

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Sibson Consulting Report on Executive Compensation and Governance

COMMITTEE: Organization and Compensation

DATE OF MEETING: August 22, 2017

SUMMARY: Sibson Consulting completed their report to the USM on Executive Compensation and Governance. The Committee on Organization and Compensation will vote on whether to accept the report. The vote to accept the report does not necessarily mean that the Committee agrees with all provisions and recommendations in the report.

ALTERNATIVE(S): The Committee could not accept the report or they could request further changes to the report.

FISCAL IMPACT: No direct fiscal impact at this time.

CHANCELLOR'S RECOMMENDATION: The Chancellor recommends that the Committee accept the report from Sibson Consulting on Executive Compensation and Governance.

COMMITTEE ACTION: DATE: August 22, 2017

BOARD ACTION: DATE:

SUBMITTED BY: Janice Doyle, idoyle@usmd.edu, 301-445-1906

University System of Maryland

EXECUTIVE COMPENSATION AND GOVERNANCE

**Report of Assessment Findings and
Recommendations**

June 8, 2017

Introduction and Project Purpose

The University System of Maryland (“USM”) engaged Sibson Consulting (“Sibson”) to perform a comprehensive assessment of the executive compensation and governance practices for the System Chancellor and Presidents. Our analyses cover the following areas:

- **Peer Group of Comparable Institutions:** Developed groups of similar institutions for each executive to ensure a suitable comparison market for executive compensation
- **Market Analysis for Chancellor and President Compensation:** Assessed executive compensation levels and practices, including:
 - Base salary
 - Bonus/incentives
 - Retirement and deferred compensation
 - Perquisites
- **Governance and Oversight of Executive Compensation:** Reviewed and provided commentary on USM oversight practices, including
 - Contracts and employment agreements
 - Goal Setting and Executive Evaluation
 - Presidential Recruitment and Selection
 - Governance Tools and Process

This report provides the Committee an analysis of the competitive marketplace of similar public institutions and a series of directional recommendations for its consideration.

Presidential Interview Themes

As part of the assessment, we met with each executive to understand their perspectives on executive compensation and governance. Below is a thematic summary of our findings:

- **Overall Findings:** Presidents shared a variety of opinions regarding pay satisfaction, market competitiveness, and components of pay. While some Presidents were satisfied with their overall compensation packages, several mentioned that USM's approach to executive compensation was "antiquated" and "vanilla."
- **Pay Competitiveness:** There was a wide variety of perceptions regarding pay competitiveness. Several Presidents felt their compensation packages were competitive; others felt some elements (e.g., base salary) were competitive, while others (e.g., deferred compensation) were lacking, and still others believed all aspects of their compensation package were below market. Additionally, many stated while starting compensation may be competitive, USM loses ground versus the market over time.
- **Understanding and Transparency of Compensation:** While several Presidents were able to infer aspects of the compensation philosophy, peer groups, and how pay decisions are made, there was a general lack of understanding of the executive compensation approach employed by the System and a desire for additional transparency and communication of design and decision-making rationale.
- **Incentives:** There was no consensus regarding the potential efficacy for performance-based incentives (i.e., some strongly supported them, while others believed them to be unnecessary or a distraction). Those that desired such a component felt that it was a way to reward true performance when salary budget increases were low.
- **Deferred Compensation:** Many Presidents desired the inclusion of a deferred compensation vehicle in the total compensation package. There was an understanding that a few past Presidents had received deferred compensation, which has led to dissatisfaction with the inconsistency (i.e., not every President received deferred pay at time of hire). Many felt this was a significant gap versus the market.

Presidential Interview Themes *continued*

- **Goal Setting and Evaluation:** Among Presidents, there was general satisfaction with the current process:
 - Satisfaction with the flexibility and autonomy that allows Presidents to develop their own goals in their preferred format. While viewed as positive by most Presidents, the individualized formats and differing level of detail among the twelve Presidents increases the time required for review, evaluation, and calibration within the System office.
 - Mid-year reviews (i.e., status updates, typically conducted via email / phone) and end-of-year performance evaluations were generally perceived to be frank and productive.
 - In most cases, compensation outcomes are provided via e-mail or a letter. Some Presidents desired a face-to-face meeting with the Chancellor to receive and discuss feedback. That said, Presidents generally felt the Chancellor was available, if needed.
 - Those that have undergone a five-year review have found it a constructive process, with no recommendations for changes.

Key Terms and Definitions

Key Compensation Terms Used Throughout This Report:

- **Total Cash Compensation (TCC):** Reflects the sum of base salary and bonus / incentive compensation
- **Total Remuneration (TR):** Reflects the sum of total cash compensation and retirement and deferred compensation
- **Percentile:** Reflects a competitive position within the group. A percentile is a measurement indicating the relative positioning within a group of observations. For example:
 - The 20th percentile is the value below which 20% of the observations may be found
 - If a value is at the 86th percentile, it is higher than 86% of the data points



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- 2. Compensation Peer Groups
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Today's Higher Education Executive Compensation Environment

To set the context for the assessment findings, it is helpful to understand current executive compensation trends and issues being discussed among boards and leadership teams.

- **Competitive Market Intelligence:** Increased demand for data and analysis frequency; many institutions experiencing “survey fatigue”
- **Peer Groups:** Debate on appropriate comparison markets for talent (e.g., size, geography, and appropriate criteria)
- **Pay Levels:** Rising executive pay levels driven by competitive markets for talent, increased pay transparency¹, and broader market practices in the private sector
- **Pay Vehicles:** Increasingly complex plan designs/contracts (e.g., incentives, deferred compensation/SERPs, post termination arrangements)
- **Performance Management:** More rigorous goal setting and performance management approaches/discussions
- **Governance:** Examination of, and changes to, Board/Compensation Committee governance practices and tools
- **Optics:** A vigilant focus on optics and how programs will be perceived, both within the institution and externally
- **Succession Planning:** Exploration of succession planning practices. *Note: few institutions have formalized succession planning approaches*

¹ While counterintuitive, greater transparency of compensation frequently leads to increasing pay levels across the market as leaders strive to be paid at or above the median. It is related to the Lake Wobegon Effect, which is defined as a natural human tendency to overestimate one's capabilities, where all or nearly all of a group claim to be above average.

Key Assessment Findings

- 1. Lack of Consensus Among Presidents:** While Presidents shared a variety of views on compensation and governance, the pervasive theme was the lack of a defined compensation philosophy and desire for greater clarity surrounding decision-making and rationale.
- 2. Aggregate Compensation is Competitive:** In the aggregate, USM's total remuneration for all executive positions is 108% of the market median¹.
- 3. Individual Executive Competitiveness Varies:** Executive pay positioning within their peer groups varies considerably, but the majority are above median, and no executive is below the 25th percentile.
- 4. Incentives are Prevalent, but not Predominant in the Market:** For doctoral institutions, incentive pay is available at ~20-30% of peers; for master's institutions, it is available at ~5-15%. Levels vary significantly.
- 5. Deferred Compensation Appears to be a Function of Institutional Size and Pay:** Deferred pay is more prevalent among institutions with larger operating budgets. As President pay packages tend to be larger within these institutions, there is greater tendency to provide a retention and/or tax-sheltered vehicle.
- 5. Improvements in Governance Tools and Processes Would Serve the System Well:** The System's governance structure of a single Board overseeing all institutions is consistent with most public systems², but also challenging for compensation management and oversight due to the scope of work. The breadth of the System necessitates a more uniform set of tools and approaches to improve the efficiency and quality of governance.

¹ Includes the 11 executive positions which had a custom peer group study; excludes Presidents of UMCES and UMB which relied on published survey data

² Our research shows that of the peers systems included in this study, only Florida and North Carolina have institution-specific boards.

Directional Recommendations

1. **Develop Compensation Philosophy:** Create an executive compensation philosophy that outlines the goals and desired objectives of the executive compensation program, compensation elements, peer group, desired pay positioning, etc. This philosophy should expand on any existing USM policies.
See page 9 for Sibson's compensation philosophy framework
2. **Streamline Goal Setting and Evaluation Approach:** Develop a standard template and process for goal development and performance evaluation to allow for a simpler, quicker assessment. This approach should appropriately balance the Presidents' desire for personalization with the System's needs for greater consistency. Said template may also incorporate scorecard / longitudinal metrics currently used at the System and longer-term strategic planning measurement.
3. **Enhance Governance Tools and Process:** Implement the following best practices in executive compensation oversight:
 - a) Expand and formalize the charter for the Committee on Organization and Compensation. Current responsibilities are outlined in a few bullets in the bylaws.
 - b) Create Chancellor and President tally sheets to provide year-over-year detailed compensation information to Regents in a consistent format.
See page 10 for sample tally sheet
 - a) Develop an annual calendar of key actions required in performance assessment and compensation administration (*either document current state or consider changes to better align with business calendar*).
 - b) Conduct education sessions for the Committee and/or Board on current topics in executive compensation and governance such as governance, performance evaluation, and succession planning (i.e., at a greater level of detail beyond this report)
See Appendix C for illustrations of additional governance tools and frameworks
4. **Conduct Periodic Total Remuneration Reviews:** Supplement annual base salary reviews (of recently developed peer groups) with regular (e.g., triennial) total remuneration assessments to ensure continued market competitiveness of the full compensation package.

Select Governance Frameworks

Elements of a Compensation Strategy

A compensation strategy documents the institution's perspectives/strategy, typically with regard to the following components:

Institutional Alignment	<ul style="list-style-type: none"> • How compensation supports and reinforces the strategic objectives of the institution and its values
Elements of Rewards	<ul style="list-style-type: none"> • What rewards are used, the purpose for each, relative emphasis and eligibility
Comparison Markets	<ul style="list-style-type: none"> • The criteria and rationale used for selecting comparator institutions / organizations to benchmark compensation • The institutions selected, including any custom or unique views
Performance Measurement and Goal Setting	<ul style="list-style-type: none"> • How to measure performance on an institutional and individual basis • The vehicles and processes to use to measure and communicate performance and how they link to compensation outcomes
Compensation Prominence	<ul style="list-style-type: none"> • The relative prominence of pay in the rewards model • The role of pay in attracting and retaining talent versus other factors
Pay Positioning	<ul style="list-style-type: none"> • The target pay positioning relative to the comparison markets (in aggregate and for certain roles if they differ) • The factors influencing individual pay positioning and decision making
Program Administration	<ul style="list-style-type: none"> • Decision-making roles and accountabilities of the Board (as a whole), Compensation Committee, President, executive team, human resources, and others
Communication/ Transparency	<p>The degree of openness in sharing information on pay including:</p> <ul style="list-style-type: none"> • Explanation of compensation strategy • Explanation of compensation program design • Expectations setting • Performance evaluation process and results • Consequences

Select Governance Frameworks

Illustrative Tally Sheet

EXAMPLE OF MULTI-YEAR TALLY SHEET FOR A SINGLE EXECUTIVE

	2010	2011	2012	2013
Base Salary	\$310,000	\$325,000	\$330,000	\$335,000
Bonus and Incentive				
• Performance-Based	\$10,000	\$50,000	—	\$25,000
• Discretionary	—	—	\$25,000	—
• Retention	\$50,000	—	—	—
Other Taxable Cash Compensation				
• Car / Car Allowance	\$10,000	\$10,000	\$12,000	\$12,000
• Medical Waiver	\$5,600	\$6,000	\$6,400	\$6,750
• Sports Tickets	\$2,000	\$2,000	\$2,500	\$3,000
• Moving & Housing	\$20,000	—	—	—
• Imputed Life Insurance Premium	\$560	\$750	\$850	\$975
Total Cash Compensation (TCC)	\$408,160	\$393,750	\$376,750	\$382,725
Retirement & Deferred Compensation				
• Pension / Retirement Contribution	\$31,000	\$32,500	\$33,000	\$33,500
• Deferred Compensation - Set Aside	\$25,000	\$25,000	\$25,000	\$25,000
• Deferred Compensation - Paid	—	—	—	—
Non-taxable Benefits				
• Employer Provided Benefits incl Health, Dental, Life Ins	\$15,650	\$17,550	\$19,675	\$21,675
• Housing	\$36,000	\$36,000	\$40,000	\$40,000
• Club Membership	\$10,000	\$10,000	\$10,000	\$10,000
• Tuition Remission	—	—	—	\$12,500
Total Remuneration (TR)	\$525,810	\$514,800	\$504,425	\$525,400

Committees are increasingly using Tally Sheets to help inform decision making.

