



3.3.3.4. Headquarters Compensation Policy

Purpose: This Policy describes the overall philosophy and objectives that guide compensation of MRS headquarters employees, as well as the roles of Board of Directors, the Executive Director, and the Headquarters Directors, in implementing this Policy.

Applies to: Board and Staff

Supporting Documentation: MRS Policy Manual, available on the MRS Governance Webpage, MRS Headquarters Employee Handbook

MRS Compensation Philosophy:

MRS will provide its employees with a total compensation package (including cash compensation, health, retirement and other benefits) that is externally competitive, reasonable, and fiscally prudent. The primary guideline for external competitiveness will be the median salary of nonprofit scientific associations of comparable size geographically located in the Midwest US in general and Southwestern Pennsylvania specifically. MRS believes in linking compensation and benefits to individual and organizational performance.

The following gives details overarching MRS compensation management practices:

1. Effective administration of the MRS compensation program should be a shared responsibility among its staff executive management and volunteer leadership.
2. The **Board of Directors** is responsible for:
 - Annually approving the total Headquarters staff compensation expenditures, including:
 - Any changes to the staff salary aggregate, staff aggregate benefit expenditures (e.g., benefit plan expenses) and budgeted retirement plan contributions, all as part of the annual budget.
 - Final annual retirement plan contribution at the MRS Fall Meeting using the form shown in Attachment I.
 - Setting performance objectives for the Executive Director, evaluating performance and determining annual pay changes as per the Executive Director Performance and Compensation Management Policy.
3. The **Executive Committee** shall serve as a “Compensation committee” and must be composed entirely of individuals not related (familial and/or business) or subject to the control of the Executive Director or any Headquarters employees. The Executive Committee shall be responsible for:
 - Proposing performance objectives for the Executive Director annually for approval by the Board;

- Preparing written evaluation of the Executive Director’s performance annually for review by the Board;
- Proposing any compensation changes for the Executive Director for approval by the Board;
- Ensuring that annual performance appraisals are conducted annually for Headquarters Directors.
- Reviewing compensation for senior staff management annually [i.e., Headquarters Pay Grades 6 and 7 as per the IRS Disqualified Persons regulations and top staff financial position (as per the IRS Form 990 requirement) relative to standard benchmarks (see Attachment II)], and reporting back to the Board if changes are warranted beyond standard annual “cost of living adjustments” (e.g., inflation-based pay changes) and “performance-based adjustments” (e.g., merits and promotions).¹ The annual review shall use the format shown in Attachment III.
- At least every three years, review the Headquarters salary levels (e.g., Pay Grades), ensuring that the ranges have progressed as per the methodology shown in Attachment IV. Any discrepancies are to be identified and resolutions recommended, including special budgetary allocations and commissioning market surveys as needed.
- At least every three years, review Headquarters indirect compensation as per the guidance provided in Attachment V.

4. The **Executive Director** is responsible for:

- Determining annual budget allocation between salary increase aggregate and special recognition awards and spot awards;
- Approving starting salary offers for new employees based upon Directors recommendation;
- Approving performance ratings and merit increase recommendations submitted by Directors;
- Conducting annual performance evaluations with direct reports;
- Establishing performance ratings and pay changes (including incentive payments) for direct reports;
- Submitting compensation information for Grade 6 and Grade 7 HQ staff for Executive Committee for review at the MRS Fall meeting in a form as shown in Attachment III;
- Overseeing administration of the Headquarters compensation program, including functions shown in Attachment VI.

Routine Deliverables	Who	When	To
Staff salary aggregate, staff aggregate benefit expenditures (e.g., benefit plan expenses) and budgeted retirement plan	Finance Committee	Annual Board review during the approval of the annual budget (typically in September)	Board

¹ Headquarters Pay Grades 6 and 7 represent senior management staff and therefore fall under the IRS definition of “disqualified persons”, requiring that the Board monitor and ensure that compensation levels are appropriate.

