same direction, but not always. Take the case where there is a net increase in workers due to migration. The increase in labor supply could put downward pressure on the labor differential while putting upward pressure on housing costs, thereby increasing cost of living. Even when the differentials are in the same direction, the magnitudes can be very different. In urban centers, for example, both types of differentials are often higher; but, since workers can commute from areas with less expensive housing, the cost-of-living (COL) differentials tend to be much higher than the labor differentials in these cases.

Besides the underlying difference in the supply and demand, another reason why users focus on cost of labor differentials is that cost-of-labor differentials often more closely correspond to the labor market scope of the salary structure. In other words, COL can vary greatly from neighborhood to neighborhood within the same city, but companies would not restrict the recruitment labor market to a single neighborhood.

While employees may find it more desirable for their pay to be adjusted for local cost-of-living variances, this is an extremely unusual practice, and in many cases will not be cost effective for the employer. That is, in many cases, the employer would be competing against organizations with relatively lower compensation costs and, thus, be at a competitive disadvantage. Most compensation professionals agree that, when a company is hiring from the local work force (that is, when no transfer or relocation occurs), wages and salaries are set according to market pricing of wages and salaries only. In a recent informal polling of webinar attendees, most used salary differentials when adjusting salary structures, while a much smaller subset used both types in conjunction (perhaps where required). None used cost of living exclusively. While the cost-of-labor differentials are best utilized when adjusting pay structures (as the underlying data are congruent), in practice, there may be other contextual factors such as compensation philosophy or contractual requirements that need to be considered.

The program allows me to easily compute cross-country comparisons, but are such comparisons valid?

The cross-country comparisons are statistically valid; however, it is not advisable to take a pay system from, say, the United States and try to adjust it for a Canadian branch office using the general geographic differentials because U.S. and Canadian economies value jobs quite differently (as do most international economies). It is important to review pay by job and job description, rather than by general salary level. Cross-country comparisons, however, can give some general insight into labor cost differences where such information may be difficult to obtain otherwise.

ERI Statement as to the Relevance and Reliability of Data

Relevance is totally determinable by the circumstances and situation presented. **ERI** provides outsourced analyses and presentations of salary, executive compensation, benefit, and cost-of-living survey data. Reliability is described in a non-exclusive summary:

Testable

To illustrate how the technique can be tested is straightforward. The technique and data sources are described in this methodology, and replicating the results is a matter of performing similar regressions through similar salary data. Using smaller data samples will likely give similar, albeit less robust and comprehensive, results.

Subject to Publication and Peer Review

Assessor Series application databases are published twice each quarter. **ERI's** peers are its competitors, those firms that also provide data analyses to their clients. Unlike **ERI**, that solicits an annual subscription, most compensation and benefits consulting firms charge an hourly rate for their research services. Suffice it to say, all the major consulting firms have purchased subscriptions so that their consultants could utilize **ERI** analyses. **ERI** data are used by these firms when consulting with their clients.. **ERI** data and analyzes are under constant review and critique by its competitors. **ERI**, unlike these firms, provides no fee-for-service/time consulting.

Known or Potential Rate of Error

Each **Assessor Series** application database illustrates, via a "Reliability Statistics" link, the beginning of a statistical overview of ERI data. Statistics are reported as derived from just one survey source for all salary and compensation presentations (so that copyright restrictions are not violated). **ERI** accumulates many survey sources to compile its analyses. Hence the data illustrated may be, in ERI's estimate, considered to be the highest possible standard error that might exist with each analysis. **Assessor Series** application database results are, by logic, more robust than the standard error displayed and reported.

General Level of Acceptance within the Discipline's Community

ERI has thousands of subscribers, including the majority of the Fortune 500 and several large government agencies. Many of these organizations are entering their third decade of being subscribers. **ERI** exhibits at major tradeshows. ERI data are used as source data by major publications and job boards. WorldatWork, NASBA, and HRCI accept ERI Distance Learning Center courses for professional maintenance and recertification continuing education credit. Major US employers rely upon ERI data as cited in corporate proxy filings (see http://www.erieri.com/ExecutiveCompensationProxyData).

