Looking Ahead to Executive Pay Practices in 2017

Executive Summary
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This executive summary of Pearl Meyer’s annual planning survey, *Pearl Meyer On Point: Looking Ahead to Executive Pay Practices* offers topline results. Additional data and analysis can be found in the full report. The 2017 planning survey provides insights on:

- Executive incentive practices, both annual and long-term incentives, with detail such as plan satisfaction, performance metrics, and goal-setting; and

- The CEO pay ratio disclosure and how companies are preparing for the forthcoming Dodd-Frank rule.

The full survey report reflects responses from over 230 companies, including 162 senior executives and 59 outside directors, and is summarized across several demographics including company size (revenues), form of ownership (public versus private), and primary role (employee versus outside director).


To discuss any details about the survey, please contact David Seitz, managing director, at david.seitz@pearlmeyer.com.
Most companies are projecting executive salary increases of 3% for the CEO and direct reports.
Projected 2016 annual incentive payouts (to be distributed in early 2017) are expected to be comparable to 2015 payouts.

![Projected Payouts: 2016 vs. 2015](image)
Annual incentive targets are anchored to budget (71%) and are usually identical (38%).

Most companies (60%) believe that annual targets typically have a fair stretch, but that the stretch is viewed by some (24%) as a bit inconsistent from year to year.
Most companies (71%) make adjustments for unusual events on an ad-hoc, discretionary basis; the most common formally identified adjustments are as follows:

**Most Common Formally Identified Adjustments**

- **Non-recurring/Restructuring**: 91%
- **Asset Write-downs**: 49%
- **Extraordinary Foreign Exchange Rate Changes**: 25%
- **Share Buy-backs**: 18%
Most companies cited committee/board preference (54%) as “very important” when selecting incentive metrics, while 71% of outside directors cited “management preference” as “important”.
Most companies (64%) find it either “difficult” (18%) or “somewhat difficult” (46%) for management and the committee to agree on financial targets.
Most companies (86%) are more concerned about employees comparing their pay to the “median employee” rather than to the CEO. Furthermore, most companies are either not confident (33%) or unsure (28%) about HR/line managers answering employee questions on “median employee” pay.
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.