



Boston VA Research Institute, Inc.

Date 11/25/2008

Governance

POLICY NO.08 4

TITLE OF POLICY:

POLICY ON THE PROCESS FOR DETERMINING COMPENSATION OF KEY PERSONNEL

1.0 PURPOSE:

To establish a mechanism for fair compensation for key personnel of the corporation

2.0 SCOPE:

This Policy on the Process for Determining Compensation of Boston VA Research Institute, Inc. (BVARI) applies to the compensation of the following persons employed by the Organization:

- * The Organization's Chief Executive Officer or Executive Director which may or may not fall within the IRS standards of highly compensated. Management who exceeds the IRS standards to be highly compensated.
- * Other Faculty or Key Employees of the Organization who are considered by IRS standards to be highly compensated.

3.0 POLICY:

The process includes the following elements:

- (1) review and approval by BVARI's Compensation Committee or the BVARI Chairman;
- (2) use of data as to comparable compensation; legal review of VA employees, and
- (3) contemporaneous documentation and recordkeeping.

(1) **Review and approval.** The compensation of the person is reviewed and approved by the BVARI Compensation Committee and/or Chairman, provided that persons with conflicts of interest with respect to the compensation arrangement at issue are not involved in this review and approval.

(2) **Use of data as to comparable compensation.** The compensation of the person is reviewed and approved using data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations. Independent contractors, who have expertise in market base salary analysis, may be used for developing salary ranges for both the CEO and management employees exceeding the IRS highly compensated levels. Faculty and other scientific key personnel will be reviewed and compared using the academic affiliate and VA system of salary ranges.

(3) **Contemporaneous documentation and recordkeeping.** An executed compensation document should be created and maintained in each of the personnel records.

4.0 DEFINITIONS:

4.1 Chief employed executive – The CEO (i.e., Chief Executive Officer), executive director, or top management official (i.e., a person who has ultimate responsibility for implementing the decisions of the Organization's governing body or for supervising the management, administration, or operations of the Organization).

4.2 Highly Compensated – A salary which exceeds the amount determined by IRS standards. See

<http://www.irs.gov/pub/irs-pdf/p15b.pdf> for most current levels.

4.3 Key Employee – An employee of the Organization who meets all of the three following tests: (a) \$150,000 Test: receives reportable compensation from the Organization and all related organizations in excess of \$150,000 for the year; (b) Responsibility Test: the employee: (i) has responsibility, powers, or influence over the Organization as a whole that is similar to those of officers, directors, or trustees; (ii) manages a discrete segment or activity of the Organization that represents 10% or more of the activities, assets, income, or expenses of the Organization, as compared to the Organization as a whole; or (iii) has or shares authority to control or determine 10% or more of the Organization's capital expenditures, operating budget, or compensation for employees; and (c) Top 20 Test: is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the Organization and related organizations for the year.

5.0 RESPONSIBILITIES:

5.1 BVARI Board of Directors: The BVARI Board of Directors is responsible for the overall policy, planning and coordination of all BVARI activities within the VA Boston Healthcare System.

5.2 CEO: The BVARI CEO is responsible for developing, administering and coordinating a business process that provides optimal internal controls for BVARI.

5.3 Department Director: BVARI's Department Director is responsible for ensuring that the BVARI employees follow the policies defined in the policy.

5.4 Director of Human Resources is responsible for the accuracy of applying salary upon completion of each analysis.

5.0 PROCEDURES:

Completion of documentation that is used in the review of salaries. Template for Compensation Documentation has been developed for scientific key personnel.

7.0 RELATED DOCUMENTS:

Process for completing Pay Philosophy Forms.doc x
BVARI compensation analysis form.doc x
MOU.doc

8.0 REVISION HISTORY:

Revision Letter	Author	Revision Date	Description of Changes
A	Nancy Watterson-Diorio	11/25/2008	Original document

Date | 11/25/2008 |

REASON FOR ISSUE:

Improves the internal controls of setting salaries for BVARI employees.

SUMMARY OF CHANGES:

Original document.

RELATED DOCUMENTS:

- (1) IRS Definition of Highly Compensated
- (2) Conflict of Interest Regulations 53.4958-6(c)(1)(iii)

RESPONSIBLE OFFICER:

Director of Human Resources

RESCISSION:

None

RECERTIFICATION: This policy is scheduled for recertification on or before the last working day of January , 2010 .

Nancy Watters on-Diorio
Chief Executive Officer

DISTRIBUTION

Board of Directors, Date _____

FLD: Sharepoint Server _____, E-mailed _____ to:

BVARI Staff, Stakeholders