Additional Considerations

1. **Explore Use of Incentives and or Deferred Compensation Vehicles:** As part of the development of the compensation philosophy, consider implementation of a/an:

- a) Annual incentive program that is clearly and directly tied to specific institutional performance metrics (which are, in turn, aligned with the goals for the system)
- b) Deferred compensation packages aimed to attract and retain key executives

The use of incentive pay has been increasing across higher education, and we expect this trend to continue for the following reasons:

- Gradual transition to a traditional business-oriented management model
- Financial constraints, competing interests for capital, and the need for efficiency
- An influx of talent from outside of higher education; these leaders are accustomed to variable pay
- Boards of Trustees, many of whom have members with corporate backgrounds, support variable pay
- A desire to increasingly differentiate compensation for the institutions' best performing executives

In our experience, approximately 20-30% of institutions provide incentives to executives. This has risen from 10–20% over the last ten years. Incentives are used more prevalently in private vs. public institutions, and of those institutions that offer incentives, award levels vary widely. As non-profit organizations, the funding of incentives is typically a line item in the budget, as opposed through a financial formula. However, funding may be increased / decreased at year-end based on financial results.

2. **Create Succession Planning Process Across the System:** Succession planning can help alleviate the future expected competition over scarce resources; USM can be proactive and begin developing processes now for incumbent assessment, leadership development, and board measurement / reporting.



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Introduction

- As part of our executive compensation engagement, Sibson developed a set of comparison groups for the System as well as each institution for the express purposes of conducting a compensation market assessment against a suitable group of similar institutions.
- An institution uses peer (or comparison) groups for several reasons, including student and program comparisons and benchmarking institutional performance. A peer group for the purposes of compensation benchmarking may or may not be the same as the group(s) used for other purposes; in many cases, there is some overlap in the institutions selected.
- In our experience, compensation comparison groups have the following characteristics:
 - Include institutions of similar type (i.e., Carnegie Classification) and size (e.g., total expenses, student FTE), within a reasonable and defensible range.
 - Are comprised of at least 20 institutions to ensure sufficiency of data and a representative sample of compensation practices when compared over time.
 - Often include a small group of aspirational institutions to reflect compensation implications related to the institution's future growth.
 - May include additional criteria such as: funding sources, endowment, retention rate, graduation rate, admission yield, student to faculty ratio, number of graduate students, etc.

Peer Group Methodology and Criteria

- Depending on the data source for total remuneration, the goal was to create groups of approximately 20 – 30 peers for USM Doctoral Institutions¹ and 50 – 60 peers for the USM Master's² institutions.
- Comparison groups were limited to public institutions, as well as the same (or similar) Carnegie Classification.
- The criteria used to identify peers included a mix of financial and academic metrics:
 - Total Expenses
 - Total Research Expenses³
 - Tuition and Fees as a % of Revenues
 - Endowment Assets (Year End)
 - Total FTE (Faculty and Staff)
 - FTE Enrollment
 - Student-to-Faculty Ratio
 - Graduation Rate
- Institutions were selected based on:
 - 1. Number of criteria met
 - 2. Currently approved performance peers (even if they did not meet the requisite number of criteria).
- UMUC and UMB methodologies differed somewhat because of the uniqueness of those institutions. Specifically, UMUC includes private not-for-profit peers because there is a limited set of public institutions with a similar profile. UMB criteria includes medical school expenses, rankings, and enrollment.
- UMCES has limited peers. As such, we provided broad published survey benchmarks (base salary only). Ultimately, internal comparisons within USM may be a more appropriate way to establish compensation for the UMCES President.
- The System group (for Chancellor comparison) includes heads of similarly sized systems or leaders of large multi-campus institutions.
- The groups were provided to each executive for review and opportunity for refinement; several executives made modest adjustments to the groups in concert with the System officer.

¹ Source of information is The Chronicle for Higher Education, which surveys large, public Doctoral institutions and systems on an annual basis. UMES is an exception as the peer group is predominantly Master's and will be supplemented by contract data as described.

² Compensation data for this group came from Presidential/Chancellor contracts, which we requested from each comparison institution. As we were not guaranteed to receive contracts from all institutions within the necessary timeframe, the groups are bigger in scope to allow for sufficient comparisons where data was received.

³ Total Research Expenses was not used for Master's institutions.

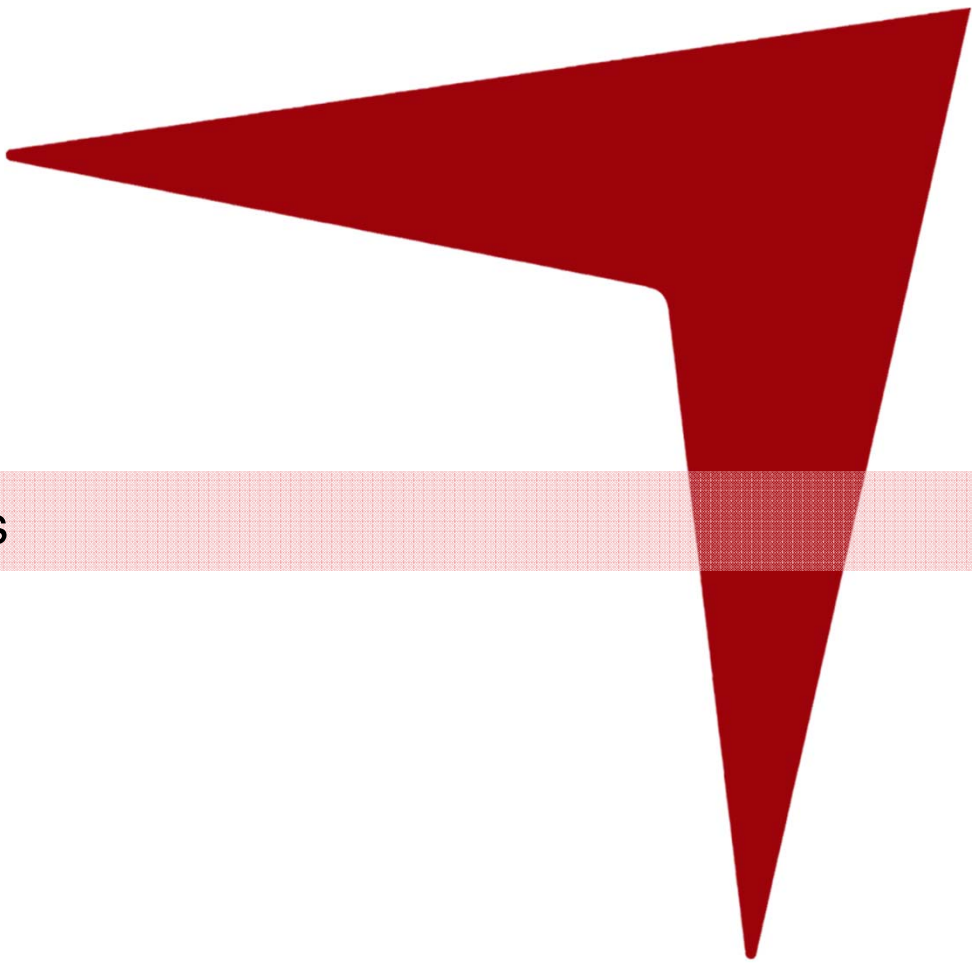
Compensation Peer Group

Average Percent Rank on Institutional Characteristics

University	# of Proposed Peers	# of Peers with Data	Response Rate	Criteria Average Percent Rank
University System of Maryland	24	24	100%	62 nd
University of Maryland, College Park	29	29	100%	45 th
University of Maryland, Baltimore	46	42	91%	48 ^{th1}
University of Maryland, Baltimore County	23	23	100%	30 th
Towson University	47	31	66%	74 th
University of Maryland University College	20	16	80%	63 rd
Salisbury University	47	30	64%	57 th
University of Baltimore	53	35	66%	57 th
University of Maryland Eastern Shore	44	27	61%	41 st
Frostburg State University	57	29	51%	43 rd
Bowie State University	63	33	52%	48 th
Coppin State University	48	25	52%	43 rd

Our expectation was to obtain data for approximately 30% or more of the proposed group.

¹ Denotes percent rank for student enrollment within medical school only.

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Market Assessment Methodology

- Data was gathered from the following sources¹:
 - **Public Master's Peers:** Presidential employment agreements/contracts (publicly available)
 - **Public Doctoral Peers:** The Chronicle of Higher Education
- Peer data was aged to a common date of July 1, 2017 at an annual aging factor of 2.7%²

	Public Master's Peers	Public Doctoral Peers
Compensation Component	Data Source: Employment Agreement / Contract	Data Source: The Chronicle of Higher Education Compensation Database
Base Salary	The most recently available data from employment agreements / contracts or as provided by the institution	Total base salary provided to the chief executive, including compensation from private university-related foundations
Bonus and Incentive Compensation	The most recently available data from employment agreements / contracts; reported maximum opportunity where available	The value of all bonuses and incentive compensation paid out
Retirement and Deferred Compensation	Retirement³: Employer contribution to a defined contribution (DC) or defined benefit (DB) plan <ul style="list-style-type: none"> • DC: Annual employer contribution assuming full match • DB: Estimated annual value calculated using each institution's defined benefit formula and actuarial assumptions for incumbent age, retirement age, salary growth, and interest rate Deferred Compensation: Employer contribution to a deferred compensation plan as detailed in the employment agreement / contract	Payments made by the university on behalf of the chief executive to a retirement plan that is available to any university employee during the fiscal year (can include 401(k) plans, state pension plans, and other retirement plans that are broadly available) <i>plus</i> deferred compensation set aside in the fiscal year covered that is to be paid out in future years (including contributions to supplemental executive retirement plans)
Perquisites (<i>not included in Total Remuneration</i>)	The most recently available data from employment agreements / contracts	Prevalence as reported, with associated values where reported and available

¹ Additional sources of data included: AAMC Dean's Compensation Survey for UMB, CUPA-HR Administrator Salary Survey for UMCES, and IRS Form 990 Filings for UMUC's private peers.

² Source: Sibson's Annual Compensation Planning Survey analyzing salary increase budgets by industry and job classification.

³ Should the institution offer both a DB and a DC plan, if participation in a specific retirement plan was not explicitly stated in the employment agreement / contract, the DC value was used.

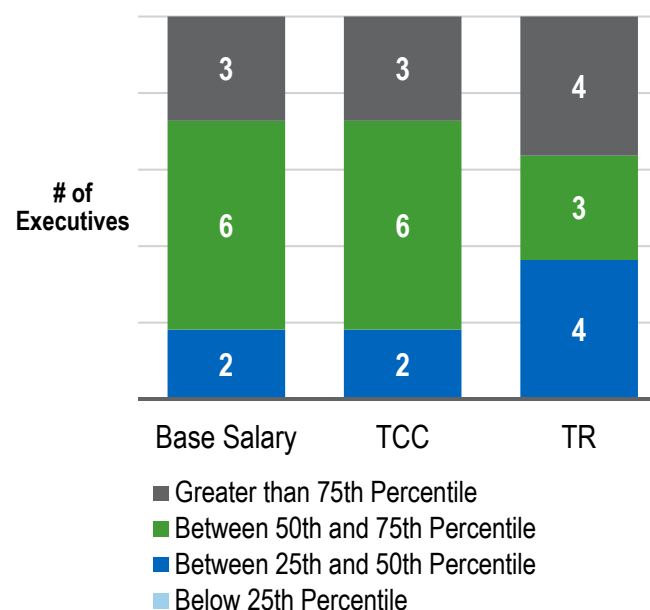
Aggregate Spend and Individual Competitiveness Analysis

The Aggregate Spend Analysis examines total remuneration expenditures among the entire executive team versus that in the peer group. The Distribution of Individual Competitiveness analysis shows how executives are positioned with respect to the 25th and 75th percentiles of the peer group.

