

CRITIQUE OF EXECUTIVE TRANSITION II

*Prepared by Alice Sunshine, CFA Communications Director and
Aimee Shreck, CFA Research Director
November 13, 2006*

SUMMARY

It can be argued that this revised executive compensation program is worse than what it would replace. On the one hand, the new policy would require that an exec not take another full-time job and not retire while receiving money under the ET2.

On the other hand, this policy expands both the possible duration from one year to open-ended and the possible compensation, de-linking it from the exec's former pay and actual faculty pay. And it expands the Chancellor's power to make the deals while codifying that the Trustees cannot act to change them.

There is lack of clarity from the agenda item posted in advance for the Trustees on some issues associated with the current policy. One is whether actual work will be required. While the "terms" say the chancellor will negotiate "duties" and "locations," there is no mention of reporting by the exec on work or accomplishments.

On top of all that, no compelling case has been made that this program is even necessary.

OVERVIEW OF EXECUTIVE GOLDEN PARACHUTES

TRUSTEE PROFESSORSHIP PROGRAM

Adopted 1981, updated in 1984 and 1997

Replaced in 1992 with Exec Transition Program I

Six execs remain eligible: Armiñana, Baker, Corrigan, Gordon, Rosser, Welty

According to the CSU web site Q&A, there are two former execs currently enrolled in the program. It is known that one of these is Barry Munitz. In addition, the web site indicates five execs serve in a "modified program" providing lower pay than a trustee professor.

Stated purpose to retain for CSU "experience and insight" of former execs through...

- opportunity to instruct in the classroom
- performing highly specialized duties specific to their expertise

Stated Provisions:

- Available to execs who have campus tenure after resigning exec position.
- Transition year is to prepare to return to an instructional purpose.
- Funding provided for paid leave at approximate midpoint between executive's salary and top of a 12-month full professor salary range.
- Trustee professor salary is the top of the salary range for a full professor, academic or 12-month, as elected by the trustee professor.
- Chancellor's Office commits full funding to support trustee professor; continues to be provided until the incumbent leaves the position.
- Funding for the use of the former president, chancellor or vice chancellor alone; not given to the campus upon retirement or resignation.
- Upon completion of transition year, trustee professor is assigned appropriate duties by the campus president in consultation with the chancellor (former chancellor assigned appropriate duties by the Chair of Board of Trustees).
- The former president may occupy a faculty position on a campus other than his/her home

campus subject to mutual agreement of the trustee professor and the president of the recipient campus.

- The trustee professor eligible to receive secretarial assistance, office space, travel budget appropriate to the assignment.

EXECUTIVE TRANSITION PROGRAM (I)

Adopted by Trustees in 1992

Modified in 1997

22 execs are eligible: Reed, Reichard, West, Helwick, McClain, Alexander, Eisenhardt, Gonzalez, Harrison, Haynes, Koester, Karnig, Kassing, Lyons, Mitchell, Ortiz, Qayoumi, Richmond, Rush, Shirvani, Weber, Zingg

According to the CSU web site Q&A, there are no execs currently enrolled in the program.

No stated purpose in public document on CSU web site

Stated Provisions:

- one year paid "transition year" after leaving executive office.
- transition salary paid at the midpoint between the executive's salary and the maximum of the salary range for a 12-month full professor.
- At the end of transition year, executive may exercise retreat rights established previously to a CSU position.
- Transition year funded by the Chancellor's Office.

[PLEASE NOTE: There are other executive parachutes not addressed in this document. These include consulting positions and tenure provided to execs who have not previously achieved tenure while serving as a professor.]

NEW PROPOSAL NOV 2006

EXECUTIVE TRANSITION PROGRAM II

Effective for new hires after Nov. 15, 2006

Stated purpose: To help execs assume other CSU employment after leaving exec position

Stated changes...

- Narrower Than ETP1
 - * not available to execs who retire
 - * not avail to execs who take non CSU jobs

- More requirements than ETP1
 - * 5 years of service as an exec
 - * In good standing when enter program (good standing not defined)
 - * Must have an identified CSU position to take at the end of the transition
 - * Not accepting non-CSU job

Stated Process:

- Chancellor negotiates the terms with each individual (Chair of Trustees in case of the Chancellor)
- Chancellor negotiates the compensation
- Deals aren't guaranteed – if the chancellor and ex-exec can't reach agreement, no deal
- Chancellor will provide Trustees with copy of each deal
- Every deal gets on the Trustees public agenda as an information item
- Every March, the Chancellor reports to Trustees on all existing deals

CRITIQUE

NO NEED ESTABLISHED TO SPEND CSU MONEY ON A TRANSITION PROGRAM

- Case for the need for this program is not made – not addressing the substantive need to spend CSU money on “transition” for top execs.
- Other public university systems (Texas, New York) do not provide this kind of post-employment pay to former execs.
- As described so far, this is a purely a perk in that it does not fulfill any substantive need for training or skills development in the individual in order for him/her to fill a CSU position. If professors are needed, a search can and should be conducted to hire an experienced professor at much less cost to the CSU. If the individual already has specialized expertise, then he or she doesn't need a training year. Hence this is strictly a perquisite unspecified period of pay for no work identified as a need for the education of students that is negotiated solely by the chancellor.

NO WORK REQUIRED

- No duties specified to be completed during the transition
- No guidance on types of transition duties that are applicable.
- No reporting requirements or accountability measures to ensure any work is done for the money.

EXPANDS THE POSSIBLE BENEFITS

- Program no longer limited to one year – would be open-ended
- Salary no longer tied to former salary or actual faculty pay – could be any amount

CHANCELLOR'S POWERS ARE EXPANDED

- Compensation deal is completely up to the chancellor – pay and duties
- Doesn't specify the maximum duration of the transition – up to the chancellor
- Chancellor's deals are binding – Trustees don't act on it
- By codifying deals as an “information item” and not an “action item” for Trustees, they have no responsibility, and actually have no power, over the deals
- Still no accountability by Trustees for the deals

FAILS TO REQUIRE FORMER EXEC'S UNDER THE NEW PROGRAM TO REIMBURSE THE CSU IF THEY DON'T KEEP THE DEALS

- Doesn't require someone who quits during the transition to pay back the money (faculty who quit during sabbaticals are required to pay back the money)
- Appears that if the exec quits or retires at the end of the deal, he or she doesn't have to return the money.

NOTHING DONE TO PROTECT CSU MONEY REGARDING CURRENT EMPLOYEES

- 28 current executives still will get the excessive deals according to Executive Transition I.
- The new program only applies to new hires

