

Survey of Private Company Board Pay Practices

2021/2022 Edition

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Today's Newport Speaker



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Rena Somersan focuses on the areas of workforce and executive compensation, performance management initiatives, leadership development, talent motivation and retention. She has more than 20 years of consulting and industry experience assisting clients in executing their strategic human resources and compensation initiatives.

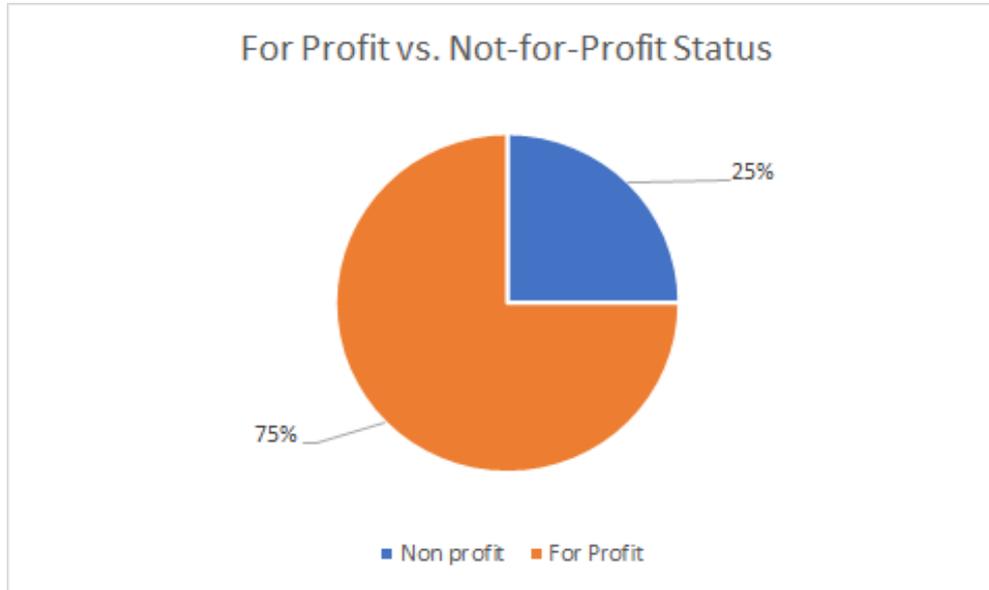
What You Will Learn Today

- The importance of **regularly assessing Board compensation** levels and structures to ensure compatibility with market leading practices
- Current Board **compensation levels and pay components** for Chairpersons and Directors.
- **“Hot Topics”** for Boards, such as term limits and diversity.
- Primary **fiduciary duties** for Boards, including conducting CEO and Chairperson/Independent Director performance evaluations.
- Today’s **dynamic labor market** on Board decision-making on executive and workforce compensation.



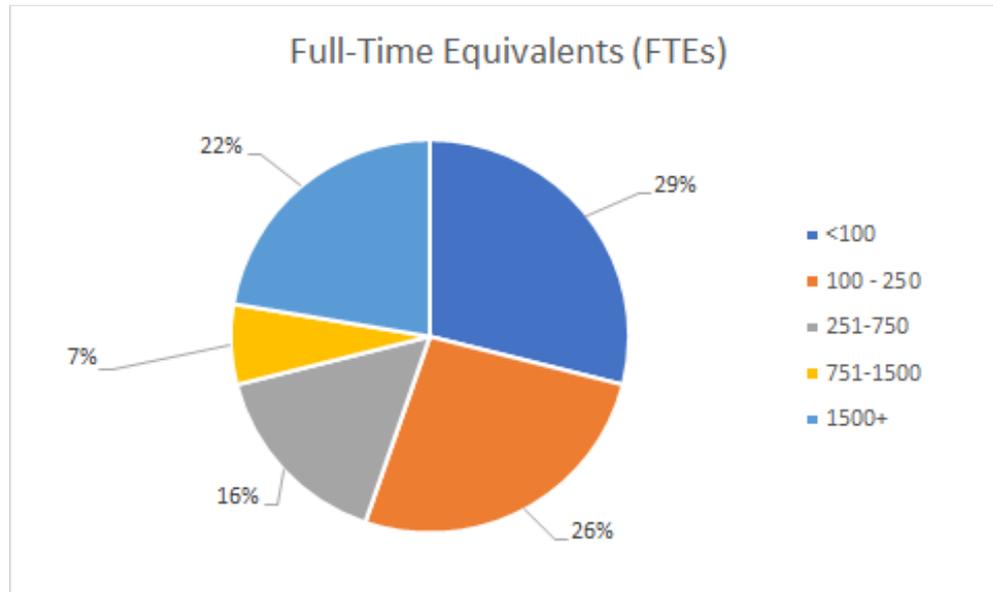
Survey Demographics

Survey Demographics



N = 76

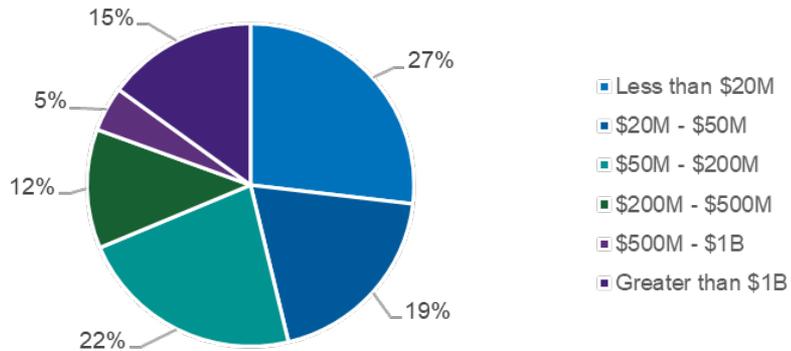
Survey Demographics



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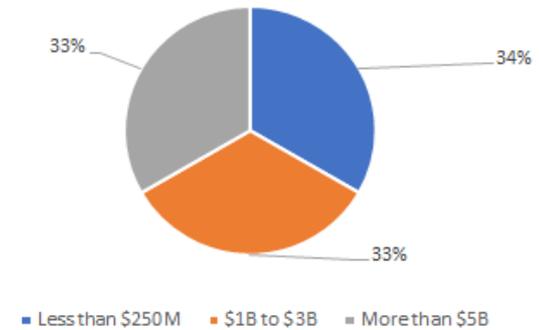
Survey Demographics

