Cover Story

Love it or hate it, everyone wants to know who makes what in the association, advocacy, and think-tank worlds.

The Envy List

By Bara Vaida

This is our 10th biennial salary survey of the leaders at Washington's biggest trade associations, professional societies, think tanks, and interests groups. When we told prominent K Street insiders the compensation numbers we found in reporting this story, they responded: "Breathtaking!" "Astonishing!" "Every boy and girl hopes the person in high school that rejected them gets a hold of this *National Journal* salary list!" The most over the top: "That idiot is making *what?!*"

The compensation of 89 top executives exceeded the $1 million mark, according to 514 tax forms recording pay between 2007 and 2009 that *National Journal* and our partner *CEO Update* analyzed for this report. That's a 30 percent increase from our 2008 survey (covering 737 organizations between 2005 and 2007). Although nowhere near the sort of paydays common on Wall Street—we found some eye-popping numbers for the nation's capital.

"In Washington terms, those [salaries] are very, very generous," said Larry O'Brien, head of lobbying firm OB-C Group, who has been a Democratic operative for decades and has earned his share of big bucks.

Among the top earners in our review are John Castellani, president of the Business Roundtable, who received a total compensation package of $5.57 million in 2008; Billy Tauzin, the departing CEO of the Pharmaceutical Research and Manufacturers of America, who made $4.48 million; and Scott Serota, CEO of the Blue Cross and Blue Shield Association, who took home $3.99 million. The highest compensation went to Marc Lackritz, the now-retired head of the Securities Industry and Financial Markets Association. He received an exit pay package that boosted his total compensation to $6.76 million in 2008.

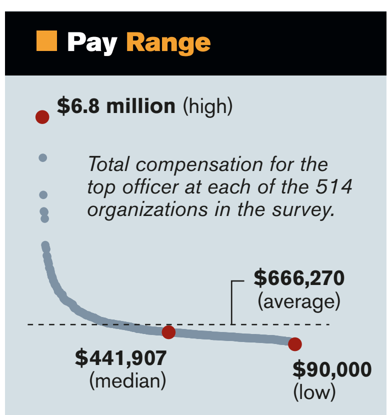
"It's hard for the rational mind to justify, given the econ-

COMFORTABLE: **Chart-toppers such as Business Roundtable President John Castellani tend to dislike the notoriety. Still, getting well compensated has its rewards.**

omy," says Pamela Kaul, president of executive search firm Association Strategies. "But it's the mystique of Washington. These are the power brokers that have the access to networks and relationships."

Steve Anderson, CEO of the National Association of Chain Drug Stores ($1.83 million), contends that it's not all mystique. "These jobs have become so complicated now," he says, "that I don't think you can look at them in the vacuum of just a salary."

It's not just CEOs who are raking in the dollars; the lobbyists are doing quite well, too. New IRS rules require organizations to report the salaries of all their key staff members, so lobbyists' pay is now public, much to their chagrin. The numbers show just why so many people want to work on K Street. Bruce Josten, the executive vice president for government affairs at the U.S. Chamber of Commerce, reported $1.13 million in compensation; Richard Pollack, executive vice president of advocacy and public policy at the American Hospital Association, was paid $1.15 million; and Alexander Flint, the senior vice president of governmental affairs at the Nuclear Energy Institute, was compensated $788,042.



So, why such fat paychecks? Mainly because Washington is now playing a key role in the economy. "If you look at the size and the scope of some of the public policies being talked about in Washington, they can have a huge impact on an entire industry, and corporate CEOs have come to understand it really matters who is in charge of your trade association," Doug Pinkham ($355,352), president of the Public Affairs Council, said. Corporate executives want their trade association leaders to help their industry navigate legislative and regulatory processes, and to secure a seat at the negotiating tables where key decisions are made.

The complexities of running a trade association also put a premium on individuals with the business acumen to manage an as-

RICHARD A. BLOOM

Leslie Hortum

RICHARD A. BLOOM

The Spencer Stuart headhunter says that association chieftains have high-risk, difficult jobs that require maximum balancing skills.

sociation when the going gets tough. As the economy slumped in 2009, those skills were more in demand than ever. "It's easier to manage [a trade association] when the economy is chugging along and you have more money than God," said Ivan Adler, a principal at the McCormick Group, an executive search firm. "It's more complicated in challenging times."

