Presbyterian Church (U.S.A.), A Corporation Administrative Services Compensation Program

Effective January 1, 2019

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Presbyterian Church (U.S.A.), A Corporation Board

Introduction

In 1988 the General Assembly approved a set of Churchwide Compensation Guidelines, including fourteen principles, to serve as guidelines to the whole church for its use in assuring fair and consistent treatment of its full-and part-time employees. As a set of guidelines, it calls for flexible implementation by particular churches and governing bodies (GA Minutes, 1988, p. 795, the principles are on Attachment I to this document.) The Guidelines were reviewed and revised by the General Assembly in 1999. In 2002, the General Assembly reviewed and reaffirmed the revised Guidelines. In 2010, the General Assembly adopted a theology of compensation, *Neither Poverty Nor Riches: Compensation, Equity, and the Unity of the Church*, that affirmed all persons to have vocations from God to serve the common good and that the church as a mission enterprise should demonstrate distinctive principles of equity and solidarity to resist the high and low extremes of market-determined compensation found in secular hierarchical organizations.

These guidelines establish a foundation under which the Presbyterian Mission Agency's compensation program must operate. Since they do not provide detailed procedures or mandatory requirements, the Presbyterian Church (U.S.A.), A Corporation must ensure that an effective compensation program is defined and implemented so that:

- The program is in alignment with the Presbyterian Church (U.S.A.)'s 14 Principles of Compensation.
- Employees receive fair and equitable salaries in relation to their contribution to the organization's success, without regard to race, color, gender, national origin, age, disability, marital status, sexual orientation, creed, or religious affiliation.
- The Presbyterian Church (U.S.A.), A Corporation meets the goal, established by the 222nd General Assembly (2016), of achieving a 5:1 ratio between the highest-paid and lowest-paid employees
- The Presbyterian Church (U.S.A.), A Corporation is a good steward of financial resources.

This compensation program is a required program that must be followed by all managers and supervisors of the Presbyterian Church (U.S.A.), A Corporation. This program document replaces all other compensation programs and plans.

Compensation Philosophy

The primary compensation components that define the Presbyterian Church (U.S.A.), A Corporation's philosophy of compensation are:

1. Comparative pricing of positions,
2. Standard, across-the-board salary awards as allowed by annual budgets, and
3. Merit (performance-based) awards as allowed by annual budgets

The Presbyterian Church (U.S.A.), A Corporation's compensation approach includes both merit and a standard, across the board award, which is consistent with the Churchwide Compensation Guidelines. Individual performance against pre-established objectives and success measures is one component that influences an employee's award opportunity. An employee who achieves a higher level of performance during a performance cycle may be eligible for a higher compensation award as a percent of pay than an employee who performed at a lower level. All eligible employees may receive a standard annual base pay adjustment or lump sum payment as allowed by budget.

The specific percentages used to fund the merit award budget and the standard award budget will be proposed annually by HR and approved by Presbyterian Church (U.S.A.), A Corporation's Nominating, Governance, and Personnel Committee. Any compensation award is subject to budgetary conditions and is not guaranteed.

The comparative pricing compensation approach places greater emphasis primarily on comparable religious/faith-based, non-profit and some for-profit markets and allows the Presbyterian Church (U.S.A.), A Corporation to align pay with equivalent individual positions. This approach readily accommodates organizational and job/role changes and recognizes performance and competency.

Each Presbyterian Church (U.S.A.), A Corporation position is priced using national compensation survey data from religious, non-profit and for-profit segments. This compensation information is used to establish a salary range for each position. The "Minimum" of the range is comparable to the 25th percentile of comparable positions, the midpoint ("Target") is comparable to the 50th percentile and the "Maximum" is comparable to the 75th percentile.

A review of churchwide ministerial compensation data is used to provide context for position ranges and employee salaries.

