Performance and Compensation Policy

Updated: October 2023

Executive Summary

In order to further professionalize the Peace and Security Funders Group (PSFG), honor its equity values, and meet extraordinary inflation in 2022, PSFG Executive Director Alexandra Toma decided to undertake a review of the organization's performance review process and associated compensation policies. This review included myriad conversations with nonprofit peers, PSFG staff, and the PSFG Finance Committee, as well as desk research on how others conduct performance reviews and award compensation.

The proposed new policy aims to offer transparent, written guidelines around performance and compensation. To that end, we propose the following new practices: (1) biannual performance conversations; (2) pegging annual cost of living adjustments (COLA) to three percent (3%) and standardizing merit increases to two percent (2%); (3) offering "inflation-related relief" payments when inflation is above three percent and when financially possible; and (4) offering bonuses in extraordinary circumstances.

Biannual Performance Conversations

PSFG's annual performance review process needed to be updated to be more agile/flexible and collaborative; less time-consuming; and more focused on staff professional development. PSFG will experiment with biannual performance conversations in 2024, and assess the following year whether to keep or adjust the following process.

Celebrating Success and Goal-Setting (Summer)

Cost of living, title adjustments, and merit-based increases occur at this time.

- In advance of this conversation, solicit "360 feedback" via survey; stakeholders share where staff is doing well and where they can improve in the future. Use the feedback to inform this conversation.
- Set goals and expectations for the coming 12 months.

- Review job description and revise if necessary.
- Learning: 1–2 examples of things you're doing well (which have a positive impact on PSFG) and 1–2 examples of things you could be doing even better to be more effective in the future.
- Support: 1–2 things you appreciate about how your manager supports you and 1–2 ways that you wish to be supported (e.g., through professional development, training, future discussions, resources).
- Two accomplishments you're most proud of this year.
- Review last year's goals and discuss whether a merit increase is warranted.
- How can we work even better together in the future?

Taking Stock (Winter)

- Check in on progress towards goals and priorities; adjust goals.
- 1–2 things you appreciate about how your manager supports you.
- Learning: 1–2 examples of things you're doing well (which have a positive impact on PSFG) and two examples of things you could be doing even better to be more effective in the future.

Compensation

PSFG needs to balance retaining and rewarding talent by maintaining our salary competitiveness, all the while keeping in mind the organization's sustainability. PSFG has benchmarked its staff salaries to the United Philanthropy Forum's annual salary survey, aiming to provide at least the median salary for national philanthropy serving organizations (funder affinity groups). In addition, for the past 10 years, PSFG's Executive Director budgeted a five percent (5%) annual increase in staff salaries; this included a 3% COLA and 2% merit increase (assuming it's warranted).

While researching compensation and in conversations with other managers, PSFG's Executive Director learned that performance-based increases can be inequitable, stoking gender and race-based biases. For these and other reasons, and with the support of PSFG's Finance Committee,[1] PSFG's practices for merit increases, COLA, inflation-related relief, and bonuses are as follows:

Merit Increases

As monetary recognition and appreciation for their work, PSFG will give all staff who have met their goals – or have a reasonable explanation of why those goals could not be met – a standardized (or universal) percentage increase of 2%. This will be added to COLA during the summer review conversation, where goals are

[1] PSFG's Finance Committee is Dini Merz (also Chair of the Steering Committee), Rick van der Woud, and Karen Karnicki.

reviewed. Staff who are on "Performance Improvement Plans," or who have been full-time staff for less than six months, are ineligible for merit increases.

Cost of Living Adjustment (COLA) and Inflation-Related Relief Payments

In line with our equity commitments and in recognition that inflation is felt more strongly for those who receive smaller salaries, PSFG will peg its COLA at a 3% baseline (typically standard for inflation) for those staff making above $100,000 and 4% for staff making below $100,000. The 3% will also act as a floor in (rare) years where inflation is below 3%, allowing for better organizational and personal financial planning. In other words, even if national inflation is below 3%, PSFG staff can still count on a 3% COLA.

Additionally, in years where the U.S. Bureau of Labor Statistics national inflation calculation is above 3%, PSFG will aim to provide the difference as an end-of-year, lump sum "inflation-related relief" payment to all staff. These payments will be the same dollar amount for all staff, rather than a percentage of individual salaries. The reason behind this is that staff at lower income levels feel inflationary costs more than those who are paid more, and this is a way to live up to our equity values.

These one-time payments do not increase base salary; instead, they aim to alleviate short-term, inflation-related financial strains of PSFG staff. PSFG's ability to provide these payments to all staff is contingent on having nine months' reserves plus the monies for this adjustment.

These payments will be calculated as follows:

1. In January, use the prior year's average Consumer Price Index (CPI) to determine the average inflation rate from among the cities/regions where each PSFG staff is located (e.g., say the average 2022 inflation between Washington, D.C., Philadelphia, and New York City is 7.5%).
2. Subtract the 3% baseline COLA that staff would have already received in the summer (e.g., 7.5% - 3% = 4.5%).
3. Calculate using this percentage (i.e., 4.5%) across all staff salaries combined and divide this number by the number of staff.
4. All staff will receive the same dollar amount, up to a maximum of $5,000.

In order to balance taking care of our people with taking care of PSFG's organizational sustainability, we will cap relief payments at $5,000 per person. PSFG will offset the cost of taxes on this payment to ensure that the employee receives the allotted take-home pay.

In years where PSFG has enough only for a portion of this adjustment - but not enough to cover all staff relief payments - PSFG's Executive Director will allocate payments at their discretion, beginning with the lowest-paid employee first, and in consultation with the PSFG Finance Committee.

Bonuses

PSFG will provide bonuses to staff when extraordinary circumstances merit these. An example of "extraordinary circumstances" is if an employee quits unexpectedly and puts pressure on remaining staff to accomplish PSFG's goals. The Executive Director will consult the PSFG Finance Committee before awarding these bonuses and they will be limited to a maximum of $1,000 take-home cash (i.e., PSFG pays the taxes associated with bonuses and the employee takes home the entire bonus amount). If merited, these bonuses will be awarded during "Celebrating Success" performance conversation every summer.

Conclusion

Performance and compensation policies are meant to be part of how an organization recognizes and rewards its employees, and - hopefully - a way for the organization to showcase its values. For PSFG, this is an opportunity to put our money where our mouth is in terms of our equity value and to model a new way of doing business for our network (as we have with other of our progressive policies, like our hiring or honoraria process). We're excited to test this out!

In an ideal world – where inflation is at average levels (e.g., 2-3%) – all PSFG staff performing their jobs (and meeting their goals) would receive a 5% total increase in base salary annually (or 6% for those making under $100,000). This is sustainable, progressive, and equitable, and will continue to retain and attract talent to the organization. And, frankly, retaining talent avoids the high costs associated with staff turnover. We believe it is fair to share part of that "savings" with the employees in the form of an increase in their annual compensation. In reality, it's a fraction of what it would cost PSFG to replace them!

Finally, in addition to financial recognition (generous salaries and benefits), PSFG offers its staff flexible work schedules, paid professional development opportunities (including management opportunities), and public leadership recognition (including speaking and writing opportunities). Alex is currently drafting a sabbatical policy that we hope to offer to longstanding staff.