

**Pearl Meyer**

Quick Poll



**Sharing Tax Bill Benefits with  
Employees – Banking Edition**



## Introduction

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Our Pearl Meyer Quick Polls are designed to provide organizations with the most current data and insight into trends affecting their industry or the business climate at large.

Survey results from this Poll indicate many banks have or are considering responding to the new regulations under the recently passed Tax Cuts and Jobs Act to provide enhanced benefits to employees. While most banks are not specifically formulating benefits as a percentage of the expected tax savings, a wide variety of benefits are being contemplated.

We hope you find this information useful as you make compensation-related decisions. If you have any questions or are interested in discussing these findings, please contact:

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## Key Findings

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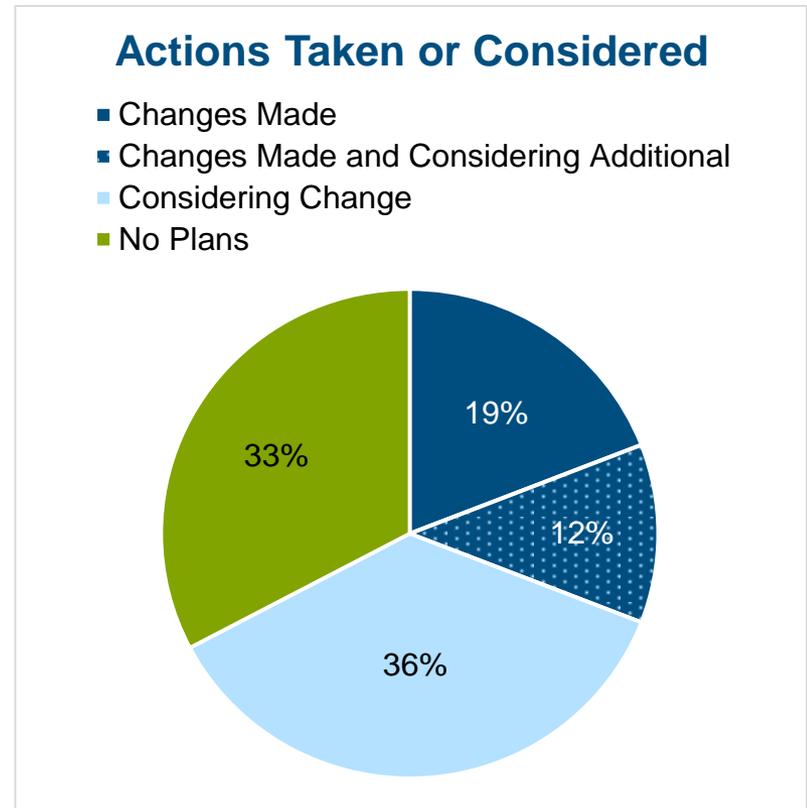
The recent news that a number of large employers have provided a benefit to employees in light of the recently passed Tax Cuts and Jobs Act prompted our interest in conducting this survey. Over the course of a week, more than 100 individuals provided information on contemplated or actual actions taken by their banks.

- Roughly 30% of respondents have already provided some enhanced benefits to employees, and 48% are considering additional or new benefits.
- Current actions have most frequently consisted of one-time bonuses and increases in minimum wage. Future considerations are more nuanced and reflect a longer-term enhancement to pay and benefits.
- The most common reasons for taking action or contemplating action included sharing the benefits of tax reform and recognizing their employees' efforts for the success of the business.
- 92% of respondents who have made changes or are contemplating changes did not explicitly consider changes relative to a sharing ratio of any expected tax benefits with employees.

