Sample Executive Compensation Policy

Note: The following is intended to be an example that boards should adapt to meet their individual needs.

The Compensation Committee of the Board of Directors (the “Committee”) of __________________________ (“the Organization”) in accordance with this Executive Compensation Policy (the “Policy”) is responsible for preparing and approving the total compensation of the Organization’s senior executives (collectively, “Executives”) to ensure that compensation paid to such Executives is reasonable and does not result in excessive and inappropriate benefit to private individuals.

The Committee shall, on an annual basis, review and approve executive compensation pursuant to the procedures set forth below. This process is intended to result in compensation decisions that are consistent with the Organization’s fulfillment of its mission as set forth in the Organization’s Articles of Incorporation, as well as the Organization’s compensation philosophy and related principles set forth in this Policy.

1. COMPENSATION PHILOSOPHY.
   a. Compensation Objectives. This Policy is intended to result in the determination and payment of total compensation, including benefits, for Executives based on the following objectives:
      • Compensation that is objectively fair and reasonable compared to similar executives at similar institutions;
      • Compensation that contributes to the attraction and retention of qualified and talented individuals in Executive positions;
      • Compensation that rewards the attainment of performance goals and expectations; and
      • Compensation that reinforces the commitment to the Organization’s mission, purpose and values.
   b. Analysis of Total Compensation. In assessing the reasonableness of an Executive’s total compensation, the Committee shall take into account all components of compensation, including but not limited to, salary, any bonus or incentive payments, severance payments, and deferred and noncash compensation, as well as all compensatory benefits such as payments to medical, dental, life, annuity, retirement, severance pay and disability benefit plans, and any fringe benefits such as expense, housing, automobile, cellular phone, and computer allowances.
      All components of each Executive’s total compensation shall be taken into account for comparability. In addition, each component shall be included as taxable income to the Executive, unless the component is specifically excluded from taxable income by the Internal Revenue Code.
   c. Prohibition of Personal Loans to Executives. The Board or Committee shall not make, arrange for, approve or recommend any personal loan by the Organization to any Executive, or any Executive compensation that provides for any such personal loan.
2. **EXECUTIVE PERFORMANCE REVIEW.**

a. **Review of the CEO.** The Committee shall conduct an annual performance review of the CEO, the results of which shall be used in determining a reasonable total compensation for him or her.

b. **Compensation Recommendations from CEO.** The Committee shall conduct an annual performance review of the remaining Executives. The Committee may, in its discretion, request that the CEO formulate a compensation recommendation for each Executive who reports to him or her. The CEO may present compensation recommendations based on an evaluation of each Executive’s job performance in accordance with criteria established by him or her.

3. **COLLECTION OF COMPARABILITY DATA.**

a. **Generally.** When reviewing or assessing the total compensation of any Executive pursuant to this Policy, the Committee shall obtain sufficient information, taking into consideration the knowledge and expertise of its members, to determine whether total compensation of each Executive is reasonable (i.e., whether such compensation is comparable to that of similar executives at similar institutions).

b. **Independent Compensation Consultant.** To assist in the determination of reasonable compensation, the Committee may select and engage a qualified independent compensation consultant (“Consultant”) to review and analyze the total compensation, including benefits, of each Executive. The terms of the Consultant’s engagement shall provide that the Consultant is to report to the Committee, and that the Consultant shall have no reporting responsibilities to any Executive with respect to any engagement in connection with this Policy. [The Committee shall engage a Consultant at least every __ years to review and analyze the total compensation of the Executives.]

c. **Collection of Comparability Data By Consultant.** The Committee shall instruct the Consultant to compile appropriate comparability data, which may include compensation and benefits paid by similarly situated organizations for positions that are functionally comparable to those of each Executive, including positions with both private and governmental entities as well as both taxable or tax-exempt organizations. The Committee shall direct the Consultant to analyze a number of different variables in assessing comparability, including but not limited to organizational size, geographic location, the nature of the services provided, the level of experience and specific responsibilities of the position considered, and the components of the compensation offered.

d. **Presentation by Consultant.** If a Consultant is retained, the Consultant should be directed to provide written analysis and recommendations with respect to a reasonable total compensation for each Executive. The Committee may additionally request that the Consultant be available to present a written analysis and recommendations and to take questions from Board or Committee members.

e. **Other Information.** In addition to the reports and analyses of the Consultant, the Committee shall also consider additional comparability data, including but not limited to: the availability of similar services in the geographic area, current compensation surveys compiled by independent firms, and actual written offers from similar institutions competing for services of the applicable Executive.
4. REVIEW AND RECOMMENDATION BY THE COMMITTEE.

a. Review of Data. In determining reasonable compensation, the Committee members who do not have a conflict of interest with respect to the payment of compensation to each Executive shall review, consider and discuss the comparability data obtained with respect to such Executive, and shall take into account performance reviews of the Executive, any recommendation by the CEO for any Executive who reports to him or her, as well as the Executive’s experience, specific responsibilities, and length of service.

b. Authority of the Committee. The Committee shall determine and approve all components of a reasonable total compensation for the Executive.

c. Participation of Committee Members. Only Committee members not having a conflict of interest with respect to the compensation arrangement at issue shall participate in decisions regarding the compensation of any Executive as provided in this Policy. A Committee member will be considered to have a conflict of interest to the extent such Committee member, or a member of his/her family, would (i) benefit economically from the proposed compensation to the Executive, (ii) is employed by and/or is subject to the direction and control of the Executive, or (iii) receives compensation subject to the approval of the Executive, or (iv) otherwise has a material financial interest affected by the payment of compensation to the Executive. Any Committee member who has a conflict of interest with respect to the payment of compensation to any Executive shall not be present for any discussion, and shall not vote or be present for any vote with respect to the compensation of such Executive.

5. DOCUMENTATION OF COMMITTEE AND BOARD ACTIONS.

Deliberations, recommendations and decisions regarding compensation shall be documented adequately and contemporaneously in the written minutes of the Committee. Where applicable, such minutes shall include the following information:

• Terms of total compensation and the date of approval;

• The names of all Committee members present during any discussion of Executive compensation, and the vote of each member;

• Comparability data obtained and relied upon by the Committee and how those data were obtained;

• Actions taken by any Committee member who had a conflict of interest with respect to the compensation determination as described in this Policy (e.g., whether the conflicted director left the room and did not participate in the discussion or vote); and

• Specific reasons for any determination by the Committee that reasonable compensation for any Executive should: i) be above or below the base salary range, or ii) materially deviate with respect to compensation components that were recommended by the Consultant.

All records of minutes must be prepared before the later of the next meeting of the Committee or 60 days after any final action is taken by the Committee. Records must be reviewed and approved by the Committee as reasonable, accurate and complete within a reasonable period thereafter.

The foregoing Policy was adopted by the Board of Directors of the Organization on the _____ day of __________________, 200____.