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HEAD COMPENSATION, CONTRACTS, DEFERRED COMPENSATION PLANNING

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Littleford & Associates has been retained by over 2000 schools and other non-profit organizations to assist with the analysis of the compensation and benefit packages for heads and executives; to help develop contracts and evaluation processes; and to help boards assess replacement costs for current executives of non-profits. Our Firm has been providing this assistance for 20 years, long before head/CEO compensation in the corporate and not-for profit domains came under such close public scrutiny.

Compensation, contracts, and deferred compensation planning for executives of non-profit organizations and for heads of independent and international schools greatly impacts the lives of those executives and the organizations they lead. Our Firm offers assistance in each of these domains.

Littleford & Associates is retained ONLY BY BOARDS in the person of the chair or compensation chair on the topic of executive compensation. We do not work for the head or chief executive officer on this topic unless the compensation packages being reviewed are for other levels of senior staff, below that of the CEO. Our Firm strongly believes that it is a conflict of interest to work for heads on head compensation matters, and at other times, to work for boards on the same topic.

We can be retained only by the board, We further advise clients fully on developing the criteria for establishing no conflict of interest understandings between the decision-making body and the "disqualified person" (head/CEO) in the determination of compensation for that person.

Littleford & Associates has created and maintains the most accurate database in the world on the subject of the total compensation for the heads of independent and international schools and the CEO's of a wide range of other non-profit organizations. Published statistics on this subject are notoriously inaccurate as those who complete the surveys often under report actual total compensation, omit certain information or interpret the questions differently.

Through our personal contacts with nonprofit CEOs, US, international and Canadian chairs and heads of schools, we have observed this pattern: while those conducting surveys may claim a high



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return rate, those who have very competitive compensation packages often do not return questionnaires. Those who may feel that they are not well compensated in terms of cash or benefits are eager to know what similar heads and executives are paid and may also hope that this data might be useful in future contract discussions. These are the individuals who are most likely to respond. Our Firm examines such published surveys carefully, and they are still not as accurate as the 990 forms on the Internet site, Guidestar.

At this time, Guidestar data is at least two years out of date and in most cases excludes school owned housing and certain other benefits. Furthermore, there is a wide range of 990 reporting practices. Some entities completely disclose deferred compensation and other benefits on the 990 while others do not report all components of the head's or CEO's package. Presently, data on the package may be found in multiple places on the Form.

Because of these discrepancies and omissions, the IRS redesigned and tightened up the 990 Form considerably. Some changes to the Form were indeed necessary and represent important improvements, but these will involve much more due diligence on the part of filers and increased oversight by boards beginning with 2008 returns filed in 2009. (See [THE BIG DIG: Digging Your Way Through the New Form 999](#)) Currently, most heads, CEO's and board chairs are not even aware of how their compensation information is reported on the 990 until it is challenged.

Our compensation data is highly comprehensive and accurate because we supplement information available in the public domain with additional information gathered through ongoing assignments on this topic and annual confidential phone calls to, and confidential one-on-one meetings with heads of schools and CEOs. Our data meets and exceeds the requirements set forth by the IRS for obtaining and relying upon "comparability data", as part of a tax-exempt organization's process of creating a "rebuttable presumption of reasonableness" in accordance with the Intermediate Sanctions Act.

Our data includes all elements of pay which the IRS considers "compensation" such as but not limited to: cash salary and bonuses; standard retirement plans; deferred compensation plans with and without substantial risk of forfeiture; standard benefits; tuition remission in excess of that granted to other employees; tuition assistance at alternative schools; assistance in providing for college education; housing or housing allowance; auto allowance; club memberships; and loan forgiveness.

One of the forms of compensation which has become particularly "tricky" is a 457 (f) plan or deferred compensation with substantial risk of forfeiture. With the advent of new legislation called 409A in 1994, these Plans became somewhat less attractive but still very viable under certain circumstances. While we are not attorneys, our Firm counsels clients on the general risks and



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opportunities that these Plans represent to the head/CEO. (See Section III of [Head Compensation: Understanding The Changing Rules.](#))

Littleford & Associates never makes its database available to our clients on the topic of executive compensation except in a “blind” format in which numbers are unrelated to specific organizations. We do not allow ANY access to our proprietary database.

Littleford & Associates provides expert counsel in the design of a compensation and benefits package for a head/CEO at any point in his term of service to the institution. This includes assistance in designing retirement packages for long serving heads and executives. We keep our data current for concluding such packages.

We can also supplement the work of another search firm by helping to create a complete package for a newly appointed head/CEO to address his or her needs and goals at the start of the relationship with the school or organization. This may result in longer-term satisfaction for both parties.

Littleford & Associates does not provide legal or accounting services and never counsels a client on how to fill out and file 990 or similar forms.

As Senior Partner, Mr. Littleford facilitates each contract review. Closure is achieved within a short period of time with both parties feeling gratified. Our track record for successful contract review is unparalleled. Over 2000 client schools and heads have both felt that the process as well as the product helped to reaffirm the relationship between the head and school.