



3.4.2: Executive Director Expectations, Performance and Compensation Management Policy

Purpose: This policy articulates the working relationship between the Board of Directors and the Executive Director.

Applies to: Volunteers, Members, Staff

I. Purpose

This document provides a policy foundation for a positive, productive, and enduring working relationship between the Society's Board of Directors (the Board) and the Executive Director (ED). It accomplishes this through defining the roles and responsibilities of the ED, the Executive Committee (ExeCom) of the Board and the entire Board with regards the process for setting deliverables, expectations, and the process for evaluation and compensation review.

II. Philosophy

The MRS Board views that it is important for the Society to remain a member-led organization. The ED is an important partner in the governance, strategic planning and advancement of the Society. The ED shall advise the Board in all manner of Society activities, engage the Board in robust discussions and represent the Society as appropriate, recognizing that the Board is the official governing authority for the Society.

A critical factor in Society health is the relationship between the ED and the Board. This relationship is the essential interface between governance and headquarters operations. The MRS President, as the "Chief Elected Officer", is the Chair of the Board. The ED is the "Chief Staff Officer" and a member of the Board. Core leadership values of the Society are the partnership between the President and the ED (i.e., "Shared CEO-ship") and the partnership between the President, the ED and the Board. In both partnerships, if any partner is significantly weaker than the other, an unbalanced and inadequately developed partnership at the top will impede growth and flexibility, and eventually erode the Society's effectiveness.

The Board's Executive Committee (ExeCom) and the Society's Presidential line have an obligation to maintain the relationship with the ED and not to take it for granted. Likewise, the ED has an obligation to foster a good relationship with volunteers. It is essential that this partnership be periodically reviewed, clarifying the respective roles, responsibilities, accountabilities, and reciprocal obligations, however informal. This process is designed here to be a high-level, creative, and dynamic negotiation process that is repeated annually.

The intent of this policy is to engender mutual respect and value between the Board and the ED. Each must view the other as a precious resource; each must accept responsibility, individual and collective, for helping the Society to realize its goals.

Ultimately the ED and the President must be proactive and diligent in developing and maintaining a productive partnership, working closely with the ExeCom and the Board in building a close, positive, and productive relationship. Effective communication is a necessary, shared responsibility.

III. Legal Background

The Executive Committee shall serve as the “Compensation Committee” for the ED, reporting recommendations annually for Board approval. As per best practices and legal requirements for non-profit, 501(c)(3) organizations, the Executive Committee shall:

1. Other than the ED, be composed entirely of individuals not related or subject to the control of the ED (e.g., not have a familial or business relationship);
2. Rely on comparability data (see Section V below) when establishing and monitoring compensation; and
3. Document the basis for the determination of compensation, including an evaluation of the ED and comparability data.

All actions regarding performance management and compensation of the ED shall also be performed consistent to the terms outlined in the employment contract between the ED and the Society.

IV. Executive Director Compensation Philosophy

MRS will provide its ED with a total compensation package (including cash compensation – direct compensation, health benefits and retirement benefits – indirect compensation) that is externally competitive, reasonable, and fiscally prudent. Direct compensation will be comprised of both base salary and a yearly bonus. The yearly bonus will not be lower than 5% of base salary or exceed 7.5% of base salary, with the maximum bonus of 7.5% reserved for years of exceptional performance (e.g., “consistently exceeds expectations”) as determined by the Board. Bonuses of 6.5% and 5.75% are reserved for years where performance, as determined by the Board, “often exceeds expectations” and “sometimes exceeds expectations”, respectively. The direct compensation will be managed through raises. Generally, the base compensation adjustment is tied to accomplishments that are “must do” in character, such as normal, internal operations and many support functions for the Board. **The primary guideline for external competitiveness will be the median for salary of nonprofit societies/associations in the United States. The Board of Directors will target the ED’s pay rate to be consistent with the peer groups.** MRS believes in linking compensation and benefits to individual and organizational performance, with fully successful performances being the MRS’ expectation.

V. Executive Director Comparability Data

Comparability data for the evaluation of the ED shall include one or more of the following:

- 1) Annual benchmark surveys:
 - a. Primary Benchmark: Council of Engineering and Scientific Society Executives Compensation Survey Reports
 - b. Secondary Benchmark: American Society of Association Executives Compensation Survey Reports

- 2) Market surveys commissioned by, and conducted on behalf of, the Board every three to five years or at the discretion of the board.

The comparability information will be made available to the ED during the annual review of ED compensation.

