

**Attachment 8**  
**Summary of Key Contract Terms**  
**Mercer Compensation Report**

**Parties:**

University of Florida Board of Trustees and Dr. W. Kent Fuchs

**Initial Term:**

January 1, 2015-June 30, 2020 (aligning with fiscal and academic years)

Extension to be decided by the UF Board in the last year of the initial term; provisions for the extended term to be determined at the time.

**Compensation for the Initial Term and Performance Metrics:**

Total compensation is within the market range for peer presidents and “reflects fair market value for current services as President based on the July 7, 2014 Mercer Report” (copy attached):

- \$860,000 Annual Base Salary (pro rata for January 1-June 30, 2015)
- \$160,000 Annual Deferred Base Salary (pro rata for January 1-June 30, 2015 and accrues annually but is not vested or paid until completion of 5 ½ years of service, or for the then-accrued amount at death, disability, or Board termination without cause, having a longevity effect)
- \$150,000 Annual Retirement Payment (pro rata for January 1-June 30, 2015)
- The above sums escalate on a going-forward basis by 4% each year that short-term performance metrics are met (including UF Board and BOG-statewide and -UF-specific performance metrics) and progress is made on long-term performance metrics; escalate by 3% (75% of 4%) if metrics are met within any established margin
- Miscellaneous including: Standard Benefits; if insurable at commercially reasonable rates, Supplemental Life Insurance (2 ½ times Annual Base and Annual Deferred Base Salary) and Supplemental Disability Insurance (raising the UF standard benefit to 60-70% of Annual Base and Annual Deferred Base Salary until 70 years of age); customary sabbatical to prepare for faculty service at end of term or upon Board termination without cause; required to live in UF President’s House for university’s convenience.

**Resignation by the President:**

With 180 days’ notice (shorter notice period if approved by UF Board Chair and Vice Chair)

**Termination by the Board:**

With 60 days notice, the Board may terminate without cause; and the former President may then serve as tenured faculty member at the highest base salary of professors in the relevant discipline.

The Board may terminate all employment with cause for serious misconduct specified (including felony, misdemeanor involving moral turpitude, fraud, misappropriation of funds, etc.).



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# University of Florida President Total Compensation Report

July 07, 2014

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# Background & Objectives

- UF engaged Mercer to provide compensation data and an opinion on the range of reasonable compensation for the President position. Mercer collected data regarding the following total compensation elements:
  - Base Salary
  - Total Cash Compensation
  - Retirement
  - Transportation
  - Supplemental Benefits
  - Total Compensation
- This report presents Mercer's findings regarding President total compensation based on the market range of compensation for Presidents of public and private peer institutions; the market in which UF is recruiting.
- A summary of penultimate findings of the market range of total compensation can be found on slides 8 and 9.



## Scope & Methodology

- The University of Florida (UF) is a flagship, public, land-grant, research university and is a member of the Association of American Universities (AAU), the association of North America's premier 62 research universities. In 2013, UF was officially designated and is now being funded as the foremost preeminent research university in Florida. UF's Board of Trustees, with the support of the Board of Governors, Legislature and Governor, has a goal to advance UF to the top 10 of public AAU research universities. With more than 50,000 students its 16 colleges, the UF Health system including two academic health science centers with affiliated hospitals and other healthcare operations, more than 150 research centers and institutes and ~\$700M of research annually, the University of Florida is one of the largest, broadest-scope, academic research institutions in the nation and is one of only six public land-grant universities in the U.S. with colleges of Medicine, Law, Engineering, Agricultural and Life Sciences and Veterinary Medicine on one campus. In addition to its predominant academic focus, the University has a premier NCAA Division I athletic program. The annual budget of the University, with its close affiliates, is in excess of \$4.4 billion.
- Twelve (12) peer institutions from the AAU were selected based on comparable size, scope and complexity of organization to UF, taking into consideration the following characteristics:
  - National, complex research university, including some that are major land-grant institutions; flagship campus of the respective University system, as appropriate, with multiple professional schools including a medical school<sup>1</sup> and affiliated hospital; broad academic offerings; and major athletics program.
- The selected peer institutions include the following (public/private designation based on AAU membership):
  - Seven (7) public peer institutions: The Ohio State University, Pennsylvania State University, University of Michigan, University of Minnesota, University of Texas at Austin, University of Virginia, and University of Washington.
  - Five (5) private peer institutions: Cornell University<sup>2</sup>, Harvard University, Northwestern University, Stanford University, and Vanderbilt University.