USM AGGREGATE SPEND¹

Market Data	Aggregate Spend Data		
	Base Salary	Total Cash Compensation (TCC)	Total Remuneration (TR)
25 th Percentile	\$3,400	\$3,445	\$3,755
50 th Percentile	3,897	4,060	4,519
75 th Percentile	4,626	4,908	5,451
USM Total	\$4,367	\$4,367	\$4,860
USM as % of Mkt 25 th	128%	127%	129%
USM as % of Mkt 50th	112%	108%	108%
USM as % of Mkt 75 th	94%	89%	89%

DISTRIBUTION OF INDIVIDUAL COMPETITIVENESS



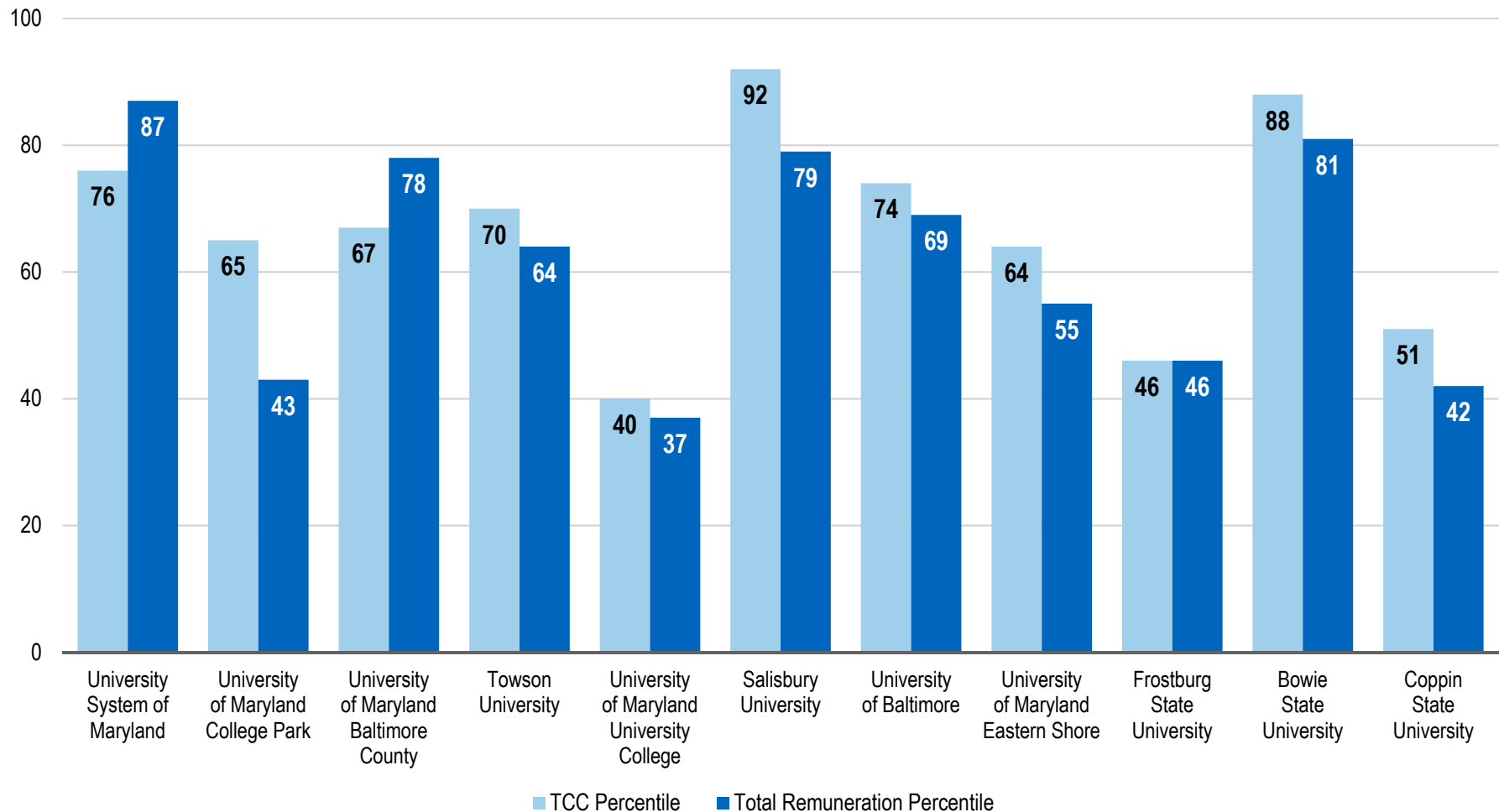
- **Aggregate Spend:** USM's aggregate spend is 112%, 108%, and 108% of the market median for base salary, total cash compensation, and total remuneration, respectively.
- **Distribution of Competitiveness:** With respect to individual executive competitiveness, there are no executives below the 25th percentile. The majority of executives' Base, TCC, and TR are above the market median.

¹ UMB and UMCES are not included in the aggregate analysis as their assessment is conducted using other sources and components.

Percentile Comparison

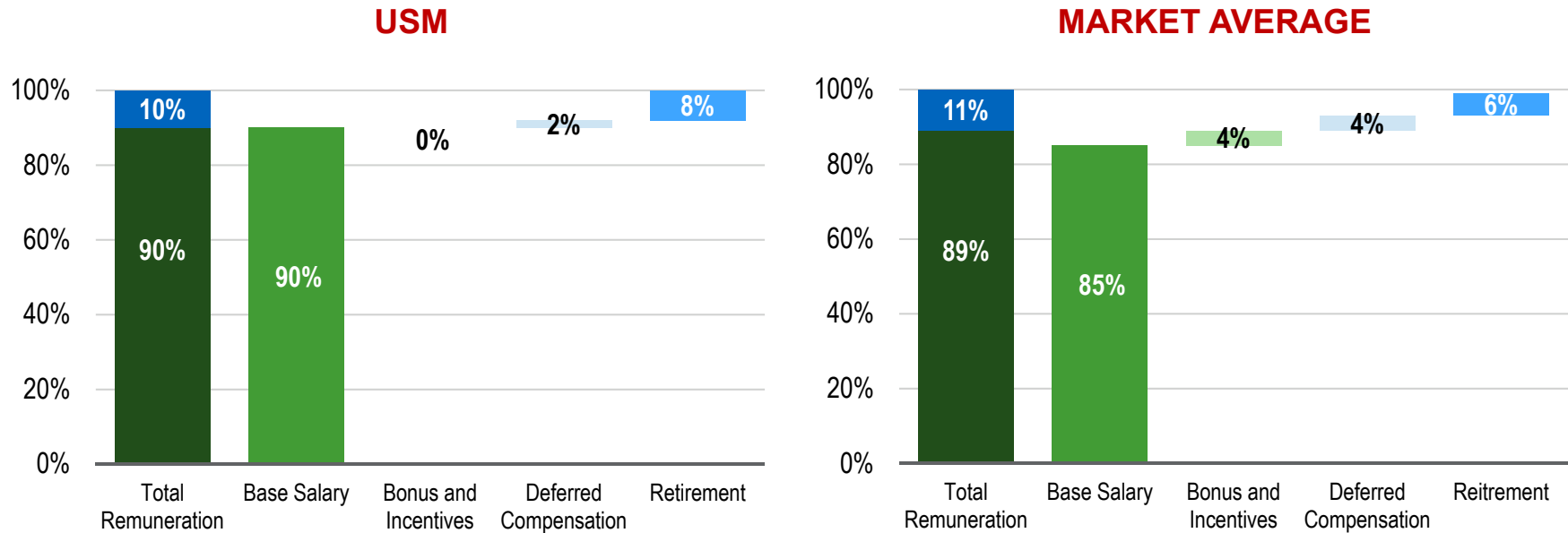
Total Cash Compensation & Total Remuneration

The percentile comparison chart below shows where USM's TCC & TR falls on a percentile basis when compared against their respective peer groups



Pay Mix

USM AND PEER AGGREGATE PAY MIX



- USM's aggregate pay mix is aligned with the market.
- The market offers 4% of total remuneration in bonus and incentive pay, which USM does not currently offer.
- Retirement and Deferred Compensation is in line with the market (10% of total remuneration).

Peer Group Incentive Prevalence

PEER GROUP INCENTIVE PREVALENCE

University	# of Peers with Data	Providing Incentive		Incentive as a Percent of Salary			Incentive Dollar Value		
		N	%	Min	Ave.	Max	Min	Ave.	Max
University System of Maryland	24	6	25%	3%	13%	25%	\$12,148	\$95,940	\$315,017
University of Maryland, College Park	29	8	28%	8%	23%	80%	35,070	176,856	840,045
University of Maryland, Baltimore County	23	6	26%	15%	31%	91%	77,965	164,737	527,365
Towson University	31	5	16%	7%	33%	105%	21,095	132,744	425,948
University of Maryland University College	16	7	44%	10%	44%	117%	35,273	192,590	496,602
Salisbury University	30	2	7%	10%	58%	105%	35,512	230,730	425,948
University of Baltimore	35	1	3%	7%	7%	7%	21,095	21,095	21,095
University of Maryland Eastern Shore	27	4	15%	3%	7%	10%	9,127	23,682	35,406
Frostburg State University	29	2	7%	10%	13%	15%	35,406	41,778	48,150
Bowie State University	33	2	6%	7%	8%	10%	17,461	21,511	25,560
Coppin State University	25	1	4%	9%	9%	9%	26,875	26,875	26,875

- The percentage of peers providing incentives in any given peer group ranges from 3-44%, with prevalence higher for Doctorals and privates (for UMUC).
- In our experience, roughly 20-30 percent of large and complex institutions use incentives broadly among the executive team, although the trend is increasing.
- Incentive prevalence is driven primarily through select institutions/systems that broadly offer incentives among their executives.

Peer Group Deferred Compensation Prevalence

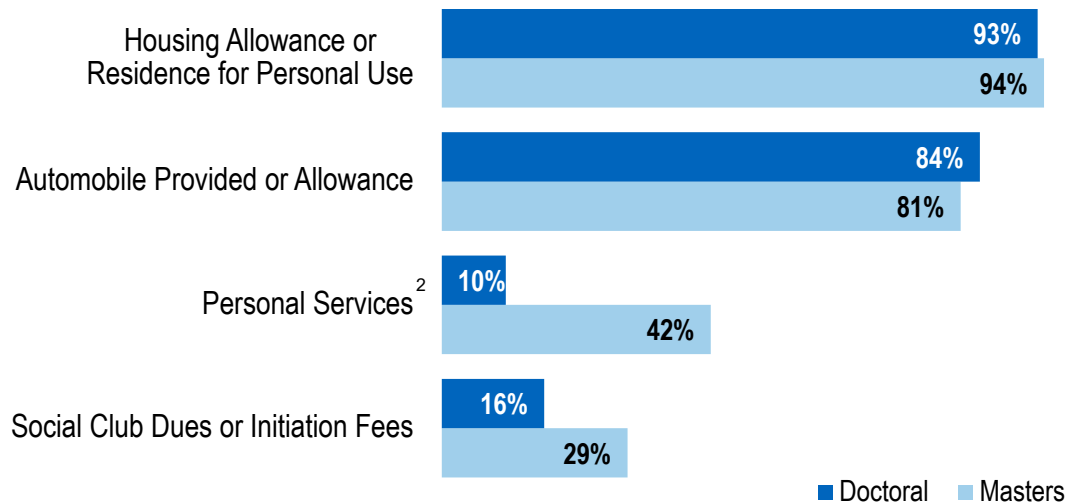
PEER GROUP DEFERRED COMPENSATION PREVALENCE

University	# of Peers with Data	Providing Deferred Compensation		Deferred Compensation Dollar Value		
		N	%	Min	Ave.	Max
University System of Maryland	24	10	42%	\$22,413	\$128,535	\$420,022
University of Maryland, College Park	29	13	45%	26,368	152,274	439,470
University of Maryland, Baltimore County	23	8	35%	10,090	45,568	126,564
Towson University	31	10	32%	15,175	44,348	88,799
University of Maryland University College	16	5	31%	23,515	36,108	53,317
Salisbury University	30	8	27%	20,268	39,436	81,445
University of Baltimore	35	5	14%	20,268	28,661	50,862
University of Maryland Eastern Shore	27	4	15%	21,001	46,779	63,900
Frostburg State University	29	2	7%	21,049	32,520	51,354
Bowie State University	33	2	6%	10,827	42,099	76,604
Coppin State University	25	1	4%	10,827	22,599	28,362

- The percentage of peers providing deferred compensation in any given peer group ranges from 4-45% and decreases relative to total expenses.
- The higher a President's compensation package is, the more likely they are to have a deferred compensation element aimed at retention and/or tax-sheltering a portion of pay.
- The greatest percentage of peers providing deferred compensation was seen in the UMCP peer group, which also had the highest dollar amount provided.

