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The California State University 2010 Presidents' Compensation Study

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Summary of Contents

SECTION	PAGE
I. Study Purpose and Background	2
II. Executive Summary	3
III. Competitive Scope Analysis	4
IV. Compensation Analysis	8
V. Prevalence of Benefits Summary	13
VI. Prevalence of Perquisites Summary	14
Appendix A: Glossary of Terms	17
Appendix B: Supplemental Data Sources	19

Section I

Study Purpose and Background

Mercer was retained by the California State University (CSU) Office of the Chancellor to conduct an independent, third party survey of compensation, specified benefits and perquisites for the position of campus president. The comparator set of 20 universities used for this survey is the same group used in both the historical California Postsecondary Education Commission (CPEC) studies and in Mercer's corresponding Presidential Compensation Studies for CSU. These include 15 public and five private leading educational and research institutions across the United States.

Data were solicited from all 20 comparator universities targeted by the study, in addition to CSU's 23 campuses. Excluding CSU, comprehensive survey data was obtained from 13 of the 20 comparators. Five categories of data were collected as of September 1, 2010:

Examples

- | | |
|------------------------------|--|
| – Position Data | Name of campus, incumbent title, etc. |
| – Organizational Data | Number of ranked faculty, enrollment, operating budget, etc. |
| – Compensation Data | Current base salary, incentive compensation, etc. |
| – Benefits | Deferred compensation, severance & retirement plans, etc. |
| – Perquisites | Automobile allowance, housing allowance, supplemental life insurance, etc. |

For non-participants, cash compensation information was supplemented for five additional comparators from publically available documents, bringing the total to 18 of the 20 comparators included in total cash compensation data (see p. 19 for supplemental data sources).

Benefits information was also collected from Mercer's proprietary benefits database, including health & welfare benefits, retirement plans, and long-term disability for 19 of the 20 comparators.

Section II

Executive Summary

Element	Lead/Lag	Observations
Base Salary	- 45%	<ul style="list-style-type: none"> CSU's base salaries lag the market.
Short-term Incentives	n/a	<ul style="list-style-type: none"> Three institutions offer such a program, with two making payments in the most recent year. CSU does not offer incentives.
Total Cash Compensation	- 52%	<ul style="list-style-type: none"> CSU's total cash compensation lags the market.
Benefits (prevalence only)	n/a	<ul style="list-style-type: none"> Twelve of 19 institutions offer a qualified defined benefit retirement plan similar to CSU's plan. Two institutions offer a non-qualified defined contribution plan, which CSU does not offer. All institutions offer a qualified defined contribution plan. Eight institutions offer a non-qualified defined contribution plan, which CSU does not offer.
Perquisites (prevalence only)	n/a	<ul style="list-style-type: none"> Of the eight perquisites that CSU offers, seven are offered by at least 46% of survey participants, with the exception of a physical exam. The most common perquisites not offered by CSU are tenured professorship (offered by 69% of participants) and club dues and membership (offered by 38% of participants).

Section III

Competitive Scope Analysis

All institutions in the CPEC-20 were asked to participate in the 2010 CSU Presidents' Custom Survey. These institutions represent a mix of enrollment, operating budget, public/private status, and faculty size. All institutions are included in this report through either the custom survey, publicly available information, or Mercer's benefits database.

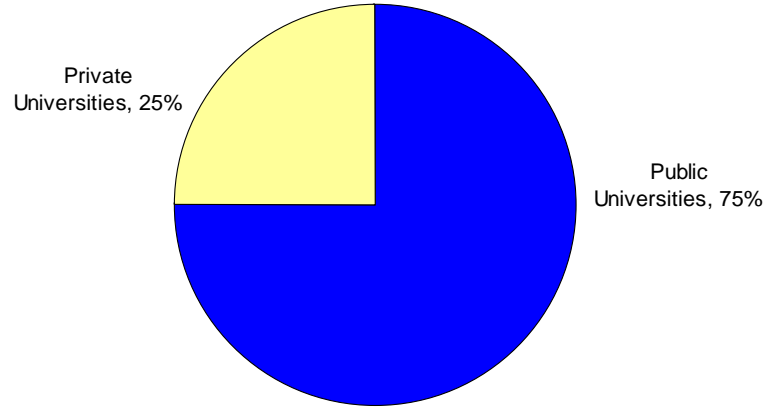
List of Participants					
Participant	Public/Private	Campus	Title	Compensation ¹	Benefits
Arizona State University	Public	Single	President	Survey	Yes
Bucknell University	Private	Single	President	Survey	Yes
Cleveland State University	Public	Single	President	N/A	Yes
George Mason University	Public	Single	President	Survey	Yes
Georgia State University	Public	Single	President	Survey	Yes
Illinois State University	Public	Single	President	Survey	Yes
Loyola University of Chicago	Private	Single	President	Survey	Yes
North Carolina State University	Public	Single	Chancellor	Survey	Yes
Reed College	Private	Single	President	Public	Yes
Rutgers, The State University of New Jersey	Public	New Brunswick	President	Survey	Yes
State University of New York, Albany	Public	Albany	President	Public	Yes
Tufts University	Private	Single	President	Public	N/A
University of Colorado, Denver	Public	Denver	Chancellor	Survey	Yes
University of Connecticut	Public	Single	President	Survey	Yes
University of Maryland, Baltimore County	Public	Baltimore County	President	Survey	Yes
University of Nevada, Reno	Public	Reno	President	Survey	Yes
University of Southern California	Private	Single	President	N/A	Yes
University of Texas at Arlington	Public	Arlington	President	Public	Yes
University of Wisconsin, Milwaukee	Public	Milwaukee	Chancellor	Survey	Yes
Wayne State University	Public	Single	President	Public	Yes

¹ Indicates whether compensation data were collected from Mercer's custom survey, publicly available documents, or not available.

