

CalPERS Compensation Programs in Civil Service

Douglas Hoffner, Deputy Executive Officer
Operations and Technology, CalPERS

Laurie Menchaca, Assistant Chief
Human Resources Division, CalPERS

Bruce Monfross, Administrative Law Judge
State Personnel Board

Rosemary E. Sidley, Chief,
Personnel Management Division
California Department of Human Resources

Workshop Overview

- Civil service (SPB)
 - Merit system (exam, selection, probationary period)
 - Termination & appeals
- Classification, pay & collective bargaining (CalHR)
 - Establishment of classifications
 - Collective bargaining impacts
 - Salary setting authority & adjustments for Represented and CEAs
- CalPERS Compensation Authority & Compensation Program and Policy history
 - Three Policies (20098 & Exempt, CEAs, IO IIIs)
 - Salary setting authority & adjustments for CalPERS Exempt and 20098s
 - Establishment of incentive opportunities

State Personnel Board

Bruce Monfross
Administrative Law Judge

Establishment of Civil Service

- **Civil Service Act of 1934** was passed to:
 - Promote efficiency and economy in State government
 - Establish a process of civil service examinations, appointments and promotions.

Establishment of Civil Service

- Civil Service Act of 1934 added a provision to the California Constitution stating:
 - Civil service includes every officer and employer of the state with very limited exceptions (exceptions include exempt positions)
 - Appointments are made based on merit principles

CalPERS Positions Excluded from Civil Service

- Exempt positions
 - Establishment of exempt positions
 - CalPERS has one exempt position

Merit Principle

- The California State Constitution establishes all appointments and promotions be based strictly on employee ability to do the job, meaning on that person's merit
- The process of hiring and promoting people is called the "merit system"

Merit System

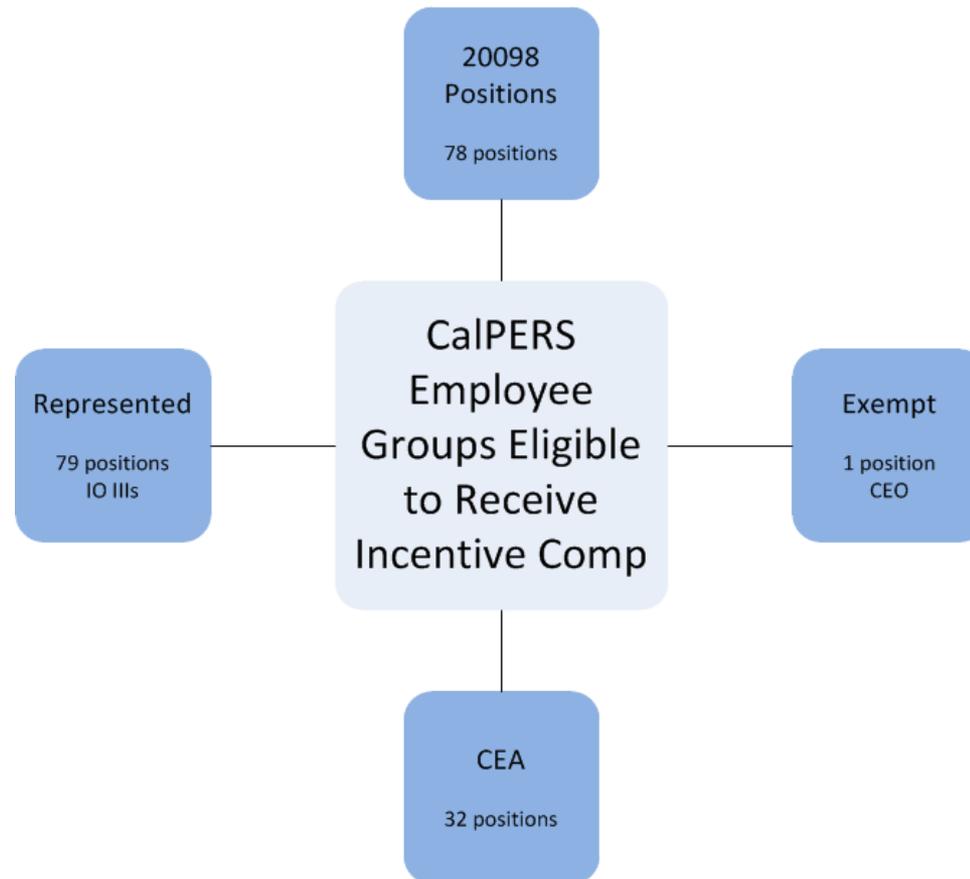
The merit system includes:

1. Competitive Examination
2. Selection Process for vacancies
3. Probationary term

Position Rights, Terminations & Appeals

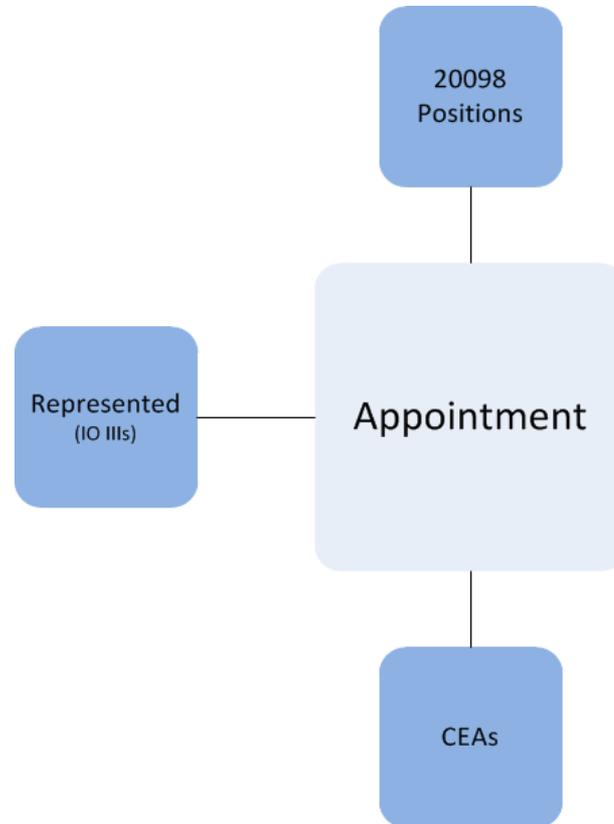
- Mandatory versus permissive reinstatement rights
- Termination during probationary period
- Termination after gaining permanent status
- Appeal rights for permanent appointments

CalPERS Incentive Eligible Employee Groups



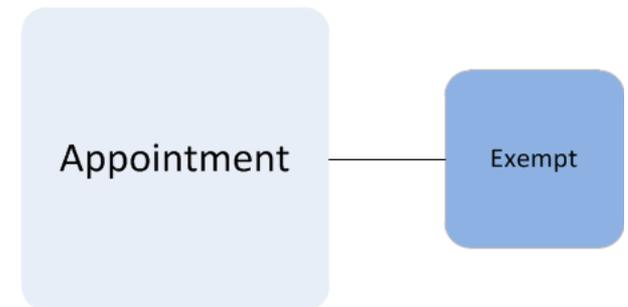
Exams & Selection

- Appointment made through exam and selection process



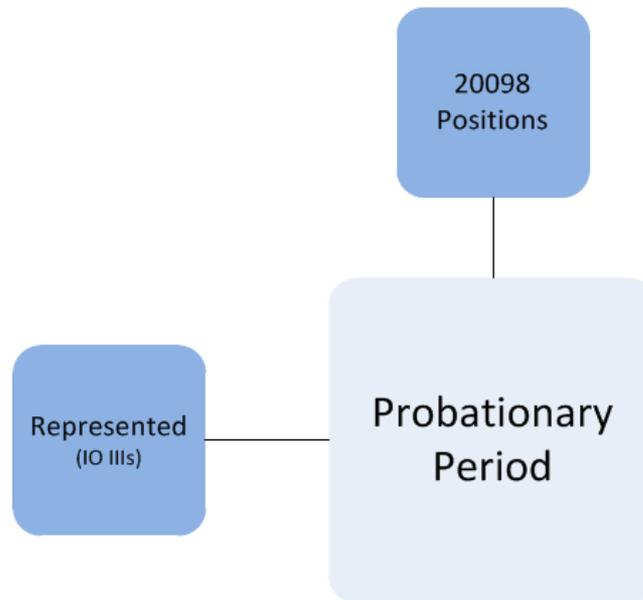
Exams & Selection

- Not subject to exam
- Appointment made by CalPERS Board
 - GC 20098
 - California Constitution Article 7, Section 4(e)



