March 22, 2011

The California State University
Presidents’ and Faculty Compensation, Benefits and Perquisites Review

Presentation to the Board of Trustees
The California State University

Stephen S. Pollack  
San Francisco

David Harcourt  
Louisville
Agenda

- Data Sources, Comparison Institutions and Methodology
- Total Cash Compensation
- Benefits
- Retirement
- Executive Perquisites
- Total Remuneration
- Questions
Data Sources, Comparison Institutions and Methodology
Data Sources

The data presented are from three separate sources:

1) **Total Cash Compensation data for presidents** collected from custom survey including the *prevalence* of executive benefits and perquisites
   - Survey participants include 13 of 20 CPEC\(^1\) institutions
   - Additional data for 5 of 20 CPEC institutions collected from publically available information
     - Non-participants cited resource constraints or disinterest in CPEC peer group, or were unresponsive to repeated solicitation attempts
   - Therefore, the study includes 18 of 20 CPEC institutions
   - All information is effective as of September 1, 2010

2) **Total Cash Compensation data for faculty** collected by CSU from all 20 CPEC institutions

3) **Benefit data for presidents and faculty** collected from Mercer’s proprietary benefit database, including health & welfare benefits, retirement plans, and long-term disability
   - Study includes 19 of 20 CPEC institutions

\(^1\) *California Postsecondary Education Commission.*
<table>
<thead>
<tr>
<th>Participant</th>
<th>Public/Private</th>
<th>Campus</th>
<th>Title</th>
<th>Compensation</th>
<th>Benefits</th>
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<tr>
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1 Indicates whether compensation data were collected from Mercer's custom survey, publicly available documents, or not available.
Methodology Overview

- The study covers 23 CSU presidents and approximately 10,000 CSU faculty.
- Benefits are valued using actual CSU demographic data.
  - Values reflect the amount of base salary that would be required to purchase an equivalent benefit, including tax gross-up, in the market.
  - The following are some factors which correlate with the value of benefits: base salary, age, years of service, and number of dependents.

<table>
<thead>
<tr>
<th></th>
<th># Inc</th>
<th>Avg Age¹</th>
<th>Avg Yrs Service¹</th>
<th>Family Status (# of Dependents)²</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Presidents</td>
<td>23</td>
<td>65.3</td>
<td>15.5</td>
<td>27.3%</td>
</tr>
<tr>
<td>Faculty Overall</td>
<td>10,068</td>
<td>51.4</td>
<td>13.6</td>
<td>33.0%</td>
</tr>
<tr>
<td>Full</td>
<td>4,966</td>
<td>57.9</td>
<td>20.1</td>
<td>29.2%</td>
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<tr>
<td>Associate</td>
<td>2,740</td>
<td>48.5</td>
<td>10.1</td>
<td>32.8%</td>
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<tr>
<td>Assistant</td>
<td>2,362</td>
<td>41.2</td>
<td>4.1</td>
<td>40.3%</td>
</tr>
</tbody>
</table>

¹ Age and years of service calculated effective September 1, 2010.
² Family status not reported by CSU for 4% of presidents and 14% of faculty.
Total Cash Compensation
Total Cash Compensation – Presidents

Base Salary

- Average base salary for survey presidents is $425,945
- Average CSU presidents’ base salary is $292,830, a lag of 45% ¹

Incentives

- CSU presidents are currently not eligible to receive incentive compensation or other bonuses
- The majority of presidents in the survey are also not eligible for incentives
  - Three survey participants reported the president participates in an annual performance-based incentive compensation plan

Total Cash Compensation (base salary plus incentives)

- Average total cash compensation for survey presidents is $444,556
- Average CSU presidents’ total cash compensation is $292,830, a lag of 52% ¹

¹ Market lead/lag is defined as the percentage the CSU salary would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
Total Cash Compensation – CSU vs. Market – Presidents

- CSU presidents’ total cash compensation (base salary only at CSU) ranges from $258,680 to $328,200, and averages $292,830

- Each of the CSU presidents’ total cash compensation lags the peer group average, ranging from -35% to -72%.

