Minutes of FAP Meeting #21 AY2021-22

February 28, 2022

4:00 PM – 5:00 PM

Meeting Held Electronically via ZOOM

Members in Attendance: Tanja Dominko, Joseph Fehribach (FAP Chair), Mike Horan (Executive Vice President/CFO), Joseph Sarkis (FBC Co-Chair), David Spanagel (FAP Secretary; RPC Representative), Kris Sullivan (Associate Vice President for Academic Affairs)

Call to Order. Chair Fehribach called the 21st FAP meeting of the year to order at 4:01 PM.

1) **D term meeting time.** Chair Fehribach confirmed that everyone will be able to continue weekly meetings at 4 pm on Mondays during D term.

2) **Executive Compensation Report.** Chair Fehribach reminded FAP members that the list of FAP agenda items to be examined this year (see Minutes of FAP Meeting #6 AY 2021-22, Oct. 11, 2021) had included this item. He then invited Prof. Spanagel to present materials he has been assembling on this topic since January, 2020 when the WPI Forward initiative was launched.

   Prof. Spanagel shared slides and a spreadsheet containing data that he has gathered exclusively from publicly available Form 990 U.S. Federal tax reports. Prof. Spanagel also shared his analysis highlighting his main finding: that *a stark disparity in approaches used to reward an elite handful vs. the rest of WPI* has prevailed since 2010. During the decade from 2010 through 2019, long-term highly paid administrators' base salaries escalated irrespective of Trustee-approved annual employee salary pool size constraints. In the most extreme instance, according to Prof. Spanagel's analysis, between 2018 and 2019 (i.e. just before the WPI Forward initiative was launched), a group of eight highly compensated individuals received, on average, annual base salary increases of 22.1%.

   Prof. Spanagel then shared three main conclusions that could be derived from this data:

   A. Differential compensation philosophies may help to account for the "gap of trust" between top administration and the rest of WPI's faculty and staff. Reasonable people could draw the conclusion that, while most members of the WPI community are expected to remain hard-working and loyal to the Institute regardless of their eroding purchasing power over time, the few who hold top administrative positions may simply be working to enrich themselves. [This was a concern Prof. Spanagel had raised at the February 2020 Faculty meeting when WPI Forward was being presented to the Faculty.]

B. Unjustifiable escalation of pay levels guaranteed that WPI would find it impossible to retain even the best administrators once their cost to the institution far exceeded their value. [This was another concern Prof. Spanagel had raised at the February 2020 Faculty meeting when WPI Forward was being presented to the Faculty.]

C. The amount of money involved was not a trivial consideration, either in the context of WPI Forward's putative 'student affordability' purpose, or in the fulfillment of WPI's mission itself. Eliminating two highly compensated VP positions from the administrative structure by the end of 2019 gave what now appears to be a false impression of serious belt-tightening across the top of the institution. [Now that we know 2019 salary boosts had already elevated the top layers of executives' compensation, it is tempting to reevaluate the urgency of significantly reducing WPI's retirement contributions on behalf of all employees.] Moreover, when one highly compensated person's annual increase in base salary could itself pay for hiring an additional faculty line(s), one can imagine the compounded opportunity costs of those executive raises hampering WPI's ability to deliver top-notch programs and provide individualized attention to our growing numbers of students.

Prof. Spanagel asked FAP members to take some time to absorb the information that he had gathered, to reflect on its meanings, to provide any corrections or clarifications needed to repair what might be misleading artifacts of either the selectiveness or the format of the Form 990 reporting, and ultimately to consider rendering some recommendations to the Administration and Trustees regarding the strategic implications of either maintaining or amending WPI's executive compensation philosophy and practices now that WPI is entering a period of leadership transition.

CFO Horan offered to check whether Prof. Spanagel's interpretations of the Form 990 data were accurate. One FAP member asked how much money was included in that batch of annual salary increases from 2018 to 2019 (mentioned in point C, above), to calibrate that expenditure with respect to the scale of WPI Forward's savings goals. Prof. Spanagel calculated that those eight highly compensated individuals went from a combined base salary of $3,649,602 in 2018 to $4,456,997 in 2019 (a one year increase of more than $800,000).

Another FAP member expressed concern about the divisive impact of presenting this information and asked what, if any, positive impacts are anticipated. Chair Fehribach upheld the legitimacy and importance of FAP's role in communicating relevant faculty concerns about financial and administrative policies. Other FAP members noted that FAP has an obligation to scrutinize the strategic impact of budgetary practices over time and to call attention to financially unsustainable policies whenever they detect such a risk, while acknowledging that it is the Trustees who decide and implement what executive compensation practices should be. We are all committed to ensuring WPI's overall strength and long term fiscal soundness. We also agreed to proceed respectfully, with caution, and to strive to avoid identifying any individual but instead look at meaningful consequences of policies as reflected in aggregate numbers.

3) **Approval of Minutes**. FAP's Meeting #19 minutes were provisionally approved, pending one more round of review by CFO Horan (who had to leave this meeting before this agenda item). FAP's Meeting #20 minutes were approved as revised.

4) **Adjournment.** The meeting was adjourned at 5:05 PM.

Respectfully submitted,

David Spanagel

FAP Secretary