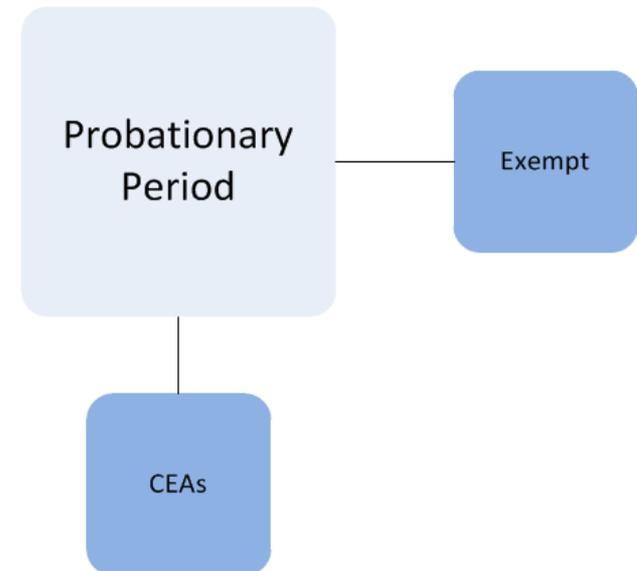
Probationary Period

- Must complete a probation period upon appointment
- Term is defined by classification
- Gain permanent status upon successful completion



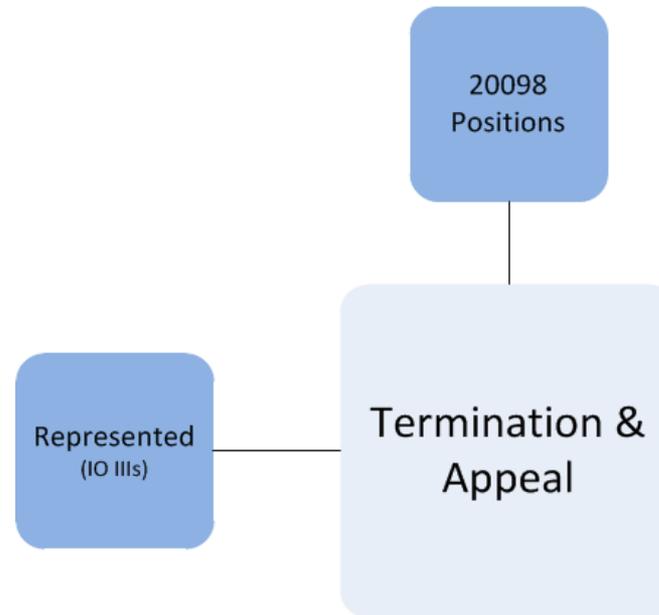
Probationary Period

- No probation period
- Do not gain permanent status



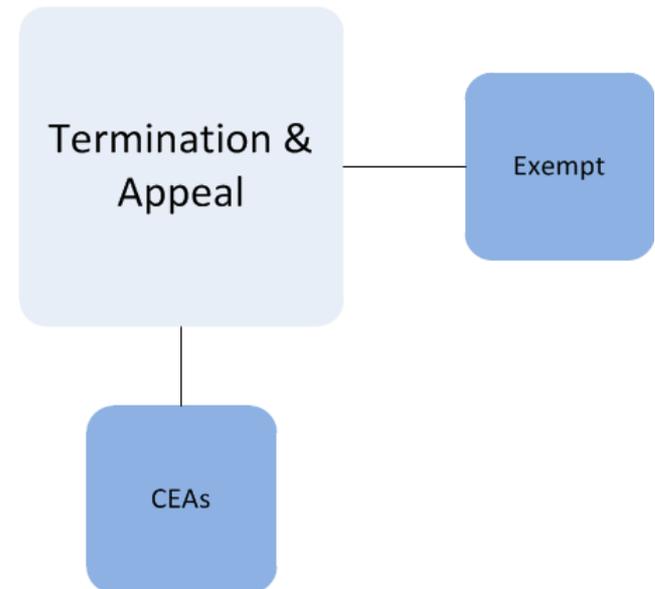
Termination & Appeal

- Subject to Progressive Discipline
- Right to appeal to SPB
- Permissive return rights upon termination