It is the Presbyterian Church (U.S.A), A Corporation's goal to pay employees who are fully performing in their jobs at the Target of the position's salary range. "Fully performing" is defined as when an employee is fully competent, meets or exceeds job expectations, and can fulfill the responsibilities and duties of the position. Employees will not be paid below the Minimum of their position's salary range.

The Presbyterian Mission Agency's Compensation Program

The Presbyterian Church (U.S.A.), A Corporation's compensation program has five components: job descriptions, titles, pricing, performance management and salary administration.

Job Descriptions

Job descriptions reflect the position's purpose, role and the necessary skills and competencies at the time written but work itself is evolving and fluid. Managers are responsible for ensuring that job descriptions are kept up-to-date and reviewed on a periodic basis. From time-to-time work may appropriately be required which is not specifically detailed in a job description. The job description pertains to the job itself and is not based on any specific individual who might fill the job.

Titles

Each position will be assigned a title that will be used on Presbyterian Church (U.S.A.), A Corporation employee and payroll documents. This standardizes the titling across the organization. In most cases this title will be same title that an employee will use on business cards, etc. However, if a manager deems necessary and with approval from Human Resources and the President, a title may be adjusted for external use to better describe the specific work being done. The position's internal title will not change.

Example:
The Presbyterian Church (U.S.A.), A Corporation title of a position is Mission Associate I. This position works with one specific program and it is helpful to have the program name included in the title for communications with constituents. With approval, the employee can use Mission Associate for (program name.) The employee's official Presbyterian Church (U.S.A.), A Corporation title will not be changed—it will remain Mission Associate I.

Comparative Pricing

Human Resources is responsible for ensuring all positions are assigned an appropriate salary range. The process includes:

- Job description review
- Consultation with the manager or supervisor and employee (as appropriate) about the position's role, responsibilities and requirements
- Comparison of updated job description, objectives and other information to survey data and comparables and selection of appropriate matches
- Creation of a position range (rounded up in $100 increments) based on comparables
- Review of results with manager or supervisor
- Revisions, if necessary

All of the Presbyterian Church (U.S.A.), A Corporation's positions will be reevaluated and reviewed on a two year cycle at a minimum. Patterns of disproportionate representation of employees by gender or race in particular position ranges, if found, will be analyzed in terms of employee experience and job characteristics and remedied as necessary on pay equity bases (including comparable worth, as affirmed by the General Assembly in 2008).

Positions may be analyzed outside of this schedule if there is a significant change in job responsibilities or if a new position is created. A manager or supervisor should contact Human Resources to request re-pricing if substantial changes have occurred in a position. At this time, the job description should also be revised.

Performance Management

Performance-based pay is identified in the 14 principles of compensation as one factor to be considered for salary adjustments. This makes it critical that measurable organizational and individual objectives are established and that good, effective performance management occurs throughout the year.

The most effective review of performance is an evaluation where supervisors and employees work together to establish and clarify understanding of performance expectations at the beginning of the performance cycle. Regular and on-going coaching and feedback throughout the year is critical to ensuring ongoing understanding and appropriate course correction.

The Presbyterian Church (U.S.A.), A Corporation requires that written, annual performance objectives be established for all employees and that written performance reviews be conducted at least twice annually—at mid-year and at the end of the performance year.

Any employee who supervises one or more employees will have an objective covering their supervisory responsibilities included in their annual objectives.

Salary Administration

Decisions about an individual's salary may be made at key times during an individual's employment: annually, internal job moves, at hiring or because of changes in responsibilities or the job market.

<u>Annual salary administration</u>

All regular employees' salaries are reviewed following the annual performance review process, generally in the February timeframe. Employees hired on or after January 1 are not eligible to participate in the salary administration process immediately following their hire. Employees who are on an active, documented Performance Improvement Plan on December 31st are not eligible to participate in the salary administration process.

Annual salary base-pay increases, if awarded, will be effective April 1st each year.

