

# DRAFT POLICY

## Executive Performance Review and Compensation

Annual performance reviews are provided to all employees including the Executive Director (ED). The Executive Committee (EC) is responsible for conducting the ED's review and sharing the results with the board of directors. The EC must be comprised of individuals who are independent, not related to the ED, and have no conflict of interest<sup>1</sup> in setting executive compensation.

Reviews must be conducted at least annually; they should take place by mid-January to ensure raises and/or bonuses are included in a timely manner in the budget. However, the EC can conduct reviews and approve adjustments to compensation at any time.

The review will be used to gather information about performance, growth, opportunities for improvement, and recognize achievements. The EC will provide the ED with feedback and determine any recommended compensation adjustments. The ED will also be given an opportunity to provide input and a summary of their annual performance.

### Compensation Philosophy:

Sportable is committed to providing all employees, including the Executive Director (ED), with reasonable and competitive compensation in order to:

- Recruit and retain highly qualified employees
- Provide a competitive total compensation package, including benefits
- Ensure pay is reasonable and equitable
- Be flexible to reward individual accomplishments as well as organization success
- Balance the need to be competitive with the limits of available financial resources
- Ensure compensation complies with state and federal laws and regulations

### Review Process:

- The Chair, who is not compensated by Sportable and operates independently from the ED will:
  - initiate the process by scheduling a face to face performance meeting of the ED with the Chair and Vice Chair
  - ensure comparable<sup>2</sup> compensation data is obtained and shared with EC
  - send the ED an evaluation tool for their perspective of annual performance (evaluation tools will be provided to the Chair by the COO but the EC can customize the tool or enhance with other materials at their discretion)

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<sup>1</sup> Per the IRS, a conflict exists when an individual's obligation to further the organization's charitable purposes is at odds with their own financial interest

<sup>2</sup> Executive compensation data from similarly-sized organizations, in the same geographic area; this can and should include both for-profit and nonprofit data. This meets the IRS definition of comparable data. For organizations with annual gross receipts (including contributions) of more than \$1 million, the IRS requires data from at least 4 similarly situated organizations; 6 is recommended minimum. Recommended sources of data: 990s, salary surveys, salary data on various HR sites, direct asks to comparable organizations, and/or written job offers from similar organizations. The data must be compiled by an independent party.

- send (and complete) an evaluation via email to members of the EC and, at the Chair's discretion, senior staff the ED supervises, and any other key partners who should be consulted for feedback (e.g. community partner) – the Chair can consult with the ED on who should be included
  - compile results and send to EC
  - meet with the EC to discuss the results and determine next steps including salary increase
  - in face to face meeting of the Chair, Vice Chair and ED, offer the ED feedback and the chance to provide a response during the review meeting
  - ensure the ED recuses themselves from the meeting at this point so the EC can discuss compensation
  - take minutes during the meeting (see minutes check list at the end of this policy)
  - bring the ED back into the meeting and inform them of any adjustments to salary and/or benefits
- Post-Review Process:
    - Send minutes to COO for compliance check and filing
    - Send the ED the performance review summary for signature and filing in personnel folder
    - Communicate results of performance review and compensation adjustment to the full board (this can happen at the next board meeting)
    - Communicate any compensation adjustment with COO for processing
    - If performance improvement was discussed in the review, the Chair will schedule periodic check-ins to revisit progress toward performance objectives

Concurrent Documentation:

To approve compensation for the Executive Director, members of the board must document how it reached its decisions, including the data on which it relied, in minutes of the meeting during which the compensation was approved.

The minutes must include all of the following in order to comply with IRS rules<sup>3</sup>.

- ✓ Date of meeting
- ✓ Name of disqualified person and position
- ✓ Members of Executive Committee present with note about anyone who may have a conflict of interest
- ✓ Expertise and knowledge of Executive Committee on position being evaluated
- ✓ Recusal of anyone with a conflict of interest
- ✓ Description of the comparability data and how obtained; be sure to include explanation of why the data was chosen as comparable; whether it includes salary AND benefits or just salary;
- ✓ Determination of compensation level
- ✓ Any actions taken including votes, motion, date, name of person recording minutes

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<sup>3</sup> As long as these 3 conditions are met, there is a presumption of reasonableness by the IRS: 1. The body approving the compensation is free of conflicts; 2. Appropriate comparability data was used; 3. Documentation for the compensation decision is concurrent.