Headhunters say that pay levels at industry groups reflect trends in the corporate world. The CEOs and other industry representatives who sit on the boards that determine the salaries of trade association executives are high earners, and they expect to pay their Washington leader a handsome sum as well, even when economic times are as hard as they were in 2009.

"Despite the downturn, all of these industries were even more closely regulated or had increased oversight in Washington," said Denise Grant, head of the government-affairs and trade association practices at search firm Russell Reynolds Associates. "And their members needed them more than ever because Washington, D.C., became more important than ever."

Proving Their Mettle

Last year, trade association leaders were called upon to justify their high salaries as perhaps never before. The chiefs faced a double whammy of the economic downturn and the uncertain political environment. For the first time since 1995, Democrats were in charge of Congress and the White House, depriving business groups of the natural allies they had grown accustomed to during the eight-year presidency of Republican George W. Bush.

"It's fair to say the pecking order in Washington changed a bit because of the politics of the day and the president's agenda," said Joe Householder, a Democratic consultant for Purple Strategies, which has worked for the U.S. chamber and other Washington trade associations. "Certain kinds of organizations rose while others fell back. To succeed, he said, trade group leaders had to be practical. Lorraine Lavet, head of the national association specialty practice at Korn/Ferry International, added, "You need someone who can work both sides of the political aisle."

The Business Roundtable's Castellani embodies the pragmatic approach to business and politics. President Obama has repeatedly reached out to the business community through the roundtable, which represents 160 of the country's largest corporations. The president addressed several of the group's CEO meetings over the past year and personally lobbied Castellani to support health care reform during a White House holiday party. The group has used its downtown headquarters as a site for meetings of business leaders and Obama administration aides.

"The Business Roundtable is a pool of folks who are inclined to be temperate and less confrontational," O'Brien said. "That

Our Salary Survey Partner

CEO UPDATE

There are 1.86 million nonprofits in the United States. Uncovering those organizations with a Washington presence, and keeping the list to a manageable number, is a monumental task. Our partner for the second time in this process is *CEO Update,* the independent news publication that covers trends, careers, and people in associations and nonprofits.

To say that *CEO Update* is an indispensible part of our biennial salary survey is an understatement. Managing Director Mark Graham is both an expert on the subject and a database wizard—always quick with answers and insights. And nobody knows their way around the inscrutable corners of Form 990 better. The partnership delivers to *National Journal* readers a unique combination of fresh information and a deeper understanding of the association and advocacy community in the nation's capital.

"With new information included in the redesigned Form 990, this was an eye-opening year to look at salary data, and it's only going to get more interesting as a more groups begin to use the new form," Graham said. "For the first time, we can see bonuses, severance, deferred comp, and even who flies first class. Unfortunately for many CEOs highlighted here, this might be an uncomfortable exposure in light of the deep economic downturn faced by their organizations and members, even though most salary increases and payouts were determined before the recession hit."

has been a boon in terms of developing working relationships with this administration, because it makes it easier to maintain a productive business dialogue."

After working with the Obama administration to help pass the stimulus package in February last year, the U.S. chamber, led by Thomas Donohue ($3.78 million), took an increasingly strident role in opposing the rest of Obama's agenda—health care, energy, and financial services—generating criticism from Democrats and causing internal strife. Several of the chamber's biggest members, including Pacific Gas & Electric and Apple, left last year. In the financial reform debate, administration officials criticized the chamber for running a "misleading" ad campaign against the proposed Consumer Financial Protection agency.

The business lobby group has nevertheless remained a force to be reckoned with. White House Chief of Staff Rahm Emanuel spoke to the chamber's board in 2009, and its leaders say that its high-profile opposition to Obama's policies has fueled fundraising and ensured that it will remain a powerhouse.

"Though the chamber isn't the darling of the Obama administration, they are playing an important role in being a counterbalance," Penny Lee, a principal at Venn Strategies, said. "They are a voice of business in America. They are just doing it from an antagonistic stance."

