



The Grant Thornton 2015 Nonprofit Compensation Survey

A national survey of association and nonprofit compensation

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Produced in conjunction with

Executive summary

As the economy continues to recover, the not-for-profit sector is reaping the benefits of increases in donations from all sources. On the flip side, this positive financial environment puts not-for-profits at risk of losing top talent, particularly in key functions such as fundraising, IT and executive positions. Among other inducements, an effective rewards program is essential to attracting and retaining great talent.

The effectiveness of your rewards program depends on appropriate data to understand the market and assess the competitiveness of your program within it. To that end, Grant Thornton LLP offers our *2015 Nonprofit Compensation Survey* as a resource. Now in its third year, the survey has again been developed in partnership with Columbia Books Inc. Our surveys have proven their value to not-for-profits of all sizes, sectors and geographies. As in past years, you'll find up-to-date critical compensation and benefits data, trends, and insights to assist in ensuring that your compensation and benefits program is designed effectively for competitive positioning.

This year's survey is similar to years past with insights into trends and what the data are indicating, but it also goes a step beyond, with expanded coverage and detail:

- Compensation philosophy and practice
- Incentive design data
- C-suite position data, highlighting practices for disqualified persons and key employees
- Board compensation practices

The survey provides comprehensive information about a variety of jobs and subsectors from numerous participants:

- Compensation data for more than 100 job titles
- Data for an array of subsectors, including trade associations, human services organizations, educational and cultural institutions, public benefit organizations, health care organizations, special interest entities, and scientific and research institutes
- Participation from over 800 organizations in all 50 states

Data cover essential elements of total compensation:

- Base salary (annual fixed compensation)
- Bonus/incentive compensation (e.g., variable compensation, discretionary bonuses, annual incentives and long-term incentives)
- Benefits (e.g., qualified and nonqualified benefit offerings)

Evolution in the marketplace calls for progressiveness in reward

Competition for top performers continues to escalate. Our survey shows that while overall budgeted salary increases appear consistent year over year, compensation and benefits plans that worked in previous years — even last year — won't be adequate to meet the expectations of today's talent marketplace. While continuing to be mindful of the alignment of administration costs to mission expenses, organizations must avoid losing valued high performers because of competitive market pressures. It remains a mission-driven and strategic necessity for organizations to review total rewards offerings and compare them to reliable industry-specific market data. It is also a necessity for meeting expectations of stakeholders and regulators.

2015 shows modest budget and salary growth

At 3.06%, average salary increases remained consistent with last year, but smaller organizations are reporting higher increases than those with larger operating budgets. This could be a result of playing catch-up now that overall economic and financial conditions are more positive.

General salary trends for survey participants:

Average rates of salary increases

Upper management	3.2%
Middle management	3.0%
Nonmanagement	3.0%

Projected salary increases by budget size:

Budget size	Projected salary increase
Under \$500,000	3.95%
\$500,000–\$1M	4.31%
\$1M–\$5M	3.68%
\$5M–\$10M	3.09%
\$10M–\$20M	3.11%
\$20M–\$50M	2.71%
\$50M–\$100M	2.77%
Over \$100M	2.86%

The preference to rely upon a total rewards program that differentiates the high performers from the broader employee population appears to have resulted in an increased number of organizations targeting base salary increases in a more strategic manner, ensuring that top performers receive greater differentiation in increases (e.g., two times the budgeted average for the rest of employees).

Medical, dental and retirement benefits remain a standard offering

Even as health care reform continues to take effect, 71% of the participating not-for-profit organizations reported that they continue to offer medical benefits, with an average employer share percentage of 81% of the total cost of the premium. This is despite the fact that more and more organizations, regardless of subsector and size, are investigating the sustainability of such a cost-sharing approach in light of Affordable Care Act provisions being implemented. Slightly fewer than six in 10 (58%) participating organizations offer dental benefits, and the employer share percentage is typically approximately 74% of premiums. A retirement plan is offered by 63%, with these organizations generally contributing an average of 4.4% of salary.