Regular employees are eligible for an increase to their base salary if their current salary is less than the Target of the salary range for their position. Regular employees whose current salary is at or greater than the Target of the salary range for their position are eligible to receive their compensation award in two lump sum payments, payable in equal installments during April and

October. This allows an employee to receive additional compensation during that year but does not continue to increase the base salary beyond the median of comparables.

There are two types of awards that can be made during salary administration—a standard, across-the-board award and a merit award based on performance. All employees receive the standard award as either a base pay increase or as two lump sum payments, as allowed by an approved budget.

Decisions on whether an individual receives a merit award and, if so, the amount will be based on data from three factors:

- Individual performance level achieved during the performance cycle.
- Current base pay positioning against the salary range.
- Organizational performance / budget available for compensation adjustments.

Human Resources will train and work with management during the salary administration process and they will publish guidelines to assist with determining award recommendations. Directors will be responsible for reviewing and making final recommendations to the President, who will give final approval to all awards.

Example:
The salary increase budgets for the year are 1% for standard awards and a merit pool funded at 2% of the total of employees' base salaries.
Sam's current salary is $33,500.
The salary range of his position is $30,500 - $36,500 - $42,500. Target is $36,500.
Sam is eligible for a base pay increase.

Sam is automatically eligible for the 1% standard award. His manager recommends, and the President approves a merit award of 2.5%, taking into consideration his annual performance and the current positioning against market of his salary. Add the 1% standard adjustment to this and Sam's combined compensation award percent is 3.5%.

1%	*$335*
2.5%	*$837.50*
Total compensation award	*$1172.50*

Sam's new salary is $33,500 + $1172.50 = $34,673 (salary will be rounded up to the nearest dollar)

If an employees' current salary is at or greater than the Target of their position's salary range, they may still receive a compensation award payable in two lump sum payments, but their base salary will not be increased. All exceptions to this must be reviewed by Human Resources and approved by the Executive Director.

Example:
The salary award budgets for the year are 1% for standard awards and a merit pool funded at 2% of the total of employees' base salaries.
Pat's current salary is $46,000.
The salary range of her position is $37,000 - $45,000 - $52,000. Target is $45,000.
Pat is not eligible for a base pay adjustment because her current salary is above the Target of her position's salary range.

Pat will receive 1% of her salary in two *lump sum payments and she is eligible for a merit award as determined by management to also be paid in* two *lump sum payments. Her manager recommends, and the President approves a merit award of 2.0% taking into consideration her annual performance and the current positioning against market of her salary.   Add the 1% standard adjustment to this and Pat's combined compensation award percent is 3.0%.*

1%	*$460*
2.0%	*$920*
Total compensation award	*$1380*

Pat's base salary remains at $46,000 and she receives $1380 to be divided into two *equal payments, one in April and one in October.*

Human Resources and the President and Directors share responsibility for ensuring pay equity across departmental lines. As part of the annual salary administration process, Human Resources will conduct an analysis and review of the salaries of comparable positions within the organization and any equity issues or concerns will be brought to the LC for review and action.

It is important to note that internal equity does NOT mean that all employees in the same position will be paid the same salary. The amount of an individual employee's salary is determined by considering several factors, including internal equity and an assessment of how salaries of employees in same or similar (comparable complexity and scope) positions compare. Other factors include individual performance level, base pay positioning against the salary range, and budget availability.

Internal job move

If an employee makes an internal job change, their position and their salary range can change and the employee's base salary will be reviewed to determine if a salary adjustment should be made. An employee does not automatically retain their current salary when making an internal job move.

“Promotions” or “demotions” are not determined by whether a person’s position is a higher or lower grade level, because the Presbyterian Church (U.S.A.), A Corporation does not have salary grades. Instead, this program allows recognition of a promotion as a move into a position with significantly higher responsibility. And, what would previously have been considered a demotion becomes simply a move to a position that has a salary range lower than their current salary range. This allows for a more positive transition to a new position.

