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# Cisco CEO's pay fell by third, same as share slump

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(AP) -- Cisco Systems Inc. CEO John Chambers saw his pay package fall by nearly a third in the company's fiscal year that ended in July, a period when the company's shares dropped by about the same amount.

The company said in a regulatory filing Tuesday that even though it achieved its operational performance goals for the year, shareholder value eroded in fiscal 2011.

"Consequently, the compensation committee exercised its negative discretion and determined that no named executive officer would receive a cash incentive award or a performance-based equity award for fiscal 2011," it said.

Over the fiscal year, Cisco's shares fell 30 percent.

Chambers, who is 62 and has led Cisco for more than 15 years, saw his total pay package drop 32 percent to $12.9 million from $18.9 million a year ago.

Chambers' salary fell 2 percent to $375,000, but most of his compensation was in stock awards, which grew 53 percent to $12.5 million.

He didn't receive any stock options after getting $5.7 million worth a year earlier, He got no performance-based cash bonus this year, compared to $4.6 million a year ago.

This year, Chambers embarked on a cost-cutting binge to keep the world's largest computer-networking equipment maker from venturing too far into new markets that don't bring in profits.

He shut down the company's Flip Video camcorder business in April and in July laid out a plan to eliminate 6,500 jobs, or 9 percent of Cisco's work force.

The company, which is based in San Jose, has been a laggard among its peers in the Dow Jones industrial average and Cisco has suffered from a government spending slowdown.

For the full fiscal year, Cisco earned $6.5 billion, or $1.17 per share, on revenue of $43.2 billion. That compared to net income of $7.8 billion, or $1.33 per share, on revenue of $40 billion in the prior year.

The Associated Press formula calculates an executive's total compensation during the last fiscal year by adding salary, bonuses, perks, above-market interest the company pays on deferred compensation and the estimated value of stock and stock options awarded during the year. The AP formula does not count changes in the present value of pension benefits. That makes the AP total slightly different in most cases from the total reported by companies to the Securities and Exchange Commission.

The value that a company assigned to an executive's stock and option awards for 2011 was the present value of what the company expected the awards to be worth to the executive over time. Companies use one of several formulas to calculate that value. However, the number is just an estimate, and what an executive ultimately receives will depend on the performance of the company's stock in the years after the awards are granted. Most stock compensation programs require an executive to wait a specified amount of time to receive shares or exercise options.