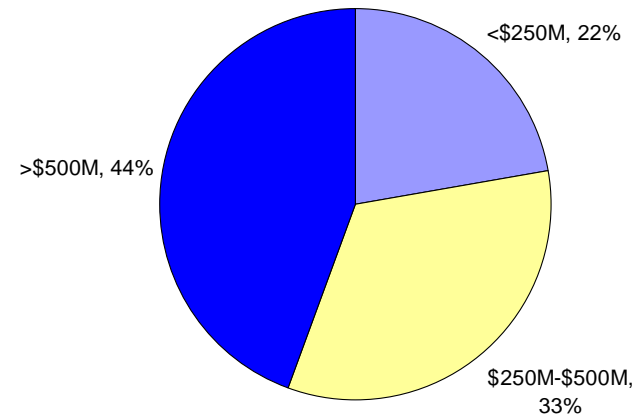
Section III

Competitive Scope Analysis ¹

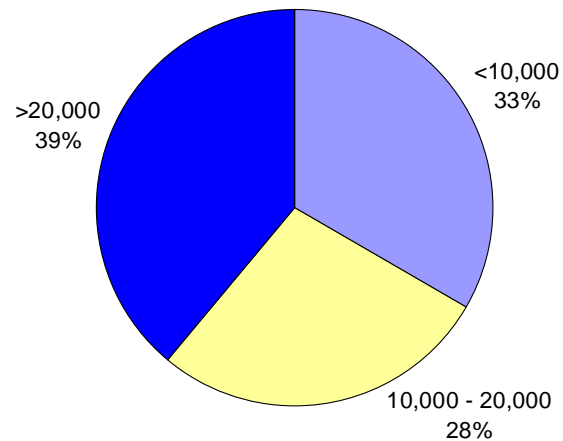
Campuses Reporting



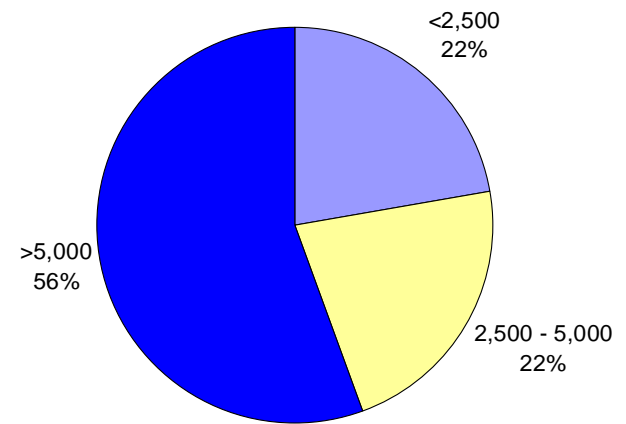
Operating Budget



Undergraduate Enrollment (FTE)



Graduate Enrollment (FTE)



¹ Includes mix of data reported in custom survey and publicly available information; see Appendix B supplemental data sources.

Section III

Competitive Scope Analysis

The following table compares each CSU campus scope variable to the CPEC ¹ and CSU averages.

CSU SCOPE VARIABLES vs. CPEC AVERAGE					
Campus	Current Salary	Operating Budget (\$000s)	Ranked Faculty (FTE)	Undergraduate Enrollment (FTE)	Graduate Enrollment (FTE)
Institutions Included	18	18	18	18	18
CPEC Average	\$425,945	\$749,521	1,351	17,064	6,025
CSU Campus Average	\$292,830	\$249,578	451	13,331	1,649
San Jose*	\$328,200	\$439,201	690	18,991	4,110
San Luis Obispo*	\$328,200	\$330,113	668	17,756	807
Los Angeles	\$325,000	\$246,169	533	12,542	2,715
Long Beach	\$320,329	\$454,527	831	24,687	3,189
San Diego	\$299,435	\$642,810	783	24,524	3,716
Fresno	\$299,000	\$310,656	553	16,163	1,853
San Francisco	\$298,749	\$354,389	783	20,588	3,653
Humboldt	\$297,870	\$126,765	248	6,769	449
Dominguez Hills	\$295,000	\$146,943	244	7,900	1,639
Fullerton	\$295,000	\$360,225	728	24,243	2,789
Northridge	\$295,000	\$387,770	719	23,511	3,017
Sacramento	\$295,000	\$375,115	707	20,671	2,516
Pomona	\$292,000	\$278,147	519	17,230	1,026
Sonoma	\$291,179	\$124,508	260	6,864	418
San Bernardino	\$290,000	\$203,817	391	12,617	1,673
Bakersfield	\$285,000	\$99,204	198	6,109	684
Chico	\$279,500	\$267,779	486	14,587	666
East Bay	\$276,055	\$171,305	336	10,184	2,015
Channel Islands	\$275,000	\$60,661	81	3,123	21
San Marcos	\$270,568	\$121,477	215	6,824	290
Monterey Bay	\$270,315	\$100,783	111	4,239	130
Stanislaus	\$270,000	\$104,948	255	5,622	547
Maritime Academy	\$258,680	\$32,979	45	879	0

¹ Includes mix of data reported in custom survey and publicly available information; see Appendix B supplemental data sources.

* Represents interim presidential appointments at the San Jose and San Luis Obispo campuses.

