

Appendix 1

Example of a written compensation process

[This example of a written compensation process is for illustrative purposes. The hypothetical organization is a single site continuing care retirement community (CCRC) located in a suburb of a small city in the southeast. The annual operating budget of the organization is just over \$18 million. The organization has a written statement on compensation philosophy that indicates a commitment to pay all employees at rates that are competitive in the marketplace. The fiscal year for the organization is July 1 to June 30.]

The compensation package for the President & CEO shall be determined annually according to the following process:

1. The Executive Committee of the Board will conduct an annual performance review of the President by May 15 of each year. This review will include input from all Board members utilizing a survey instrument of the Executive Committee's choosing. During this meeting the committee will also review with the President the performance expectations negotiated the previous year and determine performance expectations for the coming fiscal year. The President's position description will be reviewed to note any changes needed to align with the performance expectations.
2. The Executive Committee will develop a compensation proposal for the President no later than May 30 of each year. Comparison information will be obtained from the most current Form 990 of Organization X and Organization Y, which have been determined to be similar organizations providing similar services. Comparison information will also be obtained from the most recent Lutheran Services in America compensation survey and the most recent compensation survey done by the (state) Association of Homes and Services for the Aging. In each case the information will be adjusted for inflation, applying the Consumer Price Index, if it is more than one year old. It is expected that the salary proposed for the President will reflect the results of the performance review and progress toward organizational and individual performance goals. The salary should also reflect the tenure and experience level of the President. The proposal should include any suggested changes to the benefits and perquisites the President currently receives.
3. The compensation proposal should be reviewed with the President and any disagreements negotiated between the President and the Executive Committee.
4. The proposed compensation package will be presented to the Board of Directors for approval at its June meeting each year. The report from the Executive Committee will include a summary of the President's performance review, including a summary of input from Board members, a list of performance expectations for the coming year, and a summary of comparison information obtained, including the sources of that information. If there are proposed changes to the President's position description or the benefits and perquisites offered, these will be noted in the report.
5. Following approval of the President's compensation by the Board of Directors the process followed will be documented and the written report will be received and approved by the Board at its next regular meeting.