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Appendix II

Results Summary

City of San Jose Retirement Agency
Appendix IIa: Results Summary
August 2022

Classification	Top Monthly Salary Data					Adjusted Top Monthly Salary Data					Total Monthly Compensation Data					# of Matches
	Top Month Salary	Average of Comparators	% above or below	Median of Comparators	% above or below	Top Monthly Salary	Average of Comparators	% above or below	Median of Comparators	% above or below	Total Monthly Comp	Average of Comparators	% above or below	Median of Comparators	% above or below	
Chief Executive Officer	$ 27,177	$ 30,504	-12.2%	$ 26,746	1.6%	$ 27,177	$ 32,755	-20.5%	$ 29,530	-8.7%	$ 34,646	$ 42,553	-22.8%	$ 38,702	-11.7%	8
CEO without CalPERS	$ 27,177			$ 26,652	1.9%	$ 27,177			$ 29,269	-7.7%	$ 34,646			$ 37,673	-8.7%	7

Appendix III

Market Compensation Data

City of San Jose Retirement Agency
Appendix IIIa: Market Compensation Data (sorted by Adjusted Top Monthly Salary)
August 2022

Chief Executive Officer

Rank	Comparator Agency	Classification Title	Top Monthly Salary	Geographic Differential	Adjusted Top Monthly Salary	Benefits Package	Total Monthly Comp	Salary Effective Date	Next Salary Increase	Next Percentage Increase
1	CALPERS	Executive Officer, PERS	$ 52,396	113.6%	$ 59,522	$ 9,903	$ 69,424	unknown	unknown	unknown
2	San Bernardino County Employees' Retirement Association	Chief Executive Officer	$ 29,827	115.7%	$ 34,510	$ 14,392	$ 48,902	1/1/2022	unknown	unknown
3	San Francisco Employees' Retirement System	Chief Executive Officer and Chief Investment Officer	$ 32,955	100.0%	$ 32,955	$ 6,777	$ 39,732	7/1/2022	7/1/2023	2.50%
4	Los Angeles City Employees' Retirement System	General Manager, LACERS	$ 26,840	111.0%	$ 29,792	$ 7,557	$ 37,349	6/19/2022	1/29/2023	2.00%
5	Orange County Employees Retirement System	Chief Executive Officer	$ 26,017	112.5%	$ 29,269	$ 11,052	$ 40,321	1/1/2022	unknown	unknown
6	**City of San Jose Retirement Agency**	**Chief Executive Officer**	**$ 27,177**	**100.0%**	**$ 27,177**	**$ 7,469**	**$ 34,646**	**8/7/2022**	**7/1/2023**	**3.00%**
7	Alameda County Employees' Retirement Association	Chief Executive Officer, ACERA	$ 26,652	100.0%	$ 26,652	$ 11,021	$ 37,673	12/26/2021	unknown	unknown
8	Contra Costa County Employees' Retirement Association	Chief Executive Officer	$ 24,823	100.0%	$ 24,823	$ 8,263	$ 33,086	7/13/2022	unknown	unknown
9	San Mateo County Employees' Retirement Association	Chief Executive Officer, SAMCERA	$ 24,519	100.0%	$ 24,519	$ 9,413	$ 33,932	2/20/2022	10/2/2022	3.00%

Summary Results	Top Monthly Salary	Adjusted Top Monthly Salary	Total Monthly
Average of Comparators	$ 30,504	$ 32,755	$ 42,553
% City of San Jose Retirement Agency Above/Below	-12.2%	-20.5%	-22.8%
Median of Comparators	$ 26,746	$ 29,530	$ 38,702
% City of San Jose Retirement Agency Above/Below	1.6%	-8.7%	-11.7%
Number of Matches	8	8	8
Median Without CalPERS match	$ 26,652	$ 29,269	$ 37,673
% City of San Jose Retirement Agency Above/Below	1.9%	-7.7%	-8.7%
Number of Matches	7	7	7

N/C - Non Comparator

City of San Jose Retirement Agency
Appendix IIIb: Market Compensation Data (Benefit Detail)
August 2022

