

Chief Executive Compensation Research and Recommendations

*Prepared for: Quonset Development Corporation (QDC)
North Kingstown, Rhode Island*

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Project Scope and Methodology

The **objectives** of this project were to:

- Research the RI markets quasi-public organizations to obtain specific compensation data for their CEOs
- Analyze that data and compare it to QDC CEO compensation package
- Develop an executive compensation package for presentation to the Board for review and action

The **methodology** used to substantiate findings:

1. Information was gathered using a data gathering information questionnaire (included in [Appendix A](#) – see Agency Comparison Tab) from:
 - Two (2) compensation consultant surveys
 - One (1) RI based quasi-public organization obtained from the HR Director
 - Economic Research Institute (ERI) Executive Compensation data. To construct the ERI report, data was gathered using industry codes eSIC9100, NAICS 925120 and UsSEC 9999 (Administration of Urban Planning and Community and Rural Development). Data points used with ERI were companies that were (a) at or near a target budget of \$12M (b) had a similar employee base to QDC (i.e. 44 FTE) and (c) compensation comparisons were made between the 75th and 90th percentiles.
2. Data was compared as closely as possible, using three (3) targets: total compensation, base salary and benefits.
3. Since benefits varied widely, particular attention was paid to this aspect of the total compensation package.
4. Recommendations were based on best practices in business in general and were not specific to any particular agency, organization or company.

Notes:

- In addition to the information we received from some organizations we contacted, we reached out to eight (8) additional quasi corporations in RI who either did not return our calls or refused to participate in the research.
- ERI data is derived from their research of over 6000 companies as well as, government agencies across the country in jobs at all levels of these organizations. It is the foremost “go to” research company for compensation/job description data for government agencies in the US.
- Research revealed that although these agencies were similar in that they are all quasi-public organizations, the compensation data was based on the industry they occupied by the nature of the work that was performed.
- QDC had the lowest number of employees and the smallest budget than all other organizations, which factored into the findings and recommendations.

Findings

Base Salary

1. ERI – QDC CEO salary is in approximately the 70th percentile, based on ERI's data of mean salaries for all jobs in similar *industries* within RI. Looking at the survey data, the 75th percentile would put the current salary \$30K below peer positions and at the 90th percentile \$79K below.
2. RIRRC with more employees and a higher budget is below QDC in base salary by almost \$5K. There are some differences in their benefit plan however that would even out at the total compensation level.
3. RIHMFC's salary survey results suggest that with an increase to market the base salary could be adjusted from being 2% lower than QDC to 10% higher (at \$203K).
4. RIAC with a budget more than 4 times that of QDC and 3.5 times more employees provides a base salary that is 55% higher than QDC (~\$100,000).

Benefits/Incentives

1. ERI – Findings show that QDC is behind the mean of other similar industries by \$10K, with that number rising to \$22K at the 75th percentile, and \$32K at the 90th percentile.
2. RIRRC provides benefits to employees with some of those benefits paid by the employees, which is in line with benefits provided and paid by QDC. This organization is truly a quasi-public model in that the employees do not pay into Social Security. Rather the organization pays into a pension plan at a rate somewhat higher than the social security employee/employer rate (16.21% versus 15.30%) with a decrease at \$118,500 base salary to 8.56% (as does the social security contribution to 6.20%). RIRRC does not provide any opportunity for incentive bonuses that is significant at the CEO level.
3. RIHMFC provides a 401(k) plan for its employees, as compared with QDC that provides a 401(a) plan (defined contribution). However, the CEO was grandfathered into in the defined benefit plan that was closed in 2006. He does not participate in the current 401(a) plan.
4. RIAC's benefit package is not included in this survey, however, based on their compensation study results, suggestions to provide the CEO with an opportunity for pay incentives based on performance prominently figured into the total compensation at the benefits level based on a "pay for performance" process utilizing *Incentive Pay Dashboard Measurements*. The dashboard measurements are to be established by the Board of Directors based on company strategic goals.

Total Compensation

Data supporting these findings are located in [Appendix A \(see Contact Data Tab\)](#).

1. ERI – Using the *mean* compensation data, the QDC CEO is paid approximately \$7000 higher than his peer group (budget/FTE) with a total compensation package of \$207,009, including \$22,124 in employer paid benefits. However, the data also revealed that the compensation package was behind at the 75th percentile by \$66K and at the 90th percentile by \$126K.
2. RI Resource Recovery Corporation (RIRRC) – total compensation is approximately \$210,000. Their organization provides less in the area of benefits given that the employee is responsible to pay for most benefits with one exception.
3. RI Housing and Mortgage Finance Corporation’s (RIHMFC) total compensation is \$4K lower than QDC however, there were recommendations in their study to increase total comp through increase in base salary as well as company paid benefits. We were unable to confirm how the recommendations were applied or not.
4. RI Airport (RIAC) total compensation is made up of only base salary and is approximately 37% higher than the QDC total compensation. The delta may be higher with benefits that we were not able to determine.

