

# MERCER

Human Resource Consulting

F: Auicw  
462 South Fourth Street, Suite 1100  
Louisville, KY 40202-3415  
502 561 4650 Fax 502 561 4778  
margaret.handmaker@mercer.com

## Memo

To: **Mr. James Joseph**  
Date: October 17, 2005  
From: Margaret Handmaker  
Subject: **American University President's Pay**

After reviewing the American University 2003 Form 990, it appears that compensation and benefits provided to Dr. Ladner were valued at \$741, 169. After a recent audit, the 2003 Form will be amended to provide a total value of approximately \$860,000. The question is whether this is "reasonable" compensation. I suggest that you consider the following:

- The Chronicle of Higher Education reports that 6 university presidents were paid more than \$800,000 in the 2003 fiscal year. At three schools (Johns Hopkins, University of Pennsylvania, and Vanderbilt), the President was paid more than Dr. Ladner (\$860,000). The next three highest paying schools (Rensselaer Polytechnic Institute, Boston University, and Drexel) are part of 20 schools identified as an appropriate peer group for American University (all are classified as "Doctoral Extensive").
- In addition to the compensation and benefits provided by their university, it is common for Presidents to be allowed, and often encouraged, to supplement their pay by serving on the Board of publicly traded companies.
- For example, during 2003, the President of Penn was paid more than \$400,000 in Board fees. During the same time period, the President of Vanderbilt earned more than \$300,000 in Board fees. In both cases, these individuals were also granted stock options in one or more companies on whose board they served.
- The trustees of American University would not allow Dr. Ladner to serve on outside boards. Their policy was that they did not want Dr. Ladner's time and attention diverted away from University matters, and they were willing to provide highly competitive pay for his services.

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