

Pearl Meyer

On Point

TIMELY, ACCURATE, INSIGHTFUL

Looking Ahead to Executive Pay Practices in 2018

Executive Summary



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Introduction

This report provides sample highlights of Pearl Meyer’s annual planning survey, ***Pearl Meyer On Point: Looking Ahead to Executive Pay Practices***. Additional data and analysis can be found in the full report. The 2018 planning survey provides insights on:

- Compensation committee governance;
- Executive incentive practices—both annual and long-term incentives, with detail such as plan satisfaction, performance metrics, and goal-setting;
- 2018 pay projections; and
- The CEO Pay Ratio disclosure and how companies are preparing for the forthcoming Dodd-Frank rule.

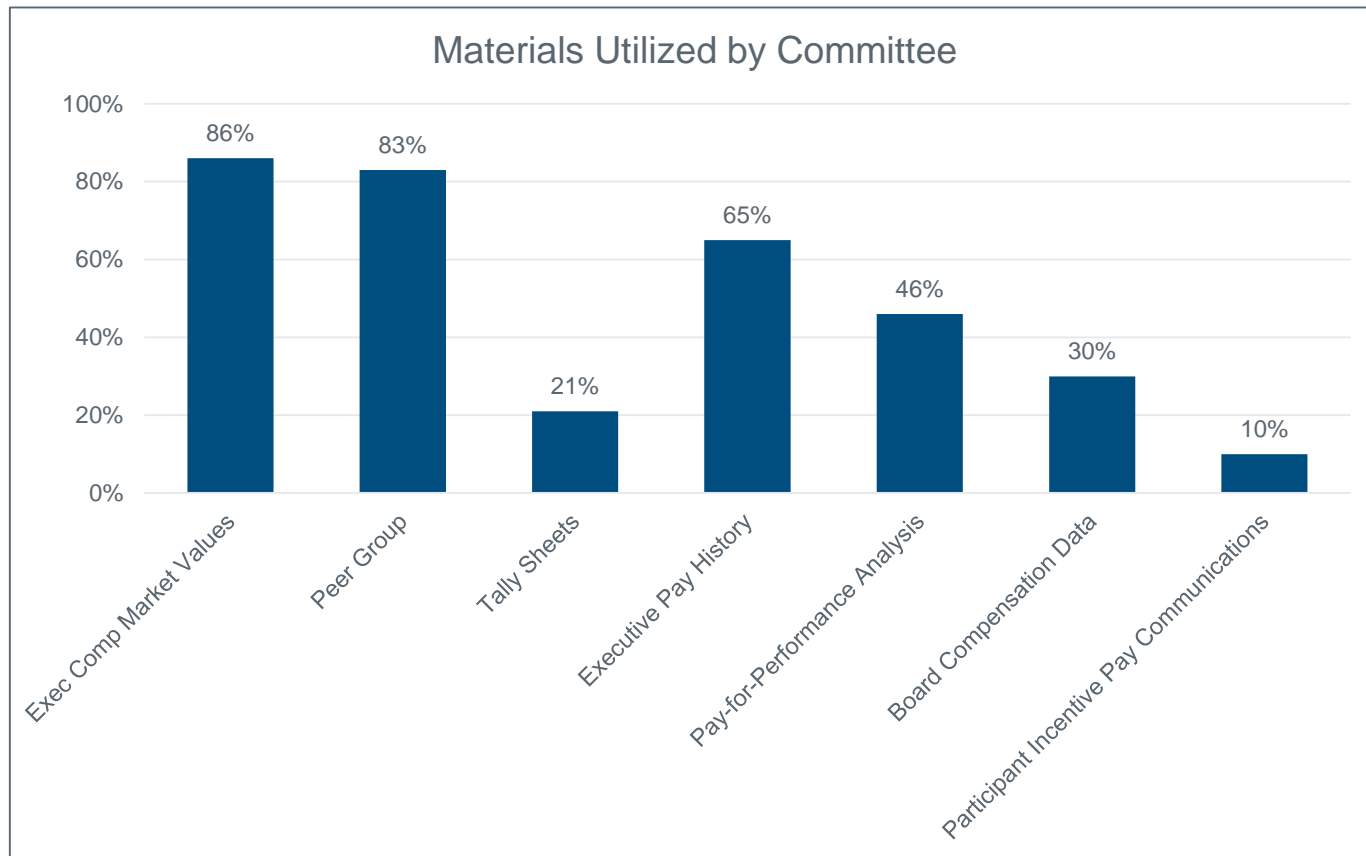
The full survey report reflects responses from 276 companies, including 216 senior executives and 60 outside directors, and is summarized across several demographics including company size (revenues), form of ownership (public versus private), primary role (employee versus outside director), and industry.