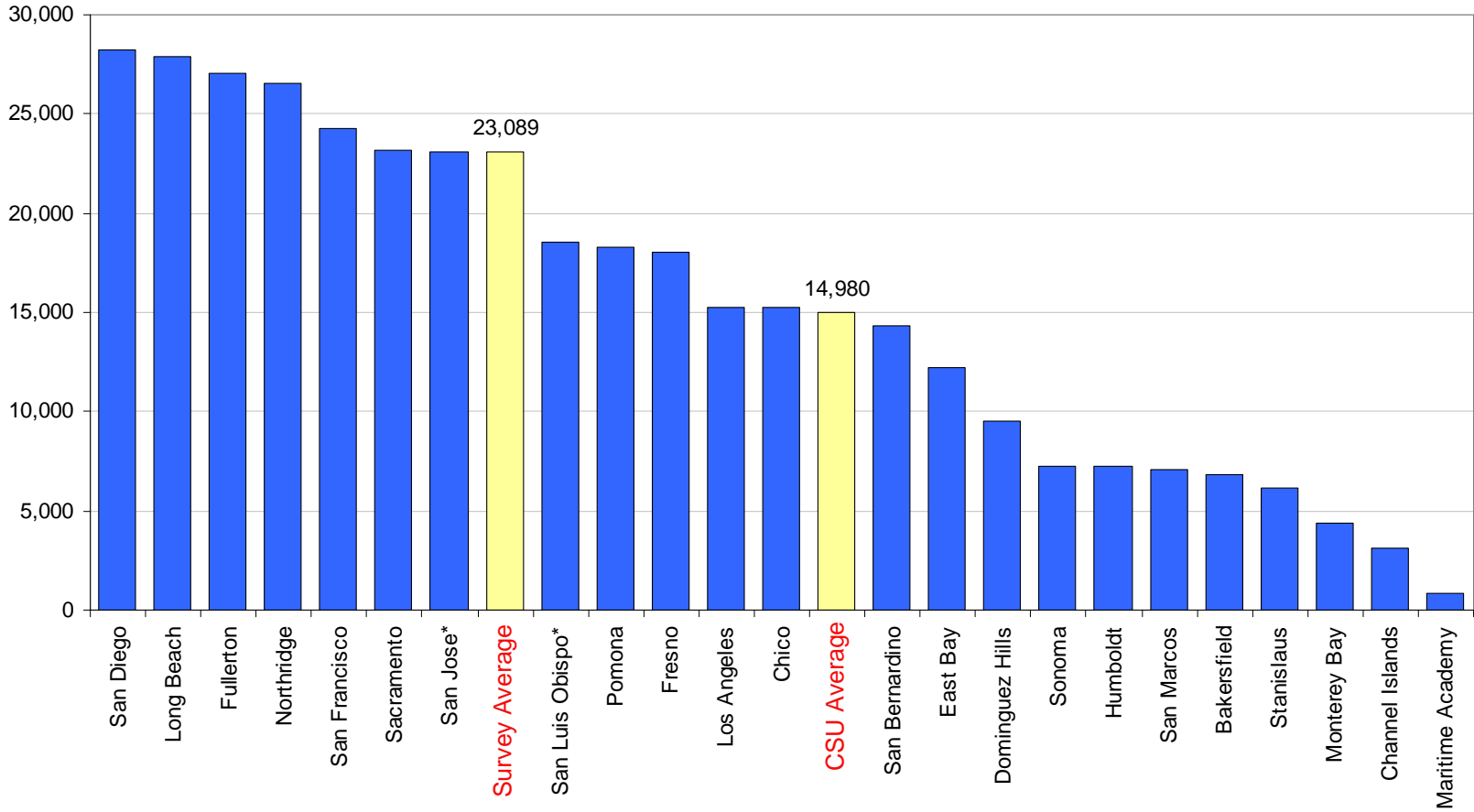


Section III

Competitive Scope Analysis

The table below compares the total enrollment of each CSU campus to the CPEC average enrollment ¹. Total enrollment is defined as full-time equivalent undergraduate students plus full-time equivalent graduate students.

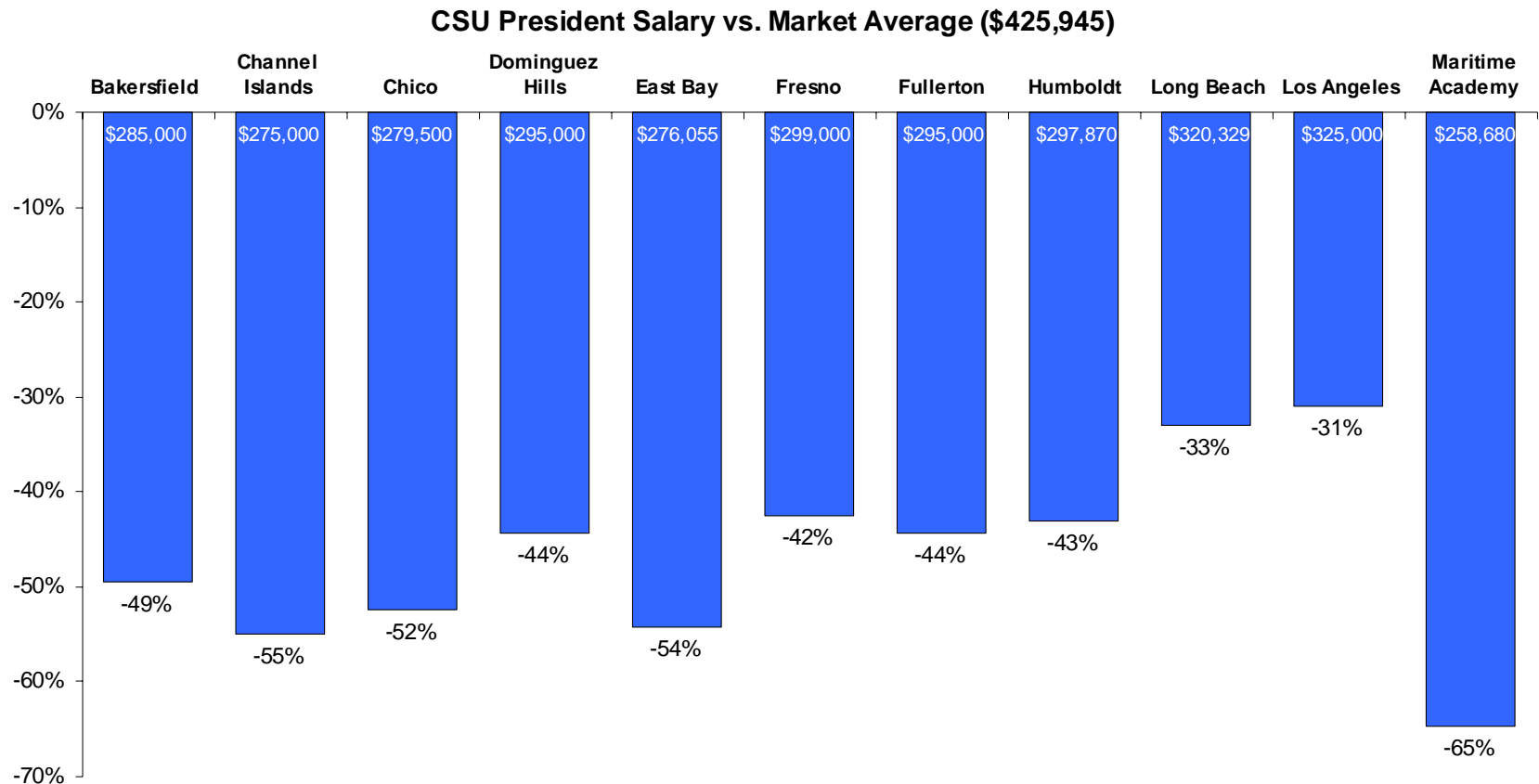
Total Enrollment vs. Survey Average



¹ Includes mix of data reported in custom survey and publicly available information; see Appendix B supplemental data sources.

