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Report of the Quasi-Public Authority Compensation Review Commission

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Respectfully submitted to Governor Deval Patrick

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UMASS BOSTON

Executive Summary

Synopsis.

The Commission to Review Compensation Packages of Senior Officials at Quasi-public Agencies concludes that these agencies are a largely unregulated government sector, frequently deficient in adequate process, mostly deficient in adequate transparency, and universally deficient in oversight. The Commission also found that generally speaking, compensation packages for senior quasi personnel pass a reasonableness standard in the context of each of their industries, but further concludes that there are significant "outlier" features of some compensation packages which the Commission considers inappropriate. The Commission urges the Governor to propose and establish standards for process, transparency, and oversight in the belief that if these standards are left unattended, the process may lead to additional outlier features (such as those identified in this report) and to the further loss of public confidence in the Commonwealth's quasi-public agencies (often referred to as "quasis"). The Commission further concludes that the center of responsibility for curing the first two of these inadequacies lies with the boards of directors of the quasi-public agencies. These agencies have been structured precisely for the purpose of giving them unique independence and authority under their boards. Their boards have the supreme responsibility and accountability for compliance with the highest standards of process and transparency. The Governor and Legislature will need to take the leadership role in correcting the third inadequacy, in oversight.

General Conclusions.

The Commission has come to four conclusions about the compensation of senior executives at the quasi-public agencies:

1. The process by which the quasi boards of directors set these compensation packages is often flawed, lacking standards, best practices and rigorous comparability analysis.

2. The quasi public agencies fall into an "oversight void," with no mechanism in place to ensure that quasis adhere to proper procedures and best practices in compensating some of the most highly paid employees in the state.

3. Generally speaking, these compensation packages pass a basic reasonableness test. Many of the Commission members approached this review with skepticism that at least some of these compensation packages were reasonable. We were mindful of the economic exigencies of the times and the standards for senior officials at other state agencies. However, after reviewing the supporting material submitted by the participating agencies, talking with outside public policy experts with diverse backgrounds and interests, and comparing these compensation packages to the packages of other senior people in the non-profit and quasi-public world, we concluded that as a broad generalization, these packages were

appropriate and reflect legitimately the context of each of their industries.

4. Notwithstanding the fact that on balance, these packages are appropriate for their industry segment, there are significant compensation features which are not appropriate. Included among these features are excessive severance pay requirements, guaranteed raises and bonuses, and excessive sick pay cash out.

Recommendations.

The Commission presents a series of recommendations on compensation terms and conditions, best practices for setting executive compensation at quasi-public agencies, board training, transparency, and oversight.

A. Compensation terms and conditions. The Commission makes the following recommendations for senior executive compensation packages:

   - Employment contracts should be required.
   - Termination of employment without cause is an essential term of employment contracts and should be an option available to the board; severance pay for termination without cause should be 3-6 months, with only extraordinary exceptions.
   - Sick pay is a protection, not an entitlement. Boards should avoid paying cash for unused sick time, but in no circumstance should exceed paying cash for more than 20% of unused sick time, a standard set (whether wisely or not) for regular state employees upon retirement.
   - When calculating compensation packages, quasi boards should pay particular attention to the employee's retirement plan, and should carefully consider the value of that retirement plan in the overall compensation package.

B. Best practices for setting compensation packages. The quasi boards should follow three critical steps in setting and reviewing compensation for senior personnel:

   - Establish a formal compensation committee of the board.
   - Hold compensation committee meetings without management present.
   - Determine compensation packages only after comprehensive and objective analysis of comparable positions and compensation.

The Commission further recommends that the boards adopt a code of ethics and a written policy for compensation practices.

C. Board Training. The Commission recommends that new quasi board members be required to participate in a training module which includes such matters as public ethics laws; best practices for hiring, compensation, and performance reviews; transparency standards; and reporting requirements.

D. Transparency. The Commission recommends complete disclosure to the full board of directors and the public of all relevant compensation materials, including employment contracts, board minutes, compensation comparability studies, performance metrics, retirement and/or deferred compensation contributions, and bonus criteria. This information should be in a searchable database and posted on the agency's website.

E. Process compliance and oversight. The Commission recommends that the Governor propose mandatory standards for setting compensation for the executives at quasi-public agencies, and that the agencies be required to submit notarized documentation of compliance with these standards annually to the Inspector General.

Several Commission members felt it was important to note what this Commission was not asked to do. While the Commission could see the legitimacy of some of these questions, they were not asked of us:

- What is the relevance of the "quasi-public" status? Is there a place for reconsidering such status either generally and/or for one or more of the individual agencies?

- How well do these agencies and/or their senior officials perform?

- How legitimate is the need for all of the various senior staff positions we reviewed?

- Is there a causal relationship between the substantially higher compensation that is paid for many of the senior officials at the state's quasi-public agencies (as opposed to senior personnel at conventional state agencies) and the balance of the quasis' labor costs?

I. **Introduction**

In April 2009, Governor Deval Patrick asked Steve Crosby, Dean of the McCormack Graduate School of Policy Studies at UMass Boston to lead a review of the "appropriateness" of compensation packages of the "quasi-public" agencies and authorities (often referred to as "quasis") that operate outside the direct control of the Governor. The specific mission from the Governor was as follows:

"to lead a public review of salary and benefits of senior managers at our quasi-public agencies and report back within 90 days with recommendations to ensure this compensation appropriately reflects today's economic climate, while making the system more accountable and transparent."

This mandate led to the establishment of a Compensation Review Commission.

What is important to note at the outset of this report is how the Compensation Review Commission members eventually interpreted that assignment. It quickly became clear to this group that we did not have the competence – or the resources to acquire the competence – to speak with any specific informed authority to the **particulars** of the compensation packages. Many of the larger agencies already based their compensation packages on outside consultant studies which we did not have the ability to second guess. Furthermore, by the very standards that we ultimately recommend for determining appropriate compensation packages – that is, for example, collecting comparables, determining peer agencies, and considering job descriptions – such a detailed review was far beyond our ability, especially given the large number of authorities and the limited time available to us.

We did, however, agree that we could give these compensation packages a rough, broad brush "reasonableness" test, and that we could further test that reasonableness with the opinions of other people with long and differing experience in the public policy world. Therefore, this report will speak to the general reasonableness of these packages, to several of the potentially controversial features of these packages (such as employment contracts, severance pay and sick pay), and will identify certain features of the packages that seem out of the ordinary and beyond what would likely be considered reasonable.

In addition to this reasonableness test, pursuant to the Governor's direction, our focus has been on developing and establishing a transparent, systematic process for setting compensation packages, the utilization of which will assure the public that those compensation packages are appropriate and in the public interest. And we determined to what extent the "quasi-public" agencies already did – or did not – comply with such a process.

We also quickly concluded that a part of this process should be oversight. Our Commission members' experience in not-for-profit and for-profit governance reminded us that quasi public agencies seem to fall in an oversight void: whereas public company compensation is reviewed by shareholder rights organizations, and not-for-profit compensation is reviewed and regulated by the IRS and state Attorneys General, quasi board practices and compensation have no such oversight.

As we reviewed the large amount of data we were asked to review, the Commission members felt that the compensation packages and compensation setting processes for the "Chief Executive Officer" position at these agencies were of the greatest importance. At no agency was any other employee paid more than the senior person, and the CEO tended to set the standards for the other compensation at the agency. So in the interest of time and in keeping the data analysis to a manageable level, the Commission decided to focus most of its analysis on the top position in each of the forty-two quasi public agencies reviewed. (We did, however, review all employment contracts for "senior managers," as defined by the Governor's mandate.)

Several general questions were in the forefront of our deliberations from the beginning:

- What should be the standards we use to determine "appropriateness" of senior officials' compensation in the quasi- public agencies?

- Does the conventional process of looking for comparables across the region and country make sense in this context?

- If there were a reasonable expectation that we could get comparable people to do these jobs for less money, should we as a matter of course attempt to pay less money?

- As one standard of comparison, is there a good reason for paying senior executives of major quasi's substantially more money than that paid to the major cabinet secretaries?

- What processes of transparency and accountability are appropriate for setting the compensation of senior employees at quasi-public agencies?

- Are employment contracts appropriate in the public sector? If so, what kind of severance payments for termination without cause is appropriate?

- Are there particular features of these compensation packages which are exceptional and might cause a loss of public trust?

The Commission is mindful of the large amount of the data we have collected and processed. We have made every effort to be accurate in this report, and apologize if we have erred. We are also mindful of the complexity of many of these issues, since we have dealt with this complexity at considerable length ourselves.

