

## South Central Workforce Development Board



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### **POLICY: HUMAN RESOURCES AND COMPENSATION POLICY**

**EFFECTIVE DATE:** January 1, 2018

**POLICY NUMBER:** 2017-17

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### **SUBJECT: ANNUAL REVIEW AND COMPENSATION POLICY**

#### **PURPOSE:**

This is the policy of the South Central Workforce Development Board with respect to the review and approval of the general compensation structure of its officers and employees. It includes the process for setting the President/CEO's total compensation based upon a performance review.

**EFFECTIVE DATE:** December 11, 2020

#### **ACTION REQUIRED:**

Within 15 days of the receipt of this policy it is the Board(s) responsibility to ensure all affected staff are informed of the policy and to create an internal process to ensure accountability.

#### **BACKGROUND:**

A formal in-person assessment of executive performance shall be carried out by the South Central Workforce Development Board (SCWDB) annually. This assessment may be conducted by the Executive Committee or an appointed Human Resources Committee at the discretion of the SCWDB Chair. It may also include a member of the SCWDB board at the discretion of the SCWDB Chair. The plan for the assessment will be developed based on this policy and in conjunction with the President/CEO and submitted to the board for review and approval at the end of each fiscal year. Assessment criteria and standards will be specified prior to the appraisal. The results of the performance review will be given to the SCWDB and the chief executive prior to the evaluation session. The executive will have the opportunity to comment, respond, include other assessment information and suggest developmental ideas prior to and during the evaluation session.

The evaluation will focus on using a performance-to-plan approach based on organization-wide goals that are consistent with the strategic plan, business plan, and the policies developed. Evaluation criteria is found in Appendix A of this policy.

#### **POLICY:**

It is the policy of the SCWDB that all compensation paid by the organization is reasonable based upon a review of comparability information. This policy provides a procedure for the review and approval of the total compensation of the officers, directors, President/CEO, or top management official, and key employees of the organization consistent with applicable federal tax law and Kentucky state law.

## **Board Approval of Compensation**

The President/CEO of the Employward, Inc., a 501c3 Nonprofit in the State of Kentucky, is the principal representative of the non-profit and the WDB, and the person responsible for the efficient operation of the organization. Therefore, it is the desire of the SCWDB to provide a fair yet reasonable total compensation for the President/CEO, inclusive of base salary, bonuses and benefits.

The annual process for determining compensation is as follows: The SCWDB shall annually evaluate the President/CEO on his/her performance, and ask for his/her input on matters of performance and compensation. The annual process for determining compensation is as follows:

- Conduct an annual evaluation
- Use comparability data
- Document the process

These steps are discussed below.

## **Conduct an Evaluation**

The SCWDB shall annually evaluate the President/CEO on his/her performance, and ask for his/her input on matters of performance and compensation. The Chair of the SCWDB shall determine each year whether to appoint a Committee to conduct the evaluation or to have the evaluation conducted by the Executive Committee of the SCWDB.

The Committee responsible for the evaluation shall make its recommendation for compensation of the President/CEO to the Chair and Executive Committee of the SCWDB who upon voting to approve will inform the WDB and the Foundation boards of its action in writing. The SCWDB Executive Committee has full authority to make the final decision.

## **Comparability Data**

The SCWDB Committee will obtain research and information to make inform the recommendation for the compensation (salary and benefits) of the President/CEO based on a review of comparability data. The Committee may engage the services of the qualified, recognized executive compensation consultant. The Committee will secure data that documents compensation levels and benefits for similarly qualified individuals in comparable positions at similar organizations. Compensation may also include a performance based bonus as part of the total compensation. If a bonus is to be included, the amount of the bonus shall be established at the end of the annual review in consideration of the results of the performance review and in consideration of the organization's budget.

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 President/CEO the SCWDB Committee 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 SCWDB, both of whom are volunteers and not compensated, will operate independently without undue influence from the President/CEO. No member of the SCWDB Committee (or consultant) will be a staff member, the relative of a staff member, or have any relationship with staff that could present a conflict of interest.

### REFERENCES:

1. **The IRS Form 990 definitions for some of the identified positions and used in this policy with the same meanings. Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors** (beginning on page 24) <https://www.irs.gov/pub/irs-pdf/i990.pdf>
2. **Rebuttable Presumption - Intermediate Sanctions (IRS)**  
<https://www.irs.gov/charities-non-profits/charitable-organizations/rebuttable-presumption-intermediate-sanctions>

Approved:

12.11.2020  
Date of WDB Approval

Signed by:

  
Ron Sowell, SCWDB Director