



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

EMBARGOED FOR 2:00 PM EDT: March 23, 2010

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SPECIAL MASTER ISSUES 2010 RULINGS FOR ‘TOP 25’ EXECUTIVES AT FIRMS RECEIVING EXCEPTIONAL TAXPAYER ASSISTANCE AND ‘LOOK BACK’ LETTER ON REVIEW OF PRE-RECOVERY ACT COMPENSATION

To view the determinations, visit [link](#).

Today, the Special Master for TARP Executive Compensation, Kenneth R. Feinberg, issued his rulings on 2010 executive pay packages for the ‘Top 25’ executives at the five remaining firms that received exceptional assistance from taxpayers: AIG, Chrysler, Chrysler Financial, GM, and GMAC. Because Bank of America and Citigroup repaid their exceptional assistance, they are not subject to the Special Master’s 2010 rulings. The Special Master also released a letter requesting information on compensation paid to the ‘Top 25’ executives at each firm that received TARP assistance before February 17, 2009 to obtain information needed for the ‘look back’ review required by the Recovery Act.

Today, the Special Master:

- 1. Issued new rulings on 2010 pay for ‘Top 25’ executives at firms that received exceptional support**
 - Overall cash for these specific executives down, on average, by 33 percent from 2009 levels
 - Total pay for these specific executives down, on average, by 15 percent from 2009
 - Cash salaries kept at \$500,000 or less for 82 percent of covered executives
 - Retains key talent—84 percent of executives included in 2009 rulings remain with the companies
 - At AIG Financial Products, pledges fully repaid—and cash salaries frozen (with one exception), with all additional compensation paid in stock that must be held over time
 - At GMAC, CEO taking only stock, and no cash salaries over \$500,000
- 2. Reaffirmed fundamental compensation reforms announced last year for 2010**
 - Majority of compensation paid in stock that must be held for the long term
 - Incentives paid only if objective performance goals are achieved—and subject to “clawback”
 - Tough limits on perquisites and excessive retirement pay kept in place for 2010
- 3. Issued ‘look back’ letter on review of compensation paid prior to the Recovery Act**
 - Requests information needed to implement review mandated by the Recovery Act but limits requests to those earning over \$500,000 to reduce burdens on small banks
 - Responses due in 30 days; Special Master will review compensation information to identify whether any payments were contrary to the public interest
 - Special Master to seek to negotiate for appropriate reimbursements to taxpayers as required by the Recovery Act