All survey participants receive a complete report and non-participants may purchase a full copy of the survey results, which can be very useful for any company’s 2018 pay planning, for \$395 at www.pearlmeyer.com/knowledge-share/research-report/looking-ahead-to-executive-pay-practices-2018.

To discuss any details about the survey, please contact David Seitz, managing director, at david.seitz@pearlmeyer.com.

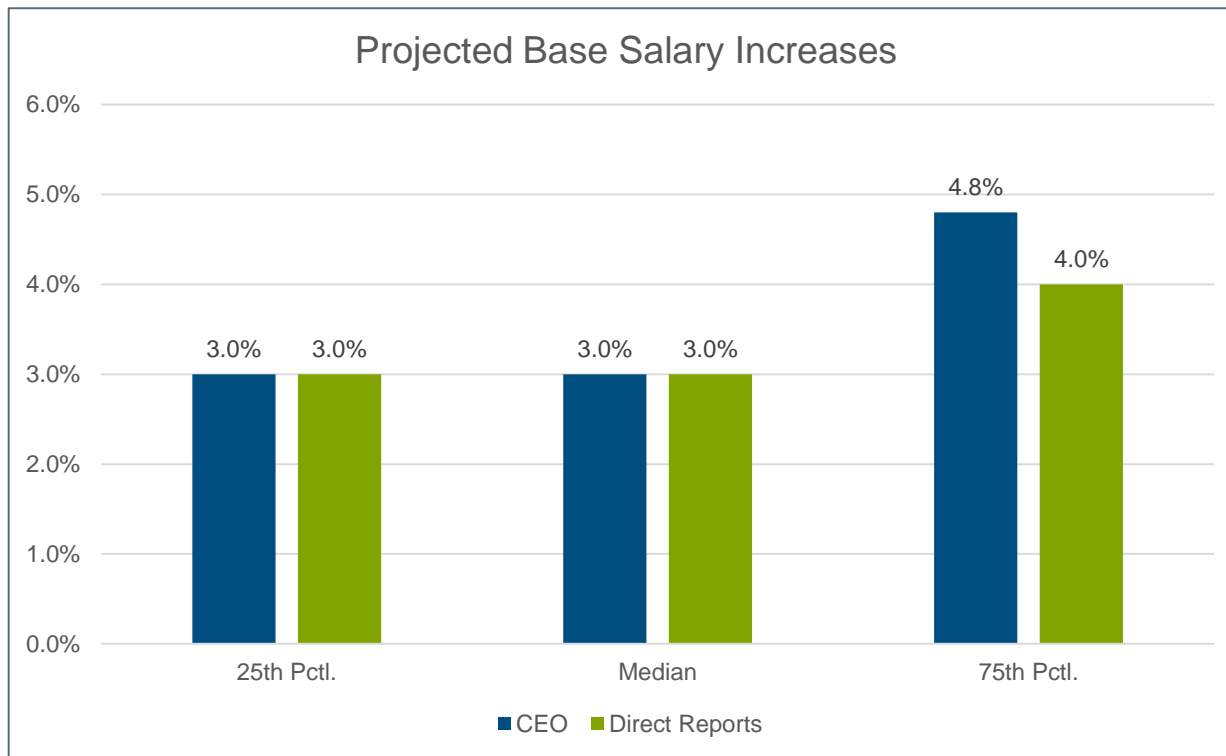
Compensation Committee Governance

Compensation committees utilize a variety of materials for making executive pay-related decisions.



