

Chief Executive Compensation in Not-For- Profit Organizations

How to do it Right

Merces Consulting Group, Inc.

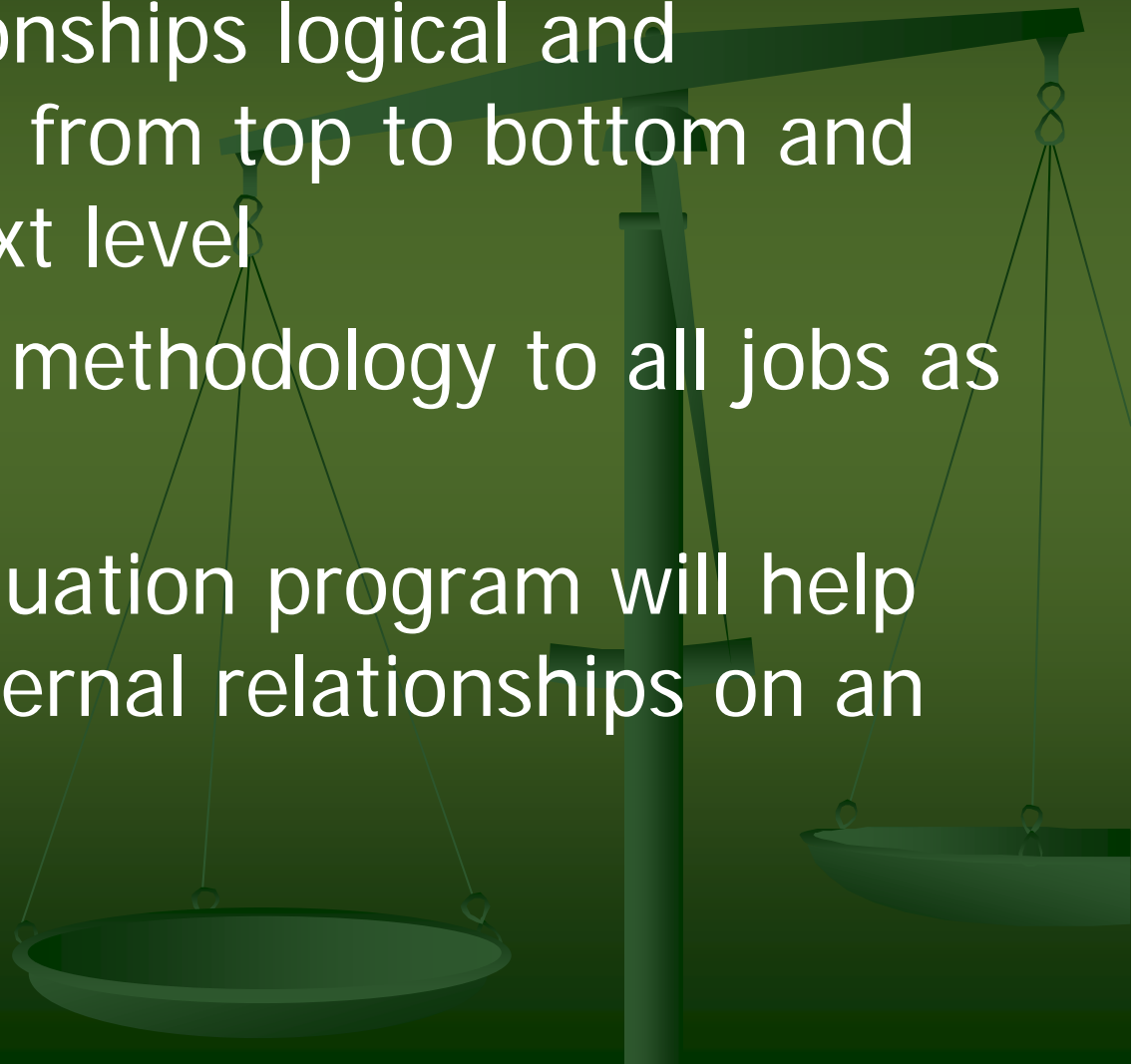
Chief Executive Compensation

- Issues:
 - Maintaining Internal Equity
 - Maintaining Competitiveness
 - Understanding the “Total Package”
- Compliance & Justification
 - Satisfying the Board
 - Satisfying the I.R.S.