Peer Group Perquisite Prevalence

PREVALENCE OF PERQUISITES *Percent of Systems / Institutions Providing*



This study excludes the value of taxable benefits and perquisites beyond those listed here as the data are not collected by The Chronicle of Higher Education, however, additional executive perquisites in the market include:

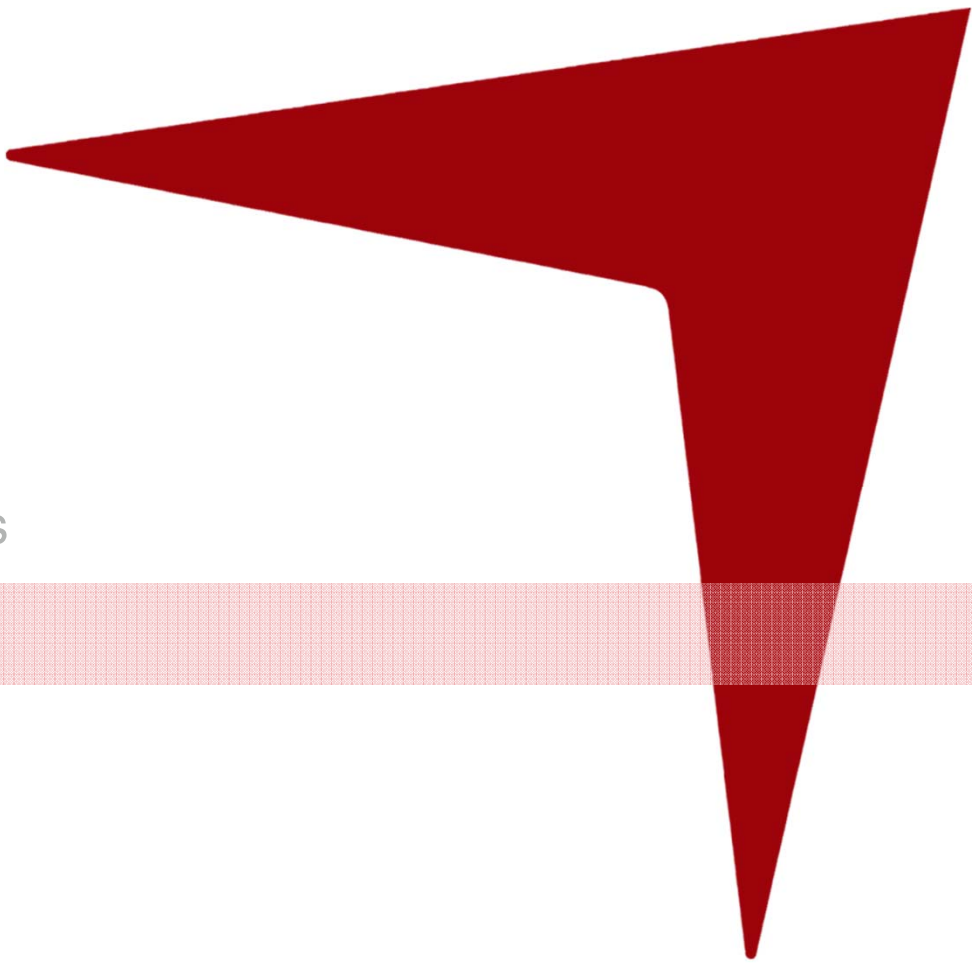
- Executive physicals
- Sports tickets/suites
- First class and/or spousal travel
- Financial/estate planning services
- Sabbaticals¹

VALUE OF PERQUISITES

Perquisite	Doctoral			Master's		
	25 th	Median	75 th	25 th	Median	75 th
Housing Allowance	\$31,000	\$49,000	\$53,000	\$20,500	\$33,000	\$50,500
Automobile Allowance	8,500	9,000	11,500	8,000	11,000	12,000

¹ President sabbaticals are most frequently used in coordination with a retirement and/or end of term, often in tandem with a faculty appointment. Of the 115 contracts surveyed by a George Mason University professor, nearly half offered post-presidential sabbaticals (Source: "Big Perks for College Presidents," June 17, 2016, Wall Street Journal). The prevalence of sabbaticals in the contracts that we reviewed for master's institutions was 32%.

² Data for the master's was gathered from our contract review. Based on our experience, we believe doctoral institutions have a higher prevalence than what is reported by the Chronicle.

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Introduction

This section provides a summary of USM practices, market practices and trends, as well as any gaps and recommendations in the following areas:

- Contracts and Employment Agreements
- Goal Setting and Executive Evaluation
- Presidential Recruitment and Selection
- Governance Tools and Process

Contracts and Employment Agreements

- In order to obtain data from the public master's institutions, Sibson gathered contracts, employment agreements, and compensation data from peer institutions. The table below shows the prevalence of contracts vs. employment agreements from the documents we received:

Type of Document	Percent of Institutions
Contract: A legal document detailing terms and conditions of employment, compensation as well as severance provisions	47%
Employment Agreement: A letter that describes the compensation package provided to the executive along with other terms of employment; employment is generally "at will"	53%

Typically, larger and more complex institutions tend to have formal contracts.

Goal Setting and Executive Evaluation

USM Practice	Market Practice / Trends
<ul style="list-style-type: none"> • Committee on Organization & Compensation is responsible for overseeing Chancellor's annual performance evaluation • The Chancellor presents to the Committee his performance evaluation of each President • Goals (aligned with system priorities) are developed by Presidents at the beginning of each fiscal year and are reviewed and agreed upon by the Chancellor • Goal setting formats and details are generally left to the Presidents' discretion and practices vary greatly • Mid-year reviews are conducted, primarily via reports and e-mail; meetings are held when needed or requested • Presidents develop end-of-year reports on goal achievement; feedback provided via in-person meetings • System staff spend considerable time consolidating and summarizing Presidential reports of varying length and detail, for review / presentation to the Committee • USM also conducts a review of a President's first five years, which includes a Presidential self-assessment and outside reviewers 	<ul style="list-style-type: none"> • Variety of practices exist today, from formal to informal, and with varying degrees of efficacy • Two components: <ul style="list-style-type: none"> – <i>Annual Review</i>: A streamlined, annual assessment of performance against goals that takes 1–2 months to complete – <i>Comprehensive Review</i>: Holistic assessment of longer-term performance against strategic objectives that is conducted less frequently (e.g., every 3–5 years), typically 1-year prior to the renewal of the executive's contract • The format and structure of assessment is influenced by variables such as Board structure, Chancellor/President leadership style, longevity in office, and institutional culture • Components of executive evaluation typically include goal setting, self-assessment, evaluation, and communication of feedback and results. • Annual goals are tied to long-term strategic plan and then cascade down the organization • Formal ratings are unusual, but do exist at some institutions • Executive performance assessment will continue to become more sophisticated, especially as the use of incentive pay increases (i.e., requires goal setting and measurement)
Recommendations / Considerations <ul style="list-style-type: none"> • While the goal setting and evaluation process works for the Presidents, a significant amount of time is spent at the System office gathering performance and goal data, writing reports and memos, and summarizing institutional performance • Developing a standard framework for goal setting and reporting, while allowing for institution-specific metrics, creates consistency across the System and decreases the time required to aggregate and evaluate performance • Format should incorporate System-wide goals, campus specific goals, System scorecard metrics, and potentially behaviors and competencies 	

Presidential Recruitment and Selection

USM Practice	Market Practice / Trends
<ul style="list-style-type: none"> • Presidential search process is governed by USM “Guidelines for the Selection of Presidents,” which follows common practices in higher education • Presidential recruitment and selection is split up into three main phases: <ol style="list-style-type: none"> 1. Once need arises, USM solicits proposals from external search firms and forms search committee; begins to engage community to understand desired prospective President characteristics 2. Committee selects search firm who develops leadership profile and recommends 8-10 candidates; town hall meetings held to hear from constituent groups; committee narrows candidates to 3-4 and prepares report for Board review 3. Committee presents report to the Board; search firm completes background/reference checks; top candidates are interviewed and one is selected by the BOR 	<ul style="list-style-type: none"> • Significant number of Presidents approaching retirement age, making it more difficult to find qualified candidates and increasing the cost of hire • Predisposition to conduct external searches, but increasing openness to succession planning • Succession planning is an emerging practice designed to: <ul style="list-style-type: none"> – Develop talent from within and retain key leaders – Promote continuity / ensure a smooth transition – Ensure cultural fit and alignment • Succession planning is a formal process – a collaborative effort with the Chancellor/President, HR, Board and other stakeholders. It includes leadership assessment, development planning / coaching, and metrics and/or dashboards to assess “bench strength” • Increasing acceptance, and even desire for, non-traditional candidates (i.e., outside higher education) by Boards, but not faculty • Potential use of personality assessments to identify candidates that most closely align with institutional values and traits shown to result in leadership and business success
Recommendations / Considerations <ul style="list-style-type: none"> • Ensure proper composition of search committee that can create an honest relationship with the institution’s constituent groups • Succession planning can help alleviate the expected competition over scarce resources; USM can be proactive and begin developing processes now for future leaders 	

Governance Tools and Process

Market Practice / Trends¹

- As the scrutiny over executive compensation has increased, so has governance oversight
- Institutions adopting practices employed by public/private companies, and customizing them for unique Higher Education environment
- Best practices include:
 - Executive compensation philosophy
 - Compensation Committee charter / operating guidelines / decision rights
 - Annual calendar and standing agendas
 - Tools: tally sheets, total compensation statements, benchmarking analysis, etc.
- Additional emerging practices and areas garnering attention:
 - Succession planning
 - More stringent Presidential assessment processes
 - Committee member onboarding and education

Recommendations / Considerations

- Explore implementing best practices in executive compensation governance, including a pay philosophy, expanded charter, annual calendar and tally sheets.
- Conduct regular review of total remuneration (which can be made easier by use of tools such as tally sheets or total compensation statements)

¹ See Appendix C for a sample of select tools and governance frameworks.



5. Appendix

A. Compensation Peer Groups

B. Market Assessment Detailed Results

C. Select Governance Frameworks



A. Compensation Peer Groups

Doctoral and Non-Master's Institutions

University System of Maryland	University of Maryland, College Park	University of Maryland, Baltimore County
<ul style="list-style-type: none"> • Arizona Board of Regents • California State University • City University of New York • Kansas State University System • Mississippi Institutions of Higher Learning • Pennsylvania State System of Higher Education • Rutgers University • State University of New York System • State University System of Florida • Texas A&M University System • The Ohio State University • The State University and Community College System of Tennessee • The University of Texas System • University of California • University of Colorado • University of Illinois Board of Regents • University of Massachusetts • University of Michigan • University of Minnesota • University of North Carolina • University of Washington • University of Wisconsin System • University System of Georgia • Utah System of Higher Education 	<ul style="list-style-type: none"> • Georgia Institute of Technology—Main Campus • Indiana University-Bloomington • Iowa State University • Michigan State University • Ohio State University—Main Campus • Pennsylvania State University-Main Campus • Purdue University—Main Campus • Rutgers University—New Brunswick • Texas A & M University—College Station • University of Arizona • University of California—Berkeley • University of California—Davis • University of California—Irvine • University of California—Los Angeles • University of California—San Diego • University of Georgia • University of Illinois at Urbana-Champaign • University of Iowa • University of Kansas • University of Michigan—Ann Arbor • University of Minnesota—Twin Cities • University of Missouri—Columbia • University of North Carolina at Chapel Hill • University of Pittsburgh—Pittsburgh Campus • The University of Texas at Austin • University of Virginia—Main Campus • University of Washington—Seattle Campus • University of Wisconsin—Madison • Virginia Polytechnic Institute and State University 	<ul style="list-style-type: none"> • George Mason University • Georgia State University • Miami University—Oxford • Montana State University • New Jersey Institute of Technology • New Mexico State University—Main Campus • North Carolina State University at Raleigh • North Dakota State University—Main Campus • South Dakota State University • SUNY at Albany • SUNY at Binghamton • The University of Montana • University of Alabama in Huntsville • University of California—Riverside • University of California—Santa Cruz • University of Idaho • University of Maine • University of Massachusetts—Lowell • University of Nevada—Reno • University of North Dakota • University of Rhode Island • University of Southern Mississippi • Wichita State University

