

KANSAS STATE UNIVERSITY
FOUNDATION

Title	Executive Compensation Policy	Version	2
Committee	Executive Committee	Approval Date	05/24/2017
Approved By	Greg Willems (President / Chief Executive Officer)	Approval Date	06/13/2017

Printed copies are for reference only. Please refer to the electronic copy in PolicyTech for the latest version.

Rationale

The Board of Directors (the “Board”) of The Kansas State University Foundation (the “Foundation”) is responsible for (i) annually overseeing and evaluating the performance of the President/Chief Executive Officer, (ii) approving the compensation of the Foundation’s VP of Investments / CIO, and (iii) annually reviewing the highly compensated employee (HCE) report which summarizes the compensation paid to the Foundation’s Officers, Directors, and Key Employees. To this end, the Board has appointed a subcommittee, the Executive Committee, which is responsible for reviewing relevant data and providing information and recommendations to the Board with respect to the items described above.

Applies to

This document contains the Foundation’s official policy for determining, approving, and reviewing the terms of compensation arrangements between the Foundation and its Officers, Directors, and Key Employees.

Policy

Overview of IRS Rules Regarding Executive Compensation

Section 4958 of the Internal Revenue Code imposes an excise tax on certain individuals who receive payments of excessive compensation from public charities and on certain organization managers involved in the authorization of such payments. For this reason, the IRS encourages public charities to follow the procedure set forth in Treasury Regulation 53.4958-6 when determining and approving the compensation of officers, directors, and others having substantial influence over the organization. Under this procedure, compensation payments will be presumed to be reasonable if (i) the compensation arrangement is approved in advance by an authorized body composed entirely of individuals who do not have a conflict of interest with respect to the arrangement, (ii) the authorized body obtains and relies upon appropriate data as to comparability prior to making its determination, and (iii) the authorized body adequately documents the basis for its determination concurrently with making the determination. In order

to rebut the presumption, the IRS must develop sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. The fact that a compensation arrangement is not entitled to a rebuttable presumption of reasonableness does not, however, create any inference that the compensation arrangement is unreasonable.

Procedure for Determining and Approving Compensation of Top Officers

The Foundation will follow the rebuttable presumption procedure set forth in Treasury Regulation 53.4958-6 when determining and approving the compensation of its President / CEO and VP of Investments / CIO.

The compensation of the President / CEO and VP of Investments / CIO will be determined by the Executive Committee and submitted to the Board for ratification. In order to avoid conflicts of interests, members of the Executive Committee shall recuse themselves from all deliberations and votes involving a compensation arrangement that:

- economically benefits the Executive Committee member or a member of the Executive Committee member's family (as defined in Treasury Regulation 53.4958-3(b)(1));
- involves an individual with whom the Executive Committee member has an employment relationship;
- involves an individual who pays compensation to the Executive Committee member or that has the authority to approve the payment of compensation to the Executive Committee member;
- will affect a material financial interest of the Executive Committee member; or
- involves an individual who has approved or will approve a transaction providing economic benefits to the Executive Committee member.

The compensation of each Top Officer shall be reasonable. Reasonable compensation for this purpose means an amount that would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances. When determining reasonable compensation, the Executive Committee shall take into account the total amount of compensation provided by the Foundation to the individual in exchange for services (including salary, fees, bonuses, severance payments, deferred compensation, and the value of any benefits), as well as the amount of any compensation received by the individual from other related organizations.

The Executive Committee shall consider a recommendation by the President/CEO regarding salary increases for the VP of Investments / CIO based upon the Foundation's performance management process. Additionally, the Executive Committee will rely on appropriate data as to comparability when determining compensation for VP of Investments / CIO, including, but not limited to, compensation levels paid by similarly situated organizations (both taxable and tax-

exempt) for functionally comparable positions, the availability of similar services in the geographic area where the Foundation is located, compensation surveys prepared by independent firms, and actual written offers from similar institutions competing for the individual's services. The Executive Committee will utilize a third party compensation consultant each time a new VP of Investments / CIO is hired and each time the President/CEO's contract is up for negotiation or renegotiation. The Executive Committee will also obtain a compensation survey prepared by an independent firm at least once every three years.

