# MASS. MARKET: Strong move afood for investors having say in execs' pay

**By Jon Chesto**
**The Patriot Ledger**
*Posted Jun 12, 2009 @ 11:02 PM*

BOSTON — The Obama administration received plenty of attention in the past few days for pushing legislation that would require public companies to run their top execs' pay packages by shareholders each year.

A loose coalition of investors and activists has already made notable progress toward that goal, but they've largely toiled outside of the public spotlight.

Investors submitted resolutions for about 100 corporate proxies that called for annual meeting votes this year on whether companies should adopt a "say-on-pay" approach. That number, according to Boston-based Walden Asset Management senior vice president Tim Smith, represents a modest increase from 90 companies last year.

Smith says 18 of these received a majority of votes this year, compared with about a dozen last year. He says the proposals attracted an average of 47 percent of the votes among all the companies, up by about 5 percentage points from 2008.

However, it is still up to each company's management to adopt the proposals, which generally call for a non-binding shareholder vote on top executives' pay levels each year.

Smith says about 25 companies voluntarily implemented say-on-pay proposals since his socially-conscious investment firm joined this crusade three years ago with the American Federation of State, County and Municipal Employees. Today, more than 75 institutional and individual investors are involved.

Smith says many investors have become deeply worried about the rampant abuse of runaway pay packages and golden parachutes, particularly for CEOs who presided over financial failures. Say-on-pay proposals could help curb such abuses by giving shareholders a stronger way to voice their concerns.

In Massachusetts, both State Street Corp. and EMC Corp. have seen say-on-pay proposals come their way, courtesy of the Boston-based Unitarian Universalist Association of Congregations.

At EMC's recent annual meeting in its hometown of Hopkinton, nearly 50 percent of the votes were cast in favor of a say-on-pay rule. A spokesman for the high-tech company says the firm is still studying the proposal.

The UUA withdrew its proxy proposal at State Street after rules for financial firms that accepted federal funds required State Street to hold a shareholder vote on executive pay packages anyway.

It's not clear what will happen now that Boston-based State Street is returning the federal money. Tim Brennan, the UUA's treasurer, attended State Street's recent annual meeting and asked CEO Ron Logue about whether the company would continue to hold advisory votes on compensation.

The company, according to a spokeswoman, still hasn't made a decision. Brennan vowed to refile the say-on-pay resolution if State Street doesn't adopt it voluntarily – or if Congress doesn't first require all public companies to hold such votes.

Brennan, who oversees the investment of his organization's $100 million endowment, understands that the resolutions still don't give shareholders direct control over executive pay. But he says they represent an important way for investors to voice their dissatisfaction with a CEO they believe is being overcompensated.

Over at the United for a Fair Economy office in Boston, the organization recently celebrated its strongest performance in 12 years of pursuing various shareholder votes. About 61.5 percent of the votes at Prudential Financial's annual meeting were cast in favor of United for a Fair Economy's say-on-pay proposal. Mike Lapham, director of the organization's Responsible Wealth project, says Prudential still hasn't decided whether to honor that majority vote.

As activist investors continue to bang on the doors of the nation's biggest companies, politicians in Washington have been moving to get a universal say-on-pay requirement in place.

Rep. Barney Frank, the Newton Democrat who chairs the House financial services committee, helped move the bill to a successful House floor vote in 2007. But it stalled in the Senate, where Republicans held more power, despite the vocal support of then-senator Barack Obama.

The bill's chances of becoming law have increased greatly now that Obama is running the White House and the Democrats have a stronger majority in the Senate.

However, this band of activist investors has also improved the legislation's outlook. They've shown that widespread support for say-on-pay measures exists among a range of shareholders. They've also proven the sky won't coming come crashing down on companies after they adopt it.

When President Obama finally signs this bill, he'll have some energetic watchdogs in Boston to thank for its success.

*Jon Chesto, The Patriot Ledger's business editor, may be reached at jchesto@ledger.com.*