

EXECUTIVE COMPENSATION TRENDS

March 2007

EQUILAR, INC.
Analysis with Insight

[Equilar Home](#) | [Markets](#) | [Products](#) | [Knowledge Center](#) | [Newsletters](#) | [Contact](#)

Disappearing Perquisites

Early examples of companies eliminating perquisites

Overview

As the number of new proxy filings continues to swell, a movement away from the use of perquisites has emerged. While it is still too early to complete a comprehensive analysis on the state of benefits and perquisites for executive officers, the following examples indicate that many perquisites, once considered a standard part of the compensation package, are disappearing.

Elimination of Perquisites

- **Sunoco, Inc.**

DEF 14A filed on March 9, 2007

[LINK](#)

"The year 2006 was a transition year for perquisites. Many perquisites were voluntarily eliminated following reviews in 2005 and 2006. The dollar amount of the perquisites received by the NEOs in 2006 is included in the Summary Compensation Table on page 52, under "All Other Compensation" and in the table on page 57.

- At the request of the CEO, tax gross-ups for personal use of the corporate aircraft by him and members of his family were eliminated beginning in 2006. Gross-ups are still provided for the CEO and other executives where the usage is deemed to be business-related (e.g., when a spouse is accompanying the executive on a business-related trip).
- Effective January 1, 2006, Mr. Drosdick voluntarily discontinued receiving reimbursement of his private country club fees and dues. Effective April 2006, the Company discontinued reimbursing the other executives for fees related to country club memberships. Beginning in 2007, the Company will no longer provide reimbursement of annual dues associated with personal country club memberships for the other executives, with the exception of one executive who was grandfathered for the payment of club initiation fees due to prior commitments.
- Mr. Drosdick voluntarily elected to return his Company-provided leased vehicle in July 2006, and will no longer have a Company-provided vehicle. Mr. Drosdick continues to use the Company-provided parking space, but elected to pay the Company up-front for the full market value of the space for the year. Other executives continue to be provided with a Company-provided parking space and recognize imputed income for the space and pay the applicable

taxes.

- The annual financial counseling allowance was discontinued beginning on January 1, 2007. The allowance was provided for 2006, but any unused portion could not be carried over into 2007. The executives are permitted to continue to use any amounts that were accrued prior to 2005 until the balances are depleted. Mr. Drosdick voluntarily gave up his financial counseling benefit effective January 1, 2006.
- Messrs. Drosdick, Maness, Owens and Valutas have Company-provided home security monitoring. Mr. Drosdick elected to pay the Company up-front for the full value of the monitoring system for the year. The other executives recognize imputed income and pay their applicable taxes. "

- **Federal National Mortgage Association**

8-K filed on February 20, 2007

[LINK](#)

"On February 14, 2007, Fannie Mae decided to eliminate the following perquisites or personal benefits that the company previously provided to its officers:

- payment for financial counseling, effective as of July 1, 2007;
- use of company transportation for any non-business purpose which, effective as of January 1, 2007, will be required to be reimbursed to the company;
- company-owned memberships at country clubs, effective as of January 1, 2008;
- excess liability insurance, effective as of January 1, 2008 for all officers, and effective as of March 1, 2007 for any person who becomes an officer on or after that date;
- any "gross-up," or increase, in income to cover taxes due on any excess liability insurance provided by the company to any officer, effective as of January 1, 2008; and
- any "gross-up," or increase, in income to cover taxes due on any life insurance provided by the company to any officer, effective as of January 1, 2008."

Base Salary Increases to Offset Perquisite Cuts

- **Hexion Specialty Chemicals, Inc.**

10K filed on March 22, 2007

[LINK](#)

"In January 2006, the Committee eliminated the executive perquisite program and increased the amount of the base salary for each executive who lost these benefits. The amount of the increase for Mr. Morrison was \$40,000, for Messrs. Carter and Bevilaqua-\$30,000, and for Ms. Coffin-\$25,000. In

general, the Company no longer provides perquisites to attract or retain executives. Exceptions may be made, especially in international locations where cultural differences require a perquisite so that the individual's total compensation package is competitive."

