

Minnesota Council of Nonprofits:
Compensation Philosophy
(Approved by MCN's board of directors 11/22/22)

Introduction

The Minnesota Council of Nonprofits (MCN) strives to advance the strategic objectives of the organization by providing competitive and equitable wages and benefits in order to attract and retain outstanding staff, be seen as a leading employer in our sector, and live our values of greater equity and transparency.

This philosophy and practice document is a framework rather than a policy; the goal is for the board and staff to use this document as a guide while working within the current market, strategic plan, and goals and realities of the organization to make nimble and responsive decisions. In doing so MCN strives to lead with values while maintaining the flexibility of an employer responding and adapting to changing individual and market needs and circumstances.

Total Compensation

MCN values providing employees with a comprehensive compensation package (competitive salary and generous benefits) that, in its total value, strives to meet or exceed a living wage, as defined using local market data.

MCN aims to approach total compensation of its employees holistically, by in addition to competitive wages also including:

- Paid time off for rest, relaxation, to address personal business, and/or family and community responsibilities not covered by other kinds of leave (holidays, vacation, personal days, summer hours, earned sick and safe time, pregnancy and parental leave, and more)
- Flexible and cost-effective benefits, including medical and dental insurance, long-term disability, life insurance, retirement program, Section 125 plan, and personal and professional development.

A complete summary of MCN's current employment benefits is found in the MCN Employee Handbook and [on our website](#).

Terminology

- A pay grade is a level of compensation as defined by position, responsibilities, and other factors.
- A salary range is the span of numbers from low to high that represent the minimum and maximum wages within a pay grade.
- The pay scale is the overview of all pay grades and their salary ranges for the organization.

Design of the Pay Scale

- Our goal is that MCN salaries will meet the market with aspirations to lead the market, meaning that we have set the midpoint of our pay grades at the 50th percentile of comparable positions in local nonprofit organizations of similar budget size and MN state associations. Data from MCN's Salary and Benefits survey, current relevant job postings on MCN's job board and other places where nonprofit jobs are posted, and comparable organizations' Form 990s are used for salary comparatives.
- The midpoint of the highest pay grade is not greater than 4 times the midpoint of the lowest pay grade for regular employees.
- MCN is committed to keeping entry-level positions at MCN that provide an onramp to nonprofit employment for those new to the field. MCN is also committed to providing to all interns compensation that is at least the minimum wage as defined by the city of Saint Paul.
- All positions at the same level (coordinator, manager etc.) share the same pay grade regardless of if the role is on the programmatic or operations side of the organization; we value the work of all departments equally.
- An overview of MCN's pay scale and this compensation philosophy document will be shared openly with all current staff and new hires.

Maintaining the Pay Scale

- Every year, the midpoint of each pay grade on the pay scale will be adjusted as informed by the national Cost of Living Adjustment (COLA) set forth by the Social Security Administration.
- A more thorough review and update of each pay grade's salary range is conducted by MCN's staff and reviewed by MCN's personnel committee every 2 years. As a part of this work, updated job descriptions will be re-benchmarked against updated salary comparisons to ensure our pay remains competitive. The board personnel committee reviews data collection methods and data gathered and may advise on additional steps. The overall revised pay scale will be presented to the full board.

Setting Pay

- The minimum of the applicable pay grade will be shared on all job postings, in line with MCN's commitment to compensation transparency.
- A new hire's starting pay is usually set between the minimum and midpoint of the position's pay grade. A new hire's salary is determined based on the individual's skills, knowledge, work experience and lived experience in relation to the job requirements and MCN's work, the anticipated level of performance, external labor market conditions, and internal pay equity.

Setting CEO Pay

MCN's board of directors is responsible for approving the compensation of the CEO and, when applicable, the other persons in a position to exercise substantial control over the organization's resources. MCN established a separate policy describing methods for determining the compensation for the organization's CEO; the board, at its discretion, is additionally encouraged to follow the guidelines and philosophies of this document when determining CEO compensation while responding to market conditions and working to ensure equitable compensation across the organization. Each year the board adopts a motion setting the CEO's compensation to fall within the current approved range for the CEO salary band.

