# **Pearl Meyer**



Pearl Meyer On Point: Looking Ahead to Executive Pay Practices in 2021

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### Introduction

Pearl Meyer's "Looking Ahead to Executive Pay Practices" is an annual, online survey and valuable compensation planning tool. This year's survey was conducted in late August and September of 2020, with total participation of 273 companies, including 165 publicly traded, 81 private-for-profit, and 27 not-for-profit (NFP) organizations. As with prior surveys, responses are broken out separately by respondent role (board member versus employee), ownership type, industry, and company revenue size.

This year's survey addresses key topics associated with the current environment, including compensation actions taken or contemplated in response to the COVID-19 pandemic and use of diversity & inclusion (D&I) metrics within executive compensation programs. It also covers subjects such as compensation philosophy, peer group development, expected pay outcomes for Fiscal 2020, projected pay opportunities for 2021, recent or anticipated incentive plan design changes, and prevalence of and emphasis on environmental, social & governance (ESG) incentive plan metrics.

This year's survey includes the following seven industry groups:

- 1) Business/Other Services
- 2) Consumer Staples/Discretionary
- 3) Energy/Utilities
- 4) Financial/Real Estate
- 5) Healthcare/Life Sciences
- 6) Industrials/Materials/Transportation
- 7) Technology

Certain industry categories in the online questionnaire were combined to allow for more meaningful sample sizes. Statistics are based on the number of responses for each question, and sample sizes vary. We believe this information will serve as a useful tool as your organization prepares for year-end pay determinations and Fiscal 2021 compensation planning.

Please feel free to contact me with any questions.

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### **COVID-19 Pay Actions Taken or Contemplated in 2020**

Table 5b	All Firms	Firms Reporting Revenue							
	Total	Under \$100 million	\$100 million to less than \$300 million	\$300 million to less than \$1 billion	\$1 billion to less than \$3 billion	\$3 billion to less than \$10 billion	\$10 billion or greater		
Number of Companies	273	26	22	55	66	65	39		
Did your organization temporarily reduc	e base salarie	s in 2020 in re	sponse to the	COVID-19 par	ndemic?				
Yes, but only for the CEO	3.7%	4.0%	9.1%	5.5%	1.5%	0.0%	7.7%		
Yes, but only for the CEO and direct reports	8.5%	8.0%	9.1%	14.5%	6.1%	9.2%	2.6%		
Yes, for senior executives and other employees	17.6%	24.0%	27.3%	16.4%	18.2%	16.9%			
No salaries were reduced for any employees	70.2%	64.0%	54.5%	63.6%	74.2%	-			

If salaries were temporarily reduced this year in response to the COVID-19 pandemic, specify the ave to pre-cut annual base salary and expected duration for each of the following employee categoria

#### Average Temporary % Decrease in Base Salary Due to COVID-19 (% Cut)

CEO	33.2%	36.4%
CEO Direct Reports	19.5%	17.9%
Other Employees	13.6%	25 ^

Actual (or Anticipated) Duration of Cut (# of №

CEO

**CEO Direct Reports** 

Other Employees

### Pay Projections (Not Specific to COVID-19)

Table 9c	All Firms		Primary Industry						
	Total	Business and Other Services	Consumer	Financial / Insurance / Real Estate	Healthcare	Industrials / Materials	Technology	Energy / Utilities	
Number of Companies	273	23	29	96	36	41	19	29	
In percentage terms, what is your anticipated average base salary increase (excluding promotional increases) for the upcoming year for									

In percentage terms, what is your anticipated average base salary increase (excluding promotional increases) for the upcoming year for each of the following employee categories?

#### Average Expected Salary Increase % for Next Year

CEO	2.3%	1.6%	2.5%	2.8%	3.7%	2.1%	1.3%	0.40
CEO Direct Reports	2.4%	1.8%	2.2%	2.9%	2.9%	2.4%	1.9%	
Other Employees	2.5%	2.2%	2.4%	2.8%	2.8%	2.5%		

91.0%

Do the expected salary increase percentages (if any) for next year, as shown in the preceding table, inclurelated temporary pay cuts?

No, we did not temporarily reduce salaries	72.0%	55.0%	60.7%
No, temporary cuts were previously restored prior to these increases	12.6%	30.0%	10.7%
Yes, they reflect the restoration of pre- cut salaries with no additional increase	9.8%	15.0%	

Yes, they include the restoration of precut salaries plus an additional increas

Based on current forecasts. hy opportunities?

Above 150% of tall

126% 150%

10

### **Incentive Plan Goal-Setting**

	All Firms	Primary Industry							
	Total	Business and Other Services	Consumer	Financial / Insurance / Real Estate	Healthcare	Industrials / Materials	Technology	Energy / Utilities	
Number of Companies	273	23	29	96	36	41	19	29	

Which of the following criteria are most important when setting incentive plan performance goals? Please identify the top three criteria for your organization, including most important, second most important, and third most important.

66.7%

16.7%

5.6%

11.1%

58.5%

12.2%

2.4%

62 1

63.2%

15.8%

Internal business forecast				
Most Important	60.1%	56.5%	65.5%	56.3%
2nd Most Important	15.4%	13.0%	20.7%	13.5%
3rd Most Important	6.6%	8.7%	6.9%	9.4%
Not selected	17.9%	21.7%	6.9%	20.8%
Peer company performance				
Most Important	4.0%	0.0%	0.0%	9.4%
2nd Most Important	15.0%	8.7%	6.9%	2
3rd Most Important	9.9%	13.0%	10.3%	
Not selected	71.1%	78.3%	-	

#### Year-over-year comparisons

Most Important

2nd Most Important

3rd Most Important

Not selected

External final

Mc

## **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 Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.

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