

CEO cash comp up 17 percent in 2010

It looks like 2010 was a boom year for CEO compensation.

According to a new analysis of proxies conducted by Towers Watson, median total cash compensation increased 17 percent for CEOs last year. This compares with a 3 percent median increase the prior year. To compute cash compensation, the consulting firm includes base salary, as well as annual and discretionary bonus payments.

Total direct compensation, which includes total cash compensation plus the grant value of long-term incentives, including stock options, restricted stock and long-term performance plans, increased 9 percent in 2010. This compares with a decrease of 1 percent the prior year, according to the study, which looked at 2011 proxies filed by 170 Fortune 1000 companies by late March.

Towers Watson says annual bonuses played a major role in the double-digit increase in total cash compensation.

Nearly three out of four CEOs (72 percent) received bonuses that exceeded 100 percent of their 2010 target annual bonus. This is the largest percentage of CEOs to have received more than 100 percent of their target bonus since 2007.

On the other hand, just 8 percent of CEOs either received no bonus or less than half of their target bonus, way off from 21 percent the previous year.

"Compensation for CEOs has returned to levels we haven't seen since before the economic crisis," said Doug Friske, global head of executive compensation consulting at Towers Watson. He asserts that the fact that CEO pay declined or remained flat in years when corporate profits were weak, and then rebounded when profits and the stock market recovered, clearly demonstrates that the pay-for-performance model is working.

Towers Watson also found that 29 percent of companies made one-time and/or retention grants in 2010, compared to 16 percent in 2009. The vast majority of grants in both years were awards that vest solely on the basis of time, it notes.

In addition, one-quarter of companies changed the performance measures used for 2010 annual bonuses, while slightly fewer (24 percent) changed performance goals for long-term incentive awards.