

» **AHEAD**

INTERVIEW

Big Job, Bigger Pay

A state treasurer says too many CEOs are overpaid for underachieving.

Denise L. Nappier, elected state treasurer of Connecticut in 1998, oversees \$23 billion in retirement plans and trust funds.

Why is executive pay a hot-button issue now?

Now? We've been on this since 2000. We don't begrudge pay for solid performance. It's important to attract and retain top-flight talent. We have a problem when there's a disconnect between high pay and the performance of a company. That threatens the credibility of a company's leadership and can harm the value of your shares.

What part of CEO pay rankles you most?

Increasingly, it's the retirement package. That's the case with Pfizer. During discussions with the board, we asked if they'd urge CEO Hank McKinnell to return some of the \$6.5 million a year in pension benefits he'll receive. In the end, we withheld our vote for re-election of compensation committee members. We also withheld votes at AT&T, Merck, Verizon and BellSouth, and plan to at Home Depot, Wal-Mart, Time Warner and Safeway.

How should pay be structured?

It's not easy to come up with a one-size-fits-all approach. But we like to look at internal pay equity. How much is the CEO paid versus other managers, as well as the workers on the factory floor? The CEO shouldn't be 300 to 400 times the pay of the average worker. Also, the CEO should be judged over three to five years instead of one, and on strategic vision as well as operational success. A lot of ExxonMobil shareholders may be happy today because the industry is doing so well, but we're looking at what's being done to mitigate the risk of climate change and at the commitment to clean technology. These are issues the CEO should be evaluated on.

What can individual shareholders do?

Hold the board accountable. A pending ruling at the Securities and Exchange Commission will make it easier to understand a CEO's total compensation. It's also important for the SEC to require information on the independence of the compensation consultants. For now. Our proxy voting guidelines, and our votes, are on our Web site, www.state.ct.us/ott (click on "Pension Fund").