

## **Policy for Board Approval of CEO Compensation | August 2018**

The Chief Executive Officer of the Foundation for Financial Planning (the “Nonprofit”) is the principal representative of FFP, and the person responsible for the successful and efficient operation of the Nonprofit. Therefore, it is the desire of the Nonprofit to provide fair yet reasonable compensation for the CEO.

The process for determining compensation is as follows: The Nonprofit shall through its executive committee enter into a Contract with the CEO that sets forth annual compensation and benefits for the term of the Contract. The Contract may specify (1) a base salary, (2) a benefits package, (3) an incentive payment range to be assessed yearly and (4) other terms and conditions of employment.

During the Contract term, the executive committee will annually evaluate the CEO on his/her performance, and ask for his/her input on matters of performance and compensation. The Contract may contain provisions that allow for incentive (bonus) compensation, to be awarded at the discretion of the executive committee, based on the CEO’s performance against mutually-agreed upon goals each year of the Contract term.

Executive Committee Approval. The executive committee will obtain such research and information as it deems necessary to make a recommendation to the full board for the compensation (salary and benefits) of the CEO in any newly prepared Contract based on a review of comparability data. For example, the executive committee may at its discretion secure data that documents compensation levels and benefits for similarly qualified individuals in comparable positions at similar organizations and in similar salary-comparable labor markets. This data may include the following:

1. Salary and benefit compensation studies by independent sources;
2. Written job offers for positions at similar organizations;
3. Documented telephone calls about similar positions at both nonprofit and for-profit organizations; and
4. Information obtained from the IRS Form 990 filings of similar organizations.

Concurrent Documentation. To approve the compensation for the CEO as outlined in the Contract the executive committee should document how it reached its decisions, including the data on which it relied, in minutes of the meeting during which the compensation was approved. Documentation may include:

- a) A description of the compensation and benefits and the date the Contract was approved;
- b) The members of the board who were present during the discussion about compensation and benefits;
- c) A description of the comparability data relied upon and how the data was obtained plus other factors taken into account; and
- d) Any actions taken (such as abstaining from discussion and vote) with respect to consideration of the compensation by anyone who is otherwise a member of the committee but who had a conflict of interest with respect to the decision on the compensation and benefits.

Independence in Setting Compensation: The Chair of the board of directors, who is a volunteer and not compensated by the Nonprofit, will operate independently without undue influence from the CEO. No member of the executive committee will be a staff member, the relative of a staff member, or have any relationship with staff that could present a conflict of interest.