United States Senate
Committee on Finance

Sen. Chuck Grassley · Iowa
Ranking Member

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Grassley Questions Severance Package for AIG Executive

WASHINGTON – Sen. Chuck Grassley of Iowa today asked the Troubled Asset Relief Program (TARP) special master for compensation to explain why an AIG executive who resigned is entitled to a multi-million dollar severance agreement. The company received significant TARP money, and the federal special master for compensation is charged with ensuring appropriate compensation for program participants.

"The taxpayers are fed up with massive payouts to executives at companies that took taxpayer money," Grassley said. "The special master for compensation should account for a multi-million dollar severance agreement for this AIG executive."

Grassley was an advocate for creating a special inspector general for TARP to try to hold the program accountable and co-sponsored legislation to strengthen the ability of the special IG to conduct oversight after the TARP program changed its original mission. Grassley also battled the White House after it tried to subject requests of the special IG to the red tape of the Paperwork Reduction Act.

The text of Grassley's letter today follows.

January 15, 2010

Via Electronic Transmission

Kenneth R. Feinberg
Special Master for Compensation
Troubled Asset Relief Program
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Feinberg:

As the Senior Senator from Iowa and Ranking Member of the Committee on Finance (Committee), I have a duty to conduct oversight into how federal entities spend taxpayer dollars, especially when fraud, waste, or abuse might be involved. Today, this duty is more important than ever, with federal spending at unprecedented levels due in part to the passage of the Troubled Asset Relief Program (TARP).

Section 111 of the Emergency Economic Stabilization Act of 2008 (EESA), as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), provides guidance on the executive compensation and corporate governance provisions of EESA that apply to entities that receive financial assistance under the TARP. Section 111 requires entities receiving financial assistance (TARP recipients) from the Department of the Treasury (Treasury) to meet appropriate standards for executive compensation. You were appointed Special Master last year to carry out these responsibilities, and as part of your efforts you have placed an annual limit of $500,000 on certain executive salaries at TARP recipients like AIG.

Despite the requirements of the law and your efforts, it has been reported in the press that a top AIG executive will receive between $2.8 million and $3.8 million in severance following her resignation on December 30, 2009.[1] Generally, severance agreements are intended for involuntary separations. However, in this instance, it appears that the executive, Anastasia D. Kelly, Executive Vice President, General Counsel, and Senior Regulatory and Compliance Officer, was not terminated. On the contrary, she reportedly decided to leave the company because she was unwilling to accept the limit on executive salaries you imposed.

Based upon the information that I have, it is unclear to me why Ms. Kelly's voluntary resignation ought to entitle her to a multi-million dollar windfall from a severance agreement entered into by a company receiving so much federal taxpayer support. At 2010 salary levels, $2.8 million in severance amounts to almost six years of pay. $3.8 million in severance would amount to almost eight years of pay. Regardless of whether her severance is $2.8 million or $3.8 million, this raises serious questions about whether you believe the payment meets "appropriate standards for executive compensation" at a TARP recipient like AIG.

For me, and I am sure for taxpayers across America, the situation as reported surrounding Ms. Kelly and her severance is deeply troubling news. This is especially true in light of the already sordid record at AIG of paying massive executive bonuses with TARP taxpayer money.

Accordingly, please provide my office with the following information:

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[1] Reuters and ABC News reported on December 30, 2009, that Ms. Kelly will receive about $2.8 million as she leaves AIG. On December 31, 2009, BusinessWeek reported that Ms. Kelly will collect about $3.8 million in severance.

1) The date Ms. Kelly joined AIG and her salary on that date.

2) A complete promotion and salary history for Ms. Kelly through the date of her departure from AIG, including relevant dates.

3) The salary that that she was scheduled to be paid at the time of her resignation and whether she was a member of the Senior Executive Officers or Most Highly Compensated Group at AIG, or a member of another group of highly compensated employees.

4) The amount of Ms. Kelly's severance, the formula under which it was determined, the salary on which her severance was based and her salary on the date of her resignation.

5) A copy of the AIG Executive Severance Plan that governs this matter and all previous versions of the plan back to the date Ms. Kelly joined AIG. Include copies of all severance plans or arrangements signed by Ms. Kelly.

6) The amounts and dates of all severance payments already paid to Ms. Kelly and all severance payments, if any, scheduled for the future, including relevant dates.

Finally, and perhaps most importantly, please explain in detail all actions your office took to modify, amend and/or terminate the AIG Executive Severance Plan as it existed when you assumed your duties as Special Master. Also, if you know, please describe in detail all actions taken by the Board of Governors of the Federal Reserve, the Federal Reserve Bank of New York and the Department of the Treasury to modify, amend and/or terminate the AIG Executive Severance Plan as it existed on or after September 16, 2008.

In cooperating with the Committee's review, no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible to the Committee.

Thank you in advance for your cooperation. Please provide the requested information by January 29, 2010. Should you have any questions regarding the contents of this letter please do not hesitate to contact Jason Foster at (202) 224-4515. All formal correspondence should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov or via facsimile to (202) 228-2131.

Sincerely,

Charles E. Grassley
Ranking Member

Cc

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