A decision on the base salary offered to the employee is based on the same criteria as described previously in the annual salary administration section above.

<u>New Hires</u>

The starting base pay for new employees should reflect the level of qualifications and experience the person brings to the job. Managers will determine the starting salary by: evaluating the individual’s proficiency level, their skills, experience and educational level coming into the job, and the budget allocated for the position. Managers, in consultation with Human Resources, will also take into consideration the salaries of internal comparable positions when determining the starting salary. Employees with minimal experience should, in general, be offered a base salary near the Minimum of the salary range. Experienced or fully qualified individuals should, in general, be offered a base salary higher than the Minimum and, in some cases, close to or at the Target.

<u>Equity and Salary Adjustments</u>

At times, an employee’s salary may need to be reviewed and adjusted outside of the annual salary administration cycle because their current salary level does not reflect his/her competency and performance, or because their salary is not in line with incumbents with similar competency and performance who are in the same or similar positions. Should an employee’s salary be determined to be out of line an adjustment may be made to the employee’s base salary using similar decision criteria as previously described.

The salary range of any position is subject to change when comparable survey data and comparables are evaluated and found to have changed. If an employee’s salary falls below the minimum of the new range, their salary will be adjusted to the new Minimum, as appropriate. If the salary range decreases, an employee’s salary will not be reduced.

In general, to allow for orderly administration, such situations, should they arise, will be reviewed on a quarterly basis by Leadership Cabinet and not one by one.

Employer 403(b) Contribution Program

In addition to base compensation, the Presbyterian Church (U.S.A.), A Corporation provides a 403(b) employer contribution program for lay employees (exempt and non-exempt, full and part-time working 20 hours or more per week, and term contract employees working 20 hours or more week for at least one year). PMA will contribute 4% of eligible employees' base annual salary into their 403(b) retirement saving account on a prorated biweekly basis.

Review and Revisions

Human Resources will review the compensation program annually and will bring recommendations for revisions to the Presbyterian Church (U.S.A.), A Corporation Board Nominating, Governance, and Personnel Committee for consideration and approval.

Attachment 1

Presbyterian Church (U.S.A.)
Churchwide Compensation Guidelines

(Revised)
Adopted by the 211th General Assembly (1999)
Minutes of the 213th General Assembly (2001), pp 558-562

Principle One—Standards
The compensation plans in Presbyterian Church (U.S.A.) entities, governing bodies, congregations, and related organizations or institutions should be in accord with the biblical, theological, and ethical standards of the Presbyterian Church (U.S.A.) as set forth in the theological background statement (Appendix A).

Principle Two—Mission
The fulfillment of the church's mission calls for effective, competent staff throughout the church and appropriate compensation to attract and retain them.

Principle Three—Equity and Accountability
The compensation plans should be equitable, consistent with the Presbyterian system of government, and include mutual consultations and accountability on compensation matters among governing bodies and affected constituency groups at every level.

Principle Four—Applicability
These principles of compensation should apply to all compensation plans for the entities of the General Assembly and are advisory to other governing bodies and Presbyterian-related institutions. Entities include the Office of the General Assembly, the General Assembly Council, the Presbyterian Church (U.S.A.) Foundation, the Presbyterian Church (U.S.A.) Investment and Loan Program, Inc., the Presbyterian Publishing Corporation, and the Board of Pensions.

Principle Five—Basic
Factors to be considered when setting compensation should include the nature, purpose, scope, and responsibility of the position; the experience, knowledge, and skills required; the challenge of the work to be done and its impact on the effectiveness with which the church achieves its mission.

Principle Six—Components
Compensation for regular employees should include cash salary and related payments and allowances; participation in the Presbyterian Church (U.S.A.) Benefits Plan or its equivalent (e.g. which provides retirement, disability, health, survivor and death benefits coverage), paid holidays, leaves, vacation, and continuing education and/or staff development.

