

From The Chair – Donna Crawford



This is an exciting year for CACC! We recently sent you a membership survey and asked for your feedback on how we could continue to meet your needs. We value you as members and thank you for a record number of responses! Our effectiveness as CACC Board Members depends on that communication from our membership. I am so impressed with our Board Members' efforts, I wanted to take you behind the scenes of CACC to see what we are accomplishing so early in the year.

Bob Corbert, Education, has coordinated a record number of WorkatWork Courses in April. **Delane Honeycutt**, Membership, has helped our membership to grow to over 120 members. **Arnie Silverman**, Public Relations, produced a great comprehensive and informative newsletter. **Stephen Dudak**, Treasurer, along with **Kevin Gill**, developed a tool for more comprehensive financial projections. **Robin Bernstein**, Member Meetings, along with **Tony Armeni**, has worked hard on our Membership Meetings to meet a balance of informative topics for you. We also had some committee members hard at work – **Gracie Myers** and **Vickie Rustin** developed a New Member packet and orientation. **Lee Diamond** assisted Bob with seeking new sites for our future WorkatWork course offerings. **Laura Hadley** has kept us focused on our progress by providing accurate board minutes. **Laura Williams**, **Jean Gilreath** and **Karen Simpson** keep us focused on the future needs. **Kevin Gill**, our business manager, keeps us focused on what is most important to our members and why we are here! He assures that communication gets to you and meets CACC expectations.

What more can you ask from a great group of folks. We are here to meet your needs and will spend a great deal of time evaluating your responses. If we can assist you in any way, please contact us. We want to continue to make CACC a great organization.

Donna Crawford

New Members

We are pleased to welcome the following new members:

- ❖ Chris Ceravlo, Coca-Cola Bottling Co. Consolidated
- ❖ Kim Heffernan, Central Piedmont Community College
- ❖ Ronda Johnson, Mecklenburg EMS Agency
- ❖ Dale Jordan, Central Piedmont Community College
- ❖ David Lilly, Wachovia Corporation
- ❖ Lauren Merritt, The Employers Association
- ❖ Deann Middleton, Findley Davies, Inc.
- ❖ Vanessa Stephenson, TIAA-CREF
- ❖ Jennifer Webster, Bank of America
- ❖ Erin Wilson, Watson Wyatt & Co.
- ❖ Marie Winget, Compass Group, N. A. Division
- ❖ Tara Young, Watson Wyatt & Co.

Member News

- ✓ *Robin Bernstein* is now Director, Compensation (still with Premier, Inc.)
- ✓ *Laura Hadley* is now VP – Compensation Consultant with Bank of America.
- ✓ *Caroline Haynes* is now Human Resources Manager (still with Buckeye Technologies)
- ✓ *Frances Lilley* is now AVP, Human Resources (still with Central Piedmont Community College)
- ✓ *Libby McCraw* is now Director, Compensation, Benefits & Employee Health (still with Caromont Health)
- ✓ *Karen Simpson* is now Director of Human Resources with OrthoCarolina
- ✓ *Robert Tursky* is now VP, Human Resources (still with United Guaranty Corporation)

Please contact Arnie Silverman, "Compensation Matters" editor for 2005, at (704) 557-4460, with member news that you would like to share.

CACC Website

Be sure to visit our website at www.caccweb.com

**2005 CACC Board Members
and Committee Chairs**

CHAIRPERSON	
DONNA CRAWFORD.....	704/940-1524
VICE CHAIRPERSON	
LAURA WILLIAMS	704/373-7572
TREASURER	
STEPHEN DUDAK	704/329-7740
SECRETARY	
LAURA HADLEY	704/388-7184
MEMBERSHIP DIRECTOR	
DELANE HUNEYCUTT.....	704/336-5700
EDUCATION DIRECTOR	
BOB CORBETT	704/731-4378
MEMBERSHIP MEETINGS DIRECTOR	
ROBIN BERNSTEIN	704/733-5099
PUBLIC RELATIONS DIRECTOR	
ARNIE SILVERMAN	704/557-4460
BOARD MEMBER AT-LARGE	
KAREN SIMPSON.....	704/339-1032
EX-OFFICIO	
JEAN GILREATH.....	704/264-8805
SPECIAL PROJECTS CHAIR	
CHUCK PARKER.....	704/382-3474
BUSINESS MANAGER	
KEVIN GILL	704/442-9247

Upcoming Events/Education

Membership Meetings (mark your calendars):