## Actions Taken or Considered

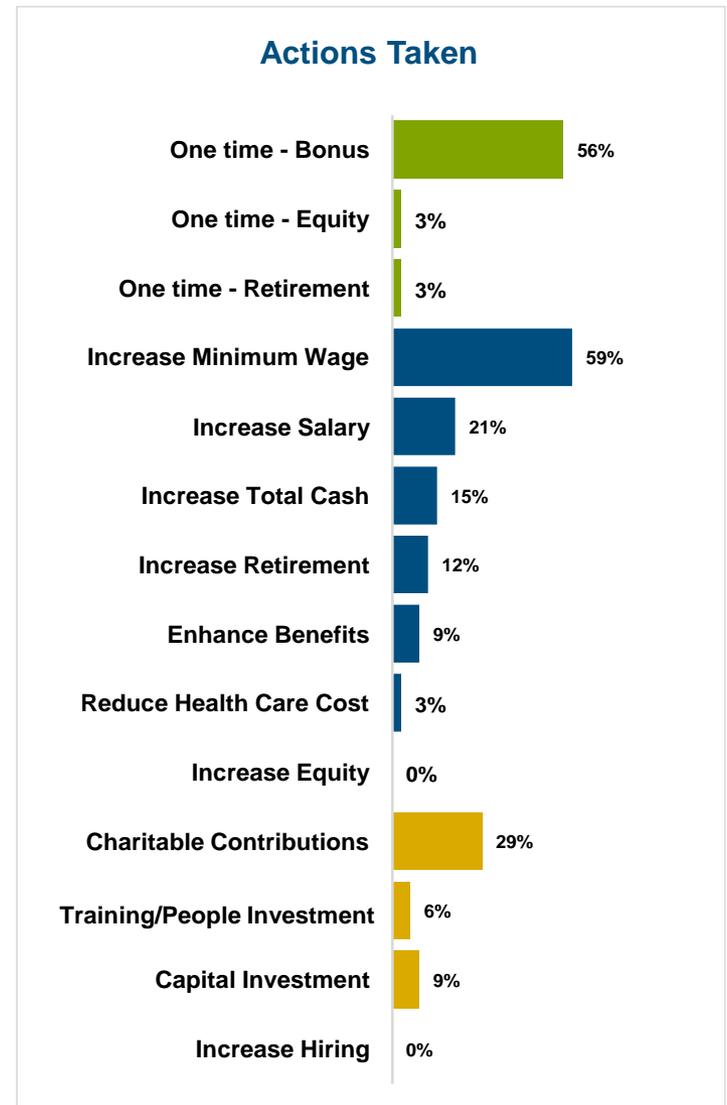
- Roughly 30% of respondents have already provided some enhanced benefits to employees.
  - About 40% of those respondents are also contemplating further changes.
- 36% of respondents have not made changes yet, but are contemplating future actions.
- Only 33% of banking respondents are not currently planning to take action versus 52% across all industries. The reasons for not taking action vary—some are not anticipating any tax benefit, while others already have programs in place which are expected to directly benefit from the Tax Act, such as profit sharing plans and equity awards.

**Pearl Meyer Recommendation:** Given the recent wave of announcements and news coverage, Pearl Meyer suggests that companies who are not planning to make changes be prepared to answer employee questions by developing a solid communication plan to explain their rationale.



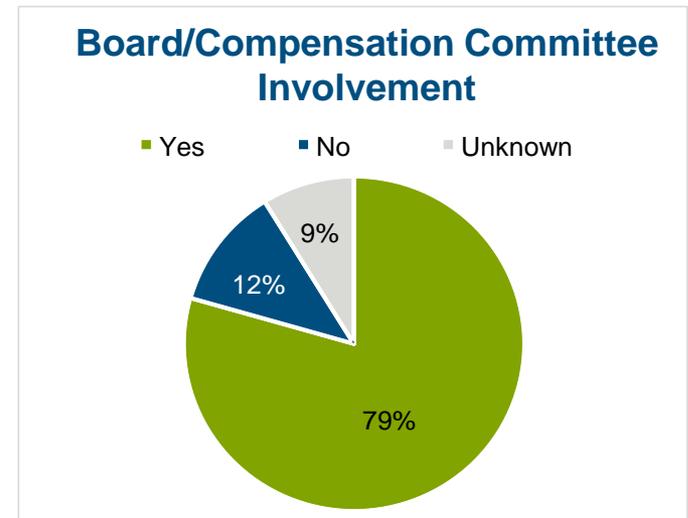
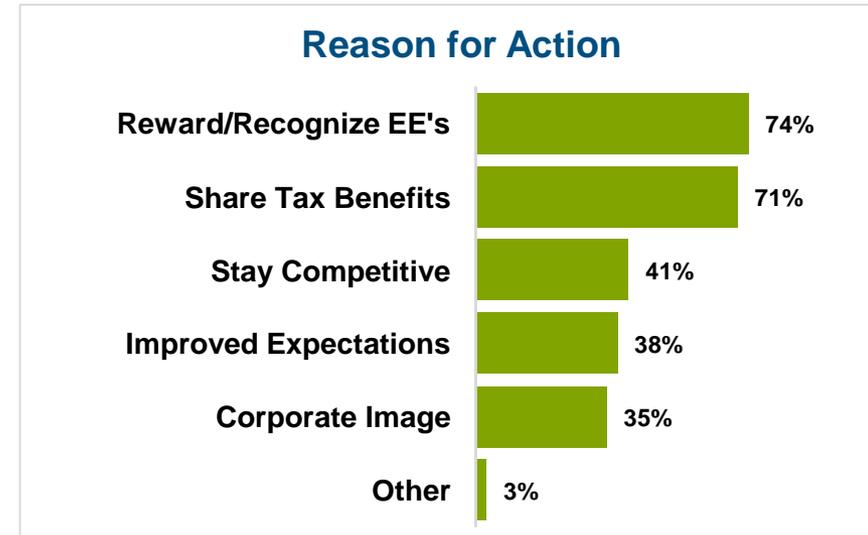
## Actions Taken

