I. POLICY STATEMENT

Claremont McKenna College is committed to compensate employees of the College fairly and competitively and understands the importance of complying with applicable federal regulations (IRC 4958) in determining reasonable levels of executive compensation on an annual basis.

The Executive Compensation Policy has the following purposes:

1. To attract and retain qualified executives
2. To focus executives’ attention on specific short and long-term operating and strategic objectives of the College
3. To align executives’ interests with the College’s various stakeholders: students, faculty, administration, alumni, donor community, the Claremont consortium and community

II. ENTITIES COVERED BY THIS POLICY

- All units of the College.
III. CONTACTS

Please direct any questions about this policy to:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
<th>Telephone¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Questions</td>
<td>Office of the Treasurer</td>
<td>18116</td>
</tr>
</tbody>
</table>

IV. DEFINITIONS

Unless otherwise provided, the following definitions were excerpted from the IRS 2008 Instructions for Form 990 glossary as deemed applicable to this policy.

**Compensation:** All forms of cash and noncash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the College’s property.

**Disqualified person:** Any person who is in a position to exercise substantial influence over the affairs of the College (i.e., officers, trustees and key employees). Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. For this purpose, a disqualified person includes:

- A disqualified person’s family member
- Disqualified persons of a section 509(a)(3) supporting organization, including Claremont University Consortium

**Employee:** Any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee, and any other individual who is treated as an employee for federal employment tax purposes under section 3121(d).

**Family member, family relationship:** The family of an individual includes only his or her spouse, ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

**Key employee:** For purposes of this policy and IRS Form 990 reporting, an employee of the College (other than an officer or trustee) who meet all three of the following tests:

1. **$150,000 Test:** Receives reportable compensation from the College in excess of $150,000 for the calendar year ending within the College’s tax year.

2. **Responsibility Test:** The employee:
   a. has responsibilities, powers or influence over the College as a whole similar to those of officers or trustees;
   b. manages a discrete segment or activity of the College that represents 10% or more of

¹ Numbers refer to on-campus extensions. When calling from an off-campus line, please dial (909) 62+extention for numbers beginning with a “1” and please dial (909) 60+ extension for numbers beginning with a “7.”
the activities, assets, income, or expenses of the College, as compared to the College as a whole;

c. or has or shares authority to control 10% or more of the College’s capital expenditures, operating budget, or compensation for employees.

3. **Top 20 Test:** Is one of the 20 employees (that satisfy the $150,000 Test and Responsibility Test) with the highest **reportable compensation** from the College for the calendar year ending within the College’s tax year.

**Corporate Officers:** As outlined in the Bylaws of the College, the officers of the Board of Trustees and the Corporation shall be the Chairperson, not more than ten (10) Vice Chairpersons, President of the College, Treasurer, Secretary and Controller.

**Reportable compensation:** Compensation that is reported on Form W-2, box 5 (or in box 1 if the employee’s compensation is not reported in box 5) filed for the calendar year ending within the College’s tax year.

**Trustee:** A voting member of the College’s Board of Trustees. A member of an advisory board that does not exercise any governance authority over the College is not considered a trustee for purposes of this policy and IRS Form 990 reporting purposes.

V. **PROCEDURES**

A. **EMPLOYEES COVERED UNDER THIS POLICY**

Employees covered under this Policy shall include Corporate Officers, Key Employees (including all Vice Presidents), and Disqualified Persons (hereinafter referred to as the “Covered Employees”).

B. **COMPENSATION COMPONENTS**

All Compensation provided to Covered Employees.

C. **COMPARABLE COMPENSATION PEER GROUPS**

Comparable compensation data from the College’s peer group institutions shall be obtained from one or more of the following sources:

- The Chronicle of Higher Education annual compensation survey (information compiled from IRS Form 990 reports)
- Comparable positions within The Claremont Colleges
- Other regional or national compensation surveys

In analyzing this data, positions for each Covered Employee in relation to positions holding similar responsibilities in the peer group institutions and regional Consumer Price Index data for inflation and cost of living adjustments, as necessary, shall be considered.

D. **REVIEW AND APPROVAL OF EXECUTIVE COMPENSATION**

The Compensation and Personnel Subcommittee of the Executive Committee of the Board of Trustees (the Subcommittee) shall review the Compensation of a Covered Employee:
Upon the hiring of the Covered Employee,
Whenever the Covered Employee’s term of employment, if any, is renewed or extended, and
Whenever the Covered Employee’s Compensation is modified; provided, however, that review and approval shall not be required when the modification of Compensation extends to substantially all employees.

The Subcommittee shall also review the annual Compensation adjustments for Covered Employees in connection with the College’s annual performance review process.

With respect to the President, the Subcommittee will review analyzed comparable compensation data for the President. In addition, the Subcommittee will review the results of the Chairman of the Board of Trustees’ evaluation of the President’s performance from the prior academic year. The Subcommittee will then vote to recommend by proposal to the Board of Trustees the Compensation for the President of the College. The President will be excused from any Subcommittee meeting as it relates to the review of his or her Compensation.

The Subcommittee will then review its recommendation to the Board of Trustees, which review shall include the market comparability data developed through the compensation analysis, and the Board of Trustees will vote to approve (or disapprove or modify) the Compensation for the President. The President will be excused from any Board meeting as it relates to the review of his or her Compensation.

With respect to Covered Employees other than the President, the Subcommittee will review analyzed comparable compensation data of any Covered Employee. The Subcommittee will also consider the President’s summary of the results of the annual performance evaluations for Covered Employees. The Subcommittee will then vote to approve (or disapprove or modify) the Compensation for the Covered Employee. A Covered Employee will be excused from the Subcommittee meeting as it relates to the review and approval of his or her Compensation.

The minutes of the Subcommittee meetings at which any Compensation is approved shall reflect the following items:

- The Compensation that was approved and the date of approval;
- The members of the Subcommittee who were present and who voted;
- The comparability data obtained and relied upon and how the data was obtained;
- Any actions taken by any member of the Subcommittee who had a conflict of interest; and,
- If the Subcommittee approves a higher or lower Compensation than in the comparability data, the minutes shall also record the basis for the Subcommittee’s determination.

The minutes shall be prepared before the later of the next Subcommittee meeting or 60 days after action by the Subcommittee. The minutes of the Subcommittee and the analyses and information presented to the Subcommittee shall remain confidential and limited to the members of the Board of Trustees, the President, the Secretary of the College, the Treasurer, and the Director of Human Resources.

After approval by the Subcommittee, the President shall inform each Covered Employee of his/her approved Compensation in writing, a copy of which shall be maintained in each individual’s personnel file. After approval by the Board of Trustees, the Chair of the Board of Trustees communicates the President’s Compensation to the President and the Treasurer.

The Office of Human Resources retains documentation of the annual executive compensation analysis to meet IRC 4958 requirements.