



NORTHWEST FLORIDA STATE COLLEGE

Memo

To: Board of Trustees
From: Lori Kelley, Chair
Date: October 17, 2023
Re: President's Contract – Amendment

The President's Fiscal Year 2024 contract is presented to the Board for action related to the defined contributions and continued service compensation sections. Enclosed is proposed language that shows the changes to the existing contract and proposed amendments.

The College consulted with its third-party administrator for its 401(a) and 403(b) plans, US Omni & TSACG Compliance Services, in Summer 2023 to review the President's contract regarding the defined contributions and continued service compensation sections. Because these sections had not been reviewed since the beginning of the agreement with the President, the College wanted to ensure that they were up to date and consistent with applicable IRS regulation.

After reviewing the language, US Omni & TSACG Compliance Services proposed the enclosed changes. The existing sections 4(c)-(d) present two challenges:

1. Section 4(c) states 13.5% of certain types of presidential compensation is the College's contribution to a retirement account. This approach is inconsistent with current IRS regulations.
2. Sections 4(c)-(d) taken together do not permit the College to contribute the maximum amounts consistent with IRS regulations into a 401(a) plan and 403(b) plan.

To remove these issues, US Omni & TSACG Compliance Services recommended the College simply contribute the maximum amounts under current IRS regulations to the two plans Dr. Stephenson currently has (401(a) and 403(b)), effective in the current calendar year 2023. This solution will result in an overall additional cost to the College of approximately \$48,000.

The continued service compensation language in section 4(e) presents a different challenge. Even if the College did not contribute the maximum amount to each of the above-listed plans, the maximum allowable contribution limits will be exceeded by the continued service compensation payment anticipated by the President's contract on June 30, 2024. To simplify the continued service compensation payment, the enclosed amendment proposes paying the President directly an amount that would result in post-tax payment of \$100,000 rather than incorrectly placing those funds into a retirement account.

RECOMMENDATION:

The Board of Trustees approves the amendment to the President's FY24 contract, as presented.