

Executive Compensation Program

Human Resources & Compensation Committee | the organization Board of Directors

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our guiding principles for attracting, rewarding, and retaining talent

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Committee Decision Points

At the conclusion of this presentation, the HRCC will be asked to act on the following:

Agree on Philosophy

Confirm our compensation philosophy as the foundation for all pay decisions

Validate Structure

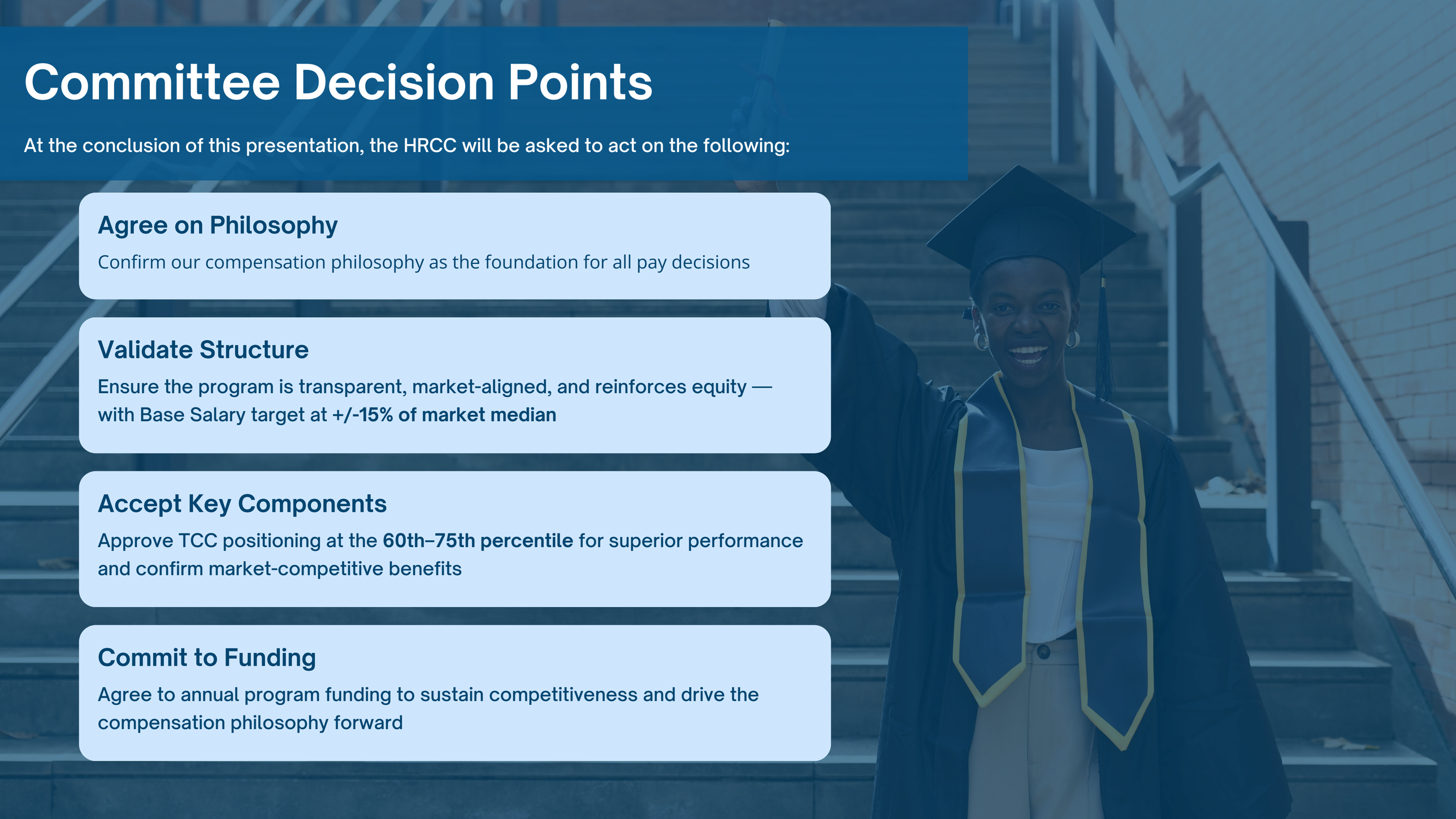
Ensure the program is transparent, market-aligned, and reinforces equity — with Base Salary target at **+/-15% of market median**

