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Private-College Presidents Reap Millions From Long Tenures

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Photo illustration by Ron Coddington

When Bryant University announced last May that Ronald K. Machtley would retire as its president after more than two decades, it came with recitations of Machtley's achievements while at the helm of the Rhode Island institution: a move to NCAA Division I athletics, the establishment of new schools and programs, and a "record-breaking capital campaign."

Bryant's high regard for its president went beyond words. In 2017, Bryant was the highest-compensated chief executives of a private college, according to *The Chronicle*'s annual analysis of private nonprofit institutions, which is based on the tax documents such organizations are required to file with the Internal Revenue Service. That year — the most recent for which pay data is available for nonprofit organizations — Bryant's compensation to Machtley totaled $6.28 million. More than $5.4 million of the total pay originated from a deferred-compensation package, 15 years in the making, that vested in 2017. He will step down in May.

Less than 20 miles from Bryant is Johnson & Wales University, where the chancellor, John J. Bowen, benefited from a similar deferred compensation package that allowed him to accrue millions of dollars for more than a decade. In February 2017, when the $4.5-million package vested, JWU paid Bowen that amount and more, compensating him in total more than $5.3 million in a single year.

All together, Machtley, Bowen, and 62 other chief executives at America's richest private nonprofit institutions earned a million dollars or more in the 2017 calendar year.

The average pay of private-college leaders, including those who served partial years, was roughly $544,000 in 2017. Among presidents who served the whole year, the average pay was $608,000. The average pay of leaders who served throughout 2016 and 2017 was 10.5 percent higher from 2016.

In a statement to *The Chronicle*, a spokeswoman for Bryant said the university agreed to the long-term deferred compensation agreement "to incentivize President Machtley to remain at Bryant."

Had he been terminated with cause or left the university prior to the terms of the deal being satisfied, the spokeswoman said he would have forfeited the full value of the deal.

“Ron Machtley has been a catalyst in transforming Bryant from a regional business college to a nationally-ranked, world-class university,” William J. Conaty, the chair of Bryant’s board of trustees, wrote in a statement to *The Chronicle*. “For 23 years he has ignited and sustained growth at Bryant — in academic offerings, enrollment, student programs and athletics, and campus facilities.”

James H. Hance Jr., the chair of JWU’s board of trustees, said much the same thing about Bowen, its former chief executive, who retired at the end of 2018.

“His compensation package was established 18 years ago by the JWU Board of Trustees and later amended, taking into account his leadership of a multi-campus system in four states, accomplishments, and many years of service to the university,” Hance wrote in a statement. “Much of the compensation reported in 2017 was deferred, a tool commonly used to provide incentives for a valued senior administrator’s longevity, ensuring stability in an organization’s leadership.”

Much of what Conaty and Hance say rings true. Deferred-compensation deals have become common tools for encouraging longevity among the chief executives of public and private nonprofit universities and colleges. They work like this: An institution sets aside or credits money, tax-free, each year in a prescribed fund for the college leader, who may not withdraw any money from that fund until an agreed-upon date. Likewise, should a chief executive leave or be fired before the terms of the contract are satisfied, he or she forfeits claim to all that accumulated compensation.

But such arrangements aren't without critics, some of whom argue that decisions about executives' pay should be informed by measures of their performance, not by the length of their presidential term.

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And core to the issue of how college presidents are currently paid, says Barbara E. Hopkins, a professor of economics at Wright State University, is who decides on those levels of pay. The idea of paying a college president millions of dollars didn't originate from within higher education, Hopkins said. It was borne out of the practices of business executives and corporate titans, who now hold many seats on the governing boards of American universities and colleges.

"If we want to solve this problem, we have to rethink how we appoint people to the boards of trustees," Hopkins said. "You would want to have trustees who might actually know something about higher education, instead of just people who know something about where money is."

'Skin in the Game'

The vesting of deferred-compensation deals can often forecast the coming retirement of a college's chief executive.

