



For Immediate Release

Monday, January 25, 2010

Grassley asks more questions about multi-million severance package for AIG exec,
plus a second AIG exec

WASHINGTON --- Senator Chuck Grassley is asking a second set of questions about the circumstances surrounding an AIG executive who received a multi-million severance package at the end of last year and reports of a second executive who may have received a million-dollar severance payment at year's end following an apparent resignation, rather than termination.

Grassley is seeking an accounting from the Special Master for Compensation for the Troubled Asset Relief Program, or TARP. A significant amount of the government's bailout effort, including through the TARP program, has gone to AIG, and the federal government's Special Master for Compensation is responsible for monitoring compensation for program participants.

Grassley said executive bonuses are "an affront to taxpayers who funded a bailout effort that was supposed to prevent a collapse of the financial system, rather than to enrich company executives."

The senator's questions this month for the Special Master for Compensation follow efforts over the last year to hold government officials accountable for how the bailout has been managed. More than a year ago, Grassley worked to create a Special Inspector General for TARP. He co-sponsored legislation to strengthen the ability of the Special Inspector General to conduct oversight after the original mission of TARP was changed. Grassley also battled the White House in 2009, after it tried to subject the requests of the Special Inspector General to the red tape of the Paperwork Reduction Act.

The text of the letter Grassley sent today is immediately below. His January 15 letter follows.

January 25, 2010

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:

On January 15, 2010, I wrote you to express my concern and frustration with the reported payment by AIG of a multi-million dollar severance award to Anastasia D. Kelly, Executive Vice President, General Counsel, and Senior Regulatory and Compliance Officer, following her resignation effective December, 30, 2009. It is my understanding that a million dollar severance payment was made to another former executive of AIG. Also, it has been reported that Ms. Kelly was either directly or indirectly related to an investigation at AIG in 2009, prior to AIG's decision to proceed with her multi-million dollar severance award. Consequently, my concerns about the apparent lack of scrutiny given to executive severance payments at AIG are increasing. Indeed, it seems as if the Obama Administration is more concerned with paying out taxpayer money to highly compensated AIG employees rather than safeguarding every taxpayer dollar. Let me elaborate.

Section 111(b)(2) of the Emergency Economic Stabilization Act of 2008 (EESA), as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), provides that the Secretary of the Treasury shall require TARP recipients like AIG to meet appropriate standards for executive compensation and corporate governance. Despite this broad authority given to the Obama Administration by Congress to protect taxpayers, it appears that the Administration has dropped the ball when it comes to rich severance pay plans that are enjoyed by AIG executives, but out of the reach of ordinary American workers.

Regarding the media reports about Ms. Kelly, it is my understanding that a law firm was retained to conduct an investigation into, among other things, whether she was properly performing her duties as General Counsel. It was further reported that the law firm made recommendations to AIG in this matter. Consequently, in addition to the information and documentation I requested in my January 15 letter, please provide a complete description of the investigation/law firm inquiry, including all documents or other materials prepared by AIG internally, by the law firm, or by any other government office or third party. Please include all information regarding the basis for the decision made by AIG or any government official to pay or allow to be paid between \$2.8 million and \$3.8 million in severance or other payments to Ms. Kelly. In the case of any verbal reports, please describe such reports and any statements made or actions taken by AIG or any government official in response.

Furthermore, reports have surfaced about a severance payment made to another former executive of AIG. It has been reported that Suzanne Folsom, Chief Compliance and Regulatory Officer, also resigned at the end of 2009, and supposedly received a \$1 million severance payment. This enormous payment raises the same sort of concerns I detailed in my earlier letter in regard to the multi-million payment to Ms. Kelly. As a result, I request that you provide my staff with the same detailed information regarding Ms. Folsom that I requested for Ms. Kelly in my January 15 letter. Accordingly, please provide my office with the following information:

- 1) The date Ms. Folsom joined AIG and her salary on that date.
- 2) A complete promotion and salary history for Ms. Folsom through the date of her departure from AIG, including titles, salary amounts and relevant dates.
- 3) The salary that that Ms. Folsom was scheduled to be paid at the time of her resignation and whether she was a member of Most Highly Compensated Group at AIG or the member of another group of highly compensated employees.
- 4) The amount of Ms. Folsom's severance, the formula under which it was determined, the salary on which her severance was based and, if different, her salary on the date of her resignation.
- 5) A copy of the AIG severance plan, agreement or program that governs Ms. Folsom's severance and all previous versions of the plan, agreement or program back to the date Ms. Folsom joined AIG. Include copies of all severance plans or arrangements signed by Ms. Folsom.
- 6) The amounts and dates of all severance payments already paid to Ms. Folsom 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 severance plan or program that covered Ms. Folsom 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 or terminate the AIG severance plan or program that covered Ms. Folsom 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 February 8, 2010.

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

CC: Treasury
Federal Reserve
FRBNY

For Immediate Release

Friday, Jan. 15, 2010

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

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:

- 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 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.

^[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.

- 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.

Sincerely,
Charles E. Grassley
Ranking Member

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

The Honorable Ben S. Bernanke
Chairman
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable William C. Dudley
President and Chief Executive Officer
Federal Reserve Bank of New York
Federal Reserve System
33 Liberty Street
New York, NY 10045