Steve Anderson

LIZ LYNCH

National Association of Chain Drug Stores CEO says, "These jobs have become so complicated now that I don't think you can look at them in the vacuum of just a salary."

Few executives faced a tougher test than those in the health care, energy, and financial services sectors. "This year marked a put-up or shut-up time" for three giant financial service trade group leaders, said Kurt Pfotenhauer ($584,835), CEO of the American Land Title Association. "They earned their pay by effectively pushing back hard against a regulatory regime that in some instances would have subjected their members to a smothering amount of new federal regulation."

The Securities Industry and Financial Markets Association, the Financial Services Roundtable, and the American Bankers Association were able to mount effective lobbying campaigns even though several of their big members were the targets of public anger and of heated rhetoric from the White House and Congress.

"It has been an extremely difficult public-relations and political environment," acknowledged Edward Yingling, the president and CEO of the bankers association, who made $2.29 million in 2008. "We're used to major storms, but this is a level 4 hurricane." The group has managed to fend off some financial services reforms that it dislikes. "I think we've had some success in modifying" congressional reform efforts, he said, "and some success in keeping out some of the wilder ideas."

Yingling attributes the group's success to the grassroots clout of its big and diverse membership, which represents 95 percent of the assets in American banks. The ABA's "community bankers generated more than 300,000 grassroots letters on regulatory reform" that went to Capitol Hill last year, he said.

But even gold-plated bankers couldn't ignore the recession. The ABA imposed hiring and salary freezes, cut back on travel, and canceled its annual summer bash usually held at such posh resorts as West Virginia's Greenbrier. The economic climate also tabled further bonuses for the group's executives.

At the Financial Services Roundtable, president and CEO Steve Bartlett felt the public backlash as well. "I believe I enjoy a great reputation and have credibility," said the former Republican lawmaker from Texas, who made $1.63 million in 2008. "But it's a tough time. It's harder to communicate our message if a congressman hears complaints about us at a town hall meeting." So Bartlett set a goal for the 100-member organization to "rebuild trust in everything we do." He recently assessed membership fees as high as $75,000 to retain a public-relations firm to work on messaging.

Timothy Ryan, CEO of the Securities Industry and Financial Markets Association, who made $2.02 million in 2008, agreed that the times are challenging: "We're [being] held responsible for some of the devastation of the last few years." Ryan took SIFMA's helm in April 2008 after spending 15 years at JPMorgan Chase, where he was a vice chairman just before the market's collapse. Since then, the trade association's budget shrank from about $100 million in 2008 to just over $80 million this year as some of its member firms merged or went under during the financial crisis. SIFMA had to let 57 people go in 2008 and 2009, he said. Given the financial pressures that many members were facing from the recession, the group cut dues "across the board," Ryan added. "We took in excess of 20 percent out of the organization."

Frank Fahrenkopf, CEO of the American Gaming Association, dealt with the economic collapse by eliminating member dues in 2009. Dues this year are half the 2008 assessment. Fahrenkopf, who took home $2.08 million in 2008, said his organization was fortunate in that it had built up hefty reserves to weather a storm such as the one that hit last year. "We've always been very careful of our costs," he said.

The energy sector, in addition to facing tough financial times, had to adjust to a president who had campaigned on reducing the influence of "Big Oil" in Washington. Jack Gerard, who took over as CEO at the American Petroleum Institute on September 1, 2008, after longtime chief Red Cavaney retired (with $2.69 million), has already undertaken a major shake-up, following his pattern as head of the National Mining Association and the American Chemistry Council.

Last fall, Gerard, who received compensation of $1.64 million for his four months at the institute (most of it in the form of deferred compensation), laid off 14 percent of the staff, some 40 people. The personnel cuts had nothing to do with the group's finances and everything to do with his leadership philosophy, Gerard said. "I believe [that trade associations] should be run like a business. Bring great clarity to the mission statement, get consensus on what members expect, and then organize personnel and activities around that." He added, "We go in and say, how do we deliver value in the public policy arena?"

That is no small challenge. Democrats have built political momentum for overhauling energy policies to dramatically reduce greenhouse gases and lessen dependence on foreign oil. How and when those policy changes come about will have enormous implications for the industry.

