



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Mayor Matt Mahan
Councilmember Dev Davis
Councilmember Pam Foley

SUBJECT: SEE BELOW

DATE: December 1, 2023

Approved

Date 12/01/2023

SUBJECT: Amendment to the City's Pay Plan for the Director of Retirement Services and Chief Executive Officer, Assistant Director and Chief Investment Officer, Senior Investment Officer, and Investment Officer Classifications

RECOMMENDATION

1. Accept the Director of Retirement Services and Chief Executive Officer (CEO) compensation study results.
2. Accept the Chief Investment Officer (CIO) and Retirement Investment Officers compensation study results.
3. Utilizing the City's methodology to reach 50% of Market, retain the current total annual salary ranges for the following classifications:
 - A. Director of Retirement Services & Chief Executive Officer U (CEO)
 - B. Assistant Director & Chief Investment Officer U (CIO)
 - C. Senior Retirement Investment Officer U
 - D. Retirement Investment Officer U

BACKGROUND

We greatly appreciate the work of the Administration to conduct the analysis requested at the September 26th City Council meeting. The analysis in the Supplemental Memorandum dated November 21, 2023, demonstrates clearly that the salary ranges for CEO, CIO, and Retirement Investment Officer positions within the Office of Retirement Services (ORS) are at or exceed the market average given the City's standard methodology for such evaluations.

The City of San José is an organization that employs approximately 8,150 individuals within a variety of departments and divisions. Within a large organization it is important to establish and consistently follow fair policies and procedures, particularly regarding special salary adjustments. The City typically establishes a goal of 50% of market (or market average) when conducting special salary adjustments. Deviating from this would set a poor precedent.

Beyond precedent, we are very concerned with maintaining organizational parity. Approving the salary adjustments as recommended by the Retirement Boards would result in the CEO and CIO positions being among the top paid positions within the City. Such a change would place the top pay rate for both positions above the Chief of Police who manages about 1,750 full time equivalent positions and put the CIO position just below the top step of pay range for the City Manager.

Any salary adjustment should also be considered within the context of budgetary impacts and cost increases. The Administration's analysis estimates a potential \$205,650 annual ongoing additional cost between both retirement plants. This translates to up to an additional \$144,000 annual cost to the General Fund with the remainder paid by employees making contributions to the various retirement plan funds. This directly impacts the City's ability to provide services to our residents.

We appreciate the work of the Retirement Plans' CEO and CIO and are not opposed to performance-based compensation. It is important to note that all the referenced positions received the 6% general wage increase. Additionally, all management personnel, including the CEO and CIO positions, are subject to the Management Performance Program (MPP) which provides additional performance-based compensation. In the case of employees who are at the top step of their salary range this comes in the form of one-time bonuses. The MPP provides significant incentive and reward for strong performance for management personnel.

The City of San José, including current employees, retirees, and residents, depend on the effective stewardship of the Retirement Plans from the Police & Fire Retirement Board and the Federated Retirement Board. We thank both Boards for their hard work as trustees of the plans.

As members of the City Council, we have obligations to our employees and residents to ensure all compensation changes are evaluated fairly and within the context of the entire City organization.