



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: Information/discussion

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 Contracts for Highly-Compensated Personnel
(Approved by the Board of Regents 12/9/05, amended February 10, 2006.)

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 senior administrators and senior 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;
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.

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. The Office of the Attorney General

~~may shall~~ communicate any significant legal concerns with the draft contract and any concerns with the provisions within this policy, including the level of compensation to the institution's president and the Chancellor. If any concerns are raised by the Office of the Attorney General, the President shall consult with the Chancellor about these any such concerns before the contract is executed. Within two business days after ~~entering executing in~~ 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 Chairman. 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 the Attorney General and to the Board of Regents for similar review.

The Chancellor and the President of each institution shall certify annually in writing to the Chancellor's Office that they have submitted any applicable contracts for review and approval pursuant to this policy.