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The Crystal Report on Executive Compensation



Equilar's New S&P 500 Report

by Graef Crystal

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Equilar Inc., a leading executive compensation research firm, has released a comprehensive analysis covering members of the Standard & Poors 500 index.

Although that index contains, as its name implies, 500 companies, Equilar's study is based on 342 of the 500 companies. Companies with fiscal years ended June 30, 2009 or after were included, as were companies filing their proxies through this past April 19. But not every company has yet filed.

Equilar's definition of total pay is close to, but not the same as, the figures shown in the Summary Compensation Table of a company's proxy statement. Equilar provides its own values for stock awards and options in order to obtain a greater degree of intercompany consistency. And it excludes increases in lump-sum pension values and above-market interest on deferred compensation.

The big headline here is that CEO pay dropped 7.9 percent between 2008 and 2009. Although the critics of high CEO pay have lots of arrows left in their quivers, the fact is that for the past few years, CEO pay has essentially stalled – but at a high level.

There have also been some pronounced shifts in the composition of the pay package. Although stock awards were handed out at about the same level as in 2008, option awards dropped 17.7 percent, measured by their present value at grant.

Of course, in perfect hindsight, making mega-grants of stock options would have been the way to go in 2009 if the goal were to maximize CEO pay. But I have found that the use of options is sort of a lagging indicator: When times are good, everyone jumps on the options boat. But when times are bad, as they were in 2008, companies seek safer ways to pay their CEOs. In that sense, CEOs are not much different than ordinary investors.

To request a copy of the Equilar report, go to:
<http://info.equilar.com/CEOPayAnalysisLarge.html>.

Graef Crystal's is now in his 51st year in the executive compensation field. He has been a director of compensation for General Dynamics and Pfizer, worked as a consultant for Booz, Allen & Hamilton, served as worldwide practice director at Towers Perrin for 18 years, was a professor at the University of California at Berkeley's Haas School of Business for 10 years and a syndicated columnist for Bloomberg News for almost nine years. (He still contributes occasional columns to Bloomberg News.) He has written six books and more than 1,600 articles on executive pay.