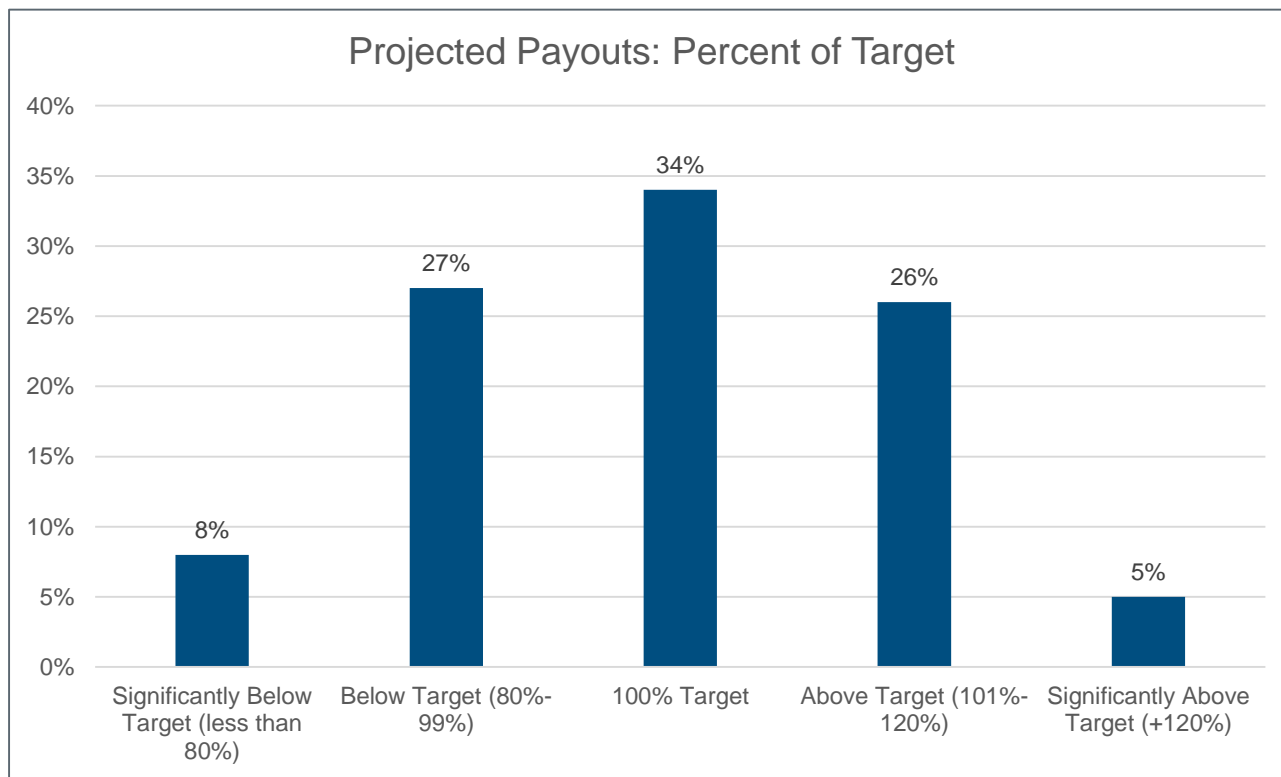
Projected 2018 Base Salary Increases

Most companies are projecting executive salary increases of 3% for the CEO and direct reports.



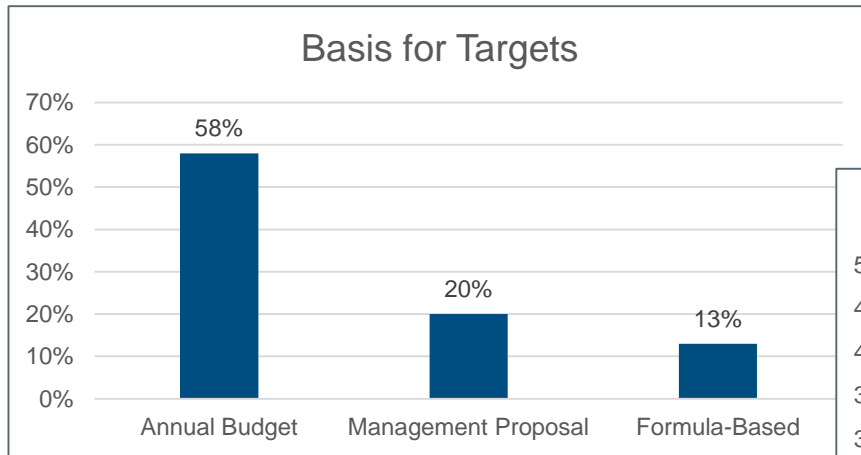
Projected 2018 Annual Incentive Payments

Projected 2017 annual incentive payouts (to be paid in early 2018) are expected to be around 100% of target.

