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Compensation: Compensation Policy

Company XYZ strives to be the best financial institution in which our employees can work and our member-owners can do business. Everything we do is for the benefit of people--our member-owners, employees and community. We demonstrate this through our history as pioneer leaders in the cooperative credit union movement, and we value our employees and volunteers and their contributions to our member-owners' financial success.

As an employer we believe that it is in the best interest of both the organization and our employees to fairly compensate our workforce for the value of the work provided. It is our intention to use a compensation system that will determine the current market value of a position based on the skills, knowledge and behaviors required of a fully competent incumbent. The system used will be objective and non-discriminatory in theory, application and practice. The company has determined that this can best be accomplished by using a professional compensation consultant and system recommended by executive management and approved by the Board of Directors.

Selection Criteria:

- The compensation system will price positions to market by using local, national and industry specific survey data.
- The market data will primarily include credit unions, banks and other similar financial institutions, will include survey data for more specialized positions (for example, Information Systems, Marketing, Human Resources) and will address significant market differences due to geographical location.
- The system will evaluate *external equity*, which is the relative marketplace job worth of every credit union job directly comparable to similar jobs in depository institutions, factored for general economic variances and adjusted to reflect the local economic marketplace.
- The system will evaluate *internal equity*, which is the relative worth of each job in the credit union when comparing the required level of job competencies, formal training and experience, responsibility and accountability of one job to another and arranging all jobs in a formal job grading structure or broadbands.
- Professional support and consultation will be available to evaluate the compensation system and provide on-going assistance in the administration of the program.

- The vendor will maintain the level of expertise required to provide information and recommendations necessary to ensure that, as the organization and external market changes over time, the compensation program continues to provide value to Company XYZ stakeholders.
- The compensation system must be flexible enough to ensure that the company is able to recruit and retain a highly qualified workforce, while providing the structure necessary to effectively manage the overall compensation program.

Responsibilities:

The Board of Directors of Company XYZ is responsible for reviewing recommendations made by the executive management team and will give final approval for the vendor and compensation system that will be used by the credit union.

On an annual basis the Board of Directors will review and approve, as appropriate, recommended changes to position range movement as recommended by executive management and as determined through the vendor's market analysis process.

As part of the annual budgeting process the Board of Directors will review and approve, as appropriate, funds to be allocated for total compensation, which would include base salaries, bonus, variable based or incentive based pay and all other related expenses, including benefit plans as recommended by executive management.

The Board shall set the position level, pay range and specific components of the total compensation package for the President/CEO.

Management Responsibility:


The President/CEO is responsible and accountable to the Board of Directors. In that capacity he/she is charged with ensuring that the credit union is staffed with highly qualified, fully competent employees and that all programs are administered within appropriate guidelines and within the approved budget.

The salary budget shall include a gross figure for the following budget adjustments, but the individual determinations for each employee's salary adjustment shall be the exclusive domain of the President/CEO: determining the appropriate head count, titles, position levels, merit and promotional increases and compensation consisting of salary, incentive, bonus and other discretionary pay for all positions except that of the President/CEO.

The President/CEO shall ensure that salary ranges are updated at least annually, that all individual jobs are market priced at least once every two years and that pay equity adjustments are administered in a fair and equitable manner.

The Chief Administration Officer is charged with the responsibility of ensuring that the total compensation program is managed for consistency and equity.

Reviewed January 2010

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