- May 11, 2005
- September 7, 2005 (1/2 –day Meeting)
- November 9, 2005
- February 8, 2006 (Annual Meeting)

WorldatWork Certification Courses:

July 11-13, 2005 –

- B-2** -- Retirement Plans – Design & Management
- C-12** -- Variable Pay: Incentives, Recognition & Bonuses
- T-1** -- Total Rewards Management

October 10-12, 2005 –

- C-4** -- Base Pay Management
- T-3** -- Quantitative Methods
- T-11** -- Fundamentals of Equity-Based Rewards

*For more information, or to register,
contact WorldatWork Customer Relations at (877) 951-9191,
or visit www.worldatwork.org*

Member Profile – Tony Armeni



CACC Member Tony Armeni

Our member profile for this issue focuses on Anthony Armeni. Tony has been a member of CACC for two years and has recently been serving as a committee member for the Board’s Membership Meetings chair. Tony was most recently Sr. Director Human Resources for CSX World Terminals LLC, a leading international provider of container terminal solutions for all facets of marine terminal operations including new terminal development, terminal operations and management. CSXWT was recently sold to Dubai Ports International and their global headquarters in Charlotte is closing.

Tony has 23 years of generalist and management experience in the Human Resources profession. He has been in the Charlotte area for 11 years and previously worked as Director Human Resources for Atotech USA Inc. in Rock Hill, South Carolina and for Kvaener Pulping Inc. in Charlotte. His previous work experience includes Human Resources positions with The Cleveland Electric Illuminating Company, Whirlpool Corporation and Kennametal Inc.

Tony is originally from Ohio and graduated from Ohio University with a B.S. degree in Personnel and Industrial Relations. He received his Master’s of Business Administration from Cleveland State University and has a Senior Professional in Human Resources Management certification. He recently received Junior Achievement Hall of Fame Consultant award for his 2003/2004 volunteer work and he is one of the founding mentors of Careers In Transition, an outplacement and job search ministry through St. Philip Neri Catholic Church in Fort Mill.

Tony and his wife Amy live in Fort Mill, South Carolina with their three daughters, Dallion (100), Devan (6) and Demery (3). Tony enjoys doing outdoor activities with his family, attending Panther football games, golfing and cooking.

WorldatWork Building Blocks Locations

WorldatWork produces a series of brief training and professional development booklets called Building Blocks. CACC provides a copy of all Building Block booklets at Johnson C. Smith Univ. Library; UNCC Library, and The Employers Association Library.



Reshaping Executive Compensation: Institutional Shareholders Offer Ideas for Improvement

Contributed by Watson Wyatt

Executive compensation is as controversial as ever — from trials over allegedly excessive severance payments to ongoing criticism of ultra-high pay levels and putative lack of pay for performance. And while corporate America and its shareholders thrive, large institutional shareholders continue to press for improvement.

An influential group of large institutional investors is weighing in on what works — and what doesn't work — in executive pay design. This group, organized by CalPERS and representing nearly \$3 trillion in assets, recently met with major compensation consulting firms that are seen as key influencers of corporate America's compensation practices. The investor group wants to improve executive pay practices before public perception of a broken system spawns more governmental regulation. Watson Wyatt was part of this meeting.

Many Aspects of the Pay-for-Performance Model Work Well

The investor group agrees that, overall, the executive pay-for-performance model works well in increasing shareholder value. They believe that high levels of executive pay are not fundamentally wrong, but that egregious examples are too prevalent to be dismissed as a "few bad apples." Their goal is to ensure that shareholders get the most value for the least cost.

At odds with this notion, the group believes, are so-called pay-for-failure programs, in which executives receive generous bonuses in years of poor corporate performance, or rich severance programs that pay executives for non-performance on their way out the door. Similarly, the group wants to eliminate "single trigger" compensation payments in which a manager benefits immediately when a company is sold. They also see "tax gross-ups" as excessive provisions requiring the company to pay the executive's excise tax when a company changes hands.

When it comes to benchmarking pay against competitors, some in the investor group oppose programs that target executives' pay at the 75th percentile of the market and will consider voting against these policies to rein in ever-increasing pay levels. Boards that set compensation levels should have a stake in corporate performance, according to the group, so directors should be encouraged to hold all of their shares until they leave the board.