Final annual retirement plan contribution	ED	Annually at the MRS Fall Meeting (Executive Session)	Board
Report of Grade 6 and 7 compensation data	ED	Annually at the MRS Fall Meeting	ExeCom
	ED		
Review of HQ salary grades	ED	Every three years	ExeCom
<p>Deliverables: N/A; Review policy every _____ years or as needed Who: Secretary When: At least 8 weeks before the Board meeting at which amendments should be considered. To: ExeCom</p>			
<p>Policy first adopted: 12/6/02 – Executive Session Last modified: December 4, 2015, December 13, 2018 Last reviewed: Dec 2015, September 2018</p>			
<p>Enacting Legislation: ES:B:2010:9; B:2015:37 (Consent Agenda); B2018:36 (F18 Consent Agenda)</p>			
<p>Policy created by: GovCom</p>			
<p>Party responsible for this policy: GovCom</p>			

ATTACHMENT I

Annual Approval of Headquarters Retirement Plan Contribution

BY: MRS Board of Directors

DATE:

Board of Directors Present:

Background:

Retirement Plan contribution approved in the <current year> budget = ___%

Board Action:

Consistent with the HQ Compensation Policy and the eligibility requirements detailed in the MRS 401(k) Retirement Profit Sharing Plan Documents, the MRS Board of Directors approves a retirement plan contribution of ___% for <current year>.

Documentation of Board Review

<Current Year> retirement plan contribution

In favor: _____ Against: _____

Recorded by: _____

ATTACHMENT II

External Benchmarks for Headquarters Pay Grade 6 and 7

Consistent with the MRS Compensation Philosophy for all MRS Headquarters Staff, the following are the standard external benchmarks for Headquarters Pay Grade 6 and 7:

	Primary Benchmark	Secondary Benchmark
Pay Grade 7	CESSE Compensation Survey Report – Deputy Executive Officer “Total Employees 35-69”	CESSE Compensation Survey Report – Deputy Executive Officer Midwest
Pay Grade 6	CESSE Compensation Survey Report – Top Administrative / Top Financial Position “Total Employees 35-69”	CESSE Compensation Survey Report – Top Administrative / Top Financial Position Midwest

The following alternative sources of comparative data may also be utilized:

- 1) compilation of salary data reported on IRS Form 990s from comparable professional societies
- 2) a salary survey conducted by an independent organization

NOTES:

A primary, “national” benchmark is chosen to be organizations of similar size based on number of employees. The Midwest is a secondary geographic benchmark for comparison since the cost of living in the Western Pennsylvania is believed to be closely aligned to the Midwest. This is consistent with Board guidance in 2002 that recommend indirect compensation be normalized by geographical cost of living.

ATTACHMENT III

Annual Review of Senior Management Staff and Top Financial Position Compensation

BY: MRS Executive Committee (ExeCom)

DATE:

ExeCom Members Present:

Consistent with the HQ Compensation Policy, the following review of compensation for Senior Management Staff and Top Financial Position was conducted:

Part I: Review of current year

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

1. Basis:

	Comparative Data: Annual CESSE Compensation Survey Report (see attached)
	Policy: HQ Compensation Policy
	MRS Employee Handbook
	Other:

2. <Current Year> Direct Compensation²

Senior Management Staff
Top Financial Position

3. Indirect Compensation for <Current Year>:

The indirect compensation is estimated as the sum of each individual’s retirement profit sharing contribution, health care premium (net), health care deductible³, dental and vision premium, disability insurance premium, pro-rated administrative costs for the 401(k) Retirement Profit Sharing Plan and pro-rated administrative costs for the Section 125 Plan⁴.

Senior Management Staff
Top Financial Position

Part II: Review of compensation for next year

Purpose: To ensure that direct compensation adjustments are consistent with Policy and that projected indirect compensation levels are consistent with MRS practices (i.e., HQ Compensation Policy, MRS Employee Handbook and Board-approved annual financial plan/budget)

4. Grade 6 and 7 Salary Ranges for <Next Year>

The ranges will be adjusted by ___% based upon the following benchmarks

16% trimmed CPI: ___% (as of <insert Date>)

CPI-W: ___% (as of <insert Date>)

<insert year> Salary Range for Grade 7:

<insert year> Salary Range for Grade 6:

² Employee’s names are not used in this report, but will be supplied by the ED upon request by ExeCom.

³ The MRS Health Care Plan may include payment by MRS of all or a portion of deductibles.

⁴ Employees are not obligated to participate in the Section 125 Plan. This benefit may not be realized by employees if not utilized, but is included for illustrative purposes only.

