California Water Environment Association
Protecting our water environment through education and training.

POLICIES AND PROCEDURES

POLICY NUMBER:	**09-01**
SUBJECT:	**Executive Director Compensation Policy**
EFFECTIVE DATE:	February 7, 2009
REVISION DATE:	April 28, 2009, January 28, 2012, April 8, 2019
SUPERSEDES:	
APPROVED BY:	**CWEA Board of Directors**

PURPOSE

The California Water Environment Association (CWEA) is a nonprofit public benefit corporation. CWEA seeks to attain excellence in its governance and its service to members and the public. An essential element of achieving that goal is the attraction and retention of an Executive Director to represent and manage CWEA in a manner consistent with its goal of excellence. CWEA is based in Oakland, California.

CWEA recognizes that the market for Executive Directors is highly competitive. In addition, the specialty niche of CWEA requires an individual that is able to understand highly technical information in an ever-changing environment. The compensation (including salary and benefits) must be competitive with the labor market in which CWEA competes for its Executive Director position. CWEA's goal is a long-term relationship with its Executive Director based on the Executive Director functioning at a high level and achieving excellent results on behalf of the association.

This Compensation Policy reflects these understandings of the environment in which CWEA operates.

POLICY

It is the policy of the CWEA Board for its Executive Committee, a governing body of CWEA, to follow the philosophy and procedures outlined below in determining compensation for the association's Executive Director in order to:

- attract and retain an Executive Director who is qualified and respected in the association community.
- attract and retain an Executive Director who represents the organization to its members in a manner fitting with its philosophy of excellence and professionalism.
- attract and retain an Executive Director who represents CWEA's interests to government and private representatives and stakeholders.
- remain competitive in the local headquarters area should the headquarters move.

PHILOSOPHY

Pay Philosophy

1. Employee compensation is meant to be one of a number of important means of attracting, keeping, and motivating the individuals who are integrally responsible for CWEA's success.

2. CWEA intends to pay competitively with the external market, taking into account internal equity and financial resources; targeting the mid-point of the market for a competent employee. In determining a comprehensive compensation package, CWEA will ensure that overall compensation is reasonable and does not create an excess benefit transaction, as that term is defined in section 4958 of the Internal Revenue Code.

3. CWEA intends to conduct an external market evaluation and internal job comparison using a compensation specialist, prior to the hiring of a new Executive Director and every three years thereafter, to establish job value. Job value will be the mid-point of competitive labor market for the job. Mid-point means 50% of employers pay more than the mid-point and 50% pay less than the mid-point. The labor market value of jobs will be adjusted annually based on labor market increase, using input from a compensation specialist.

4. Annual performance evaluation will determine if an annual increase is merited within total annual labor market increase, subject to limitations to maintain reasonable compensation under section 4958. It will be applied based on the performance-based methodology in the Executive Director's compensation spreadsheet.

5. At-risk pay, separate and distinct from base pay, may range from zero to 15 percent of base salary. At-risk pay is based on annual performance with flexibility to shift approach based on economic and political factors at the time it is considered. Funding for at-risk pay is separate and distinct from base pay and not driven by the annual labor market increase.

6. Executive Director base pay will be between 0.90 and 1.10 of job value (mid-point of competitive labor market for the job) and total compensation, including At-risk pay and other benefits, discussed below, will not exceed a reasonable amount in reference to the job value.

Benefits Philosophy

1. Employee benefits are meant to be one of a number of important means of attracting, keeping and motivating an Executive Director who is integrally responsible for CWEA's success.

2. CWEA intends to offer benefits that are competitive with the external market, taking into account financial resources.

3. CWEA intends to provide 100% medical, dental, and vision premium coverage for its Executive Director and 60% premium coverage for dependents, unless specified by written agreement

PROCEDURES

a) The Executive Committee or the Executive Director, as applicable, will work with an external compensation specialist to conduct an external market evaluation and internal job comparison prior to hiring a new Executive Director, when the Executive Director's term of employment is renewed or extended, and when the Executive Director's compensation is modified, including when the modification applies to substantially all of the employees of this association and every three years thereafter to establish job value for each position including the Executive Director position. The market evaluation procedure is described in Policy 09-02.

b) When approving new or changes to compensation, the members of the Board of Directors, or a committee thereof, who are disinterested shall review the proposed total compensation and employment agreement, with reference to the external market evaluation prepared by a compensation consultant, and document the basis for its decision regarding the proposed compensation package, including:

   a. The terms of the transaction and the date approved (which must be prior to the CWEA entering into the employment agreement with the new Executive Director;
   b. Who was present during the debate on the transaction and who voted for approval;
   c. What the comparability data consisted of and how the data was obtained;
   d. Any action taken by a member of the body who had a conflict with respect to the transaction; and
   e. If the compensation approved is higher or lower than the range of comparability data, the basis for the departure.

   The documentation must be prepared before the later of the next meeting or 60 days after entering into the transaction, and the records must be reviewed for accuracy and completeness within a reasonable time period.

c) Thereafter, the Executive Committee, or disinterested directors thereof, has discretion to establish compensation adjustments for the Executive Director within the policy and budget approved by the Executive Committee and/or the Board of Directors and in consideration of the comparability data to establish reasonableness, subject to the approval process established above.

d) If need arises in between triennial reviews compensation and benefits shall be reviewed at the request of a majority of the Executive Committee. A motion must be approved by the Executive Committee for changes to the compensation and benefits formulae and ranges, subject to the approval process established above.

e) Establishment of compensation adjustment

   - The Executive Committee shall conduct an annual appraisal of the Executive Director's performance for the previous year. This appraisal shall be conducted within three months of the end of the performance period.

   - Consistent with knowledge-based governance, the Executive Committee will make its determination of the compensation offer to the Executive Director for the current year based on the totality of information gathered in the performance evaluation and compensation review process. That is, it will consider the Executive Director's performance review and the reference data as applied by the committee in reaching a conclusion about compensation, including salary adjustment, at-risk pay, and benefits adjustment(s). Any compensation adjustment shall be consistent with the Executive Director's employment agreement and the approval process established above.

f) Conflict of Interest

- If any member of the Executive Committee has a conflict of interest, as defined in Treasury Regulation 53-4958.6(c)(1)(iii), with respect to the compensation agreement, such member of the Executive Committee shall not be involved in the review and approval of the Executive Director's compensation.