Accept Key Components

Approve TCC positioning at the **60th–75th percentile** for superior performance and confirm market-competitive benefits

Commit to Funding

Agree to annual program funding to sustain competitiveness and drive the compensation philosophy forward



BACKGROUND

Following an organizational structure assessment by an outside consulting firm, the organization and the HRCC began reviewing the effectiveness of its compensation strategies, driven by five foundational questions.



01

Elements of Compensation

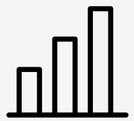
What components make up our total compensation framework?



02

Market Comparison

How does the organization compensation compare to the broader market?



03

Performance Motivation

Does compensation motivate the behaviors needed to achieve key organizational goals?



04

Talent Attraction & Retention

Does the program attract and retain high-performing talent with the right experience and skills?



05

Affordability & Sustainability

Is the compensation program financially sustainable for the organization?

Subsequently, the HRCC and Leadership agreed to reassess the compensation program against the market. The Committee later confirmed that the organization should be benchmarked against larger organizations **due to its size and operational complexity.**

COMPENSATION PHILOSOPHY

To the organization, compensation is more than a motivator or reward, it is a continuous partnership between the corporation and each employee to encourage and reward performance results.



Attract, Motivate & Retain

Designed to bring in and keep high-performing talent across all executive levels



Competitive Market Pay

Positions are valued using current national industry and peer group market data



Pay Equity & Fairness

A transparent, systematic, and integrated pay approach that ensures equitable treatment



Performance-Based Culture

Merit increases, equity adjustments, and incentive pay all reinforce accountability and results

Base Salary

Our executive compensation framework includes base salary, salary increases (merit, promotion, and adjustments), and incentive pay where authorized. Base salary administration targets +/–15% of the 50th percentile (market rate) for fully qualified, high-performing executives.

- Base Salary
- Salary Increases
  - Merit
  - Promotion
  - Salary Adjustments
- Incentive Pay

Key Administration Rules

- Salaries below entry level must be brought to minimum within **two (2) performance cycles**
- Salary should progress toward the 50th percentile based on performance
- When salary exceeds +15% of midpoint, increases are tied to the degree the organization wishes to pay above market
- All adjustments must be deemed "**reasonable**" per IRS standards

Compensable Factors

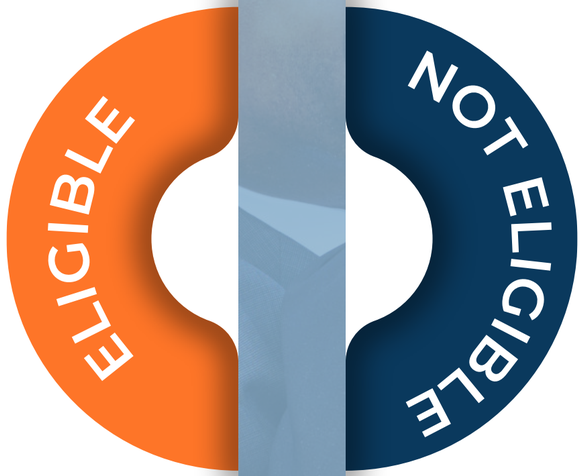
- **Relevant skills and knowledge**
- **Ability to problem solve**
- **Influence and contacts**
- **Scope of responsibility**
- **Risk to the organization**

Merit Increase: Eligibility

When determining merit increases, managers must consider overall contribution, performance results, market value, compensation history, retention risk, and time in position, all within the allocated budget.

Eligible for Merit Increase

- On active status at time of distribution
- In good standing — rated "Meets Performance" or above
- Hired with six months or more remaining in the fiscal year (on or before September 30)



Not Eligible for Merit Increase

- Hired on or after October 1
- Adaptive Planning
- Rated "Below Plan" or requires further development
- On probation for performance or behavior issues
- Received written reprimand within six months of distribution
- On inactive status at time of distribution
- Received an out-of-cycle increase and was notified no merit increase would follow

Merit Increase: Key Factors

Merit increases must balance multiple factors to ensure fair and equitable salary administration across all executive levels. The organization is committed to maintaining competitive salary levels through consistent annual investment.

