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Hard to handle: Assembling the compensation jigsaw puzzle

Figuring out just how much public company board members make each year requires no small amount of mathematical jujitsu.

Unlike pay disclosures for executives, very few public companies state clearly in their proxy filings how much board members make each year. Instead, scattered throughout the filing are various pieces of the puzzle.

Board members are entitled to an annual retainer. They also make a certain amount every time they attend a full board meeting, typically about $2,000. They usually make slightly less money to show up for a committee meeting, say $1,500. Elsewhere in the filing, the company will usually state who's on the board, who serves on which committees and how many times the full board and each of the committees met.

Directors usually make less money per meeting if they attend by phone, often around $500, although companies never say how many directors attend meetings by phone. Companies generally don't disclose how many of the meetings directors attend, either in person or by phone. Corporations are only required to say whether directors attended at least 75 percent of board and committee meetings.

If a director happens to be the chairman of a committee, the board member earns a little bit more for committee work. Directors typically earn even more for leading the board's audit committee, since that's considered to be among the most demanding jobs. Lead directors, a relatively new concept in corporate governance, also take home a sizeable bonus.

Proxy statements also say whether directors are entitled to annual stock grants. Sometimes those grants come in the form of stock options, however, and it's rarely made clear how much those options are worth.

All this is going to change with next year's proxy statements, though. The Securities and Exchange Commission has instituted new rules requiring companies to provide far greater transparency for executive and director pay.

Alon Kapen, a securities attorney and partner with Farrell Fritz in Uniondale, said there will be a "tabular presentation" for each director in proxy statements, laying out exactly how much that director made in the previous year. If, as is common, some directors made the same amount of money, they can be lumped into one category, Kapen said.

Along with the tabular presentation, companies will have to provide a narrative component describing how the pay was accumulated. It will list, for instance, all of the previously scattered pieces of the compensation puzzle, such as the annual retainer and per-meeting fee.

"The SEC's opinion is, 'Let's get as much information to shareholders as possible,'" Kapen said.

– JEREMY HARRELL

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