



Panama City Rescue Mission

Policy on Determining Compensation of Executive Director

Reviewed Date: July 15, 2014

Effective

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Approved by: PCRM Board of Trustees

Legal Background: The IRS Form 990 asks charitable nonprofits about the process used to approve the compensation of the executive director/CEO (and certain other key employees): "Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?" (Form 990, Section VI, Part B, line 15) Nonprofits filing the Form 990 must describe the process on Schedule O.

Ensuring that the board has approved "reasonable and not excessive" compensation for the executive director/CEO is one of the **fiduciary responsibilities of every nonprofit board**. Boards that engage in an annual process of reviewing and approving the compensation of the executive director/CEO (and certain highly paid "key" employees as defined by the IRS) and that document this process in the minutes of board meeting(s), will be protecting their nonprofit (and themselves). An annual review also ensures that the nonprofit is acting in a transparent manner because through the process the full board will be aware how much the executive director/CEO is being paid by the nonprofit. Having a robust conflict of interest policy is another important aspect of ensuring fair and reasonable compensation.

The Executive Director of Panama City Rescue Mission is the principal representative of Panama City Rescue Mission, and the person responsible for the efficient operation of the Panama City Rescue Mission. Therefore, it is the desire of the Panama City Rescue Mission to provide a fair yet reasonable and not excessive compensation for the Executive Director (and any other highly compensated employees and consultants).

The annual process for determining compensation is as follows:

The Panama City Rescue Mission shall [either the full board or a compensation committee/executive committee] annually evaluate the Executive Director on his/her performance, and ask for his/her input on matters of performance and compensation.

Board Approval. The [human resource or executive committee] will obtain research and information to make a recommendation to the full board for the compensation (salary and benefits) of the Executive Director (and other highly compensated employees or consultants) based on a review of comparability data. For example, the [human resource/executive/compensation] Committee will secure data that documents compensation levels and benefits for similarly qualified individuals in comparable positions at similar organizations. This data may include the following:

1. Salary and benefit compensation studies by independent sources;
2. Written job offers for positions at similar organizations;
3. Documented telephone calls about similar positions at both nonprofit and for-profit organizations; and
4. Information obtained from the IRS Form 990 filings of similar organizations.

Concurrent Documentation. To approve the compensation for the Executive Director (and other highly compensated employees and consultants) 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. Documentation will include:

- a) A description of the compensation and benefits and the date it was approved;
- b) The members of the board who were present during the discussion about compensation and benefits, and the results of the vote;
- c) A description of the comparability data relied upon and how the data was obtained; and
- d) Any actions taken (such as abstaining from discussion and vote) with respect to consideration of the compensation by anyone who is otherwise a member of the board but who had a conflict of interest with respect to the decision on the compensation and benefits.

Independence in Setting Compensation: The Chair of the board of directors, who is a volunteer and not compensated by the Panama City Rescue Mission, will operate independently without undue influence from the Executive Director.

No member of the Executive or Human Resources Committee will be a staff member, the relative of a staff member, or have any relationship with staff that could present a conflict of interest.