Section IV Compensation Analysis

Each CSU incumbent's pay was compared to the market average base salary (continued on page 9) to determine lead or lag against the market. Individual CSU presidents' base salaries vary from market average by a lag of 30% to 65%, with an average lag of 45%. The average lag figure represents the percent by which CSU president salaries must increase to equal the average of the survey base salaries.

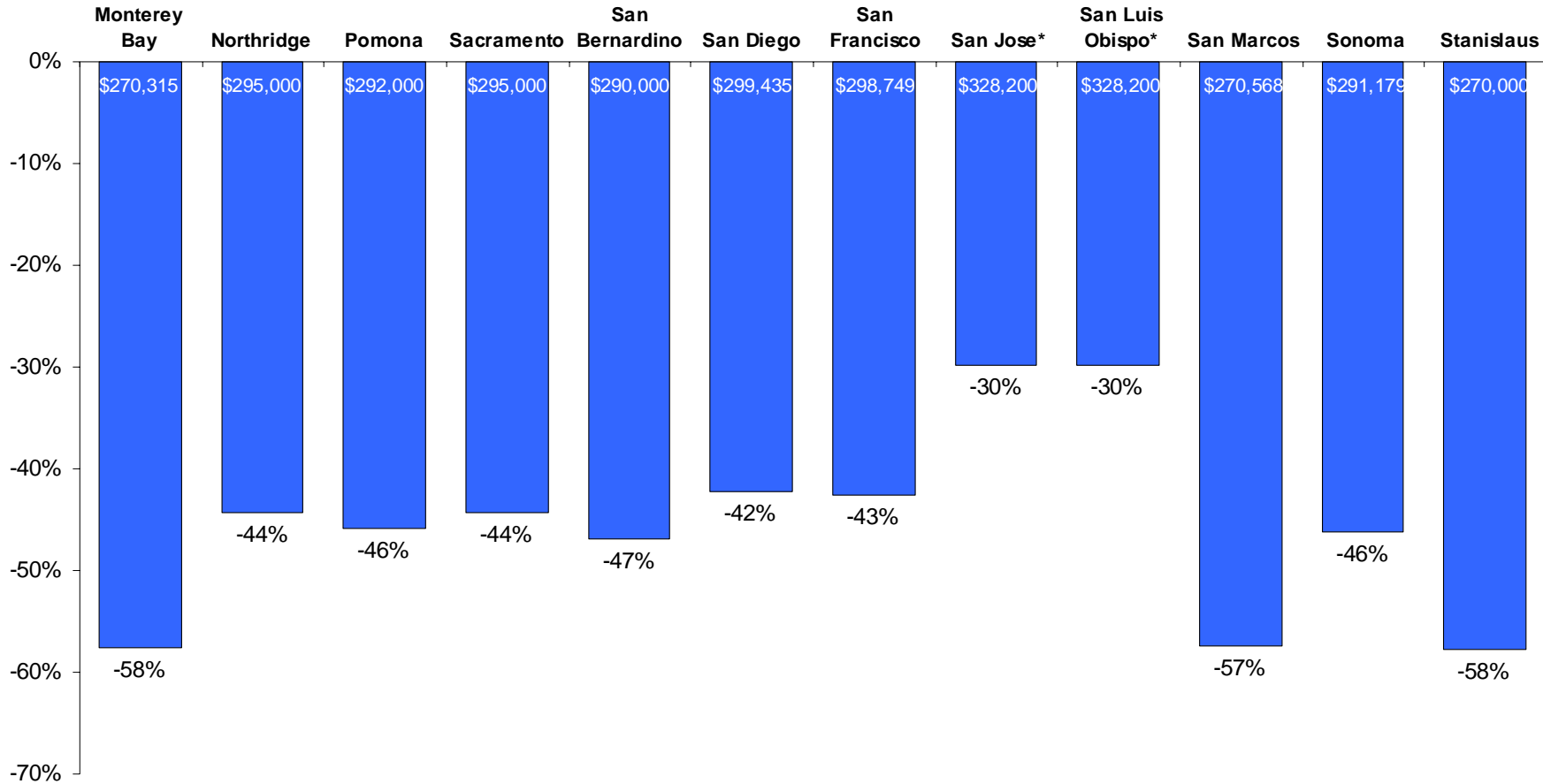


Note: Lead/lag represents the percent by which a CSU data point must be decreased/increased to equal the market, and is calculated as: $1 - (\text{Market} / \text{CSU})$.

Section IV Compensation Analysis

Continuation from previous page

CSU President Salary vs. Market Average (\$425,945)



Note: Lead/lag represents the percent by which a CSU data point must be decreased/increased to equal the market, and is calculated as: $1 - (\text{Market} / \text{CSU})$.

