

Directors' compensation, workload rise

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Published July 15, 2007

As part of an overhaul of compensation disclosure, federal regulators now require companies to provide a table with bottom-line figures on pay for their directors.

Pay for directors has been increasing sharply since the Sarbanes-Oxley governance law took effect in 2002.

Compensation experts at Equilar Inc. report the median pay for non-employee directors at Fortune 500 companies rose 10 percent last year, to \$165,000. That's on top of double-digit pay increases at major U.S. companies each year since the law took effect, according to studies by Institutional Shareholder Services.

Demands on directors have ratcheted up as well, with a survey of board members by the National Association of Corporate Directors last year indicating roughly two-thirds put in 200 or more hours a year, up 34 percent from before Sarbanes-Oxley was passed.

Some critics say highly paid directors are more tolerant of poor performance by chief executives, arguing that they are reluctant to challenge them for fear of losing their board seats. They say well-compensated directors are more likely to reward CEOs with higher pay.

Companies, however, say pay levels don't impair their independence. A large portion of director pay frequently is in equity, which experts say aligns directors' interests with those of shareholders.

Among the 25 largest Illinois-based companies that reported under the new rules in their most recent proxy statements, compensation for 27 of the 257 independent directors was reported to be more than \$250,000 in 2006; 215 were awarded more than \$100,000. The median amount was just over \$159,000.

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Highest-paid board members

Here are the 10 highest figures for independent directors from the 25 biggest Illinois companies reporting under the new rules:

Director Company Compensation

Charles Carey	CBOT Holdings Inc.	\$ 750,002
Andrew McKenna	McDonald's Corp.	\$ 587,590
Stephen Wolf R.R.	Donnelley & Sons Co.	\$ 389,062

William Smithburg	Abbott Laboratories	\$ 311,393
Gordon Lohman*	Fortune Brands Inc.	\$ 310,090
David Goode	Caterpillar Inc.	\$ 304,708
Kenneth Duberstein	Boeing Co.	\$ 290,821
John Pope R.R.	Donnelley & Sons Co.	\$ 288,883
Pierre Leroy	Fortune Brands Inc.	\$ 288,243
Patricia Ewers	Fortune Brands Inc.	\$ 281,267

NOTE: Under SEC requirements, figures include charitable donations made by companies on directors' behalf and any changes in pension value.

* Gordon Lohman retired from Fortune Brands' board this year.

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