Additionally, 55% offer life insurance or disability benefits, and 44% include vision coverage in their benefits. Part-time employees (those working fewer than 30 hours per week) are offered benefits by 32% of organizations.

Only 7% offer an executive supplemental deferred compensation arrangement to the leadership of the organization.

A compensation philosophy is embraced more by larger organizations

Compensation philosophies serve as the blueprint for effective compensation design and governance. Formalized philosophies should document elements such as how peer groups are determined, where the organization is targeting pay relative to its peers, what items are included in total compensation and who is responsible for governing compensation decisions.

Compensation philosophies are far more common in the larger organizations that participated in the survey.

The percentage of organizations that have a formal compensation policy:

Budget size	% that have compensation philosophy
Under \$500,000	5%
\$500,000–\$1M	15%
\$1M–\$5M	15%
\$5M–\$10M	25%
\$10M–\$20M	37%
Over \$20M	34%

Nearly 50% of survey participants target the median of the market for their employees' salaries.

The percentage of job market targeted by respondent compensation philosophies:

Percentile	% of participants
Below 50th	11%
50th	49%
51st–75th	23%
Above 75th	17%

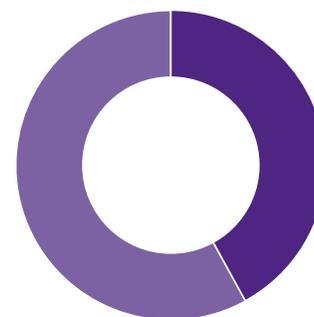
Variable pay plans — bonus and incentives — continue to rise in prevalence

Some type of variable pay opportunity is offered by 42% of reporting organizations; this is an increase of 5% from last year.

Variable pay plan (bonus and incentives) trends for survey participants:

Organizations that offer bonus/incentive plan

- Yes **44%**
- No **56%**



Within the not-for-profit sector in general, offering formal incentive plans and bonus opportunities is not a given, although the prevalence of the practice is higher at organizations in certain not-for-profit subsectors — in particular, professional/trade associations, scientific society/research institutions, and health and public benefit/conservation.

Subsector	Discretionary and formal bonus plan	Discretionary only	No bonus plan
Educational/cultural institute	9%	29%	60%
Health	11%	28%	57%
Human services	6%	32%	60%
Other	16%	22%	59%
Professional/trade association	23%	35%	35%
Public benefit/conservation	11%	30%	56%
Scientific society/research institute	18%	47%	35%
Special interest/religion-related	9%	47%	41%

Responses may not total 100% due to rounding.

The prevalence of these plans also increases with organization size.

Budget size	Discretionary and formal bonus plan	Discretionary only	No bonus plan
Under \$500,000	6%	27%	63%
\$500,000–\$1M	8%	43%	47%
\$1M–\$5M	10%	34%	54%
\$5M–\$10M	9%	38%	49%
\$10M–\$20M	14%	32%	48%
\$20M–\$50M	26%	21%	53%
\$50M–\$100M	31%	31%	38%
Over \$100M	30%	20%	50%

Responses may not total 100% due to rounding.

Of organizations offering bonuses, the level continues to be modest as compared to for-profit companies, although our experience with larger not-for-profits has shown much larger bonus opportunity levels than in small to midsized not-for-profit organizations.

C-suite compensation breakouts tell a different story

Top executives (executive director or CEO) still receive the largest bonuses — at approximately 7.2% of base salary — while other senior executives in the C-suite receive an average bonus of 4.5%.

Average bonus/incentive	% of salary
Top executive	7.2%
Senior executives	4.5%
Managers	4.0%
All other employees	2.8%

The prevalence and frequency of incentive plans beyond annual performance plans is far less common, with only 2% of participating organizations stating they offer a formal long-term incentive plan. The use of longer-term compensation vehicles — such as nonqualified deferred compensation programs or supplemental retirement programs — are considered more applicable for not-for-profit organizations.

