RESOLUTION

revising

POLICY ON CHANCELLOR/PRESIDENTIAL COMPENSATION
CONNECTICUT STATE UNIVERSITY SYSTEM

July 23, 2004

WHEREAS, In 1996 the Board of Trustees for the Connecticut State University System established a policy on compensation for the four University Presidents and the CSU Chancellor with subsequent amendments in 2000 and 2001, and

WHEREAS, A revision of the policy is now necessary to reflect current conditions and trends in executive level compensation and benefits and to remain competitive in the market as new appointments are made, therefore be it

RESOLVED, That Board Resolutions 96-38, 00-69, and 01-61 are rescinded, and be it further

RESOLVED, That the Board of Trustees for the Connecticut State University System hereby adopts the Policy and Procedures for Chancellor/Presidential Compensation in the Connecticut State University System as set forth in the addendum to this resolution, effective this date, and be it further

RESOLVED, That the provisions of Board Resolution 98-49 concerning the Development Expense Fund are superceded by Section VI of this policy.

A Certified True Copy:

[Signature]
Lawrence D. McHugh, Chairman
POLICY AND PROCEDURES
FOR
CHANCELLOR/PRESIDENTIAL COMPENSATION
CONNECTICUT STATE UNIVERSITY SYSTEM
REVISED JULY 23, 2004

I. ESTABLISHMENT AND MAINTENANCE OF BASE LEVEL SALARIES

University Presidents:

The salary base for the University Presidents will be adjusted upward by 5% effective with the pay period that includes July 1, 2005 and each subsequent pay period that includes July 1 through 2009.

Chancellor:

The Chancellor's salary base is adjusted to 107.5% of the salary base of the University Presidents as determined above.

II. COMPENSATION FOR NEW PRESIDENTS AND CHANCELLOR

When a new president or chancellor is appointed, the salary at the commencement of the appointment will be $5,000 less than the compensation as determined by the principles set out in Sections I above; on July 1 next succeeding the first anniversary of service of that president or chancellor—or on an earlier date if approved by the Executive Committee of the Board upon the recommendation of the Chancellor (or, for the Chancellor, the Chair of the Board)—the salary will increase to the level calculated in accordance with those principles.

III. COMPENSATION FOR INTERIM APPOINTMENTS

When an interim president or chancellor is appointed, the salary shall follow the procedure set forth in Section II, Compensation for New Presidents and Chancellor.

IV. PERFORMANCE RECOGNITION/RETENTION (DEFERRED COMPENSATION) FUND

A performance recognition/retention (deferred compensation) fund equal to 10% of the total Chancellor and University Presidents’ salaries for the prior fiscal year is established and will be awarded annually on the following basis:
Retention Award (Deferred Compensation):

On the pay period that includes January 1, 2001 and each subsequent pay period that includes January 1 thereafter, 10% of this fund shall be awarded as deferred compensation to each Chancellor and President who has performed satisfactorily during the preceding fiscal year, under such terms and conditions as are outlined below.

- Such awards shall be made as deferred compensation which the recipient shall receive at retirement from CSU, provided that such retirement is after the age of 62, or upon incapacity due to illness or injury to perform duties as Chancellor/President. In the event of death prior to attaining eligibility the total amount in any such account shall be paid to the deceased’s estate.

- All such deferred compensation shall be forfeited in the event the Chancellor/President voluntarily or involuntarily leaves position, except for illness or injury.

- Deferred compensation awards for each eligible Chancellor/President shall be maintained in a separate account and invested under the direction of the CSU Board of Trustees Executive Committee, as permitted by state law. A report shall be made annually to each Chancellor/President on the status of his/her account and payment of the total Principal and Earnings in each account shall be made to the eligible recipient anytime within 12 months after his/her becoming eligible at the recipient’s discretion.

Performance Recognition Award:

Beginning with the pay period that includes January 1, 2005 and each subsequent pay period that includes January 1, an amount equal to 12.5% of the fund will be awarded to a University President who has achieved 115% of his/her goal for any two of three critical, measurable areas as identified by the CSU Board of Trustees Executive Committee in the Presidents Letters of Priority for the most recent fiscal year. The award will given as a lump sum payment; it will not be built into the base salary. Any portion of the performance recognition/retention fund for a particular fiscal year that is not awarded shall not be carried over to future fiscal years. The remaining funds shall be returned to the appropriate operating fund.
V. SCHEDULE FOR PERFORMANCE RECOGNITION/RETENTION (DEFERRED COMPENSATION) AWARD

University Presidents:

Annually in November the Chancellor shall provide the Executive Committee of the Board of Trustees his/her evaluation of the performance of the university Presidents. If the Executive Committee accepts the Chancellor's evaluation that a President has performed satisfactorily, the deferred compensation award shall be paid to the President's account for that fiscal year.

Annually in November the Chancellor shall provide the Executive Committee of the Board of Trustees a report on the university Presidents' attainment of the critical, measurable goals as identified by the Executive Committee for the most recent fiscal year. If 115% of the goals have been exceeded in two of the three areas, the performance award shall be paid for that fiscal year.

Chancellor:

Annually in November the Chairman of the Board of Trustees shall provide the Executive Committee his/her evaluation of the performance of the Chancellor. If the Executive Committee accepts the Chairman's evaluation that the Chancellor has performed satisfactorily, the deferred compensation award shall be paid to the Chancellor's account for that fiscal year. The Chancellor is not eligible for the Performance Recognition/Retention Award.

