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## **ALL BUSINESS: Juicy details on CEO pay**

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**NEW YORK:** It's no secret CEOs are well compensated, but finding the juicy details in those dense pay disclosures can be a tough task.

Not just the over-the-top perks that might leave shareholders wondering why they should be footing the bill, but also making sense of which companies are at the top of their game and which are far from it.

So here's a cheat sheet — some examples of items from corporate proxy statements that deserve special mention:

**\_THE 'HOUSING CRISIS HITS HOME' AWARD:** To Qwest Communications International Inc. It may be in the telecommunications business, but it hasn't escaped the housing market downturn. Last summer, it had the bright idea of buying the home belonging to its new CEO, Edward Mueller, for \$8.9 million including closing costs. The company said that was its "then-prevailing value as determined by two independent appraisals."

It turned into quite the signing bonus for Mueller. Three months later, the house sold for \$7.11 million, after closing costs and commissions. In addition, the company said it paid \$43,644 to maintain the house while it owned it. Ultimate cost to Qwest: \$1.83 million. Ouch.

**\_THE 'BUT EVERYONE'S DOING IT' AWARD:** To General Dynamics Corp. The defense contractor told investors its perks are reasonable because they "benchmark" them against "generally accepted corporate practices." Michelle Leder of the proxy tracking Web site footnoted.org says that would be better described as "anything goes."

The terminology is clearly designed to look like the legitimate "generally accepted accounting principles" that companies follow in building their financial statements. It's supposed to make shareholders feel better about the \$414,788 in perks it paid its CEO last year. While not out of the ordinary for corporate America, that big number includes lots of stuff that someone making \$15.6 million in 2007 could have paid for himself: country club memberships, home security systems and physical exams.

**\_THE 'PUT YOUR MONEY WHERE YOUR MOUTH IS' AWARD:** To RiskMetrics Group Inc. It runs the nation's biggest proxy advisory firm, which often calls out companies for overindulging their executives. RiskMetrics went public in January and released its first proxy statement in March. Compensation experts were eagerly waiting to see if it violated any of its own rules.

The good news is that RiskMetrics largely practices what it preaches. There are no aircraft perks, or coverage of taxes. The company doesn't use compensation consultants to set its executives' pay, and doesn't benchmark pay against any peer group. (That tends to push pay higher because no one wants to be at the bottom of the pack.) RiskMetrics CEO Ethan Berman was paid \$601,000 in 2007, a raise of 32 percent from the year before. He didn't receive any stock awards or options in 2007, though he has more than 1.55 million exercisable stock options.

**\_THE 'LET'S GO SHOPPING' AWARD:** To all the directors and executives who get special discounts on merchandise at the companies they represent. It's not small change — they can total thousands upon thousands of dollars, in some cases more than most employees at the companies make in a

year.

Macy's Inc. is among the most notable. It gives its top brass an additional discount on top of the discount that the rest of its employees get. That totals 40 percent off the retail price. There's more: The Cincinnati-based department store chain also picks up the taxes on that extra discount because it's considered taxable income. In 2007, CEO Terry Lundgren ran up \$52,019 in merchandise expenses, and the tax "gross up" cost the company \$34,102.

THE 'DID WE REALLY NEED TO KNOW THAT?' AWARD: To CVB Financial Corp. Some investors might think more disclosure is better, but that may be hard to argue based on CVB's acknowledgment that it gave its top executives each a \$150 gift card.

No, that isn't a typo. It showed right up in its "all other compensation" along with the \$350 that the Ontario, Calif.-based bank spent so the wife of the CEO could go to a banking conference with him, according to footnoted.org's Leder.

Companies are only required to disclose perks valued at \$10,000 or more, so it wasn't necessary to reveal the tiny amount. But as Leder points out, regulators could never say CVB wasn't thorough.

THE 'YOUR PAY IS BASED ON WHAT?' AWARD: To companies that trumpet the idea of "pay for performance" but then don't give investors the detail they deserve in knowing what that means.

A study by compensation consulting firm James F. Reda & Associates of about 300 large public companies found that just 16 percent were thorough in spelling out exactly how pay supposedly tied to the company's annual performance was measured and how much was actually paid. Another 19 percent provided no detail at all.

For 190 companies that tied pay packages to the company's performance over a longer term, the findings were a little better. The study found that 46 percent provided a reasonably complete explanation of the yardsticks they used and how much was paid.

In both cases, earnings per share were a popular way to measure how the company performed.

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