- For those that already have taken action, respondents indicated that they made two changes to company programs on average.
- The most common one-time actions have consisted of a bonus to employees, with more than half of respondents providing a \$1,000 bonus or more, and increasing the internal minimum wage.
- 76% of respondents that have taken action have also made structural changes to compensation, with increasing the minimum wage as the most common approach (59% raised it to \$15/hr vs. 46% in general industry), followed by increasing salaries and retirement benefits.
- Other actions have also been taken which less directly impact immediate compensation, such as increased charitable contributions, training, and capital investment.



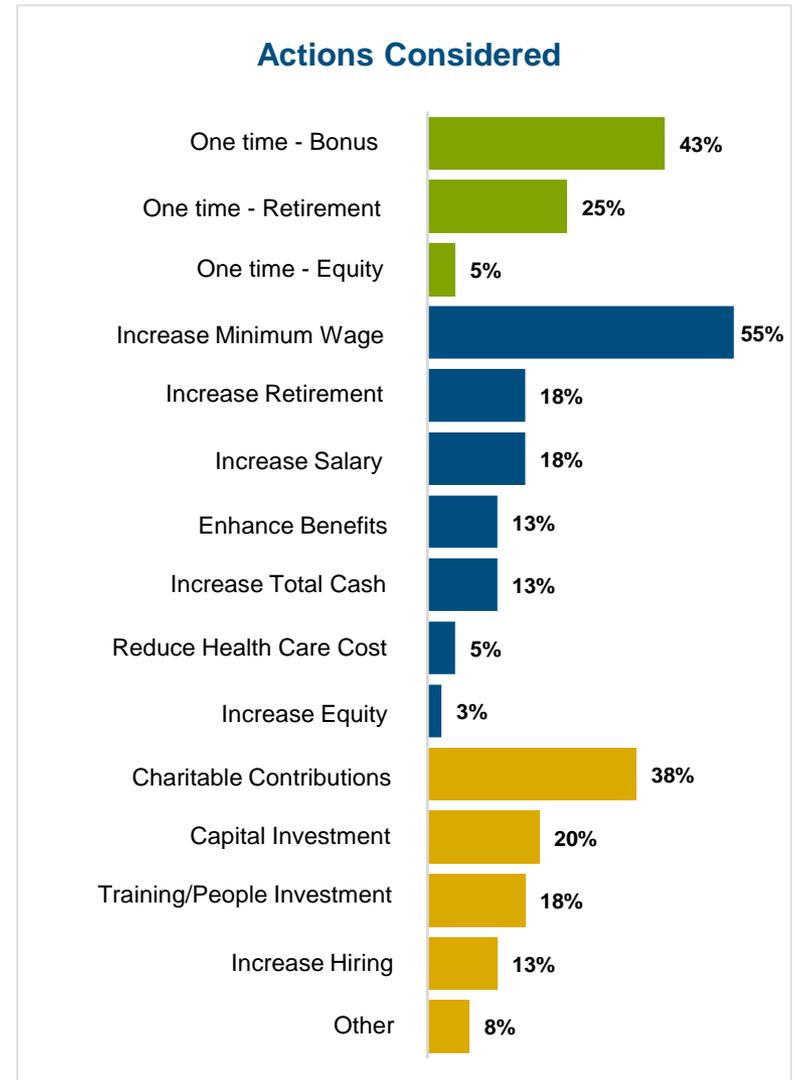
## Reason for Actions Taken

- On average, most respondents provided multiple rationales for making changes, with rewarding/recognizing employees and sharing the tax benefit as the most often cited.
- Despite 71% emphasizing sharing of the expected tax benefit, 94% of the respondents did not consider a specific sharing ratio.
- 79% of respondents indicated that the board or compensation committee were involved in the decision-making process which is similar to general industry results.



