

E- 1. COMPENSATION POLICY

Auburn University seeks to attract and retain outstanding faculty, professionals, administrators, and staff by providing total compensation that is competitive in the relevant market considering all appropriate factors. Those factors include, but are not limited to, compensation provided by peer institutions or groups and fiscal resources available to the University. The Compensation Policy set forth below is designed to assist the Board of Trustees in fulfilling its constitutional mandate to manage the affairs of the University. The Board finds that this mandate requires that such management includes insuring that compensation decisions are made in a fiscally prudent manner. This Policy applies to all operating units of the University, including Auburn University at Montgomery.

The goal of this Policy is to ensure to the taxpayers of the State of Alabama and to other benefactors of the University that appropriate compensation decisions are reviewed by the Compensation Committee of the Board in a manner consistent with the purpose of this Policy. The approval of any compensation agreement will consider whether the agreement properly balances the interests of the University and those of the individuals to whom the payment packages and contracts are to be offered.

I. Creating New Positions and New Hires

A. By the Board of Trustees

The Compensation Committee shall recommend to the Board the compensation of a new President at an amount which, in the Compensation Committee's reasonable judgment, reflects the compensation that is an appropriate incentive to attract and retain a person to serve as President of the University. The compensation should be competitive in the relevant market considering all appropriate factors. Those factors include, but are not limited to, compensation provided by peer institutions or groups and fiscal resources available to the University.

The Compensation Committee shall recommend to the Board the compensation of a new Secretary to the Board of Trustees at an amount which, in the Compensation Committee's reasonable judgment, reflects the compensation that is an appropriate incentive to attract and retain such persons. The compensation should be competitive in the relevant market considering all appropriate factors. Those factors include, but are not limited to, compensation provided by peer institutions or groups and fiscal resources available to the University. The Secretary to the Board of Trustees shall provide information about the proposed compensation to the Compensation Committee prior to hiring any new non-student employees. The procedure for review shall be as described in section I.B.4.

B. By the President

It is the responsibility of the President to create new positions and to hire “Covered Persons” (as defined herein, except for the hiring of a new President), and to compensate those hires, consistent with this Policy. The compensation shall be set at a level required to attract and retain outstanding employees. The compensation should be competitive in the relevant market considering all appropriate factors. Those factors include, but are not limited to, compensation provided by peer institutions or groups and fiscal resources available to the University.

1. Covered Persons Defined:

- a. The President
- b. The Chancellor of AUM, the Provost, all Vice Presidents, all persons who are direct reports to the President or whose position was created at the request of the President . . .
- c. Any candidate for employment, other than faculty, where a multiyear contract is contemplated or whose proposed cash compensation exceeds \$150,000, said threshold to be adjusted annually beginning October 1, 2008, by an amount equal to the average salary improvement funds made available, if any. However, a “Covered Person” does not include a person whose existing contract is proposed to be extended by a period not to exceed one (1) year.

2. Information Submitted to the Committee Concerning Covered Persons

Prior to salary, incentives and payment being offered or made effective, the President shall submit to the Compensation Committee for its review information concerning the proposed compensation. That information shall include:

- a. Full information, including appropriate documentation on any proposed salaries, incentives, and payments paid through the University from any source whatsoever. If covered persons are known to have other “outside” compensation arrangements, the Compensation Committee must be informed of these arrangements.
- b. All termination, retirement, or other post employment benefits or arrangements outside the normal earned retirement and health benefits available to all employees must be submitted to the Compensation Committee, including leave with pay in excess of six (6) months.

3. **Other Circumstances Requiring Submission to the Compensation Committee**

- a. Notwithstanding anything else contained in this Policy, the President shall submit to the Compensation Committee for its review full information with appropriate documentation and justification on any unusual non-faculty employee compensation/benefit packages, including but not limited to, any hiring packages containing extraordinary termination or post employment benefits, prior to their being offered or made effective.
- b. Annually, the Compensation Committee shall be provided information about any new faculty hires in the proceeding year whose cash compensation exceeds \$150,000, said threshold to be adjusted annually beginning October 1, 2008, by an amount equal to the average salary improvement funds made available, if any.

