Compensation Trends for Heads of School

TRENDS FROM THE TRENCHES: PATTERNS IN THE COMPENSATION OF HEADS

1. Complete tuition remission for the head’s children is still a benefit in place at 70% of schools, even where it may not be 100% for the children of other staff. The difference in benefit provided, however, is considered taxable by most tax specialists.

2. Deferred compensation is the most sought after and fastest growing area of compensation for heads and even some other senior administrators. Certain plans allow both the head and the school to make contributions without the "discrimination" limits of 403 (b) plans. In 403 (b) plans the employee may contribute only up to about $10,000 in a tax sheltered retirement plan. In non-qualified plans, however, there are other specific rules such as "substantial risk of forfeiture." However, the vast majority of heads find the forfeiture provisions acceptable. Many heads now have more funds in their deferred compensation plans than in their TIAA/CREF plans.

3. Most school heads have a leased car, thereby declaring as taxable income only that percentage of the monthly use of the car that is personal. Commuting to and from work is personal not professional use.

4. Performance related bonuses tied to specific goals are growing as a tool to motivate, or reward school heads.

5. The long term disability plans of most schools are capped at $3000-9,000 a month or less, thereby often leaving the head’s full package unprotected even at two thirds of salary. The best way to change this is to negotiate with the carrier to lift the cap. It is far less expensive than buying the head an individual supplemental disability policy.

6. Creative housing arrangements for school heads have spread beyond school-provided housing and taxable housing allowances. The most interesting ones have been designed in areas where housing is very expensive and schools are concerned that heads may be forced to leave the area upon retirement.

7. The number of heads who have been named to corporate boards is growing. Most of these are boards of small family owned companies but a few are better known public firms. Benefits of membership include ownership of stock or fees paid for meetings attended. The amounts can be considerable.

8. School assistance toward the tuition of a head's children in college has grown dramatically. While this is a taxable benefit, the philosophy that has grown up seems to be that if the school has supported the head's children through tuition remission, why not continue that benefit through their education in college?

9. There are very few heads left without formal written contracts. Most are 3 year "evergreen" designs with clear and fair conditions for notice of termination and definition of termination for "cause." Contracts in previous years would define "cause" so loosely that many heads might be dismissed over disagreement with the Board on a range of professional issues and receive no compensation settlement.

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