



CAMPUS COUNSEL

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Court Allows Retired President to Pursue Claim of Contract for Lifetime Pay and Benefits Against University

BY TIMOTHY H. POWELL • FEBRUARY 17, 2017

On February 7, 2017, the U.S. District Court for the Eastern District of Kentucky ordered that the former President of the University of the Cumberlands, Dr. James Taylor, may proceed on his claims that the University failed to follow through on its contractual promises to provide him and his wife with lifetime pay and benefits.

In his complaint, Dr. Taylor alleges that in 2012 the University's Board of Trustees adopted a resolution and entered an agreement with Dr. Taylor that upon his retirement, he would continue to receive his annual salary for the rest of his life (and his wife's life, if he predeceases her), as well as health insurance benefits, housing, a vehicle, and a mobile phone. Under the agreement, upon his retirement Dr. Taylor would be appointed Chancellor, his wife would serve as an Ambassador of the University, and the couple would continue their fundraising efforts and otherwise serve the University as requested. Dr. Taylor alleges that following his retirement in October, 2015, the University nevertheless refused to honor this agreement, and instead offered him a one-year renewable contract for a part-time position at significantly reduced salary and benefits.

Dr. Taylor refused the University's offer and brought claims against the University for breach of contract, violation of ERISA, promissory estoppel, and unjust enrichment, as well as claims of intentional infliction of emotional distress and slander related to the University's treatment of him. The University, [in public statements made](#) in response to Dr. Taylor's complaint, claims that the purported agreement for lifetime compensation was never shown to the trustees before it was signed and was never properly approved by the board.

On the University's motion to dismiss all of Dr. Taylor's claims, the federal court [allowed](#) Dr. Taylor to proceed on all counts except for his claims under ERISA and for unjust enrichment. On the breach of contract claim, the court found that Dr. Taylor had sufficiently pled that his agreement with the University was supported by valid consideration: in the agreement Dr. Taylor and his wife promised certain ongoing service to the University in exchange for continued compensation and, moreover, in the agreement the University expressed its gratitude and desire to compensate Dr. Taylor and his wife for exceeding fundraising expectations and raising hundreds of millions of dollars for the University.

The court further held that the University's alleged attempt to coerce Dr. Taylor into accepting the lower-valued annual contract, knowing that he and his wife are elderly and were relying on the disputed agreement to provide compensation, housing, and retirement benefits, could constitute intentional infliction of emotional distress; likewise, the court found that the University's alleged statements implying that Dr. Taylor had been deceitful in drawing up and obtaining approval of the agreement could constitute slander.

While the majority of Dr. Taylor's claims survived this initial motion to dismiss, the University will now have an opportunity to rebut the factual allegations in the complaint and pursue its defense that no enforceable agreement to lifetime employment was ever entered with Dr. Taylor.

Client Tip: *Institutions should be careful and deliberate in making statements to long-serving administrators, or any employees, regarding promises to continue compensation, benefits, or other support upon retirement. Such promises, even if made orally, can potentially constitute binding and enforceable agreements.*