Principle Seven—Compensation Plan Reviews
Each employer should review its compensation plan on an annual basis and make the plan available to all affected persons.

Principle Eight—Performance Reviews
Performance reviews for each employee should be conducted annually and are one factor to be considered for salary adjustments. Performance-based increases provide opportunity for financial recognition to employees.

Employers should also be alert to changes in the responsibilities of positions, of skills and knowledge of employees, in the technology of the workplace, and should make appropriate changes in position titles, descriptions, and compensation.

The general level of salaries should recognize changes in living costs, especially as they impact lower-paid employees. Cost-of-living adjustments should not be confused with increases based on performance or changing duties.

Principle Nine—Minimum Compensation

Presbyteries, synods, and General Assembly entities should establish minimum terms of call or employment for representative positions in agencies or institutions related to those bodies and review the adequacy of such minimum terms on an annual basis. Ordinarily, no employee should be compensated at a rate below applicable minimum terms. Exceptions should be reviewed on an annual basis.

Principle Ten—Recruiting

The system of compensation should ensure that all church employees are compensated according to the following criteria:

- Employees recruited locally should be paid within salary ranges related to the average salaries paid by employers in that location for comparable positions requiring similar skills and experience.

- Employees recruited regionally or nationally should be paid within salary ranges related to the average salaries regionally or nationally paid by employers for comparable positions in comparable organizations requiring similar skills and experience, modified to reflect the cost of living in the locale where the work is done.

Principle Eleven—Salary Relationships/Stewardship

The Church is one Body with varieties of gifts, and each person's contribution to its mission is important. The church recognizes the value of all varieties of service and seeks to temper the values and rewards of the marketplace. A reasonable relationship between the highest and the lowest salaries paid to all church employees honors the principle of shared community and call.

In maintaining a relationship between the highest and lowest salaries, lower levels of compensation should be comparable to or better than the average salaries paid in the marketplace, but not so far above the average that good stewardship of the church's funds is compromised. Salaries at the top levels should reflect a tempering of excessive compensation.

In establishing compensation plans and/or individual salaries, comparable salary data may include data from other national church organizations, including pension boards and foundations, academic institutions, the publishing field, pastors' salaries, and other sources as deemed appropriate by the elected bodies of the entities or the employing organization.

Salaries should not fall below a just salary that permit a church employee to maintain a decent standard of living. *(A possible point of reference could be the Board of Pensions of the Presbyterian Church (U.S.A.) terms of its income supplement program for its retirees.)*

Principle Twelve—Special Salary Action

The church is committed to “A Theology of Compensation” (Appendix A) and the desire to exercise good stewardship. The church is similar to other employees in society who, when they establish pay practices, experience tension between available resources, philosophical principles, and the realities of the employment marketplace. Many of these organizations utilize an exception-based principle in their compensation practices. Recognizing that there may be employment situations requiring exceptional skills/experience levels or supply/demand crises, the appropriate elected body should deliberate on whether an exception to their compensation plan should be made. As one Body, the exception decision may affect other parts of the Church. Thus, it is incumbent upon the persons involved in the decision to seek the advice of others to the end that the decision enhances rather than diminishes the bonds of community.

Principle Thirteen—Resource Sharing

In order to provide fair compensation throughout the church, there should be a process in every presbytery, insofar as possible, to share resources so that churches and other bodies that do not have funds to pay for adequate salaries or benefits are given help to do so, subject to annual review. When total presbytery resources are inadequate to meet these mission needs, this is a basis for seeking funds from the synod. The same principle should apply to synods and the General Assembly. All governing bodies should share in giving to the mission of the church, even though they themselves may be receiving aid.

Principle Fourteen—Economic Justice

Every compensation plan should be accompanied by a vigorous program of economic justice to ensure that all employees are paid equitably at all levels of employment, without regard to race, color, gender, national origin, age, disability, marital status, sexual orientation, creed, or religious affiliation (except when it is determined to be bona fide occupational qualification.)