Cornell University
Division of Human Resources

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Cornell University Student Assembly
109 Day Hall
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To Members of the Student Assembly:

I am writing to follow-up President Skorton's response to the Student Assembly's Resolution (#12), calling for greater transparency in regard to executive compensation. The President has asked me to provide to you additional information regarding:

1. the compensation philosophy that drives decisions regarding executive compensation,

2. the manner in which compensation is set and the process that is used, and

3. the cost of executive compensation as compared to the budget of the university.

<u>The compensation philosophy that drives decisions regarding executive compensation</u>

To give context to the policy regarding executive compensation, it is important to place the issue within a framework. When we refer to executive level positions on the Ithaca campus, we refer to the president and provost, the deans, the vice presidents, and several key administrators who have policy-making responsibility. The university strives to meet its compensation philosophy of paying competitively in the markets in which we recruit. For executives, this is a national market of universities of about the same size and complexity as Cornell, and includes the other IVY universities.

The university compensation philosophy for executive pay establishes that Cornell benchmarks to and pays competitively with the relevant market midpoint for comparable positions among the established set of peer institutions. The market midpoint is the 50th percentile of pay for the incumbents at the peer institutions in comparable roles, indicating that half of the cadre earn less than and half earn more than this amount. Excellent performance and previous experience will certainly be rewarded and may mean that an individual's pay may move somewhat beyond the relevant market midpoint.

In the executive group the aggregate market position is right about at market midpoint. The market position represents a variation in individual placement from below market midpoint to above midpoint due to performance, time in position and past experience.

The manner in which compensation is set and the process that is used

The compensation for these roles is reviewed and approved by the Executive Committee of the Board of Trustees and set in a carefully regulated manner consistent with law, and the university's own procedures. The university follows an established compensation process, uses third party surveys to monitor how pay compares against those guidelines when compared to our peer institutions, and sets pay in the context of these established market references.

The process of reviewing pay begins each spring with a review of the market data and the review of individual performance. Performance is a critical component of pay. Each executive is reviewed annually against performance goals. After the president and provost review performance, recommendations for awards are developed within the available merit increase budget pool. These adjustments are reviewed by the president and then taken first to the Board of Trustees Subcommittee on Compensation, and then to the Executive Committee of the Board of Trustees for review, potential refinement, and approval.

The cost of executive compensation as compared to the budget of the university

The university operating budget for the Ithaca campus is approximately 1.8 billion dollars. The Ithaca payroll, inclusive of benefits, is approximately 56% of that operating budget. The executive leadership accounts for 1.3% of the payroll cost. These costs have dropped since 2009, from 1.5% of payroll to 1.3% of payroll. Said another way, the cost of the pay and benefits for executive positions on the Ithaca campus amount to about three quarters of one percent of the operating budget.

Finally, to clear up any misunderstandings, other than to the Chief Investment Officer, there are no incentive programs offered to executive staff. These positions are eligible for a salary increase program (SIP) each year. Occasionally they will be offered a bonus in years when they are available to the rest of the staff and faculty, under the same guidelines as other staff. They received no SIP or bonus in 2009. They were eligible for a 2% SIP in 2010 as were the rest of the staff, though some refused their SIPs due to the ongoing financial situation.

Sincerely,

Mary George Opperman

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Vice President, Human Resources