<sup>1</sup> University of Texas at Austin as of May 3, 2013 was approved to have a medical school, has launched it's medical school and is preparing to admit its first class in 2016. Along with University of Michigan, University of Minnesota, Pennsylvania State University, and The Ohio State University, UF is considered one of the most complex, public research institutions.

<sup>2</sup> Cornell University is listed as a private member of the AAU, but is the federal land-grant institution of New York State and a private endowed university, a member of the Ivy League/Ancient Eight, and a partner of the State University of New York.

## Scope & Methodology

- UF falls approximately at or above the 75<sup>th</sup> percentile of all peer institutions for total employees, total full-time enrollment and total operating budget and between the 25<sup>th</sup> and 50<sup>th</sup> percentile for total research expenditures<sup>1,2</sup> (See Appendix for additional demographic details).

- 11 of the 12 peer institutions have a medical school.<sup>3</sup>

Variable	University of Florida	All Organizations						All Public Organizations						All Private Organizations					
		n	25th %ile	50th %ile	Avg	75th %ile	100th %ile	n	25th %ile	50th %ile	Avg	75th %ile	100th %ile	n	25th %ile	50th %ile	Avg	75th %ile	100th %ile
Total Employees	41,000	12	9,376	11,538	17,014	24,898	43,630	7	7,540	24,864	20,020	25,340	43,630	5	10,295	11,128	12,805	11,948	20,924
Total Full-Time Enrollment	50,000	12	21,156	33,587	39,346	52,701	98,097	7	43,736	51,112	54,393	60,302	98,097	5	15,877	20,633	18,280	21,330	21,593
Total Operating Budget (in millions)	\$4,400	12	\$2,555	\$4,084	\$3,696	\$4,512	\$6,647	7	\$2,449	\$4,167	\$3,802	\$4,833	\$6,647	5	\$3,425	\$4,000	\$3,548	\$4,200	\$4,800
Total Research Expenditures (in millions) <sup>2</sup>	\$697	12	\$629	\$799	\$794	\$845	\$1,323	7	\$694	\$798	\$832	\$968	\$1,323	5	\$631	\$799	\$739	\$802	\$903

- As Florida's foremost preeminent research university, UF is strategically pursuing its goal of advancing to the top 10 of public AAU research universities. To support this goal, the Legislature, with the support of the Governor and Board of Governors, is providing \$95M over five years to UF and the UF Foundation is raising over \$800M more over three years. UF is using this almost \$1B of funding to hire and support the work of approximately 120 preeminent faculty and highly promising mid-career faculty in areas of strategic strength.

<sup>1</sup> The President has responsibility for \$4.4B and 41,000 employees, which include all affiliates (e.g., UF Health – the collaboration of University of Florida Health Science Centers and affiliated private nonprofit hospitals). Operating budget data for peer institutions includes affiliated hospitals for all universities except Stanford University, Harvard University, and University of Minnesota. Northwestern University, Cornell University, and University of Texas, at Austin did not disclose whether operating budget includes affiliated hospitals. Employee data includes affiliated hospitals for Vanderbilt University, Stanford University, The Ohio State University, University of Washington, University of Texas, at Austin, and University of Minnesota; all other universities reported total employee headcount for university faculty and staff only.

<sup>2</sup> Research expenditures represent fiscal year 2012 data from the National Sciences Foundation.

<sup>3</sup> The University of Texas, at Austin has launched it's medical school and is preparing to admit its first class in 2016