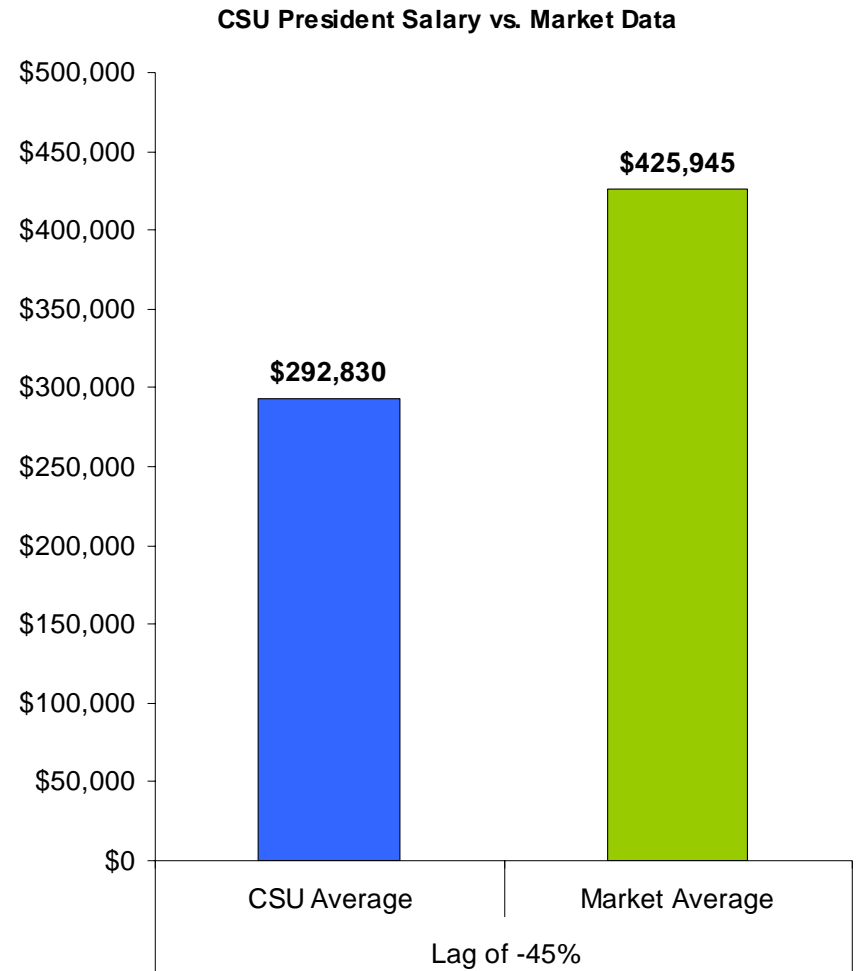
* Represents interim presidential appointments at the San Jose and San Luis Obispo campuses.

Section IV Compensation Analysis

Base Salary

This chart shows the CSU average base salary compared to survey average base salary.

CSU base salaries, on average, lag the survey average by 45%.



Note: Lead/lag represents the percent by which a CSU data point must be decreased/increased to equal the market, and is calculated as: $1 - (\text{Market} / \text{CSU})$.

Section IV Compensation Analysis

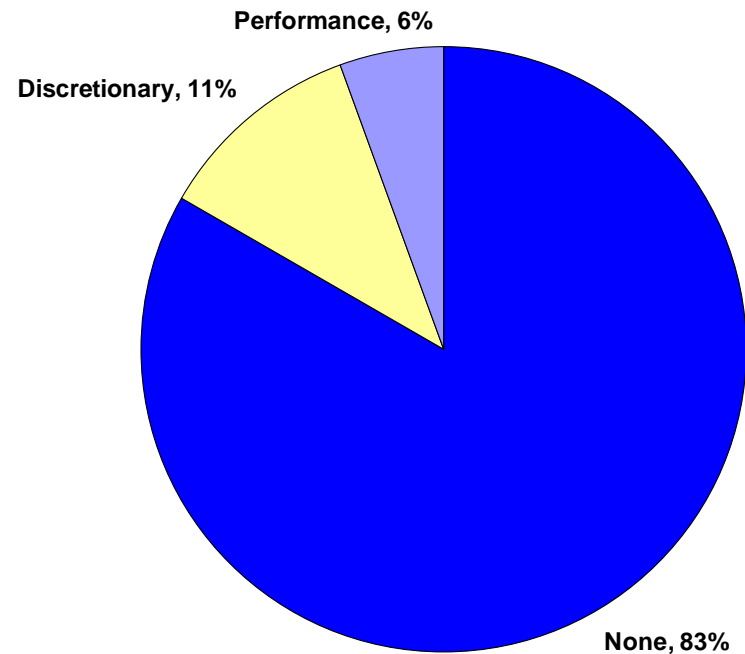
Incentives

CSU does not offer its presidents any short- or long-term incentive programs.

Three of 18 survey respondents indicated that they offered their president(s) a short-term incentive program.

Of these three, two paid bonuses in the most recent academic year.

Short-Term Incentive Market Prevalence



Section IV Compensation Analysis

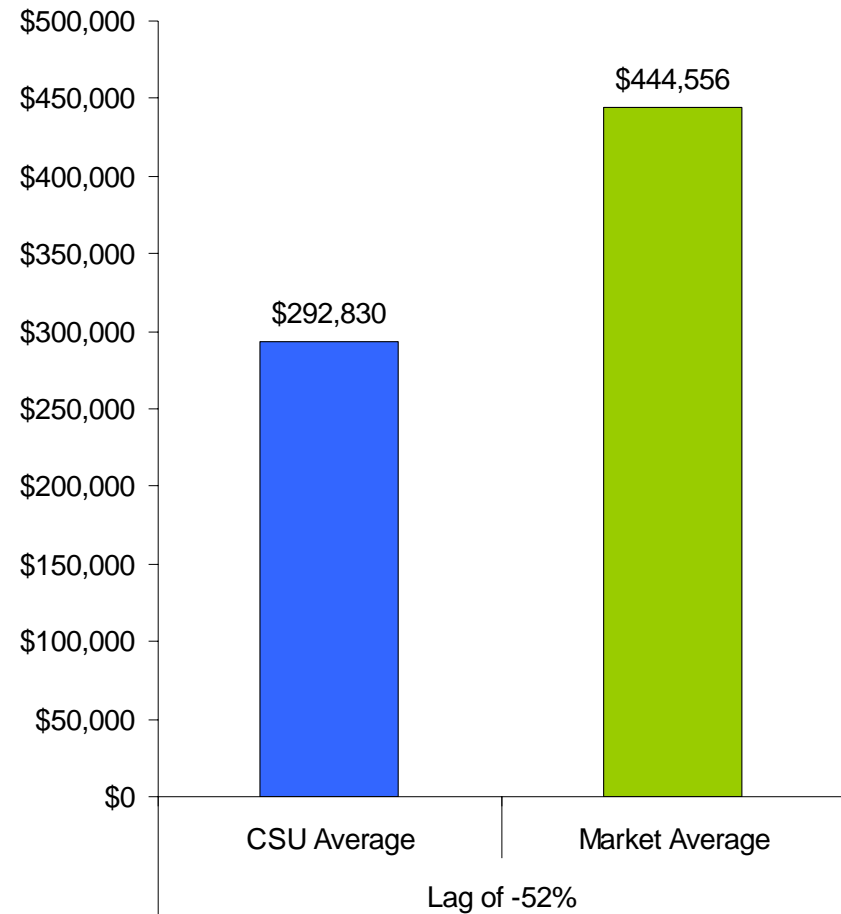
Total Cash Compensation

This chart shows the survey total cash compensation (“TCC”) data, which reflects base salaries with the addition of reported incentives paid out to presidents in the most recent academic year.

