

Corporate kings

BY ERIN NEGLEY
READING EAGLE

IT'S GOOD to be in charge at greater Berks' top companies, especially on payday.

Executives leading Berks-area publicly traded companies brought home a median of \$2 million in 2012 in a time when wages have fallen in Pennsylvania.

Locally, the top-paid executive was Peter M. Carlino, the chairman and chief executive officer of Penn National Gaming Inc., Wyomissing, with a total of \$12.5 million in pay, stock and benefits in 2012, according to a review of financial documents of locally publicly traded companies. The firms are required to disclose compensation of the principal executive officer and financial officer, plus the top three highest-paid executives. Coming in a close second is The Hershey Co. President and CEO John Bilbrey, with compensation of \$12.3 million. Trexlertown-based Air Products and Chemicals Inc. President and CEO J. E. McGlade was third with \$12 million.

More than three-quarters of top executives at 10 Berks-area publicly traded companies received a raise in 2012. Nearly 15 percent had their pay cut, and 10 percent weren't listed in company filing documents last year.

The paychecks are high, but that's the premium companies will pay to find the right executive, said Aaron Boyd, director of governance research with Equilar, a California company that tracks executive compensation.

"Companies are getting bigger and bigger, and more dollars are at stake," he said.

Bringing in the right executive can increase revenue or sales by a billion dollars. So companies are willing to pay top dollar.

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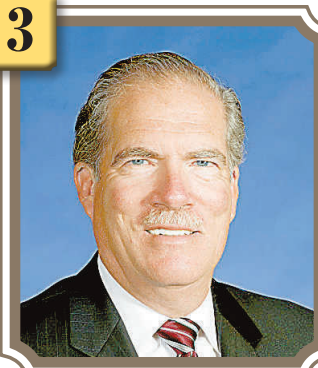
Peter M. Carlino
Chairman and CEO, Penn National Gaming Inc.
\$12,540,006

2



J. P. Bilbrey
President and CEO
The Hershey Co.
\$12,289,650

3



J. E. McGlade
Chairman, president and CEO
Air Products and Chemicals Inc.
\$11,963,828

4



Timothy J. Wilmott
President and COO
Penn National Gaming Inc.
\$8,420,894

5



William J. Clifford
Senior vice president and CFO
Penn National Gaming Inc.
\$6,454,378

6



John D. Craig
Chairman, president,
CEO and director
EnerSys
\$6,401,465

7



Jay S. Sidhu
Chairman and CEO
Customers Bancorp Inc.
\$6,133,893

8



Benson F. Smith
Chairman, president and CEO
Teleflex Inc.
\$5,760,050

9



William A. Wulfsohn
CEO
Carpenter Technology Corp.
\$4,913,956

10



William J. Reuter
Chairman and CEO
Susquehanna Bancshares Inc.
\$4,529,509

Peter M. Carlino at Penn National Gaming tops the list of highest-paid executives at 10 of the region's public companies.

Executive pay has become a hot topic with the Occupy Wall Street movement, the recession and the push to make corporate practices transparent, which resulted in the Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in 2010.

After several years of lower pay, most local companies are paying executives pre-recession paychecks, said Chet Mosteller, president of Mosteller and Associates, a human resources consulting firm in Cumru Township.

"Things are starting to bounce back to what we're calling normalcy," he said.

Berks County companies, in general, offer fairly conservative compensation for executives, Mosteller said. Top management pay reflects the region's value of rewarding hard work. Also, for smaller companies, the boards of directors are typically local businesspeople and are aware of shareholders who live in the same community.

The firm works with companies throughout the Mid-Atlantic to create peer compensation studies, Mosteller said.

Executives at the area's top companies are paid base salaries, plus annual cash incentives based on performance and long-term incentive awards in stock and options. There are also benefits such as health and life insurance and retirement funds, and perks such as car allowances, spousal travel to business events and bonuses for overseas assignments.

The compensation packages differ from company to company, but generally, more than half of an executive's pay is based on performance.

Compensation is set by board committees and usually based on pay among companies in the same industry or similar size. Additional performance targets are based [>>> 10]

Cover story

[9 >>>] on things such as revenue and shareholder return. Shareholders have a say as well. "Say on pay" votes became a requirement for public companies in 2011, and more companies are trying to do a better job to communicate with shareholders about pay, Boyd said.

For example, Penn National spoke directly with its top 40 shareholders about pay and held quarterly conference calls about the issue.