II. **Summary of the Data Collected and Commission Process**

A. The Quasi-Public Agencies

The first challenge was to clearly define and identify "quasi-public agencies" pursuant to the Governor's mandate. The Governor's office defined quasi-public agencies as "state 'bodies politic and corporate' (i.e., authorities) AND other boards not clearly accountable to an elected official."

Pursuant to that description, the Governor's office eventually settled on forty-two agencies.

These agencies cover a vast range of activities with few common characteristics or functions. But they do tend to fall into three different categories of agencies:

- The 15 Regional Transit Authorities (RTA's)

- The 12 major relatively well-known authorities executing principally transportation, construction, and financial functions, including such agencies as Massport, MBTA, Massachusetts Health and Educational Facilities Authority (HEFA), Massachusetts Educational Finance Authority (MEFA), the Convention Center Authority (MCCA), the State College Building Authority, and the new Health Care Connector Authority.

- The 15 other special purpose agencies (often not described as authorities) tending to be of more recent and/or specialized function, including Mass Development, Life Science Center , and Mass Housing Partnership.

B. The Compensation Review Commission

The independent Commission is made up of volunteer members, with a variety of special and general interest backgrounds. In addition to Dean Crosby, Commission members include:

- Lucile Hicks, a former State Representative and Senator and former long-term MWRA board member;

- David Rosenthal, a lawyer at Nixon Peabody, specializing in employment law representing private companies;

- Monroe "Bud" Moseley, a partner at the search firm Isaacson Miller, with special experience in both quasi public and non-profit governance;

- Giovanna Negretti, Executive Director of OISTE, with a broad background in public policy development and advocacy;

- Brian Hall, a member of the faculty at the Harvard Business School, specializing in public company compensation. A serious illness in Professor Hall's family kept him from participating fully.

Short bios for the Commission members are found in Attachment 1.

Since the volume of paper flow and work to review these compensation packages was so substantial, the Commission needed considerable staff support. David Sparks, Director of Marketing and Communications for the McCormack Graduate School, led the staff. He was aided by John Harding, from the Collins Center on Public Management at the McCormack Graduate School and Brent Foote from the Dean's office. Short bios for each of the staff participants are found in Attachment 2.

The Commission would like to express its sincere appreciation to Joseph Connarton and James Lamenzo of PERAC for their expertise in producing retirement data for this report.

C. The Data Collection

Administration and Finance Secretary Leslie Kerwin sent two different requests for data to each of the agencies identified by the Governor's office for review. The requests were designed by the Commission and members of the Governor's staff to make available to the Commission any and all information that could possibly relate to the compensation packages of senior executives (described as those executives who report to the Board or the CEO), and the process by which those packages were determined. The two data requests are found in Attachment 3.

After considerable review of the collected paperwork, and frequent individual contacts with agencies to clarify and fill gaps, the Commission staff filled out individual data templates for each of the senior positions whose data we intended to publish in the report for final confirmation by the agency. This template is found as Attachment 4.

One important caveat: all of this data is self reported. Neither the Commission members nor the staff had any independent means of confirming the accuracy of this data other than the presented paperwork itself.

D. The Commission Process

The Governor originally requested the Compensation Review Report to be submitted to him within 90 days. That date was extended to be 90 days from the date the full membership of the Commission was assembled.

The Commission held its first meeting on May 5 and scheduled regular bi-weekly meetings through August 4. One additional meeting was added on June 23 and the July 7 meeting was canceled. This schedule allowed for about a month of data collection, a month of conversations within the Commission and with others about the data, and a month for drafting and review of the document. Meetings were held either at the Harvard Business School or UMass Boston, and were open to the public, although dates were not proactively broadcast. One meeting was attended by a staff member from the Executive Office of Transportation. No other members of the public or press attended.

The Commission considered holding public hearings, but eventually decided that given the time constraint, the better way to broaden participation in this conversation was to invite guests to talk with the Commission. Consequently, the Commission met with ten people with vastly different backgrounds and perspectives on public policy:

- Rick Lord, President & CEO, and Karen Choi, Senior Vice President, from Associated Industries of Massachusetts.
- Peter Forman, CEO, the South Shore Chamber of Commerce.
- Noah Berger, Executive Director, the Mass Budget and Policy Center.
- Steve Poftak, Director of Research, the Pioneer Institute.
- Judy Meredith, Executive Director of the Public Policy Institute and long-time human services advocate.
- Pam Wilmot, Executive Director, Common Cause.
- Tom Flannery, Principal, and Divja Suresh, Senior Associate, from Mercer Consulting.

- Paul Dietl, Chief Human Resource Officer, Commonwealth of Massachusetts.

In general, our conversations with these guests centered on four questions:

- Do these compensation packages seem reasonable?
- What are the useful standards to determine appropriateness or reasonableness of these compensation packages?
- What process should be adhered to in the setting of compensation packages to protect the public interest?
- What if any oversight role should be exercised over the compensation process beyond the agencies' own boards of directors?

III. **Analysis of the Data**

A. Introduction

The Commission collected a tremendous amount of information, 600 original pages. Measures of the volume of data we collected are that we spent $1300 dollars on copying; filled or attempted to fill 14,056 data points on Excel spread sheets; reviewed 43 employment contracts, and read 6 consultant reports on various compensation packages. This document review was supplemented by the in-person interviews described above.

Taken together, all of this information confirmed our judgment that we could not do legitimate independent reviews of each specific compensation package. Rather, we have limited our view to a reasonableness test and an intense focus on developing and proposing a proper and transparent process for setting compensation.

B. The Reasonableness Test

Reviewing these 42 quasi-public agencies was particularly challenging because of the great discrepancies in their size, complexity, missions, and mission criticality. Nevertheless, the Commission and our guests concluded that as a general matter the compensation packages that we reviewed were "appropriate" for the level of responsibility and in the context of the times. (Summaries of the compensation packages and the agencies' compensation setting processes, in various formats, are found in Attachment 5.)

Among the many ways the Commission tried to assess the reasonableness of the quasis' compensation packages was the anecdotal review of a number of similar or related non-profit and public agencies, to create the context for our review. Among those organizations are the following positions and compensation levels in 2007 or 2008:

- Town Manager, Brookline, $159,000.
- Superintendent, Newton Public Schools, $247,000.
- City Manager, Cambridge, $299,000.
- Chief Executive, Home for Little Wanderers, $360,000.
- Chief Executive, Boston YMCA, $340,000.
- Chief Executive, Red Sox Foundation, $151,000 (2007).
- Chief Executive, Urban League of Eastern Mass, $177,000 (2007).
- Chief Executive, AIDS Action Committee of Massachusetts, $198,000.
- Chief Executive, New England Aquarium, $275,000.
- Chief Executive, Museum of Fine Arts, $588,000.

Notwithstanding these anecdotal comparables, many of the Commission members approached this review with considerable skepticism that some of these compensation packages would seem reasonable. We were mindful of the economic exigencies of the times and the standards for senior officials at other state agencies. However, after reviewing the supporting material submitted by the participating agencies, talking with outside public policy experts with diverse backgrounds and interests, and comparing these compensation packages to the packages of other senior people in the non-profit and quasi-public world, we concluded that as a broad generalization, these packages were appropriate and reflect legitimately the context of each of their industries. For agencies which used independent consultants to do comparability studies, the results seemed fair and straightforward—except for the significant issue of retirement pay discussed elsewhere in this report. Additionally, there were a few individual features of certain compensation packages—such as extraordinary bonuses, excessive severance agreements, and others—that struck the Commission as inappropriate and which we will discuss below.

To come to this overall conclusion, we had to wrestle with several challenging issues:

1. Most of the comparability studies for the larger quasi-public agencies are done against national standards (such as other Port Authorities or Mass Transit Authorities or Convention Center Authorities around the country). However, with almost no exceptions, the individuals hired to run these agencies are hired locally and not from a national pool. Does it make sense to use national standards and then hire locally?

   Our conclusion is that there must be a *rigorous two-step process in hiring*: first, an objective regional and/or national analysis should be done of the appropriate compensation level for the position in question; then merit based recruitment should take place with a similar regional or national solicitation of candidates. If the best candidate turns out to be local, that should not prejudice compensation level. (This Commission cannot comment on the extent to which the searches for the people in these key positions were regional or national in scope, or the extent to which they were merit based.)

   One of our guests said simply, "These tend to be very important jobs. If they are done well, it is important to the public good. If over the long haul these salaries help ensure that good people take these positions, then these salaries are appropriate."

