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Understanding the Modern Superintendent Contract

Special Contribution from TASBO Strategic Partner, TCG Group Holdings

Superintendent employment contracts are at the intersection of where an individual's Teacher Retirement System (TRS) pension, retirement savings, job duties, job protections, and personal financial needs converge in one document. This combination of items amplifies the importance of its construction and the process of its implementation.

From the superintendent's perspective, the primary goals of a contract negotiation are ensuring they have the dollars necessary to meet the needs of their family and to have protection from capricious or unfair treatment. At the beginning of the negotiation, the superintendent and board must consider, what is a fair-market rate for the position? Variables in determining this value include the size of the student population, geographic location, experience, and difficulty of the job. Both sides should consider the importance of ensuring the relationship is a lasting one and limits the likelihood of a premature departure by a high-quality superintendent. Creative compensation can help decrease this probability by addressing the needs of the superintendent and allowing the school board to offer a salary acceptable to taxpayers.

Modern superintendent contracts contain items not in the employment contracts of other personnel; making them more tedious to implement and report, and unfortunately for the Business Office these ever changing items don't come with a manual. Many items are not TRS-creditable based on state statute; but others may or may not be creditable based simply on how the language is crafted. For example, items such as allowances for a car, technology, housing, and expenses are disallowed by the Texas Administrative Code[1]. However, retirement plan contributions, state retirement system contribution supplements, and longevity pay are examples of items where the wording means a great deal to its TRS creditability.

If the district is making contributions to the superintendent's retirement plan directly, that would not be reportable as TRS creditable. However, if the superintendent is receiving a payment in lieu of their own contributions through a salary deferral agreement, or if the Board is supplementing the superintendent's pay by an amount equal to their member TRS contribution, this amount would be reported as creditable compensation to TRS. It is also critical to be aware of the federal tax implications associated with contract wording. Internal Revenue Service audits of district retirement plans always include a review of the contracts of the top ten paid employees.

A good standard is if the payment is a regular and recurring at the normal payroll periods, and is not a prohibited allowance under the Texas Administrative Code, then it has a strong chance to be counted as creditable compensation. Clearly this is important to the superintendent, but it is just as important to the business office reporting these items to TRS. It is important they seek expertise to ensure these items are reported properly to prevent problems for the superintendent and/or district in the event of an audit by the Internal Revenue Service or TRS. With superintendent compensation becoming more sophisticated, the use of legal and financial experts in writing the superintendent's contract is essential to avoid problems.

It is clear there is a need to balance what is required to meet the needs of a superintendent's family, with what is a fair value for their expertise, and what the local community believes is appropriate. By using experts and creative compensation properly, it can result in a win-win for all parties involved.

Authored by: Mason Moses, Investment Advisor with TCG Advisors, Chris Jamail CFP®, Partner and Chief Investment Officer of TCG Advisors, LP; and LP Mike Cochran, Chairman of the Board of TCG Group Holdings

1 Texas Administrative Code, Chapter 25, Sub-chapter B, Rule 25.21 (d)(1)