



For Immediate Release
Wednesday, February 3, 2010

Grassley Seeks to Learn Whether Some AIG Bonus Contracts
Were Executed After the Bailout

WASHINGTON --- Senator Chuck Grassley is asking the Treasury Secretary to disclose information about the timing of bonus contracts for executives at American International Group (AIG), in response to comments by the administration's Special Master for Compensation that the contracts are binding because they were entered into before the federal government bailout in 2008.

Grassley said it's his understanding that some of the retention bonus agreements were signed in September 2008, after the Federal Reserve pumped billions of dollars into AIG, and that some of the retention bonus agreements were signed in October 2008, after the passage of the Troubled Assets Relief Program, or TARP.

In a letter sent this afternoon, Grassley wrote, "At a minimum, why should Treasury honor contracts executed in September and October, 2008, after AIG began receiving billions in taxpayer support?"

Grassley also asked for an accounting of the administration's efforts to follow through on the President's pledge to "pursue every single legal avenue to block these bonuses and make the American taxpayers whole." He also requested information about what has been done to determine the role that bonus recipients may have played in decisions that contributed to the losses that threatened to bring down AIG and, according to some accounts, the entire financial system.

In a statement issued last night, after an additional \$100 million in bonus awards were reported, Grassley said, "AIG has taxpayers over a barrel. The Obama administration has been outmaneuvered. And the closed-door negotiations just add to the skepticism that the taxpayers will ever get the upper hand."

The text of Grassley's letter to Treasury Secretary Timothy Geithner follows here. A transcript of Grassley and Geithner discussing the bonuses at yesterday's hearing is below the letter.

February 3, 2010

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

In December, I asked you for details regarding the \$168 million in AIG retention bonus payments paid in 2009, and the \$198 million in AIG retention bonuses planned for March of this year. Some of the AIG executives promised to return \$45 million of their 2009 bonuses, but that didn't happen. Nevertheless, AIG still planned to pay \$198 million in bonuses in 2010. Last week I received a letter, not from you but from Kenneth Feinberg, the Special Master for TARP Executive Compensation. He said that you asked him to reply on your behalf. He offered to brief me, did not provide the documents I requested.

The offer of a briefing is appreciated, but first I need the documents. This is especially frustrating because I read in the press that AIG has paid a portion of the 2010 bonuses today, rather than in March. AIG reportedly has reduced the 2010 bonuses by 10% rather than collecting on the broken promises some executives made to repay the 2009 bonuses. The terms of this bonus deal is exactly the sort of information that should have been provided to Congress earlier in response to my requests. We shouldn't have to read about these things in the newspaper only after the deal is done.

I asked you about this at the hearing yesterday before the Senate Finance Committee. I appreciate the commitment you made to promptly provide the documents I have requested. I am disappointed, however, that in response to my question about the 2010 bonuses you neglected to tell me that AIG was set to announce the accelerated payment of \$100 million in bonuses later that day.

1. Why is Treasury allowing AIG to pay retention bonuses again this year?

I understand that Mr. Feinberg said today that the retention award agreements were executed in 2007 before the TARP law was enacted and, as such, must be honored as "grandfathered" contracts. However, it is my understanding that some of the retention bonus agreements were signed in September, 2008, after the Federal Reserve pumped billions of dollars into AIG. I also understand that some of the retention bonus agreements were signed in October, 2008, after the passage of the TARP law.

2. At a minimum, why should Treasury honor contracts executed in September and October, 2008, after AIG began receiving billions in taxpayer support?

President Obama said he would "pursue every single legal avenue to block these bonuses and make the American taxpayers whole."

3. What specific actions did Treasury take to follow through on the President's promise to recover the 2009 bonuses and prevent the payment of 2010 bonuses?
4. What specific actions did Treasury take to follow through on the President's promise with respect to the retention bonus agreements signed in September and October, 2008, after AIG began receiving billions in taxpayer support and, in some cases, after the TARP law was passed?
5. What steps have been taken to assess the degree to which AIG executives who drafted, approved, and entered into these compensation agreements were aware of the impending losses from the AIG/FP division at the time the agreements were executed?

Given that those impending losses threatened to bring down the company (and according to some, the entire world financial system along with it) absent radical government intervention, why should contracts with any executives aware of or responsible for those losses be honored rather than voided on public policy grounds as a fraud on the shareholders and the taxpayers.

AIG Severance Payment

Last month I asked Mr. Feinberg for details about a reported \$3.9 million severance payment to an AIG executive who departed AIG because she wasn't happy with the \$500,000 annual salary she was offered. The information I requested was due last week, but I have received nothing from Mr. Feinberg. I understand that this executive may have received both a retention bonus and a severance award. I also understand that another executive received a \$1 million severance award. Information regarding the second severance payment is due next week.

1. When will I receive the documents I requested in my letters to Mr. Feinberg?
2. Has the independent Board Compensation Committee been established at AIG, as required by the Section 111(c) of the American Recovery and Reinvestment Act of 2009?
3. Did the Board Compensation Committee approve these severance payments?
4. Why wasn't the AIG Executive Severance Plan cancelled pursuant to the authority provided in Section 111(b)(2) of the American Recovery and Reinvestment Act of 2009?

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 February 8, 2010.

Sincerely,

Charles E. Grassley
United States Senator
Ranking Member of the Committee on Finance

Partial transcript from the February 2, 2010 hearing of the Senate Committee on Finance:

GRASSLEY: Congress wouldn't have to pass a bill if the president would give equal time to helping middle class families by, as he's doing, jaw-boning banks and Wall Street, et cetera. And there would not be a disagreement with me on his part for doing that, if he'd do the same thing with some of our major universities, or all of our universities, for increase in tuition.

Let me go on.

In December, I asked you for details regarding the \$168 million AIG retention bonus payments paid in 2009 and the \$198 million in AIG retention bonuses planned for March of this year. Some of the AIG executives promised to return \$45 million of the '09 bonuses, but that didn't happen. Nevertheless, AIG still planned to pay \$198 million bonuses this year.

Last week, I received a letter, not from you, but from Kenneth Feinberg, special master for TARP executive compensation. You said you asked him to reply on your behalf. He offered to brief me, but did not provide the documents I requested. The offer of a briefing is appreciated. First, I need the documents.

This is especially frustrating because I read in the press that AIG has offered to pay the 2010 bonuses early, by the end of this week, I've been told, rather than March. AIG is reducing the amount of bonuses by 10 percent rather than collecting on broken promises some executives made to repay '09 bonuses.

The terms of this bonus deal is exactly the sort of information that should have been provided to Congress earlier in response to my request. We shouldn't have to read about these things in the newspaper only to have it a done deal. When will I receive the documents I requested in my December 24, 2009 letter? And why is Treasury allowing AIG to pay bonuses again this year?

GEITHNER: Senator, I will commit to you that we will work as quickly as possible to make sure you have the information you need to provide the oversight that this committee has to provide in this issue and all other issues. And I will -- and I just want to emphasize that Ken Feinberg, who I appointed to try and make sure we are fixing in compensation structure for this set of institutions, is working very hard on just the concern you raised, and I'm sure he'll be able to provide a little more detail in public and in writing when he's reached those judgments. But in the interim, I'll make sure we're providing the information you need to -- and to be responsive to your questions on this specific issue.

GRASSLEY: OK. Thank you, Mr. Chairman.