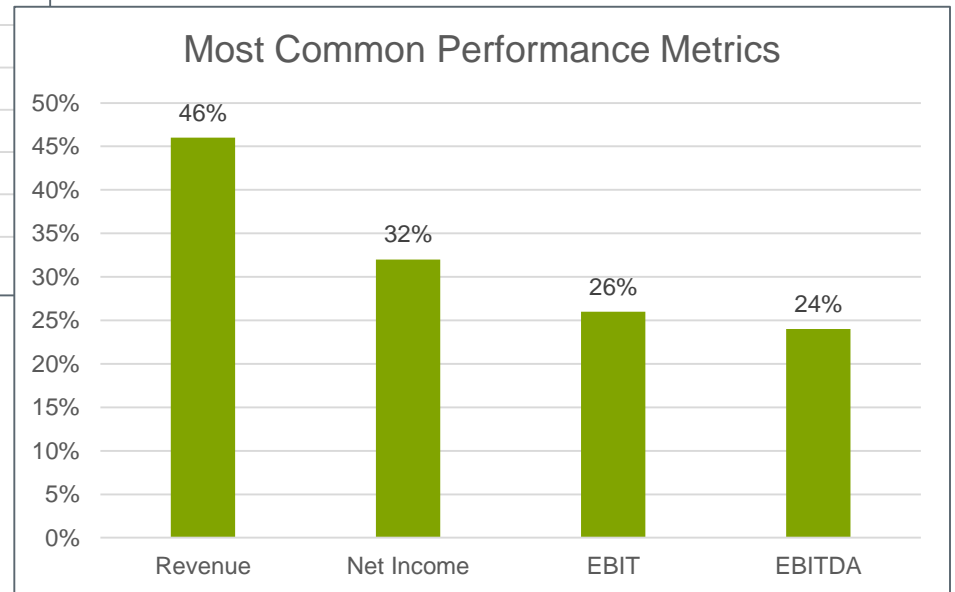


Annual Incentive—Basis for Targets and Performance Metrics

Annual incentive targets are usually based on budget (58%).

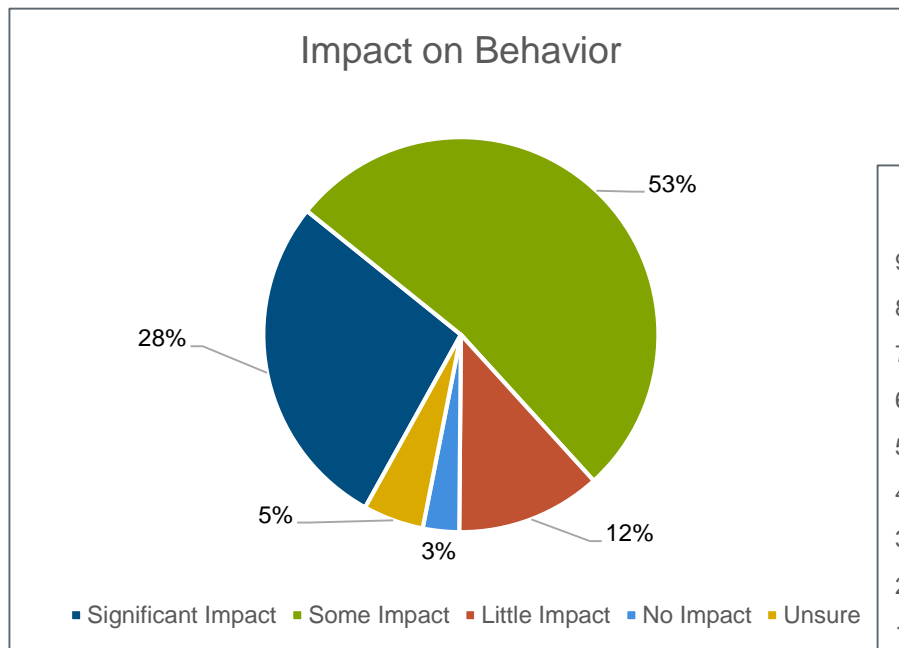


Most companies utilize growth/income/cash flow metrics.

