

## Top bosses get 21% raise

**Pay increases for Iowa's leading CEOs often tied to profits and share prices.**

**A special report from the Des Moines Sunday Register.**

By S.P. DINNEN  
REGISTER BUSINESS WRITER

The bosses of Iowa's largest companies received an average 21 percent pay increase last year, dwarfing the raises of the average Iowan.

But the Des Moines Sunday Register's survey of 2004 executive pay found that bosses are increasingly getting paid based on their performance. Chicago compensation consultant Donald Delves reviewed the numbers for the 20 largest publicly traded companies based in Iowa and said he saw few instances of pay failing to track profits and share prices.

"I actually see a fairly positive story," said Delves. "You've got pay for performance going on here."

At Sioux City-based Terra Industries Inc., for instance, losses in 2003 turned to profits in 2004 and the stock price more than doubled. CEO Michael Bennett saw his total compensation more than double, as well, to \$1,381,460 from \$530,732.

At the other end of the spectrum, EMC Insurance Group Inc. saw net income fall 35 percent between 2003 and 2004 and its share price stagnated. CEO Bruce Kelley was paid no bonus in 2004, as he had been in 2003, and his total compensation fell 26 percent.

Altogether, the CEOs of Iowa's 20 largest companies had a good year. Collectively, their total compensation amounted to \$31,644,958, which was 21.33 percent more than the group earned in 2003.

During 2004, the Nasdaq Composite Index showed a total return of 9.15 percent, and the S&P 500 Index return was 10.87 percent. Nationally, average CEO pay rose 13 percent between 2003 and 2004, according to proxy statements of nearly 180 multibillion-dollar corporations that were examined by compensation consulting firm Pearl Meyer & Partners.

CEOs nationally earned much more than their Iowa counterparts. Meyer estimated that on average the executives in its study earned \$10 million in 2004. In Iowa, the average total compensation was \$1.58 million.

"Pay was up significantly for CEOs," said Ryan Compaan, a senior consultant with Mercer Human Resource Consulting in Chicago. "Performance was very strong as well."

When it measured total shareholder return - stock price appreciation plus dividends - Mercer found that the median rise in 2004 was 17.4 percent. That marched in lockstep with the 17.1 percent median rise in CEO total direct compensation that Mercer measured in its study of 350 large corporations.

Some shareholders have called on corporate boards to rethink the way they award compensation to more closely connect executive pay to performance.

Delves said that it always is easy to find examples of pay for non-performance nationally. In general, though, he said that during the past 10 to 15 years the trend has been to move more toward a system that more directly links the executive's fortunes to those of the company.

Unions say CEO salaries are still out of whack in relation to the working man and woman.

The increase in CEO pay nationally and in Iowa stands out compared with average workers. In the past year, the average Iowa worker's pay, including overtime, rose by 4.3 percent, according to Iowa Workforce Development.

### Best-paid Iowa executives in 2004

**1. J. Barry Griswell** — Chairman, CEO and president, Principal Financial Group Inc. \$4,963,752. **More on Griswell**

**2. Mary E. Junck** — Chairman, CEO and president, Lee Enterprises Inc. \$4,383,300

**3. Roger Brooks** — Chairman, CEO, AmerUs Group Co. \$3,332,277

**4. Mark Oman** — Group executive vice president, Wells Fargo & Co. \$3,185,176

**5. William Kerr** — Chairman, CEO, Meredith Corp. \$3,162,115

**Download the complete list**

Brandon Rees of the AFL-CIO estimated that average CEO pay stood at 42 times that of the average worker in 1980. By 1990 that ratio had expanded to 85 times, and today, he said it is 300 times more than what the average worker makes.

"You can't argue today that a CEO is five times more important than he was 10 years ago," Rees said. The system that appoints directors to executive compensation committees is flawed, he said, and individual shareholders don't have access to it or input.

Rees did applaud corporate America for shifting away from stock options, which gives executives the right to purchase an agreed-upon number of shares of stock at a set price within a set period of time. Rees and other opponents of options have said that they can encourage risky behavior by CEOs, who might take short-term steps to boost the value of the shares they're due to receive when they should be counting on long-term enhancements to shareholder value.

While options may be fading nationwide, 14 Iowa companies - 70 percent of the top 20 - still found them useful and issued them to top brass in 2004. Nationally, pay consulting company Equilar said that 84 percent of 1,700 companies it surveyed still issue options.

A recent phenomenon is the reward of so-called restricted stock. They are granted in, say, 2004 for performance during the year, or even multiple prior years, and then become property of the executive, typically in three years' time.

Unlike options, however, the value of restricted stock is largely guaranteed. Delves said that options can sometimes expire worthless because their value when issued may be more than the stock is selling for by the time the executive is allowed to buy it.

With restricted stock, however, a specific number of shares is issued. Short of a bankruptcy there will always be some value to those shares, said Ryan Compaan, a compensation analyst with Mercer Human Resource Consulting.

"Restricted stock is somewhat aligned with shareholders," Compaan said. Such an award puts a specific number of shares into the executive's hands, theoretically encouraging him or her to behave in a way that will increase the value of those shares over time.

The AFL-CIO's Rees said any award of stock should be tied to performance of the company, measured by a variety of factors such as profits or return on equity. FBL Financial Group Inc. of West Des Moines said it has set up several performance criteria in its award of \$374,989 worth of shares in 2004 to CEO William Oddy.

"It is subject to forfeiture," if Oddy doesn't hit marks set for him by directors, said spokeswoman Kathleen Till Stange.

In some cases, stock awards are made for past performance. Principal Financial Group Inc.'s J. Barry Griswell received \$1.5 million in stock awards in 2004 for benchmarks he already passed.

Among Iowa companies, five issued restricted stock in 2004. Mary Junck at Lee Enterprises Inc. was the top recipient of restricted stock, with \$2,310,500 credited to her in 2004 and \$1,905,600 in 2003.

Dan Hayes, a spokesman for Davenport-based Lee, said compensation committees composed of outside directors determine pay and restricted stock awards. Various factors go into setting pay and bonuses, he said, such as comparing what peer companies pay, assessing what it takes to attract and retain top talent, and meeting performance measurements.

Results counted at Casey's General Stores Inc., where CEO Ronald Lamb saw his total pay shrink 22.8 percent during the convenience store operator's fiscal year 2004. Net income for Casey's fell from fiscal 2003 to 2004.

"There's nothing magical about that," said William Walljasper, chief financial officer of Ankeny-based Casey's. "We didn't hit the trigger" for bonuses to kick in.

Lamb saw his base salary climb, from \$550,000 to \$687,500, but Walljasper said that's because he stepped into the CEO position.

The biggest drop in pay, in both dollar and percentage terms, went to Clayton Jones, CEO at Rockwell Collins Inc. The Cedar Rapids-based electronics company saw its share price rise a healthy 31 percent in 2004, and profits rose from \$258 million from \$301 million. That caused the bonus paid Jones to nearly triple, to \$1.4 million. But it wasn't enough to overcome the loss of a \$2.475 million long-term incentive payment made to him in 2003.

■ **[Click here to go back to article](#)**

Copyright © 2005, The Des Moines Register.

Use of this site signifies your agreement to the Terms of Service (updated 1/3/2003).