

AGENDA

SPECIAL COMMITTEE ON PRESIDENTIAL SELECTION AND COMPENSATION POLICY

Meeting: 11:10 a.m. Tuesday, May 8, 2012
Glenn S. Dumke Auditorium

Lou Monville, Chair
Roberta Achtenberg
Steven M. Glazer
William Hauck
Peter G. Mehas

Consent Items

Approval of Minutes of Meetings of January 25, 2012

Discussion Items

1. Policy on Presidential Compensation, *Action*

**MINUTES OF MEETING OF
SPECIAL COMMITTEE ON PRESIDENTIAL
SELECTION AND COMPENSATION**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

January 25, 2012

Members Present

Lou Monville, Chair
Herbert L. Carter, Chair of the Board
Steven M. Glazer
William Hauck
Bob Linscheid
Peter G. Mehas
Charles B. Reed, Chancellor

Trustee Monville called the meeting to order.

The minutes of the meetings of August 8, 2011, August 24, 2011 and October 13, 2011 were approved as submitted.

Trustee Monville thanked the committee for all the work they put into the presidential selection and compensation policy. He also thanked the chancellor and staff for all their support and help during the process. The committee had arrived at a thoughtful approach to how the board will, in the future, look at presidential compensation and selection. During the past twenty years, the CSU has operated with the guidelines that were provided by CPEC and everyone was in agreement that the CPEC comparables were outdated and inappropriate. To compare a CSU to USC or Brown is not in any way a fair comparable. He said that the comparables and the 5 tiered system before the committee was a thoughtful and thorough way to look at the CSU's very diverse campuses. He further stated that although there has been much comment about the new comparables, the board is committed to reviewing the new system on a yearly basis. The Office of the Legislative Analyst gave thoughtful review of the five tiers and said that the approach the CSU took made sense. They took exception with a few of the CSU's selections, such as Temple University which has since been removed. There is a lot of information before the board and there has been feedback and concern about the overall policy and how to make modification to the original proposal. He further stated that Chair Carter has amendments to the proposal that he wanted to share with the board.

Chair Carter thanked the committee and stated that his intention in appointing the special committee was with the hope that the CSU could begin to diffuse what was becoming a predominant discussion about compensation for presidents. He said that he recognized that there

was a great deal of interest in that issue but it pained him to think that there was more concern about that issue than there was about the real story of the CSU. He said that it was a story that starts with the recognition that this system has experienced a \$750 million budget cut in the last year and the likelihood of another \$200 million dollar budget cut next January if the people of this state do not see the wisdom of adopting a resolution that would create additional funding for education as well as several other state responsibilities. The real story of this system is the success that the CSU has had in attracting increasing numbers of students from under represented communities in large numbers, 20 percent increase of applications from African Americans and Hispanics in the last year thanks to the staff and people in this building. The real story, he said, is the nearly 400 thousand students participating in the early assessment program. The real story is the nearly 3 million copies of posters that we have provided to students in grades 9 through 12 throughout the state that lays out a pattern for them to be prepared to enter higher education and, the one hundred thousand more applicants for admission to this system in the last 2 years, so while the story about compensation is important, it pained him to think that it takes precedence over. So many other stories that are equally important or more important than the issue of presidential compensation.

Chair Carter stated that when he read the report of the committee and considered the interest of some members of the legislature with respect to how the CSU ought to engage this subject it moved him to seek an amendment, which he read as follows: "Notwithstanding the presidential compensation criteria enumerated in item 4 (above) and until the Board of Trustees of the California State University determines otherwise, when a presidential vacancy occurs, the initial base salary, paid with public funds, to the successor president, shall not exceed ten percent of the previous incumbent's pay" Chair Carter explained that the salaries of newly appointed presidents not exceed the maximum of \$325 thousand in general fund support. This, he said, was consistent with the proposal submitted by Senator Alquist in her legislation, and within \$2,000 of the general ideas expressed in the proposed legislation by Senator Liu. Chair Carter thanked Senator Liu for his presence. He said that it was rare to have a member of the legislature at the board meeting and was appreciative of his appearance. He urged his colleagues on the committee to accept the recommended amendment for submission to the full board where he hoped it would be adopted.

Trustee Monville called for questions or comments. Trustee Hauck moved the adoption of the resolution as amended by the chair of the board. There was a second.

Trustee Glazer stated that there was one other minor amendment to the original text in item 6 and folded into item 2 and wanted to make sure that the wording had been changed to reflect fiscal aspects of the State of California and one word change in item 4, second sentence, the proposed chair's amendment should include the word, guided.

Mr. Monville said that was correct and that the change in item 2 was as follows: "It is the continued intent of the Board of Trustees to compensate all CSU employees in a manner that is fair, reasonable, competitive, and fiscally prudent, in respect to the system budget and state

funding.” And the change in item 4, second sentence was “Presidential compensation will be *guided* with reference to the mean of the appropriate tier of comparison institutions, together with an individual candidate's reputation for national policy leadership and length and depth of executive experience.”