VI. MRS Statutory Background

The Bylaws of the Society authorize the Board to hire a chief staff officer to direct the operations of the Society and to perform other functions. Currently the chief staff officer is designated as the Executive Director. The Bylaws, Policy Manual and ED contract further define these characteristics of the ED-Board interface.

1. The ED shall report to and be accountable to the Board.
2. ExeCom shall be responsible for the maintenance of the working relationship between the Board and the ED.
3. The ED is a member of the Board and ExeCom.
 - Membership is “Ex-officio”, meaning “by virtue of office”.
 - The Bylaws proscribe the ED to be a non-voting member of the Board, but are silent about the ED’s voting status in ExeCom. With this policy, the ED is given a vote on ExeCom on all matters save those involving setting of ED performance goals, evaluation and compensation. The intent is to ensure perspectives of Headquarters as represented by the ED are included in Society governance.

VII. MRS Practices

In addition to statutes, the following practices are followed in the Society.

1. The ED is the single point of accountability at MRS Headquarters (HQ) for the Board, and for access to work commitments/assignments of the Society’s professional staff. Members of the Society may call on staff for information but not to give orders.
2. The ED has broad access to members of Board and Operating Committees, and for substantive interactions he informs the President.

VIII. Roles, Responsibilities, and Accountabilities

The responsibilities of the ED are defined in the ED employment contract. They include, but are not limited to, the areas listed below.

1. Support for the Board and its governing committees, including playing an active role in supporting the Board’s committees, task forces, and advisory groups. The ED assists the Board in developing its leadership capability.
2. External relations, including speaking on behalf of the Society in public forums and helping maintain key external relationships.
3. Partnering with the Board for strategic planning and development to further the Societies goals.
4. HQ operating structure, systems, and procedures
5. Society operations and system development, ensuring that administrative structure and processes are able to support high quality operations and administrative support. Duties include

- a. Ensuring delivery of Member benefits and communication of them to Board
 - b. Maintaining the financial integrity of the Society, including
 - i. Preparation of an annual budget of revenues and expenses for the Society.
 - ii. Overseeing day-to-day management, by staff, of Society financial affairs
 - iii. Ensuring that the Society's accounting system and financial records are properly established and maintained, and that appropriate financial procedures and controls are implemented.
 - c. Management of Society physical and financial assets.
6. HQ human resources
- a. Maintaining the Employee Handbook and ensuring it is available for review by the Board.
 - b. Executing duties outlined in the HQ Compensation Policy
 - c. Distributing and implementing the staff salary aggregate as approved by the Board in the annual MRS Financial Plan in accordance with the HQ Compensation Policy and MRS HQ Employee Handbook.
 - d. Making staffing decisions, including hiring, maintaining and developing a professional staff, accountable within Board-set budget and goals.
 - e. Overseeing HQ operations. The Board is not responsible for day-to-day operations of HQ and staff job duties, but instead provides strategic direction and constructive oversight of Society programs (including Headquarters contributions to Society programs).
7. Achievement of key programmatic objectives as agreed upon an annual basis with the Board of Directors

IX. Performance Review Process

The Officers have primary responsibility for establishing annual performance goals for the ED. The ED and the Vice President (in consultation with ExeCom) shall negotiate performance metrics, subject to approval by ExeCom and subsequently the Board.

The performance of the ED may be broken into three major components: 1) direct personal efforts and contributions, 2) direction and monitoring of HQ staff efforts and 3) interactions with and facilitation of efforts of volunteers.

Performance targets may be operational or strategic. They should be measurable (as applicable) and actionable, that is, within the purview and resource limitations of the ED and HQ staff. If applicable they should have “line of sight to MRS Strategic Goals”. Ambitious “stretch goals” are encouraged and must be identified as high level of difficulty.

On behalf of the Society, ExeCom shall monitor ED performance during the year against these targets. A mid-year performance review of the ED is recommended, with adjustments made to the annual goals as applicable.

All goals must be negotiated, prioritized, signed by the ED and the President and archived by the ED and President independently.

In summary,

1. The President (as chair of ExeCom) solicits input from the ED and from the entire Board, sends a draft evaluation with feedback by memo to ExeCom and the ED, and ExeCom finalizes the evaluation memo for Board review and approval.
2. The performance evaluation memo is discussed and voted on by the Board in executive session.
3. The board approved performance evaluation will be presented to the ED by the President and at least one other Society Officer, with an opportunity for feedback from the ED in a timely fashion.

