Goldman has to pay fired trader $425,000

Court case provides look at brokerage remunerations

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Goldman Sachs Canada Inc. has been ordered to pay a former bond trader $425,000 for wrongful dismissal.

The Supreme Court of British Columbia ruled that Bruce Gillies, a former Goldman Sachs vice-president, is entitled to $160,000 in lost income and a bonus of $265,000.

The ruling also provides a rare look at how much brokerage firms pay their employees and how bonuses are calculated. The ruling also shows that Goldman Sachs's Canadian business peaked in 1997 but fell sharply in 1998.

Goldman Sachs hired Mr. Gillies in July 1993 as a bond trader in Toronto. He'd been with Burns Fry and McLeod Young Weir for 15 years before joining Goldman Sachs.

Records show that Burns Fry, like most brokerage firms at the time, paid bonuses based on twice the annual salary. In 1993, Mr. Gillies's salary at Burns Fry was $100,000 and he received a $200,000 bonus.

Mr. Gillies was recruited to Goldman Sachs by Jamie Kiernan, the firm's president. Mr. Gillies was told the bond department at Goldman Sachs was "one dimensional" and that it lacked focus.

The firm also wanted to expand into corporate bonds, which were more profitable. Mr. Gillies was told he would enjoy Goldman Sachs, in part because it had a low turnover rate.

Mr. Gillies accepted a job with Goldman Sachs as a vice-president and was told he would receive at least $250,000 (US) in total annual compensation, including bonuses. Two years later, Scotia Capital Markets offered him a job in Vancouver at a comparable salary. Mr. Gillies was eager to move to Vancouver and he submitted his resignation. Jack Curtin, Goldman's chief executive officer, refused to accept the resignation and instead offered Mr. Gillies a job with Goldman Sachs in Vancouver. Mr. Gillies took the job, but soon discovered that he had far less work. He said he had 22 client accounts in Toronto but just nine in Vancouver.

"He described himself as frustrated and concerned," court records show.

In 1997, Mr. Curtin told Mr. Gillies that Goldman Sachs was doing very well and that bonuses would be high. He estimated the firm would earn a profit of $20-million (Canadian). Mr. Gillies received $504,900 in total compensation in 1997 consisting of $160,000 in salary and a $344,900 bonus.

Goldman Sachs terminated Mr. Gillies on April 29, 1998, as part of a reorganization even though it had just boosted his salary to $160,000 from $145,000. He was told to seek work in Goldman Sachs' New York office. However, his lawyer said "there really was no job for him there from the beginning."

Goldman Sachs said Mr. Gillies would receive 15 weeks pay and $135,396 as severance.

Court records show Goldman Sachs paid far lower bonuses in 1998. While Mr. Gillies earned a $344,900 bonus in 1997, he was slated to earn a bonus of $165,000 in 1998 because the firm had not done as well.

However, court records show bonuses in 1999 rebounded, and Mr. Gillies would have received a $240,000 bonus last year if he was still at the firm.

Mr. Justice Lee Skipp ruled that Goldman Sachs had not treated Mr. Gillies fairly. He ruled that the firm's offer to move Mr. Gillies to Vancouver "was ill conceived" and "not well thought out."

Mr. Justice Skipp ruled that he was entitled to a year's pay, a $165,000 bonus for 1998 and part of his expected 1999 bonus.

Mr. Gillies went on to work for Canada Trust while Mr. Curtin now works in Goldman Sachs' New York office.

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