4. **Procedure for Compensation Committee Review**

- a. Upon request of any Committee member to the Chair made within five (5) business days after receipt of the information, approval by the Chair shall be deferred until such time as the Committee meets to consider the proposal; otherwise, the Chair is authorized to approve the request without further action by the Committee.
- b. No offer of compensation, whether written or oral, subject to the review of the Compensation Committee as set out herein shall be effective as binding on the University without the approval set forth herein.

II. Budget Development and Annual Compensation Changes for Current Employees

A. Annually, in the course of developing a budget, if funding is available, the administration will submit salary guidelines, including any recommended salary improvement guidelines to the Compensation Committee. Comparative average salary information from peer institutions or groups (such as the Southern University Group, The American Association of University Professors, The Southern Regional Education Board, The Higher Education General Information Survey, and the College and University Personnel Association for Human Resources), as well as local and/or regional job market information will be provided as benchmarks for assessment. Bonuses for past performance shall not be proposed.

B. The administration shall prepare a proposed budget generally consistent with those guidelines for review by the Finance Committee and Board approval. Any

proposed salary improvement that would fall outside the guidelines will require additional written approval as follows:

1. If the percentage increase proposed for personnel other than a senior administrator reporting to the President exceeds twice the proposed rate of salary improvement funds available, the justification for the proposal must be approved by the Provost, Executive Vice President, or Chancellor. If the percentage increase proposed for personnel other than a senior administrator reporting to the President exceeds three (3) times the proposed rate of salary improvement funds available, the justification for the proposal must be approved by the President.
2. If the percentage increase proposed for a senior administrator reporting to the President exceeds twice the proposed rate of salary improvement funds available, the justification for the proposal must be approved as set forth below. This review process shall also apply to annual salary increases for any coach with a multiyear contract, unless the increases arise from a previously approved contractual obligation. The President shall inform the members of the Compensation Committee of any such proposed increases. Upon request of any committee member made within five (5) business days after receipt of the information, approval by the Chair shall be deferred until such time as the Committee meets to consider the proposal; otherwise, the Chair is authorized to approve the request without further action by the Committee.

C. The President Pro Tempore of the Board shall provide information to the Compensation Committee which shall recommend to the Board the compensation of the President at an amount which, in the Compensation Committee's reasonable judgment, reflects an appropriate incentive to retain such a person to serve as President of the University.

D. The President Pro Tempore of the Board shall provide information to the Compensation Committee which shall recommend to the Board the compensation of the Secretary to the Board of Trustees at an amount which, in the Compensation Committee's reasonable judgment, reflects an appropriate incentive to retain such a person to serve the University. If the percentage increase proposed for an employee reporting to the Secretary to the Board exceeds twice the proposed rate of salary improvement funds available, the justification for the proposal must be approved by the Chair of the Compensation Committee. The Chair shall inform the members of the Compensation Committee of any such proposed increases. Upon request of any Committee member made within five (5) business days after receipt of the information, approval by the Chair shall be deferred until such time as the Committee meets to consider the proposal; otherwise, the Chair is authorized to approve the request without further action by the Committee.

E. The President shall report annually to the Compensation Committee on all faculty salaries changes that exceed four (4) times the proposed rate of salary improvement funds available.

F. If salary improvements are not to be proposed due to fiscal and/or budgetary constraints, the President shall annually report to the Compensation Committee the comparative salary ranges of University faculty by rank, broad discipline, and campus; deans; administrative and professional staff; and all non-exempt staff, with those of their equals at peer institutions. In arriving at salary ranges, the President shall give due consideration to data developed by the various groups referred to above, as well as to local and/or regional job market information.

G. The President shall periodically review the fringe benefit policies and other aspects of the University compensation program and make recommendations to the Compensation Committee concerning modifications to those policies. Any such changes having a significant fiscal impact shall be reviewed by the Finance Committee.

ADOPTED: November 10, 2006

REVISED: November 2, 2007

REAFFIRMED: June 19, 2009