CSU does not offer incentives, and therefore its total cash compensation is equivalent to base salary.

CSU average total cash compensation lags the survey average by 52%.

CSU President Total Cash Compensation vs. Market Data



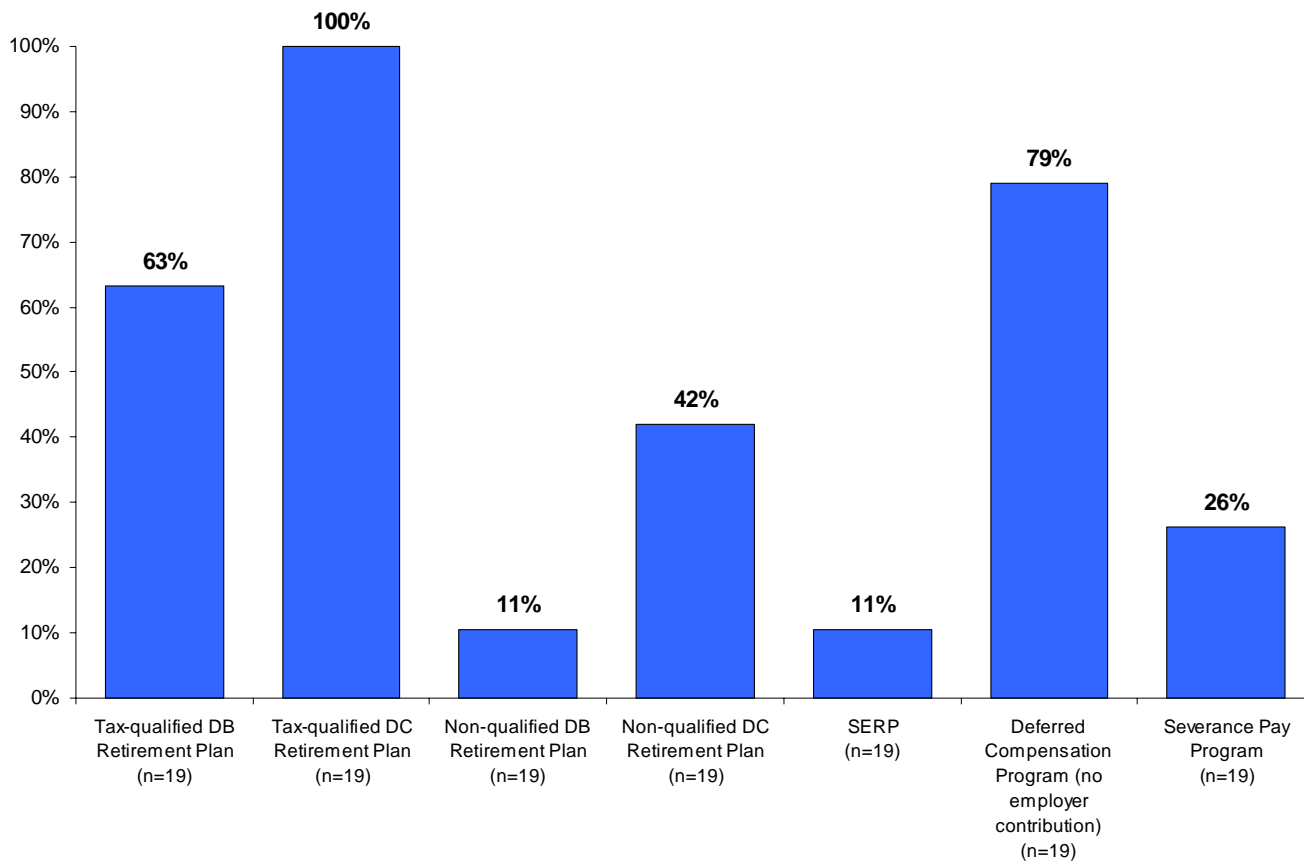
Note: Lead/lag represents the percent by which a CSU data point must be decreased/increased to equal the market, and is calculated as: $1 - (\text{Market} / \text{CSU})$.

Section V

Prevalence of Benefits Summary

The following percentage of respondents offer the identified benefits to their campus heads. General health and welfare benefits, such as medical and dental, are not included in this study.

Benefits Summary - Presidents



Plan Type	Benefit Range	# of Institutions Offering Plan	Offered by CSU?
Tax-qualified Defined Benefit Retirement Plan	2% - 10%	12	Y
Tax-qualified Defined Contribution Retirement Plan	6% - 13.5%	19	Y
Non-qualified Defined Benefit Retirement Plan	n/a	2	N
Non-qualified Defined Contribution Retirement Plan	n/a	8	N
Supplemental Executive Retirement Plan	n/a	2	N
Deferred Compensation Program (no employer contribution)	n/a	15	Y
Severance Pay Program	n/a	5	N

Section VI

Prevalence of Perquisites Summary

Mercer surveyed prevalence of executive perquisites offered to presidents. Perquisites are defined as supplemental benefits that may be offered to presidents.