Market lead/lag is defined as the percentage the CSU salary would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
Total Cash Compensation – Faculty

Base Salary

- Average faculty base salary (across all ranks) for the CPEC peer group is $99,882
- Average CSU faculty base salary is $85,083, a lag of 17% ¹

Incentives

- CSU faculty and peer group faculty are currently not eligible to receive incentive compensation or other bonuses

Total Cash Compensation

- Total Cash Compensation equals base salary for CSU and the peer group

¹ Market lead/lag is defined as the percentage the CSU salary would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
Total Cash Compensation – CSU vs. Market – Faculty

- CSU average total cash compensation for all ranks of faculty lags \(^1\) behind the peer group average.

\[\begin{array}{c|c|c|c|c|c}
\hline
& \text{CSU Average} & \text{Market Average} & \text{CSU Average} & \text{Market Average} & \text{CSU Average} \\
\text{Composite} & \$85,083 & \$99,882 & \$97,999 & \$121,506 & \$76,848 \\
\text{Full} & \text{(Lag of -17%)} & \text{(Lag of -24%)} & \text{(Lag of -10%)} & \text{(Lag of -7%)} & \\
\text{Assistant} & \$67,229 & \$71,648 & & & \\
\hline
\end{array}\]

\(^1\) Market lead/lag is defined as the percentage the CSU salary would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
Benefits
**Health & Welfare Benefits vs. Market – Presidents**

*Note: Presidents and faculty receive the same benefits, except for life insurance*

- CSU’s health & welfare benefits lead the peer group average by 25%.
- Health & welfare benefits include the following components:
  - Medical (17% lead)
  - Dental (41% lead)
  - Life insurance (1% lead)
  - Dependent care FSA (at market)
  - Health care FSA (4% lead)
  - Retiree medical (38% lead)
- FSA values represent only the tax advantage provided by the existence of these accounts, for both presidents and faculty

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1 Presidents receive a $250,000 life insurance benefit.

2 Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).

3 Vision benefits are not valued due to negligible value.
Health & Welfare Benefits vs. Market – Faculty

Note: Presidents and faculty receive the same benefits, except for life insurance.

- CSU’s health & welfare benefits lead the peer group average by 21%.
- These benefits include the following components: medical (13% lead), dental (41% lead), life insurance (58% lag), dependent care FSA (9% lag), health care FSA (16% lag), and retiree medical (26% lead).

1 Faculty receive a $50,000 life insurance benefit.
2 Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
3 Vision benefits are not valued due to negligible value.
Retiree Medical vs. Market – Presidents

Note: Presidents and faculty receive the same benefits

- CSU’s retiree medical benefits lead the peer group average by 38% ¹

- Favorable provisions of the most valuable CSU plan include:
  - No employee contributions from post-65 retirees and spouses ²
  - Very low contributions from pre-65 retirees and spouses

- Two peers provide “access only” plans that are 100% retiree-paid

¹ Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).

² Other plans may be selected that require employee contributions.
Retiree Medical vs. Market – Faculty

Note: Presidents and faculty receive the same benefits

- CSU’s retiree medical benefits lead the peer group average by 26% ¹
- Favorable provisions of the most valuable CSU plan include:
  - No employee contributions from post-65 retirees and spouses²
  - Very low contributions from pre-65 retirees and spouses
- Two peers provide “access only” plans that are 100% retiree-paid

¹ Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
² Other plans may be selected that require employee contributions.
Paid Leave Benefits vs. Market – Presidents

Note: Presidents and faculty receive the same benefits, except sabbatical for faculty

- CSU provides 24 vacation days to presidents
  - Fifteen peers provide 20 - 26 days within first year of service
  - CSU provides a slightly higher number of days than the peer group average (24 vs. approximately 22 days)

- Long-term disability benefits lead the market by 26%.

