

SUMMARY OF ITEM FOR ACTION,  
INFORMATION OR DISCUSSION

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**TOPIC:** Work Plan for Report on Executive Compensation and Governance

**COMMITTEE:** Organization and Compensation

**DATE OF MEETING:** October 3, 2017

**SUMMARY:** At their meeting on September 15, 2017, the USM Board of Regents voted to accept the report from Sibson Consulting on Executive Compensation and Governance. The report provided peer data on compensation for the Chancellor and USM presidents and provided a number of recommendations to implement best practices in compensation governance.

The committee discussed a work plan to address the recommendations at their meeting on September 6, 2017. The attached document reflects that discussion and will be reviewed and finalized by the committee.

**ALTERNATIVE(S):** The Committee could choose not to discuss the topic.

**FISCAL IMPACT:** Components of the work plan may require external expertise; however, it is anticipated that the fiscal impact will be minimal.

**CHANCELLOR'S RECOMMENDATION:** The Chancellor recommends that the Committee discuss and approve the development of a work plan to address the recommendations in the report.

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COMMITTEE ACTION: DATE: October 3, 2017

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BOARD ACTION: DATE:

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## Recommendations from Sibson Consulting Report on Executive Compensation and Governance

The report includes the following recommendations:

1. Develop a compensation philosophy. **COMPLETED 9.15.17**
  - A compensation philosophy should outline the goals and desired objectives of the executive compensation program, compensation elements, peer group, desired pay positioning, etc.
2. Enhance governance tools and process.
  - Implement best practices in executive compensation oversight, including:
    - Expand and formalize the charter for the Organization and Compensation Committee.
    - Create tally sheets for the Chancellor and presidents to provide year-over-year detailed compensation information to regents in a consistent format.
    - Develop an annual calendar of key actions required in performance assessment and compensation administration.
    - Conduct education sessions for the Organization and Compensation Committee and/or the BOR on current topics in executive compensation and governance.
3. Streamline goal setting and evaluation approach.
  - Develop a standard template and process for annual goal development and performance evaluation to allow for a simpler, quicker assessment that also balances the Chancellor and presidents' needs for personalization with System's need for greater consistency. The template should be automated, if practicable, and may incorporate scorecard/longitudinal metrics currently used at the System and longer-term strategic planning measurement.
  - Review the current guidelines for five-year presidential reviews and recent five-year review reports and determine needed improvements in the process, if any. The guidelines should be updated to reflect agreed upon changes.
4. Conduct periodic total remuneration reviews.
  - Supplement annual base salary reviews of recently developed peer groups with total remuneration assessments every 3 to 5 years to ensure continued market competitiveness of the full compensation package. Components include the aging of data, update of data from peers and reassessment of peers.
5. Explore the use of incentives and or deferred compensation vehicles.
  - The use of incentive pay has been increasing across higher education and is expected to continue. Sibson Consulting estimates that currently about 20-30% of institutions provide incentives to executives, however, they are more prevalent in private institutions than public institutions.
6. Review process and guidelines for chancellor and presidential searches and create a succession planning process across the system.
  - Review current process, outcomes and guidelines for chancellor and presidential searches and determine needed improvements in the process, if any. The guidelines should be updated to reflect agreed upon changes.
  - Develop a succession planning process to help retain high performing incumbents who demonstrate top executive potential and help alleviate the future expected competition over scarce resources.