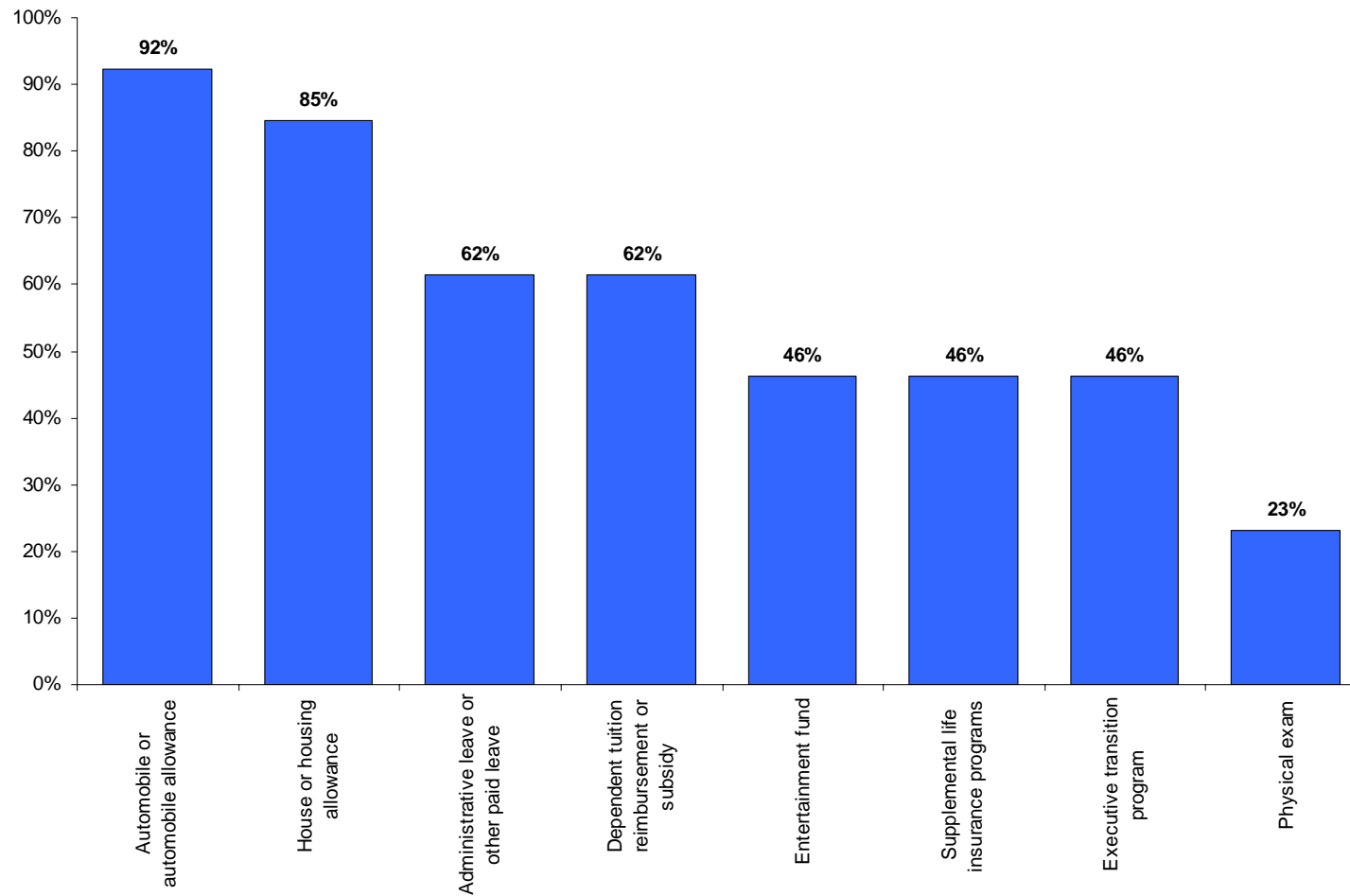
Perquisites included in the survey are as follows:

- | | |
|---|--------------------------------------|
| Administrative leave or other paid leave | Low-interest mortgage loan |
| Automobile or automobile allowance | No-interest mortgage loan |
| Club dues and memberships | Physical exam |
| Dependent tuition reimbursement or subsidy* | Sabbatical |
| Driver | Spouse benefits |
| Entertainment fund | Supplemental life insurance programs |
| Estate planning | Supplemental long-term care |
| Executive transition program | Supplemental long-term disability |
| Financial planning/preparation | Supplemental medical benefits |
| First-class travel | Supplemental vacation programs |
| House or housing allowance | Tax planning/preparation |
| | Tenured professorship |

**Core benefit offered to all CSU employees*

Section VI Prevalence of Perquisites Summary

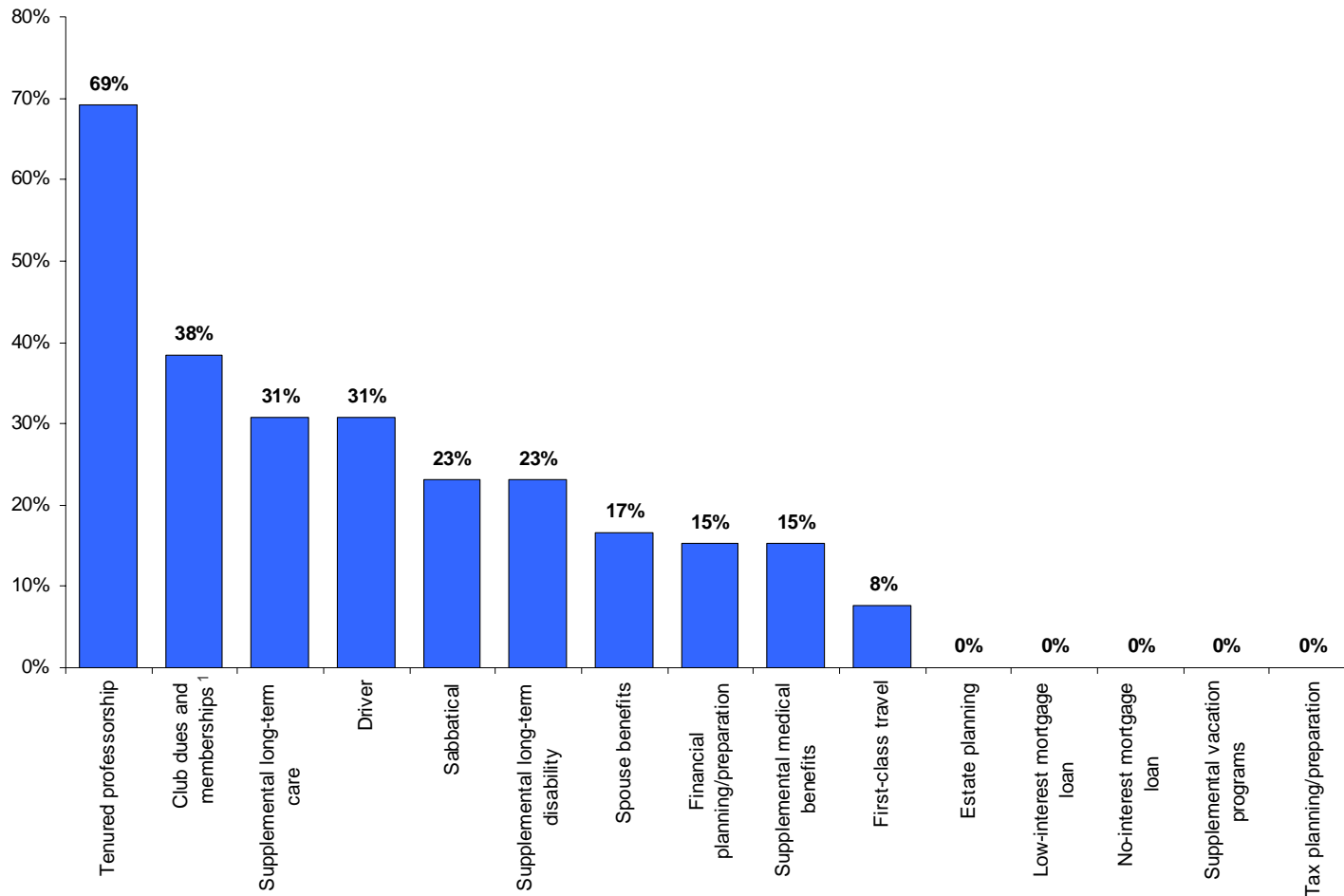
The following percentage of survey participants (n=13) offer the identified perquisites for which California State University presidents are eligible:



Section VI

Prevalence of Perquisites Summary

The following percentage of survey participants (n=13) offer the identified perquisites for which California State University presidents are **NOT** eligible:



¹ Some CSU presidents may receive club memberships from foundation sources.



Appendix A

Glossary of Terms

Subject	Term	Definition
<i>University President Data</i>	Current Base Salary	Actual annual base salary for the incumbent, including salary values from all sources (public and private), but excluding any incentive pay or deferred compensation.
	Market Lag/Lead	Percentage the CSU salary would have to be increased or decreased to equal the survey average.
	Perquisite	Benefits offered to the Chancellor which are not generally offered to other university employees.
	Total Years of Experience	Number of years chief campus officer has been in the top campus position at any university.
<i>Organization Data</i>	Employees (FTEs)	Number of full-time equivalent employees excluding faculty and students.
	Ranked Faculty (FTEs)	Full-time equivalent for all ranked faculty: Instructors (if considered ranked faculty), Assistant Professors, Associate Professors, Associate Professors and Professors. Excludes visiting and adjunct faculty and non-tenured lecturers.
	Undergraduate Enrollment:	Total number of full-time equivalent undergraduate students enrolled at the institution.
	Graduate/Professional Enrollment:	Full-time equivalent students for all graduate or professional programs. This includes all students working towards a Masters or Doctorate degree.
<i>Financial Data</i>	Operating Budget	Total operating budget for the entire institution for which the chief campus officer is responsible, excluding any independently operated research facilities.
<i>Statistical Analysis</i>	Average	The simple average, calculated by dividing the sum of the cases by the number of cases.

Appendix A

Glossary of Terms – Benefits Definitions

Subject	Term	Definition
<i>Defined benefit retirement plan</i>	Definition	A pension plan that specifies the benefits, or the methods of determining the benefits, but not the level or rate of contribution. Contributions are determined actuarially on the basis of the benefits expected to become payable.
	Examples of plan	CalPERS pension plan
<i>Defined contribution retirement plan</i>	Definition	A retirement plan that provides an ongoing contribution to an account that grows at some interest rate until retirement.
	Examples of plan	Pension plan, 401K, 403B
<i>Non-qualified retirement plan</i>	Definition	A plan designed to provide amounts above what is provided under a qualified defined benefit plan as a result of Internal Revenue Code Section 415. 2.
	Examples of plan	457B, 457F
<i>Deferred compensation plan</i>	Definition	This is a plan that includes only employee dollars.
	Examples of plan	Voluntary deferrals
<i>Severance pay</i>	Definition	A continuation of an employee's salary after termination that is paid either in a lump sum or on a continuation basis. The amount usually is based on the employee's length of service.
	Examples of plan	Fixed dollar amount, formula, transition assistance



Appendix B

Supplemental Data Sources

Mercer supplemented custom survey data, collected from 13 comparator institutions, with publicly available information from the seven comparators that did not participate in the custom survey. These data were collected from the following sources:

Base Salary and Total Cash Compensation

Source: The Chronicle of Higher Education [www.chronicle.com]

Mercer collected base salary and total cash compensation information for presidents of all seven survey non-participants from the Chronicle's database, data effective FY 2008-2009.

Mercer conducted additional internet research for three institutions who experienced incumbent turnover since the effective date of the Chronicle pay data. Mercer and CSU confirmed updated base and total cash compensation data for Wayne State University; however, more recent pay data for Cleveland State University and the University of Southern California could not be confirmed, and were therefore excluded.

Undergraduate and Graduate Enrollment

Source: The College Board [www.collegeboard.com]

Mercer collected undergraduate and graduate enrollment information as reported in The College Board's Annual Survey of Colleges for each of the seven survey non-participants.



Appendix B

Supplemental Data Sources

Ranked Faculty

Source: StateUniversity.com [www.stateuniversity.com]

Mercer collected ranked faculty information for six of the seven survey non-participants (excluding UT-Arlington) from StateUniversity.com's catalog of colleges and universities, data effective 8/17/2009. Reported full-time and part-time faculty were added to approximate total ranked faculty by institution.

Operating Budget

Source: Forms 990 and publicly available budget documents

Mercer collected operating budget information for the three private non-participants from their most recent Form 990, data effective FY 2008-2009. FY 2009-2010 budget information was found online for UT-Arlington, and FY 2010-2011 budget information was found online for Cleveland State, SUNY Albany, and Wayne State.

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