Annual Investment in Staff Compensation

the organization commits to annually investing in compensation to remain competitive and retain high-performing executives

Periodic Market Analysis

Compensation is reviewed regularly against national trends, ensuring the organization stays in step with the external labor market

Salary Range Movement

Salary ranges are moved at the same pace as the national average to maintain consistent internal equity and market alignment

Performance Assessment

Increases reflect how well an executive applies skills and expertise to achieve results, balanced against budget, range position, and retention risk



Compensation Structure: Salary Range

The salary range is anchored to market data at the 25th, 50th, and 75th percentiles.
Experience is relative to the role, not tenure.

Entry

- May be new in role
- Meets basic skill requirements and experience
- Needs growth and development
- Satisfactory Performance

Progress
25P

- Performs majority requirements of the position well
- May have a few developmental areas
- Satisfactory Performance

Midpoint
50P

- Seasoned professional
- Fully competent
- Consistently Meets and sometimes Exceeds performance expectations

Advance
75P

- Seasoned professional
- Fully competent
- Consistently High Performance
- Salary may be influenced by salary history and past experience

Maximum

- Seasoned professional
- Exceptionally competent
- Consistently exemplary performance
- Pay may be influenced by salary history and past experience

The **entry range** applies to growth and development. The **midpoint** reflects a fully competent high performer. The **maximum** is reserved for exceptionally competent executives with consistently exemplary results.

Merit Increase: Distribution Guidelines

the organization uses a structured matrix to ensure merit increases are distributed fairly and consistently. Increases are based on two factors: **performance rating** and **base salary position in the range**. Guidelines below reflect a **3% total salary budget**. the organization reserves the right to modify percentages based on market trends and affordability.

Location in Salary Range	Quartile	Performance Rating			
		Exceeds	Meets Plus	Meets	**Below Plan**
Max Point					
Advance Point	**4th**	**1% - 3%**	**1% - 2%**	**0% - 2%**	**0%**
Midpoint	**3rd**	**3% - 4%**	**2% - 3%**	**1% - 2.5%**	**0%**
Progress Point	**2nd**	**4% - 6%**	**3% - 4%**	**2% - 3%**	**0%**
Entry Point	**1st**	**5% - 6%**	**4% - 5%**	**3% - 4%**	**0%**

All compensation recommendations for the **President and CEO** are vetted by the HRCC and approved by the Board of Directors at the June committee meeting.

Promotion: Eligibility

An executive may be promoted due to a new job assignment or significantly expanded responsibilities. The role must demonstrate greater value to the organization as measured by scope, skill, risk, problem-solving capability, and key contacts.

Skill Requirements

Must meet the minimum qualifications and proven experience for the new role

Time In Position

Must have served in current position for a minimum of one year

Performance Standing

Must perform at a "Meets" or higher rating with demonstrated competencies

Teamwork & Leadership

Must display strong collaboration, results-driven approach, forward planning, and leadership qualities

Promotion – Salary Increases

Promotional salary increases are granted when executives are assigned to a position at a higher level than their current role. The salary must reach the minimum of the new grade within two (2) performance cycles. All executive promotions and upgrades require review by the Chair of the Board and Chair of the HRCC.

Standard Promotion

5% – 10% of current base salary
Granted when an executive moves to a higher-level position. Size varies based on where current salary falls within the range. Should be granted as soon as possible after the promotion effective date.



Upgrade Increase

3% – 5% of current base salary
Recognizes executives who assume significantly greater responsibility while remaining at the same job level. Note: an upgrade increase does not apply to increases in work volume alone.



Salary Adjustments

In addition to merit and promotional increases, the organization recognizes that off-cycle and equity adjustments may be necessary to maintain competitive and fair compensation. Any additional compensation given to executives must be reviewed by the Chair of the Board and Chair of the HRCC.

Off-Cycle Increase

A salary adjustment granted outside of the annual merit review cycle – ranging from 3% – 7%. Used to address flight risk or emerging equity concerns without waiting for the annual cycle.

