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Outraged investors unite on overpaid execs! Fund manager's group wants to 'dump a little tea in the harbor'

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Shad Rowe is mad as hell, and he's not going to take it anymore.

The 59-year-old Dallas private investment fund manager is furious about executive compensation packages that have gone from excessive to obscene.

And he's fed up with institutional money managers - the folks who run our mutual funds and pension plans - who don't stand up for us when they see this largesse.

He thinks we should be, too.

So he's formed the Investors for Director Accountability Foundation and enlisted a number of high-profile business moguls to help with his crusade, including Texans Harold Simmons, Rusty Rose, Boone Pickens and Leo Linbeck Jr.

Jack Bogle, a mutual funds pioneer who founded the Vanguard Group Inc. and is considered the father of index fund investing, joined the organization's national steering committee last week.

The idea is to pressure the Vanguards, Fidelitys and Barclays of the investment world to vote their shares the way the millions of individual investors they represent would vote if they could.

"We want to dump a little tea in the harbor and see where people stand," says Mr. Rowe in his office in the historic Cumberland Hill School Building at the edge of downtown. "This really is taxation without representation."

Mr. Rowe, who's also the chairman of the Texas Pension Review Board, has a soft spot for working stiffs who have seen returns on retirement and savings plans squeezed while fat corporate cats feast on bountiful benefits.

"Management definitely is not eating the same cooking as shareholders," he says.

As he approaches 60, the founder of Dallas-based Greenbrier Partners Ltd. (who's professionally known as Frederick E. Rowe Jr.) wants to do something of significance.

"This has been playing around in my mind for a long time. But now I see the plight of all these pension plans in Texas and have a sense of urgency," he says. "There is a temptation to say I'm tilting at windmills. But let me tell you, we have tapped a gold mine of resentment."

Dallas billionaire Harold Simmons says the problem is epidemic cronyism.

Chief executives sit on each other's compensation committees. They hire outside consultants known for "jacking up" salaries and bonuses. They hide details of retirement benefits so they won't catch flak from investors.

"They're all working hand in glove, and there's no one standing up for the shareholder," says Mr. Simmons. "That's what we're trying to do here."

He believes the time is right. Institutional investors are more interested in corporate governance. For example, shareholder initiatives have forced companies to remove obstacles to hostile takeovers.

"Poison pills are a management entrenchment device par excellence," says Mr. Simmons. "There's a tendency today for institutions to stand up and object to things like that."

Discovering disconnects

The investor foundation, formed about a year ago, screened 1,000 U.S. corporations to "pinpoint the most egregious disconnects" between executive performance and pay.

The group ultimately zeroed in on New York-based Pfizer Inc. and its compensation committee.

It's urging shareholders - including big holders Northern Trust Corp., Barclays Bank PLC, Fidelity Management and Vanguard - to withhold votes for the four compensation committee directors. In doing so, it hopes to force them to resign at company's annual meeting on April 27 in Lincoln, Neb.

Why?

The pharmaceutical giant's 63-year-old chief executive, Henry McKinnell, made more than \$16 million in total compensation last year, even though Pfizer's stock has lost 40 percent of its value since he took over in January 2001.

Dr. McKinnell's direct holdings of Pfizer stock represent less than one month's compensation, even though he's been there 35 years.

But what particularly galls Mr. Rowe and his posse is that Dr. McKinnell will make \$6.5 million a year after he retires in 2008 - a total pension package valued by Pfizer's proxy at \$83 million.

And the visceral reason: Dr. McKinnell is chairman of the influential Business Roundtable and has positioned himself as a leading proponent of shareholder rights.

"When you see this guy getting this sort of retirement, it's abhorrent," Mr. Rowe says. "There's nobody who thinks that is reasonable. Nobody."

Pfizer issued a formal statement to The News saying that its board has moved aggressively in the last 18 months to shore up many of the issues Mr. Rowe raises.

Executive performance bonuses are now tied directly to shareholder value. The company established limits on executive pensions. And it restructured how and with whom it compares its executives' compensation and peer performance.

As for Dr. McKinnell's retirement package, the company says it will honor its commitments.

Mr. Rowe says the compensation committee responsible for Dr. McKinnell's retirement package should be removed.

Mr. Rowe doesn't own any Pfizer stock. "There's no way to buy us off because no one is doing it for money," he says.

Fire and passion

In 1985, Boone Pickens launched the United Shareholders Association to highlight what he felt were corporate abuses of shareholder rights. Mr. Pickens says Mr. Rowe has taken his earlier initiatives to a higher level by holding institutional investors' feet to the fire.

"That's critical," says Mr. Pickens. "Shad's the perfect person to lead the effort. He's passionate about the cause, and he's donating his time. I've known Shad a long time, and he can make things happen."

Since Mr. Rowe announced the foundation two weeks ago, the response has been overwhelming, he says, including on the Web site, www.investorsfordirectoraccountability.org.

"People are saying, 'Thank goodness you're doing something. This hacks me off.' One letter said, 'This is the most just cause since World War II.'"

Regardless of the outcome, Mr. Rowe swears Pfizer is just the first of many fights.

What's next?

"That's to be determined."

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