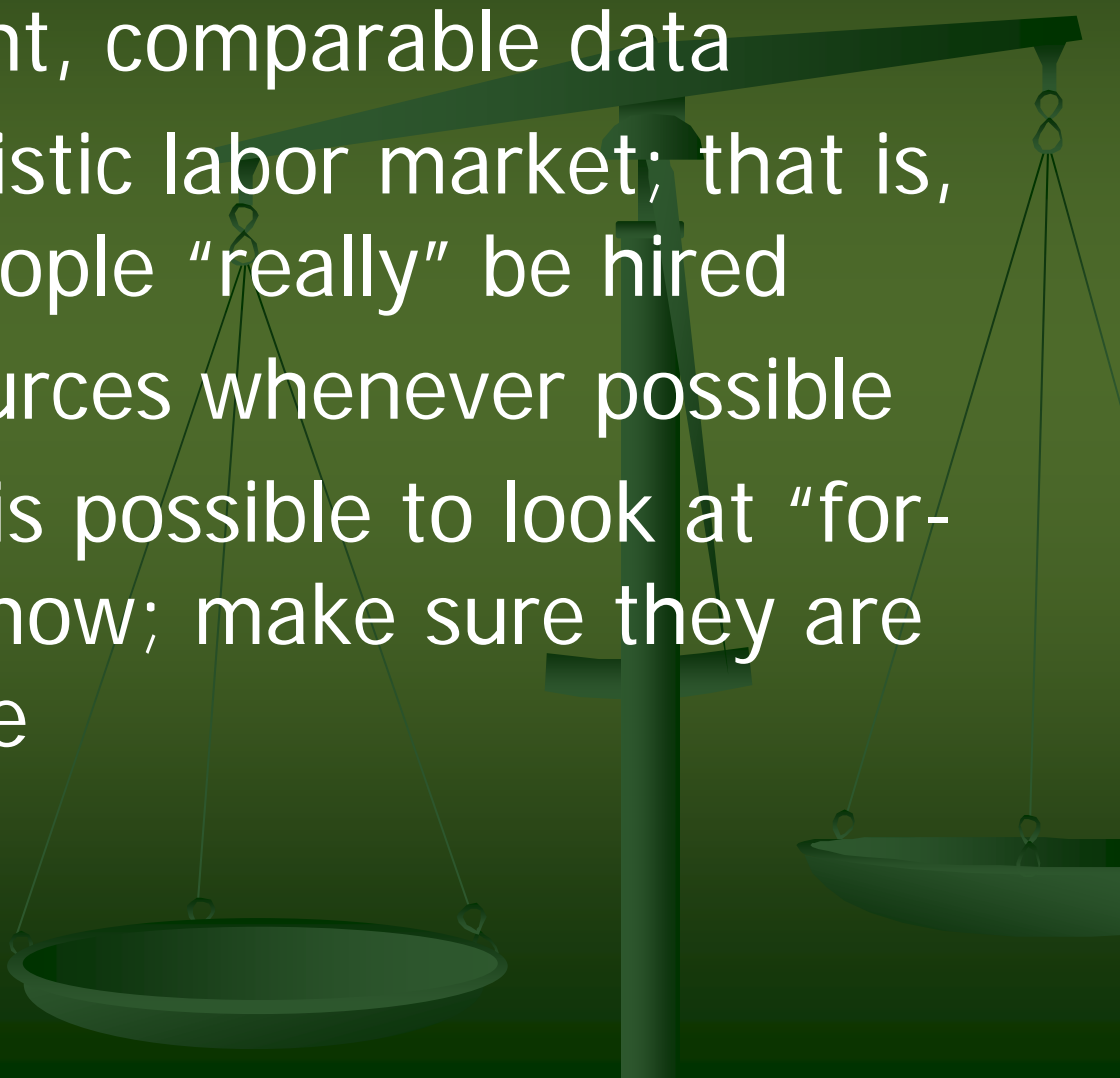


Maintaining Internal Equity


- Keep pay relationships logical and consistent, both from top to bottom and from CEO to next level
- Apply the same methodology to all jobs as to the CEO
- Using a job evaluation program will help establish the internal relationships on an on-going basis