2. A frequent point of comparison for quasi public agency CEO compensation is the salaries for Cabinet members. Does it make sense that major quasi chief executives make considerably *more* money than the major cabinet secretaries (such as Administration and Finance, Health and Human Services, Transportation, and Energy and Environment)?

   It was the conclusion of the Commission and its guests that there is a legitimate distinction: Cabinet members are generally political appointees, and are hired to advance the Governor's agenda. They typically serve relatively short-terms of 2-4 years, often returning to more highly compensated positions. The quasis' CEO's tend to serve long terms, stabilizing operations and building expertise. The Commission concluded the higher salaries doubtless contribute to this longevity, and thus to the stabilized and improved operations.

3. A third question was whether--even assuming these are appropriately competitive salaries--if we could get quality people

who might be willing to work for less, should we just as a matter of course depress these compensation packages to the lowest possible level?

The consensus on this issue was that this was no more fair a strategy for senior administrators of major agencies than for legislators, electricians or gardeners. Compensation should be paid on objective standards of responsibility and accountability and equity, not on a punitive, "how low can we go and get away with it".

But having concluded that the compensation packages we reviewed were generally reasonable, there were some obvious disparities and some clear outlier features. Of particular concern are several compensation practices which we judged to be inappropriate in the public sector context and certainly for the times, including extended severance, guaranteed raises and bonuses, and sick pay cash outs. Later in this report, the Commission will discuss our position on these issues; below is a sampling of those issues as they occur in employment contracts we reviewed, as well as other problematic features.

- Excessive severance pay requirements. Several senior executives of these agencies have 3-5 year employment contracts which require in the event of termination without cause that the official be paid for the full remaining term of the contract. Among these officials are the CEOs of the Brockton and Lowell Regional Transit Authorities, the MBTA, the Massachusetts Convention Center Authority (MCCA), Mass Health and Educational Financing Agency (HEFA), Mass Housing, The MetroWest Regional Transit Authority, and the Chief of Police and General Counsel of the MBTA. (The contract for the CEO of MCCA has expired; a new contract is awaiting completion of this report.)

- Guaranteed raises and bonuses. Several of the officials at these agencies have employment contracts which require guaranteed raises and/or bonuses, independent of performance review or economic conditions. Among these officials are the chief executives of the Brockton Regional Transit Authority, the MBTA, the MCCA, and the Chief of Police and General Counsel of the MBTA.

- Excessive sick pay cash out. Several of the officials at these agencies have employment contracts which require the agency to pay the employee cash for a large proportion of their accrued unused sick time. Among these officials are the CEO, Chief of Police, and General Counsel of the MBTA, who receive 50% of their unused sick time; the CEO of the Nantucket RTA, who receives up to 120 days of unused sick time; senior officials at PRIM, who receive 100% of their accrued sick time; and the CEO at MassPort who has already accrued 400+ days of such sick pay.

- Inequity at Regional Transit Authorities. Termination and severance among the RTA's vary widely: the Worcester and Pioneer Valley RTA's require a 4 month severance for termination without cause, whereas others like Brockton and Lowell require payment of the entire remaining term of the contract; and the MetroWest RTA prohibits termination without cause of any kind, even with a complete buy-out of the remaining contract.

- Deferred Compensation. Seven of the CEO's and several other lower level personnel have deferred compensation plans with substantial annual contributions up to $67,500. By what measure do some agencies have deferred compensation plans and others not?

- Bonuses. Twelve CEO's of these agencies have bonus arrangements. By what standard do agencies like HEFA, MEFA, MassDevelopment and MCCA have bonus plans, and others like Mass Pike and Mass Tech Collaborative do not?

C. The Compensation Process

While the particulars of the compensation packages the Commission reviewed seemed generally reasonable, the process by which those packages were determined is frequently flawed. Of the 42 agencies reviewed, only 18 had a separate compensation committee of the board; only 18 had their compensation committee meet separately from management; only 17 of the CEO's of these agencies had employment contracts. Many of the agencies seemed to comply with virtually no standard operating procedure for setting compensation packages. Little or none of this information is readily available to the public, such as posted on a web site. And none of the agencies, so far as the Commission was able to determine, had any accountability to a higher body or reporting authority to be sure that a proper process was adhered to and that a proper outcome was assured.

In our review of all this data, the Commission concluded that the major problem with quasi-public agency compensation was the lack of a clearly prescribed, consistent (across the agencies) process for setting compensation, a lack of transparency of the process, and a lack of accountability that an established process was followed.

IV. **Recommendations for Best Practices, Accountability and Transparency**

A. Board Responsibility

While in the view of the Commission, compensation of senior personnel at the Commonwealth's quasi-public agencies generally conforms to reasonable standards, the process by which this compensation is determined is frequently random, and lacks adequate process and transparency. The lack of process and transparency creates the opportunity for abuse and – perhaps ironically – fosters the suspicion on the part of the public that abuses surely abound. (Many of the people involved in the Commission's work were surprised to find that there were so few obvious abuses.) <u>The center of responsibility for curing this inadequacy is the boards of directors of the quasi-public agencies. These agencies have been structured precisely for the purpose of giving them unique independence and authority under their Boards. Their Boards have the supreme responsibility and accountability for compliance with the highest standards of process and transparency.</u> In order to fulfill this responsibility, board members must meet three standards:

- Clear understanding of the issues in compensation consideration,
- Thorough knowledge of solutions to those issues and best practices for accountability and transparency, and
- Rigorous adherence to the best practices established for setting compensation in their agencies.

It is clear from the Commission's work in this project that this standard of board responsibility is all too often not met by the boards of the Commonwealth's quasi-public agencies.

B. Multistep Best Practices

As the Commission reviewed the compensation packages and talked with others about appropriate compensation standards and processes, it became clear that the process of setting compensation packages does not stand alone. Rather, it is clear that the boards of the Commonwealth's quasi-public agencies should adhere to a rigorous three-step process of best practices:

- <u>Merit Based Search</u> - Senior positions in these agencies must first have clear written job descriptions and clear performance expectations. With those parameters in hand, Boards must conduct objective, merit-based searches, from the appropriate local, regional, or national "catchment" area to find the best qualified candidate. Selecting well qualified <u>local</u> candidates is not a problem; failing to compare them to rigorous recruitment competition and merit based analysis is a problem.

- <u>Appropriate Compensation</u> – Once a clear job description and set of expectations has been established for appropriately qualified candidates, the Board must adhere to a set of best practices to establish compensation which assure compliance with appropriate standards. This analysis must be arms length and objective.

- <u>Performance Reviews</u> – Once the appropriate candidate is hired, and the proper compensation set, the Board must conduct rigorous, regular performance reviews to assure that the job is being done, and the compensation is being earned.

Only with the board's careful adherence to these three steps can they fulfill their fiduciary obligations to the agencies and fulfill the larger public trust. Boards need both the training and the oversight to assure that this multistep management process is being met. However, the mandate of this commission applies only to the second step -- that is, the establishment of appropriate compensation, which we will address hereafter.

C. <u>Setting Appropriate Compensation</u>

There are three critical steps for setting and reviewing compensation for senior personnel to which boards must adhere.

1. <u>Establish a Formal Compensation Committee</u> - The key standing committees of any board should include a compensation committee, with a specific mandate to set compensation and review performance. *Other committees, such as the Executive Committee or even the Board acting as a Committee of the Whole, may serve this function—as long as this role and responsibility* is clear, defined, and distinctly practiced. The makeup of this committee should be designed to include people with experience in compensation and performance reviews and with the personal skills to maintain an arms length relationship in negotiations with senior personnel. This Committee should also review and approve the compensation packages of those personnel who report to the CEO.

2. <u>Compensation Committee Meetings Independent of Management</u> – In the process of compensation setting and performance review, compensation committees must meet in executive session, without management present, to candidly – and confidentially -- review

and discuss all issues of compensation and performance. It is challenging enough to remain objective from senior personnel who often become friends; assuring private conversations is the only means of maintaining the integrity of this process.

3. Objective Analysis of Comparable Positions and Compensation - The business of determining comparable positions and assessing and comparing compensation packages is a challenging and necessarily subjective process. Where possible, agencies should retain the services of outside firms who do such comparability studies, to assess the rationale for compensation ranges, and to make recommendations about various compensation features such as bonus structures. Where a board deems the outside consultant too expensive, it must insist on rigorously thorough and objective staff work assembling comparable data, and such work must be made readily available to the public. The overarching principle must be that the collection of comparable data and the application of that data to each person's compensation package must be objective, arms length, and transparent.