Org. Size by Annual Revenue
(Non-Financial Services)



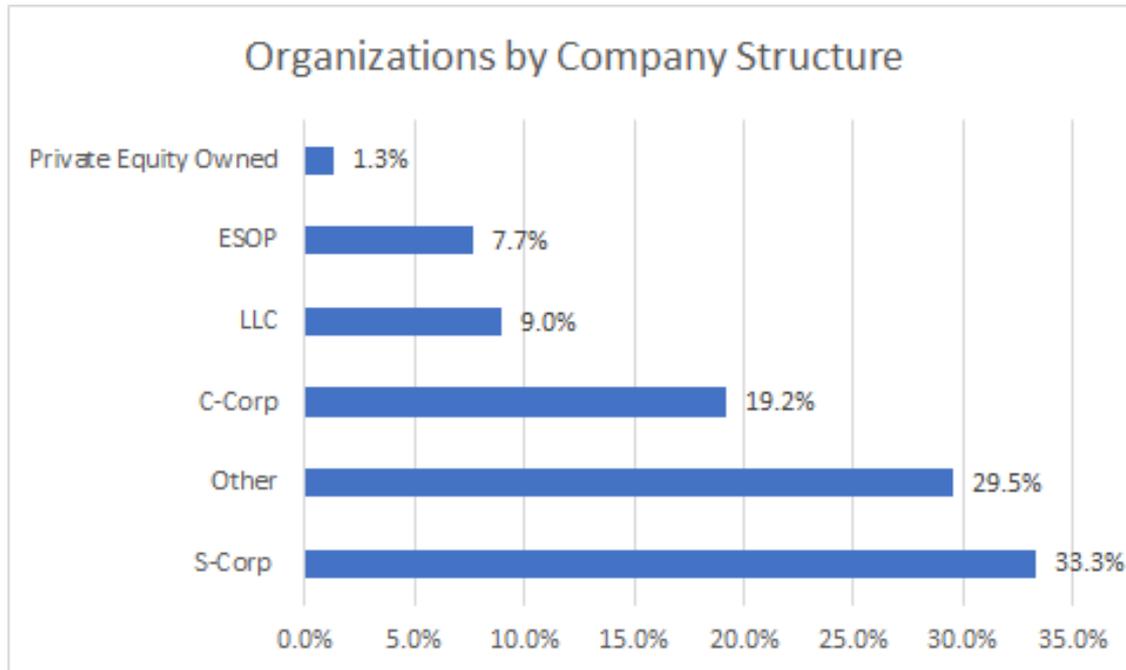
N = 67

Org. Size by Assets
(Financial Services)



N = 9

Survey Demographics



N = 63

Demographics

Regions

Northeast

New England:

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

Middle Atlantic:

New Jersey, New York and Pennsylvania

Midwest

East North Central:

Illinois, Indiana, Michigan, Ohio and Wisconsin

West North Central:

Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota

South

South Atlantic:

Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia

East South Central:

Alabama, Kentucky, Mississippi and Tennessee

West South Central:

Arkansas, Louisiana, Oklahoma and Texas

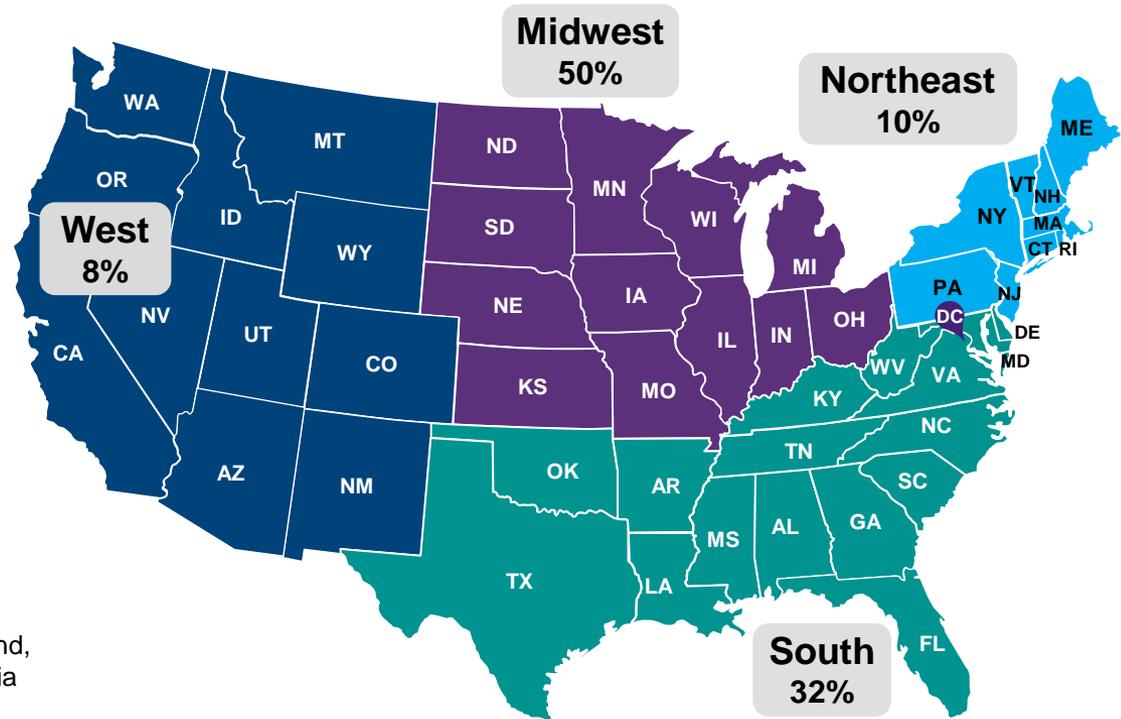
West

Mountain:

Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming

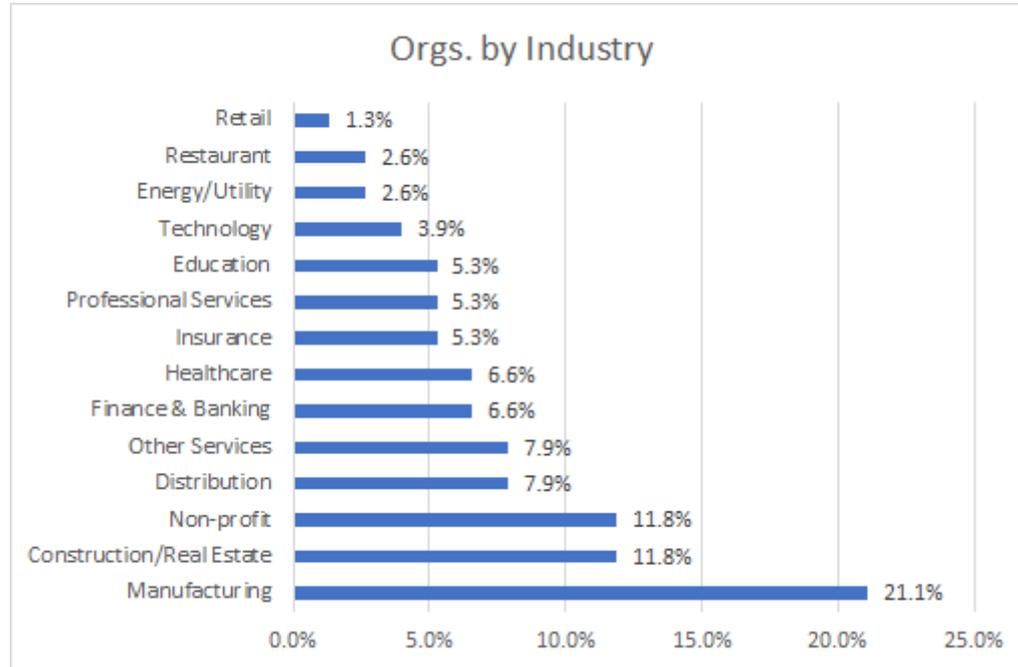
Pacific:

Alaska, California, Hawaii, Oregon and Washington



N=76

Survey Demographics



N = 76

Note: Some Non-profit organizations reported an industry other than "Non-Profit." Survey responses have not been altered.



Board Structure and Compensation

Survey Highlights: Board Structure

Board Meeting Frequency

- For profit Boards meet **four** times annually.
- Non-profit Boards meet up to **ten** times annually.

Number of Directors

- For profit orgs. have **five** Directors.
- Non-profit orgs. have **eleven** Directors.
- Outside Directors outnumber inside Directors by a margin of **2:1**.

Survey Highlights: Compensation

Effect of COVID-19

- Nearly **100%** of orgs. report that COVID-19 will have **no impact** on Board compensation levels in 2022.

Annual Retainers

- Outside Board Chairperson is **\$84,714**.
- Outside Board Director is **\$54,117**.
- **57%** differential between Chairperson and Director annual retainers.

Board Meeting Fees

- Outside Board Director is **\$2,400/meeting**.

Committee Fees

- Committee Chairperson is **\$10,738**.
- Committee Member is **\$9,026**.

Equity Compensation

- **9%** of for profit orgs. provide equity to Board Directors, avg. annual equity grant is **\$69,250**.
- Equity vehicles include restricted stock, phantom stock, stock appreciation rights (SARs), and long-term performance cash.

Note: Compensation data reflect All Organizations.



Board Administration

Best Practices: Board Compensation

- Establish a **formal Board Compensation Program**.
- Conduct **annual (or biannual) review** of Board Director compensation levels.
- Ensure that a **pay differential** exists between the Chairperson and Board Directors.
- Consider eliminating Board and Committee meeting fees and **replace with a larger annual retainer**.

Best Practices: Performance Management

- Conduct **annual (or biannual) performance appraisal** for Board Directors and Chairperson.
- Assess the Board's **strategic support capabilities**.
- Conduct **annual performance appraisal** for the President/CEO.
- Evaluate the relationship between **pay and performance** for the President/CEO.

Best Practices: Hot Topics

- **Outline** Board Director responsibilities in a job description.
- Consider implementing **term limits**.
- Consider implementing a **diversity policy** to enhance the Board's competitive advantage.



Survey Highlights: Board Administration

Compensation Assessments

- More than half of orgs. **(53%)** never conduct a formal compensation study for Board Directors.

Performance Management

- **27%** of orgs. assess Board Director performance on an annual basis.
- **75%** of non-profit orgs. and **54%** of for profit orgs. conduct an annual performance appraisal for the CEO.