Recommendations

Based on the data detailed above, it appears that the CEO’s total compensation is appropriate for this position and within the industry levels. The total compensation currently includes the base compensation, a “pay for performance” merit bonus (linked to the year-end performance appraisal) and an employee benefit package.

The “pay for performance” merit bonus approach provides an excellent way for the board to recognize attainment of specific CEO goals and achievements (and is within industry standards). A model utilizing an *Incentive Pay Dashboard* could be established by the Board to enhance this model. This addition to the goal setting and assessment process within the review this approach would allow the board to link the bonus payment to incentives at different levels for achievement of short, medium, and long-term strategic goals established and evaluated by the Board.

RI Quasi-Public Companies CEO Total Compensation Package: Survey/Market Findings July 2015					
Company/Survey	QDC	ERI Survey Compensation Report Industry Findings	Rhode Island Resource Recovery Corporation	Rhode Island Housing and Mortgage Finance Corporation (Partners for Solutions Compensation Report Recommendations)	RI Airport Corporation (ADK Compensation Report Recommendations)
Annual Budget	\$12,000,000	Target \$12M	\$45,000,000	\$20,114,000	\$51,000,000
# of employees	44		95	172	155
CEO/Director/Executive Director Salary	\$184,885	Mean \$161,006	\$180,000	\$180,250	\$285,600
Base Salary Survey Recommendations		Mean \$161,006		Range: \$128,500 - \$272,275K. Average \$202,822	Range \$300k - \$330k
Employment Contract	NO		NO		Yes
Annual Total Compensation Recommendation		Mean \$194,642			
Annual Total Incentives Recommendation		Mean \$33,636			
Short Term Incentive/Bonus	Year to Year		NO		Yes, Recommended "incentive" based on a Pay for Performance process utilizing Incentive Pay Dashboard Measurements
Long Term Incentive/Bonus	NO		NO		
Health Benefits: Medical/Dental/Deductible	80% Company Paid		Yes/Employee Paid	Recommended company paid	
Life Insurance	YES/Company Paid		Yes/EE paid (Capped at \$50k)	Recommended company paid	
Short Term Disability	Employee Paid		Yes. Do not participate in State TDI. Company Reimbursement amount - 66 2/3% with a weekly max of \$550 week		
Long Term Disability	Employee Paid		Yes. Company reimbursement amount 60 2/3% with a max of \$6000 per month.		
AD&D	Employee Paid		Yes/Employee Paid		
Supplemental	Employee Paid		Yes/Employee Paid		
401k/Roth IRA	NO (see Pension)		NO	Recommended implementation	
Pension Plan	YES Defined Benefit funded at 2% by Company (grandfathered in 2006)		In lieu of SS, company contributes 16.21% of salary to 1st Security Substitution Plan/pension for each employee per pay period. Highly compensated employees contribution is reduced to 8.56% when the SS maximum (\$118,500) is reached.	Recommended Pension Plan	
Long Term Care	NO		No		
Tuition Reimbursement Employee	YES		Yes for Employee, \$5250 max benefit per year		
Paid Time OFF:			Paid Time Off Plan (PTO)		
Vacation	20 days		yes, same as all employees based on years service and more is provided for salaried employees vs. hourly employees	Recommended	
Sick	12 Days		yes, same as all employees	Recommended	
Personal	5 days		yes, same as all employees	Recommended	
Holidays	12 Days		10 days for all employees		
Cell Phone	YES			Recommended, company paid	
Company Car	NO		Yes/Company Paid (will not be renewing if current CEO were to leave)	Recommended Car/Vehicle Allowance \$6k - \$11.5K annually	

QDC additional compensation incentives/benefits paid:	Employee Paid	Employer Paid	Current QDC CEO Base Salary	QDC CEO Total Annual Compensation including additional company paid Incentives/Benefits:
QDC Annual paid health benefits & insurances				
Health Benefits: Medical/Dental	\$3,262.00	\$13,536.00		

Agency Comparisons

Deductible		\$6,000.00		
Dental	\$335.00	\$1,340.00		
Short Term Disability	\$1,008.00			
Long Term Disability	\$734.50			
Life Insurance		\$1,248.00		
Vision Plan	\$241.80			
Total:	\$5,581.30	\$22,124.00	\$184,885	\$207,009

ERI Survey Data:			
Based on \$12M Target Budget	Mean	75th Percentile	90th Percentile
Annual Base Salary	\$161,006.00	\$215,020.00	\$264,357.00
Annual Incentives	\$33,636.00	\$45,310.00	\$55,745.00
Annual Total Compensation	\$194,642.00	\$260,330.00	\$320,102.00

ERI Survey Data based on the following:

Area: Rhode Island

Industry: Administration of Urban Planning
and Community and Rural Development

Industry codes:

eSIC:9100
NAICS: 925120
UsSEC:9999