# Actions Contemplated

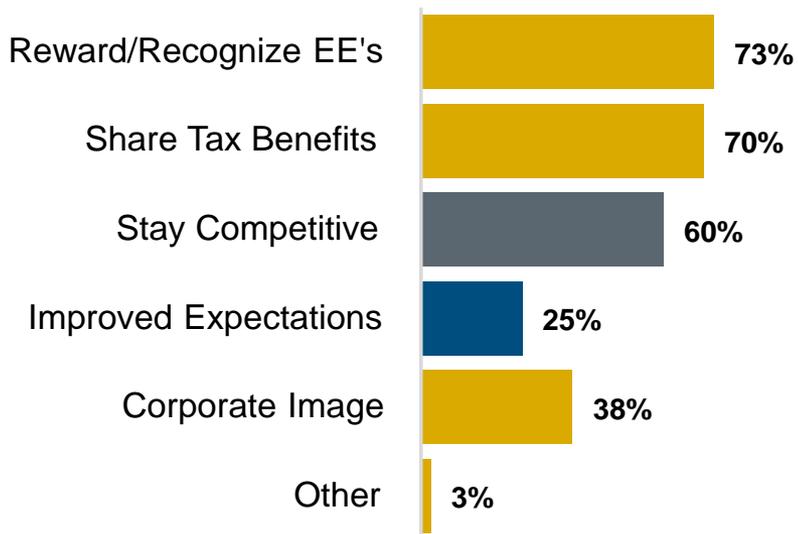
- Nearly half of respondents (48%) are contemplating a broad range of changes, both one-time as well as structural. Each respondent is contemplating three actions, on average.
- Among those that haven't made any changes yet:
  - The most common one-time contemplated actions are consistent with those who have already taken action—one-time bonuses.
  - Longer-term, a wide range of actions including increasing the minimum wage, increased salaries and total cash, and enhanced benefits are being considered.
  - Other actions that less directly impact immediate compensation are also being considered, such as increased capital investment, charitable contributions (38% among banks vs. 26% across all industries), training, and hiring (13% among banks vs. 7% across all industries).



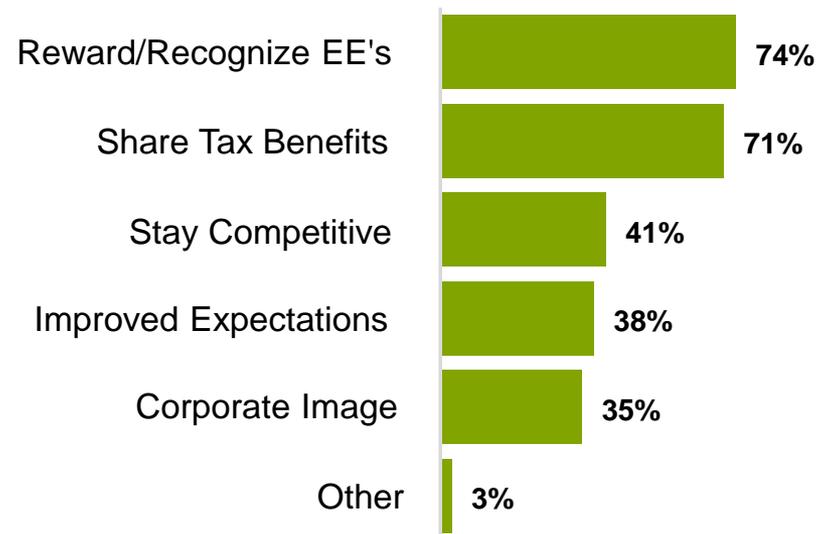
# Comparison of Actions Contemplated with Actions Taken

Respondent reasons for contemplating future actions generally mirror the rationale for those that have already taken action. However, of those taking a slower approach, more are considering the competitive environment and fewer anticipate improved expectations of the business.

