

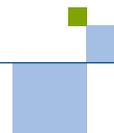
Video Transcript: Making Informed Pay Decisions Around Supplemental Executive Retirement Plans (SERPs)

Greg Swanson: One of the most important things that we can do for our clients as independent advisors is to help them get into a position where they can make thoughtful, informed decisions. One of the areas where we often see confusion, or the lack of a sense of making an informed decision, is SERPs, or Supplemental Executive Retirement Plans. Within the banking industry, the prevalence of SERPs is quite high. Depending on any group of companies you might look at, maybe 40 to 50 percent of those companies will offer some form of supplemental retirement to their senior executives. With the other components of pay like salary and short-term incentives, or long-term incentives, or equity awards, there's a lot of available, useful information around those components.

With SERPs, whether it's through surveys or through even the proxy statements, surveys are only going to give you prevalence-type information, but not give you information about the *value* delivered through the SERPs. Proxy statements, while there is a column in the summary compensation table related to SERPs, that information, for purposes of benchmarking or structuring compensation internally, is really not useful information.

The challenges associated with setting SERP to the side and not incorporating it on a holistic basis show up in both on an external basis and internal. If you're doing benchmarking, compared to a group of peer companies, and you're only looking at cash compensation and maybe equity, or total direct compensation, which is commonly what's looked at, and you're leaving SERP out to the side, if you feel good about your competitive positioning, looking at just cash and equity compensation, and you don't provide a SERP to your executives, the likelihood that you're under-competitive is really high.

On the flip side, if you do provide a supplemental retirement arrangement to your executives and you've only benchmarked the components that pay of cash and equity, you likely are going to be over-competitive once you add in that SERP component. The reason is that some of your peers are going to have SERPs in place for your executives, but not all of them. From an internal perspective, it's really important when you are incorporating, if you are incorporating SERPs, to know the value that you're delivering in compensation so that, on an internal equity basis, you understand what's being delivered through that vehicle.



Pearl Meyer

The value delivered to those two executives is significantly different and you need to be aware of that and be able to incorporate that along with the other components of pay to make sure that, on an internal equity basis, total compensation is where you want it to be.