Board Administration Hot Topics

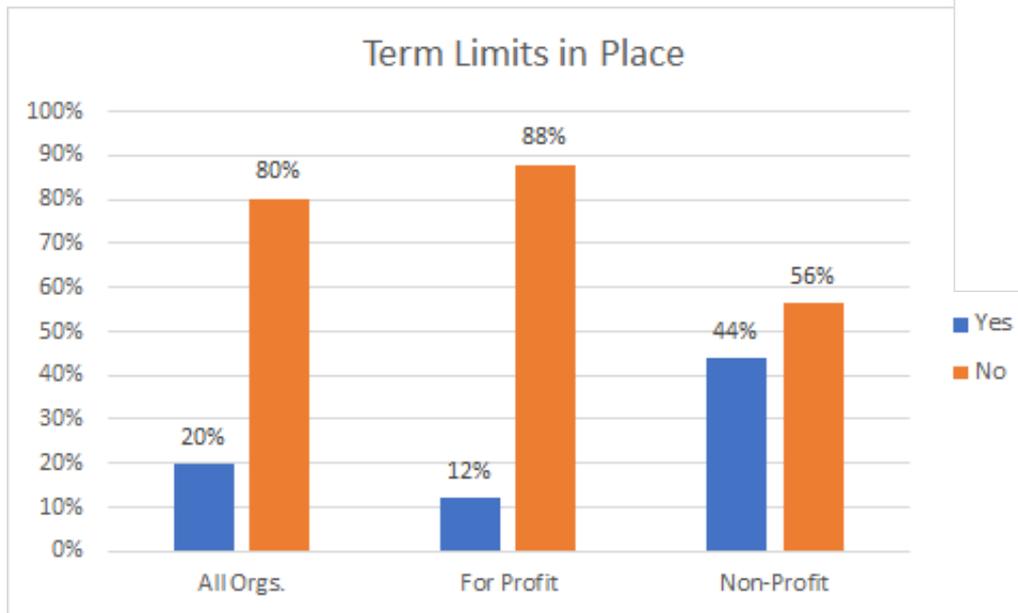
- **35%** of orgs. memorialize Board Director responsibilities in a formal job description.
- **49%** of orgs. maintain formal committee charters.
- **20%** of orgs. have term limits in place for Board Directors.
- **85%** of orgs. have three-year Board Director terms.

Diversity

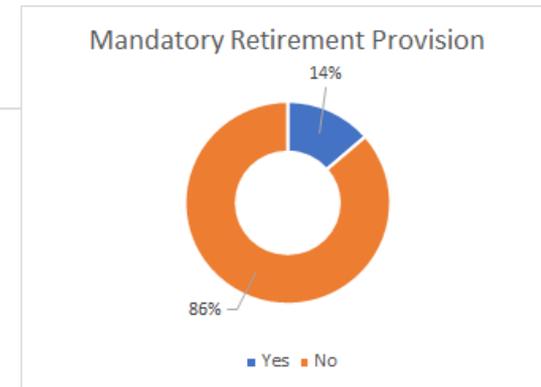
- **27%** of orgs. have a formal diversity policy.
- Diversity policies are more prevalent at non-profit orgs. compared to for profit.
- **34%** of Board Directors are female.
- **34%** of Board Directors are people of color.
- **30%** of Board Directors are under the age of 45.

Survey Data: Term Limits, Retirement

QUESTION: Are Director term limits in place? Does your organization have a mandatory retirement provision for Board Directors?



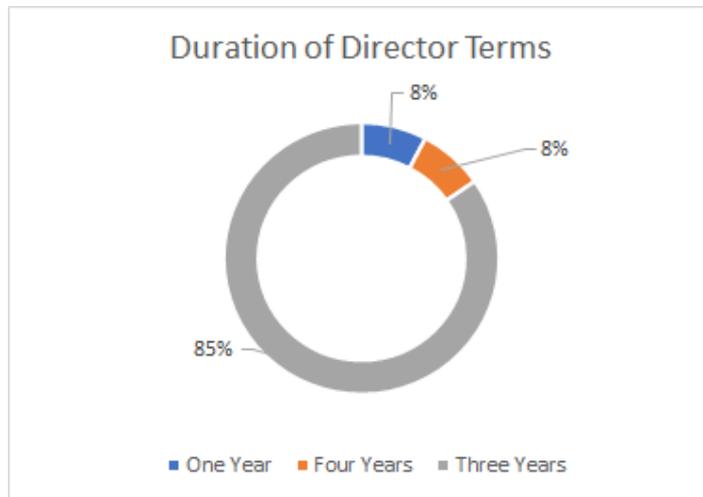
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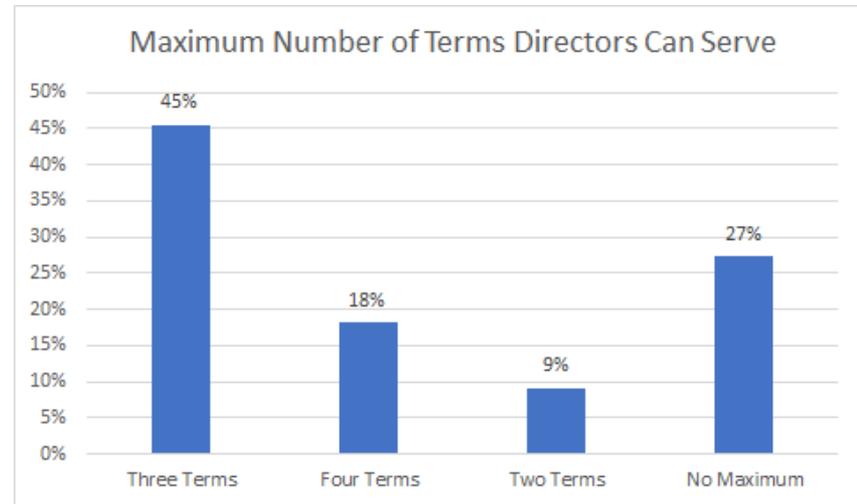
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Survey Data: Term Limits – Practices

QUESTION: *Please list the duration of each term. What is the maximum number of terms that a Director may serve?*



