TOPIC: Status of Work Plan on Executive Compensation and Governance

COMMITTEE: Organization and Compensation

DATE OF MEETING: January 25, 2018

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 work plan to address the recommendations was approved by the Committee on Organization and Compensation at the November 9, 2017 meeting and by the full board on December 15, 2017. The attached spreadsheet provides a status report on the recommendations.

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 the status report and suggest any necessary edits.

COMMITTEE ACTION: DATE: January 25, 2018

BOARD ACTION: DATE:

SUBMITTED BY: Janice Doyle, jdoyle@usmd.edu, 301-445-1906
## Executive Compensation and Governance Study Work Plan

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Status</th>
<th>Target Completion Date</th>
<th>Responsible Staff</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outline the goals and desired objectives of the executive compensation program, compensation elements, peer group, desired pay positioning, etc.</td>
<td>Completed</td>
<td>Completed 9.15.17</td>
<td>Chancellor’s Office</td>
<td></td>
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<tr>
<td>Expand and formalize the charter for the Organization and Compensation Committee</td>
<td>Completed</td>
<td>Completed 12.15.17</td>
<td>Chancellor’s Office</td>
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<tr>
<td>Create tally sheets for the Chancellor and presidents to provide year-over-year detailed compensation to regents in a consistent format</td>
<td>Completed</td>
<td>Complete</td>
<td>Chancellor’s Office</td>
<td></td>
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<tr>
<td>Develop an annual calendar of key actions required in performance assessment and compensation administration</td>
<td>Completed</td>
<td>Completed 12.15.17</td>
<td>Chancellor’s Office</td>
<td></td>
</tr>
<tr>
<td>Conduct education sessions for the Organization and Compensation Committee and/or the BOR on current topics in executive compensation and governance</td>
<td>As needed</td>
<td></td>
<td>Outside Assistance</td>
<td></td>
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<tr>
<td>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.</td>
<td>In progress</td>
<td>November 9th Org and Comp - Discussion</td>
<td>Chancellor’s Office</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>In progress</td>
<td>January 25th Org and Comp - Finalize</td>
<td>Chancellor’s Office</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>March 29th Org and Comp - Aging data</td>
<td>March 29th Org and Comp</td>
<td>Chancellor’s Office</td>
<td></td>
</tr>
</tbody>
</table>
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.

### 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. | Summer 2018 | Outside Assistance |

### 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. | March 29th Org and Comp - kickoff small group to look at issue | Chancellor's Office |
| 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. | TBD | Outside Assistance |