

Intel CEO gets \$12.4M in 2008 pay

March 23 2009, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- The value of Intel Corp. Chief Executive Paul Otellini's compensation package rose slightly to \$12.4 million in 2008, a year in which the chip maker's profit was whacked by a global slowdown in personal computer sales.

However, a large part of his 2008 compensation came from options that currently have little value because of a decline in Intel's stock price.

Santa Clara-based [Intel](#) said in a regulatory filing Monday that it raised Otellini's base salary, from \$770,000 to \$1 million in 2008 because his overall [cash compensation](#) was "significantly" below what executives from other companies in Intel's peer group took home. The company has frozen corporate officers' base salaries in 2009 because of economic uncertainty and the company's rocky financial performance in 2008.

According to calculations by The Associated Press, the changes to Otellini's compensation in 2008 bumped the value of his pay package up from the \$12.3 million he got in 2007.

However, Intel noted in its annual executive compensation filing with the Securities and Exchange Commission that Otellini's pay package could have been higher if Intel and its stock had performed better in 2008.

Intel, which is the world's biggest maker of microprocessors, the brains of PCs, saw its profit fall 24 percent to \$5.3 billion last year as sales slipped 2 percent to \$37.6 billion. Consumers and businesses were buying fewer PCs, triggering the industry's worst slump in six years,

which decreased demand for the chips that go into those machines.

The rocky performance meant Otellini's cash bonus of \$3.8 million, which is tied to Intel's performance, wasn't as big as it could have been under the targets laid out for him by Intel.

The total value of equity awards Otellini received in 2008 was \$7.2 million.

However, more than a third of that is made up of [stock options](#) that are currently "under water," which means they have little value because the exercise price, or price at which Otellini will be able to buy the shares when they are fully vested, is higher than Intel's current stock price.

Included in the AP's calculation of Otellini's pay are 500,000 options he received in April, when Intel's stock was trading above \$22 per share and the total value of those options was estimated by Intel at \$2.9 million.

Intel shares have fallen sharply since then, which has caused Intel to try and change the way its employees' stock options are valued.

Intel shares are down more than 40 percent since the start of 2008, which has wiped out about \$70 billion in shareholder wealth.

Intel said in Monday's filing that it wants shareholders to approve an option-exchange plan that would allow workers to surrender underwater options for new ones with lower exercise prices. Intel's corporate officers and directors wouldn't be allowed to participate. The plan will go to a shareholder vote at Intel's annual meeting May 20 in Santa Clara.

Intel said more than 99 percent of its outstanding option awards are currently under water. The plan could affect approximately 488 million outstanding stock options.

Many companies are mulling similar tactics to keep workers happy - even if shareholders don't always like option-repricing schemes because they don't extend to ordinary investors who are stuck with big losses on their investments.

Earlier this month, Google Inc. said it had repriced 7.64 million stock options in a program the Internet search leader described as a way to motivate and retain employees. Google said more than 15,000 workers applied for the repricing program.

Otellini's pay also included \$309,600 in perks, which include company matches for charitable contributions, company contributions to a profit-sharing retirement plan and a deferred compensation plan.

In 2008, Otellini exercised 128,000 options with a value of \$146,400. He had 22,500 shares of stock vest, with a value of \$505,200.

Intel also said in its filing that it has decided to freeze its corporate officers' base salaries for 2009 because of the company's financial performance last year and uncertainty about the economy.

The AP's calculations of executives' pay sometimes differ from the totals companies list in the summary compensation tables of the proxy statements they file with the SEC, which reflect the size of the accounting charge taken for the executive's compensation in the previous fiscal year.

The AP formula is designed to isolate the value the company's board placed on the executives total compensation package during the last fiscal year. It includes salary, bonus, performance-related bonuses, perks, above-market returns on deferred compensation and the estimated value of stock options and awards granted during the year. The calculations don't include changes in the present value of pension

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