Trustee Monville stated that the board was pleased to have Senator Liu join the meeting and asked him to take the floor.

Senator Liu stated that he wanted to attend the board meeting and thank the board for their proposal and to urge support for Chair Carter's amendment. He said that in the prior week, he had expressed the concerns he had at that time and that today's changes minimize many of those concerns. He said, that he was confident that he and the CSU could work together to resolve issues. He stated that he loved the CSU system and believed that higher education is the key to California's future. He said that it was important for the CSU to take this step in order to put the issue behind them so that the CSU could work together on important issues. He said that he was pleased to be able to work and fight together for CSU in the state legislature. He thanked the board.

Trustee Monville again thanked Senator Liu for attending the meeting and for his thoughtful feedback. He then asked the members of the board had if they had any other questions or comments.

Trustee Glazer praised Chair Carter for his constructive amendment and said that he could support his leadership by approving the compensation policy. He said that it was a smart step forward. He said that it is worth putting on the record that the amended policy is a great improvement, but that he would note in the resolution that the CSU will maintain and update the policy annually so that it is not a document that will be permanently on the shelf, but one that can be revised as necessary. He stated that he was happy to support Chair Carter by supporting the policy as amended.

Lt. Governor Newsom echoed Trustee Glazer's point and noted that it was important to send a message to the legislature and members of the public that this is a dynamic process, hardly static and that this board would revisit the comparable institutions annually. He also expressed his support and appreciation for several members of the board, for their work to craft this new policy and hoped that people consider where the board was in contrast to where it is today. He noted also that the expectation is that the board will continue to tighten the comparables further, because there was no doubt that the CPEC comparables were unfortunately locked in stone, and to have a more dynamic and healthy process. He said that it was an important moment in the history of the CSU as its institutions change and as the nation's picture changes. He further noted that the CSU has dramatically reduced the historical salary gaps and it is certainly a step forward in that regard.

Trustee Monville thanked the Lt. Governor and Trustee Glazer for their comments stating that their point was “spot on” because the CPEC comparables that had been in use for the last twenty years were static and some were locked in stone. He noted that having a policy that is dynamic and can be reviewed and changed as the CSU institutions change is far more valuable in helping to guide the board. He noted also that by going to this system, the board had dramatically reduced the mean in the salary gap.

Trustee Guzman commended Chair Carter for bringing the amendment forward and noted that it was important to have the new comparables as the board looks at the salaries of our faculty and staff. It will also benefit board members as they go before the legislature to remind them that the CSU wants more investment in the CSU.

Dr. Postma, Academic Senate CSU chair stated that in the November packet of information there was a resolution from the Academic Senate supporting the general structure as a way to help in getting good presidents and also having a rational way of explaining why salaries were the way they were in the system.

Trustee Monville thanked the board members for their comments. He stated that there was a motion and a second and asked for further comments, and hearing none, he called for a vote on the revised resolution. The committee passed the resolution as amended (RSCPSC 01-12-01). Amendments to the resolution are highlighted in *italics*:

RESOLVED, by the Board of Trustees of the California State University, that the following is the compensation policy of the California State University:

1. The goal of the CSU continues to be to attract, motivate, and retain the most highly qualified individuals to serve as faculty, staff, administrators, and executives, whose knowledge, experience, and contributions can advance the university’s mission.
2. It is the continued intent of the Board of Trustees to compensate all CSU employees in a manner that is fair, reasonable, competitive, and fiscally prudent, *in respect to the system budget and state funding*.
3. To that end, the CSU will continue to evaluate competitive and fair compensation for all CSU employees based on periodic market comparison surveys.
4. In addition, the CSU will maintain and update annually a tiered list of CSU comparison institutions for Presidential compensation. The list will take into account location, enrollment, budget, percentage of students receiving Pell Grants, six year graduation rates, research funding, and such other subjects as from time to time be deemed appropriate. Presidential compensation will be *guided* with reference to the mean of the appropriate tier of comparison

institutions, together with an individual candidate's reputation for national policy leadership and length and depth of executive experience.