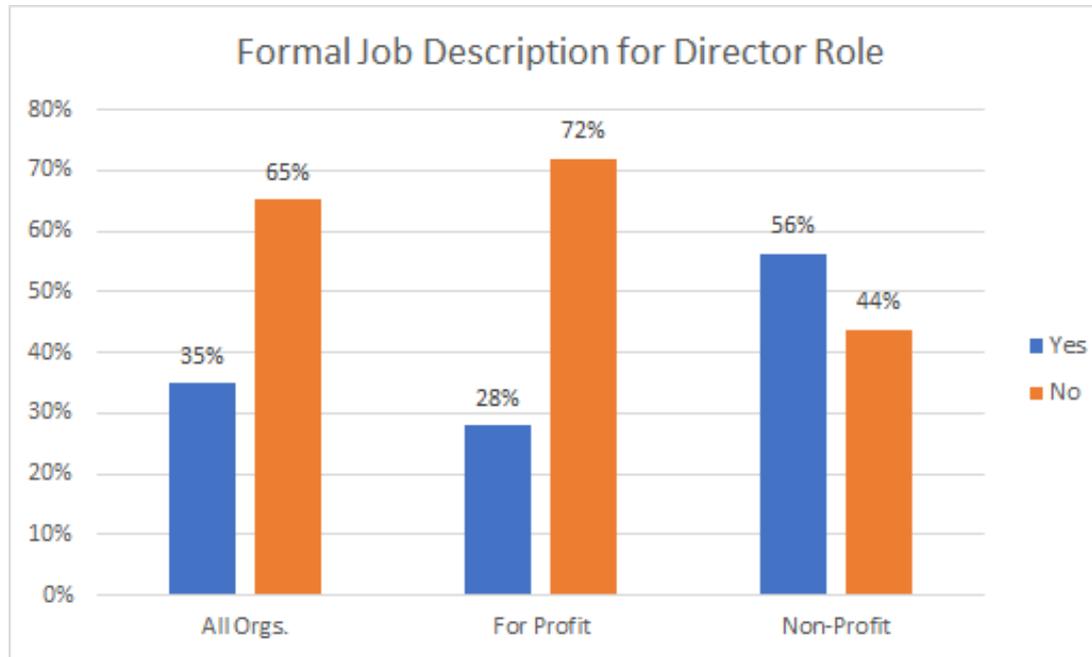
N= 13



N= 11

Survey Data: Job Descriptions

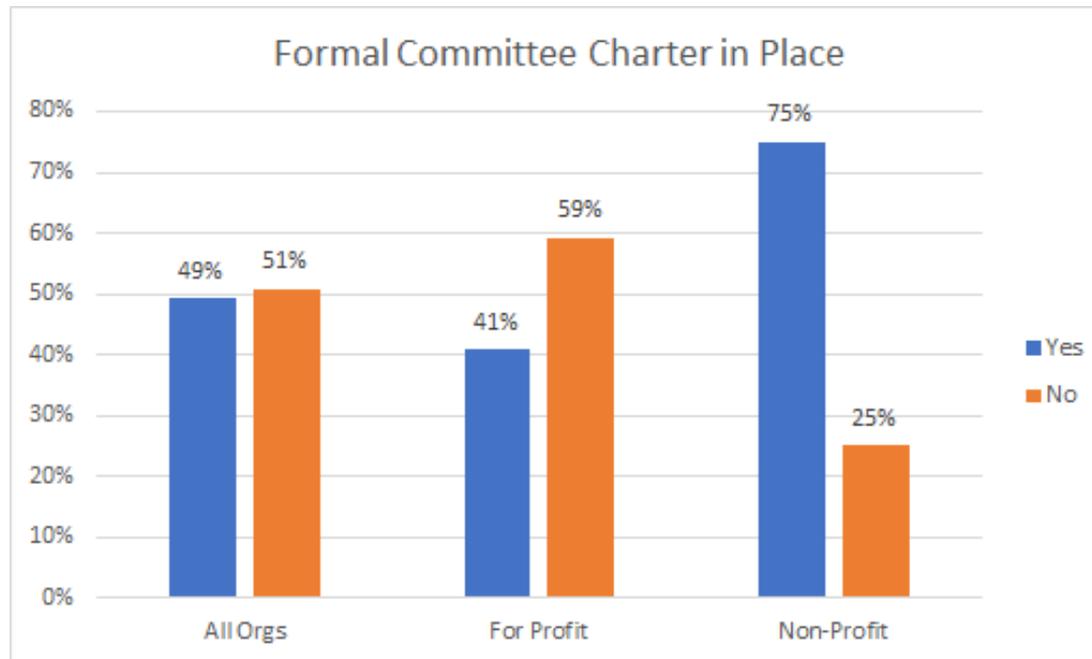
QUESTION: *Are Director responsibilities outlined in a formal job description?*



N= 66

Survey Data: Committee Charters

QUESTION: *Are the responsibilities of each committee outlined in a committee charter?*



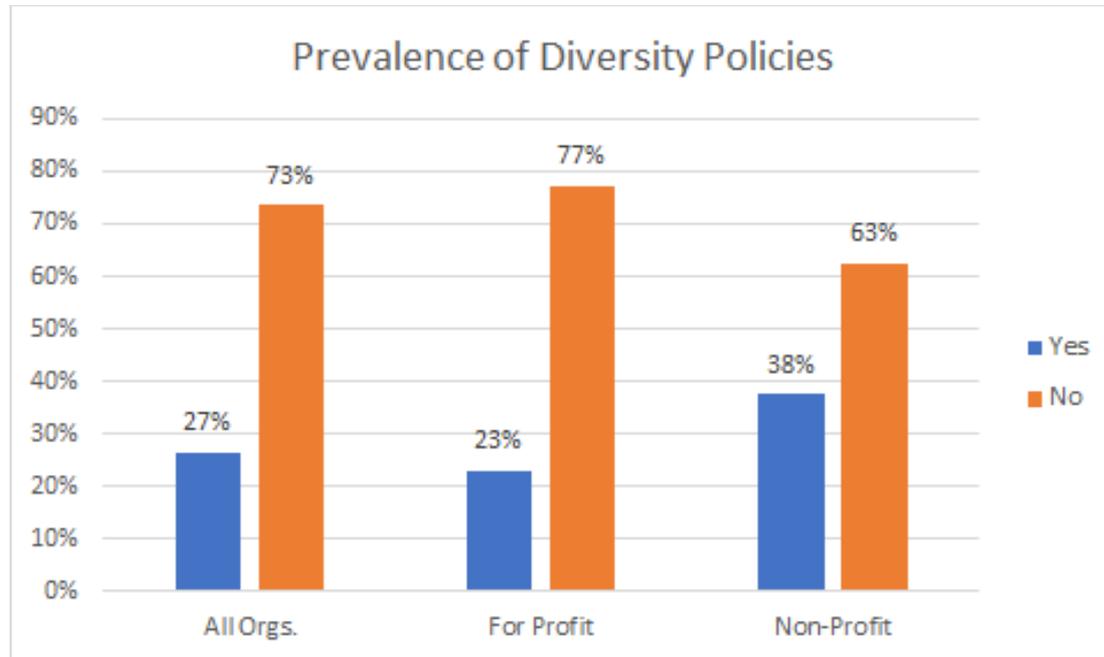
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Diversity, Performance Management and Benchmarking

