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Public and Union Pension Funds Announce New Shareholder Proposals at Bank of America, Sprint and Conseco to Curb Excessive CEO Pay

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Washington, D.C. - - Institutional investors and public and union pension funds - including AFL-CIO Secretary-Treasurer Richard Trumka, Connecticut State Treasurer Denise Nappier, and Vice Chairman of Amalgamated Bank, Bruce Raynor - today announced shareholder proposals to curb excessive executive compensation at Bank of America, Sprint and Conseco, and declared victory at HealthSouth with similar proposals.

Driving the executive pay campaign are public employee pension funds of New York City Employees' Retirement System and Teachers' Retirement System for the City of New York, New York State, the State of Connecticut, and union funds affiliated with the International Brotherhood of Teamsters and the International Brotherhood of Electrical Workers (IBEW). The union-owned Amalgamated Bank's LongView Investment Fund is also participating in the effort.

The funds stressed that shareholders benefit when companies adopt responsible executive compensation policies. Nappier stated, "In these turbulent times in the market, it is even more important for stockholders and corporate leadership to recognize the advantages of linking compensation to performance. Ultimately, we believe this approach will be in the best interest of all the stakeholders." Nappier announced that her fund obtained favorable settlements of proposals submitted to HealthSouth (ticker: HRC) which will result in a closer connection between pay and performance.

According to the funds, however, a number of companies continue to award generous compensation to CEOs even when performance lags. As a result, both public and multi-employer pension funds have stepped up their activism this year on pay issues, with union-sponsored funds, Trumka said, doubling the number of shareholder proposals submitted on executive compensation. "Shareholders are tired of over-paying underperforming CEOs," he said. "Lavish CEO pay hurts shareholders, and that's a concern for the millions of working families who are stock owners through pensions and other funds." Richard Ferlauto of Institutional Shareholder Services echoed that sentiment:

"Executives have come to see large option grants as a birthright, rather than compensation that must be earned."

Singled out for attention was Bank of America (ticker: BAC), whose CEO, Hugh McColl, was paid over $75 million in 1999, a year in which the price of the company's stock actually declined by over 16%. The Amalgamated Bank's Longview Fund seeks to remedy that imbalance by requesting that Bank of America use "performance-based" stock options. Bruce Raynor, Vice Chairman of the Amalgamated Bank, explained, "It's customary in America to get a raise for a job well done. Bank of America violates this principle in the most offensive manner, robbing public shareholders by awarding Mr. McColl a 50% increase in total compensation when the company underperformed under his leadership." And in response to a severance package Bank of America granted ex-CEO David Coulter, which was valued at between $50 and $100 million, the Teamsters General Fund submitted a proposal asking Bank of America to put such packages to a vote of shareholders in the future.

Another target the group unveiled was Conseco (ticker: CNC), the troubled insurance and financial-services company. According to the funds, although Conseco has underperformed both its peer group and the S&P 500 since 1998, ex-CEO Stephen Hilbert received stock option grants valued in the aggregate at over $44 million in 1998 and 1999. Conseco's new CEO, Gary C. Wendt received a $45 million dollar signing bonus. In addition, he was given 3.2 million shares of stock, and options to buy 10 million more. New York City Employees' Retirement System and Teachers' Retirement System for the City of New York is calling on Conseco to begin using performance-based stock options, while the Amalgamated Bank's Longview Fund is seeking disclosure on the extent of shareholder dilution caused by outstanding stock options held by senior executives.

Sprint (ticker: FON) was the final company whose practices came under attack, this time for "repricing" or lowering the exercise price on outstanding executive stock options late last year. Repricing, the funds said, eliminates the incentive effect of options by sheltering holders from stock price declines. The New York State Common Retirement Fund and the IBEW Pension Benefit Fund have co-sponsored a proposal that would prohibit such repricing without shareholder approval.

According to 2001 opinion research by Peter Hart Research, 78 percent of the public says that it's important that everyone, not just the CEOs, gets their fair share in a growing economy. In fact, people ranked this as one of the top three economy-related goals that are important for the future.

The AFL-CIO Executive PayWatch website (www.paywatch.org) gives visitors the inside story on CEO pay and lets them compare their pay to updated CEO pay figures. Since its launch in 1997, PayWatch has remained among the Internet's most popular sites with more than eight million hits a year.