

THE EXECUTIVE BRIEFING SERIES

Welcome and Introduction: *New SEC Disclosure Proposal*

Agenda

7:15 am

BREAKFAST

8:00 am

WELCOME AND INTRODUCTION

Expanded Disclosure: Ensuring Good Governance is Good Business

Joseph R. Rich
President
Pearl Meyer & Partners

8:15 – 8:45 am

Executive Rewards: New Designs that Drive Shareholder Value

Matthew T. Stinner
Managing Director
Pearl Meyer & Partners

8:45 – 9:15 am

The Future is Now: Time to Align Executive Compensation & Benefits

Tom Chisholm
Senior Managing Director
Clark Consulting

9:15 – 10:00 am

GOOD GOVERNANCE: TOOLS AND TECHNIQUES

What You Need to Know Now – Even if Your Proxy Has Been Filed

Andrew Liazos
Partner
McDermott Will & Emery

Tally Sheets: Tracking Executive Pay in a Changing Environment

Theo Sharp
Managing Director
Pearl Meyer & Partners

10:00 am – 10:30 am

ASK THE EXPERTS

Before we get started...



Please turn off your cell phones

Tell us what you think...

- Questions for our Speakers
- Seminar Evaluation



New SEC Proposal

- » **Covers CEO, CFO, 3 other NEOs (+2), and up to 3 other highly paid**

- » **Proxy format reorganized in four sections:**
 - Compensation Discussion and Analysis (CD&A)
 - Summary Compensation Table: revised to show Total Compensation:
 - Salary
 - Bonus earned
 - FAS 123R grant date dollar value of equity awards, including stock options
 - Value of other cash incentives earned (not tied to equity)
 - Perquisites and benefits exceeding \$10,000
 - Aggregate increase in defined benefit pension plan actuarial value
 - Any deferred compensation contributions (by exec, employer) and any earnings thereon
 - Any and all other compensation items
 - 2 supplementary tables – performance LTI, time LTI
 - Equity Holdings and Gains
 - Post-Employment Arrangements
 - Deferred comp, SERPs, severance, change in control

- » **Plain English**

CD&A

» **Required:**

- Objectives
- What rewarding / not rewarding
- What elements are employed
- Why each element is used
- How amounts determined
- How each element fits goals

» **“Appropriate:”**

- Current vs. long term allocation
- Cash vs. non-cash, allocation among
- Choice of LTI instrument, allocation among
- Why grant dates for equity
- Corporate performance considered
- How elements reflect corporate and individual performance
- Factors considered when increasing (decreasing) comp
- How realized comp affects current / future comp
- Impact of tax and accounting treatment
- Ownership guidelines
- Benchmarking (including firms)
- Role of executive officers in the process

» **Discussion by each executive officer if materially different**

» **Filed, not furnished**

Considerations for 2006 Reporting

» **Consider amendments to 2006 proxy**

- Perqs – follow “directly and integrally related to performance of job”
- Perqs – follow new \$10,000 standard and individual description
- Employ plain English
- Employ grant date 123R value of equity

» **Adopt new 8-K regulations**

» **Adopt tabular disclosure for Director pay**

Considerations for 2007 Reporting

- » **Ensure data is available**
- » **Integrate data for real-time understanding of “disclosables”**
- » **Inform disclosables of new rule, extent, impact of elective transactions**
- » **Create pro-forma tabular disclosures and narratives**
- » **Draft CD&A based on current programs**
- » **Monitor one-time transactions**
 - Relos, sign-ons, special awards, retention awards, deferred comp gains, changes in SERPs, changes in SERP eligibility
- » **Notify NEO disclosables of “pledged share” disclosure**
- » **Consider developing pledged share policy**
- » **Ensure CEO, CFO understand CD&A covered by Sarbanes-Oxley**
- » **Consider restructuring perq programs**
- » **Consider “other 3” disclosure policy (greater granularity, naming)**

Implications

- » **There is a social good in keeping executive compensation fair**
- » **The data and information aren't the problem. Better disclosure is a good thing, but won't address critics' real issue with pay levels**
- » **We cannot substitute “being competitive” for the real goals of executive compensation**
 - Equitable
 - Fair
 - Performance-based
 - Strategically aligned