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REUTERS

U.S. CEOs got more cash, fewer options in 2003

Reuters, 03.24.04, 4:22 PM ET

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By Brendan Intindola

NEW YORK (Reuters) - America's top executives pocketed about \$2 million each in cash last year, a median pay rate that climbed 17.4 percent from 2002, according to an analysis of 223 of Standard & Poor's 500 companies.

Total cash pay for chief executive officers -- base salary, plus bonus -- grew to a median \$2,025,000 from \$1,725,506 in 2002, according to Equilar, which analyzes compensation data from corporate documents filed with federal regulators.

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The median base salary rose about 4 percent, to \$950,000, in line with the long-term trend. But bonuses jumped 20 percent amid the stock market and economic recoveries, to \$1,056,000 from \$880,875. About 83 percent CEOs got a bonus last year, compared to 81 percent in 2002, and 61 percent of the CEOs saw their bonus grow in 2003.

"You should expect to see a reasonably consistent trend in salary increase in the 3.5 to 4.5 percent range," said Daniel Rytterband, managing director at Frederic W. Cook & Co., an executive compensation consultancy.

Rytterband, who said his firm likely worked on a third or more of the contracts reflected in the numbers, said the jump in bonuses indicates that the compensation programs are working as intended. Good performance leads to higher awards, he said.

As for long-term incentives -- such as stock options and restricted stock grants -- the overall numbers are less rich, primarily because fewer companies are handing out options due to new accounting rules expected any day that will require companies to expense options.

And while the value of options fell, the value of other types of long-term pay rose sharply.

Taken all together -- salary, bonus and long-term pay -- chief executives in 2003 had a median



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pay package of \$7,327,472, a 0.2 percent slip from \$7,342,725 in 2002.

FEWER OPTIONS

The median value of stock option grants fell to \$3.5 million in 2003, down 27.5 percent from \$4.8 million. The percentage of CEOs receiving option grants declined to 83.0 percent in 2003, down from 88 percent in 2002. Equilar uses the Black-Scholes method of options valuations.

Ryterband said companies are now forced to think about how much options will cost, as opposed to a time when they were only concerned about whether they had the shares available for an option program.

"It is a fundamentally new way of thinking," he said. "They are moving away from stock options, toward full-value grants."

And this is illustrated in the Equilar analysis.

The median value of restricted stock for CEOs last year grew by nearly 40 percent to \$2.65 million in 2003, from \$1.9 million. Also, the portion of CEOs getting restricted stock awards rose to about 29 percent of the survey group from 26 percent in 2002.

The Equilar study is based on pay data drawn from corporate proxy filings for 223 companies in the S&P



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