"You're seeing companies having these conversations, and shareholders are explaining what they don't like," Boyd said.

Last year, stockholders approved executive pay at all of the top 10 local companies, most with an overwhelming majority.

The companies use compensation to attract top managers, as well as grow business and shareholder returns.

Incentives are based on goals, such as operating margins, safety records and in-

How we selected the top 10 local companies

Business Weekly looked into executive pay at the area's top 10 publicly traded companies, but not all of the companies with a local presence were included.

For example, FirstEnergy and VF Corp. have wholly owned subsidiaries based locally (Met-Ed and VF Outlet, respectively). But the parent companies only are required to report salaries of the top executives, and they don't work in the greater Berks County area.

So, we widened the geographic region and included companies that are based near Berks County and do a significant amount of business in the region. That's why we decided to include Air Products and Chemicals Inc., Fulton Financial Corp., The Hershey Co., Susquehanna Bancshares Inc. and Teleflex Inc.

— Erin Negley

dividual performance. If the thresholds aren't met, there's no bonus.

Performance pay is often tied to stock, including stock that can't be traded for several years. That helps retain management, minimize risk and connect compensation to the company's financials.

While in the past, local boards may have been more lackadaisical about the metrics, more boards are getting better

at establishing formulas, goals and strategies to set executive compensation, Mosteller said.

In addition, several of the companies, including Hershey and Teleflex Inc., Limerick, require the top executives to own up to five times their salaries in company stock.

Nationally, pay is starting to flatten out, said Equilar's Boyd. But there's a balancing act between cash bonuses and stock awards. Cash bonuses have dropped from high levels of 2010 as companies set more aggressive goals. At the same time, the stock market has improved, increasing the value of stock awards.

In 2012, most executives in the top 10 list brought home more money. At Hershey, they earned above-target incentive awards after total shareholder return hit 20 percent, triple the S&P 500 Index.

Susquehanna Bancshares Inc., Lititz, acquired Tower Bancorp, Harrisburg, and saw revenues and returns increase nearly 30 percent. Top executive salaries grew to fit the new category, and they also received \$250,000 to \$500,000 more in retirement plans.

Boards also gave special awards. At Teleflex, President and CEO Benson F. Smith received an extra \$1 million in stock to recognize his performance and the significant increase in shareholder

value under his tenure. At Carpenter Technology Corp., Andrew T. Ziolkowski, senior vice president of Latrobe operations, received a special performance-based restricted stock award worth \$300,000 for his role in the acquiring and integrating Latrobe Specialty Metals Inc.

However, because Air Products and Chemicals didn't meet growth targets, executive incentive payments were significantly lower than in previous years.

Even terminated executives got a golden parachute. Richard A. Meier, former executive vice president and chief financial officer for Teleflex, was terminated in March and received \$937,388, including \$25,380 for a car lease and \$20,000 in executive outplacement services.

But resignations aren't as lucrative. Wyomissing-based Customers Bancorp Inc. Chief Financial Officer Thomas R. Brugger resigned to take the same role at New Jersey-based Sun National Bank. With his resignation, he didn't get any additional payments and he forfeited his outstanding equity awards.

Also of note, just three of the top 50 executives are women: Michele Buck and Leslie Turner from The Hershey Co. and Sandra L. Bodnyk at National Penn Bancshares Inc.

As more baby boomer executives retire, Mosteller expects to see upper management pay increase.

Traditionally, middle managers were trained in a broad range of areas and groomed to become top executives. Training programs have been drastically cut, leaving a smaller pool of qualified candidates as boomers retire.

"Another five to 10 years from now, it might be 30 percent fewer available executives in the marketplace," Mosteller said.

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A range of perks for top execs

Most publicly traded companies among the 10 we surveyed list offer various pay-package sweeteners to attract the right candidates and to give them the tools to do business. Perks include company cars, phones and country club memberships.

Here are some of those perks, according to proxy documents.

Air Products and Chemicals Inc.

■ Stephen J. Jones, senior vice president and general manager, tonnage gases, equipment and energy, and China president: international assignment money (\$860,187) for housing, relocation, tax equalization, education expenses for children (\$65,793) and car/driver (\$28,790).

■ John W. Marsland, senior vice president and general manager, merchant gases: international assignment money (\$681,206) for housing in England, relocation, education expenses for children (\$69,156) and shipping household goods (\$27,146).

■ John E. McGlade, chairman, president and CEO: personal use of corporate aircraft (\$123,134).