1. **New rulings on 2010 pay for ‘Top 25’ executives at firms that received exceptional support:** Today the Special Master ruled on pay for the ‘Top 25’ executives at the five remaining firms that received exceptional financial assistance under the TARP: AIG, Chrysler, Chrysler Financial, GM, and GMAC. The 119 executives included in the 2010 rulings include both executives who were subject to the Special Master’s 2009 decisions and officials new to the ‘Top 25.’
 - ***Overall cash pay for these specific executives down, on average, by 33 percent from 2009 levels:*** The Special Master has decreased total cash by 33 percent compared to the cash compensation these individual executives received in 2009.
 - ***Total pay for these specific executives down, on average, by 15 percent from 2009:*** The Special Master also reduced total compensation at AIG, GMAC, and Chrysler Financial by 15 percent compared to the pay these executives received in 2009. (GM and Chrysler are excluded from this total due to bankruptcy restructurings that occurred in the middle of 2009.) Total pay decreased even including the value of the long-term stock the Special Master is requiring executives to hold over the long term.
 - ***Cash salaries kept at \$500,000 or less for 82 percent of covered executives:*** The Special Master held the line on cash salary, continuing to require that salaries be limited to \$500,000 or less, with exceptions only where good cause is shown. Some 82 percent of the executives subject to today’s rulings will receive cash salaries of \$500,000 or less—even though the companies requested many more exceptions.
 - ***Retains key talent—84 percent of executives included in 2009 rulings remain with the companies:*** More than 80 percent of the executives the Special Master ruled on in his 2009 decisions remain with the companies in early 2010, working to create the long-term value that will help the companies repay taxpayers.
 - ***At AIG Financial Products, pledges fully repaid—and cash salaries generally frozen, with all additional compensation in stock that must be held over time:*** The Special Master succeeded in making sure that AIG Financial Products executives repaid the entire \$45 million they pledged to give back from previous bonuses. Taking those bonuses into account, the Special Master today announced that cash salaries at AIG Financial Products will stay frozen (with one exception). And, in a fundamental shift from the guaranteed bonuses of the past, the Special Master required that all other pay at AIG Financial Products be in the form of stock that must be held over time—to ensure that executives work for long-term taxpayer value rather than short-term gains.
 - ***At GMAC, CEO paid only in stock, and no cash salaries over \$500,000:*** The CEO of GMAC will receive no cash salary—all of his compensation will be paid in stock that must be held over the long term—and no GMAC executive will receive a cash base salary of more than \$500,000.
2. **Fundamental compensation reforms announced last year reaffirmed for 2010:** The Special Master’s 2010 rulings also reaffirm the principles announced last year to bring executive pay into line with long-term value creation and financial stability.
 - ***Majority of compensation paid in stock that must be held for the long term:*** Last year, the Special Master’s rulings required that a majority of compensation be paid in stock that must be held over time, including “stock salary” that requires the executive to invest in the company alongside taxpayers with each and every paycheck. The rulings announced today reaffirm that approach for 2010, requiring that executives accept the majority of their pay in the form of stock that must be held over time.
 - ***Incentives may be paid only if objective performance results are achieved—and must be subject to “clawback” if results prove illusory:*** In a departure from the previous practice of routinely paying bonuses despite poor performance, last year the Special Master ruled that incentives could be paid only if objective performance measures were achieved. Today’s rulings reaffirm that requirement, and keep in place the Special Master’s additional requirement that any incentives be subject to clawback if the results giving rise to the payment do not hold up over the long term.

- ***Tough limits on perquisites and excessive retirement benefits kept in place for 2010:*** The Special Master’s 2009 rulings limited executive perquisites to no more than \$25,000 and froze supplemental retirement plans that have long provided excessive payments hidden from public view. The Special Master today extended those limits to 2010, concluding that executives should build savings for retirement based on performance—rather than through guaranteed retirement benefits provided at taxpayer expense.
3. ***‘Look back’ letter on review of compensation paid prior to the Recovery Act:*** The Special Master also issued a letter to all 419 firms that received TARP assistance prior to February 17, 2009, requesting information on compensation paid to their ‘Top 25’ executives prior to that date. As required by the Recovery Act, the Special Master will review those payments to determine whether any payment was contrary to the public interest—and, if any such payment is identified, will seek to negotiate reimbursements to the federal government.
- ***Requests information needed to implement review mandated by the Recovery Act but limits requests to those earning over \$500,000 to reduce burdens on small banks:*** The Recovery Act requires that Treasury review compensation paid to executives between the date each TARP recipient received funding and February 17, 2009—the date the Recovery Act became law. The letter issued today requests information needed for the Special Master to conduct that review. To limit the burden on community banks that participated in TARP, the review is tailored to require only information on payments to executives who earned over \$500,000 a year.
 - ***Responses due in 30 days; Special Master will review compensation information to identify whether any payments were contrary to the public interest:*** Each TARP recipient must provide the required information within 30 days of the “look back” letter. Then, as required by the Recovery Act and Treasury regulations, the Special Master will review the information to determine whether any payment was inconsistent with the public interest.
 - ***Special Master to seek to negotiate for appropriate reimbursements to taxpayers as required by the Recovery Act:*** If the Special Master identifies any payments contrary to the public interest standard under the Recovery Act and Treasury regulations, the Special Master will seek to negotiate with the company and the employee for appropriate reimbursements to the taxpayer.

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