Minutes of FAP Meeting #23 AY2021-22

March 21, 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 23rd FAP meeting of the year to order at 4:03 PM.

1) **High Earners' Compensation at WPI.** CFO Horan presented categories of compensation reporting in the various Schedules of Federal 990 tax forms. Reportable taxable earnings break down among (i) "base salary," (ii) "bonuses plus incentives," and (iii) "other reportable taxable income" categories, and all these are reported in Schedule J of the Form 990. FAP members asked clarifying questions about which kinds of benefits may be counted in each of those subcategories of taxable income. CFO Horan noted that the Board of of Trustees approves the bonuses for top executives included in (ii) "bonuses plus incentives." Looking at these subcategories more carefully helped FAP members to understand CFO Horan's claim that the overall increase in (i) base salary for executives between 2018 and 2019 was 3% "which was exactly what our salary merit pool was for that year," even though the percentage which represented the increase in "total taxable earnings" for a group of 8 of them was accurately cited at 21% in the FAP Meeting #21 minutes.

   Another section of Schedule J breaks down the categories of nontaxable compensation that gets reported as part of a highly compensated employee's total compensation. Here is where the annual value of college-provided housing, premiums paid for extra life insurance policies, as well as "retirement and other deferred income" benefits are represented among the subtotals that contribute to the total compensation amounts. FAP members asked about examples where an executive may appear to have received more than the standard employer contribution towards retirement (which was 11% of base salary at that time). CFO Horan affirmed that the retirement contribution for that person would still be the same percentage as for other employees, but that the form combines that number with any "deferred compensation" amount that the executive had negotiated as part of their employment agreement. A follow-up question asked when/how frequently such deferred income was then actually received by the employee; CFO Horan responded that the payout is usually made after a 3-year waiting period.

FAP will conduct an additional analysis to answer the following questions: a) whether executives' raises in base salaries are indeed constrained by the same kinds of limits as are imposed by the Trustees on all other employees?; b) just how much of the overall growth in compensation expenditures for high earners is attributable to "bonuses and incentive pay" awarded to executives year after year?; c) how substantial a fraction of the highly compensated employees' total compensation typically comes in the form of non-monetary benefits like the employee dependent tuition benefit or campus-owned housing assignments?; and d) just how much of the overall growth in compensation expenditures for high earners is attributable to nontaxable deferred income arrangements?

A benchmarking effort will also be pursued by the committee to see how executive compensation levels and practices are pursued among five comparison technological universities (Case Western, Northeastern, RIT, RPI, and Stevens). CFO Horan offered to assign someone in his division to gather the past five years of Federal 990 forms published by each of those institutions so FAP members can have access to comparable compensation data. One FAP member offered to gather institutional data on the five schools so that items such as the school's overall expenditures, institutional structural complexity, ratio of top earner's salary to total expenditures, can be understood when FAP assesses the legitimacy of direct comparisons between WPI and another institution; we may need to calibrate compensation comparisons for some administrative positions where complexity and responsibility levels deviate significantly because of differences of institutional scale or structure. Chair Fehribach acknowledged that market forces are one of the factors that we do need to consider. Another FAP member pointed out some limitations of benchmarking as a means of identifying issues of concern, especially in cases where there is an industry-wide threat that no place is addressing effectively. Sometimes innovative solutions involve departures from "how everyone else behaves" – for one example, consider WPI's bold experiment in elevating teaching and research faculty to positions of greater job security and parity in our faculty governance system. Yet another FAP member posited that WPI's institutional success depends on hiring and retaining talented faculty and a talented group of top administrators, and then supporting their ability to work well together on behalf of WPI as a whole.

A brief conversation about statements regarding the information presented in FAP's meeting #21 minutes made before, during, and after the March 17, 2022 Faculty Meeting led to a request that individual FAP members please refrain (during our ongoing work in progress) from communicating to broad constituencies any new information or detailed data regarding these matters <u>separate</u> from the shared governance mechanisms of reporting on committee deliberations via published committee-approved FAP meeting minutes or actual FAP Committee presentations to WPI governance bodies.

2) **Approval of Minutes**. FAP's Meeting #22 minutes were unanimously approved as distributed.

3) **Adjournment.** The meeting was adjourned at 4:57 PM.

Respectfully submitted,

David Spanagel

FAP Secretary