In response to the political winds, Gerard, a Republican, hired Democratic lobbyist Martin Durbin, the nephew of Senate Majority Whip Richard Durbin, D-Ill., away from the American Chemistry Council. He also hedged his bets by launching an aggressive lobbying strategy. In February, Gerard lured grassroots organizer Deryck Spooner—whom the CEO calls the "best in class"—away from the Nature Conservancy to do similar work at the API. "The greatest [strategic] value to the oil and natural-gas industry is that we employ 9.2 million people and account for 7.5 percent of U.S. gross domestic product," Gerard said. "It's all about the voters, jobs, and constituents."

The health care reform debate was the Super Bowl moment for the industry's trade associations, and many of their top-paid executives had strategically positioned themselves with White House and Senate leaders who negotiated the issues over the past year. The key CEOs included PhRMA's Billy Tauzin; the Blue Cross and Blue Shield Association's Scott Serota; Chip Kahn, president of the Federation of American Hospitals ($2.33 million); Richard Umbdenstock, president of the American Hospital Association ($2.06

The Top 25 Current Executives

These are the **highest-paid leaders** whose positions were current as of March 30, 2010.

	NAME	TITLE	ASSOCIATION	TOTAL COMPENSATION[1]
1.	John J. Castellani	president	Business Roundtable	$5,566,105
2.	Billy Tauzin	president, CEO	PhRMA	4,476,157
3.	Scott Serota	president, CEO	Blue Cross and Blue Shield Association	3,993,225
4.	Robert D. Somerville	chairman, CEO	American Bureau of Shipping	3,970,948
5.	Thomas J. Donohue	president, CEO	U.S. Chamber of Commerce	3,777,092
6.	Frank Keating	president, CEO	American Council of Life Insurers	2,933,527
7.	Charles H. Dallara	managing director	Institute of International Finance	2,664,025
8.	Thomas R. Kuhn	president	Edison Electric Institute	2,549,956
9.	Kyle McSlarrow	president, CEO	National Cable & Telecommunications Association	2,451,440
10.	Charles N. Kahn III	president, CEO	Federation of American Hospitals	2,334,770
11.	Edward L. Yingling	president, CEO	American Bankers Association	2,291,462
12.	Peter H. Cressy	president, CEO	Distilled Spirits Council of the United States	2,218,422
13.	John M. Damgard	president	Futures Industry Association	2,143,465
14.	Frank J. Fahrenkopf Jr.	president, CEO	American Gaming Association	2,080,581
15.	Richard Umbdenstock	president, CEO	American Hospital Association	2,075,344
16.	Mitch Bainwol	chairman, CEO	Recording Industry Association of America	2,033,072
17.	Timothy Ryan[2]	president, CEO	Securities Industry and Financial Markets Association	2,021,141
18.	Glenn English	CEO	National Rural Electric Cooperative Association	1,960,741
19.	Karen Ignagni	president	America's Health Insurance Plans	1,941,471
20.	Steven Specker	president, CEO	Electric Power Research Institute	1,908,163
21.	Tracy Mullin	president, CEO	National Retail Federation	1,858,577
22.	Steve Anderson	president, CEO	National Association of Chain Drug Stores	1,834,074
23.	Daniel A. Mica	president, CEO	Credit Union National Association	1,817,577
24.	Gary Shapiro	president, CEO	Consumer Electronics Association	1,767,205
25.	Steve Miller	president, CEO	American Coalition for Clean Coal Electricity	1,735,639

[1]Includes deferred compensation, benefits, and bonuses.

[2]Started in February 2008.

million); and Karen Ignagni, president of America's Health Insurance Plans ($2.08 million).

Hospitals were among the winners in the legislation that was finally enacted in late March; it is expected to reduce the number of uninsured people turning up in emergency rooms in the coming years. "We have been engaged in health reform from the beginning and joined with other hospital associations to come to an agreement with the White House and the Senate, so I think health reform is probably a good metric to assess my job by," Kahn said. As chief lobbyist at the Health Insurance Association of America 15 years ago, he masterminded the iconic "Harry and Louise" ads that helped to kill President Clinton's health care reform effort.