Discretionary bonuses, or bonuses not linked to a formal incentive plan opportunity, remain the most commonly reported type of incentive pay. However, not-for-profits are looking to more effectively align compensation with organizational performance through the use of more formalized metrics.

Board compensation practice varies within the industry

Compensating board members is a controversial topic; less than 3% of survey participants reported they compensate board members for their services. A deeper dive by subsector reveals such information as 13% of professional/trade associations compensating board members, which is well above the trend. The practice remains of interest to watchdog groups and regulators alike, and the levels of compensation do vary.

Board member compensation levels:

Subsector	% that compensate board
Educational/cultural institute	0%
Health	0%
Human services	1%
Other	4%
Professional/trade association	13%
Public benefit/conservation	3%
Scientific society/research institute	0%
Special interest/religion-related	0%

Category	% that compensate board
Less than \$5,000	53%
\$5,000–\$15,000	20%
\$15,000–\$25,000	7%
Over \$25,000	20%

Overall, we are seeing the majority of not-for-profits compensating their board members less than \$5,000.

Information and regular review strengthen compensation planning

Appropriateness, compliance, strength and effectiveness of total compensation require leaders' regular review. Assuring these elements requires an informed lens on the comparable market and best practices, and alignment with mission, purpose and goals. Each element of your rewards program rates attention equal to, or more than, that dedicated to other strategic, financial and operational programs supporting your organization's work.

About the survey participants

The not-for-profit organizations participating in our survey included approximately 800 responses from a broad array of organizations, including education/cultural institutions (18%), health organizations (9%), human services (39%), professional/trade associations (11%), public benefit/conservation (13%), scientific society/research institution (2%), special interest/religion-related (4%) and other types of organizations (4%).

They range in size from a large annual operating budget (over \$500 million) to small (under \$1 million) and staff from numerous (over 2,000) to just a few (under 10).

About Grant Thornton's compensation and benefits services for not-for-profit organizations

Nearly 900 not-for-profit clients count on the audit, tax and advisory services of the Grant Thornton professionals dedicated to serving this sector. With our deep experience in compensation and benefits, we can advise and guide you in implementing a practical and equitable plan.

Our value proposition is simple. We help to ensure that your:

- Compensation structure is appropriate and competitive with your peer group for talent.
- Compensation programs are customized to ensure executive, management and staff total compensation programs are justifiable internally and externally.
- Compensation and benefits packages are designed to support the various quality, people, financial, efficiency and growth objectives in your strategic plan.

Executive total compensation design

- HR and compensation committee process design
- Executive compensation philosophy development
- Customized and compliant comparable market analyses
- Annual and long-term incentive design
- Employment contracts
- External communications strategy
- Reasonableness opinion letters/intermediate sanctions regulations

Employee total compensation design

- Comparable market analyses
- Salary structure and job evaluations
- Incentive compensation program designs, documentation, administration and communications
- Geographic differential analyses
- Performance management program assessments, designs, implementation and communications

Audit services

- Financial statement audits
- Benefit plan audits
- Agreed-upon procedures

Tax services

- Form 990 and 990-T filing positions
- International operations
- Compensation and benefits consulting
- Revenue generation
- Unrelated business income

Advisory services

- Strategic planning and governance
- Operational improvement
- IT
- Business risk (including ERM, fraud and financial data misrepresentation, and construction audits)
- Valuation
- Transaction support (including due diligence and merger integration)
- Restructuring and turnaround
- Forensic, investigation and dispute

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Contacts

Ken Cameron

Director
Compensation and
Benefits Consulting
T +1 404 704 0136
E ken.cameron@us.gt.com

Mike Monahan

Assistant Managing Principal
Compensation and
Benefits Consulting
Employee Benefits Consulting
T +1 212 542 9860
E michael.monahan@us.gt.com

Mark Oster

National Managing Partner
Not-for-Profit and Higher
Education Practices
National Partner-in-Charge
Business Advisory Services
Not-for-Profit and Higher
Education Practices
T +1 212 542 9770
E mark.oster@us.gt.com

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