A. Compensation Peer Groups

Doctoral and Non-Master's Institutions continued

University of Maryland Eastern Shore	University of Maryland University College	University of Maryland, Baltimore	
<ul style="list-style-type: none"> Alabama A & M University California State University—Bakersfield Clarion University of Pennsylvania Edinboro University of Pennsylvania Fayetteville State University Grambling State University Lock Haven University Morehead State University Morgan State University New Jersey City University North Carolina A & T State University North Carolina Central University Northwestern State University of Louisiana Southwestern Oklahoma State University SUNY College at Plattsburgh SUNY College of Environmental Science and Forestry Tarleton State University Tennessee State University Texas A & M International University Texas A & M University—Corpus Christi Texas A & M University—Kingsville Texas Southern University University of Illinois at Springfield University of North Carolina at Pembroke University of Southern Maine Winston-Salem State University Winthrop University 	<ul style="list-style-type: none"> Bellevue University Charter Oak State College Columbia College Concordia University—Saint Paul Davenport University Excelsior College Indiana Wesleyan University-Marion Keiser University-Ft Lauderdale Liberty University National University Nova Southeastern University Saint Leo University Southern New Hampshire University Southwestern College Thomas Edison State University Western Governors University 	<ul style="list-style-type: none"> Augusta University Michigan State University Ohio State University—Main Campus Oregon Health & Science University Stony Brook University SUNY Downstate Medical Center Temple University Texas Tech University Health Sciences Center The University of Tennessee—Health Science Center The University of Texas Health Science Center at Houston The University of Texas Health Science Center at San Antonio The University of Texas Medical Branch University at Buffalo University of Alabama at Birmingham University of Arizona University of Arkansas for Medical Sciences University of California—Davis University of California—Irvine University of California—Los Angeles University of California—San Diego University of California—San Francisco University of Central Florida University of Cincinnati—Main Campus University of Colorado Denver/Anschutz Medical Campus 	<ul style="list-style-type: none"> University of Florida University of Iowa University of Kentucky University of Louisville University of Massachusetts Medical School Worcester University of Michigan—Ann Arbor University of Minnesota—Twin Cities University of New Mexico—Main Campus University of North Carolina at Chapel Hill University of Oklahoma—Health Sciences Center University of Pittsburgh—Pittsburgh Campus University of South Florida—Main Campus University of Texas Southwestern Medical Center University of Toledo University of Utah University of Vermont University of Virginia—Main Campus University of Washington—Seattle Campus University of Wisconsin—Madison Upstate Medical University Virginia Commonwealth University West Virginia University

A. Compensation Peer Groups

Master's Institutions

Institution Name	Bowie State University	Coppin State University	Frostburg State University	Salisbury University	Towson University	University of Baltimore
Adams State University		X				
Alabama A & M University	X					
Alabama State University	X					
Albany State University	X	X	X			
Angelo State University	X					
Appalachian State University					X	
Armstrong State University	X					
Austin Peay State University	X					
Bloomsburg University of Pennsylvania				X		
Bridgewater State University			X	X		
California Polytechnic State University—San Luis Obispo					X	
California State Polytechnic University—Pomona					X	
California State University—Bakersfield	X					
California State University—Channel Islands		X				
California State University—Chico					X	
California State University—East Bay					X	X
California State University—Long Beach					X	
California State University—Monterey Bay		X				
California State University—Northridge			X		X	
California State University—San Marcos		X				
California State University—Stanislaus	X		X			X
Charter Oak State College						
Clarion University of Pennsylvania			X			X
Clayton State University	X					
Colorado State University—Pueblo	X					
Columbus State University				X		X
East Stroudsburg University of Pennsylvania	X					X
Eastern Kentucky University					X	
Eastern Oregon University	X					
Eastern Washington University					X	X

A. Compensation Peer Groups

Master's Institutions continued

Institution Name	Bowie State University	Coppin State University	Frostburg State University	Salisbury University	Towson University	University of Baltimore
Edinboro University of Pennsylvania			X			X
Elizabeth City State University		X				
Emporia State University				X		X
Fairmont State University	X	X				
Fayetteville State University		X				
Fitchburg State University	X		X			
Florida Gulf Coast University					X	
Fort Hays State University				X		X
Fort Valley State University	X	X				
Framingham State University			X	X		X
Georgia College and State University				X		X
Governors State University		X				
Grambling State University	X	X				
Grand Valley State University					X	
Humboldt State University	X	X	X			
Kean University			X		X	
Kutztown University of Pennsylvania				X		
Lock Haven University						X
Mansfield University of Pennsylvania		X				
Marshall University					X	
McNeese State University						X
Metropolitan State University	X					
Millersville University of Pennsylvania				X		
Minnesota State University Moorhead	X		X			X
Minnesota State University—Mankato					X	
Missouri State University—Springfield				X	X	
Morehead State University			X			
Murray State University				X		X
New Jersey City University	X					X
New Mexico Institute of Mining and Technology		X				X

A. Compensation Peer Groups

Master's Institutions continued

Institution Name	Bowie State University	Coppin State University	Frostburg State University	Salisbury University	Towson University	University of Baltimore
Nicholls State University	X					X
North Carolina Central University	X		X			X
Northern Kentucky University					X	
Northwest Missouri State University				X		X
Northwestern State University of Louisiana	X					X
Pittsburg State University						X
Plymouth State University			X			
Ramapo College of New Jersey				X		
San Jose State University					X	
Savannah State University	X	X				
Shippensburg University of Pennsylvania			X	X		X
Slippery Rock University of Pennsylvania				X		
Sonoma State University			X	X		
Southeast Missouri State University				X		X
Southeastern Oklahoma State University	X	X	X			
Southern Arkansas University Main Campus	X	X				
Southwestern Oklahoma State University	X		X			
Stephen F Austin State University				X	X	X
Stockton University				X		
Sul Ross State University		X				
SUNY College at Geneseo		X				
SUNY College at Plattsburgh			X			
Tarleton State University						
Texas A & M International University						X
The College of New Jersey				X		
The University of Tennessee—Martin			X			X
The University of Texas of the Permian Basin	X	X				
Thomas Edison State University						
University of Alaska Anchorage					X	

A. Compensation Peer Groups

Master's Institutions continued

Institution Name	Bowie State University	Coppin State University	Frostburg State University	Salisbury University	Towson University	University of Baltimore
University of Alaska Southeast		X				
University of Central Missouri					X	X
University of Central Oklahoma					X	X
University of Illinois at Springfield	X		X			
University of Minnesota—Duluth				X	X	
University of North Carolina at Pembroke	X	X	X			
University of North Carolina Wilmington				X	X	
University of North Florida				X	X	
University of Northern Iowa					X	
University of Southern Maine						
University of Southern Maine						
University of the District of Columbia		X				
University of Wisconsin—Green Bay						X
University of Wisconsin—Platteville						X
University of Wisconsin—River Falls						X
University of Wisconsin—Stevens Point			X			
Washburn University	X					
Wayne State College			X			
Weber State University					X	
West Chester University of Pennsylvania				X	X	
Western Carolina University			X	X		
Western New Mexico University		X				
Western Washington University				X	X	
Westfield State University				X		
William Paterson University of New Jersey	X			X		
Winona State University			X	X		
Winston-Salem State University	X	X	X			X
Winthrop University			X	X		X
Worcester State University			X			X
Youngstown State University					X	
TOTAL	33	25	29	30	31	35

B. Market Assessment Detailed Results

Introduction

Key Exhibits Presented

The following pages presents the market results including the following analyses:

- 1. Total Remuneration Summary:** Market levels for all components of pay. Includes medians as well as other percentiles
- 2. Pay Mix:** Mix of cash and non-cash compensation in the market
- 3. Total Remuneration and Total Expenses Regression:** A regression showing the strength of the relationship between a Chancellor's total remuneration and the system/institution's total expenses. Since total expenses are a reflection of the institution's size and complexity, it often shows a relationship to compensation among the comparison group

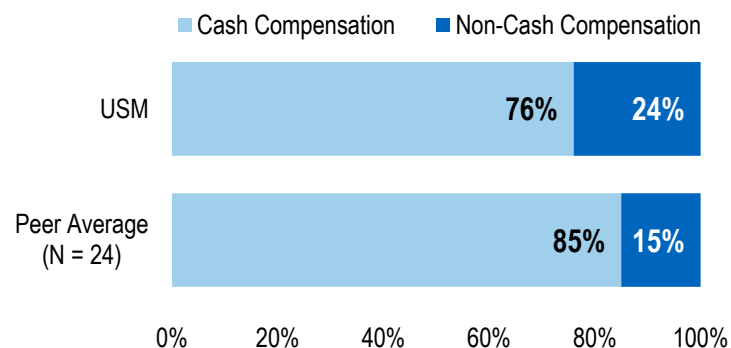
B. Market Assessment Detailed Results

University System of Maryland

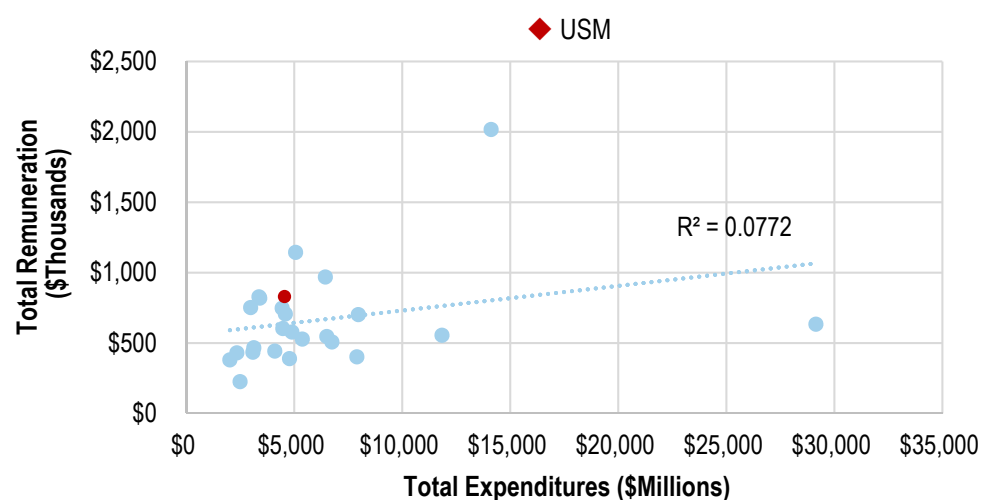
TOTAL REMUNERATION SUMMARY (N=24)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Robert Caret	\$630,000	\$0	\$630,000	\$198,675	\$828,675
25th Percentile	377,672	0	395,167	35,123	439,959
Median	524,823	0	532,508	56,660	566,528
75th Percentile	620,086	3,037	620,086	113,009	747,927
90th Percentile	782,345	70,679	805,288	171,509	926,734
% to Median	120%	N/A	118%	351%	146%
Percent Rank	76%	0%	76%	92%	87%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