4. Additional Features – Two other practices will help assure proper standards and the public trust:

   - Code of Ethics – The board is well advised to adopt a code of ethics which includes, for example, conflict of interest rules, rules governing outside work and compensation by key employees, and a full range of appropriate state laws (such as open meetings, campaign finance, public records, etc.)

   - Compensation Philosophy and Policies – Boards of quasi-public agencies should commit their compensation policies to paper, including the philosophy of where their employees are being placed on the "compensation ranges" found in compensation studies, the processes for performance reviews, and the rationale for incentive packages.

D. Board Training and Preparation

Board members of quasi-public agencies are often appointed (by law) pursuant to demographic or interest group representation, rather than particular focus on board experience, service or expertise. And particularly for smaller agencies, finding Board members is often cumbersome and not remotely strategic. Board training for new members of quasi-public agency boards should be a prerequisite. (By way of comparison, school committee members in Massachusetts are required to take 8 hours of board training. Many other volunteer board members –

notably planning, assessors, and conservation – generally take board training from their respective state associations.) The commission recommends that a training module for new board members be developed and mandated for new board members. The training module should include among its components the following:

- Board ethics and all other relevant ethics and regulatory laws.
- Best practices and/or mandated procedures for hiring, compensation, and performance review.
- Transparency standards and reporting requirements.
- Available resources for board work and decision making, including the resources of the State Auditor, the Commonwealth's Human Resources Division and the other custodial agencies of the Executive Office of Administration and Finance, including the Information Technology Division and State Purchasing Officer.
- At least the rudiments of media relations, since sensitivity to the public's and media's interest is another check and balance on board performance.

Some appropriately qualified state agency, such as HRD, the Collins Center on Public Management, Inspector General or Comptroller should be assigned the job of designing the training modules and administering the modules on a regular basis to new Board members of quasi-public agencies.

As one of our guests said, "The problem is usually not bad intentions; it is a lack of process and standards." Only having well qualified and well trained board members can assure adherence to the process and standards that are required to maintain the public trust.

E. Transparency

The ultimate check and balance on public performance of *any* kind is transparency in the process, assuring that the public, media, legislature and the executive branch have complete and immediate access to an agency's processes and implementation of public authority. As one of our guests said, "Transparency, transparency, transparency: the first step to public confidence."

It is not a particularly comfortable reality for people in public service, but it is nevertheless true that this requirement for transparency is particularly apt in the context of compensation for the Commonwealth's highest paid public officials. Within the limits of personnel rules and a judicious concern for personal privacy, all of the critical elements of the compensation process as we have described it here should be available to the public on the web and in accessible paper files. Complete disclosure to the full board of directors and the public should be provided for at least the following items:

- Job descriptions,
- Employment contracts,
- Board minutes (including votes and attendance),
- Compensation comparability studies,
- Performance metrics (not necessarily performance <u>reviews</u>),
- Retirement and/or deferred compensation contributions,
- Bonus criteria.

These reports should be in an efficiently designed, searchable database. They should be posted at least on the agencies' web sites and perhaps in a special location on "Mass.gov".

The Commission further recommends that each Board submit the annual product of its compensation and review process to the Legislature and the Executive Office of Administration and Finance.

F. <u>Specific Compensation Issues</u>

Within the overall context of compensation, the Commission believes there are several specific practices that need to be addressed:

A. <u>Employment Contracts</u>

The Commission recommends that at least the Chief Executive of all quasi-public agencies, and other high level staff from the larger agencies, have executed employment contracts between the agency and the employee. These contracts should *not* be guarantees of employment for a fixed term, regardless of performance, but rather should be used to establish the well-thought-out expectations and obligations of the employer and the employee. Well drafted employment contracts will incorporate job descriptions and will establish performance and accountability standards for the employee who can help guide performance reviews and compensation reviews. Furthermore, while *severance* terms will be addressed separately, it is entirely appropriate for the senior executives of Commonwealth's quasi-public agencies to have clearly defined terms, conditions, and benefits for their employment. In fact, it is likely that many well qualified personnel for these senior positions would be highly reluctant to accept them without a clear contractual delineation of responsibilities, mutual obligations, compensation and benefits. These employment contracts should further define "cause" for termination; provide the agency with the right to terminate without cause; and define the agency's obligation to the terminated employer (in terms of severance, or not, depending on the basis for termination), as well as the employees obligation to mitigate the severance with certain other income.

B. Severance Pay

During the course of our deliberations, the Commission frequently encountered confusion between "employment contracts" and "severance terms." The Commission takes the position that employment contracts are desirable, and that severance pay is one term of that contract to be negotiated.

The issue with severance pay is, "What compensation, if any, should be paid to a senior executive who is terminated via the 'at will' or 'without cause' provision of his or her employment agreement?" The Commission believes that for positions of this level of responsibility, the option of "at will" termination is absolutely essential, but that it is also reasonable and fair that upon at will termination, severance pay of three to six months of base compensation plus health coverage for the severance period, are appropriate. The Commission understands that there may be exceptional circumstances—such as recruiting a leading candidate from another region—in which severance up to a year may be required. In such event, the agency should clearly articulate its rationale for such an exception.

C. Sick Pay

The issue that concerned the Commission with respect to sick pay is the extent to which the employee has the right to carry unutilized sick days forward and to be paid for them in cash upon termination. The terms of such pay outs vary widely with the employment contracts and policies the Commission reviewed. *The Commission concludes that sick pay is a protection, not an entitlement*: *in general, it is unreasonable to pay cash for sick time* *not taken.* It is understood by this Commission that there has been a demonstrated tendency for extra sick days to be taken if they lapse without compensation. The Commission finds it hard to believe that this would happen with senior quasi-public personnel, and thus discourages any cash payment for sick time. Understanding, however, that it is the practice for regular state employees to be paid cash for twenty percent of their accrued sick days (upon retirement), the Commission strongly recommends that in the future this be the maximum pay out standard offered by the state's quasi-public agencies.

D. State Pension Participation

In this review of compensation of the chief executives of the 42 quasi-public agencies, the Commission and staff spent the most time wrestling with how to value the various retirement plans in which these officials participate. We concluded that frequently in the calculation of appropriate compensation, the boards of many agencies do not include the value of retirement/pension plans in those calculations.

The primary "value assessment" problem arises when comparing "defined contribution" plans to "defined benefit" plans. A defined contribution plan, in which an employee may contribute, and the employer may also contribute, is relatively easy to value, and we have included those employer contributions as part of "Total Compensation". Defined benefit plans, on the other hand (particularly for those officials who participate in the Commonwealth's state employee defined benefit plan) is much more complicated. We have (with the generous help of the Public Employee Retirement Administration Commission—PERAC) calculated an approximate contribution by the employer. However, even if the annual contribution is calculated properly, that dramatically understates the value to the employee, since in a defined benefit plan the employee will receive a guaranteed benefit upon retirement *independent of whether enough money has been contributed to earn that pay-out*. In the case of the state system, in which 13 chief executives participate, the official may earn a retirement benefit of up to 80% of his or her 3 highest years of earning. Given that these salaries are at the very highest end of the state's salary structure, this is an extraordinarily generous and valuable benefit. The Commission does not know whether the counterparts of these 13 officials across the country also participate in similar defined benefit plans; nor do we know the details of the many other retirement plans in which the other chief executives participate. What we do know is that the participation in a defined benefit retirement plan is an extraordinary benefit. Historically, generous retirement plans for public employees was rationalized by the belief that public employees typically earned modest salaries during their employment, frequently less than comparable positions in the private sector. That justification is certainly not the case for the 13 officials in this study.

Furthermore, this entire comparison and analysis is made much more complicated by the fact that to the best of the Commission's knowledge, none of the compensation consultants that agencies hired to calculate fair compensation for their CEO's (including such companies as the Survey Group, Mercer, Pearl Meyer and Partners, Natsios Wyatt) includes retirement in their analysis. These studies typically include only base pay and bonuses in their calculations—thus in some cases dramatically understating the "effective" compensation.

The Commission strongly urges that compensation committees make a good faith effort to consider the value of retirement plans—especially defined benefit plans and particularly participation in the Commonwealth's retirement plan, when determining what level of compensation is appropriate for its senior officials.