X. Compensation Review Process: Executive Director

As defined in the ED’s employment contract, and stated in section IV of this policy, the ED’s *total* compensation involves *direct* and *indirect* compensation. *Direct compensation* is salary; *Indirect compensation* includes retirement and other benefits.

The level and components of the indirect compensation are defined in the ED employment contract and the HQ Employee Handbook. The addition of other indirect compensation to the ED beyond those extended to all HQ staff or in the ED employment contract shall require review and approval of the Board.

Yearly, the President proposes with the concurrence of ExeCom the potential raises, or “compensation targets,” for the ED in both base and bonus categories, which are consistent with the philosophy outlined in section IV of this policy. These targets, normally communicated with the ED deliverables, are important for budget planning purposes and to provide a clear envelope of potential raises to the ED. Current salary position in direct and indirect compensation should be considered in setting these targets.

After performance assessment, the President proposes to ExeCom actual base and bonus raises for the ED within the raise envelope. After approval by ExeCom and the Board, the President and at least one other Society Officer will hold a performance and compensation discussion with the ED.

XI. Integrated Timeline for Performance and Compensation Review

This timeline assumes that a new Executive Committee is appointed at the Fall Meeting.

Task	Target Date	Responsible Parties
Finalization of current year’s performance review and following year’s compensation	December 15 th	President and ED
Endorsement of annual ED goals	January 1 st	Board
Signing of annual ED goals	January 30 th	President and ED
Mid-year discussion of progress towards goals	July 30 th	President and ED
Performance report including accomplishments from the ED	November 20	ED to President
Performance feedback solicited and received from the Board	November 20	Board members to President

Draft performance assessment with feedback	Prior to Fall Meeting	President memo to ExeCom and ED
Comparative Compensation Data reviewed	Fall Meeting	ExeCom
Board evaluation of ED performance	Fall Meeting	Board
Initial discussion of ED performance review with ED	Fall Meeting	President, Vice-President and ED
Approval of ED compensation action using the format shown in Attachment I	Fall Meeting	Board
Review of ED coming-year goals	December 1st	Incoming ExeCom including ED

Deliverables: N/A; Review every three years or as needed

Who: President, ExeCom

When: At least 8 weeks before the Board meeting at which amendments should be considered.

To: Board via ExeCom

Policy first adopted: 4/9/07

Last modified: Mar 2016; January 2020; January 2021

Last reviewed: December 2019; December 2020

Enacting Legislation: Motion B:2007:10; B:2012:48; B:2016:12; B:2020:30

Policy created by: Al Hurd, GovCom Party responsible for this policy: GovCom

ATTACHMENT I

Annual Review of ED Compensation

BY: MRS Board of Directors

DATE:

Board Members Present:

Consistent with the Executive Director Performance and Compensation Policy, the following review of compensation for MRE Executive Director was conducted.

Part I: Board Review

Purpose: To ensure that compensation is appropriate relative to comparative data

1. Basis:

<input type="checkbox"/>	Comparative Data:
<input type="checkbox"/>	Comparative Data:
<input type="checkbox"/>	Policy: Executive Director Performance and Compensation Policy
<input type="checkbox"/>	Employment Contract
<input type="checkbox"/>	Board Approved Assessment of Current Year Performance
<input type="checkbox"/>	Other:

2. <Current Year> Base Salary = \$ _____

3. Indirect compensation was identical to the full-time HQ Employee Benefit Package and reflected in the annual budget, including retirement profit sharing contribution, health care benefits, disability insurance and Section 125 Plan.

NOTE: Retirement Profit Sharing Contribution:

<Next Year> = ___% as reflected in Board-approved <Next Year> MRS Financial Plan/Budget

4. Additional compensation:

<input type="checkbox"/>	No
<input type="checkbox"/>	Yes
If yes, list here:	

Part II: Board Action

Purpose: To ensure that direct compensation and indirect compensation are approved by the Board of Directors

4. Bonus for <Current Year> = \$ _____

5. Base Salary for <Next Year> = \$ _____

6. Indirect Compensation Plan for <Next Year>
Identical to full-time HQ Employee Benefit Package included in the approved annual budget

NOTE: Retirement Profit Sharing Contribution:

<Next Year> = __% as reflected in Board-approved <Next Year> MRS Financial Plan/Budget

7. Is there any additional compensation?

<input type="checkbox"/>	No
<input type="checkbox"/>	Yes
If yes, list here:	

Documentation of Board Review

The compensation for ED has been reviewed and approved as noted above.

In favor: _____ Against: _____

Recorded by: _____