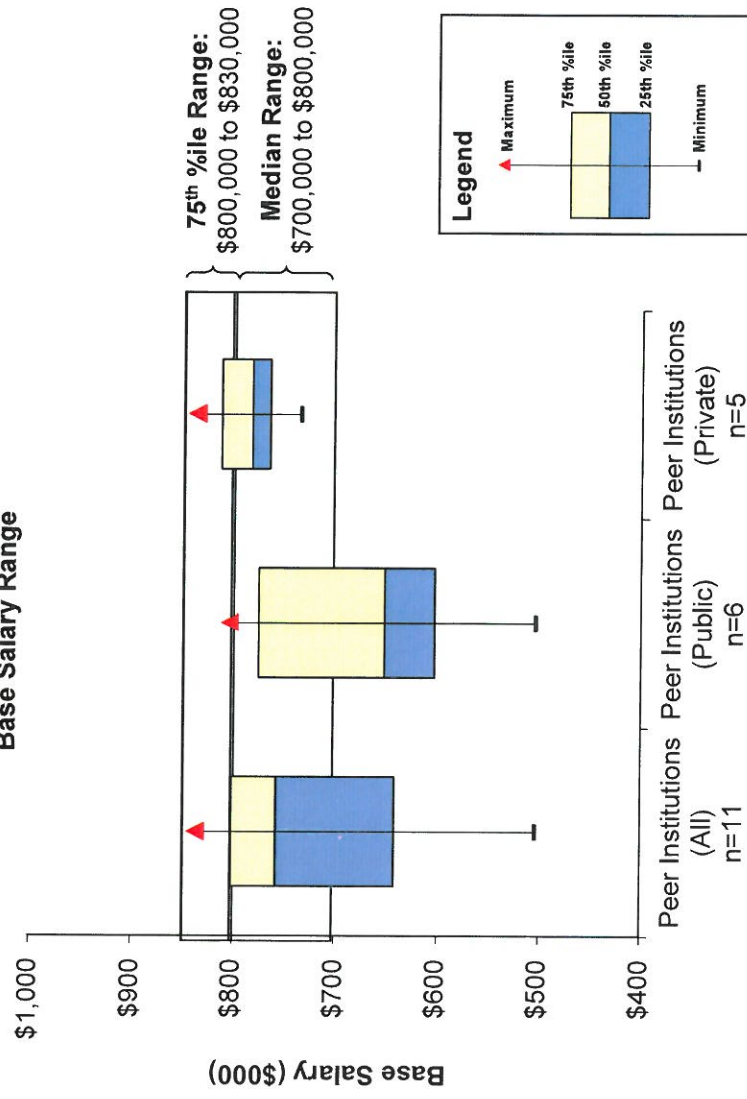
## Scope & Methodology

- Mercer collected compensation data for the President or the functionally equivalent position for each of these peer institutions using a combination of data sources to provide the most current available data as possible.
  - Data solicited via e-mail from each of the 12 peer institutions
    - Responses were received from Harvard University, The Ohio State University, Pennsylvania State University, University of Michigan, University of Washington, University of Texas at Austin, and University of Minnesota.
  - Data were used from the Chronicle of Higher Education from the following two studies for institutions that did not respond to e-mail inquiry and to supplement data gaps from inquiry responses:
    - Chronicle of Higher Education, Executive Compensation at Public Colleges, 2013
    - Data were used to reflect compensation or supplement inquiry responses for the following institutions: The Ohio State University, University of Virginia, University of Texas at Austin, University of Minnesota
    - Chronicle of Higher Education, Executive Compensation at Private Colleges, 2011
    - Data were used to reflect compensation or supplement inquiry responses for all private universities: Northwestern University, Vanderbilt University, Stanford University, Harvard University, Cornell University
- Compensation data were aged forward to July 1, 2014 by the median annual market movement for executives in the education industry: 2.6% in 2012, 2.5% in 2013 and 2.5% in 2014 (Mercer's 2012/2013 and 2013/2014 Compensation Planning Survey).
- Mercer used the following data reporting standards.
  - To protect the confidentiality of participant data, aggregate statistics require a minimum of three cases.
  - Three organizations must report observations in order to display the mean.
  - Five organizations must report observations to display the 25th, 50th and 75th percentiles.
  - "–" indicates there were insufficient observations provided to display results.

# Overall Base Salary Positioning

- According to the market data, Mercer finds that a base salary of \$700,000 to \$800,000 is within the range of the median of all peer institutions. A base salary of \$800,000 to \$830,000 is within the range of the 75<sup>th</sup> percentile of all peer institutions.
- Total compensation for UF's President should reflect UF's recruitment of a President in 2014 and UF's status as Florida's foremost preeminent research university, one of the top four most complex, public AAU research universities, and goal to advance to a top 10 public AAU institutions.

UF Peer Institutions  
Base Salary Range



Base Salary (\$000s)	Base Salary Positioning (Percent Rank UF Peers)		
	All	Public	Private
\$825	96%	100%	89%
\$800	73%	83%	65%
\$775	60%	75%	39%
\$750	45%	67%	13%
\$725	35%	62%	0%
\$700	33%	58%	0%
\$675	30%	54%	0%
\$650	27%	49%	0%
\$625	21%	39%	0%
\$600	12%	21%	0%
\$575	7%	13%	0%
\$550	5%	8%	0%
\$525	2%	4%	0%

Note: orange shading indicates base salary is positioned between 35<sup>th</sup> %ile and 65<sup>th</sup> %ile of peer institutions; green shading indicates base salary is positioned between 65<sup>th</sup> %ile and 90<sup>th</sup> %ile of peer institutions.