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1 Values are not shown for presidents or faculty because paid leave benefits (except long-term disability) are considered included within total cash compensation.

2 Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased, to equal the survey average (in accordance with CPEC methodology).
Paid Leave Benefits vs. Market – Faculty

Note: Presidents and faculty receive the same benefits, except sabbatical for faculty

- CSU provides 24 vacation days to 12-month and 10-month faculty
  - Thirteen peers provide 20 - 24 vacation days within first year of service
  - The most common allocation is 24 days
  - Three peers do not provide paid vacation to any faculty
  - None of the organizations (including CSU) provide vacation to academic year faculty

- All organizations provide sabbaticals to faculty (academic year, 10-month and 12-month)
  - All but five peers require faculty to have six years of service to be eligible for sabbatical; the remaining peers require between two and seven years
  - The length of sabbatical varies by organization:

<table>
<thead>
<tr>
<th>Sabbatical Duration</th>
<th>1 semester</th>
<th>6 months</th>
<th>3 months</th>
</tr>
</thead>
<tbody>
<tr>
<td># of peers</td>
<td>10</td>
<td>8 ²</td>
<td>1</td>
</tr>
</tbody>
</table>

- Long-term disability benefits lead the market by 4% ³

¹ Values are not shown for presidents or faculty because paid leave benefits (except long-term disability) are considered included within total cash compensation.

² Two peers prorate sabbatical for academic year faculty.

³ Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased, to equal the survey average (in accordance with CPEC methodology).
Retirement
Defined Benefit Retirement Plan

Note: Presidents and faculty receive the same benefits

- CSU offers all employees a defined benefit (DB) retirement plan
- Employees contribute 5% of gross salary in excess of $513 per month to the plan; the CSU contribution is estimated at 19.9% of the employee's full gross salary \(^1\)
- The value of the CSU benefit varies by age, service and career horizon. In general, the plan provides a higher benefit to career employees and late career hires
- The eligible pay for pension calculations is capped at $245,000; this limit does not apply for CalPERS participants hired prior to July 1, 1996
  - CSU does not provide an excess plan to make up for the impact of this limitation
- The benefit factor maximizes at age 63
- The plan provides for ancillary benefits such as cost of living adjustments and death and disability benefits
- As of January 15, 2011, CSU’s DB plan provisions have been reduced for new employees

\(^1\) Except Public Safety employees. The CSU contribution rate for MPP Public Safety employees in the POFF CalPERS plan is 28.556%. The CSU contribution rate for Unit 8 Public Safety employees in the POFF CalPERS plan is 36.556% (includes 8% employee contribution rate paid by CSU).
Voluntary Deferred Compensation Plans

Note: Presidents and faculty receive the same benefits

- CSU presidents and faculty are eligible to defer compensation under the following plans, which are 100% employee-funded:
  - 401K
    - Maximum deferral of $16,500 per year, with eligibility to make catch-up contributions of up to $5,500 per year at age 50
  - 403B
    - Maximum deferral of $16,500 per year with eligibility to make catch-up contributions of up to $5,500 per year at age 50 or up to $3,000 per year with 15 years of service; limits are linked to 401K
  - 457
    - Maximum deferral of $16,500 per year, with eligibility to make catch-up contributions of up to $5,500 per year at age 50; limits are independent of other plans
Prevalence of Employer-Contributory Retirement Plans among the CPEC 20 Institutions

Note: Presidents and faculty receive the same benefits

- Choice Between DB or DC: 63%
- Employer-Contributory Defined Contribution (DC) Plan Only: 37%
- Employer-Contributory Defined Benefit (DB) Plan Only: 0%
- DB Excess Plan: 11%
- DC Excess Plan: 42%

1 Includes one organization that provides an additional DC plan separate from the main DB and DC plans.
Typical Retirement Provisions among the CPEC 20 Institutions