Survey Data: Diversity Policies

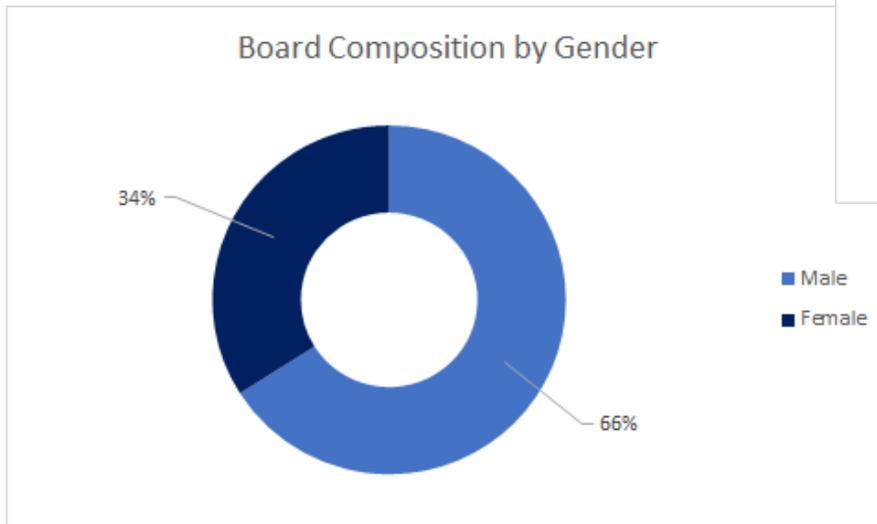
QUESTION: *Does your Board have a diversity policy?*



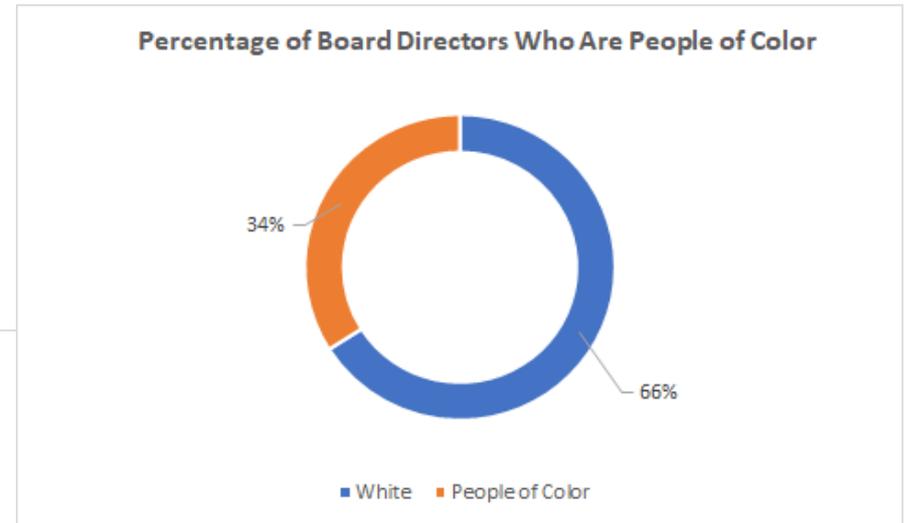
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Survey Data: Diversity – Gender and Race

QUESTION: *What percentage of your Board Directors are female? What percentage of your Board Directors are people of color?*



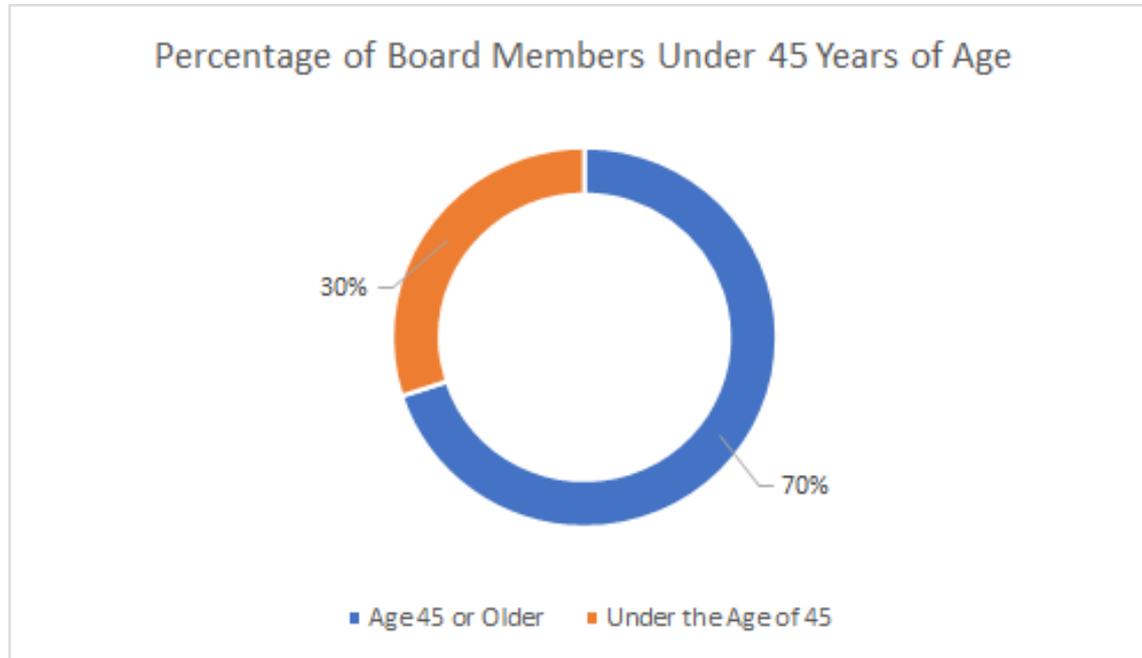
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N= 19

