Compensation Administration Guidelines



Redwood Empire Food Bank
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1. Introduction

The compensation program for Redwood Empire Food Bank is designed to attract, retain, and motivate employees in support of the mission to End Hunger in our Community. These compensation guidelines establish a structured yet flexible compensation administration process to be used across the organization with these goals:

- Create a consistent approach to compensation decisions in various circumstances, such as new hires, promotions, and other job changes.
- To create transparency for all employees in how the food bank compensates employees.
- Maintain a competitive compensation structure based on salary survey data and external labor market data.
- Guide People Leaders in making compensation decisions.
- An effective compensation program with a commitment to ongoing review and updates to align with the organization and market changes.

2. Program Governance

Senior Management Team

The Senior Management Team, People & Culture, People Leaders, and employees all play important roles in ensuring the compensation program succeeds in retaining, recruiting, motivating, and developing employees.

The Senior Management Team plays a pivotal role in ensuring that the compensation program is competitive and equitable, administered in accordance with its design, and maintained to ensure ongoing relevance. Specifically, the Senior Management Team will:

- Support of the program through ongoing review to ensure we are paying competitively with the external market.
- Ensuring People Leaders administer compensation consistent with the guidelines.
- Support People & Culture in maintaining adherence to the program.

People & Culture

People & Culture is responsible for administering the compensation program and ensuring pay decisions are competitive, equitable, and aligned with the compensation guidelines. People & Culture will continue to support the program by:

- Annually participating in various compensation surveys to benchmark jobs.
- Complete a review of pay ranges to ensure we are paying competitively within the external market.
- Provide information on market trends and practices.
- Provide guidance and expertise on questions about compensation.

People Leaders

People Leaders play a critical role in ensuring credibility, consistent application of the guidelines, and communication with employees. People Leaders will:

- Maintain knowledge of the program and how it impacts employees in their area of responsibility.

- Support the program and follow the guidelines when making pay decisions.
- Consult with People & Culture about the program or questions related to compensation.

Employees
Although employees are not responsible for making compensation decisions, they are responsible for the following:

- Familiarize themselves with the compensation guidelines.
- Discuss questions or concerns with their supervisor.

3. Compensation Program Overview

The Redwood Empire Food Bank is an organization offering a variety of jobs that compete in various markets. Each job has been assigned to a pay range that identifies a minimum, midpoint, and maximum. The responsibilities, required skills and knowledge, salary surveys, and external market data determine the pay range.

The salary surveys used are reliable and conducted and published regularly by reputable independent survey firms. The primary survey we use is the Fair Pay For Northern California Nonprofits, administered by Nonprofit Compensation Associates. The survey reports the compensation and benefits practices as of the 1st of the year, as reported by 700+ nonprofit organizations in Northern California. In addition to the Fair Pay Survey, we use a variety of sources such as the Salary Guide from Nelson Connects, compensation data from other Bay Area Food Banks, and information available on job boards and different salary-related websites.

As organizations often use different job titles than other organizations for the same job, we look for a match of the job's duties and responsibilities.

When seeking information for a particular job, a match of the job's duties and responsibilities is used versus the job title.

Employees should be paid within the pay range associated with their jobs. For further information, please refer to the “Merit Increases” section

4. Compensation Administration

New Hires

The pay for new hires reflects the employee's relevant skills, knowledge, expertise, and experience and is equitable compared to that of current employees.

Starting pay for new hires will typically fall at or near the minimum of the pay range. In rare cases, a new hire's starting pay may be more as they possess significant and relevant work experience for the position or may have a broad and deep knowledge of the functional area for which they are being hired.

The following chart illustrates the approach hiring managers will follow when extending job offers:

Guidelines for Pay with New Hires		
Minimum	**Midpoint**	**Maximum**
This is the typical zone for pay with new hires.	The midpoint is for a new hire who has experience in most of the job responsibilities for the position.	The maximum is for a new hire who has extensive direct job experience. It would be rare to hire someone and offer the maximum of the pay range. This also would require approval by the Senior Leadership Team.
New Hire Characteristics		
Minimum	**Midpoint**	**Maximum**
Meets minimum qualifications of the job, but may be fairly new to the job or field.	Possesses all/most of the knowledge and skill requirements, but may need to build upon them through experience.	Possesses significant and relevant experience and all required knowledge and skills.
Building skills, knowledge and ability to handle the full breadth of the job duties and responsibilities.	Performs job responsibilities with increasing effectiveness.	Seasoned and proficient; serves as an expert resource or role model/mentor to others.
Working toward proficiency in the job.	Still learning some aspects of the job or developing expertise to handle the job more independently and effectively.	Has broad and deep knowledge of own area as well as related areas.

Job Movement

Promotions occur when an employee is moved to a position with a higher job grade. A promotion generally warrants an increase in base pay commensurate with their new role and a higher level of responsibilities unless the employee's current compensation is high in the pay range for the new job. In this case, an increase in base pay may not be warranted.

When determining the increase to the employee's base pay, please work with People & Culture to determine the compensation. You will want to consider the following:

- The employee's skill, knowledge, and experience
- Internal equity
- Degree of increase in responsibilities
- Current pay in relation to the new pay range
- Salaries of other similarly situated employees

Typically, the promotional increase ranges from 5 - 15% - depending on the situation's specific details.

Lateral Moves occur when an employee moves into a different position with similar job duties and responsibilities. An increase in base pay is usually not warranted; however, if a pay change is requested, it should be 5% or less.