Termination & Appeal

- At will
- May have mandatory or permissive return rights



California Department of Human Resources

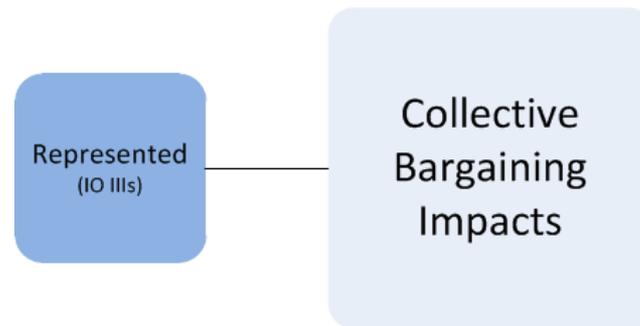
Rosemary E. Sidley, Chief
Personnel Management Division

Establishment of Classifications

- Exempt
- CEAs
- Civil Service Classifications

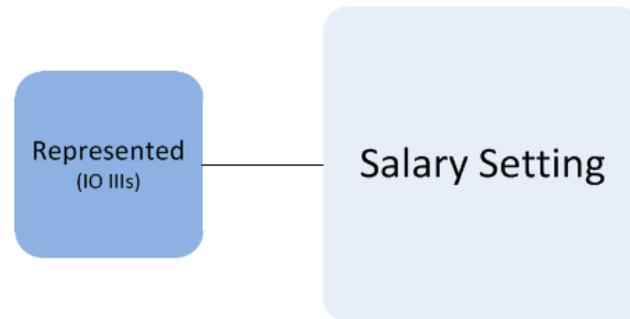
Collective Bargaining Impacts

- Classification revisions
- Establishing salary range and any additional compensation
- Establishing or revising policies



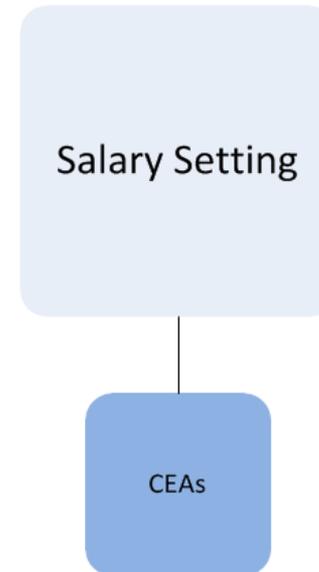
Salary Setting Authority

- Salary ranges established by CalHR
- Salary upon appointment and movement within range governed by salary rules



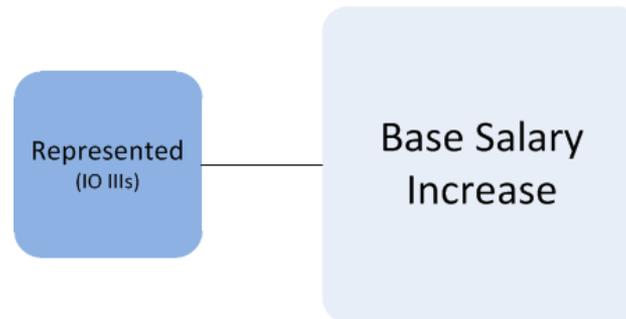
Salary Setting Authority

- Salary ranges established by CalHR
- Salary upon appointment and movement within range governed by CalHR Policy



Salary Increases

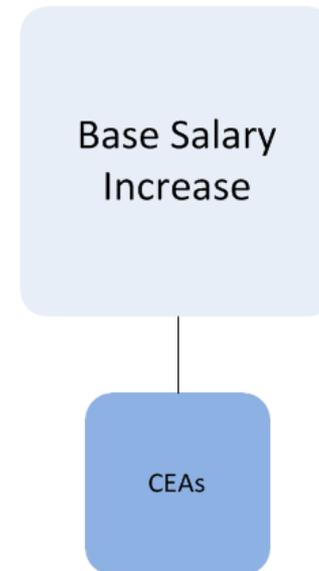
- Based on merit
- Per Government Code 19832
- Annually
- Must be approved by manager
- 5% not to exceed range max



Salary Increases

- In accordance with CalHR policies
- Annually
- Must be approved by CEO
- CalPERS delegated authority *up to 5%** within established ranges

