



CANAL SQUARE  
1054 THIRTY-FIRST STREET, N.W.  
WASHINGTON, D.C. 20007-4492  
(202) 342-5200

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ASSOCIATION TRENDS

IT'S CONTRACT TIME AGAIN

By Steven John Fellman  
GKG Law, P.C.  
Washington, D.C.  
sfellman@gkglaw.com

Almost every chief staff officer of a national or state trade association or professional society has an employment contract with the association that is his/her employer. In most all of these contracts, there is a standard provision that establishes a procedure for the annual review of the association executive's performance by a committee of the association leadership. In some contracts there is a provision that the review must be completed by a date certain or the association executive automatically gets an increase in salary of a given percent.

Including this type of a clause in a contract is an excellent idea. It forces the association to evaluate the executive's performance. The executive learns first hand whether his performance is meeting the association's expectations. The executive has an opportunity to explain to a leadership committee just what he/she has accomplished during the year and what value he/she has added to the association.

In theory, this is a great idea. The problem is that in practice, many associations and many association executives ignore these provisions in employment contracts. What happens? In some instances, the association executive doesn't push the issue and as a result the committee never meets. Alternatively, if the committee is composed of board members, the committee will schedule a meeting at the breakfast before the board meeting at which the budget will be considered. The members of the committee will meet informally and ask one

another if they have any problems with the executive's performance. They will then discuss whether the executive should get a raise and how much. Often the executive really has no input. One member of the committee may talk to the executive the night before the meeting on an informal basis. Then that person will report at the committee breakfast that the association executive is relatively happy and that there is no need to increase salary levels since the association executive doesn't expect an increase.

The reason an association executive's contract includes a clause requiring that a compensation committee be established to do a meaningful performance analysis is to provide a significant benefit to both the association and the association executive. It is important that the association inform the association executive of how it values the executive's performance. The executive should find out what areas need improvement. A plan should be established for measuring improvement. This will benefit the association.

For the association executive, meeting with the compensation committee is an opportunity to explain in detail his/her accomplishments. We recommend that the association executive have a handout to present to the committee. The handout should detail the many successes that the association has achieved under the executive's leadership and the executive's role in each success story.

The handout may also include a comparison of the executive's salary and benefit levels versus those of his/her peers in the association community. Such data is available from several sources and would be of value in presenting a case for an increase in salary. The data will also help in comparing the benefits offered by your association compared to most others in the area. As an example, does your association provide a long-term disability policy? Does your association provide health care benefits for family members as well as the individual? Does your association have a pension?

Obviously, we are in the middle of a recession. Hopefully, things will get better by the second half of 2010. At the same time, if you have managed your association well, even though the association may not be able to raise salaries, your association should know that your

performance has been outstanding and you should tell the leadership of your accomplishments. When times get better, you will have put “bucks in the bank” and will have valid justification for a significant raise.

As the chief staff officer of the association, the association will be looking to you to assist it in maintaining financial stability. If you can develop non-dues income projects, that increases the association’s financial stability, are you not entitled to share in the benefit? Be creative when looking for means of increasing your salary in tough financial times. Suggest to your board that if you can increase income from non-dues sources, rather than demanding a salary increase all you expect is a percentage of the additional revenue added to the association’s bottom line. From the standpoint of the association, this is a win-win deal. If you can generate additional income, this is income that the association would not have had but for your efforts. Sharing that income with you is a reasonable alternative to providing a raise. A raise requires a definite commitment to expend funds. Providing you with a share of new income obtained as non-dues revenue, does not obligate the association to pay anything unless you put money on the table.

We recommend that all association executives review their contracts. If your contract requires an annual performance evaluation and you do not get one, shame on you. This is something that was put into your contract for your benefit as well as the association’s benefit and you must be aggressive and demand that you get the performance evaluation called for in the agreement.

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In our last *Trends* article, we discussed a situation involving a hypothetical association. In our example, the association president-elect had been convicted of a felony 30 years prior to the time that he was to be installed as the association president. In the past 30 years, the individual has served as a leader in the industry and is highly respected. The question was whether or not he had to disclose the felony conviction prior to accepting the nomination as president-elect.

A number of association executives responded to our inquiry. There was an even division of opinion. Some argued that there was no duty to disclose as the event occurred more than 30 years ago and the individual has had an outstanding record since that time. Others argued that there was a duty to disclose as a report of the conviction could embarrass the association even though it occurred 30 years ago.

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