Organizational Annual Increases

MCN employees are the organization's greatest investment and biggest expense, representing on average at least 65 percent of the total annual operating budget. During the budgeting process each year MCN's leadership works to prioritize developing a pool for annual increases for staff. Annual increases are primarily informed by COLA, using the national COLA amount set by the Social Security Administration the previous October.

MCN's leadership regularly evaluates compensation across the organization to ensure equitable pay among employees and will make annual adjustments as needed.

Bonus, stipend and other incentive pay: MCN supports the use of bonuses, stipends and other incentive pay in certain circumstances related to hiring, temporary job and responsibility changes, year-end bonuses connected to the interplay between individual and organizational financial performance, and other situations as referenced in MCN policies and procedures.

Individual Annual Review of Compensation, Title, and Classification

MCN seeks to provide meaningful employment experiences that build relevant skills and experiences and support the professional trajectory of employees for career growth within and beyond MCN. On an annual basis, supervisors will review each employee's job description and make updates as needed in consultation with the employee. If they feel the job has shifted significantly enough as to merit a shift in compensation, title, and/or pay grades, the supervisor can make a request for a compensation adjustment within the employee's pay grade and/or request a review and reclassification from Human Resources and the relevant department director.

Adjusted compensation within the same pay grade: Adjusted compensation within an employee's pay grade can result from an employee taking on additional responsibilities, strategic projects, a recognition of efficiencies driven by tenure in a role, outstanding work performance and consistency in meeting individual and departmental goals (as outlined in respective annual work plans), and contributions to MCN's broader mission, strength, and sustainability. In these cases, the supervisor's recommendation of compensation adjustments within the employee's pay grade should be reviewed by HR and the relevant department director, then recommended for approval by the Executive Director and/or the Associate Director (subject to the financial realities of the organization).

Promotions: Promotions into a higher pay grade can result from a reclassification of an employee's job due to organizational change and growth, or when an internal candidate is selected for an open or new position. In both cases, as part of the reclassification or internal hire, the employee's pay should be reviewed by HR and a salary based on the new pay grade recommended for approval by the Executive Director and/or Associate Director. In no cases would an employee in one of these two situations receive a decrease in pay if they were currently higher than the starting point of the new pay grade. Internal pathways for promotions into higher pay grades have historically been limited.

Capping Out

The salary range for each pay grade is designed to be broad enough to support years of growth within a single grade. However even with salary ranges increased annually by COLA, it is possible that an employee could reach the high end of their pay grade. In that situation, an employee's pay will be capped at the high end of the pay grade until the pay grade is increased by COLA or the entire pay grade is updated (every two years).

Merit Pay

As a general practice MCN does not offer annual merit-based pay increases as the determination of merit-based pay is highly subjective and difficult to evaluate fairly and transparently, especially among positions that each perform distinct roles; there is a disconnect between recognizing past performance with future pay; the work to determine metrics and evaluate performance consumes significant management time; and competition over a finite pool of funds works against MCN's culture and values of collaboration and mutual support.

The overarching goals of merit-based pay are to help employees feel valued, invested in, and motivated to perform their best and achieve great things for the organization and nonprofit sector. MCN seeks to instead reach these same goals through investment in our employees by offering competitive pay relative to external nonprofit labor market in Minnesota, comprehensive benefits, investments in professional and personal development, other forms of incentive pay, and more.

Role of MCN's Personnel Committee and Board

Consistent with the *Principles and Practices for Nonprofit Excellence*, MCN's board meets its responsibility for fully understanding its legal and fiduciary responsibilities in all areas and carries out these responsibilities in a number of ways including informing compensation structure.

The *Principles* also recommend that boards balance internal pay equity with market-based and livable compensation for all employees. MCN's personnel committee meets this obligation by reviewing and affirming proposed salary ranges every other year. This document simply intends to set a vision and philosophy for compensation, created collaboratively through a board-staff process led by the Personnel Committee and rooted in the shared values for the organization.