* CalHR approval required to exceed 5%



CalPERS

Douglas Hoffner

Deputy Executive Officer of Operations and Technology

Laurie Menchaca

Assistant Chief, Human Resources Division

Compensation Policy & History

- Three Policies
 - 20098 Positions & Exempt
 - Career Executive Assignments (CEA)
 - Investment Officer IIIs (IO IIIs)

20098 & Exempt Compensation Program History

- 1989: AdHoc Performance & Compensation Committee established to review salary
 - Only 1 position (CEO)
 - CIO hired under personal services contract
- 1993: Added exempt CIO position, asserting Prop 162 authority
- 1995: RFP to engage consultant for establishment of pay-for-performance system
- 1997: Adopted Compensation Policy covering CEO, Chief Actuary, DEO/General Counsel, AEO Health, CIO and four SIOs
- 1998: 30 positions added to Policy based on Board's decision to bring investing in-house

20098 & Exempt Compensation Program History

Continued...

- 2000: Prop 162 authority challenged
- 2003: SB269 enacted, amending GC20098 to establish Board authority to set compensation for CEO, Chief Actuary, CIO, SIOs, SPMs and PMs (29 positions)
- 2007: COIO classification added to the Compensation Policy
- 2008: AB1317 enacted, amending GC20098 to establish Board authority to set compensation for General Counsel
- 2011: AB1042 enacted, amending GC20098 to establish Board authority to set compensation for CFO

CEA Compensation Program History

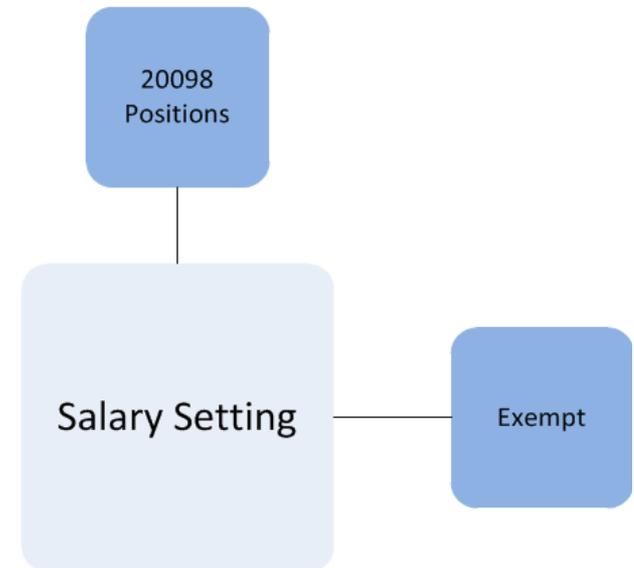
- 1998: Approved by CalPERS Board
- 1998: Authorized by CalHR through Pay Differential 24
- 1998: 22 CEA allocations

IO IIIs Compensation Program History

- 2007: Negotiated with SEIU and approved effective July 1
- Program policy linked to Investment Management Compensation Policy
- 2007: 20 IO III positions

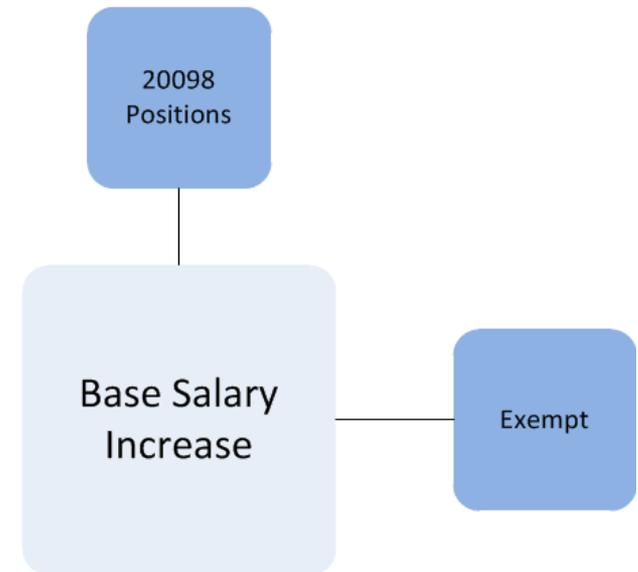
Salary Setting Authority

- GC 20098
- Salary set by Board in accordance with CalPERS Board Executive Compensation Policy



