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SEC pushes for exec pay info

Big firms get letters seeking more details

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The Securities and Exchange Commission this year required vastly expanded disclosure from most public companies on pay for their top executives. In the last week, the agency has been faxing 300 of the largest companies with a request for even more.

Although lawyers and consultants weren't saying which of their clients got the letters, "if you were to look at the Fortune 100, you can probably assume that one-third of the companies, maybe more, got these letters," said Mark Borges, principal at Mercer Human Resource Consulting in Washington.

General Electric Co., Schering-Plough Corp. and Prudential Financial Inc. all confirmed to The Associated Press that they had received letters.

"The dollar disclosure is clearer than ever," said SEC spokesman John Nester. "The narrative explaining the reasons behind those packages could stand some improvement. ... Some of the narratives accompanying the tables have suffered from boilerplate, legalese and other deficiencies."

Because this was the first year of expanded executive compensation disclosure requirements in corporate proxy filings, the SEC has made it clear for months that it would be requesting additional information.

Still, the three- to six-page-long faxes, each of which is addressed to the company's CEO, have made a splash since they began arriving last week. Lawyers are sending each other redacted copies, with clients' names blacked out, and rounding each other up for conference calls on how best to respond.

"Our initial reaction was, 'Oh my gosh, they're really going over the top on this,'" said Chicago compensation consultant Donald Delves, who has been reviewing letters for clients.

"After going over each question, in detail, and figuring out what the response was, we said 90 percent of these are really good questions we can answer with a little more detail, a little more direction. Ten percent are inappropriate, asking us for information we consider confidential."

John Wilson, a securities partner at Foley & Lardner in Milwaukee, put together a composite of some of the SEC's requests, which include:

- Explain why the chief executive's pay was "significantly higher" than the rest of the company's highest-paid executives.
- Identify the companies your company uses to benchmark executive pay. Add disclosure addressing how you target each element of compensation against the other companies.
- Provide analysis about how you determine the amount and, where applicable, the formula for each element to pay.
- Provide an analysis of how you arrived at and why you paid each particular level and form of compensation for 2006.

"My own view is we knew these letters were coming," said Alan Dye, securities partner at the law firm Hogan & Hartson in Washington and former special counsel to the chairman of the SEC. "It's premature to be sounding an alarm."

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