	Agency	City of San Jose Retirement Agency	Alameda County Employees' Retirement Association	CALPERS	Contra Costa County Employees' Retirement Association	Los Angeles City Employees' Retirement System	Orange County Employees Retirement System	San Bernardino County Employees' Retirement Association	San Francisco Employees' Retirement System	San Mateo County Employees' Retirement Association
	Benchmark/ Comparator Agency Match	Chief Executive Officer	Chief Executive Officer, ACERA	Executive Officer, PERS	Chief Executive Officer	General Manager, LACERS	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer and Chief Investment Officer	Chief Executive Officer, SAMCERA
	Top Step	$ 27,177	$ 26,652	$ 59,522	$ 24,823	$ 29,792	$ 29,269	$ 34,510	$ 32,955	$ 24,519
Retirement	Classic	2%@55	2.43%@65	2%@60	2%@55	2.16%@62	2.7%@55	2%@55	2.3%@65	1.725%@58
	Enhanced Formula Cost	$ 776		$ 774	$ 745	$ 894	$ 2,078	$ 1,035		$ 319
	EE Cost Sharing								$ -989	
	ER Paid Member Contrib		$ 800					$ 2,416		
	Calc Classic EPMC as Spec Comp									
	Single Highest Year	$ 129			$ 124	$ 149		$ 173		
	Social Security		$ 760	$ 760	$ 760				$ 760	$ 760
	Deferred Compensation		$ 1,708		$ 235		$ 2,342	$ 3,106		
	Other Ret.									
Insurance	Cafeteria		$ 292	$ 1,845					$ 2,183	
	Health	$ 1,892	$ 2,855		$ 2,420	$ 1,841	$ 1,664	$ 1,236		$ 3,594
	Dental	$ 124	$ 124		$ 176	$ 48	$ 16	$ 21	$ 133	$ 128
	Vision	$ 16			$ 9			$ 13		$ 39
	Other Ins.									
Leaves	Vacation[1]	$ 2,091	$ 1,538	$ 3,777	$ 1,432	$ 1,948	$ 3,602	$ 1,991	$ 1,901	$ 1,532
	Holidays	$ 1,568	$ 1,538	$ 2,747	$ 1,241	$ 1,604	$ 1,351	$ 1,858	$ 2,155	$ 1,509
	Admin Leave	$ 523	$ 718		$ 1,122	$ 573		$ 1,327	$ 634	$ 1,532
Allow	Auto	$ 350	$ 691			$ 500		$ 1,217		
	Benefit Package Total	$ 7,469	$ 11,021	$ 9,903	$ 8,263	$ 7,557	$ 11,052	$ 14,392	$ 6,777	$ 9,413

N/C - Non Comparator

1 - Orange County Employees Retirement System: Annual Leave

City of San Jose Retirement Agency
Appendix IIIc: Market Compensation Data (sorted by Adjusted Total Compensation)
August 2022

Chief Executive Officer

Rank	Comparator Agency	Classification Title	Top Monthly Salary	Geographic Differential	Adjusted Top Monthly Salary	Benefits Package	Total Monthly Comp	Salary Effective Date	Next Salary Increase	Next Percentage Increase
1	CALPERS	Executive Officer, PERS	$ 52,396	113.6%	$ 59,522	$ 9,903	$ 69,424	unknown	unknown	unknown
2	San Bernardino County Employees' Retirement Association	Chief Executive Officer	$ 29,827	115.7%	$ 34,510	$ 14,392	$ 48,902	1/1/2022	unknown	unknown
3	Orange County Employees Retirement System	Chief Executive Officer	$ 26,017	112.5%	$ 29,269	$ 11,052	$ 40,321	1/1/2022	unknown	unknown
4	San Francisco Employees' Retirement System	Chief Executive Officer and Chief Investment Officer	$ 32,955	100.0%	$ 32,955	$ 6,777	$ 39,732	7/1/2022	7/1/2023	2.50%
5	Alameda County Employees' Retirement Association	Chief Executive Officer, ACERA	$ 26,652	100.0%	$ 26,652	$ 11,021	$ 37,673	12/26/2021	unknown	unknown
6	Los Angeles City Employees' Retirement System	General Manager, LACERS	$ 26,840	111.0%	$ 29,792	$ 7,557	$ 37,349	6/19/2022	1/29/2023	2.00%
7	**City of San Jose Retirement Agency**	**Chief Executive Officer**	**$ 27,177**	**100.0%**	**$ 27,177**	**$ 7,469**	**$ 34,646**	**8/7/2022**	**7/1/2023**	**3.00%**
8	San Mateo County Employees' Retirement Association	Chief Executive Officer, SAMCERA	$ 24,519	100.0%	$ 24,519	$ 9,413	$ 33,932	2/20/2022	10/2/2022	3.00%
9	Contra Costa County Employees' Retirement Association	Chief Executive Officer	$ 24,823	100.0%	$ 24,823	$ 8,263	$ 33,086	7/13/2022	unknown	unknown

Summary Results	Top Monthly Salary	Adjusted Top Monthly Salary	Total Monthly
Average of Comparators	$ 30,504	$ 32,755	$ 42,553
% City of San Jose Retirement Agency Above/Below	-12.2%	-20.5%	-22.8%
Median of Comparators	$ 26,746	$ 29,530	$ 38,702
% City of San Jose Retirement Agency Above/Below	1.6%	-8.7%	-11.7%
Number of Matches	8	8	8
Median Without CalPERS match	$ 26,652	$ 29,269	$ 37,673
% City of San Jose Retirement Agency Above/Below	1.9%	-7.7%	-8.7%
Number of Matches	7	7	7

N/C - Non Comparator

Appendix IV

Additional Benefits

CEO Additional Benefits

Alameda County Employee Retirement Agency - CEO, ACERA	
Bargaining Unit	**Benefit**
Holiday Leave	120 hours (11 observed + 4 floaters)
Vacation Leave	120 hours
Administrative/Management Leave	56 hours
Education	Educational expense reimbursement up to $700 per fiscal year
Deferred Compensation	Employer contribution up to IRS maximum into 457 account. 2022 max: $20,500 ($1,708.33/month).
Incentive Pay	N/A

CalPERS - Executive Officer, PERS	
Bargaining Unit	**Benefit**
Holiday Leave	96 hours (11 observed + 1 personal)
Vacation Leave	132 hours
Administrative/Management Leave	0
Incentive Pay	Administrative Incentive Award of 0-40% of base pay for CEO.
Incentive Pay	Recruitment Differential of up to 60% of first year's base salary for CEO (applies only to those hired from outside the state of CA).