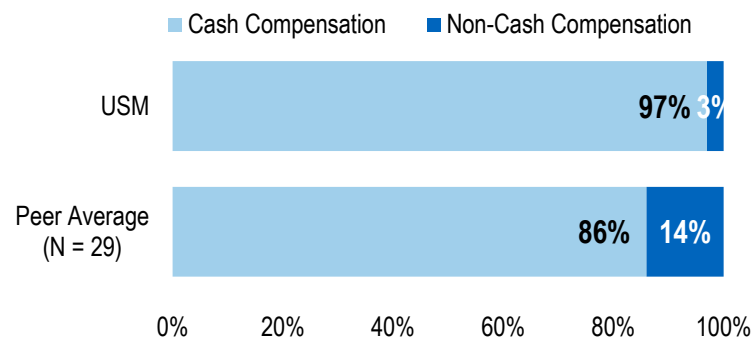
B. Market Assessment Detailed Results

University of Maryland, College Park

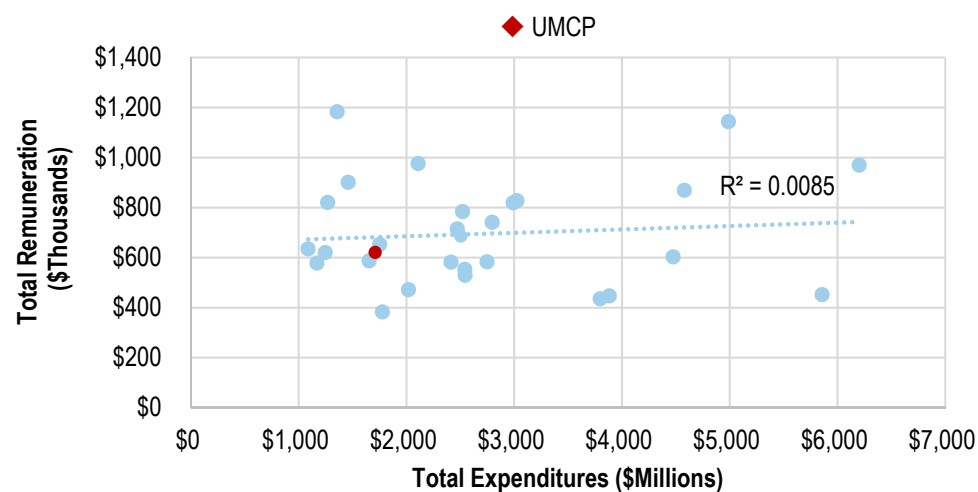
TOTAL REMUNERATION SUMMARY (N=29)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Wallace Loh	\$600,314	\$0	\$600,314	\$19,575	\$619,889
25th Percentile	527,312	0	527,365	27,423	577,533
Median	554,606	0	559,935	54,057	652,561
75th Percentile	660,935	35,070	714,030	154,518	827,424
90th Percentile	820,579	107,768	843,783	239,359	1,009,191
% to Median	108%	N/A	107%	36%	95%
Percent Rank	72%	0%	65%	17%	43%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



B. Market Assessment Detailed Results

University of Maryland, Baltimore

- The University of Maryland, Baltimore President was assessed using data from AAMC's 2015-2016 Report on Compensation of Medical School Deans and Sibson's 2016 Executive Compensation in Public Institutions Study

Note that this data reflects the Dean of Medicine role and that UMB's President role differs significantly from that scope in that they oversee multiple schools. Additionally, the Dean role varies among institutions and may include Health Affairs at the parent University and/or oversight of the affiliated hospital.

			Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Source	Match/Scope Cut	Jay Perman	\$859,923	\$0	\$859,923	\$19,575	\$879,498
AAMC	Dean, Medicine UMB Peer Group (n=42 Base Salary, n=16 Total Comp. with Additional Income ¹)	25th Percentile	640,625	N/A	N/A	N/A	834,375
		Median	733,231	N/A	N/A	N/A	918,009
		75th Percentile	793,537	N/A	N/A	N/A	1,061,073
		% to Median	117%	N/A	N/A	N/A	96%
Sibson Higher Education Survey of Public Institutions	Dean, Medicine/ Public Schools (n=7)	25th Percentile	596,600	0	596,000	27,839	613,656
		Median	657,347	0	657,347	38,333	701,846
		75th Percentile	725,174	0	725,174	133,144	849,671
		90th Percentile	827,422	28,364	855,786	155,387	985,000
		% to Median	131%	0%	131%	51%	125%

¹ Total compensation is the sum of salary, deferred compensation, and employer retirement contributions. Additional income reflects earnings such as those from medical practice, consultation, lectureship, publication, and merit bonuses. The figure includes earnings from the past fiscal year only (which may run at many medical schools from July 1, 2011 through June 30, 2012).

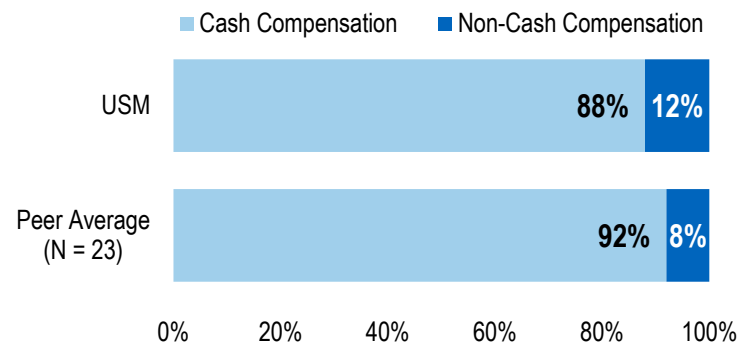
B. Market Assessment Detailed Results

University of Maryland, Baltimore County

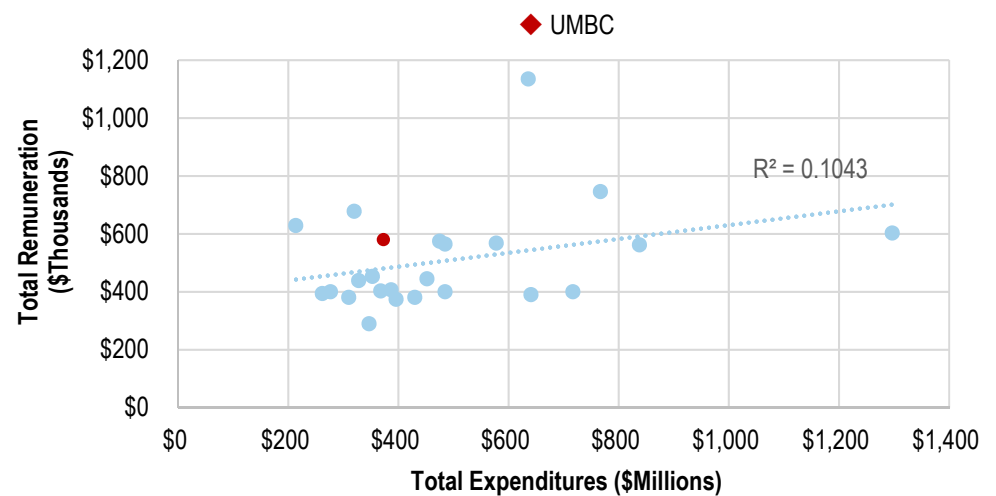
TOTAL REMUNERATION SUMMARY (N=23)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Freeman Hrabowski	\$509,170	\$0	\$509,170	\$70,367	\$579,537
25th Percentile	366,118	0	369,658	24,157	396,940
Median	389,945	0	395,523	31,950	438,715
75th Percentile	524,419	38,982	535,309	47,943	571,708
90th Percentile	562,562	95,855	646,528	61,756	668,516
% to Median	131%	N/A	129%	220%	132%
Percent Rank	72%	0%	67%	92%	78%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



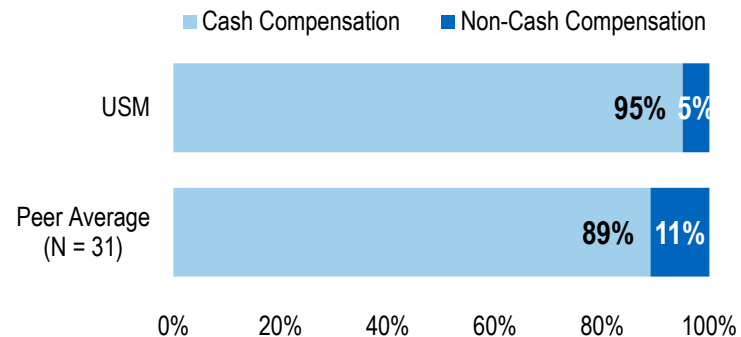
B. Market Assessment Detailed Results

Towson University

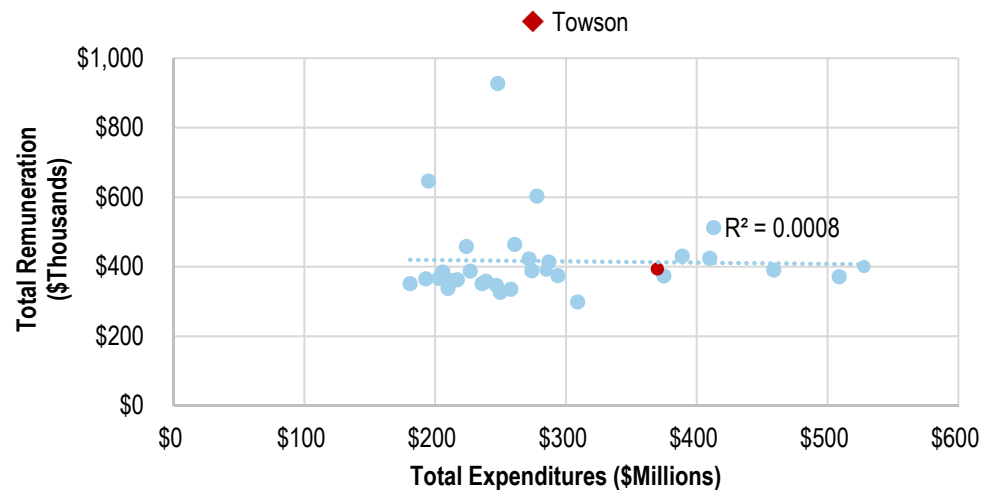
TOTAL REMUNERATION SUMMARY (N=31)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Kim Schatzel	\$373,613	\$0	\$373,613	\$19,575	\$393,188
25th Percentile	321,836	0	321,836	25,531	358,687
Median	340,995	0	340,995	42,515	383,958
75th Percentile	379,123	0	379,123	50,172	423,184
90th Percentile	415,891	28,499	447,036	77,488	511,566
% to Median	110%	N/A	110%	46%	102%
Percent Rank	70%	0%	70%	16%	64%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



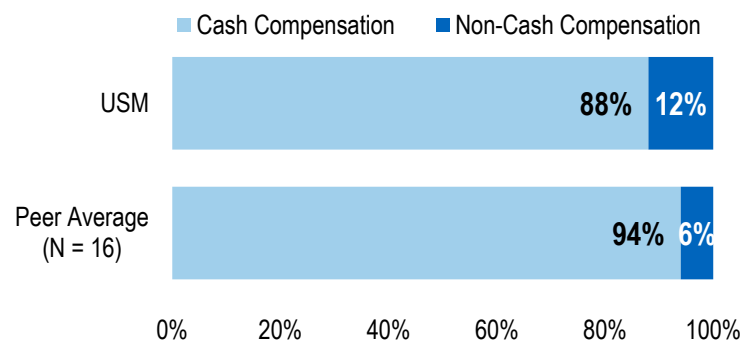
B. Market Assessment Detailed Results

University of Maryland University College

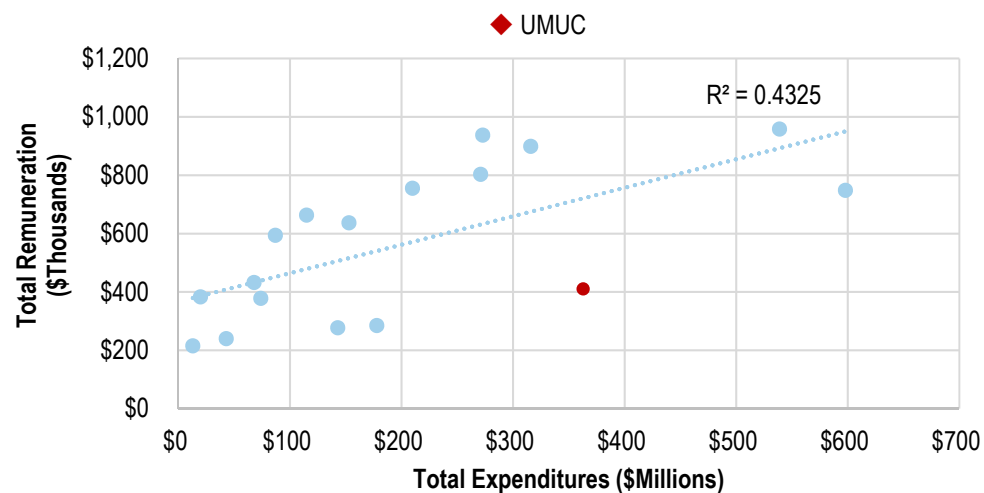
TOTAL REMUNERATION SUMMARY (N=16)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Javier Miyares	\$360,468	\$0	\$360,468	\$49,817	\$410,285
25th Percentile	304,621	0	328,109	14,705	354,998
Median	396,827	0	532,660	23,783	615,430
75th Percentile	551,874	130,068	760,974	53,897	766,987
90th Percentile	795,035	232,170	904,280	95,669	918,176
% to Median	91%	N/A	68%	209%	67%
Percent Rank	41%	0%	40%	74%	37%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



