

To: Prabhu Palani, Chief Investment Officer
From: Katie Kaneko, Managing Director, Koff & Associates
Subject: Investment Officer Series Salary Update
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In October 2022 Koff & Associates provided The City of San Jose's Office of Retirement Services (Office) with the total compensation study report, excluding the Chief Executive Officer (CEO) classification. The report outlined the study process, findings, and recommendations with respect to the study classifications. At the request of the Joint Personnel Committee (JPC) during the February 9, 2023 Board meeting, Koff & Associates conducted additional analysis of the base salary and total compensation market data for the 2 benchmarks in the Investment Officer classification series to provide further compensation considerations.

The following data reflects the Chief Investment Officer's (CIO) and Retirement Investment Officer's (RIO) adjusted base and total compensation in relation to the market median, 60th, 75th, and 90th percentiles, as well as in relation to the market leader (or highest compensated comparable). The adjusted base salary, as described in the final report, reflects the top monthly salary at each comparator agency, adjusted by a percent value based on differences in cost of labor between the comparator and the Office. While Koff & Associates typically recommends setting compensation in relation to either the base salary market median, or total compensation market median (depending on whether overall benefits positively or negatively impact market competitiveness), the Office has many options regarding the compensation philosophy and plan it wants to implement. Given the criticality of these investment classifications, their scope of responsibility related to the management of the assets for two different retirement plans within the Office, and the expertise required to effectively invest Office assets, the Office should carefully consider a market position which will allow the Office to be competitive.

Table 1. Adjusted Base Salary Market Position – Chief Investment Officer

Median of Comparators	\$27,425
Office of Retirement Services Above/Below	7.0%
60 th Percentile of Comparators	\$30,537
Office of Retirement Services Above/Below	-3.6%
75 th Percentile of Comparators	\$34,025
Office of Retirement Services Above/Below	-15.4%
90 th Percentile of Comparators	\$38,331
Office of Retirement Services Above/Below	-30.0%
Market Leader	\$42,670
Office of Retirement Services Above/Below	--44.8%

Table 2. Total Compensation Market Position - Chief Investment Officer

Median of Comparators	\$36,180
Office of Retirement Services Above/Below	2.3%
60 th Percentile of Comparators	\$39,968
Office of Retirement Services Above/Below	-8.0%
75 th Percentile of Comparators	\$44,421
Office of Retirement Services Above/Below	-20.0%
90 th Percentile of Comparators	\$50,844
Office of Retirement Services Above/Below	-37.3%
Market Leader	\$57,587
Office of Retirement Services Above/Below	-55.5%

Table 3. Adjusted Base Salary Market Position – Retirement Investment Officer

Median of Comparators	\$18,560
Office of Retirement Services Above/Below	-15.6%
60 th Percentile of Comparators	\$19,204
Office of Retirement Services Above/Below	-19.6%
75 th Percentile of Comparators	\$19,305
Office of Retirement Services Above/Below	--20.2%
90 th Percentile of Comparators	\$19,621
Office of Retirement Services Above/Below	-22.2%
Market Leader	\$19,902
Office of Retirement Services Above/Below	--24.0%

Table 4. Total Compensation Market Position - Retirement Investment Officer

Median of Comparators	\$24,241
Office of Retirement Services Above/Below	-14.9%
60 th Percentile of Comparators	\$24,583
Office of Retirement Services Above/Below	-16.5%
75 th Percentile of Comparators	\$25,955
Office of Retirement Services Above/Below	--23.0%
90 th Percentile of Comparators	\$27,225
Office of Retirement Services Above/Below	-29.0%
Market Leader	\$28,038
Office of Retirement Services Above/Below	--32.9%

Findings

Based on the market compensation data reflected in the above tables, the CIO classification is below market at each of the respective percentiles, except for market median, when factoring in differences in cost of labor for base salary, and total compensation, while the RIO is below market at each data point reflected in the above tables. When the benefits package does not contribute to overall

competitiveness, as is the case in this study's results, we recommend the salary recommendation be determined using base salary results and evaluating the benefits package separately.

Base Salary Recommendations

K&A recommends adjusting the top of the base salary range for the CIO and RIO classifications to align to the market position the Office determines is the appropriate competitive position. For example, if the Office decides to set salaries for the series based on the 60th percentile, then the top of the current salary range for the CIO would be adjusted up by 3.6%, to \$30,537 and the top of the current range for the RIO would be adjusted up by 19.6% to \$19,204 with actual placement of incumbents within each respective range determined by Office policy. The salary range recommendation for the Senior Retirement Investment Office should be set based on internal alignment with the RIO classification and should be set 15% above. Using the same example, 15% above the RIO 60th percentile of \$19,204 would be \$22,085. K&A has assessed this recommendation for any potential issues of compaction between the Senior RIO and the CIO at each of the market percentile points and found there to be none.

Range Structure Adjustment Recommendations

The data collected and analyzed for the purpose of this study, is reflective of the market practices of the comparator agencies during the timeframe in which data was collected. Given that market pay practices are not static, K&A recommends that the Office conduct a periodic range structure movement review to maintain market competitiveness. Range structures are designed to meet an organization's strategy on salary compensation; as stated earlier, markets move periodically, and range structures should be designed to move with those market changes and ongoing market competitiveness.

K&A would like to reiterate that the final report, this update, and the findings are meant to be a tool for the Office 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 City of San Jose's Office of Retirement Services on this critical project. Please do not hesitate to contact us if we can provide any additional information or clarification regarding this data.