E. Bonuses

In its review of compensation for quasi's senior executives, the Commission could find no consistent rational basis for bonuses. Although some contracts explicitly empower compensation committees to award bonuses based on some performance metrics, there are no generally accepted standards among the agencies. While carefully crafted incentive bonus systems are frequently considered a best practice in compensation strategy, they are not commonplace in the public sector and thus should be administered very carefully at quasi-public agencies. Where bonuses are established, the Commission believes that the awards should be tied carefully to performance metrics which incent advancing the public interest, and further believes that those performance metrics should be part of the public record.

The Commission considers "guaranteed bonuses" to be inappropriate as they are truly base compensation rather than a bonus, and have no incentive or merit component.

V. Compensation Process Compliance and Oversight

The final question that concerned the Commission in its review of compensation packages and the processes for determining them was the fact that there is little or no oversight structure for the quasi-public agencies compensation practices. In virtually every other employment segment, this is not the case. Shareholder rights organizations fulfill an oversight role for publicly traded companies. The Governor clearly has an oversight role for conventional state agencies. And perhaps in the best analogy, the IRS and Attorney General have well defined oversight roles in compensation practices by non profit Boards. The Commission firmly believes that some such oversight role is critical for quasi-public agencies as well.

Several issues about compliance and oversight need to be resolved:

- Shall the oversight be mandatory or voluntary? The Commission recommends appropriate legislative or other action to make such oversight mandatory.

- What agency shall exercise the oversight? The Commission considered the Comptroller, the State Auditor, the Executive Office of Administration and Finance, the Legislature, the Attorney General, the Inspector General or some new bureaucracy/authority. There are many sides to this argument. The Commission recommends that this oversight role be assigned to the Inspector General, an office that is designed as an enforcement agency, and has other regulatory, enforcement and compliance responsibilities.

- What shall be the compliance requirements and how should the oversight be exercised? Again the details of this oversight process may be worked out by others. But the Commission recommends the following: that legislation or other appropriate enabling rule or regulation mandate that a certain detailed process be followed for setting compensation for senior executives at quasi-public agencies; that each quasi-public agency submit to the Inspector General on a timely basis the notarized certification signed by each member of the Board that they did comply with the prescribed procedure, attaching all relevant employment contracts and comparability studies.

- Shall there be penalties for non-compliance, and if so what? The Commission recommends that there be penalties for non compliance; the nature of the penalties is quite debatable, but should at least include dismissal from Board service for willful non-compliance.

VI. Conclusion

This Commission, asked to review compensation of senior managers at quasi public agencies, is satisfied that, with the exception of a relatively few terms and conditions, the compensation packages provided to senior managers of the Commonwealth's quasi public agencies are reasonable. On the other hand, we regret to report that our review of the "accountability and transparency" of these packages and the processes used to design them, leaves much to be desired. If the "accountability and transparency" that the Governor suggests were practiced, along the lines of the best practices that we have described above, public scrutiny might well have obviated the possibility of the few "outlier" features that we have identified above. Furthermore, we firmly believe that utilization of these best practices would help assure the public that its money is properly spent and its trust respected.

Attachment A

Commission Member Biographies

Quasi-Public Compensation Commission Member Bios

Stephen P. Crosby

Stephen P. Crosby, the founding Dean of the John W. McCormack Graduate School of Policy Studies, has nearly 40 years of experience in policy making, entrepreneurship and non-profit leadership.

As Secretary of Administration and Finance to Governors Paul Cellucci and Jane M. Swift from 2000-2002, he was responsible for development, legislative approval and implementation of the governor's $23 billion annual operating budget and a $2 to $3 billion capital budget. He supervised 22 agencies with 3,000 employees. In 2002, he served as chief of staff to Governor Swift.

Working with the community on non-profit boards, he has served as chair of the Boston History and Innovation Collaborative, the Center for Applied Special Technologies (CAST), and still serves as a board member of the Poverty Institute, in Providence, R.I., and the AIDS Responsibility Project, headquartered in Los Angeles.

Mr. Crosby is founder and publisher of CCI/Crosby Publishing in Boston. In other business endeavors, he has served as chairman and CEO of technology and publishing companies, including Interactive Radio Corp., Inc., SmartRoute Systems, Inc., Crosby Vandenburgh Group, and MetroGuide, Inc. His career also includes work as a campaign manager and senior advisor for local and national candidates and elected representatives.

Mr. Crosby received his B.A. from Harvard College and his J.D. from Boston University. In addition to his work as Dean, he provides public policy commentary on various local and national news media.

Lucille P. Hicks

Lucile (Cile) Hicks has a long and impressive career in Massachusetts politics and civic affairs. From 1981 until 1990, Ms. Hicks served in the Massachusetts House. While in the House, Hicks was on the Ways and Means, Natural Resources, Health Care, and Commerce and Labor Committees. From 1990 until 1996, she served in the State Senate with assignments on the Ways and Means, Natural Resources and Education Committees.

Prior to her election to office, Cile Hicks was a high school math and science teacher.

From 1997-2008, Ms. Hicks was on the board of the Massachusetts Water Resources Authority. She also was a member of the Governor's Advisory Commission on Women; Governor's Task Force on Clean Water, Commissions on Clean Air, Growth Policy and Domestic Violence.

Her non-profit associations include board service on the Sudbury Valley Trustees, New Bedford Whaling Museum and the Boston Committee on Foreign Relations.

Lucile Hicks graduated from Millsaps College in 1960 and earned an MPA at Harvard Kennedy School in 1986.

She has been married to Bill Hicks (for 49 years), have two grown sons, and 5 grandchildren. The Hicks Family has lived in the same house in Wayland for 41 years, and doesn't plan to leave.

Monroe "Bud" Moseley

Bud joined Isaacson, Miller in 1989 after a distinctive higher education and corporate career. As a Student Affairs Dean, Bud launched his career at his alma mater, the University of Rhode Island, working in early efforts to make the university more diverse, before moving on to Boston College to assume a directorship focused on improving student academic performance, retention, and social development. He entered corporate human resources management at Analog Devices, Inc. before joining Arthur D. Little, Inc. and the former Bank of Boston with executive recruitment responsibility. At Isaacson, Miller, Bud, like many of the senior partners, has combined a powerful commitment to mission with a consistent interest in business. His clients range from universities and colleges to healthcare institutions, foundations, associations, and government and quasi-public agencies. He has also anchored our community economic development and affordable housing practice and has led many of the firm's human resources and finance searches. Bud is a member of several national and local nonprofit boards serving education, housing, healthcare and human rights advocacy. Bud holds a bachelor's degree in chemistry and a master's degree in counseling from the University of Rhode Island.

Giovanna Negretti

Giovanna Negretti is the co-founder and executive director of ¿Oíste?, the first and only statewide Latino political organization in Massachusetts. ¿Oíste? mission is to advance the political, social and economic standing of Latinos. ¿Oíste? offers programs in leadership development, civic education, campaign training and advocacy and is currently planning its expansion to five states in the next three years.

Giovanna has been profiled by The Boston Globe, the Boston Herald, Chronicle, and has been quoted on mainstream media outlets nationally and internationally on matters relative to leadership, public policy, politics, and public service. She has been active in numerous political campaigns and was a delegate for Barack Obama at the 2008 Democratic National Convention in Denver, where she also blogged her experiences for The Boston Globe. Giovanna is an ardent advocate for human and civil rights. She was president of the Massachusetts Chapter of the National Congress for Puerto Rican Rights (1996-1998) and currently serves on the Executive Committee of the National Boricua Human Rights Network.

Since 2005, Giovanna has offered leadership trainings and consulting to corporate, NGO and government sectors in Latin America, the Middle East, Europe and United States. Clients have included Domincan Republic President Leonel Fernandez; Sapientis, a non-profit organization focused on education in Puerto Rico; EU Access, a company in Serbia dedicated to provide individuals with access to EU programs and funds; BIOANDES, Perú an NGO dedicated to the environment; and activist groups dedicated to women's rights in Teheran including the Feminist School and Change for Equality.

Listed in Boston Magazine as one of the 100 Most Powerful Women in Boston (May 2003) and Top 40 People to Watch (2003), Giovanna is a fellow of the National Hispana Leadership Institute and has a BFA Magna Cum Laude from Emerson College and MPA from the Kennedy School of Government at Harvard University, with a concentration in Leadership. In 2008, Giovanna was recently selected a Prime Mover, a national program that supports leaders who engage masses of people to create a more just society. In the same year, she was presented the prestigious New Frontier Award by Caroline Kennedy on behalf of the Institute of Politics at the Kennedy School of Government and the JFK Library Foundation.

