

Technical Amendment to the Neighborhood Reinvestment Corporation Statute

NEIGHBORHOOD REINVESTMENT CORPORATION

SEC. 605. Section 605 (a) of the Neighborhood Reinvestment Corporation Act (42 U.S.C. 8104) is amended by striking out “rate for level IV” and inserting “rate for level II.”

Section 605 (a) states: “The board shall have power to select, employ, and fix the compensation and benefits of such officers, employees, attorneys, and agents, as shall be necessary for the performance of its duties, under this title, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, classification, and General Schedule pay rates, except that no officer, employee, attorney, or agent of the corporation may be paid compensation at a rate in excess of the highest rate for level IV of the Executive Schedule under section 5332 of title 5, United States Code. The Corporation shall also apply the provisions of section 5307(a)(1), (b)(1) and (b)(2) of title 5, United States Code, governing limitations on certain pay as if its employees were Federal employees receiving payments under title 5.”

Rationale for Requesting the Technical Amendment

The purpose of the technical amendment is to raise the salary cap limitation in the Neighborhood Reinvestment Corporation’s enabling legislation to level II of the Executive Schedule from level IV, which would make the salary cap limitation applicable to the Corporation equivalent to the maximum Senior Executive Service (SES) salary cap limitation (level II) with a certified performance appraisal system. This proposal is consistent with a recommendation to the Corporation from an executive compensation firm that conducted a competitive market analysis that concluded that current executive base pay at the Corporation is not competitive with the market. Under the proposal, the upper limit on salary and bonuses would remain at Executive level I.

Background

The Neighborhood Reinvestment Corporation (dba NeighborWorks® America) procured the services of The Hay Group, a compensation consulting firm, during 2007 in the aftermath of a series of significant recruiting challenges for key senior positions including the Chief Operations Officer, Chief Financial Officer, Director of National Real Estate Programs, Director of Homeownership Programs and Director of Database Architecture. The Hay Group concluded that the limitation posed by the pay ceiling was a key factor in attracting talent, and potentially retaining talent long-term. The Hay Group suggested as an alternative that the salary cap might be realigned to adapt the Executive Level II pay rate as the new cap consistent with the standards of OPM’s Certified SES Performance Appraisal System. The Hay Group noted that NeighborWorks® America already utilizes:

- Organization-wide strategic plan with objectives that flow down through the organization resulting in specific objectives for each Executive and other employees.

NeighborWorks® America also maintains a defined existing pay structure and has an annual performance review system that is strategically-driven. Consistent with OPM guidance for certification of Performance Appraisal Systems, senior employee expectations derive from, and clearly link to the Corporation's mission, strategic goals, program and policy objectives, and/or annual performance plans and budget priorities. Despite the salary cap, the basic elements and framework of the pay structure attempts to provide for a system that:

- Is internally fair and equitable, and reasonably flexible;
- Is reasonably, externally competitive in a constantly changing marketplace;
- Promotes and rewards performance;
- Fosters collegiality, teamwork, and consensus;
- Focuses on recruitment and retention of qualified and valued workforce;
- Is appropriate and affordable for the nature and size of the organization; and
- Promotes alignment between a senior employee's performance expectations and the furtherance of the Corporation's mission.

NeighborWorks® America is currently in the process (utilizing a consultant) of analyzing the corporation's existing performance appraisal system and measuring its quality factors against those of a Certified SES Performance Appraisal System under OPM's guidelines. The objective of the effort is to validate that the corporation's pay-for-performance system meets or exceeds the requirements and quality factors consistent with a certified SES performance appraisal system. Upon completion of the analysis, the consultant will provide recommendations for adjustments (as necessary) for NeighborWorks® America to effect closer alignment (if any) of its performance appraisal system with standards promulgated by OPM for its Certified SES Performance Appraisal System. The deliverables from the engagement will be provided to OMB at a later date after the project has been completed.