Maintaining Competitiveness

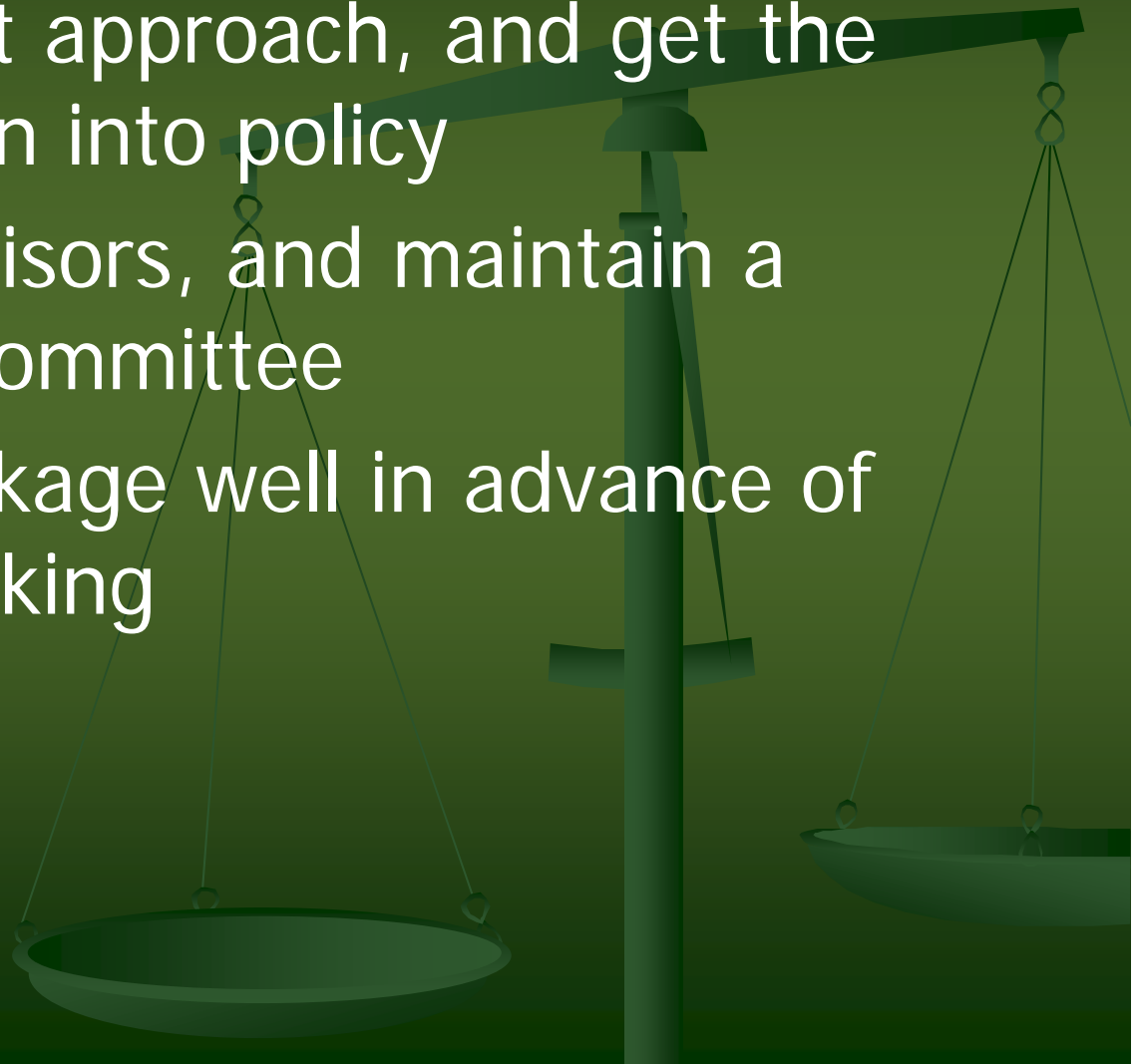
- Collect consistent, comparable data
 - Look at the realistic labor market; that is, where would people “really” be hired
 - Use multiple sources whenever possible
 - IRS suggests it is possible to look at “for-profits” as well now; make sure they are truly comparable
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Understanding the “Total Package”

- Make sure you are looking at “total compensation” – compare apples to apples
 - Total compensation is a better measure
 - Perks and other benefits do NOT equal compensation
 - Be careful with retirement arrangements
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Satisfying the Board

- Use a consistent approach, and get the approach written into policy
- Use outside advisors, and maintain a compensation committee
- Present the package well in advance of the decision-making



Satisfying the IRS

- New rules/interpretations make taking chances playing with fire
- Serious penalties to the CEO are not just possible, but likely, if there is suspicion
- To survive: document, document, document.....