Salary Increases

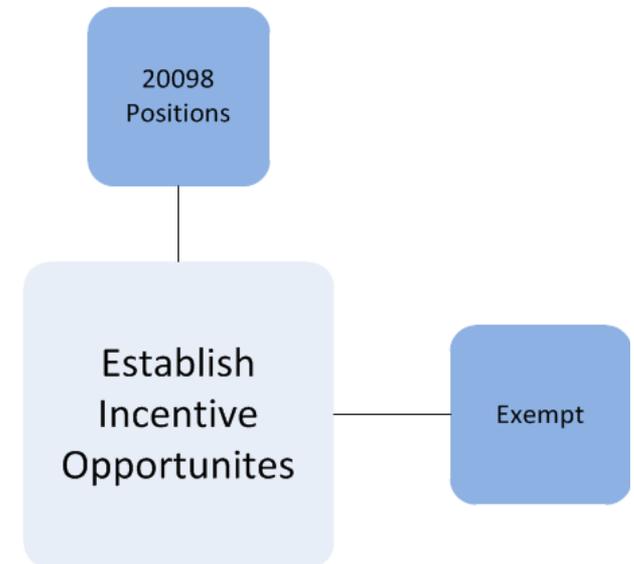
- Per CalPERS Executive Compensation Policy
- Annually*
- Approved by CalPERS Board or delegate
- *Up to 10%* not to exceed range max



* May occur outside of the annual process to address performance, equity and retention issues

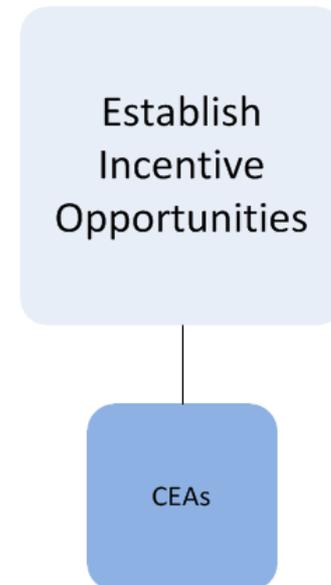
Establishment of Incentive Opportunities

- Governed and approved by CalPERS Board



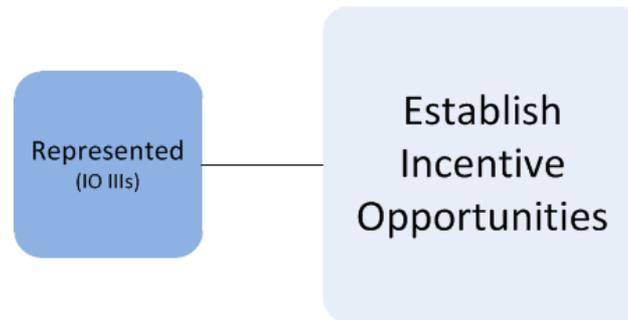
Establishment of Incentive Opportunities

- Governed by CalHR
- Approved through pay differential



Establishment of Incentive Opportunities

- Governed by CalHR
- Approved through collective bargaining



Workshop Recap

- Civil service (SPB)
 - Merit system (exam, selection, probationary period)
 - Termination & appeals
- Classification, pay & collective bargaining (CalHR)
 - Establishment of classifications
 - Collective bargaining impacts
 - Salary setting authority & adjustments for Represented and CEAs
- CalPERS Compensation Authority & Compensation Program and Policy history
 - Three Policies (20098 & Exempt, CEAs, IO IIIs)
 - Salary setting authority & adjustments for CalPERS Exempt and 20098s
 - Establishment of incentive opportunities

Next Steps

- Review Executive Compensation Policy for potential 2014/15 Plan Year changes
 - Present any recommended changes in May
- Engage consultant
- July offsite panel discussion on Incentive Compensation
- Review of all Compensation Policies for potential 2015/16 Plan Year changes
 - Regular Board updates
 - Periodic Board presentations

Questions

Douglas Hoffner, Deputy Executive Officer
Operations and Technology, CalPERS

Laurie Menchaca, Assistant Chief
Human Resources Division, CalPERS

Bruce Monfross, Administrative Law Judge
State Personnel Board

Rosemary E. Sidley, Chief
Personnel Management Division
California Department of Human Resources