Legislative success doesn't always guarantee a CEO longevity at the top, however. In early February, PhRMA's board of directors announced that Tauzin, who positioned the organization as an ally to Obama on health care, would leave the helm in June. The group spent more than $100 million on pro-reform advertising and agreed to reduce senior citizens' prescription drug costs by about $80 billion. In return, PhRMA received concessions that included a promise the reform bill would not permit the reimportation of drugs from Canada.

Although the deal stuck, the strategy caused strife within the association. When it appeared that health care reform was dead at the end of January following the surprise Senate win by Republican Scott Brown in Massachusetts, some say that the board pushed Tauzin out for having bet wrong and allying PhRMA so closely with the Democrats. PhRMA denied that he was forced out.

"These are high-risk, difficult jobs," Leslie Hortum, head of executive search firm Spencer Stuart's D.C. office, said. "These CEOs have to influence the legislative process in a challenging, partisan environment while also balancing their own members' competing interests and agendas."

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Watch a Washington headhunter give tips on how Hill staffers can position themselves for jobs on K Street.

The Top 25 Former Executives

These are the **highest-paid erstwhile leaders**.

	NAME	TITLE	ASSOCIATION	TOTAL COMPENSATION[1]
1.	Marc Lackritz	former president, CEO	Securities Industry Financial Markets Association	$6,761,697
2.	Frank L. Bowman	former president, CEO	Nuclear Energy Institute	3,003,348
3.	Marc F. Racicot	former president, CEO	American Insurance Association	2,882,402
4.	Byron M. Cavaney	former president, CEO	American Petroleum Institute	2,694,867
5.	Eugene Upshaw	former executive director	National Football League Players Association	2,510,301
6.	Susan Meisinger	former president, CEO	Society for Human Resource Management	2,315,416
7.	Frederick Meister	former president, CEO	Distilled Spirits Council of the United States	1,884,854
8.	Pamela G. Bailey[2]	former president, CEO	Personal Care Products Council	1,808,932
9.	Myles N. Brand	former president	National Collegiate Athletic Association	1,721,813
10.	William T. Archey	former president, CEO	TechAmerica (formerly AeA)	1,648,324
11.	Kenneth Stern	former CEO	National Public Radio	1,577,234
12.	Andrew Sharkey	former president, CEO	American Iron and Steel Institute	1,554,863
13.	Philip B. Boyer	former president	Aircraft Owners and Pilots Association	1,549,245
14.	Jordan J. Cohen	former president	Association of American Medical Colleges	1,501,708
15.	Jonathan L. Kempner	former president, CEO	Mortgage Bankers Association	1,393,150
16.	Daniel Glickman[3]	former CEO	Motion Picture Association of America	1,363,806
17.	Jack N. Gerard[4]	former president, CEO	American Chemistry Council	1,346,467
18.	James B. Bramson	former executive director	American Dental Association	1,151,371
19.	M. Cass Wheeler	former CEO	American Heart Association	1,142,569
20.	Todd A. Stottlemyer	former president, CEO	National Federation of Independent Business	1,136,239
21.	John A. Venator	former president, CEO	CompTIA	1,071,525
22.	William D. Novelli	former CEO	AARP	1,005,380
23.	Calvin Dooley[5]	former president, CEO	Grocery Manufacturers Association	871,458
24.	John Sofranko	former executive director	American Institute of Chemical Engineers	846,196
25.	John A. Greco	former president, CEO	Direct Marketing Assocation	838,528

[1]Includes deferred compensation, benefits, and bonuses.
[2]Now president and CEO of the Grocery Manufacturers Association.
[3]Now president of Refugees International.
[4]Now president and CEO of the American Petroleum Institute.
[5]Now president and CEO of the American Chemistry Council.

Compensation Caveats

To be fair to the executives and lobbyists whose pay we highlight, there is a story behind the numbers. Most of those featured in this review received deferred compensation and bonuses in addition to their base salaries. They didn't get all of that money in their weekly paychecks.

