

# FINANCIAL TIMES

## Blackrock, TIAA-CREF are Big Backers of 'Overpaid' CEOs

Steve Johnson | May 10, 2015

BlackRock, the world's largest asset manager, and TIAA-CREF, the leading US retirement provider for teachers and university professors, are among the biggest supporters of high executive pay, according to **As You Sow**, a shareholder advocacy group.

The Californian non-profit foundation drew up a list of what it termed the 100 most "overpaid" chief executives of S&P 500 companies, comparing their pay with their company's performance, based on five-year total shareholder return.



BlackRock's Larry Fink was adjudged to be the most overpaid fund management chief executive by **As You Sow**

Among the 25 largest asset managers the highest proportion of yes votes for pay packages came from BlackRock (95 per cent of the time) and TIAA-CREF (94 per cent). Both Voya Financial (formerly ING US) and T Rowe Price offered support on 88 per cent of occasions.

Apart from two houses that abstained on virtually every vote, the lowest level of support came from Pax World Funds, a self-proclaimed champion of "sustainable" investing founded by Methodists. It only supported 47 per cent of the pay packages.

Among the larger houses American Funds, part of the Capital Group, lent its support on only 58 per cent of occasions, with Charles Schwab Investment Management on 59 per cent. The Ontario Teachers' Pension Plan supported 89 per cent of the packages, more than any other public pension plan.

**As You Sow**, which said the pay of US chief executives had risen 937 per cent over the past 35 years, compared with real pay growth of just 10 per cent for the typical worker, argued that excessive pay represented "an extraordinary misallocation of assets".

The findings indicated that some chief executives are receiving \$20m a year more than they would if their pay were appropriately aligned with performance.

It added that "some funds seem to routinely rubber-stamp management pay practices, enabling the worst offenders and failing in their fiduciary duty".

BlackRock's Larry Fink, 26th on the list, was adjudged to be the most overpaid fund management chief executive, receiving \$22.9m last year. He was followed by James Cracchiolo of Ameriprise Financial (31st with \$19.7m) and Lloyd Blankfein of Goldman Sachs (35th, \$19.9m).

BlackRock said in a statement it takes its role as a fiduciary "very seriously" and undertakes its stewardship work "with the aim of protecting and enhancing the long-term value of [its] clients' assets".

It added that "direct discussion with companies" was "the most effective way to communicate concerns on pay and encourage change", but "where our engagement is not successful we will vote against the pay proposal and the re-election of the compensation committee members."

TIAA-CREF said it "supports compensation practices and policies that promote and reward the creation of sustainable shareholder value and, as such, we evaluate companies' approach[es] to compensation on a case-by-case basis."