5. Direct Compensation for <Next Year>
Senior Management Staff
Top Financial Position

6. Indirect Compensation Plan for <Next Year>
Paid Time Off: Identical to entire staff (as represented in MRS Employee Handbook)
Health Care, Dental, Vision Coverage: Identical to entire staff (as reflected in the Board-approved the <insert year> MRS Financial plan)
Section 125 benefits: Identical to entire staff
Short Term and Long Term Disability Insurance: Identical to entire staff
Retirement Profit Sharing and safe harbor Contribution
<Next Year>: __% (same as entire staff) as reflected in Board-approved <Next Year> MRS Financial Plan/Budget

Documentation of ExeCom Review

The compensation for Senior Management Staff and the Top Staff Financial Position is appropriate.

In favor: _____ Against: _____

Recorded by: _____

ATTACHMENT IV

Annual Adjustments to MRS Headquarters Pay Ranges

MRS Headquarters staff is categorized by a series of Pay Grades.⁵ On an annual basis, the salary ranges and midpoints for each Pay Grade shall be adjusted based upon market influences, specifically by the rate of inflation. As per the Executive Committee meeting on November 29, 2009, the following inflation benchmarks will be used annually for adjusting salary ranges.

Primary Indicator: 16% trimmed mean CPI (source: Federal Reserve Bank of Cleveland)
Secondary Indicator: CPI-W (source: U.S. Bureau of Labor)

It is noted that salary adjustments will be made according to policies detailed in the MRS Employee Handbook.

⁵ In 1999, the MRS Board approved the implementation of the Towers Perrin Recommended Pay Program (Final Report dated April 2, 1999). This resulted in the adoption of a "salary grade" structure consisting of Pay Grades 2, 3, 4, 5, 6 and 7. NOTE: The relevant motions include Motion C:99:9, Motion C:99:10, Motion C:99:11, Motion C:99:12, Motion C99:18, Motion C99:19, Motion C99:20, Motion C99:21, Motion C99:30, Sense of Council (8/28/99)

ATTACHMENT V

Guidance for Indirect Compensation

The MRS Board of Directors provided guidance for indirect compensation for Headquarters staff through the following motions brought forth by OpsCom and approved by the Board on December 7, 2002:

B:2002:41 Indirect Compensation Philosophy (Long Term): The MRS Indirect Compensation Program shall reflect the intent of the Board to support, in the long term, above-average staff benefits relative to peer organizations, properly normalized for geographical cost of living.

B:2002:42 Tiered Retirement Philosophy: The intent of the Board is to support, in the long term, a “tiered” retirement benefit in which MRS Directors, Executive Director, and key staff shall have a “highly competitive” retirement benefit relative to peer organizations.

ATTACHMENT VI

Important roles and responsibilities of senior management (Grades 6 and 7) in the administration of the Headquarters compensation plan, as overseen by the Executive Director, shall include the following:

The **Director of Finance and Administration** should be responsible for the administration of the program, including:

- Maintaining up-to-date and accurate position descriptions;
- Ensuring positions are properly graded, including approval of position descriptions and salary grades for new or restructured positions;
- Tracking market pay movement (including pay increase budget and pay structure movement);
- Recommending starting salary offers in conjunction with appropriate directors of new employees;
- Ensuring salary increase adjustments are in compliance with merit increase guidelines;
- Preparing the annual merit plan for the Executive Director’s review;
- Conducting annual performance evaluations with direct reports.
- Establishing performance ratings and recommending pay changes (including incentive payments) for subordinates.
- Preparing an annual report for the Executive Director comparing Headquarters compensation relative to benchmarks, including those shown in Attachment IV. Any discrepancies are to be identified and resolutions recommended to the Executive Director, including special budgetary allocations and commissioning market surveys as needed.

The other **Directors** should be responsible for:

- Approving the accuracy and completeness of position descriptions for their subordinates;
- Working with the Director of Finance and Administration to determine pay grades for their newly created and/or changed positions;
- Recommending salary offers within established pay ranges for proposed new hires;
- Conducting annual performance evaluations with direct reports.
- Establishing performance ratings and recommending pay changes (including incentive payments) for their subordinates.