## Base Salary Summary

- Base Salary Summary of Peer Institutions:

Base Salary Summary						
Comparison Group	n	25th %ile	50th %ile	Avg	75th %ile	100th %ile
All	12	\$641,491	\$757,445	\$720,396	\$800,833	\$836,103
Public	7	\$603,000	\$651,988	\$673,528	\$775,000	\$803,333
Private	5	\$764,891	\$782,336	\$786,011	\$811,930	\$836,103



## Total Cash Compensation Summary (does not include deferred compensation, retirement benefits, or other compensation)

- Total Cash Compensation Summary of Peer Institutions:
  - Total cash compensation includes base salary and certain annual incentives (but does not include deferred compensation, retirement benefits, or other compensation).

Total Cash Compensation Summary						
Comparison Group	n	25th %ile	50th %ile	Avg	75th %ile	100th %ile
All	12	\$658,684	\$766,168	\$767,938	\$833,946	\$1,048,581
Public	7	\$603,000	\$674,912	\$705,374	\$776,667	\$1,000,000
Private	5	\$782,336	\$811,930	\$855,528	\$899,995	\$1,048,581

- As previously reported, in addition to base salary, six peer institutions (50%) indicated that the President is eligible to receive an annual incentive. Four Presidents (1/3) received an annual incentive for the most recent calendar year averaging \$137,124.
- The Board of Trustees typically determines performance goals that are aligned with the strategic objectives and mission of the institution. Performance goals are subject to change over time.

# Total Compensation Summary

- Total Compensation Summary of Peer Institutions:
  - Total compensation includes base salary, bonus, other compensation, deferred compensation, retirement pay, and nontaxable benefits\*.

Total Compensation Summary						
Comparison Group	n	25th %ile	50th %ile	Avg	75th %ile	100th %ile
All	12	\$799,478	\$950,658	\$1,007,322	\$1,215,625	\$1,409,887
Public	7	\$744,135	\$816,000	\$907,036	\$1,049,667	\$1,252,500
Private	5	\$991,223	\$1,128,782	\$1,147,722	\$1,298,625	\$1,409,887

- Total Compensation Details of Peer Institutions\*:

Public Institutions	Total Compensation*	Assumed Role In
The Ohio State University <sup>1</sup>	\$1,252,500	Jul-14
Penn State University <sup>2</sup>	\$1,203,333	May-14
University of Michigan <sup>3</sup>	\$896,000	Jul-14
University of Washington <sup>4</sup>	\$816,000	Jul-11
University of Virginia	\$749,911	Aug-10
University of Texas, at Austin <sup>5</sup>	\$738,360	Jan-06
University of Minnesota <sup>6</sup>	\$693,150	Jul-11

Private Institutions	Total Compensation*	Assumed Role In
Northwestern University	\$1,409,887	Sep-09
Vanderbilt University	\$1,298,625	Mar-08
Stanford University	\$1,128,782	Oct-00
Harvard University <sup>7</sup>	\$991,223	Jul-07
Cornell University	\$910,093	Jul-06

\*Represents publicly available information as reported (May 2014 for public institutions and December 2013 for private institutions) by The Chronicle of Higher Education unless otherwise noted below. All data have been time-adjusted to July 1, 2014. Total Compensation values for public institutions do not include any health benefits; however, they are included in data for private institutions.

1. Ohio State University Total Compensation reflects compensation as of July 2014 and includes previous president's retirement pay as proxy.
2. Penn State University Total Compensation includes May 2014 base salary, a \$200,000 transition bonus and one-fifth of a \$1,000,000 five year completion bonus as listed in the President's compensation contract published online. Deferred compensation and retirement amounts are not available due to new President.
3. University of Michigan Total Compensation reflects compensation per President's contract including July 2014 base salary, retirement and \$100,000 deferred compensation
4. University of Washington Total Compensation includes July 2014 base salary amount as provided by University of Washington
5. University of Texas, at Austin Total Compensation reflects data provided by the university for all compensation elements except for retirement as amount was not provided by university. Base salary provided by the university is slightly lower than that provided in the Chronicle of Higher Education. Total Compensation includes 1/5 of a 5 year \$50,000 deferred compensation award.
6. University of Minnesota base pay remained the same for the past two years as the President has not taken any increases during that time. Data has not been time-adjusted.
7. Harvard Total Compensation includes 2011 base salary adjusted by 5% and 6% for 2012 and 2013 respectively as provided by Harvard.