Carpenter Technology Corp.

All named executive officers get financial planning and tax planning (up to \$7,500) and medical exams (up to \$7,500).

Customers Bancorp Inc.

■ James D. Hogan, executive vice president and chief financial officer: Wyomissing apartment rental and travel expenses between his home in South Carolina and executive offices (\$5,200).

■ Jay S. Sidhu, chairman and CEO: automobile allowance (\$12,000) and a country club membership (no amount listed).

EnerSys

■ John D. Craig, chairman, president, chief executive officer: company car (\$28,880).

■ Raymond R. Kubis, former president, Europe: cost-of-living adjustment for living in Switzerland (\$103,192) and housing allowance (\$74,349).

■ David M. Shaffer, president, Europe, Middle East and Africa: housing allowance in Switzerland (\$145,025).

■ Richard W. Zuidema, executive vice president and secretary: personal use of company car (\$26,221).

—Erin Negley

Fulton Financial Corp.

■ R. Scott Smith Jr., chairman and chief executive officer: company car, club memberships and other executive benefits, including profit sharing (total \$206,531).

The Hershey Co.

■ John P. Billbre, president and CEO: security services for him and his family (\$37,127), financial counseling (\$8,400) and personal tax return preparation (\$800).

■ Leslie M. Turner, senior vice president, general counsel and secretary: relocation benefits (included \$13,087 for automobile transportation, temporary living assistance and a miscellaneous allowance and \$7,058 for reimbursement of taxes related to her relocation).

National Penn Bancshares Inc.

■ Scott V. Fainor, president and CEO: Company car (\$12,000).

Penn National Gaming Inc.

■ Peter M. Carlino, chairman and chief executive officer: personal use of company airplane (\$217,745) and club membership (\$3,340).

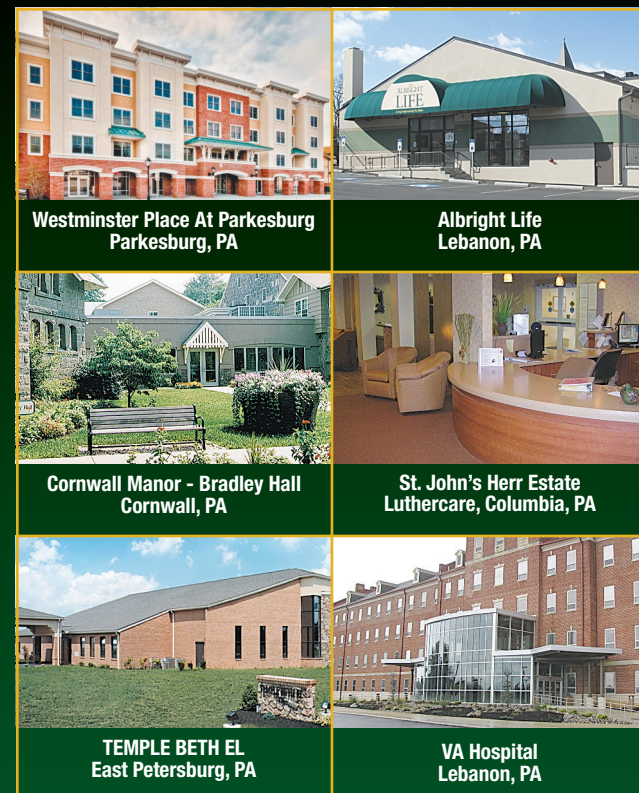
Susquehanna Bancshares Inc.

Company cars are provided, as well as country club memberships (except for Gregory A. Duncan, who doesn't belong to a country club). The company only reports amounts that exceed \$10,000 per officer, so no perks were disclosed in 2012.

Teleflex Inc.

■ Benson F. Smith, chairman, president and chief executive officer: relocation stipend (\$150,000), personal use of aircraft (\$43,934) and company car (\$43,921).

■ Thomas E. Powell, executive vice president and chief financial officer: relocation stipend (\$34,834) and company car (\$9,600).



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F.Y.I.

Q: What is asset allocation?

A: Asset allocation refers to a mix of different types of investments. Traditional asset allocation emphasized a mix of stocks, bonds, and cash. New asset allocation techniques now expand the mix of investments to include alternative investments such as real estate and commodities. Each type of asset has its own unique risk and return characteristics. For further information kindly contact me at Berkshire Investment Group at 610-371-0665.

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