



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION, INFORMATION OR DISCUSSION

TOPIC: Review of Board Policy on Review of Contracts for Highly Compensated Personnel (VII-10.0)

COMMITTEE: Committee on Organization & Compensation

DATE OF COMMITTEE MEETING: March 21, 2014

SUMMARY: Policy VII-10.0 was established in December 2005. Although institutional presidents have the authority to “appoint, promote and set salaries (and terminate) institutional personnel, the Board felt that its responsibility managing the USM required some systematic review of contracts for highly compensated individuals. The policy mandates attorney general review of a contact before execution with the expectation that our attorney general representative will communicate any concerns to the Chancellor prior to the contract’s signing. There are three conditions for review: salary exceeding that of the institutional president; multi-year provision; and any post severance or deferred compensation agreement beyond the normal retirement benefit.

The Committee has reviewed numerous contracts since the policy’s inception, all in a post audit review. The Committee has made recommendation for future such contracts based on these reviews. which the Chancellor has then discussed with the president.

The committee has discussed the effectiveness of the policy in the past, as well as institutional compliance with the policy.

Attached is suggested modification to the policy which strengthens the review from the attorney general’s office to include concerns beyond the legal sufficiency standards and also mandates that each institution certifies compliance with the policy by communicating with the Chancellor’s Office annually.

ALTERNATIVE(S): Committee can reject changes or suggest other language

FISCAL IMPACT: None

CHANCELLOR’S RECOMMENDATION: Chancellor recommends suggested changes.

COMMITTEE ACTION: recommended for approval

DATE: March 21, 2014

BOARD ACTION:

DATE:

SUBMITTED BY: Katie Ryan, Chancellor’s Office, 301-445-1903

VII-10.0 - Policy on Board of Regents Review of Certain Contracts and Employment Agreements (Approved by the Board of Regents 12/9/05, amended February 10, 2006 and April 11, 2014.)

PURPOSE AND AUTHORITY

Under §12-109(e) of the Education Article, Annotated Code of Maryland, the president of each institution has the authority and responsibility to "appoint, promote, fix salaries, . . .assign duties and terminate personnel." This authority is "subject to the authority and applicable regulations and policies of the Board of Regents". §12-109(e). The Chancellor has similar authority to appoint staff of the University System of Maryland (USM). §12-108(c).

It is the expectation of the Board of Regents that the Chancellor and the Presidents will establish compensation that is competitive to attract the best qualified applicants to the USM and its institutions, but is not excessive in comparison to the compensation for similar positions at peer institutions.

As part of its responsibility for the management of the USM, the Board of Regents adopts the following policy to ensure the systematic review of all contracts for highly-compensated personnel entered into by the USM and its institutions.

SCOPE

This policy shall apply to all contracts, including appointment letters and contract amendments, for institution officers, academic administrators at the level of dean or director or above, other administrators and athletic personnel that contain any of the following provisions:

1. A term of more than one year, with a provision providing severance compensation or leave in excess of standard severance compensation or earned leave pursuant to USM policies;
2. An annual total compensation package that exceeds the annual total compensation package of the institution's president or the Chancellor (Total compensation shall include: a) salary; b) other allowances, performance and other contingent bonuses, revenues, or other benefits that must be declared as taxable income according to Internal Revenue Service rules and regulations; and c) deferred compensation contributions in excess of the standard and optional retirement benefits offered routinely to USM and institution personnel.); or
3. A deferred compensation benefit in excess of the standard and optional retirement benefits offered routinely to USM and institution personnel.

Revisions in the terms of employment due solely to cost of living adjustments (COLA) or merit increases within the range of other institution employees, or other changes in the terms and conditions of employment which apply to a broad category of institution employees shall not require an additional review under this Policy for matters which have previously been reviewed.

BOARD OF REGENTS REVIEW

Before a contract is executed, it must be submitted to the Office of the Attorney General for review and approval for legal form and sufficiency, with a copy provided to the Chancellor. The Office of the Attorney General shall communicate any significant legal concerns with the draft contract to the institution's president and the Chancellor. The Chancellor shall communicate any significant concerns, legal or otherwise, to the Chair of the Committee on Organization and Compensation. The President shall consult with the Chancellor about any legal or other concerns before the contract is executed. Within two business days after executing a contract subject to this policy, the President must submit it to the Chancellor for Board of Regents review for informational purposes. The review will be conducted by the Committee on Organization and Compensation. The President of the institution will be informed by the Chancellor of any questions or concerns arising from the Board of Regents review of the executed agreement. The Chancellor must submit any contracts subject to this policy for USM personnel to Office of the Attorney General (with a copy to the Chair of the Committee on Organization and Compensation) and to the Board of Regents for

similar review.

Not later than September 1 of each year, the President of each institution shall certify in writing to the Chancellor that the institution has complied with this Policy for every contract of the institution covered by the Policy which was executed in the previous fiscal year. The Chancellor shall report to the Board that such certifications have been received, as well as any non-compliance in either the certification or the contract review process. Not later than September 1 of each year, the Chancellor shall certify in writing to the Board of Regents that USM has complied with this policy for every contract for USM personnel covered by this Policy which was executed in the previous fiscal year.