

**KANSAS STATE UNIVERSITY**  
**FOUNDATION**

Title	Executive Compensation Policy	Version	3
Committee	Executive Committee	Approval Date	02/24/2023
Approved By	Executive Committee and the Board of Directors	Approval Date	02/24/2023
Approved By	Greg Willems (President/Chief Executive Officer)	Approval Date	02/24/2023

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**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 President/Chief Executive Officer and Senior Vice Presidents (as defined below), 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 committee, 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 and the procedures set forth below when determining and approving the compensation of the Foundation's Top Officers (as defined below)

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 will establish a recommendation for the compensation of the Foundation's President/CEO, with reference to comparability data as discussed below, and the Executive Committee will submit its recommendation to the Board of Directors for approval or ratification.

The Executive Committee shall consider a recommendation by the President/CEO regarding salary changes for the Senior Vice Presidents as part of the Foundation's performance management process and the Executive Committee will also consider appropriate data as to comparability. The Executive Committee will submit recommendations for the compensation of the Senior Vice Presidents to the Board of Directors for approval or ratification.

Appropriate data as to comparability includes, but is 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 Top Officer is hired, and each time a Top Officer's contract is up for negotiation or renegotiation. The third-part consultant shall meet with the Executive Committee to present its analysis and opinions and to allow the Executive Committee to ask questions. The Executive Committee will also obtain a compensation study prepared by an independent firm every other year.

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 (because the Foundation has concluded that such individuals are not "disqualified persons" within the meaning of Code Section 4958). 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. The Executive Committee will engage an independent firm to partner with HR in preparing the HCE report every other year.

## Definitions

Term	Definition
Director	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 all three of the following tests, applied in the following order:</p> <ul style="list-style-type: none"> <li>• <b>\$150,000 Test.</b> 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.</li> <li>• <b>Responsibility Test.</b> At any time during the calendar year ending with or within the Foundation’s tax year: <ul style="list-style-type: none"> <li>• Has responsibilities, powers, or influence over the Foundation as a whole that is similar to those of officers, and directors;</li> <li>• 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</li> <li>• Has or shares authority to control or determine 10% or more of the Foundation’s capital expenditures, operating budget or compensation for employees.</li> </ul> </li> <li>• <b>Top 20 Test.</b> Is on of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the Foundation and related organizations for the calendar year ending with or within the organization’s tax year.</li> </ul>
Officer	Any person elected or appointed to manage the Foundation’s daily operations, including but not limited to the Top Officers, and the other officers required by the bylaws of the Foundation or applicable state law.
Senior Vice President	Any person holding the title of “senior Vice President” or an equivalent title. Without limiting the foregoing, as of the date of adoption of the Policy, the Senior Vice Presidents are the Senior Vice President for Investments/CIO, the Senior Vice President of Operations and Finance-COO/CFO, and the Senior Vice President of Development.
Top Officers	The Foundation’s President/Chief Executive and the Senior Vice Presidents.

## 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	785-775-2000
Human Resources	785-775-2011