The Executive Committee may consider organizational performance indicators as a factor for determining appropriate compensation. However, any compensation arrangement involving a revenue-sharing or other incentive-type payment based on the Foundation's performance shall be designed to ensure that (i) the total compensation paid under the arrangement is reasonable (which might require placing a cap on the total amount of revenue-sharing and other incentive-type payments that the individual can receive), and (ii) the revenue-sharing or other incentive-type payments are structured to avoid any potential conflict between the individual's interest in maximizing their compensation and the interests of the Foundation in achieving its exempt purposes.

The Executive Committee will contemporaneously document its deliberations and decisions regarding each compensation arrangement in written minutes and shall maintain such minutes as part of the Foundation's permanent records. The minutes for each decision shall at a minimum note (i) the terms of the compensation arrangement approved and the date that it was approved, (ii) the members of the Executive Committee who were present during debate on the compensation arrangement that was approved and those who voted on it, (iii) the comparability data obtained and relied upon by the Executive Committee and how the data was obtained, and (iv) any actions taken with respect to consideration of the compensation arrangement by anyone who is otherwise a member of the Executive Committee but who had a conflict of interest with respect to the compensation arrangement. The Executive Committee shall submit a copy of each set of minutes to the Board for ratification.

Procedure for Reviewing Compensation of All Other Officers, Directors, and Key Employees

The Foundation will not utilize the rebuttable presumption procedure set forth in Treasury Regulation 53.4958-6 when determining and approving the compensation of its other Officers, Directors, and Key Employees. The compensation for these individuals will instead be determined by the manager in partnership with human resources. It is expected, that the compensation for each of these individuals will be reasonable and that in determining the compensation for these individuals the manager and human resources will rely upon similar types of comparability data as those described above. A HCE report shall be prepared each year summarizing the compensation of each of the Foundation's Officers, Directors, and Key Employees and the comparability data that was used to determine such compensation. The Executive Committee shall be responsible for annually reviewing the HCE reports and reporting to the Board any concerns or issues involving the amount of compensation paid to an Officer,

Director, or Key Employee or the comparability data relied upon in determining such compensation.

Definitions

Term	Definition
Director or Trustee	A Director is any member of the Foundation’s Board, but only if the member has voting rights.
Key Employee	<p>A Key Employee is any employee of the Foundation (other than an Officer or Director) who i) is compensated primarily based on revenues derived from activities of the Foundation or of a particular department or function of the Foundation that the employee controls, or ii) meets both of the following tests, applied in the following order:</p> <ul style="list-style-type: none"> • \$150,000 Test. Receives reportable compensation from the Foundation and all related organizations in excess of \$150,000 for the calendar year ending with or within the Foundation’s tax year. • Responsibility Test. At any time during the calendar year ending with or within the Foundation’s tax year: <ul style="list-style-type: none"> • Has responsibilities, powers, or influence over the Foundation as a whole that is similar to those of officers, and directors; • Manages a discrete segment or activity of the Foundation that represents 10% or more of the activities, assets, income, or expenses of the Foundation as a whole; or • Has or shares authority to control or determine 10% or more of the Foundation’s capital expenditures, operating budget or compensation for employees.
Officer	Any person elected or appointed to manage the Foundation’s daily operations, including the President, CEO, CFO, COO, and CIO: and the other officers required by the bylaws of the Foundation or applicable state law.
Top Officers	The Foundation’s President/Chief Executive Officer (CEO), Chief Investments Officer (CIO).

Procedures

Procedures to be developed.

References & Links

[Executive Committee Charter](#)

IRS Form 990 Instructions - <http://www.irs.gov/pub/irs-pdf/i990.pdf>

Contact

Department Name or Person	Phone Number
President/CEO	785-532-7566
Sr. Director of Human Resources	785-532-7570