

Employee Compensation Policy

PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose:

- 1.1.** The purpose of the Pedernales Electric Cooperative (“PEC”) Employee Compensation Policy (“Policy”) is to:
- 1.1.1. Establish guidelines for managing PEC’s employee pay and compensation practices;
 - 1.1.2. Maintain equitable and competitive salary ranges consistent with PEC’s economic requirements;
 - 1.1.3. Attract and retain qualified employees by maintaining a compensation structure that is competitive with the external job market; and,
 - 1.1.4. Promote internal equity and consistency across diverse PEC functions.

2. Scope:

- 2.1.** This Policy applies to all PEC Employees with the exception of the Chief Executive Officer (“CEO”), Executives, and senior management as determined by the CEO.

3. Definitions:

- 3.1.** Market Value – Current value conditions for compensation as established by objective assessments and comparisons for attracting desired talent including competition, supply, and demand of skill.

4. Policy Statement and Implementation:

- 4.1.** Under to the Board’s Delegation of Authority and pursuant to this Policy, the CEO shall hire PEC employees and provide compensation and benefits. The CEO shall establish defined performance metrics and a performance evaluation process for all employees.
- 4.2.** PEC compensates employees according to the nature of the job, required qualifications, training, experience, individual performance, the financial resources of the organization, or any other relevant factors. PEC offers compensation and benefits that may include, but are not limited to the following:
- 4.2.1. Employee base salary;
 - 4.2.2. Merit pay and merit pay adjustments;
 - 4.2.3. Overtime and compensatory time or pay;
 - 4.2.4. Stipend pay for language proficiency or interim job assignments;
 - 4.2.5. Bonus pay for performance, hiring, and retention;
 - 4.2.6. Paid time off such as Holiday Pay, Bereavement Leave, or other approved types of paid or unpaid leave;
 - 4.2.7. Other employee benefits, such as health insurance, life insurance, disability insurance, retirement, optional coverages, and vehicle allowance.
- 4.3.** PEC pays competitive wages based on the Market Value of similar jobs, while maintaining fiscal control of salary growth and PEC’s overall budget.
- 4.4.** PEC generally pays employees at the 75th percentile of the Market Value of job positions.

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4.5. It is PEC's policy to maintain a compensation structure consistent with its Equal Employment Opportunity/Affirmative Action program and other PEC requirements.

5. Procedure Responsibilities:

5.1. The CEO, as delegated by the Board of Directors, is responsible for implementation and application of this Policy.

5.2. The CEO shall conduct periodic reviews of PEC employee pay ranges compared to those in comparable and competitive industries. The CEO shall evaluate economic factors affecting PEC and its employees and adjust compensation when warranted.

5.3. The CEO may engage independent outside consultants and experts to provide objective assessments and comparisons to industry-wide compensation trends and surveys. The CEO should benchmark to appropriate groups of other cooperatives, public utilities, and privately-owned or investor-owned utilities, taking into consideration the size and complexity of PEC, as well as the significant challenges in managing a significant growth-oriented business whose primary obligation is to serve Members with electricity.

6. Enforcement:

6.1. The CEO, as delegated by the Board of Directors, is responsible for implementation and application of this Policy. Violations of this Policy may result in disciplinary action, up to and including, termination.

7. Superseding Effect:

7.1. This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

8. References and Related Documents:

8.1. Authorities and Responsibilities Policy

8.2. Chief Executive Officer Performance Evaluation Policy

8.3. Employee Recognition Policy

8.4. Defined Benefit Plan Funding Policy

8.5. Holiday Policy

8.6. Wage and Salary Policy

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Policy Title:	Employee Compensation Policy
Review Frequency:	Every 5 years
Last Reviewed:	XX/XX/XXXX
Date Adopted:	January 17, 2017
Effective Date:	XX/XX/XXXX
Amendment Dates:	XX/XX/XXXX
Approver:	PEC Board of Directors
Applies to:	All PEC employees
Administrator:	PEC Board of Directors
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.