CHICAGO SUN-TIMES

What's in CEOs' wallets?

Despite slicing in companies, some chiefs earn mind-boggling figures

May 14, 2007

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AT&T's Chicago area customers might be surprised, even dismayed, to learn that Edward Whitacre Jr., AT&T's chairman, is getting one of the richest pay and retirement packages in the nation.

And furious pilots and flight attendants at United Airlines picketed the carrier's annual meeting last week, ripping CEO Glenn Tilton's pay package.

A snapshot of CEO pay at companies based in Chicago or with significant presences here shows pay-for-performance is the latest hot topic, but the pay that follows the performance is still amazing.

The data were compiled by Equilar, a San Mateo, Calif., research firm that specializes in executive compensation, and reviewed by Pearl Meyer & Partners, the New York executive compensation experts.

Whitacre's total compensation for 2006 was reported at $60.7 million -- more than twice the amount of the next-most enriched CEO -- Abbott Labs' Miles White.

Whitacre has led Texas-based SBC for 17 years as it has gobbled up Ma Bell (and then appropriated her name), Cingular Wireless, and a host of others to create the largest telecommunications company in the world.

An AT&T spokeswoman said Whitacre's pay appears outsized because of new federal reporting required by the Securities and Exchange Commission. New proxy disclosure rules require companies to declare "total" compensation for the top five officers, and to expose for the first time CEOs' pensions, perks, deferred compensation and stock-option awards.

The rules have forced some companies to change the way they compensate CEOs, while revealing that lucky CEOs get reimbursed for the taxes they owe on everything from country club dues to severance payouts. AT&T's Whitacre, for example, was reimbursed $25,384 to cover his tax liability on a variety of perquisites.

Whitacre won't collect the majority of the $46.79 million in stock awards unless AT&T achieves performance goals set by the board's Human Resources Committee.

The AT&T spokeswoman said Whitacre's 2006 pay "reflects the fact that AT&T and its stockholders had an outstanding year, and executive pay is closely tied to performance."

AT&T's stock soared 53 percent last year, including price appreciation and an increased dividend, and net income rose 30 percent.

Whitacre announced last month that he plans to retire June 3.

His contract, running through April 2008, had provided him with free health insurance for the rest of his life and perks such as $24,000 for rental cars and 10 hours a month access to the corporate jet.

Other CEOs who topped the charts for total compensation in 2006 were Abbott's White at $26.9 million; Edward Liddy, former CEO of Allstate Corp., at $23.9 million, and Tilton, CEO of UAL Corp., the parent company of United Airlines, with $23.8 million.

White's 25 percent increase in total direct compensation was caused in part by $675,000 in earnings from deferred compensation, of which $83,000 came from employer contributions.

Abbott spokeswoman Melissa Brotz said White's leadership and performance were apparent in Abbott's 27 percent total return to shareholders last year, No. 1 in the medical-technology sector. White also gave up portions of his employment contract that guaranteed substantial benefits if Abbott were sold, and he reimburses the company for personal use of aircraft.

Liddy's total compensation jumped 68 percent from a year ago, helped by a $5.1 million payout by Allstate in deferred compensation.

An Allstate spokesman said Liddy's cash bonus increased substantially, to $3.7 million in 2006 from $538,351 in 2005, because the company was more profitable in 2006 than in 2005, which was affected by Hurricane Katrina.

Allstate stock returned 23 percent to shareholders in 2006 in stock appreciation and dividends. The stock outperformed the S&P 500 and S&P Insurance indexes.

Tilton of UAL, which emerged from bankruptcy protection last year, received stock awards of $12 million and stock-option awards of $10.3 million, the second-highest such awards behind Whitacre of AT&T. While in bankruptcy, UAL terminated pensions for its 120,000 workers and slashed its workforce by 25 percent.

The highest level of perks belonged to James McNerney Jr., head of Boeing Co., who received $2 million in perks and other benefits, plus $8.7 million in stock awards. Boeing shareholders realized a 28 percent total return. McNerney's total compensation was $19.4 million.

A Boeing spokesman said about half of the $2 million in perks covered McNerney's and his family's move to Chicago from Minneapolis last year. The relocation benefit is offered to other Boeing employees, the spokesman said.

Another CEO raising eyebrows was the Tribune Co.'s Dennis FitzSimons, who was paid $6.3 million. He received a 5 percent increase in salary, a sixfold increase in his bonus (to $1.4 million from $250,000), and stock and option awards totaling $3.8 million while Tribune shareholders saw their stock shed 28 percent of its value.

Don Delves, a Chicago-based CEO compensation expert, said FitzSimons' awards were a "mismatch" with results.

"I have a hard time saying, 'Hey, that was a great year,'" Delves said.

It's not the salary that adds up

While most wage earners rely on their salaries to meet expenses, base salary counts for only a small fraction of total compensation for highly paid executives.

In the sample of CEOs examined by the Sun-Times, base salaries ranged from a low of $637,885 for Nicor's Russ Strobel (31 percent of total compensation) and $687,083 for UAL's Glenn Tilton (3 percent of total comp) to highs of $1.7 million for Boeing's Jim McNerney (9 percent of total) and $2.1 million for AT&T's Ed Whitacre (4 percent of total).

Eye on the board

Shareholders angered by outsized pay packages are shifting the focus of their ire from the executives to the company board members who approve the payouts.

Researchers have found that shareholders are increasingly withholding their votes from certain directors to voice their displeasure.

Diane Del Guercio, associate professor of finance at the University of Oregon at Eugene, Ore., and lead author of the compensation study, said, "The typical corporate election has only one slate of directors. If I as a shareholder want to voice my unhappiness with management or the board, I can withhold my vote.

"The shareholders cannot vote a director off the board, but directors care about their reputations and they don't want to be a target of a campaign," Del Guercio said. "The embarrassment factor can give directors an incentive to do a good job."

The study showed that from 1996-1999, there were 25 campaigns by shareholders withholding their votes, in which 6.8 percent withheld on average.

From 2000-2003, the number had swelled to 71 campaigns with 15 percent of the votes withheld on average.

--Sandra Guy