David Rosenthal

David Rosenthal has been recongnized as a "New England Super Lawyer" in Labor and Employement by Boston Magazine since 2006. A partner at Nixon, Peabody, Rosenthal is a member of the firm's Labor and Employemnt Group. He focuses on the representation of employers in employement litigation matters such as breach of contract, wrongful termination, enforcement of non-competition provisions, discrimination litigation, and class action defense, in state and federal courts in Massachusetts and nationally, and before the Massachusetts Commission Against Discrimination and the Equal Opportunity Commission.

Rosenthal has a B.A., cum laude from Trinity College and holds a law degree from Georgetown University Law Center. Representing national companies with operation in several states including Massachusetts, he also counsels employers in a variety of non-litigation matters including human resources actions and decisions such as individual and large scale reductions in force. He assists employers in the creation of employment policies and employee handbooks, and compliance with state and federal statutes such as the Americans with Disabilities Act, the Family and Medical Leave Act, the Fair Labor Standard Act and WARN.

Rosenthal aslo has experience in dispute resolution and alternative dispute resolution practices including mediation, arbitration and grievance proceedings. He is a frequent lecturer on employment law issues to industry and trade groups, and has appeared as a guest commentator on New England Cable News programs.

Brian J. Hall (Resigned from the commission for personal reasons)

Brian J. Hall is Albert H. Gordon Professor of Business Administration at Harvard Business School where he is the unit head of the Negotiation, Organizations and Markets Unit and a faculty affiliate of the Rock Center for Entrepreneurship. Previously, he was an assistant professor economics in the Harvard Economics Department. Professor Hall received his B.A., M.A., and Ph.D. in economics from Harvard and holds an M.Phil. in economics from Cambridge University. He served on the staff of the President's Council of Economics

Advisers in 1990-91. In 2004 and 2005, Professor Hall was Executive Vice President of Alghanim Industries, one of the largest multi-business companies in the Middle East with over 10,000 employees in 30 countries.

Professor Hall teaches and researches in the area of organizational strategy, with a focus on performance management and incentive systems. He has taught various courses on organizational strategy, incentives, and negotiations in both the MBA and the executive education programs. Currently, he teaches a course called Managing, Organizing and Negotiating for Value (MONV), which focuses on how managers both negotiate (e.g. persuade, influence, lead) and organize (eg. incentive systems, performance management, organizational structure) to drive value and performance in order to create value in their organizations.

Professor Hall's research has been published in a variety of academic and practitioner-oriented journals including the American Economic Review, the Quarterly Journal of Economics and the Harvard Business Review. He has also written numerous cases in the area of organizational strategy, performance management, corporate governance and incentives. His research is frequently in the national and international financial press and he has been the featured speaker at numerous conferences and symposia. He has provided expert testimony before the U.S. Senate and appeared on CNBC and the News Hour with Jim Lehrer.

Professor Hall is a Faculty Research Fellow at the National Bureau of Economic Research. He has served as a consultant and advisor to many leading international companies in a variety of sectors. He currently advises the Chairman and CEO of Alghanim Industries and consults for Intel and Infinera, as adviser to the compensation committee of the board of directors.

Attachment B

Staff Member Biographies

<u>Quasi-Public Compensation Commission Staff Bios</u>

David M. Sparks

David M. Sparks, is currently the Assistant to the Dean and Director of Marketing and Communications at the John W. McCormack Graduate School of Policy Studies at University of Massachusetts Boston.

Sparks managed the President Ford Campaign in the Massachusetts primary (1976), successful Olympia Snowe for Congress campaign in Maine's Second District (1978) and served as National Field Director of the George H W. Bush for President campaign, overseeing operations in primary and caucus states (1980).

David Sparks served as Regional Director of the Federal Emergency Management Agency in New England and was Vice President of the Eddie Mahe Company, a political and corporate consulting firm.

Sparks graduated magna cum laude from Tufts University and received a Master of Public Administration degree from the Kennedy School of Government at Harvard University.

Sparks served as an elected member of the Nashoba Regional School Committee in Bolton, MA for ten years.

John M. Harding

John Harding is a native of Methuen, MA and received his BA in Political Science from Providence College in May 2006. Prior to working with the Quasi-Public Authority Compensation Commission, he worked as a Legislative Aide in the Massachusetts House of Representatives and as a Research Assistant at the Edward J. Collins Center for Public Management.

Currently, John is embarking on his second year in the Master of Science in Public Affairs Program at University of Massachusetts Boston's John W. McCormack Graduate School of Policy Studies. In the MSPA program he is focusing on the interrelated fields of transportation policy, urban planning and economic development. In addition to performing analytical research for the Commission, John is also presently working as a Graduate Intern with the Economic Development Division of the City of Cambridge.

Brent Foote

Brent Foote is a Marketing Communications Specialist at the John W. McCormack Graduate School of Policy Studies at University of Massachusetts Boston. Responsible for implementing and directing the graduate school's social networking marketing program, he was also the principal staff assistant for the Quasi-Public Compensation Commission.

Foote earned a B.A. in Journalism from Pennsylvania State University. With more than 10 years experience in customer service, sales and marketing, Foote is recognized for his strategic planning skills and execution of special projects resulting in increased profitability and brand awareness.

Attachment C

Data Requests from Governor Patrick's Office

From: Kirwan, Leslie A. (ANF) [mailto:Leslie.A.Kirwan@state.ma.us]
Sent: Wednesday, April 15, 2009 11:09 AM
Cc: steve.crosby@umb.edu
Subject: Message from Secretary Kirwan

Dear Colleague:

As you know from the letter Governor Patrick sent to you on March 24 he has asked Dean Stephen Crosby of the McCormack Graduate School at UMass Boston to lead a review of compensation packages of senior leadership at the State's "quasi-public" agencies. The governor believes, notwithstanding the considerable service that has been rendered by the State's quasi-publics over the past decades, that it is an appropriate time to review compensation packages, both in light of changed economic and political circumstances and to assure continued appropriate accountability and transparency in the agencies' operations.

In order to facilitate this review, please forward all of the details of compensation for your senior employees— including employment contracts; term of employment; SERPs and any other deferred comp; base salary; bonuses; vacation, sick, and personal day accruals; severance terms; housing, car, and mileage allowances; and any other consideration or benefit that might reasonably be considered part of your senior management teams' compensation. If there is written documentation of these agreements, in contract, letter, email, or other form, please forward that documentation as well.

For the purposes of this first request, please consider "senior employees" as those who report directly to either the board or the chief executive officer. It may be that for the larger and more complicated organizations, we will need further information, but for now this is adequate.

Please forward this information to Dean Crosby either by mail at:

Dean Stephen P. Crosby
McCormack Graduate School
UMass Boston
100 Morrissey Boulevard
Boston, MA 02125

or by e-mail to steve.crosby@umb.edu,

Several of you have already volunteered to participate in this review and we appreciate your willingness. All of us who work in public service—and that includes "quasi-public" service—pay a certain price in a lack of privacy of our personal financial affairs. But that price comes with the territory of public service which we all knowingly accept, and it is in the long run a critical component of the public's confidence in our work that such a review as this is from time to time undertaken.

TO: Executive Directors and/or Chairs of all the State's Quasi-Public Agencies

FROM: Leslie A. Kirwan, Secretary of Administration and Finance

DATE: May 22, 2009

SUBJECT: **Quasi-Public Authority Compensation Review**
Status of First Information Request and Second Information Request

As you know from the Governor's 3/24/09 letter and my 4/15/09 email, the Governor has asked Dean Steve Crosby of the McCormack Graduate School at UMass Boston to lead a commission reviewing the compensation of senior managers in the State's "quasi-public" authorities.

In my e-mail, I asked you to provide a number of pieces of information.

To this date: the Commission has received responses from the following:

- Cape Ann Transportation Authority
- Cape Cod Regional Transit Authority
- Commonwealth Corporation
- Community Economic Development Assistance Corporation
- Lowell Regional Transit Authority
- Martha's Vineyard Transit Authority
- Massachusetts Bay Transportation Authority
- Massachusetts Community Development Finance Corporation
- Massachusetts Convention Center Authority
- Massachusetts Development Finance Agency
- Massachusetts Educational Finance Authority
- Massachusetts Health and Educational Facilities Authority
- Massachusetts Housing Finance Agency
- Massachusetts Port Authority
- Massachusetts School Building Authority
- Massachusetts State College Building Authority
- Massachusetts Teacher's Retirement System
- Massachusetts Technology Park Corporation
- Massachusetts Water Pollution Abatement Trust
- Massachusetts Water Resources Authority
- Merrimack Valley Regional Transit Authority
- Nantucket Regional Transit Authority
- Pension Reserves Investment Management Board
- Public Employee Retirement Administration Commission
- Southeastern Regional Planning and Economic Development District
- State College Building Authority
- University of Massachusetts Building Authority
- Wood's Hole, Martha's Vineyard and Nantucket Steamship Authority

If your organization appears above, thank you very much for your response. If your authority is not listed, please respond to my request for information as soon as possible.