# Summary of Total Compensation for Presidents Commencing Office in 2014

- The year of hire data in the charts on slide 8 show a distinction between total compensation of presidents hired in 2014 and total compensation of presidents hired in 2006 to 2011.
- 3 out of 12 peer institutions have Presidents who will commence office in 2014, which is the market in which UF is recruiting.

Public Institutions	Total Compensation*	Assumed Role In
The Ohio State University <sup>1</sup>	\$1,252,500	Jul-14
Penn State University <sup>2</sup>	\$1,203,333	May-14
University of Michigan <sup>3</sup>	\$896,000	Jul-14

- Base salary for peer institution Presidents commencing office in 2014 ranges from \$750,000-\$800,000

Summary of Peers with Presidents Commencing in 2014				
Comparison Group	n	50th %ile	Avg	Highest
Base Salary	3	\$800,000	\$784,444	\$803,333
Total Cash Compensation	3	\$803,333	\$851,111	\$1,000,000
Total Compensation	3	\$1,203,333	\$1,117,278	\$1,252,500



# Employer-Provided Retirement Benefits

## Defined Contribution Plans

- 100% of presidents participate in a qualified defined contribution plan.<sup>2</sup> The average employer contribution to these plans is 10% of pay (subject to the IRS limit of \$260,000 eligible pay in 2014.)
- 38% of presidents participate in a non-qualified defined contribution plan.<sup>1</sup>
- Typical, annual non-qualified defined contribution plan award for president is 20% of base salary.<sup>2</sup>

## Defined Benefit Plans

- Two (25%) presidents receive a qualified defined benefit plan. The formula used varies, with the most common being 2% base pay per year of service.
- Non-qualified defined benefit plans are not as prevalent, with only one (13%) president provided one.
- Of the universities providing a qualified defined benefit plan to the president, 100% also provide a qualified defined contribution plan.

## Retiree Medical Benefits

- 75% of presidents have an employer-paid retiree medical benefit plan, with an average of 33% of costs covered by the president.

<sup>1</sup> Two participants reported employer contribution to non-qualified defined contribution plan; however, to protect the confidentiality of participant data, aggregate statistics require a minimum of three reported observations.

<sup>2</sup> Represents data from all participants of 2011 University President & Chancellor Study.

<sup>3</sup> Only includes peer institutions that participated in the 2011 University President & Chancellor Study.  
MERCER Source: 2011 University President & Chancellor Study.

Benefit Category (See Appendix for Definitions)		All Organizations (N=8) <sup>3</sup>
Defined Contribution (Employer-Provided)		(Prevalence / Avg.)
Qualified		100%
Employer Contribution % of Base (Avg)		10%
Non-qualified		38%
Employer Contribution (Avg)		--
Defined Benefit (Employer-Provided)		
Qualified		25%
Non-qualified		13%
Additional Plans (if Providing Qualified Defined Benefit Plan)		
Defined Benefit (Non-qualified)		0%
Defined Contribution (Qualified)		100%
Defined Contribution (Non-qualified)		50%
Retiree Medical Benefit (Employer-Provided)		
Employer-provided		75%
Spouse/family covered		100%
% costs contributed by employee (Avg)		33%
Access only		0%

## Supplemental Benefits

Benefit	Market Practice
<b>Life Insurance</b>	<ul style="list-style-type: none"> <li>• Almost all universities provide basic group life insurance to all employees</li> <li>• 15% provide supplemental life insurance to the top officer</li> <li>• Coverage level (basic and supplemental) is typically 1X-2X salary</li> </ul>
<b>Short-Term Disability (STD)</b>	<ul style="list-style-type: none"> <li>• About 70% of universities provide group STD to all employees</li> <li>• 5% provide supplemental STD coverage to the top officer</li> </ul>
<b>Long-Term Disability (LTD)</b>	<ul style="list-style-type: none"> <li>• Almost all universities provide group LTD to all employees</li> <li>• 15% provide supplemental LTD coverage to the top officer</li> <li>• Coverage level is typically 60% of salary with a \$10k-\$20k monthly maximum</li> </ul>
<b>Long-Term Care (LTC)</b>	<ul style="list-style-type: none"> <li>• 5% provide supplemental LTC coverage to the top officer</li> </ul>

Source: 41 universities from the 2012 Mercer Executive Benefit and Perquisite Practices Survey for Tax-Exempt Organizations.