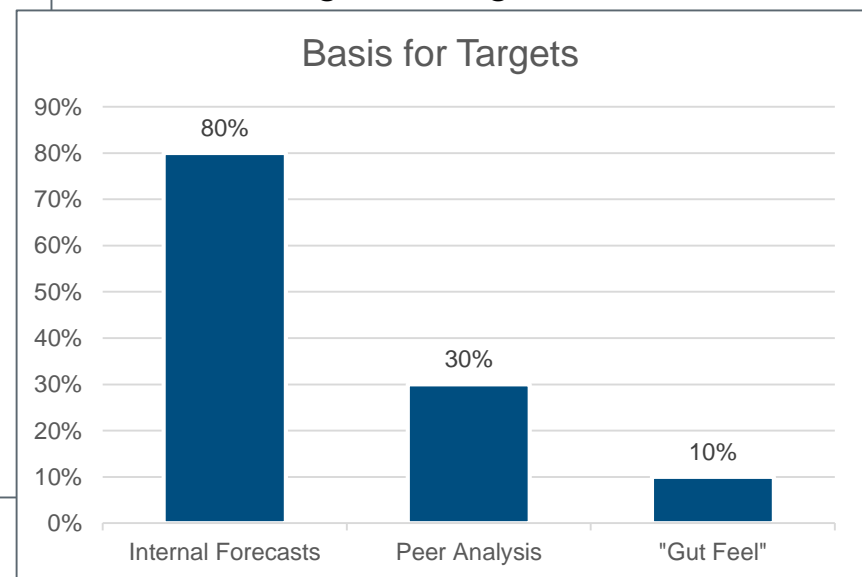


Long-Term Incentives—Impact on Behavior and Target-Setting

Most companies (53%) believe that the long-term incentive plan has “some impact” on executive behavior and focus.

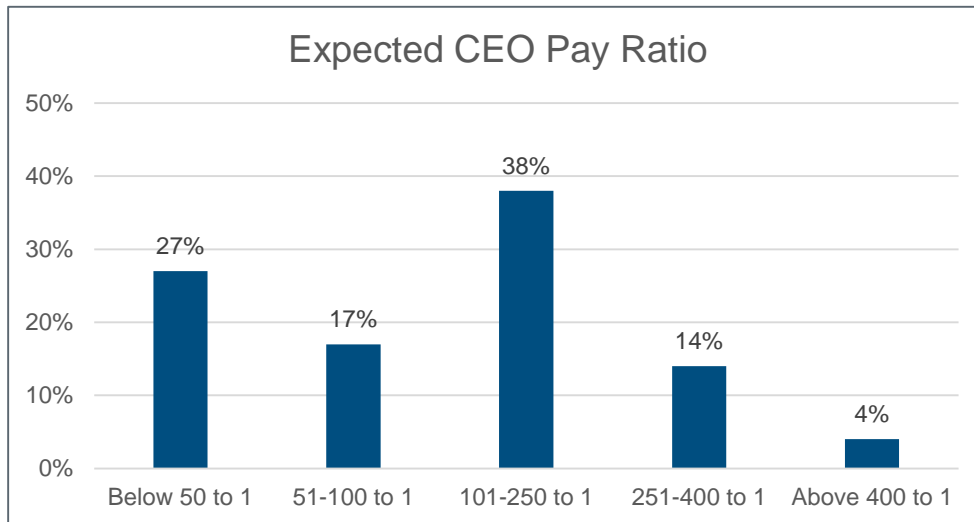


Most companies (80%) set long-term incentive targets using internal forecasts.

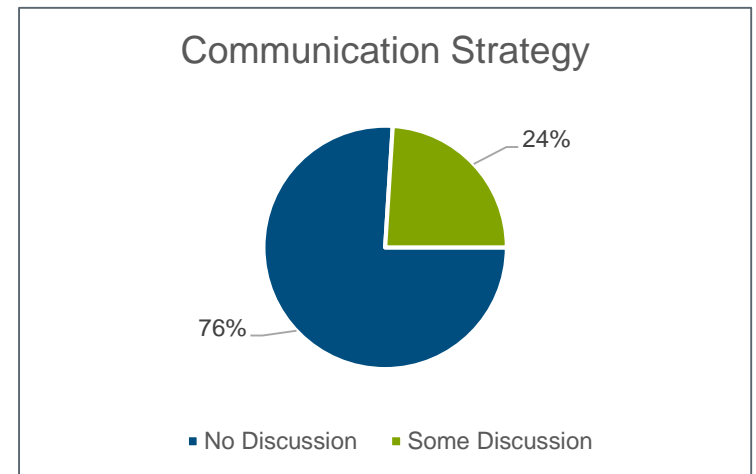


CEO Pay Ratio Disclosure

Most companies (38%) expect a CEO Pay Ratio between 100:1 and 250:1. Companies with revenues below \$300M are more likely (62%) to expect a ratio of 50:1 or less.



Most companies (76%) have not discussed how to communicate the ratio internally and externally.





About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, and San Francisco.



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