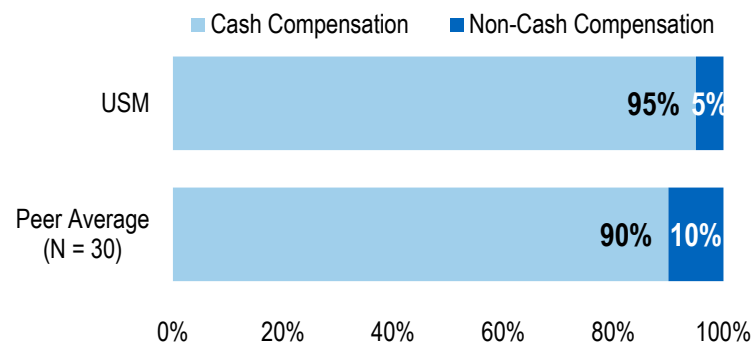
B. Market Assessment Detailed Results

Salisbury University

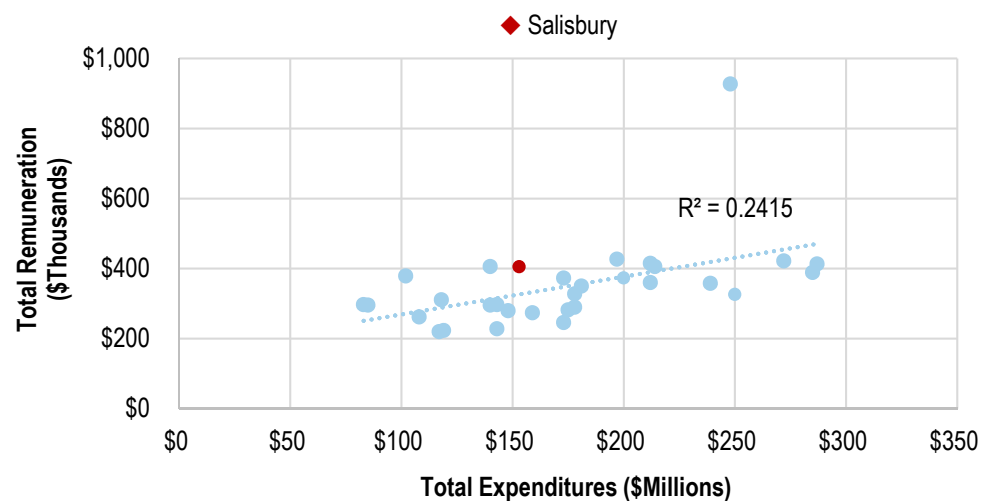
TOTAL REMUNERATION SUMMARY (N=30)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Janet Dudley-Eshbach	\$384,952	\$0	\$384,952	\$19,575	\$404,527
25th Percentile	260,136	0	260,136	19,479	284,303
Median	293,319	0	293,319	24,500	326,913
75th Percentile	341,388	0	341,388	41,507	386,157
90th Percentile	369,642	0	375,685	58,748	425,705
% to Median	131%	N/A	131%	80%	124%
Percent Rank	95%	0%	92%	30%	79%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



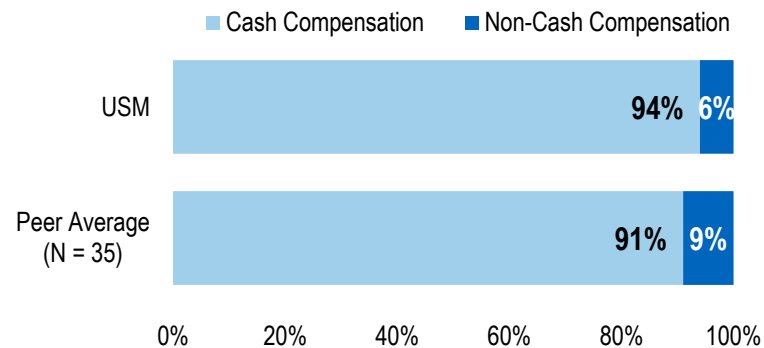
B. Market Assessment Detailed Results

University of Baltimore

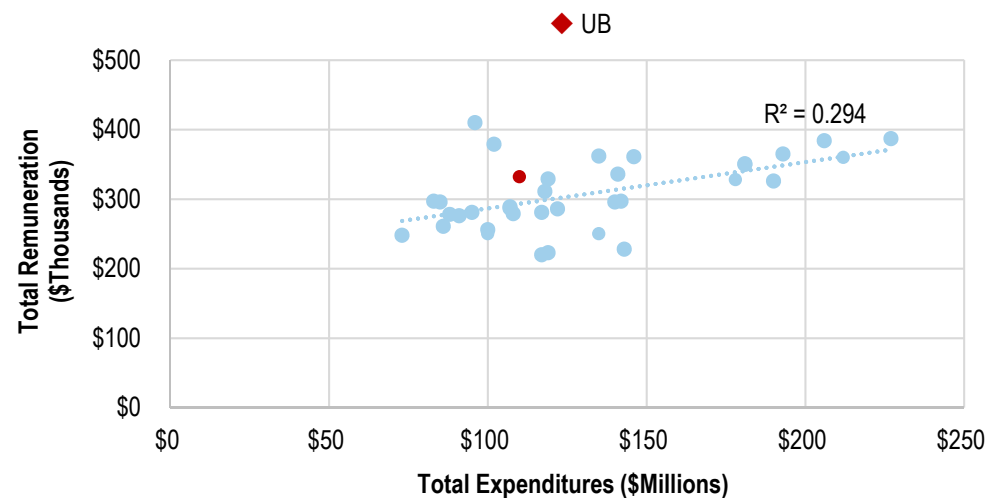
TOTAL REMUNERATION SUMMARY (N=35)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Kurt Schmoke	\$312,605	\$0	\$312,605	\$19,575	\$332,180
25th Percentile	250,361	0	250,361	18,962	276,978
Median	273,662	0	273,662	24,614	295,757
75th Percentile	315,381	0	316,033	34,294	350,631
90th Percentile	336,356	0	336,356	46,074	373,366
% to Median	114%	N/A	114%	80%	112%
Percent Rank	74%	0%	74%	30%	69%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



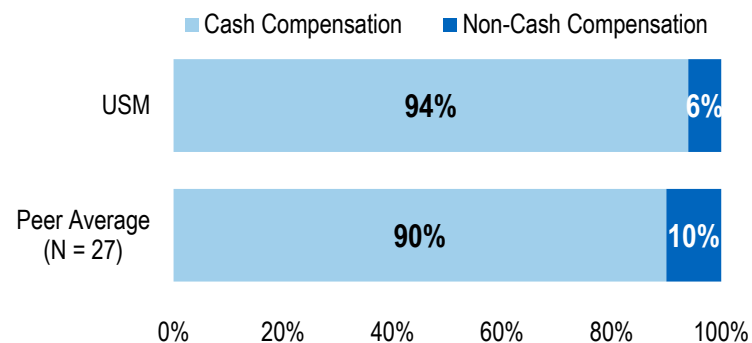
B. Market Assessment Detailed Results

University of Maryland Eastern Shore

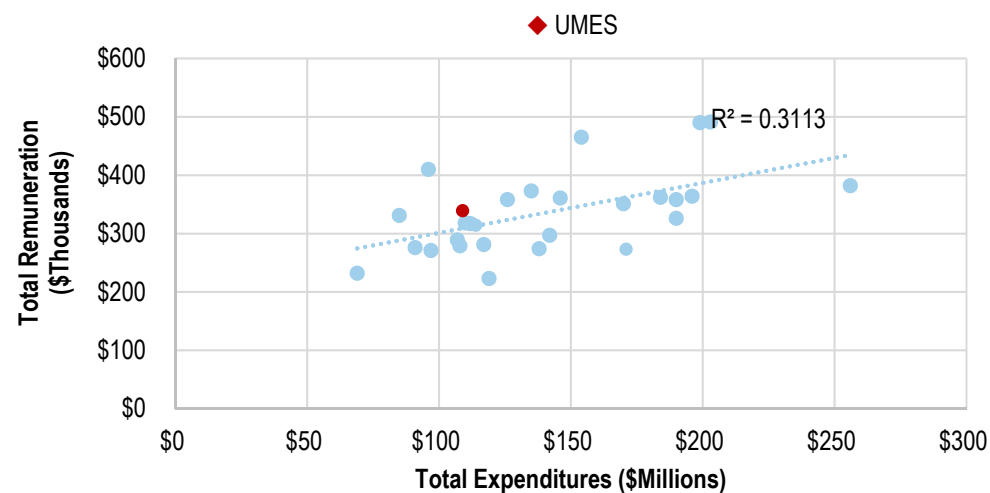
TOTAL REMUNERATION SUMMARY (N=27)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Juliette Bell	\$319,922	\$0	\$319,922	\$19,575	\$339,497
25th Percentile	255,890	0	256,465	20,725	279,681
Median	297,891	0	297,891	24,779	326,172
75th Percentile	330,943	0	331,387	37,833	362,859
90th Percentile	346,247	15,330	360,409	57,850	432,039
% to Median	107%	N/A	107%	79%	1054%
Percent Rank	65%	0%	64%	20%	55%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



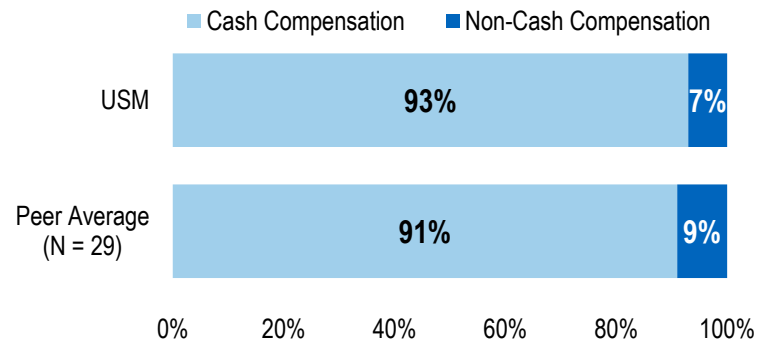
B. Market Assessment Detailed Results

Frostburg State University

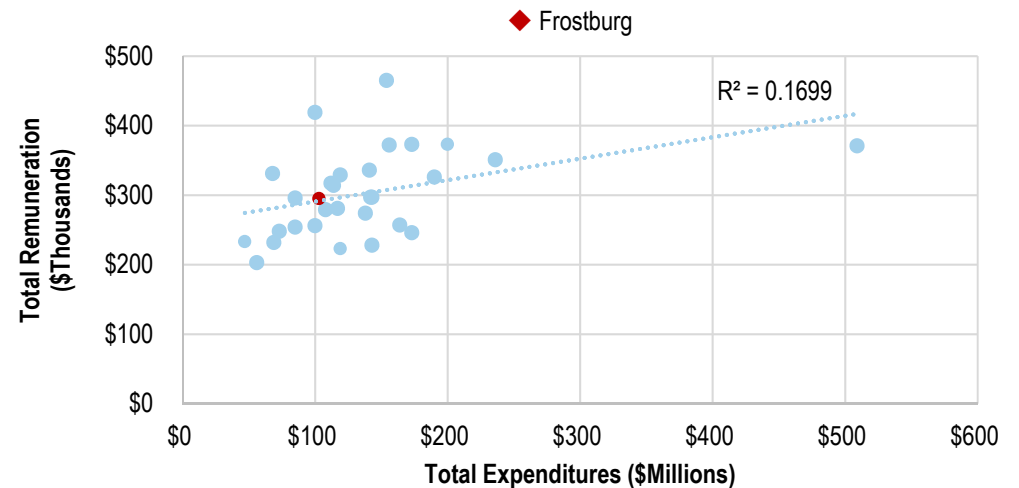
TOTAL REMUNERATION SUMMARY (N=29)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Ronald Nowaczyk	\$275,000	\$0	\$275,000	\$19,575	\$294,575
25th Percentile	241,469	0	241,469	18,915	253,648
Median	280,510	0	280,510	21,156	296,818
75th Percentile	307,258	0	307,258	32,237	335,673
90th Percentile	324,330	0	332,846	49,607	372,816
% to Median	98%	N/A	98%	93%	99%
Percent Rank	46%	0%	46%	40%	46%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