Demotions occur when an employee moves to a lower-level position. Demotions can be voluntary or involuntary. A voluntary demotion occurs when an employee applies for a position in a lower pay grade. An involuntary demotion occurs when the company decides to move an employee to a lower pay grade. Demotions should be reviewed with People & Culture.

Interim/Development Opportunities occur when an employee is temporarily moved into a higher job grade. Depending on the job duties and responsibilities, an increase in the employee's base pay may range from 5% to 15%. There may be times when the company decides to pay additional compensation to the employee as a monthly bonus. As the

extra compensation reflects the additional job duties and responsibilities when the interim/development opportunity ends, the employee's pay rate will revert to the amount before the interim/development role.

Merit Increases

Merit increases are a way to reward employees for their work performance. Typically, merit increases are administered during the annual performance review process.

Each year, the Senior Leadership Team evaluates our financial health during our annual budget planning process. Each Senior Leadership Team Member reviews the employees within their department to establish a budget for merit increases.

- If a merit increase would bring an employee's new salary to an amount that is at or below the maximum for the pay range, then the entire increase will be added to the employee's base pay.
- If the old base pay is below the pay range maximum, but the merit increase would place the employee's salary above the maximum, the first portion of the increase is used to bring the base pay up to the pay range maximum, and the remaining portion of the increase is provided in a lump-sum payment.
- If a base pay is at or above the pay range maximum, then the employee would remain at the pay range maximum and receive a one-time lump-sum payment.

Merit increases should reflect an employee's overall work performance during the performance period. Below are guidelines to follow for administering merit increases:

- Employees who are not meeting expectations will receive a merit increase of 0 - 2%.
    - A 2% may be for an employee who met minimal expectations or some expectations throughout the year.
- Employees who are meeting expectations will receive a merit increase of 3 - 4%.
- Employees who are exceeding expectations will receive a merit increase of 5 - 7%.

In-Range Pay Adjustments

Wage Compression describes the phenomenon where, as the starting salary for a position increases over time, longtime employees end up making the same amount, or even less, than new hires. An in-range adjustment helps to retain tenured employees.

A **Market Adjustment** is made when external factors, such as unusual market conditions or high demand for employees with a specific skill set, warrant an adjustment of the pay ranges outside of the normal period. Types of market adjustments may include:

- Change in pay range assigned to a position.
- Bring-to-minimum when a change in the pay range causes an employee's rate of pay to be below the new minimum.
- An adjustment to rates of pay should be made if the market data shows an adjustment is warranted.

Equity Adjustment

An equity adjustment is made to ensure that an employee's salary appropriately reflects his/her skills, knowledge, experience, and performance.

Other Pay Adjustments

Cost of Living (COLA)

COLAs are discretionary increases in compensation intended to help employees maintain the value of their compensation against inflation. While COLA adjustments may happen from time to time, the Redwood Empire Food Bank emphasizes merit increases focused on individual work performance.

Retention Offer

A **retention offer** is a pay increase offer used to persuade an employee to continue working at the REFB rather than resigning for a job elsewhere. A retention offer is an option only when the external job offer is comparable

to the employee's current position and the scope and complexity of work are similar. Retention offers require CEO approval.

Exception Requests
Pay changes outside of these guidelines must be reviewed by People & Culture and a written business case should be provided outlining why an exception is being requested.

Pay Range Movement
To ensure the REFB remains competitive in recruiting and retaining employees, pay ranges will be reviewed annually utilizing salary survey data and external market data.

Effective Date of Pay Changes
The effective date of pay changes should be at the start of the pay period. At the REFB, we are paid semi-monthly and pay periods start on the 11th and 26th of each month.

People Leader Expectations
The Compensation Guidelines are designed to ensure consistency and fairness when making compensation decisions.

The Senior Leadership Team has the overarching responsibility for adhering to the Compensation Guidelines for their department.

All people leaders have the responsibility to be familiar with the Compensation Guidelines and adhere to them when recommending compensation decisions for their staff members.

All compensation decisions should be reviewed and approved in the following manner:

Employees who are not meeting expectations should receive a merit increase of 0 - 2%. People leaders who have an employee not meeting performance standards should consult with People & Culture to develop a plan to help the employee improve their performance.

Employees who consistently meet expectations throughout the performance period should receive a merit increase of 3%.

Recommendations for merit increases of 4% or more need to be reviewed by People & Culture and formally approved by the Chief Executive Officer ***before*** being communicated to the employee. A business case supporting the merit increase should be provided and reviewed. Examples of what a business case should include are as follows:

- Specific examples of how the employee consistently exceeded performance expectations throughout the performance period.
- Quantifiable business results and outcomes.
- Expansion of job responsibilities, such as cross-functional responsibilities.
- Lead a project with an organization-wide impact.
- Maintains strong feedback from colleagues throughout the performance period.

Payroll Budget Planning and Consideration

Each year, we review and plan our budget for the following fiscal year. A significant part of our budget is our payroll budget and planning. When completing this process, the following should be considered:

- Headcount changes
- Attrition
- Promotions
- Merit increases

Job Description Updates and Pricing

Job descriptions should be reviewed annually to ensure they are current and accurately reflect the employee's job duties and responsibilities.

When you have a new job or a job with expanded responsibilities that necessitates a compensation review, People & Culture will assess these in **March** each year. Expanded job responsibilities examples are below:

- Leading people
- Project ownership
- Decision making and problem solving
- Specialized expertise (requires a license or certification, advanced technical expertise, etc.)

- Directly tied to generating revenue or donor acquisition
- Cross-functional responsibilities

Questions about the Compensation Guidelines should be directed to Patty.