AGENDA

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Avoiding 'Holy Cow' Moments

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Compensation committees need to make extra certain they know what payouts departing executives would get under different scenarios. That's especially true given all the scrutiny on the large exit packages some executives took with them as they left their companies last year. So **Melissa Means**, comp consultant with **Pearl Meyer & Partners**, writes in *Directorship* magazine.

To avoid having a "Holy Cow" moment, Means writes, directors should obtain an economic impact analysis, or EIA. Such an analysis looks at pay and performance, factoring in the way changes in stock price or company performance will affect performance plan payouts.

The key to the EIA is the set of assumptions it uses to forecast future performance, according to Means. These assumptions should take into account a company's past performance, its peer group's performance and management's projections for future performance.

An effective EIA should answer questions in three areas, Means writes. First, the review should help management understand the range of potential payouts under the current pay program. It should also help answer whether the pay program is appropriate and whether it lines up with the company's philosophy and strategy.

In the midst of the mortgage mess, many of the CEOs at financial services companies might find themselves with smaller exit payouts than they expected, *BusinessWeek* reports, citing research by **The Corporate Library**. The exception is **Lehman Brothers** CEO **Richard Fuld Jr.**, whose exit package is valued at a near-record $299 million. million.