Like the private sector, associations have been tying overall compensation to incentive pay and other performance-related benefits. That incentive in the private sector usually comes in the form of stock options, a tool that isn't available to nonprofits. Instead, associations use bonuses and deferred compensation that vest over time. Both can be withheld if an executive's performance falls short.

"This is how nonprofits can be competitive," said Charles Quatt, founder of Quatt Associates, a management consulting firm. The incentives "make up for the other income a trade association executive might have gotten in the form of equity if he or she had taken a job at a publicly traded company instead."

Bonuses at some of the biggest trade associations now average 35 percent of an executive's base pay and can be 50 percent "or higher," Quatt said.

Almost every one of the 25 highest-paid trade association executives and lobbyists on *National Journal*'s list received a bonus and deferred compensation in 2008. Business Roundtable President John Castellani's base compensation was $689,584, and he received a bonus of $750,000 and deferred compensation totaling $4.1 million, including retirement and other benefits. Billy Tauzin, the departing CEO of the Pharmaceutical Research and Manufacturers of America, had a base salary of $2.06 million, a bonus of $692,875, and total deferred and other compensation of $2.26 million. U.S. Chamber of Commerce President and CEO Thomas Donohue received the largest bonus of the top 25: $2.55 million. His base pay was $1.09 million, and his deferred compensation totaled $136,697.

An important caveat when it comes to deferred compensation is that the amount must be reported to the Internal Revenue Service as part of an executive's overall pay, even if the money is vested over several years. When the executive finally collects the entire deferred compensation package, it is reported again, which amounts to "double counting." In Castellani's case, for example, at least $1.65 million of his deferred compensation was reported to the IRS previously, although he hadn't received the money.

Castellani said that his pay in 2008 was $4.46 million, prompting him to question his No. 1 ranking on our chart this year. As to how he feels about his salary, he said: "I don't determine my compensation; my board does. It was really their judgment as to whether I am doing a good job or not."

Many organizations also give their executives so-called golden parachutes when they leave. That money can make a CEO's pay look exceptionally high, which is why *NJ* lists the top 25 former and current CEOs separately in our review charts. For example, Marc Lackritz, the now-retired head of the Securities Industry and Financial Markets Association, received a $4.2 million cash distribution when he left the Wall Street lobbying group. His total compensation without that payout was $2.6 million.

Another point to keep in mind: The salaries are mostly from 2008, when associations and their members were still flush because the economy didn't begin to nosedive until late in the year. "I would imagine that 2008 is the best snapshot that you'll see for a long time," said John Graham, president of the American Society of Association Executives.

Indeed, Denise Grant, head of the government affairs and trade association practices at the search firm Russell Reynolds Associates, said that increasingly her clients are asking her to find executive candidates with lower pay expectations. "They are saying, 'We don't want to start out with the past CEO's pay as the floor,' " she said.

Castellani may be a prime example of that trend. He said that the Business Roundtable's next Form 990 filing, which will be sent to the IRS in May, will show that his 2009 salary was reduced to $1.99 million, a 64 percent drop from the year before. **—Bara Vaida**

Highest-Paid Lobbyists in 2008 (Who Weren't CEOs)

Lobbyist	Title	Firm	Compensation
Leigh Ann Pusey[1]	Senior v.p., COO	American Insurance Association	$1,158,156
Richard Pollack	Executive v.p., advocacy and public policy	American Hospital Association	1,153,202
Bruce Josten	Executive v.p.	U.S. Chamber of Commerce	1,139,290
Todd Hauptli	Senior executive v.p.	American Association of Airport Executives	1,009,962
Rick Shelby	Executive v.p., public affairs	American Gas Association	906,643
Dan Danner[2]	Executive v.p.	NFIB	831,279
James Ford[3]	Director of government affairs	American Petroleum Institute	813,625
Alexander Flint	Senior v.p., government affairs	Nuclear Energy Institute	788,042
John Dalton	President, housing policy council	Financial Services Roundtable	765,423
Regina Hopper[4]	Executive v.p.	U.S. Telecom Association	755,837

[1]Now president and CEO of AIA.
[2]Now president and CEO of NFIB.
[3]No longer works for API.
[4]Now president and CEO of America's Natural Gas Alliance.