



**Washington and Lee University**  
**Board of Trustees**  
**Executive Committee\***

Guidelines for Reviewing Executive Compensation Pursuant to  
Internal Revenue Service Regulations on Intermediate Sanctions

<b>Approved By:</b> _____ W&L Board of Trustees _____	<b>Related Policies:</b> _____
<b>History:</b> Issued – _____ May 20, 2006 _____	_____
Revised – _____ October 20, 2007 _____	<b>Additional References:</b> _____
<b>Responsible Office:</b> _____ Office of General Counsel _____	<b>Contact:</b> _____ Leanne Shank ( <a href="mailto:lshank@wlu.edu">lshank@wlu.edu</a> ) _____

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## I. INTRODUCTION

### Policy Statement

This policy codifies the procedures by which the Executive Committee or Board of Trustees as a whole establishes executive compensation each year consistent with the Internal Revenue Service (IRS) guidelines on intermediate sanctions to take advantage of the rebuttable presumption of reasonableness. The Board also adopts this policy as representing a good business practice.

### Applicability

This policy applies to the Washington and Lee University Board of Trustees Executive Committee, or the Board as a whole if it chooses to act under this policy.

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## II. DEFINITIONS

There are no definitions applicable to this policy.

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## III. POLICY

### A. General Policy

The Washington and Lee University Board of Trustees Executive Committee (“W&L”) shall have oversight of all elements of executive compensation related to compliance with Internal Revenue Service (IRS) regulations, intermediate sanctions provisions, specifically to: 1) review thoroughly the compensation of W&L’s current key executive; 2) assess and approve the reasonableness of the compensation; and 3) report to the Board of Trustees with regard to such

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\* The Board of Trustees may act as a whole in fulfilling these guidelines if it so desires.

matters. The Committee is responsible for overseeing full disclosure of executive compensation as legally required on the annual Form 990.

Members of the Committee, as well as any third parties providing professional advice to the Committee, must be independent and have no conflicts of interest as to the compensation being reviewed, the executive whose compensation is being reviewed, or any products or services (such as insurance arrangements or financial counseling) being considered. An assessment of independence should consider non-economic factors, such as close personal relationships.

The Committee, if it acts, will not be responsible for determining the compensation of the President, but for recommending the compensation for approval by the Board of Trustees. If not done by the Board as a whole, the Committee shall instead annually review and approve elements of executive compensation in a manner that is designed to comply with the regulations governing the Internal Revenue Service's intermediate sanctions provisions (Treas. Reg. 53.4958 et al.), specifically the requirements for meeting the rebuttable presumption as set forth in Treas. Reg. 53.4958-6.

In order to satisfy the rebuttable presumption, compensation must be reasonable, i.e., an amount that would ordinarily be paid for similar positions by similarly situated organizations under like circumstances.

Executive compensation arrangements should, therefore, fall within the bounds of market practice for positions at comparable associations. A comparable association is ordinarily one that:

1. is legally established as a 501(c)(3) not for profit private university organization;
2. is headquartered in a rural area;
3. has an annual budget of approximately \$82,500,000.00; and
4. has a staff size of approximately 740.

## **B. Relevant Executive Positions**

The Committee shall annually determine the reasonableness of compensation for individuals holding the following positions:

President<sup>†</sup>

## **C. Guidelines**

Compensation determinations made by the Committee will be premised upon the following guidelines:

1. *General*

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<sup>†</sup> Likewise, the President, after reviewing data provided by the Executive Director of Human Resources, will make a finding of reasonableness of the compensation when establishing the annual compensation of the officers and all exempt positions which report directly to the President.

The Committee shall obtain and rely upon competitive compensation information that reflects comparable organizations, as defined in Article I above, and positions. The Committee shall rely upon the survey data when determining the reasonableness of the compensation.

2. *President's Compensation*

The Committee shall annually conduct a review of the President's compensation pursuant to the intermediate sanctions provisions of IRS regulations, as per Article I. The Committee will meet to make its recommendations to the Board as a whole.

**D. Record Action in Minutes**

Timely and accurate minutes of all final actions by the Committee and Board regarding the President's compensation will be recorded. The minutes will include:

1. The terms of the approved arrangement and the date approved.
2. The Committee members present during discussion and those who approved the arrangement.
3. The comparability data and how the data was obtained
4. Any actions by Committee members with potential conflicts of interest.
5. The rationale for determining the arrangement is reasonable if it exceeds the range of the comparability data.

The Committee shall treat its compensation deliberations, and materials related to such deliberations, as confidential.

Adopted by Board of Trustees: May 20, 2006

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**IV. ANNOTATED REVISION HISTORY**

*Amended 10/20/2007, to add provisions that allow Board to act as a whole instead of the Executive Committee if it so desires; confirms that the President will follow these guidelines when establishing compensation for exempt direct reports.*

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