The Chronicle identified five other chief executives who, in recent years, had substantial deferred-compensation contracts vest shortly before they stepped down from the top jobs at their institutions. At New York University, for example, more than $7.8 million in deferred compensation vested for John E. Sexton at the start of 2015, nearly a year before he would retire from the presidency. Rather than distribute the sum all at once, NYU and Sexton elected for fractional payments to be made annually for an unspecified period of time. Sexton's compensation had been a sore spot on the NYU campus earlier in the decade, when its faculty openly deliberated about casting a vote of no confidence in Sexton's leadership.

In some cases, departing executives can choose to receive their deferred compensation in increments over several years rather than as a full payout in a one-time lump sum. Compensation that comes from deferred-compensation arrangements becomes taxable in the eyes of the IRS at the point it vests. *The Chronicle*'s methodology for reporting compensation mirrors the IRS's regulations.

In a statement to *The Chronicle*, an NYU spokesman noted that the structure and nature of Sexton's retirement package had been disclosed "some six years before he retired from a notably successful 34-year career at NYU as faculty member, law-school dean, and president."

At Wilmington University, in Delaware, more than $4.62 million in deferred compensation was released in 2014 to Jack P. Varsalona, Wilmington's president until June 2017. Come 2015, Emory University paid its then-President James W. Wagner more than $2.3-million, per the terms of a deferred-compensation package. The same was true of the University of Dayton's Daniel J. Curran and Vassar College's Catharine Bond Hill. Both presidents had deferred compensation packages that fully vested in 2015, amounting to payments for each of $1.55 million and $1.2 million, respectively. All three individuals retired from their respective presidencies a year later, in 2016.

While Wilmington and Vassar declined to comment for this story, Emory and Dayton said that sustained and consistent presidential leadership ultimately made their institutions more successful.

"The deferred compensation retention plan succeeded in providing a stable, successful leadership for Emory and in securing its leadership structure over this period of time," Jonathan K. Layne, a member of the board of trustees, said in a statement.

Steve Cobb, a former board chair at Dayton, made a similar point. "There's no question Dan Curran was an exceptional leader for this university during his 14-year tenure," Cobb said in a statement. "During that time, the university grew in size and stature by almost every measure and was positioned for continued growth."

Trustees have to consider a number of factors when designing a deferred-compensation contract, said Thomas K. Hyatt of the law firm Dentons. They should look at how chief executives at peer institutions are paid and how the federal government is regulating certain forms of pay, he said.

Hyatt, whose firm consults with university governing boards about how to compensate college presidents, also said such deals encourage different behavior from those that emphasize base pay, for example; they force colleges and chief executives to incur a certain amount of risk by making money contingent on their mutual commitment.

Presidents "have got skin in the game," Hyatt said. "They want to stay as well."

While the amount of compensation may differ among the seven chief executives named above, there are some commonalities between them. All seven of them ultimately served 10 years or more as the leaders of their institutions. Similarly, all seven of these deferred-compensation deals began accruing nontaxable compensation at least 10 years before the arrangements finally vested. That's not always the case: Some arrangements can be much shorter, like that of the former chancellor of the University of Texas system, William H. McRaven. In 2018, the UT system paid the retired Navy admiral more than $1.28 million based on a deferred-compensation contract that vested after just three years.

Of course, not all presidents leave their institutions shortly after a deferred-compensation arrangement finally vests. In 2014, more than $7.3 million in deferred compensation vested for Paula S. Wallace of the Savannah College of Art and Design, where she is still the president. Shirley Ann Jackson received $5.9 million in 2012 per the terms of a deferred-compensation contract. She remains president of Rensselaer Polytechnic Institute.

Hopkins, the economist at Wright State, said students should organize if they are disheartened by the size of the payouts made to the executives of their institution relative to how much goes to other parts of the university, like faculty pay and pensions.

“At a private university,” she said, “an organized student and faculty group can do a lot to embarrass a university that would lead to change.”

Correction (1/16/2020, 3:14 p.m.): This article originally mischaracterized Dentons as a consulting firm. It is a law firm. The article has been updated to reflect this correction.