Who Gets Paid What

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By Louise Story
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It was, from the start, a delicate dance — a minuet in the measure of money and politics.

For months, in the basement of the Treasury Department, Washington's pay masters pushed one way, and the seven beleaguered giants of the bailout era pushed the other.

In the end, Kenneth R. Feinberg, the Obama administration's special master of compensation, reduced the pay of the companies' top earners.

But his ruling, which came to light Wednesday, will not bring an end to big paydays at the companies. Indeed, despite the remarkable government intrusion into these private enterprises, senior executives at some of the companies will enjoy multimillion-dollar pay packages this year, mostly in the form of stock. Other employees will earn even more.

Interviews with officials, consultants and corporate executives involved in pay review suggest that the companies themselves — the American International Group, Bank of America, Citigroup, Chrysler, General Motors, and the two car companies' finance affiliates, GMAC and Chrysler Financial — played a central role in the process and its outcome.

Both camps recognized from the beginning that bailout politics, as much as economics, would shape the final decision, according to people involved in the process. The popular resentment directed at companies that have received billions of taxpayer dollars — and at Washington for providing the bailouts — was never far from participants' minds, these people said.

In a meeting with A.I.G. executives, for instance, representatives of the insurance giant suggested that the head of one of its business units receive pay on par with an industry chief executive.

"Tell me how I justify that?" asked Mary Pat Fox, a consultant working on Mr. Feinberg's team. The room fell silent.

Mr. Feinberg declined to discuss the review, which began this summer, with a series of meetings with the companies' executives. Each company provided its own list of the 25 most highly paid workers in 2008.

In the months that followed, the executives argued time and again that slashing pay would drive away talented employees, the very workers they needed to help turn their companies around. At times, the basement war room grew so crowded that meetings spilled into the office of Paul A. Volcker, the former Federal Reserve chairman who is now a prominent economic adviser to the Obama administration.

A.I.G. refused to cancel some pay contracts that fell outside Mr. Feinberg's purview. At one point, A.I.G. executives expressed frustration with the contracts. A.I.G., they said, was having trouble identifying just who its most highly paid employees were.

Bank of America, for its part, sent its head of trading and investment banking, Thomas K. Montag, to argue on his team's behalf.

But some concessions were inevitable. Citigroup, for instance, sold its commodities trading unit, Phibro, to avoid a confrontation with Mr. Feinberg over a $100 million payday for Phibro's star moneymaker, Andrew J. Hall.

Others dug in. Chrysler Financial executives initially asked to be freed from the review since the company had repaid its bailout money. But Chrysler Financial's holding company owed the Treasury money, so the request was refused.

One surprise from A.I.G. came in a disclosure for an executive in the category of "other compensation." The total in that category for 2008 was $1.5 million, reflecting flights on the company's corporate jet.

By late July, the pay team, in consultation with two prominent compensation experts, Lucian A. Bebchuk and Kevin J. Murphy, devised a 20-page document laying out Mr. Feinberg's demands for information.

The companies were ordered to turn over minutes from their board's compensation committee meetings over the past year, the stock awards for top executives during the last two years, and any performance measures that were used to determine compensation in the last two years.

Mr. Feinberg's most controversial demand was that the companies disclose how much stock each of the top 25 executives held. Typically, only the top five make such disclosures in securities filings.

The pay team immediately received phone calls from the companies' compensation managers, who called the request overly broad. But by mid-August, the companies complied.

Michael Murray, who heads compensation at Citigroup, was the most upset. He told the pay team it was awkward for him to go to each of the executives and ask how much stock they held because many considered the question of whether they had sold shares over the years a personal matter.

Bank of America was particularly concerned that it might lose employees if Mr. Feinberg restricted pay. The bank was in the midst of integrating its operations with those of Merrill Lynch, which it agreed at the height of the crisis last year to buy.

When Bank of America submitted the names of top executives to Mr. Feinberg, its representatives pointed out that 45 of the top 100 employees at the bank and Merrill had left.