Contra Costa County Employee Retirement Agency - CEO	
Bargaining Unit	**Benefit**
Holiday Leave	104 hours (10 observed + 24 hours personal)
Vacation Leave	120 hours
Administrative/Management Leave	94 hours
Education	Reimbursement for job-related continuing education up to $2,000/year.
Deferred Compensation	$150/month employer contribution toward a deferred comp. account for employees hired on or after 1/1/2009 with minimum employee contribution of $25/month.
Incentive Pay	$10,000 lump sum payment awarded 7/2022 for performance. Re-evaluated annually.

Los Angeles City Employees Retirement System - General Manager, LACERS	
Bargaining Unit	**Benefit**
Holiday Leave	112 hours (12 observed + 2 floaters)
Vacation Leave	136 hours
Administrative/Management Leave	40 hours
Education	Tuition Reimbursement: Reimbursement for tuition may be made to any employee who has requested training and for whom such training has been authorized under rules, regulations and standards established by the Director of the Office of Administrative and Research Services and the General Manager of the Personnel Department.
Incentive Pay	N/A

Orange County Employee Retirement System - CEO	
Bargaining Unit	**Benefit**
Holiday Leave	96 hours (12 observed)
Vacation Leave	256 hours (annual leave - includes vacation, sick, and administrative leave)
Administrative/Management Leave	Included in annual leave hours.
Education	Reimbursement for degree courses, certification/vocational programs, licenses, professional conferences, fees related to license/certification renewal, fees related to taking professional examinations, and professional association memberships of up to $10,000 per fiscal year.
Deferred Compensation	3% employer contribution to OCERS 401a plan + 5% employer contribution to County 401a plan
Incentive Pay	N/A

San Bernardino County Employee Retirement Agency - CEO	
Bargaining Unit	**Benefit**
Holiday Leave	112 hours (13 observed + 8 hours floater)
Vacation Leave	120 hours
Administrative/Management Leave	80 hours
Technology Allowance	$200/month for portable communication device/cell phones capable of sending/receiving phone calls and emails from SBCERA.
Executive Coaching	SBCERA will pay a vendor for executive coaching as need identified in order to help staff succeed. No dollar amount/max associated with this benefits.
Deferred Compensation	1% employer match to 457 account + additional match up to 8% to 401k
Incentive Pay	N/A

CEO Additional Benefits	
San Francisco Employee Retirement System - CEO and CIO	
Bargaining Unit	**Benefit**
Holiday Leave	136 hours (12 observed + 5 floaters)
Vacation Leave	120 hours
Administrative/Management Leave	40 hours
Education	Management Training Funds: Reimbursement of up to $2,000 per fiscal year for tuition, internal or external training programs, professional conferences, executive coaching, and professional licenses, certificates, and association memberships, professional software, and books and subscriptions
Technology Allowance	Employees may also use up to $1,000 of the maximum management training funds available to them for the purchase of personal electronic equipment, to the extent that these items would be used in the performance of their City duties. Reimbursement is limited to no more than one device per employee per fiscal year.
Executive Coaching	City will fund, develop, and implement a leadership development program for City managers. In addition to the resources allocated to the program by DHR, $75,000 will be provided by DHR to augment the program with professional coaching, specialized seminars and joint initiatives.
Incentive Pay	N/A
San Mateo County Employee Retirement Association - CEO, SamCERA	
Bargaining Unit	**Benefit**
Holiday Leave	128 hours (12 observed + 1 floater + 24 hours winter recess leave)
Vacation Leave	130 hours
Administrative/Management Leave	130 hours
Education	Tuition reimbursement for participating in job-related degree or certificate programs, skill enhancement workshops, or programs for continuing education units. $263 max per course for college courses under 3 units (and workshops less than 30 hours in length) and $438 max per course for courses of 3 units or more (or workshops over 30 hours in length), and $50 per course for books. No max # of courses employees can be reimbursed for.
Lump Sum Payment	One time lump sum payment of $2,000 provided 2/2022 following adoption of management resolution; not performance based and will not continue annually.
Incentive Pay	N/A