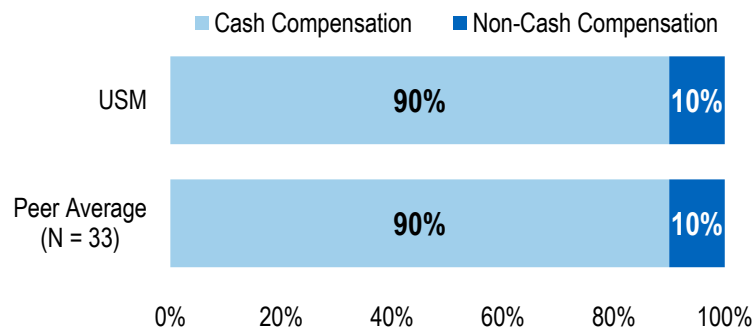
B. Market Assessment Detailed Results

Bowie State University

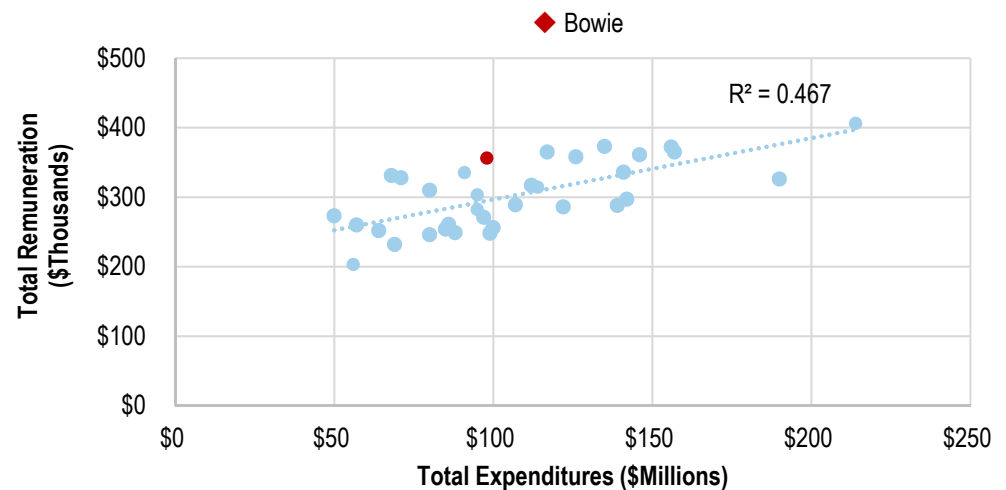
TOTAL REMUNERATION SUMMARY (N=33)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Mickey Burnim	\$318,664	\$0	\$318,664	\$37,314	\$355,978
25th Percentile	241,570	0	241,570	19,009	259,572
Median	263,822	0	272,563	23,815	296,916
75th Percentile	295,018	0	295,018	36,481	335,377
90th Percentile	322,217	0	322,217	51,304	365,124
% to Median	121%	N/A	117%	157%	120%
Percent Rank	88%	0%	88%	75%	81%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



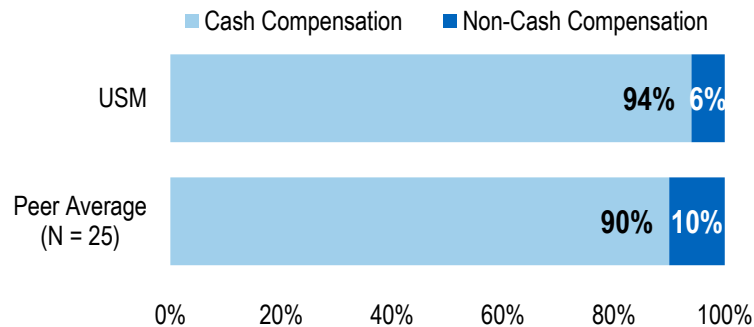
B. Market Assessment Detailed Results

Coppin State University

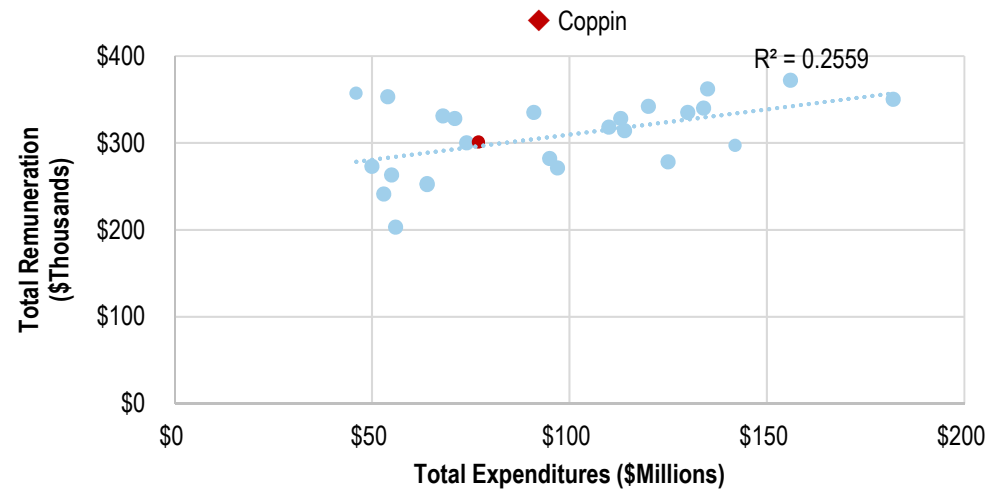
TOTAL REMUNERATION SUMMARY (N=25)

	Base Salary	Incentive Compensation	Total Cash Compensation	Retirement and Deferred Compensation	Total Remuneration
Maria Thompson	\$281,875	\$0	\$281,875	\$19,575	\$301,450
25th Percentile	253,135	0	253,135	19,927	272,647
Median	280,886	0	280,886	24,470	318,266
75th Percentile	299,816	0	307,721	48,207	340,288
90th Percentile	322,233	0	322,233	50,227	355,786
% to Median	100%	N/A	100%	80%	95%
Percent Rank	51%	0%	51%	22%	42%

PAY MIX: CASH VS. NON-CASH



TOTAL REMUNERATION AND TOTAL EXPENSES REGRESSION



B. Market Assessment Detailed Results

University of Maryland Center for Environmental Science

The University of Maryland Center for Environmental Science President was benchmarked to the Dean of Forestry and Environmental Science from the CUPA Administrators Survey (n=13). A 20% premium was added to the match to account for leadership of the entire institution

	Base Salary
UMCES	\$367,102
20th Percentile	211,400
40th Percentile	257,401
Median	268,925
60th Percentile	280,125
80th Percentile	316,442
% to Median	137%

C. Select Governance Frameworks

The Importance of an Executive Compensation Strategy

- An executive compensation strategy articulates the role of compensation in the institution and defines how the compensation system will support the strategic plan, performance requirements, and talent needs of the university
- It is the foundation for the development of a compensation system. It sets the stage for how compensation policies and programs will be designed, administered, communicated, and governed
- Furthermore, a compensation strategy clearly delineates the **intent** of the compensation system and provides a basis for measuring the system's effectiveness
- A well-defined pay strategy helps produce the following benefits:
 - Attraction and retention of executive talent
 - Optimization of compensation investments
 - More efficient decision-making
 - Improved metric definition and performance measurement
 - Risk mitigation
 - Improved pay governance and oversight

C. Select Governance Frameworks

Committee Charter/Operating Guidelines

- Constitutes the governing rules for the Committee. Provides details regarding the Committee's purpose, composition, responsibilities and expectations, authority, and meeting procedures used in carrying out its duties
- The full charter is often not published, but is used by the Board and the Committee; a shorter summary may be created for public view
- Reviewed and refreshed regularly (e.g., every 36 months) typically as part of a Governance or Compensation Committee's responsibilities
- Typically includes the following topics:
 - **Purpose:** identifies, at a high level, the role of the Committee and what is delegated from the full Board
 - **Composition:** states specific expertise required for membership, committee size, how it is staffed, and terms (including any rotation requirements)
 - **Authority:** specifically defines the level of authority the committee has in regard to taking actions that affect the institution (e.g., recommendations-only or final decision-making) and what needs to be reported to vs. approved by the full Board
 - **Decision Rights & Responsibilities:** defines the primary areas of responsibility and parties' role in specific decisions; includes the rights of others outside the committee (e.g., Chancellor/President, HR, etc.)
 - **Meeting Procedures:** defines the frequency of meetings and their length, agenda setting, participation expectations, and approved modes of meeting (e.g., via conference call or in-person)

C. Select Governance Frameworks

Decision Rights and Responsibilities

- Clearly defining the roles and responsibilities of the Board of Regents, the Compensation Committee and that of management is a cornerstone of effective compensation governance
- Delineating these roles centers around the responsibility for decision-making between management and the Board and includes a description of the level of involvement required by both parties. Taken together, this separation of responsibilities facilitates effective and efficient decision-making and helps to ensure accountability by clearly defining expectations for all involved in the process
- Using a Decision Responsibility Matrix, stakeholders are assigned the following levels of responsibility for each task:
 - **Initiate:** Begin execution of item
 - **Consult/Contribute:** Provide input into item; advance / present opinions, facts, etc.
 - **Recommend:** Suggest and propose the preferred approach
 - **Approve:** Confirm and sanction final decisions
 - **Inform:** Keep stakeholders up-to-date on progress
 - **Manage:** Administer the execution; oversee progress; regulate as needed

C. Select Governance Frameworks

Decision Rights and Responsibilities - Illustrative

Using a Decision Responsibility Matrix, stakeholders are assigned levels of responsibility for each task

Sample Decision Responsibility Matrix						
Action	Board of Regents	Compensation Committee	President	HR	Finance	Legal
Set / change executive compensation philosophy	Approve	Initiate / Recommend	Consult	Manage / Consult	Consult	Consult
Conduct annual executive pay study	Inform	Approve	Consult	Initiate / Manage	Inform	Inform
Presidential evaluation	Inform	Initiate / Manage / Approve	Consult	Inform	N/A	Inform
Presidential compensation / contract	Approve	Initiate / Manage	Consult	Consult	N/A	Inform
Institution-wide merit budget	Approve	Recommend	Recommend	Initiate / Manage	Consult	Inform
Talent review / compensation for key executives	Inform	Approve	Initiate / Recommend	Consult	N/A	Inform
Succession planning: President	Approve / Review	Initiate / Manage / Recommend	N/A	Consult	N/A	Inform
Succession planning:: Executives	Inform	Approve	Recommend	Initiate / Manage	N/A	Consult
Establish / change executive contracts or renewals	Inform	Approve	Recommend (for direct reports)	Initiate / Recommend	N/A	Manage / Consult / Recommend
Changes to executive pay designs, benefits, perquisites, and deferred compensation	Approve	Initiate / Recommend	Recommend / Consult	Initiate / Manage	Consult	Consult

C. Select Governance Frameworks

Annual Committee Calendar Components

- **Committee Meetings:** 2–4 times per year; frequently scheduled 24 months in advance and mostly coincide with regular Board meetings
- **Standing Agendas:** Developed by the chairman of the committee; agenda items generally align with the University's administrative business and Human Resources calendar (i.e., meetings scheduled when key decisions are needed and data is available). Ad hoc topics added for each meeting
- **Format / Attendance:** Chancellor/President, and often other management, attends. Meetings include an executive session to discuss confidential information; counsel or secretary present to document minutes and decisions made
- **Agenda Topics:**
 - Typical standing agenda items:
 - Review of executive pay competitiveness
 - Chancellor/President evaluation and compensation
 - Review and recommendation of institution-wide merit budget
 - Talent review and approval of compensation for key executives
 - Succession planning
 - Typical ad hoc agenda items:
 - Approval of new executive hires and/or pay arrangements, contracts or renewals
 - Review and approval of any changes to executive incentive designs, benefits, perquisites, and deferred compensation
 - Regulatory updates and reports from internal / external counsel