Finally, investors want to see high and rising executive stock ownership. They believe that executives should be required to
(continued on page 4 – see Executive Compensation)

Our Next Member Meeting: Wednesday, May 11, 2005

Our May **CACC Membership Meeting** features **Tom Tice, Ph.D.**, practice leader for Watson Wyatt's Sales Force Management and Rewards practice. Tom will be presenting "Driving Profitable Growth – Trends in Sales Compensation Practices" and will describe the results of *Watson Wyatt's 2005 Sales Compensation Practices Survey*. He will also provide examples of design features being used by sales managers and compensation designers to drive profitable growth. The meeting will be held at the Westin Charlotte Hotel, 601 South College St., Charlotte. Parking will be paid by CACC.

The meeting will begin at 7:45 AM with a breakfast buffet and networking period. The business meeting starts at 8:15 AM; and the presentation begins at 8:30 AM and will end by 9:45 AM.

CACC Academic Scholarship Program

The CACC Academic Scholarship Program was created to provide an incentive for, and assist CACC members with, the continuation of their pursuit of higher education in their HR-related career.

A scholarship, in the amount of \$1,000, will be awarded to qualified members of the Charlotte Area Compensation Council (CACC). The candidate must be a member in good standing with CACC pursuing either an undergraduate or a graduate degree in an HR-related field through an accredited institution of higher learning. Full-time, part-time, online and distance learning programs are acceptable. This scholarship is a one-time, annual award. In future years, previous applicants and past scholarship recipients are eligible to re-apply each year.

Scholarship Applications must be postmarked by **April 15th** of each year to be considered for an award. Additional information about the program, and an application, can be found on the CACC website, www.caccweb.com.

If you have any questions about the CACC Academic Scholarship Program, please contact CACC's Business Manger at businessmanager@caccweb.com.



Executive Compensation *(continued from page 3)*

hold most of their shares after restricted stock vests or stock options are exercised.

Some Stock Option Designs Should Be Reconsidered

Stock options should remain an important element of executive pay packages, the investor group thinks. They do not consider pure time-vested stock options to be performance-based compensation, though some time-vested options and shares may be acceptable as part of a portfolio that includes performance-based stock options and performance-vested shares. They also view other features of option programs unfavorably. These include “evergreen” plans and reload options (where new options are granted when old options are exercised) that occur without new shareholder approvals. Additionally, they think option grants should be made on a fixed date annually to prevent the appearance (or fact) of grants being made immediately before the public disclosure of positive company news that might drive the stock price higher.

Favorable Accounting Treatment Versus Real Economics

The investor group opposes compensation designs or disclosures that would improve financial statement accounting at the expense of real corporate economics. Cited here were both the now-resolved stock option accounting rule and the use of earnings per share (EPS) as a performance measure. Their preferred measures are cash-flow return on investment (CFROI) or return on invested capital (ROIC) based on multiyear performance goals, despite the rather arcane nature of these measures and the difficulty of setting and communicating these goals to executives. The investor group believes EPS manipulation can occur when supposedly independent stock buybacks take place simply to fund stock option programs.

Improving the Mechanics of the Compensation Process

To encourage superior executive compensation programs and corporate governance measures, the proxy should more fully describe pay philosophy and performance metrics, according to the investor group. They find that existing disclosures, for the most part, sorely lack explicit details. If fuller disclosure (especially regarding supplemental pensions and severance) is required, compensation committees will be careful to craft true pay-for-performance programs, knowing that those designs will be subject to public scrutiny.

Watson Wyatt's View

The group's concerns are compelling, but the recommendations carry an explicit assumption that the U.S. executive compensation model is broken and needs to be fixed. We shared our view and supporting research showing

that the executive pay model is a source of competitive advantage exactly because it is sensitive to company performance. Of the thousands of companies that are publicly traded, we believe that there are relatively few where pay does not hinge on performance.

Executive stock ownership, we find, is high and increasing and strongly correlated with performance. Overall, stock options have been successful incentives in motivating executives to improve their companies' performance, although data show that some companies have used them too generously. We also agree that companies should use a portfolio of stock-based incentives, with more weight given to performance shares or performance-based stock grants. Stock ownership should be both required and encouraged.

We agree that several key areas – especially disclosure and severance – need improvement. More disclosure of supplemental pensions and severance arrangements should be encouraged if not actually required by the Securities and Exchange Commission. To calm the market, stock sales by executives should be pre-announced via 10b5-1 plans.

Unlike the group, we believe that time-vested stock options are performance-based. Nevertheless, this point is probably moot given the accounting expense for stock options and many companies' subsequent move away from solely using stock options.

