Minutes of the Special Meeting of the Board of Regents
Ad Hoc Presidential Compensation Committee
Murray State University
August 27, 2015

The Murray State University (MSU) Board of Regents (BOR) Ad Hoc Presidential Compensation Committee met in Special Session on Thursday, August 27, 2015, at Miller Memorial Golf Course located at 2814 Potertown Road in Murray, Kentucky.

Call to Order/Roll Call

Chair Harry Lee Waterfield II called the meeting to order at 4:10 p.m. and reported fellow Committee members Susan Guess, Daniel Kemp and Stephen Williams were present. Also present was Jill Hunt, Senior Executive Coordinator for the President, Coordinator for Board Relations and Secretary to the Board of Regents.

AGENDA

Contract of Employment Revision – Dr. Robert O. Davies

Chair Waterfield

Presidential Compensation, discussed

Chair Waterfield reported that in discussing the upcoming budget, Jackie Dudley, Vice President for Finance and Administrative Services, indicated she would need to know the salary level and benefits for President Robert O. Davies for the upcoming year. Chair Waterfield has talked with President Davies who has indicated he is satisfied with his current salary. During this discussion both agreed Dr. Davies has established an excellent relationship at Murray State, has done a good job during his inaugural year as President and would receive the basic salary increase that every other employee received. Dr. Davies did indicate that at some future point it would be desirable to have a sensible deferred compensation plan included in his contract, in addition to a few other small changes which might need to be made.

Mr. Waterfield indicated the Association of Governing Boards (AGB) information provided for the Annual Advance discussed how costly presidential turnover is to universities, especially if they are in the process of carrying out a Strategic Plan over a number of years. He would like for the University to be in a position where it does not lose a good President over the issue of pay. A review of salaries for the other university Presidents in Kentucky has been undertaken and, based on Dr. Davies salary at the time he was hired, those amounts were not off by a great deal. Dr. Davies has repeatedly indicated he is satisfied with his salary but Mr. Waterfield wants the Ad Hoc Committee to consider what can be done to keep another university from potentially attracting Dr. Davies away from Murray State in the future.

Confirmation was provided that the previous President of Murray State University had a deferred compensation plan as part of his contract but that was not included as part of Dr. Davies’ contract in negotiations with the former Board Chair. It is believed this may have simply been an oversight when the original contract was negotiated. This Committee is not under any pressure to take action but Chair Waterfield wants to ensure the entire Board is thinking about this potential issue.

In terms of timing, the goal is to be able to indicate to Dr. Davies that some action in this regard will be taken over the course of the next year. Mr. Williams indicated the Board should have addressed the deferred compensation issue at the time Dr. Davies was hired. The Board was aware the President had a deferred compensation plan while at Eastern Oregon but it was not an aspect of the contract which the Search Committee dwelled upon. It is standard practice for a university President to have a deferred compensation plan as part of their employment contract. All agreed that once it is determined what the appropriate deferred compensation plan should be they would have no issues with making it effective July 1 this year if possible.

Presidential contracts today contain provisions for bonuses when goals are reached and all agreed the Committee should undertake this work in time for Dr. Davies but additional homework will need to be done in this area. Action can be taken immediately with regard to a deferred compensation plan when it is known what the appropriate plan would be. A study
needs to be undertaken in terms of what the market is for Kentucky, as well as for outside the state. Chair Waterfield confirmed he received a proposal from AGB Search and an individual at the AGB Trusteeship Conference presented a seminar on presidential compensation. This individual has provided a proposal to undertake a study not only at Kentucky schools but other peer institutions selected by the consultant as well as by the universities themselves. The cost of undertaking such a compensation study for just one executive position (such as the President) would be approximately $11,000. All agreed that this amount seems somewhat steep. Members of the Ad Hoc Presidential Compensation Committee had been provided with copies of the AGB proposal which indicated there may not be a great deal of information available on schools Murray State’s size because AGB simply does not study schools this size with regard to deferred compensation. Agreement was reached that if a consultant is hired to undertake such a study all contract components must be taken into consideration to ensure the appropriate database is being utilized.

All agreed that Dr. Davies has had an outstanding year and would be in favor of implementing a deferred compensation plan as part of his contract. He currently is on the lower end of the presidential salary scale for Kentucky universities. Mr. Williams agreed to have a discussion with Ms. Dudley tomorrow to see what actual dollar amounts would be in terms of a 10 percent contribution to a deferred compensation plan. This potentially could be made effective retroactive to July 1, 2015. The Board must pay the President what they believe that individual is worth and, in this case, all agree Dr. Davies is doing a really good job and is the type of individual other universities could pursue.

Agreement was reached that this issue could be discussed in general terms with the entire Board as part of the Quarterly Meeting. Mr. Kemp agreed to consult with General Counsel John Rall regarding the appropriate procedure to be followed if this conversation were to be held at tomorrow’s meeting. Agreement was reached that if any recommendation is to be advanced at the Quarterly Meeting that would likely need to be handled through the Finance Committee.

**Adjournment**

The MSU Board of Regents Ad Hoc Presidential Compensation Committee adjourned at 4:30 p.m.

Chair

Secretary

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