# Transportation

## Transportation

- 75% of presidents are provided either a car or car allowance.
- Of those Universities providing a car, most also cover fuel, maintenance, and car insurance for president.

Category	All Institutions (N=8) <sup>1</sup>
(Prevalence / Avg.)	
Transportation	
% Responding to Initial Question	100%
Auto Provided / Allowance (of % responding)	75%
Monthly maximum amount (Avg)	\$803
Fuel	67%
Maintenance	67%
Insurance	67%

<sup>1</sup> Only includes institutions that participated in the 2011 University President & Chancellor Study.



# President Housing Policy Summary

## Housing Policy (peer institutions)

- 82% of peer institutions provide a house to the president. Of the 82% of institutions providing a house, 88% require the president to live in provided housing.<sup>1</sup>
- Average house provided by peer institutions has a \$1,620,296 value, 10,129 square feet, and 18 rooms.
- Typical annual housing allowance, if provided, is \$53,000.<sup>2</sup>
- Five peer institutions provided information about the use of the provided house, with all indicating that it is used for receptions.
- Three peer institutions indicated that there is some form of separation of public and private space within the provided house.
- One institution offers the president a low-interest mortgage. This institution also provides housing, but does not require the president to live in the university provided house.
- Many institutions are willing to cover reasonable relocation expenses up to a specified maximum amount.

Housing Details	Peer Institutions (N=11)
<b>Housing</b>	
% Responding to Question	100%
Housing Provided (of % responding)	82%
Housing Allowance (of % responding)	0%
Required to live in provided housing	88%
Monthly allowance (Avg)	--
Value of Home (Avg)	\$1,620,296
Square Footage (Avg)	10,129
Rooms (Avg)	18
Maintenance	88%
Provided housing used for receptions	100%
Low -interest Mortgage	13%

<sup>1</sup> While not a participant in the study, Penn State University also provides Presidential housing and requires the President to live in provided housing

<sup>2</sup> Represents data from all participants of 2011 University President & Chancellor Study.

# Appendix



## Peer Institutions

College	Public/Private	Total Employees	Total Full-Time Enrollment	Total Operating Budget (\$MM)	Total Research Expenditures (\$MM)
University of Michigan <sup>2</sup>	Public	6,768	43,710	\$6,647	\$1,323
The Ohio State University	Public	43,630	57,466	\$5,250	\$767
Pennsylvania State University <sup>1</sup>	Public	5,890	98,097	\$4,416	\$798
University of Florida	Public	41,000	50,000	\$4,400	\$697
University of Minnesota	Public	25,680	63,138	\$4,167	\$826
University of Virginia	Public	8,311	23,464	\$2,660	\$383
University of Texas, at Austin	Public	24,864	51,112	\$2,238	\$622
University of Washington	Public	25,000	43,762	\$1,238	\$1,109
Stanford University	Private	11,128	15,877	\$4,800	\$903
Harvard University	Private	11,948	21,330	\$4,200	\$799
Vanderbilt University	Private	20,924	11,965	\$4,000	\$560
Cornell University	Private	9,731	21,593	\$3,425	\$802
Northwestern University	Private	10,295	20,633	\$1,317	\$631

1. Total Employee count reflects full-time faculty members only and excludes staff employees

2. Total Employee count reflects faculty members only and excludes staff employees



## Benefits Terms and Definitions

Term	Definition
<b>Defined Benefit (DB) Plan</b>	<ul style="list-style-type: none"><li>• A retirement plan, either qualified or nonqualified, that provides a predetermined benefit at retirement.</li></ul>
<b>Defined Contribution (DC) Plan</b>	<ul style="list-style-type: none"><li>• A retirement plan, either qualified or nonqualified, that provides an ongoing contribution to an account that grows at some interest rate until retirement.</li></ul>
<b>Qualified Plan</b>	<ul style="list-style-type: none"><li>• An employer retirement plan that qualifies for tax advantages under the Internal Revenue Code (IRC). A “qualified” plan must meet many regulatory requirements (for example, may not discriminate in favor of highly paid employees). In a qualified plan, caps on eligible compensation and contribution/benefit levels can severely limit highly-paid executives.</li></ul>
<b>Nonqualified Plan</b>	<ul style="list-style-type: none"><li>• A plan that does not meet certain requirements (see Qualified Plan) is “nonqualified” and, therefore, is not eligible for tax-favored treatment. However, a nonqualified plan is not subject to the limitations imposed on a qualified plan.</li></ul>