Equity Adjustment

A targeted adjustment to achieve better alignment with the market rate of pay. Consideration is given to executives whose salaries are significantly below market data but who demonstrate strong competence and consistent high performance.

Base Salary Offers

Maintaining internal equity is essential when determining salary offers for new hires or transferred and promoted executives. Offers may not exceed the maximum of the salary range and must be reviewed by the HRCC.

Salary Range Entry Point

The floor of the applicable salary range establishes the baseline for any offer



Experience, Knowledge & Skills

The candidate's qualifications relative to the role's requirements are a primary driver of offer positioning



Internal Equity & Peer Comparisons

Offers are benchmarked against peers performing the same or comparable roles with similar experience and performance levels



External Market Data & Budget

Current market rates and departmental budget constraints are weighed alongside timing of the first merit review



Highly experienced executives may be hired into the upper portions of the pay range in exceptional cases, but never above the salary range maximum without documented justification.

Total Cash Compensation (TCC)

To motivate executives to achieve our and departmental goals, the incentive program provides additional compensation tied to performance results. TCC includes base salary *plus* any incentive or other cash compensation distributed to the executive.

TCC Target

60th to 75th Percentile with commensurate superior performance: providing flexibility to reward high-achieving executives meaningfully above the median

Key TCC Principles

- Base salary and TCC data are both pulled by the Consultant for all executive positions
- As base pay exceeds market rate, percentage increases are commensurate with the degree to which the organization chooses to pay above competitive levels
- A high performer in the 1st quartile warrants a higher increase than a high performer in the 4th quartile
- When TCC approaches the top quartile of the 75th percentile, the organization must provide **documented justification, an assessment of reasonableness, and HRCC approval**

Legal Requirements & HRCC Oversight

In 1996, the Taxpayer Bill of Rights 2 was signed into law, stipulating that compensation for the CEO and senior officials of a 501(c)(3) organization may not engage in "excess benefit transactions." Compensation valued above fair market value may be deemed excessive and trigger significant penalties.



Recipient Penalty

25% tax on the excess benefit — escalating to 200% if the excess is not repaid to the organization



Organization Manager Penalty

10% tax on the excess benefit, up to $20,000 per transaction, assessed jointly and severally on trustees, directors, or officers who approved an arrangement knowing it to be excessive

