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The S&P 500's '100 most overpaid CEOs'

Vinnie Rotondaro | Feb. 18, 2015

A new report has compiled the "100 most overpaid CEOs" in the S&P 500 and "examines the forces behind the trend of ever-increasing CEO pay."
The report was released late last week by the corporate responsibility nonprofit As You Sow.

It states that "CEO pay grew an astounding 937% over the past 35 years" and that "the explosion in executive compensation greatly outpaces growth in the stock market and economic productivity."

"Simply put, it is not good for the companies, the shareholders, the customers, the other employees, the economy, and society as a whole to keep putting more and more money in the hands of just a few people."

"The system in place to govern corporations has failed in the area of executive compensation," the report reads. "Like all the best governance systems, corporate governance relied on a balance of powers. That system envisioned directors representing shareholders, and guarding the company's assets from waste. In other words, in expected negotiations over pay, it is the job of director to ensure that CEOs are not paid more than is required for their services. Too often directors have deferred to compensation consultants and approved packages not in the interests of shareholders."

"The governance system came from a time when it was assumed that unhappy investors would simply sell their stakes if sufficiently dissatisfied with the governance of a company," it reads. "However, today more and more investors own shares through mutual funds, often investing in S&P 500 index funds. The pay packages analyzed in this report are the companies that the majority of retirement funds are invested in. Today, those casting the votes on the behalf of shareholders frequently do not represent the shareholders' interests."

The report lists four key findings:

1) That "there is consensus on the worst actors," as "two different models were used to analyze pay -- one statistical and one that is a comprehensive analysis of data points -- and both largely agreed on the worst offenders."

2) That "the most overpaid CEOs represent an extraordinary misallocation of assets." According to the report, "the nine most overpaid had compensation at least $20 million more than if their pay had been appropriately aligned with performance."

3) That "a tremendous range" exists in "mutual fund focus and voting" on the issue of CEO pay: "Of the largest mutual funds, American and Schwab approved less than 60% of these packages, while Blackrock supported 95% of them. Some funds seem to routinely rubber-stamp management pay practices, enabling the worst offenders and failing in their fiduciary duty."

4) That "directors who should be acting as the stewards of shareholder interests have too often compromised on that responsibility, and need to be held accountable."

The report lists Anthony G. Petrello, of Nabors Industries Ltd., as the most overpaid CEO, with a compensation of $68,246,187.

Other corporations listed in the top 25 include: CBS Corporation, Discovery Communications, Inc., The Walt Disney Company, CVS Caremark Corporation, Viacom, Inc, Ralph Lauren Corporation, Exxon Mobil Corporation, Ford Motor Co., Chipotle Mexican Grill, Inc., Comcast Corporation and AT&T, Inc.

The report recommends that shareholders "make sure their assets are voted wisely," that mutual fund owners and pension contributors "hold their fund managers accountable," and that shareholders "hold board directors accountable."