### Reason for Considering



### Reason for Action



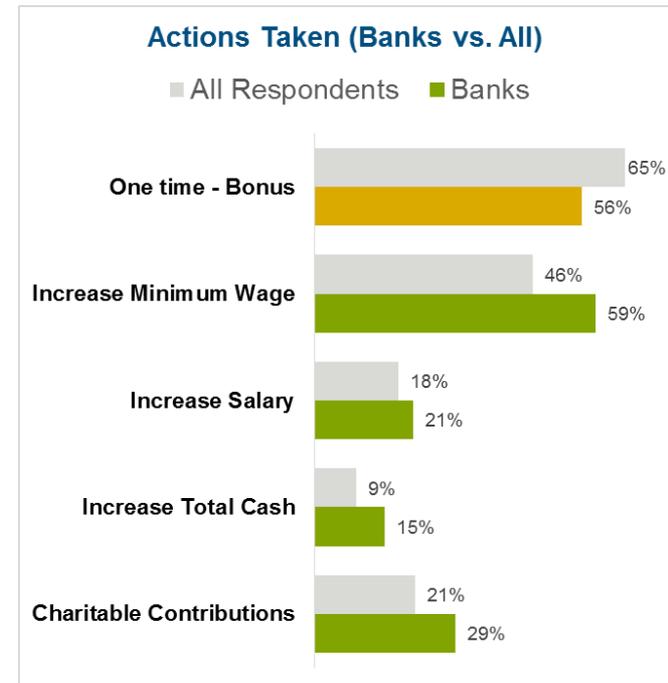
■ Lower Priority

■ Similar Priority

■ Higher Priority

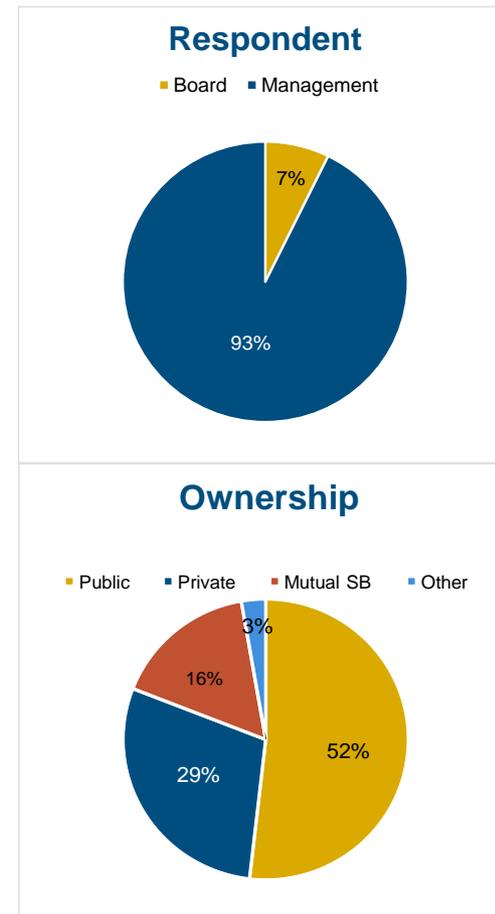
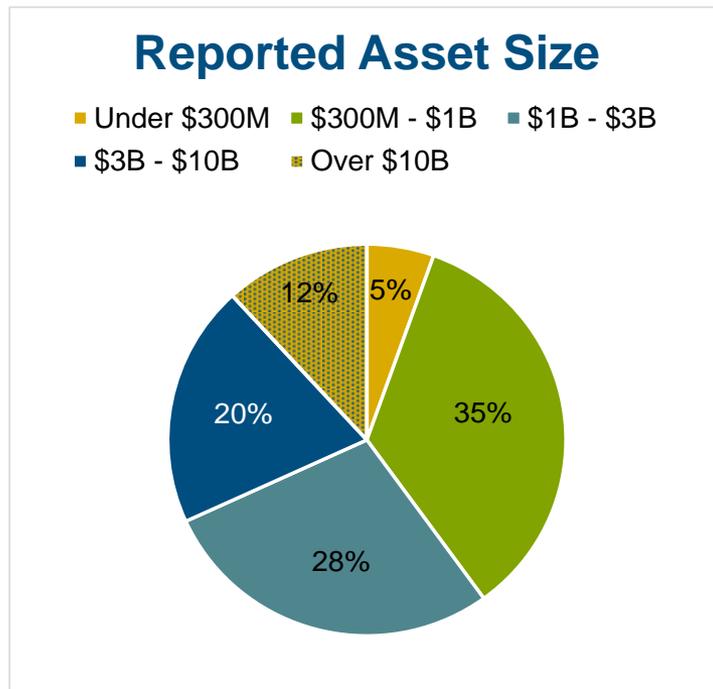
## Banks vs. All Respondents

- Responding banks were more likely have taken action or contemplated action than all respondents (67% vs. 48%).
- Banks which have taken action were also more likely to make structural compensation changes and broader people/community investments than all respondents.
- Among those considering action, 55% of banks are considering minimum wage increases (21% higher than all respondents).
- Banks were also more focused on competitiveness (41% vs. 32%), more frequently reported improved expectations (38% vs. 32%), and reported corporate image as a rationale (35% vs. 25%) among those taking action.



# About the Survey

- Our online survey was conducted between January 24 and January 31, 2018 and results presented are based on 110 banking respondents, primarily from publicly held institutions.





## About Pearl Meyer

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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 Jose.

Please visit [www.pearlmeyer.com/tax-reform](http://www.pearlmeyer.com/tax-reform) for more insight into the impact of the Tax Reform and Jobs Act on compensation.



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