

4,200 workers furloughed, but UP CEO's compensation was \$11.2 million in 2009

Written by Josh Funk - The Associated Press
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OMAHA, Neb. — Union Pacific Corp. Chairman and CEO Jim Young's compensation fell less than 5 percent last year because the railroad's board felt he kept the company on track in a difficult economy that led to a 19 percent decline in earnings.

An Associated Press analysis of a filing with the Securities and Exchange Commission Wednesday shows Young received 2009 compensation worth \$11.2 million, down from \$11.8 million the year before mainly due to a smaller bonus.

UP's board gave Young a \$2.5 million bonus, saying the railroad improved efficiency and generated \$1.9 billion in net income. His 2008 bonus was \$3 million.

Besides the bonus, the rest of Young's compensation remained largely unchanged in 2009, including stock options and restricted stock worth \$7.5 million.

"Economic conditions made 2009 a very challenging year," the railroad's board wrote. "Despite these obstacles, we achieved all-time bests in many of our business objectives by operating a safer railroad, improving customer service and operations, and implementing productivity initiatives to improve efficiency and reduce costs."

The Omaha-based railroad's profit last year was down from the \$2.4 billion net income it generated in 2008. But UP's board said it was still proud of the 2009 results, given the economy.

Union Pacific had 4,200 employees furloughed at the end of 2009, and 44,000 railcars and 1,600 locomotives stored. Those measures helped the railroad reduce its costs when freight demand diminished with the weak economy.

The Associated Press formula is designed to isolate the value the company's board placed on the executive's total compensation package during the last fiscal year. It includes salary, bonus, performance-related bonuses, perks, above-market returns on deferred compensation and the estimated value of stock options and awards granted during the year.

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The calculations don't include changes in the present value of pension benefits, making the AP total different in most cases than the total reported by companies to the Securities and Exchange Commission.

Union Pacific said it will hold its annual shareholder meeting May 6 in Salt Lake City, where the railroad was incorporated, even though company headquarters are in Omaha.

In addition to routine items like the re-election of directors, Union Pacific investors will vote on two shareholder proposals the railroad's board opposes.

One proposal would ask UP's board to consider adopting a policy to require that the company's chairman be an independent director, not the current or former CEO.

Investment firm Pax World Management Corp. submitted the independent chairman proposal, arguing it will help ensure the board can independently set long-term goals for the railroad and evaluate current management.

The board said it prefers having the flexibility to appoint a single person both chairman and CEO, and that it believes the current setup provides effective independent oversight of the company.

The other proposal submitted by an individual shareholder in California would ask the board to change the railroad's charter so most issues could be decided by a simple majority vote.

Currently Union Pacific bylaws require some things to be supported by at least 67 percent of shareholders.

The board asked shareholders to oppose the majority voting measure because it believes the super-majority requirement is appropriate for the few issues where UP requires it, such as for the removal of board members.

Union Pacific operates 32,400 miles of track in 23 states from the Midwest to the West and Gulf coasts.