Please note: The following request is for additional information from all quasi-public authorities, whether or not you have already responded to the first information request.

The Commission has determined that it needs additional information regarding the process by which each authority sets compensation.

Please address the following questions:

- Does your authority belong to a professional association from which comparable compensation information is received? If so, what is it?
- Is there a separate compensation committee of your governing board?
- Does this committee meet separately from management officials?
- Does your authority use an outside compensation consultant? If so, who? If so, please submit consultant reports used for most recent employment decisions.
- What benchmarks are used by your authority in setting compensation levels? Are other authorities used for comparison purposes? Which ones?
- Please forward the resumes of all senior employees for whom compensation data is submitted.

Please send your responses to Steve Crosby electronically at steve.crosby@umb.edu or by regular mail:

Dean Stephen P. Crosby
McCormack Graduate School of Policy Studies
UMass Boston
100 Morrissey Boulevard
Boston, MA 02125

Thank you for your prompt attention in providing this information.

Attachment D

Authority Data Verification Request

As you know from messages from the Governor and Secretary Kirwan, Steve Crosby, the Dean of the McCormack Graduate School has assembled a commission to study the compensation of senior managers in the State's "quasi-public" authorities.

Attached is the information we have collected from your authority for the top position in your organization. As this information will be released in our final report we want to double check your reporting and our recording of the data. We'd like you to look over the information and make additions and corrections to the spreadsheet as necessary. If there is additional information, please include it in the return email.

The following is an explanation of each column where necessary. When there are "Yes or No" answers called for, 1 = Yes and 2 = No. If the answer is "0", please enter "0" on the spreadsheet. Our goal is to have every cell filled in.

1. Organization.
2. Separate compensation committee for board. Does your board have a separate compensation committee for setting executive staff compensation?
3. Comp. committee meet separately? If this committee exists, does it meet separately from management staff?
4. Use outside consultants? Does your board use outside consultants to help set compensation levels?
5. Other authorities: Do you use other authorities as benchmarks in setting salaries? If so, which ones?
6. State Employee Retirement System. Is the incumbent a participant?
7. Name, Position.
8. Employment Contract. Does the incumbent have a contract?
9. Salary. Current salary in dollars
10. Deferred Compensation in dollars.
11. Longevity pay in dollars.
12. Bonus. Average of the past three years (this is new information) .
13. Health Insurance, percent paid by employer.
14. Life Insurance, percent paid by employer.
15. Vac ation days per year.
16. Number of sick days paid out upon incumbent leaving the authority.
17. Retirement employer share percentage.
18. Retirement employer share in dollars.
19. Severance terms. How many work days are paid?
20. Car. Does the incumbent have the personal use of an authority car as reportable to the IRS as compensation?
21. Car allowance. Does the incumbent have a car allowance? If so, how much in dollars?
22. Parking assignment. Does the incumbent have authority-paid parking?
23. Parking allowance. Does the incumbent have a parking allowance? If so, how much in dollars?

Thank you for your time and attention. We would appreciate this information by 7/24/09.

Organization	Separate Comp. Committee for Board? (Y/N)	Comp. Committee Meet Separately from Mgt.? (Y/N)	Use Outside Consultant(s)? (Y/N)	Other Authority(ies) used for Comparison? (Y/N)	State Employee Retirement System Participant (Y/N)	Name, Position	Employment Contract (Y/N)	Salary ($$)
Cape Cod RTA	1	1	1	1	2	Joseph Potzka, Administrator	2	$93,359

Deferred Compensation ($$)	Longevity Pay ($$)	Bonus ($$) [AVG - 3 Years]	Health Insurance (% paid by employer)	Life Insurance Premium (% paid by employer)	Vacation (Days/Year)	Sick Days Paid Out Upon Leaving	Retirement Employer Share (%)	Retirement Employer Share ($$)
							7.5%	

Severance (work days paid)	Car (Y/N)	Car Allowance ($$)	Parking Assignment (Y/N)	Parking Allowance ($$)
	2			

Attachment E

Database of Compensation Packages

- Sorted Alphabetically
- Sorted by Salary
- Sorted by Total Compensation
- Sorted by Organizational Category

Quasi-Public Authority Compensation Commission
Master List
Sorted ***ALPHABETICALLY***

