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### **Fidelity Board Cashes In With A Raise**

---Alison McKiegan

The board overseeing the **Fidelity Funds** has reportedly given directors a raise of at least \$25,000 from their current average compensation of \$262,545, according to *CR* sister publication *Fund Directions*. The compensation has not yet been disclosed in **Securities and Exchange Commission** filings. Now that Fidelity directors will be getting a raise, one consultant predicted others will follow, despite the regulatory climate. Industry observers said it is a bold move considering the level of criticism boards have received in the last year--much of it related to compensation. This is especially true at firms the size of Fidelity, where directors collect a fee for each of the over 200 funds they oversee. A compliance officer at a Boston asset management firm noted that raises in directors' salaries complement raises for compliance officers as regulatory demands rise.

Many directors, who have been working much harder since the passage of the Sarbanes-Oxley Act and the beginning of the mutual fund scandals, have collected more meeting fees as a way to compensate for the extra hours they are putting in. But board compensation experts have said fund boards have been shying away from increasing their pay at a time when they've been under increased public scrutiny.

**Marvin Mann**, chairman of the independent directors and the man many see as the first soon-to-be independent chairman of the fund group, said, however, that it has been a long time since the directors have received a raise. "We've been working very hard," he said, acknowledging there will be a pay hike. Mann would not disclose specifics.

If the hike is 10%, it would be in line with compensation trends among corporate boards as the directors on **Standard & Poor's** 500 companies increased their overall pay an average of nine percent in 2003, according to a survey conducted by **Equilar Inc.** "A big difference is that a lot of the compensation for corporate boards comes in the form of stock," said **Tim Ranzetta**, Equilar's president and ceo.

"It signifies that the Fidelity board considers itself an executive committee of the funds, not necessarily a part-time watchdog because their compensation is already so high," says **Max Rottersman**, president of **FundExpenses.com**. Rottersman pointed out that the board for the **Vanguard Funds**, which oversees roughly the same amount of assets, earns about one-third of what is paid to the Fidelity directors. But Ranzetta made the point that the Fidelity board oversees more managed funds, which, it could be argued, requires more portfolio analysis.