VI. DEVELOPMENT EXPENSE FUND

In order to enhance the institutional advancement efforts by each university and the System Office, the university or System Office is authorized, in accordance with its institutional advancement plan, to provide to its President and the Chancellor an annual unvoucheded development expense fund. In order to ensure that the amount of the fund reflects both current needs and resources, the amount of the fund shall be determined by the Executive Committee of the Board of Trustees. These funds shall be made available from the System Office and university operating fund, to be used at the sole discretion of the President or Chancellor. Said funds shall be established at the same rate for each of the Presidents and the Chancellor.

The development expense fund is subject to all normal withholding, with the payments treated as ordinary income, but is not considered as part of the base salary for the purpose of computing compensation increases.
ITEM

Revision to Policy on Chancellor/Presidential Compensation

BACKGROUND

In June 1996, the Board of Trustees adopted a formal policy on presidential compensation that provided for the establishment and maintenance of base level salaries and for performance recognition/retention compensation for the University Presidents and the CSU Chancellor. The base level salaries were to be phased in over a four-year period beginning July 1, 1996.

Adjustments were made in July 2000 to ensure a more consistent maintenance procedure for base salary levels, revising the Performance Recognition/Retention Compensation Fund to include a deferred compensation component and, to provide an incentive for achieving critical, measurable goals. A technical adjustment was made in 2001 to clarify the disposition of Performance Recognition/Retention funds not awarded in a particular fiscal year.

At the recommendation of the Executive Committee the compensation policy is reviewed every four years to determine if further adjustments are required.

Also, in July 1998, the Board of Trustees adopted a policy (BR #98-49) designed to encourage institutional advancement by recognizing that the implementation of university development plans designed to achieve endowment gifts that would be eligible for matching grants from the state might well require presidents to devote additional time and effort to institutional advancement. The policy accordingly acknowledged the need for reallocation of administrative functions within each university to enable the president to engage in this endeavor, and it authorized the expenditure of funds to support the effort.

In addition, the Board determined in BR #98-49, in order to implement the mandate of the Board of Trustees to increase endowments from contributions from the private sector, and to realize the best return from the investment of the president’s time and effort, to provide sufficient funds to ensure that discussions with potential donors occurred in an appropriate atmosphere conducive to giving. In view of the fact that the System did not provide homes for the presidents, the Board decided that the universities and the system office should provide their respective presidents and the chancellor with an annual unvouchered development expense fund in the amount of $15,000, to permit advancement activities to occur in a congenial setting chosen by that officer, such as the home of the president or an appropriate club. To provide flexibility, the annual sum was authorized to be used at the sole discretion of the president or chancellor for any goods or services. It was subject to all normal withholding, with the payments treated as ordinary income, but it was not considered as part of base salary for the purpose of computing compensation increases. The amount came from operating funds of the respective unit.
ANALYSIS

In the fall of 2003, the Executive Committee determined that with the approaching appointment of two new presidents it would be advantageous to review the compensation policy. Subsequently, a compensation consultant was engaged to advise and assist in the review. Mr. Ray Cotton, ML Strategies, LLC, was highly recommended by several higher education national organizations.

Mr. Cotton collected and analyzed current data from peer systems and universities in order to review the compensation range of their presidents, including salary and benefits provided and identified possible options for modification to the current deferred compensation plan for presidents and the chancellor. Recommendations were made to the Executive Committee in June 2004.

The proposed revision to the policy includes the elimination of differential compensation for incoming presidents of the two smaller institutions and clarifies the compensation policy for interim appointments.

The current base salaries and annual increase percentage for the presidents and the chancellor were found to be within market, based on comparison with peer institutions. Therefore, no change in current policy is recommended.

Mr. Cotton’s survey of peer systems and peer universities found that almost all universities like those within the CSU System provide either a home or a housing allowance – generally set at $25,000 – to their presidents. CSU provides neither, as noted above, but the development expense fund is designed to ensure that one of the purposes of providing a home or a housing allowance – to provide an appropriate venue for advancement activities – is satisfied.

However, the amount of the annual development expense fund has not been increased since 1998. Experience has demonstrated that the amount allocated to the development expense fund has not been sufficient to cover the expenditures associated with institutional advancement activities. Moreover, inflation has eroded some of the purchasing power of the development expense fund since the time of its institution.

Accordingly, the policy concerning presidential compensation is being adjusted to incorporate reference to the development expense fund. And to ensure that the amount of the fund reflects both current needs and resources, it is recommended that the amount of the fund should be determined by the Executive Committee of the Board.

The Executive Committee is also considering changes to the investment management of the deferred compensation plan, but because policy already gives the Executive Committee the power to direct how this plan is invested, it is not believed that a change in policy is required.
In coming months, the Executive Committee will be considering the adoption of personnel policies that relate only to presidents and the chancellor. The Committee may also consider whether to maintain the current practice of appointment of these personnel through letters of appointment, or whether the employment of these individuals might be better defined through the use of contracts that implement the provisions of this policy.

RECOMMENDATION

Revise the Policy and Procedures for Compensation for the CSU Chancellor and the University Presidents.