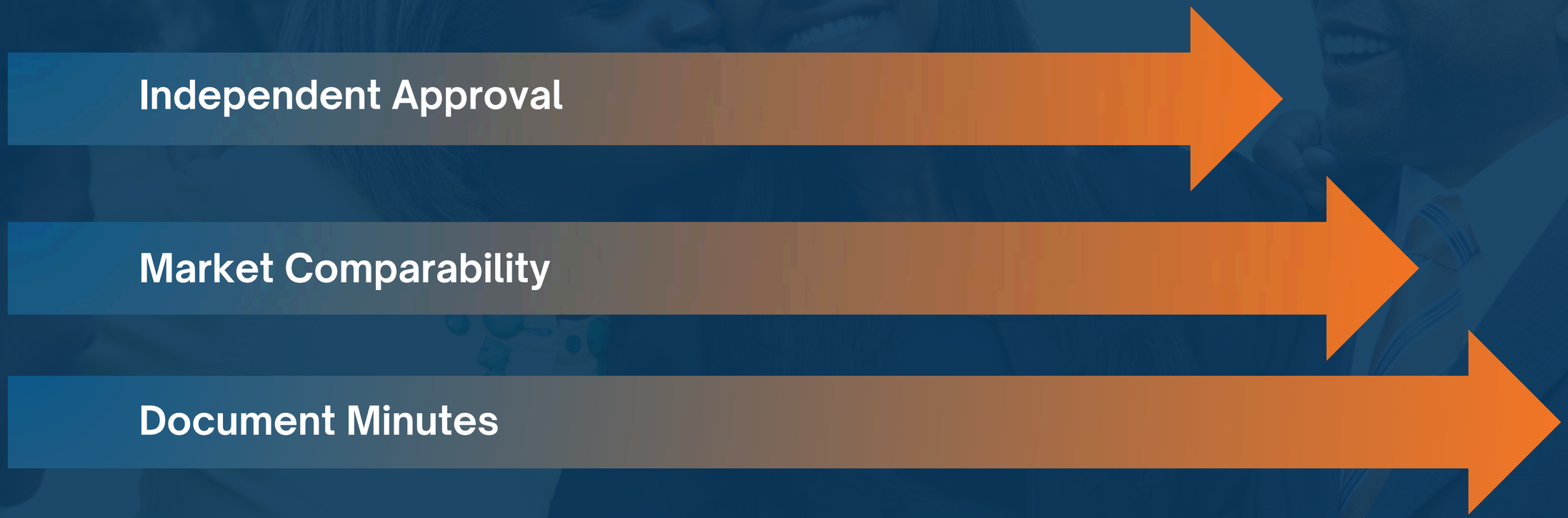


Rebuttable Presumption

The law provides a protective provision: if specific procedural requirements are satisfied, compensation is presumed reasonable unless the IRS can demonstrate otherwise

Establishing the Rebuttable Presumption

If the rebuttable presumption procedure is **not** followed, the burden falls on the organization to prove the reasonableness of compensation. The following three steps are required to establish this presumption:



These three procedural safeguards protect the organization, its board members, and its senior officials by establishing a strong, defensible record of compensation reasonableness in full compliance with IRS intermediate sanctions regulations.

Additional HRCC Governance Principles

Beyond the rebuttable presumption process, the following key principles govern our executive compensation oversight to ensure full compliance, transparency, and accountability.

Independent Consultant Oversight



Outside compensation consultants must be engaged by and report directly to the Chair of the Board or the HRCC — not management

Comprehensive Review Scope



The review must cover not only the President & CEO but also all senior officials subject to intermediate sanctions rules, including key employees and officers

CEO Recusal



The President & CEO may provide input on other senior officials' compensation but must not be present during discussion or vote on his or her own compensation

All Compensation Elements Reviewed



Review must include deferred compensation, contractual benefits, perquisites (first-class travel, club dues, auto allowances, spousal travel), and all other compensatory benefits

Expense Reimbursement Controls



The appropriate board committee should review internal controls on expense reimbursement for senior officials; all compensation must be accurately reported on IRS Forms W-2 and Form 990

Market Evaluation Methodology



Market Comparability Data

Provide current market data to assist the Committee with informed decisions about potential compensation adjustments, in consultation with the CEO

Competitive Market Practices

Advise on the range of competitive practices for functionally comparable positions among similarly situated organizations providing similar services

Governance & Reasonableness Opinion

Assist the Committee with its oversight responsibility by providing the consultant's formal opinion on the reasonableness of total compensation under IRC Section 4958 (Intermediate Sanctions)

The HRCC engages an outside compensation consulting firm to conduct an annual review of senior management compensation — including the CEO and all senior executive positions, in support of three core objectives.

Compensation Assessment Framework

Market data are evaluated for base salary and total cash compensation at the 25th, 50th, and 75th percentiles and compared against each our executive position. A structured composite is developed to ensure fair, data-driven benchmarking.

Base Salary Data

Fixed annual compensation paid to the incumbent; gathered from Form 990 filings of peer organizations

TCC Data

Base salary plus any incentive or other cash compensation distributed to the executive



Market Composite

Peer Group weighted at 50% and published survey data at 50% of the overall composite for each position

Scope Adjustments

Adjustments of +/– 20% applied on a case-by-case basis to reflect differences in role scope or complexity vs. benchmark positions

Peer Group & Survey Selection Criteria

Executive positions are benchmarked against a custom peer group of tax-exempt organizations and nationally published compensation surveys. Peer selection is governed by three criteria:



National Recognition & Operations

Comparable Size

Annual expenses ranging from approximately one-third to three times the organization's total expense. Foundations with total assets of approximately one to two times our asset size

Similar Mission & Services

Organizations supporting the advancement of education, youth leadership development, or student success — comparable in mission to our core purpose

The study scope covers base salary, total cash compensation, and an overview of executive benefits and perquisites typically provided in the nonprofit sector.