

## 'Say on pay' bills more a threat than reality

But proposals could spur government agencies or companies to action

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WASHINGTON - Investors who want some say in how corporate executives are paid will know the next president supports their cause — but there are differences in how to get there.

Sen. Barack Obama, the presumptive Democratic nominee, has proposed writing the concept, known as "say on pay," into law. Republican Sen. John McCain wants to encourage companies to give shareholders a say but without legislating the idea.

The McCain approach is similar to what President Bush has done — jawboning corporate America over extravagant pay packages but opposing "say on pay" legislation.

Both candidates recognize the public dismay over lavish CEO pay, which often soars even when performance measures such as share price and earnings do not. Executive pay rings a strong populist tone on Capitol Hill and the campaign trail, especially when the economy is stumbling and stocks are falling.

"It becomes a way of making the income-inequality argument and the corporate-greed argument," said Kathleen Hall Jamieson, an expert on political communication at the University of Pennsylvania.

In March, the head of Countrywide Financial Corp. and the former heads of Merrill Lynch & Co. and Citigroup Inc. were called in for a public shaming before a House committee for pocketing hundreds of millions while the subprime mortgage crisis hammered their companies with losses.

Weeks later, while campaigning, McCain told a crowd: "Americans are also right to be offended when the extravagant salaries and severance deals of CEOs — in some cases, the very same CEOs who helped to bring on these market troubles — bear no relation to the success of the company or the wishes of shareholders."

Obama has also taken a tough stance, talking about how the average CEO in the United States earned 262 times the pay of the average worker in 2005. "Put another way, a CEO earned more in one workday than an average worker earned in a year," he has said.

"Say on pay" is gaining traction among investors. At more than 90 companies, investors and public pension funds that control more than \$1 trillion in shares have filed proposals calling for a nonbinding vote for shareholders on CEO pay, according to corporate-governance tracker Walden Asset Management.

Those resolutions have won majority votes at eight companies: Apple Inc., Alaska Air Group Inc., Ingersoll-Rand Co., Lexmark International Group Inc., PG&E Corp. (parent of Pacific Gas and Electric Co.), Motorola Inc., South Financial Group Inc. and Tech Data Corp.

Not all those companies' boards have adopted the shareholder vote. At Ingersoll-Rand, the CEO said in a statement the company was "disappointed about the outcome."

But other boards have. In May, shareholders of insurer Aflac Inc. gave a nonbinding thumbs-up to nearly \$15 million in compensation for Chairman and CEO Dan Amos, in the first stockholder vote on executive pay by a major U.S. company.

At Tech Data, shareholders get a nonbinding vote on pay starting next year.

"Say on pay" legislation cleared the House last year by a 2-to-1 margin but has gone nowhere in the Senate. It has been opposed by the White House and most Republicans.

Obama last year introduced a bill in the Senate that would require companies to allow nonbinding shareholder votes on executive compensation packages, though his proposal wouldn't cap or limit CEO pay.

Hillary Rodham Clinton, who recently suspended her campaign for the Democratic nomination, also has introduced a bill that would give shareholders a nonbinding vote on executives' pay packages.

In addition, the Clinton bill would require top executives who collect large performance-based pay packages to return the money if financial irregularities are discovered and companies are forced to restate their earnings. It also would cap the amount that top executives can earn tax-free through deferred compensation.

The legislation won't necessarily become law, though. Populist rhetoric and bold legislative proposals play well, but enacting laws to change corporate governance is another matter.

In Washington lawmakers often hold out the prospect, or threat, of legislation as a cudgel to spur government agencies, companies or other institutions to voluntary action.

The say-on-pay legislation "could be a catalyst," said Amy Borrus, deputy director of the Council of Institutional Investors, a group representing public pension funds. If the Senate Banking Committee were to take up a proposal, that could "get more companies to take the issue seriously and act on it," she said.

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