On the topic of severance, while we agree the cost of "pay for failure" can be very high, and payments during a change in control appear to create a conflict of interest, this is also a difficult area to modify. Newly recruited executives will be told by their advisors to require this protection in order to change jobs, and internal candidates will follow that practice for their own protection and competitiveness.

Finally, as compensation consultants, there is little we can do *(Continued page 6 – See Executive Compensation)*

Quotes

“Talent is cheaper than table salt. What separates the talented individual from the successful one is a lot of hard work.”

Stephen King



Company Spotlight on Employee Benefits Communications, Inc.



Lee Diamond, President
Employee Benefits Communications, Inc.

“Employers Try to Combat Employee Dissatisfaction” was the sentiment in the early 90’s when Lee Diamond, CPA CLU ChFC, formed Employee Benefits Communications, Inc. Employee Benefits Communications was founded with one purpose in mind...to help corporations communicate the total value of benefits to their employees. Today, Employee Benefits Communications has in excess of 100 company clients in 23 states.

The Company has developed proprietary software to efficiently produce personalized employee benefit statements for clients with as few as 50 employees to clients in excess of 10,000 employees. With changes in technology, the Company continues to improve its product. An online benefit statement is in the developmental stage and will be released in the summer of 2005.

Visit the company’s website at mybenefitstatement.com to see sample statements or call Lee Diamond at (704) 365-4858.

Lee, a native of Warrenton, NC spent four years in the US Air Force. He graduated in 1974 from UNCC with a B.S. in Accounting earned his CPA designation while working for Laventhol and Horwath, a national CPA firm. In 1976 Lee joined the Paul Revere Companies where he specialized in retirement plan design and implementation. Lee has also earned CLU and ChFC professional designations. In 1982 he co founded Diamond Prud’homme & Co., a benefits and investment firm. Employee Benefits Communications was

incorporated in 1993.

Lee is an active member of CACC and has recently been serving as a committee member for the Board.

Lee is married to the former Jane Melasky, a native of Charlotte. Jane also is very active in the business and keeps Lee focused. They have two grown children, Jeff who is a developer for SAS in Cary and Rachel who is a buyer for Anthropologie in Philadelphia.

Compensation Quotes

It must be recognized that some form of compensation program cannot be avoided, for wherever the employee-employer relationship exists, there must be some system of pay administration to determine the “right price” for the employee’s services. In this sense, pay administration is part of every enterprise’s activities. The question is, therefore, not whether a company should have a compensation program but exactly what type of program is appropriate for that enterprise. It also means that some form of compensation program must be regarded as one of the costs of doing business.

Robert E. Sibson, from the preface of
“*Compensation*” *A complete Revision of ‘Wages and Salaries’*”, AMACOM, 1974

The purpose of a compensation system should not be to get the right behaviors from the wrong people, but to get the right people on the bus in the first place, and to keep them there.

Jim Collins, *Good to Great*,
HarperCollins Publishers, 2001

Thought for the Day

To succeed, jump as quickly at opportunities as you do at conclusions.

Benjamin Franklin

Executive Compensation (continued from page 4) regarding corporate performance measures other than help investors communicate their desired ideal policies. Most companies consider EPS the ideal measure. It is easy to communicate and understand — internally and externally — and they would have difficulty moving away from it. Since there are so many more “sell-side” than “buy-side” analysts, this is a tall mountain to climb.

Conclusion

The perspectives of these major U.S. institutional owners already are reverberating in boardrooms across the country. Companies should continue to press for pay-for-performance and performance-based stock incentives, require high and rising levels of stock ownership, minimize pay for failure and use economic-based performance measures instead of, or in addition to, EPS.

Managing complex multinational, billion-dollar companies is extremely challenging and requires engaged leadership and thousands of excellent managers. We believe that, overall, corporate America’s successful track record speaks for itself. Nevertheless, legitimate differences of opinion based on perspective — whether manager, employee, board member or outside owner — will occur. Presumably, effective ongoing dialogue among these constituencies and others will enhance both ideas and solutions. *****



2005 CACC Perfect Attendance Award

CACC is offering up to three CACC (non-Board) members the opportunity to win a FREE WorldatWork Certification Course – all you have to do is attend all four member meetings in 2005, starting with the 2/9/05 Annual Meeting. Winners can use their award to attend a CACC-sponsored certification class and exam in 2005 – an \$800 value! Simply attend all four meetings and be sure to sign the attendance sheet located at the sign-in table where you pick up your nametag before the meeting. We hope you will be winner this year!

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