

## Column: 'Consulting' Jobs Ease Out CEOs

By BRUCE MEYERSON  
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NEW YORK -- As if the outsized pensions aren't enough, many companies ease their top executives into retirement with "consulting" jobs that often don't entail much more than picking up a hefty check.

At First Data Corp., Charles T. Fote is guaranteed \$1.1 million in fees for 18 months following his unplanned retirement in late 2005 as chairman and chief executive of the financial transaction services provider. Fote, only 56, chose to retire just weeks before the company laid off 1,000 workers.

When he retires, AT&T Inc. Chairman and Chief Executive Edward Whitacre will be entitled to \$3.2 million in consulting pay over three years \_ on top of an annual pension benefit estimated at \$5.5 million and a one-time retirement payment now totaling \$18.8 million.

One of the richest consulting deals may have been the \$2.3 million a year that Motorola Inc. paid former Chairman and CEO Christopher Galvin in 2004 and 2005. Galvin, grandson of Motorola's founder, retired early at 53 after overseeing the company's decline from the world's top producer of cell phones.

Estimates of the number of companies offering post-retirement consulting gigs range widely: from 10 percent among the Standard & Poor's 500, according to The Corporate Library, to possibly half of major-exchange listed companies, according to consultants Watson Wyatt & Co. and Equilar Inc.

Ira Kay, director of Watson Wyatt's compensation practice and author of an upcoming book entitled "Myths and Realities of Executive Compensation," said an outgoing CEO can help smooth the transition to a new leader, providing unique expertise from someone with vast knowledge of the company and its industry. Still, Kay acknowledges that the arrangements also "allow the employee to leave gently."

Consulting deals also may prevent departing executives from going to work for rival firms. But since top executives tend to be supremely confident, it's hard to imagine most new management teams calling upon these voices of experience for much advice.

One telling detail is that while some consulting contracts are contingent on services actually being rendered before the executive gets paid, others don't hew to the basic notion of compensation: a day's pay for a day's work.

Fote's agreement with First Data does not appear to stipulate any time requirement. Instead, it specifically limits the amount of work that can be requested to "twenty percent of his business time in

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any given calendar month," according to a recent filing. The company did not respond to queries seeking confirmation of the contract's terms or whether Fote has performed any work thus far.

AT&T said it also does not spell out a minimum time commitment under its consulting deal with Whitacre, 64, who received more than \$50 million in compensation the past three years. Now that AT&T is planning to acquire BellSouth Corp. for \$67 billion, the company has asked him to stay on in his current posts until March 2008.

If there was any doubt about the driving factors behind Galvin's pact, one need only read this clause from a company filing: "Motorola has also agreed that, in the event of Mr. Galvin's death prior to his retirement, his spouse will be entitled to his salary, bonus and consulting fees."

At Pfizer Inc., the drugmaker has been paying \$50,000 a year since 2001 to former chairman and CEO William Steere under an arrangement that could extend indefinitely. Steere, 69, who draws an annual pension of roughly \$7 million according to one compensation expert, is paid regardless of whether he puts in any time as a consultant or company "representative in external activities and events." The \$50,000 covers up to 30 days of service from Steele, "subject to his reasonable availability."

Steere still sits on Pfizer's board of directors, a service for which he was paid \$169,000 in 2005. Since the qualifications of directors generally include their ability to lend their expertise, you could reasonably argue that Steere's board salary covers any counsel sought from him. A Pfizer spokesman said that Steere "has been very active in a consulting capacity since his retirement."

Whitacre and Steere have served their companies for decades, so it's fair to say their grasp of internal operations and their respective industries could prove handy. But their consulting arrangements stand out by contrast to the deals negotiated by other departing veterans.

At Citigroup Inc., for example, Sanford I. Weill is slated to retire as chairman in April, at which time he will be under contract to provide consulting services as needed for 10 years. But there's no guaranteed pay under the deal, which says he can be called upon up to 45 days per year at a rate of \$3,846 per day.

Likewise, at Aetna Inc., the insurer has agreed to retain Chairman John W. Rowe as a consultant for three years when he retires later this year. The deal specifies that Rowe will be paid \$4,000 a day for up to 25 days of service per quarter.

More impressively, Rowe's agreement contemplates that he may not need to put in a full day of consulting on every occasion, and therefore stipulates that he be paid \$2,000 for a half day's work.

If there's truly a shareholder benefit to be reaped from these post-employment consulting deals, there's no reason why the arrangement can't be structured as a legitimate business transaction where actual work is rewarded with compensation.

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Bruce Meyerson is a national business columnist for The Associated Press. Write to him at [bmeyerson \(at\)ap.org](mailto:bmeyerson@ap.org)

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