

[CHURCH NAME] POLICIES AND PROCEDURES

EXECUTIVE COMPENSATION POLICY

[Church Name] executive compensation policies are established by the Board of Directors Executive Committee and approved by the full governing Church Board of Directors prior to implementation.

RESPONSIBILITIES

1. Review and approve organizational goals and objectives relevant to the compensation of the Pastor(s) and Assistant Pastor(s)
2. Review his or her performance in light of those goals and objectives
3. Approve parameters for compensation of senior staff
4. Annually review compensation policies and procedures and make recommendations for adjustments
5. Produce an annual compensation report to the full Board of Directors
6. Review and approve any severance
7. Oversee plans for management development and succession
8. Retain and terminate, in its sole discretion, any compensation consultant

COMPENSATION PHILOSOPHY

[Church Name] activities are guided by its mission and community impact agenda, reviewed by the full governing Church Board of Directors on an annual basis to affirm and/or update. The allocation of [Church Name] 's available financial and human resources, including this compensation policy, are designed to help achieve outcomes outlined in the mission and community impact agenda.

The Church Board of Directors recognizes that achieving this mission requires attracting, retaining and rewarding skilled executives and personnel within appropriate guidelines established by the IRS and good nonprofit governance practices. The Church Board of Directors desired to establish compensation parameters that are competitive in the market, honor our commitment to good stewardship, balanced between short and long-term performance and will serve to motivate mission-driven, successful performance.

Summary of Process Used to Determine Compensation Practices

Standards for Meeting IRS Guidelines:

1. Total compensation for [Church Name]'s executive(s) must meet the standards under the IRS "intermediate sanctions" regulations.
2. The IRS Intermediate Sanctions regulations apply to "disqualified persons" at 501 (c) (3) public charities and 501 (c) (4) social welfare organizations. [Church Name] is a 501 (c) (3) organization. A disqualified person is someone who is in a position to exercise substantial influence with respect to the organization's affairs. Disqualified persons for [Church Name] include the Pastor(s) and Assistant Pastor(s) at this time, and may include other senior staff in future years.
3. Compensation, for purposes of intermediate sanctions, includes all remuneration (base pay, any incentive or bonus, if applicable, deferred compensation and benefits). Thus, total compensation compared to the market is the appropriate comparison for intermediate sanctions purposes. Incentive and bonus pay are permissible under intermediate sanctions, as long as the total amount of compensation is reasonable.

[Church Name] Process:

1. During the 4th quarter of the fiscal year, the full board meets to establish mission-oriented goals for the coming year and allocate financial resources. These goals become the basis for establishing performance goals and metrics for the church as a whole, as well as for departments and individuals.
2. The Executive Committee meets to establish mission-oriented performance goals for the Pastor(s) and Assistant Pastor(s) and to establish overall compensation philosophy for the coming year. The board has determined that [Church Name]'s cash compensation package includes base pay and related benefits. Performance pay, if chosen as a strategy by [Church Name] (not applicable at [Church Name] at this time) comprises an annual incentive to be paid at the end of each year. Performance pay is based on achieving annual church and individual objectives. Objectives related back to the [Church Name] mission action agenda.
3. The Church Board has also set a goal that all [Church Name] employees, including executives, receive market-competitive benefits.
4. The Executive Committee evaluates the performance of the Pastor(s) and Assistant Pastor(s) annually in writing, using an established rating instrument distributed to the full Church Board of Directors. Compensation recommendations must be to the job performance of the Pastor(s) and presented in writing for action by the full Church Board at a regularly called meeting where a quorum is present.
5. For executives, a job description is reviewed and updated if needed each year. Each position is placed at a market-based salary point according to the competitive marketplace for that position, using comparable data as a reference.

6. To meet the “reasonable standard” of the IRS, [Church Name] uses available salary study data from the United Way Worldwide Human Capital Survey from similar organizations in size, geography and structure. Other available salary data is utilized when appropriate (i.e., Nonprofit Association of the Midlands Nonprofit Salary and Benefits Survey, and salary information from GuideStar.)
7. The Executive Committee reviews the comparable organization data and makes recommendations which are reviewed and acted upon by the full Church Board of Directors. The full board approves the compensation of the Pastor(s) and Assistant Pastor(s), with full disclosure of total compensation. The Pastor(s) and Assistant Pastor(s) is given certain parameters of compensation for other staff positions and is required to inform the board whenever compensation exceeds these parameters, plus or minus.
8. At the end of the fiscal year, the Executive Committee makes a recommendation to the full board for its approval and any performance pay, if applicable, for the Pastor(s) and Assistant Pastor(s) (not applicable at [Church Name]) Performance pay is optional and is based on achieving annual organizational and individual goals. Objectives related back to the church mission action agenda.

SIGNATURES

Church Board of Directors

Date

Senior Pastor

Date

Assistant Pastor

Date

Date Revised: _____