

# How Benefits Help Boards Find and Keep a Strong CEO

An executive recruitment expert explains how to attract and retain the best fit to lead your college.

By Cindy Lopez



**O**FFERING A STRONG CEO COMPENSATION PACKAGE is important for attracting and retaining leadership talent that can effectively run a college, maintain a positive campus culture, and improve student outcomes. This article includes a broad list of different types of benefits that can be considered when developing or amending a CEO contract.

Of course, what might attract or retain a CEO may vary depending on geography, state limitations, where a president or chancellor is in their career, or how the benefits compare to where they were previously, among other factors. Retirement benefits may be of higher importance to those in the second half of their careers, while generous leave and family benefits may be higher priority for CEOs in the early part of their careers. Colleges or systems in states with more limited retirement options or benefits may need to complement these with additional offerings to attract their talent needs. And, of course, colleges also must work within the limitations of their budgets. The important thing is that boards allow for flexibility in the negotiation process so they do not lose an exceptional candidate.

## Diverse Types of Benefits for Consideration

Below is an array of benefits beyond the base salary that boards may want to consider as they decide what their offer could — or will — include. As a good financial practice, ACCT recommends that boards cost and track the annual value of each type of benefit to have a clear picture of the overall financial value of the president's compensation package. Also, state laws vary, so consult with your legal counsel early in the search process.

### Bonuses

College CEOs may receive performance-based (based on a set of measurable goals within certain timeframes), longevity-based (for example, at one or multiple milestone years), or guaranteed annual bonuses. Bonuses might be paid at a set rate or as a percentage of the CEO's salary. They could be paid either outright or as deferred income, such as in a tax-sheltered retirement account.

### Retirement Benefits

Matching pension contributions can offset state pension limitations and strengthen long-term retention for late-career and nationally competitive college CEOs. Colleges may be able to provide an annual employer match (X% of base salary) into a supplemental retirement vehicle (403(b), 457(b), or annuity), independent of employee contributions.

In addition, a supplemental 403(b) contribution can align CEO compensation with foundation, system, and private-sector executive standards. Colleges may be able to provide a fixed annual contribution or X% of base salary into a 403(b) or equivalent plan, independent of employee contributions.

## Health Benefit Options

Attractive health benefit options include full or partial premium coverage for the CEO, premium coverage for spouse and/or family, coverage of health costs, such as out-of-pocket costs (possibly up to a maximum), and/or coverage for annual executive health evaluation, health benefits beyond what is provided to other senior executive staff, and/or supplemental executive medical insurance. Some colleges also provide for a post-retirement health care package.

## Life Insurance/Disability

Important insurance benefits include coverage of the annual premium for life insurance, coverage for spouse and/or other family members, higher maximum coverage than that provided to other executive staff, and supplemental executive life insurance coverage. Disability coverage, including all the considerations provided above, often is provided.

## Other Insurance

Directors and officers (D&O) insurance should include coverage for the college CEO.

## Housing Benefits

Provision of house/apartment, home maintenance costs, security system, monthly housing subsidy, or a combination of these make a college CEO position more competitive. This provision can either be for a set amount of time (the first year as CEO, for example) or for the duration of the CEO's tenure.

If home maintenance cost coverage is included, contract language or a policy outlining what is excluded and when special approvals are required is good practice.

## Auto Benefits

Provision of vehicle, insurance coverage, maintenance coverage, gas coverage (usually with a designated limit), monthly vehicle subsidy, or a combination of these, is an appealing benefit to busy college CEOs. We generally recommend contract language or a policy regarding age for vehicle replacement.

## Leave Benefits

Standard paid time off aligned with what other senior executive leadership staff receive, the provision of additional paid time leave (sick and/or vacation leave) exclusive to the CEO, and payout for unused leave upon departure from the college are common CEO benefits.

## Annual Vacation Buybacks

Offering an annual buyback of unused vacation time recognizes executive workload while controlling fiscal exposure. Colleges may be able to allow annual conversion of up to 10 to 15 unused vacation days into either cash at the current daily rate or a contribution to a tax-deferred retirement account (with a cap on the total annual value).

There are numerous options the board can use to properly reward and compensate the CEO and provide retention incentives to maintain stable leadership. It is advisable to examine all options and create a package that allows the board long-term flexibility.

### **Sabbaticals**

Sabbaticals are typically paid time off for a prescribed period of time that can be offered in a variety of ways: a one-time opportunity, periodically, for short durations, or for longer durations. Sabbaticals may be offered for rest, personal or professional growth, learning, or travel. They could be a standing option (for every ten years of service, for example) or can be a single offering.

### **Professional Development**

Wise boards include budget for professional development and/or coaching for the CEO.

### **Academic Benefits**

Scholarship funds/tuition waivers for one or more children of the CEO at the college or a stipend for private K-12 schooling may be appealing benefits.

### **Club Fees**

Coverage of annual club membership(s) to private or public clubs may hold appeal to a prospective college CEO, and these can be great opportunities for the chief executive to establish and cultivate relationships with local leaders that can benefit the college. These may include social clubs, such as country clubs, or community organization clubs, such as Rotary.

### **Expense Allowance**

Coverage of the cost of CEO participation in meetings and conferences related to their work and/or specially curated for presidents and/or dues for professional or service organizations, make a CEO position more competitive. The board should establish whether the expense allowance includes reimbursement for the travel of the CEO's spouse or significant other, as these are common requests.

### **Retirement and Beyond**

Retirement benefits provide the employee with certain significant benefits at termination of employment and thus can serve as a vote of confidence and a stabilizing and reassuring force for CEOs while they serve the college. Such provisions may include emeritus status, a

consulting contract for up to a year to assist with the transition between college CEOs, a paid post-retirement sabbatical, and/or some level of staff support.

If provided, these post-retirement benefits must be clearly defined.

### **Financial, Tax, and Estate-Planning Services**

Financial services also can be very attractive benefits.

### **Examine All Options**

There are numerous options the board can use to properly reward and compensate the CEO and provide retention incentives to maintain stable leadership. It is advisable to examine all options and create a package that allows the board long-term flexibility. In a search for a college CEO, it can be beneficial for the board to share any attractive benefits that would be provided to a new president with the search firm supporting the search so they can share these with potential candidates who might not otherwise consider the opportunity.

The language used to draft the CEO contract matters, so a board should work closely with the board or college attorney to be sure the CEO contract protects the college and the board as well as meeting the needs of the best-suited CEO.



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