Survey Data: Diversity – Age

QUESTION: *What percentage of your Board Directors are under 45 years of age?*



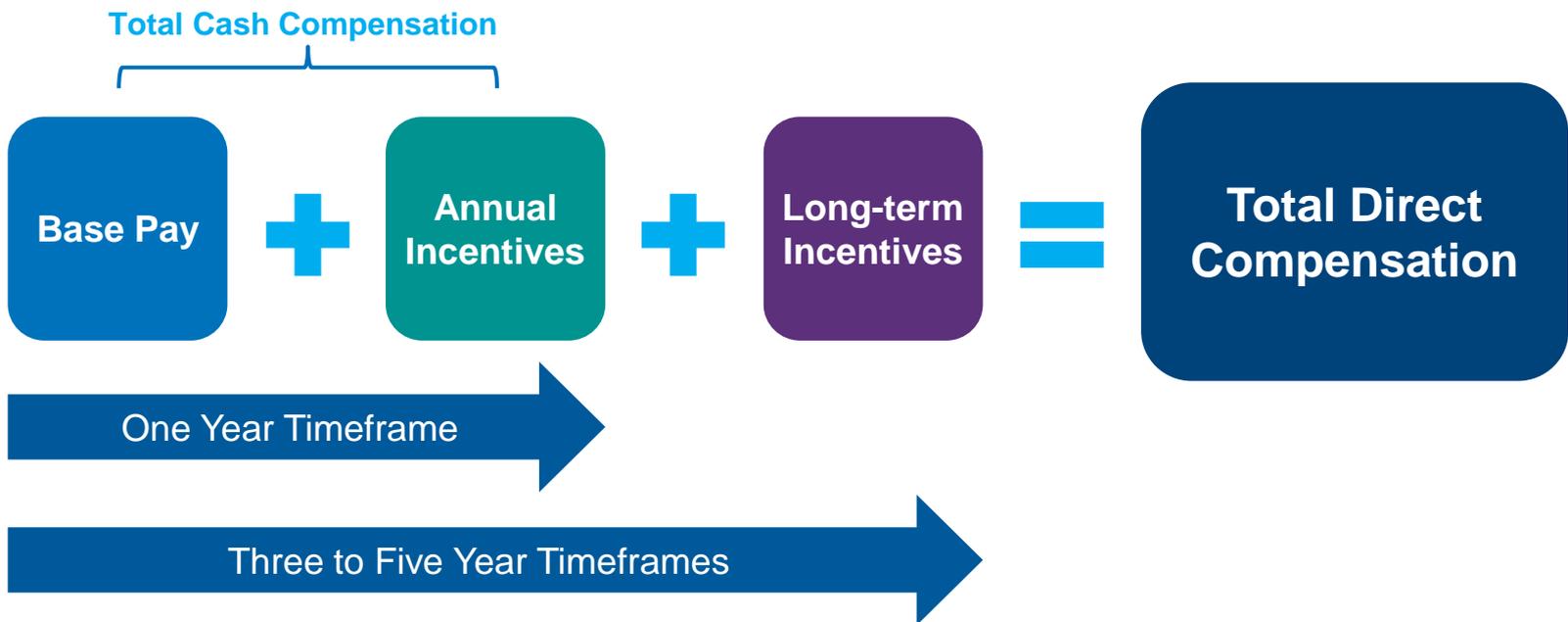
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Why Evaluate CEO and Board Performance?

CEO Performance Evaluation	Board Performance Evaluation
<ol style="list-style-type: none">1. Feedback2. Compensation decisions.3. Identify developmental opportunities.	<ol style="list-style-type: none">1. Board structure.2. Alignment with organization's mission, vision, and values.3. Fiduciary duty.