1)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
	Organization	Separate Comp. Committee for Board? (Y/N)	Comp. Committee Meet Separately from Mgt.? (Y/N)	Use Outside Consultant? (Y/N)	Other Authority(ies) used for Comparison? (Y/N)	Name, Position	Employment Contract (Y/N)	Salary ($$)	Deferred Compensation ($$)	Longevity Pay ($$)	Bonus ($$)	Health Insurance (% paid by employer)	Life Insurance Premium (% paid by employer)	Sick Days Paid Out Upon Leaving	State Employee Retirement System Participant (Y/N)	Retirement Employer Share (%)	Retirement Employer Share ($$)[1]	Severance (work days paid)	Car (Y/N)	Car Allowance ($$)[2]	Parking Assignment (Y/N)	Parking Allowance ($$)	TOTAL COMPENSATION ($$)[3]
1	Berkshire RTA	Y	Y	N	Y	Gary Shepard, Administrator	Y	$72,100	$0	$0	$0	85.0%	85%	0	N	2.5%	$1,802.50	43	N	$6,000.00	N	$0.00	**$79,903**
2	Brockton Area TA	N	N	N	Y	Reinald G. Ledoux Jr.	Y	$116,390	$0	$0	$0	75.0%	100%	20%	N	10.0%	$11,639.00	0	Y	$5,466.67	Y	$0.00	**$133,496**
3	Cape Ann TA	N		N	Y	Paul F. Talbot, Administrator		$94,458	$7,084	$0	$0	100.0%	100%	25%	N	0.0%	$0.00		Y	$4,800.00			**$106,342**
4	Cape Cod RTA	Y	Y	Y	Y	Joseph Potzka, Administrator	N	$93,359	$0	$0	$0	75.0%	0%	25	N	7.5%	$0.00		N	$0.00	N	$0.00	**$93,359**
5	CEDAC	N	N	N	Y	Roger E. Herzog, Executive Director	N	$140,000	$5,930	$0	$2,000	100.0%	100%	0	N	4.5%	$6,300.00	0	N	$0.00	N	$0.00	**$154,230**
6	Clean Energy Center	Y	Y	N	Y	Patrick Cloney, Interim Executive Director	N	$190,000	$0	$0	$0	90.0%	0%	0	N	15.0%	$28,500.00	0	N	$0.00	Y	$5,100.00	**$218,500**
7	Commonwealth Connector	Y	Y	N	Y	Jon Kingsdale, Executive Director	Y	$238,703	$0	$0	$3,476	0.0%	75%	0	Y	5.7%	$13,503.00	0	N	$0.00	Y	$4,728.00	**$255,682**
8	Commonwealth Corp.	N		N	N	Nancy Snyder, President	N	$145,000	$0	$0	$0	80.0%	100%	0	N	13.2%	$16,240.00	0	N	$0.00	N	$0.00	**$161,240**
9	Commonwealth Zoo Corp	N		N	Y	John Linehan, President & CEO	N	$129,780	$0	$0	$0	75.0%	100%	0	N	6.0%	$4,253.42		Y	$5,466.67			**$139,500**
10	Franklin RTA	N	N	N	N	Tina M. Cote, Administrator	N	$78,500	$0	$0	$0	75.0%	0%	0	N	0.0%	$0.00	0	Y	$5,466.67	N	$0.00	**$83,967**
11	Greater Attleboro RTA	N	N	N	N	Francis Gay, Administrator	N	$86,415	$0	$0	$0	90.0%	100%	100%	N	0.0%	$0.00	0	Y	$5,466.67	N	$0.00	**$91,882**
12	HEFA	Y	Y	Y	Y	Benson Caswell, Executive Director	Y	$225,000	$67,500	$0	$14,583	10.0%	100%	0	N	10.0%	$22,500.00	607	N	$5,000.00	N	$0.00	**$334,583**
13	Life Sciences Center	N		N	N	Susan Windham-Bannister, President & CEO	N	$285,000	$0	$0	$0	75.0%	0%	100%	Y	5.0%	$14,109.00	60	N	$0.00	N	$0.00	**$299,109**
14	Lowell RTA	Y	Y	N	Y	James H. Scanlan, Administrator	Y	$116,167	$5,893	$0	$0	0.0%	0%	30	N	0.0%	$0.00	2	Y	$5,466.67	Y	$0.00	**$127,527**
15	Martha's Vineyard TA	N		N	Y	Angela Grant, Administrator		$86,632	$0	$0	$0	75.0%		0	N				N	$0.00	N	$0.00	**$86,632**
16	Mass. Community Dev. Finance Corp.	Y	Y	N	N	Andres Lopez, President	N	$122,613	$0	$0	$3,000	85.0%	100%	0	N	10.0%	$12,200.00	0	N	$0.00	N	$0.00	**$137,813**
17	Mass. Housing Partnership	Y	Y	Y	Y	Clark Ziegler, Executive Director	N	$196,500	$0	$0	$16,833	80.0%	100%	0	N	12.0%	$23,580	0	N	$0.00	N	$0.00	**$236,913**
18	Mass. Pike	N	N	N	Y	Jeffrey Mullan, Executive Director	N	$160,000	$0	$0	$0	80.0%	100%	20%	Y	6.6%	$9,211.00		Y	$5,466.67	Y	$0.00	**$174,678**
19	Mass. School Building Authority	N		N	Y	Katherine Craven, Executive Director	N	$150,000	$0	$0	$0	0.0%			Y	0.0%	$0.00		N	$0.00	Y		**$150,000**
20	Mass. Tech. Development Corp.	Y	Y	Y	Y	Robert Crowley, President	N	$188,000	$0	$0	$25,000	90.0%	100%	0	N	10.0%	$21,300	0	N	$0.00	N	$0.00	**$234,300**
21	MassDevelopment	N	N	Y	Y	Robert Culver, President & CEO	N	$299,000	$14,950	$0	$3,637	80.0%	100%	0	N	7.5%	$22,425.00	120	N	$0.00	Y	$0.00	**$340,012**
22	MassHousing	N	N	Y	Y	Thomas Gleason, Executive Director	Y	$236,704	$0	$0	$1,571	80%	100%	20%	Y	0.0%	$0.00	0	Y	$5,466.67	Y	$0.00	**$243,742**
23	MassPort	Y	Y	Y	N	Thomas Kinton, CEO/Executive Director	Y	$295,598	$3,000	$0	$0	85%	100%	477.92	N	0%	$0	250	Y	$5,467	Y	$0	**$304,064**
24	MBTA	N		N	Y	Daniel Grabauskas, General Manager	Y	$255,000	$0	$0	$0	75.0%	100%	50%	N	8.0%	$20,569.00	0	Y	$5,466.67	Y	$0.00	**$281,036**
25	MCCA	Y	Y	Y	Y	James Rooney, Executive Director	Y	$276,349	$0	$0	$57,334	0.0%	100%	30	Y	3.7%	$10,457.00	0	Y	$5,466.67	N	$0.00	**$349,607**
26	MEFA	Y	Y	Y	Y	Thomas M. Graf, Executive Director	N	$210,585	$0	$0	$36,935	85.0%	100%	0	N	11.0%	$23,164.00	0	N	$0.00	Y	$0.00	**$270,684**
27	Merrimack Valley RTA	Y	Y	N	N	Joseph J Costanzo, Administrator	N	$93,143	$0	$0	$0	75.0%	75%	60	Y	0.0%	$0.00	80	N	$0.00	N	$0.00	**$93,143**
28	Metrowest RTA	Y	Y	N	N	Edward J. Carr, Administrator	Y	$97,850	$0	$0	$0	80.0%	0%	0	N	11.0%	$10,163.40	0	N	$5,000.00	N	$0.00	**$113,013**
29	Montachusett RTA	N	N	N	N	Mohammed Khan, Administrator	N	$114,925	$0	$0	$0	0.0%	100%	0	N	1.7%	$2,000.00	0	Y	$5,466.67	N	$0.00	**$122,392**
30	MWRA	Y	N	N	Y	Frederick A. Laskey, Executive Director	Y	$163,937	$0	$0	$0	80%	80%	30%	Y	0.0%	$0.00	130	N	$8,400.00	N	$0.00	**$172,337**
31	Nantucket RTA	N	N	N	Y	Paula Leary, Administrator	N	$75,523	$5,200	$3,000	$0	90.0%	50%	50%	N	0.0%	$0.00	30	N	$0.00	N	$0.00	**$83,723**
32	PERAC	Y	Y	N	Y	Joseph E. Connarton, Exec. Director	Y	$153,530	$0	$0	$0	80.0%	0%	20%	Y	8.2%	$12,609.00	0	Y	$5,466.67	N	$0.00	**$171,605**
33	Pioneer Valley RTA	N	N	N	Y	Mary MacInnes, Administrator	Y	$118,560	$18,480	$0	$0	87.5%	99%	18.37	N	12.0%	$14,227.20	80	N	$3,600.00	N	$0.00	**$154,867**
34	PRIM Board	Y	Y	Y	Y	Michael Travaglini, Executive Director	N	$322,000	$0	$0	$45,000	80.0%	80%	0	Y	0.0%	$0.00	0	N	$0.00	Y	$0.00	**$367,000**
35	Southeastern RTA	N		N	N	Joseph L. Cosentino, Administrator	Y	$97,850	$0	$0	$0	90.0%	90%	max 45 days	N	0.2%	$24,607.00	0	Y	$5,466.67	Y	$0.00	**$127,924**
36	State College BA	N	N	N	Y	Edward H. Adelman, Executive Director	N	$174,900	$0	$0	$0	85.0%	0%	20%	Y	5.9%	$5,034.00	0	N	$0.00	N		**$179,934**
37	Steamship Authority	N		Y	N	Wayne Lamson, General Manager	Y	$166,421	$0	$0	$8,333	95.0%	100%	0-16.25 days	N	15.0%	$24,963.00	Per contract	Y	$5,466.67	N	$0.00	**$205,183**
38	Teachers' Retirement System	N	N	N	Y	Joan Schloss, Executive Director	N	$147,429	$0	$0	$0	80.0%	0%	20%	Y	0.0%	$0.00	2	N	$0.00	N	$2,280.00	**$147,429**
39	Tech Collaborative	Y	Y	Y	Y	Mitchell Adams, Executive Director	Y	$263,925	$0	$0	$0	0.0%	100.0%	0	N	18.0%	$48,115.00	250	N	$0.00	N	$2,100.00	**$312,040**
40	UMass Building Authority	N	N	Y	Y	David MacKenzie, Executive Director	N	$238,000	$0	$0	$0	80.0%	0%	0	Y	3.2%	$7,459.00	0	N	$0.00	N	$0.00	**$245,459**
41	Water Pollution Abatement Trust	N		N	N	Scott Jordan, Executive Director	N	$113,322	$0	$0	$0	85.0%	0%	0	Y	0.0%	$0.00	0	N	$0.00	Y	$2,132.00	**$113,322**
42	Worcester RTA	Y	Y	N	Y	Stephen O'Neil, Administrator	Y	$100,000	$0	$2,000	$0	75.0%	60%	20	N	7.0%	$6,000.00	80	Y	$5,466.67	N	$0.00	**$113,467**
	TOTAL (Yeses)	***18***	***18***	***14***	***29***		***17***								***14***				***16***		***14***		
	AVERAGE ($$)							***$164,980***	***$16,005***		***$18,142***						***$15,633.60***						***$185,991***

[1]: Column "Q" ("Retirement Employer Share") contains data from two different types of retirement plans. The number represents the amount paid by the authority into the incumbent's retirement plan. If the incumbent is a member of the state retirement system ("Y" in Column "O"), their data was derived from an actuarial estimate based on a number of factors including age, years of service and beginning date of state service. The number could be "zero", depending on these factors. If the incumbent is not a member of the state retirement system ("N" in Column "O"), their number is the actual dollar amount paid by their authority into their retirement plan.

[2]: Column "T" ("Car Allowance") contains both car allowance amounts and the estimated value of the use of an authority car. For those who received car allowances, the actual amount is entered. For those who had the use of an authority car, the Commission estimated the value of that use as the average of all those reporting a car allowance.

[3]: Column "W" ("Total Compensation") is the sum of data from Column "H" ("Salary"), Column "I" ("Deferred Compensation"), Column "J" ("Longevity Pay"), Column "K" ("Bonus"), Column "Q" ("Retirement Employer Share") and Column "T" ("Car Allowance").