Officials Debate High Pay At Bailed-Out Firms

Christina Rexrode, AP Business Writer

Government officials argued Tuesday over whether pay is still too high for top executives at bailed-out companies like AIG, General Motors and Ally Financial.

In a hearing before the House's oversight committee, Christy Romero, who runs the group meant to be a watchdog over the government's financial crisis-era bailout, argued that pay is too high. Taxpayers, she said, are depending on the government "to put a lid on" pay at companies "whose missteps nearly crippled the U.S. financial system." But, she said, "AIG, Ally, and GM executives continue to rake in Treasury-approved multimillion-dollar pay packages."

Patricia Geoghegan, the Treasury official who approved the executive pay at those companies, argued that the compensation was reasonable. Geoghegan, the government's pay czar, said she had to allow the companies to pay enough to attract the talent they need. That way they can finish paying back their bailout loans.

"Pay has been cut and taxpayers are being repaid," Geoghegan said, referring to the pay czar office's work since it was created in 2009.

Pay for finance executives became a lightning rod in the financial crisis. Many taxpayers and consumers were angered by the multi-million dollar pay packages that executives of big banks were getting while their companies were being bailed out by the government.

Concerns about executive pay have lingered. For instance, the Dodd-Frank act, a sweeping package of bank regulations that came out the crisis, mandated that big public companies give shareholders an advisory vote on the CEO's pay.

Tuesday's hearing follows a report released last month by Romero, who is the special inspector general of the government's financial crisis-era bailout program. In the report, Romero criticizing "excessive" pay at AIG, GM and Ally, formerly known as GMAC.

Treasury approved the pay packages for the top 25 executives at each of the three companies. According to Romero's office, in 2012, nearly a quarter of the executives received approval for packages of $5 million or more. Another 30 percent got between $3 million and $4.9 million.

AIG, GM and Ally received multiple rounds of government bailout loans in the financial crisis, so the government appointed a pay czar to approve compensation for their top executives.

AIG repaid the last of its government bailout loans in December. As a result, it won't have to seek approval for its 2013 pay packages. GM and Ally haven't repaid all their aid.

Treasury is supposed to reject pay that it deems inappropriate or excessive, though Romero argued that the parameters were too vague. She also said the companies were allowed too much say in dictating what they would pay.

In the hearing, Romero said the executives "fail to view themselves through the lenses of companies substantially owned by the government."

She referenced a New York magazine story where AIG's current CEO, Bob Benmosche, complained that the government had yet to thank him for repaying the bailout loans. She said Ally had asked for a raise for the president of its mortgage-lending subsidiary, Residential Capital, even though ResCap filed for bankruptcy protection last year.

Geoghegan shot back that Romero's report contains "many inaccuracies," and that her office carefully reviewed pay requests.

She said Treasury must strike a balance between limiting compensation and approving pay packages that are consistent with compensation in similar jobs. She said that the executive pay packages at the three companies were around the midpoint or below average compared to similar jobs at similar companies.

Geoghegan also said that most of the compensation came in the form of stock, meant to tie the executives' pay to how the company performed.