- **Lockheed Martin Corp.**

DEF 14A filed on March 16, 2007

[LINK](#)

"In December 2006, we decided, beginning January 1, 2007, we would no longer pay or reimburse Executives for annual club memberships, financial counseling and tax preparation, or provide event tickets for personal use and company car and driver for personal commuting and security, unless the Executives reimburse us for any incremental cost associated with those items if the Executive makes use of them. In addition, we limited company reimbursement or payment to officers elected prior to January 1, 2007 for club initiation fees and the retired officer death benefit. As part of the restructuring of the perquisite program, the Committee adjusted the Executives' salaries as described earlier in this CD&A."

- **Standard Register Co.**

DEF 14A filed on March 16, 2007

[LINK](#)

"In December 2006, cash perquisite accounts were eliminated and added to base salary compensation for 2007. The only perquisite for officers, including executive officers, in 2006 was \$18,000 to be used for car expenses, club memberships, and financial and tax planning. Club memberships foster community and business relations, while the other perquisites provide personal benefits to participants. Executive officers participate in our healthcare and other benefit programs on the same terms as other employees. Our use of perquisites as a component of compensation is limited and largely based on historical practices and policies of our company. Our Compensation Committee endeavors to adhere to a high level of propriety in managing executive benefits and perquisites."

Negative Disclosure

- **PepsiCo, Inc.**

DEF 14A filed on March 26, 2007

[LINK](#)

"Consistent with our philosophy of making compensation primarily performance-based, executive perquisites are limited to a company car and annual physical. Personal use of company aircraft and ground transportation are also available and are utilized on a limited and selective basis, with executives fully responsible for their tax liabilities associated with any personal use of aircraft and ground transportation. **Executive officers do not receive other perquisites such as country clubs, financial planning or company-paid apartments.**"

- **Stanley Furniture Company, Inc.**

DEF 14A filed on March 16, 2007

[LINK](#)

"We provide a limited number of perquisites for executive officers. We provide estate and tax planning services to encourage executives to address these important issues in a time-efficient manner. **We do not own a plane and do not provide any personal aircraft use for executives.** We provide our chief executive officer, Mr. Scheffer, with a company car that is leased for him. Mr. Scheffer is taxed on all personal use of the car. The car is a part of his overall compensation program and is provided because our office location in Stanleytown, Virginia requires Mr. Scheffer to travel by car to visit factories, vendors and customers."

Follow-Up

To cite Equilar research in your story, blog, presentation, or newsletter, please refer to Equilar as, "Equilar, Inc., an executive compensation research firm" with a hyperlink to our homepage at <http://equilar.com/>.

Please refer to this article as "Equilar examples of companies eliminating executive perquisites" with a hyperlink to http://www.equilar.com/newsletter/march_2007/2007_03_ect_article_2.html.

To learn more about ExecutiveInsight, our executive compensation database, or Equilar's Custom Research services, please contact Equilar by phone at **(877) 441-6090** or via e-mail at info@equilar.com.

CONTACT EQUILAR

Tell us what you think! The Equilar newsletter team would love to hear your suggestions and ideas about research that you would like to see in our newsletter. For article suggestions, questions, or general comments, please e-mail Alexander Cwirko-Godycki at acg@equilar.com. For inquiries about our on-line database products or custom research services, please call (877) 441-6090 or e-mail info@equilar.com. Please also visit our Web site at <http://www.equilar.com/> for more information. We look forward to assisting you with your compensation analysis needs.

To subscribe or unsubscribe, please click [here](#). Please do not reply to this email.

DISCLAIMER

The information and analysis in this e-mail and attachments are intended to be for informational purposes only. The analysis is based on information taken from publicly filed documents and we do not represent to its accuracy. Equilar, Inc. assumes no liability for the use or interpretation of information contained herein. This publication is provided "as is" without warranty of any kind, either expressed or implied, including, but not limited to, the implied warranties of merchantability, fitness for a particular purpose, or non-infringement of third party rights.