Link Performance and Compensation Decisions

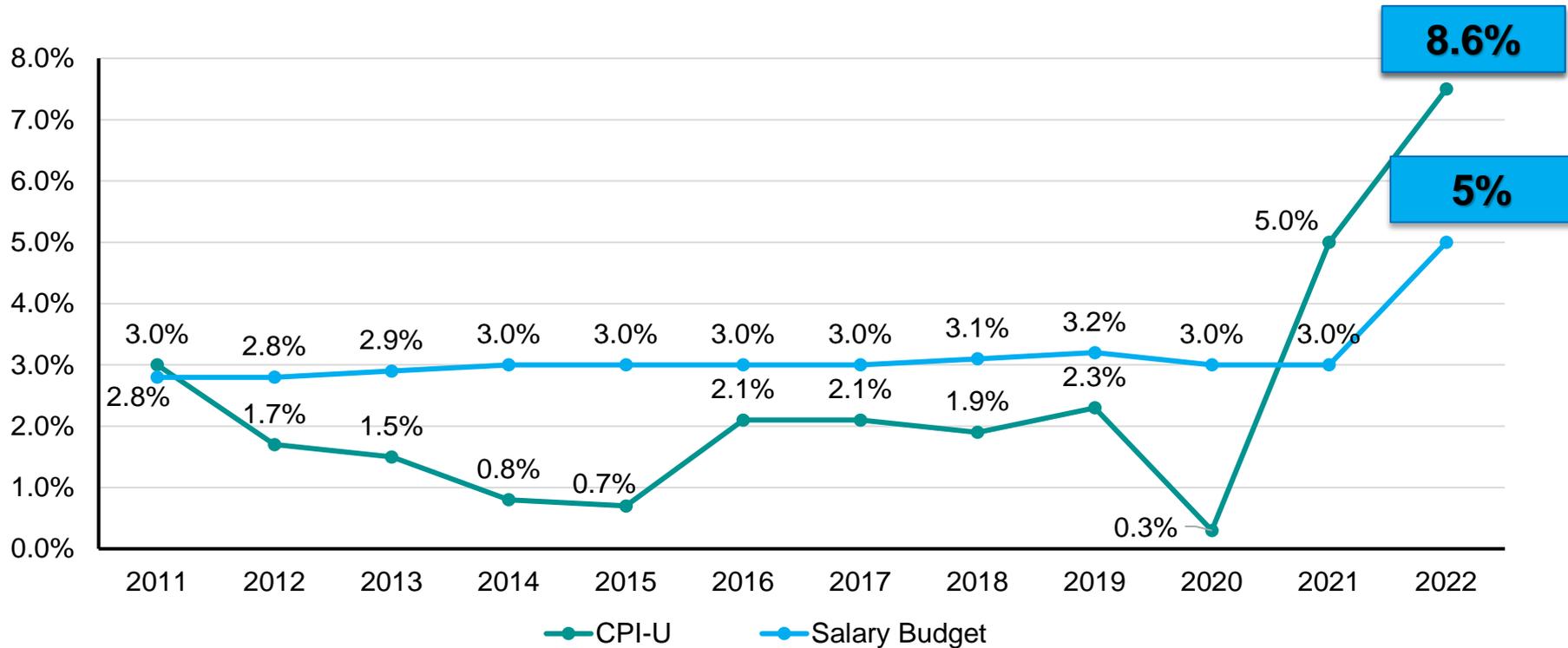
Long-term cash plans: Cash awards where payment is contingent on performance as measured against predetermined financial or strategic objectives over multiple years. Typical incentive periods are three to five years.





Compensation Insights for Boards

CPI and Salary Budget Movement



Turnover Tsunami!



More than half of employees (52 percent) are surfing towards other roles.

Why?

- **Better compensation and benefits (49%)**
- **Greater flexibility and better work/life balance (33%)**
- **Disengagement**
- **Burnout (Work from Home):** *Two in five worry that managers doubt productivity, when they are actually working more!*
- **Desire for promotion**
- **Early retirements**

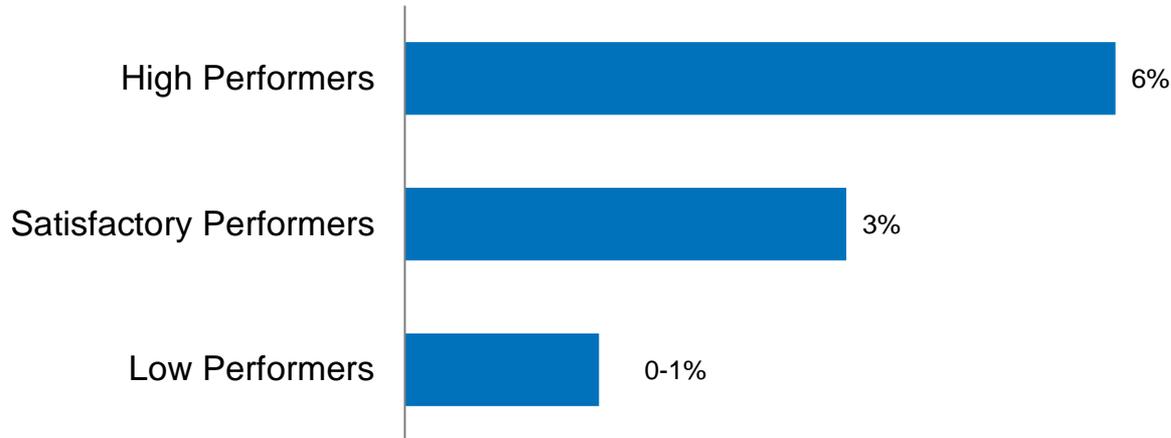
Turnover Tsunami!



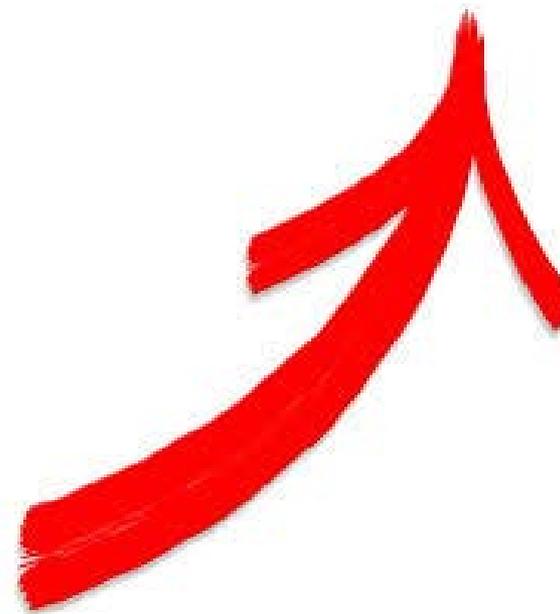
**How can employers better ride this wave?
Here are some tips to 'Hang Ten'!**

- **Engage top performers**
- **Increase recognition for all**
- **Listen**
- **Conduct STAY interviews**
- **Consider COLA increases**
- **Sign-on Bonuses**
- **Retention Bonuses**

Pay for Performance Base Salary Increases



**Top Performers
NEED
Pay Differentiation**



Retention Vehicles

- Performance Unit Plans
- Phantom Stock
- SARs



For More Information

If you have questions about this survey or Newport services,
or would like a **COMPLIMENTARY 30-minute review**
of your Board's pay program, please contact:

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*All data Newport's Survey of Private Company Board Pay Practices (2021-22 Edition)
was collected by Newport from 63 organizations.*

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