5. *Notwithstanding the presidential compensation criteria enumerated in item 4 (above) and until the Board of Trustees of the California State University determines otherwise, when a presidential vacancy occurs, the initial base salary, paid with public funds, to the successor president, shall not exceed ten percent of the previous incumbent's pay.*

Chancellor Reed thanked the committee, the board and staff and especially Chair Carter for all the work that went into the process. He stated that he wanted everyone to know how very difficult it is to put together comparison institutions and shared some thoughts that went into the process. He noted that since his arrival in California, he had thought that the CPEC institutions were not useful comparators for the CSU, and that having the University of Southern California, with their president making almost \$2 million, Tufts University in Boston, and Reed College didn't make any sense at all. In order to do comparators, he noted, it is necessary to look at enrollment. The larger the size of an institution the more complex it becomes and the more that one has to oversee. Additionally, a university's research and ability to bring in outside resources is another key comparator. Reed stated that we weighted those two items equally at about 35% for the comparator's enrollment research and budget. He also noted that we are unique in this country in the kinds of students that we serve, and we need to pay a lot more attention to retention and graduation rates. Additionally, he noted that it is difficult to find comparable universities given California's unique master plan structure. San Diego State University, for example, is almost impossible to compare. He noted that we took away Temple University, which people criticized because they did do more research and they did have a medical school. The Master Plan prohibits San Diego State from offering PhD programs although they have more joint PhD programs than any of our other institutions. Last year San Diego State did \$150 million dollars in outside research. In comparison, the University of Alabama offers PhD's, is a medical school and they only did \$90 million dollars' worth of research. The University of Oklahoma only did \$120 million worth of research. The conclusion, he said, is that the comparators are hard to come up with because you really have to compare like with like. Overall, he noted that we have lowered the mean average compensation for every tier. We did not add any compensation, which 90% of all those institutions provide in addition to their state support—we only took the state support. He stated that it needs to be a live list and we need to revise it each year. Additionally, he noted that the picture would look very different if we went to Wisconsin, North Carolina and the SUNY system in New York and only had comparators to them—but we didn't want to get more than one or maybe two institutions from any one state. He concluded that the system is a lot more complex than meets the eye, but he will welcome any suggestions that anyone has in putting those comparators together. He noted that he consulted with all the presidents, particularly with King Alexander, who specializes in that kind of data, and with colleagues around the country about comparators and what they do.

Trustee Monville adjourned the meeting.

AMENDED

Action Item
Agenda Item 1
May 7-9, 2012
Page 1 of 2

SPECIAL COMMITTEE ON PRESIDENTIAL SELECTION AND COMPENSATION

Policy on Presidential Compensation

Presentation By

Charles B. Reed
Chancellor

Summary

At the July 2011 meeting, the CSU Board of Trustees appointed a Special Committee to consider The California State University's policy on the selection and compensation of CSU Presidents. This agenda item is an amendment to the final recommendation of the Special Committee and relates to presidential compensation.

Background

The Special Committee considered information provided by outside experts on both the subject of Presidential Selection and Compensation. At the September 2011 board meeting, the Special Committee recommended a new Presidential Selection Policy that was adopted by the full board. At the January 2012 board meeting, the Special Committee recommended a renewed CSU Compensation Policy, with special attention to the issue of presidential compensation. The Special Committee now recommends an amendment to the Compensation Policy related to state funded compensation.

The Proposed Amendment to the Policy on Presidential Compensation

During its January 2012 meeting, the board acknowledged that even in difficult economic times, the CSU must compete on a national level for highly qualified candidates to serve as presidents of its institutions. The pool of candidates with the appropriate level of executive leadership experience is limited and the competition for the best candidates is intense. The unanimously approved Compensation Policy set limits and parameters for presidential compensation and called for compensation that is "fair, reasonable, competitive, and fiscally prudent, in respect to the system budget and state funding." To this end, the committee recommends amending the policy to freeze compensation paid with state funds at current levels. Compensation above the base salary paid with state funds would be paid from campus foundation funds.

The Special Committee recommends that this policy be reviewed in 2014.

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the following is the presidential compensation policy of the California State University:

1. The goal of the CSU continues to be to attract, motivate, and retain the most highly qualified individuals to serve as faculty, staff, administrators, and executives, whose knowledge, experience, and contributions can advance the university's mission.
2. It is the continued intent of the Board of Trustees to compensate all CSU employees in a manner that is fair, reasonable, competitive, and fiscally prudent, in respect to the system budget and state funding.
3. To that end, the CSU will continue to evaluate competitive and fair compensation for all CSU employees based on periodic market comparison surveys.
4. In addition, the CSU will maintain and update annually a tiered list of CSU comparison institutions for Presidential compensation. The list will take into account location, enrollment, budget, percentage of students receiving Pell Grants, six year graduation rates, research funding, and such other subjects as from time to time be deemed appropriate. Presidential compensation will be guided with reference to the mean of the appropriate tier of comparison institutions, together with an individual candidate's reputation for national policy leadership and length and depth of executive experience.
5. Notwithstanding the presidential compensation criteria enumerated in item 4 (above) and until the Board of Trustees of the California State University reexamines this policy in **January** 2014, when a presidential vacancy occurs, the successor president's base salary, paid with public funds, shall not exceed the previous incumbents pay. Salary compensation above the incumbent's base pay deemed necessary to retain the best leader shall be paid from foundations, **and shall not exceed 10% of the base salary.**