



COUNCIL OF
INSTITUTIONAL
INVESTORS

Feb. 4, 2009
FOR IMMEDIATE RELEASE

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Council of Institutional Investors Applauds Government Curbs on Executive Pay

Washington, DC, Feb. 4—The Council of Institutional Investors applauds the Obama administration's newly announced restrictions on executive compensation at financial institutions that receive large dollops of government aid. The government-mandated salary cap, bars on bonuses and severance and holding requirements for equity-based pay are reasonable and could help restore trust in U.S. financial firms.

Poorly structured pay packages encouraged the get-rich-quick mentality and overly risky behavior that helped bring the financial markets to their knees. The ripple effects have cost millions of American workers their jobs and vaporized billions of dollars of their retirement assets. “Stiff curbs on executive pay, perks and other benefits send the right message to investors and the public: Pay for failure will not be tolerated,” said Ann Yerger, the Council’s executive director.

Lavish salaries, perks and severance payments at poorly performing companies are always unseemly and unjustified—but especially so during an economic crisis. That’s why it makes sense for the President to stop this practice at companies receiving taxpayer funds. Taxpayers should not have to foot the bill for excessive pay packages.

The Council of Institutional Investors has long advocated executive compensation programs that are transparent, create value for the long-term, advance the company’s strategic goals and are tied tightly to corporate performance. The Council endorses executive pay policies that are similar to many of the restrictions that the administration has said it will impose on banks that accept “exceptional assistance” from the federal government. For example, Council guidelines state that:

- A significant portion of CEO pay should be equity-based and that CEOs should be required to hold company stock for a period beyond their tenure
- Companies should provide shareowners an annual, advisory vote on the compensation of senior executives.
- Executives who leave a company as a result of poor performance—whether they are terminated, resign under pressure or the board fails to renew their contract—should not be entitled to severance payments.
- Companies should have clawback provisions for recapturing unearned bonus and incentive payments to senior executives.
- Perquisites should be avoided. Executives, not companies, should be responsible for paying personal expenses.

About the Council: *The Council of Institutional Investors (CII) is a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members, policymakers and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on its members' behalf.*

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