

Committee on Financial and Administrative Policy (FAP)

# Executive Compensation at WPI: In Theory and In Practice (2010-2019)

(for 10/6/2022 meeting of the WPI Faculty)

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# Two In Theory questions:

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1. Who do we want to be, as a community?
  - Some shared values that may help answer this one:
    - A. We want to attract (and retain) talented people at every level to work with us.
    - B. We want to reduce “we/they” dynamics within our institutional culture - impediments that foster mistrust and undermine our shared sense of all being part of the same common enterprise.
2. What kinds of equity and fairness structures among our compensation practices make sense, to help us get there?

# After an unfortunate exchange last spring, FAP dug into some **In Practice** questions:

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3. What components of the total compensation amounts reported in each year's Federal 990 tax forms did the person **actually receive** in that year as payments?

- To avoid double-counting certain kinds of incentive pay that gets reported in one year but arrives in a deferred manner in subsequent years, and to exclude the value of nontaxable compensation items such as living in the campus-owned President's house, FAP learned to scrutinize the numbers in **Form 990 Schedule J**, rather than to rely on the total reportable compensation amounts.
- The committee focused on tracking changes in just the **base salary amount** for each year, and in the reported **bonuses and incentive payment** amounts that were also paid during that year.

# Executive Compensation In Practice

## questions, continued:

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4. Given WPI's typical annual procedure of establishing a "merit pool" of funds (it varied between 2% to 3%/year throughout the 2010s) to cover annual compensation increases for all WPI employees, how much did any continuing **President's** total base salary plus bonuses and incentive pay change as a percentage year by year?

	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>President</b> % increase in <b>base salary</b> from preceding year's base	23.9%	2.0%			7.0%	12.7%	11.3%	15.2%	1.9%
<b>President</b> <b>bonus and incentive pay</b> as a percent of previous year's base	27.8%	21.5%			18.3%	19.7%	21.9%	19.6%	41.0%
% increase of the combined <b>base + bonuses</b> , compared to previous year's combined <b>base + bonuses</b>	15.9%	0.9%			25.4%	13.1%	13.3%	12.7%	22.1%

# Executive Compensation In Practice

## questions, continued:

5. What other continuing leadership positions beside the President began to receive forms of compensation that sometimes deviated widely from WPI's regular annual merit pool's capacity?

	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>CFO base, bonuses, and combined effect</b>	5.1%	4.2%	3.5%	2.8%	0.4%	-0.9%	2.2%	2.6%	1.5%
	11.0%	19.7%	19.3%	22.0%	21.6%	19.3%	17.6%	19.6%	23.3%
	16.1%	12.1%	3.3%	5.2%	0.4%	-2.6%	0.2%	4.3%	4.8%
<b>VP Corporate Acad. Dev. base, bonuses, and combined effect</b>	2.8%	4.6%	3.2%	3.3%	0.1%	-0.8%	0.8%	1.4%	-19.9%
	0.0%	0.0%	0.0%	17.9%	18.6%	18.4%	23.2%	17.8%	21.0%
	2.8%	4.6%	3.2%	21.2%	1.2%	-0.9%	4.7%	-3.1%	-14.0%
<b>SVP Enrollment Mgt. base, bonuses, and combined effect</b>	13.4%	11.9%	7.8%	3.9%	0.9%	-1.4%	3.0%	-1.1%	-16.2%
	9.7%	12.1%	12.2%	15.2%	16.5%	16.9%	18.3%	19.0%	13.5%
	23.1%	14.2%	8.2%	7.1%	2.4%	-0.8%	3.6%	0.1%	-18.4%
<b>VP Advancement base, bonuses, and combined effect</b>			6.5%	2.3%	1.6%	4.4%	2.5%	1.8%	9.5%
			0.0%	0.0%	0.0%	13.7%	15.2%	17.8%	18.7%
			6.5%	2.3%	1.6%	18.1%	4.1%	4.2%	9.1%

# Executive Compensation In Practice

## questions, continued:

6. Overall, how many WPI employees in leadership positions received various high levels of compensation?

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
# WPI <b>Presidents</b> whose <b>base + bonuses</b> > \$ <b>700,000</b> /yr; > \$ <b>350,000</b> /yr; > \$ <b>175,000</b> /yr	1	1	1	2	2	1	1	1	1	1
# Departing <b>President</b> <b>severance</b> > \$ <b>350,000</b> /yr	0	0	0	1	1	0	0	0	0	0
# WPI <b>VPs</b> whose <b>base + bonuses</b> > \$ <b>350,000</b> /yr	1	2	3	4	4	3	5	6	6	6
# Departing <b>VPs'</b> <b>severance</b> > \$ <b>175,000</b> /yr	0	0	0	0	0	0	0	0	0	2
# WPI <b>Deans</b> whose <b>base + bonuses</b> > \$ <b>350,000</b> /yr	0	2	2	1	0	0	1	1	1	0
# WPI <b>Profs</b> (all former VPs or former Deans) whose <b>base + bonuses</b> > \$ <b>350,000</b> /yr	0	0	0	1	1	2	0	1	1	1

# An In Theory/Practice question that FAP has given much thought and discussion:

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7. What about indisputable observations that are offered as justifications for treating top administrative leaders differently than other WPI employee categories, particularly with respect to awarding “performance-based” bonuses?

- We live in a world where corporate CEO compensation has been skyrocketing for decades; higher education has been largely swept up into emulating that pattern.
- Our administrative leaders who are contracted for 12-months of the year have no opportunity to earn additional summer pay via research grant awards or by taking on teaching and project advising assignments, and their responsibilities usually entail “24/7” commitment to the job.

# Two In Theory/Practice questions that require further thought and discussion:

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8. Unless WPI reconsiders the high priority given to proactively increasing compensation for our top leaders (above rates typically afforded by the fixed pool available for annual salary increases), **how can we mobilize resources** to redress compensation inequities experienced by our lowest paid community members or hire additional faculty and staff positions needed to fulfill WPI's mission?
9. Given the challenges of conducting comprehensive benchmarking studies across the Institute (none has ever been done for regular admin staff or for WPI's TRT faculty), and questions about which other institutions get included (or not) for any particular benchmarking comparison, would the goal of raising average compensation for all categories of employees to match **benchmark medians**, alone, be enough to fulfill our vision of Equity and Fairness within our community?