Note: Presidents and faculty receive the same benefits

- More than half of comparison universities offer a defined benefit (DB) plan
  - Eight of 12 universities require employee contributions
  - Employee contributions range from 2% to 10% of salary
- All comparison universities offer a defined contribution (DC) plan with employer contributions
  - Employer contributions range from 6% to 13.5% of salary
- All of the organizations that offer a DB plan also offer a DC plan with employer contributions, however, all organizations offering both require executives and faculty to choose between plans
  - One peer has a choice between a large DB and large DC plan, but also provides a small employer-contributory DC plan
- All peers have defined contribution plans that allow for employee contributions. Fifteen peers offer one or more additional employee-funded deferred compensation plans beyond their DC plans
- Eight universities offer supplemental retirement benefits in the form of excess DC plans that provide benefits above legislated limits. Two of these peers also provide excess DB plans
Total Retirement Value vs. Market – Presidents

Note: Presidents and faculty receive the same benefits

- The value of CSU’s total retirement and savings benefits leads the peer group average by 34% \(^1\)

- CSU’s DB plan is highly competitive relative to peers. Favorable plan features include:
  - One-year highest average pay \(^2\)
  - Annual cost-of-living adjustment

- Where comparison universities offer both an employer-provided DB and employer-provided DC plan and requires a participant to choose, our analysis reflects the more valuable plan only (typically the DB plan)

\(^1\) Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).

\(^2\) As of January 15, 2011, CSU’s DB plan provisions have been reduced for new employees.
Total Retirement Value vs. Market – Faculty

Note: Presidents and faculty receive the same benefits

- The value of CSU’s total retirement and savings benefits leads the peer group average by 31% \(^1\)
- CSU’s DB plan is highly competitive relative to peers. Favorable plan features include:
  - One-year highest average pay \(^2\)
  - Annual cost-of-living adjustment

- As for presidents, our analysis reflects the more valuable plan only (typically the DB plan)

\(^1\) Market lead/lag is defined as the percentage the CSU benefit would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).

\(^2\) As of January 15, 2011, CSU’s DB plan provisions have been reduced for new employees.
Executive Perquisites
Prevalence in CPEC 20 of Executive Perquisites Offered to CSU Presidents

- Automobile or automobile allowance: 92%
- House or housing allowance: 85%
- Dependent tuition reimbursement or subsidy: 62%
- Administrative leave or other paid leave: 62%
- Executive transition plan: 46%
- Supplemental life insurance plans: 46%
- Entertainment fund: 46%
- Physical exam: 23%
Prevalence in CPEC 20 of Executive Perquisites
Not Offered to CSU Presidents

- Tenured professorship: 69%
- Club dues and memberships: 38%
- Driver: 31%
- Supplemental long-term care: 31%
- Supplemental long-term disability: 23%
- Sabbatical: 23%
- Spouse benefits: 17%
- Supplemental medical benefits: 15%
- Financial planning/preparation: 15%
- First-class travel: 8%
- Tax planning/preparation: 0%
- Supplemental vacation programs: 0%
- No-interest mortgage loan: 0%
- Low-interest mortgage loan: 0%
- Estate planning: 0%

1 Some CSU presidents may receive club memberships from foundation sources.
Total Remuneration
**Total Remuneration Value – Presidents**

Though Total Benefits are above market median, Total Remuneration still falls below market due to below market Total Cash Compensation.  

1 Market lead/lag is defined as the percentage the CSU average would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).

2 Health & Welfare includes Retiree Medical.

3 Total Remuneration does not include paid leave (except for long-term disability) or perquisites.
Total Remuneration Value – Faculty

Though Total Cash Compensation is below market, Total Benefits are above market, and Total Remuneration falls at market.

- Market lag is defined as the percentage the CSU average would have to be decreased or increased to equal the survey average (in accordance with CPEC methodology).
- Health & Welfare includes Retiree Medical.
- Total Remuneration does not include paid leave (except for long-term disability).

1. Total Cash Comp
2. Health & Welfare
3. Retirement
4. Total Remuneration
Questions