

# COMPENSATION, RETIREMENT AND BENEFITS TRENDS REPORT

2018/2019 EDITION

January 23, 2019

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Rena Somersan, Managing Principal, Compensation Consulting Services

Kevin Bachler, Vice President



# Newport Group Presenters

## Rena Somersan

Rena Somersan is a Managing Principal with Newport Group. She has over twenty years of consulting and industry experience assisting clients in executing their strategic human resources and compensation initiatives. Her focus has been in the areas of workforce compensation, performance management initiatives, leadership development, talent motivation and retention.

## Kevin Bachler

Kevin Bachler collaborates with Newport Group intermediary partners on key strategic initiatives in the deferred compensation and executive benefits marketplace. He has more than 30 years of experience in the industry, and is the author of numerous articles about non-qualified deferred compensation and other employee benefits, for publications such as the Journal of Deferred Compensation, Employee Benefits News, and Financial Executive.

# Agenda

**CRB Survey Demographics**

**Compensation Practices**

**Retirement Plans**

**Health and Welfare Benefits**

**Questions**

**Wrap-up**



2018/2019 Compensation, Retirement and Benefit Trends Report

# DEMOGRAPHICS

# Background

The annual **Newport Group Compensation, Retirement and Benefits Trends Report** is designed to reveal **key trends** across a full range of compensation, retirement, health and welfare benefits and employee rewards programs. The result is a **comprehensive view** of firms' total employee rewards programs that is rarely available from a single source.

The **2018/2019** survey includes information from more than **430 organizations** across the country, and spanning a range of industries, with the highest response rates from manufacturing, not-for-profit, healthcare, finance and professional service industries.

## Key Definitions

- **N:** total number of respondents
- **Median:** statistical point at which half of all reported responses reported are above, half are below
- **Average:** total of all reported data divided by number of responses

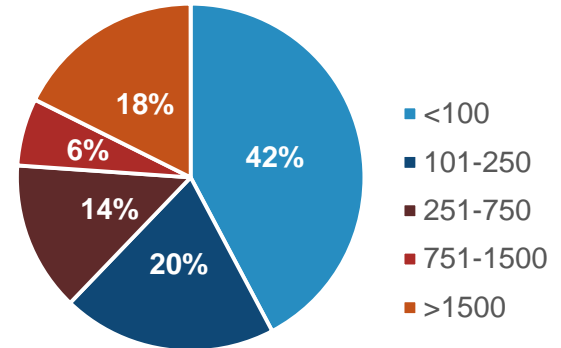


# Demographics

## Key Definitions

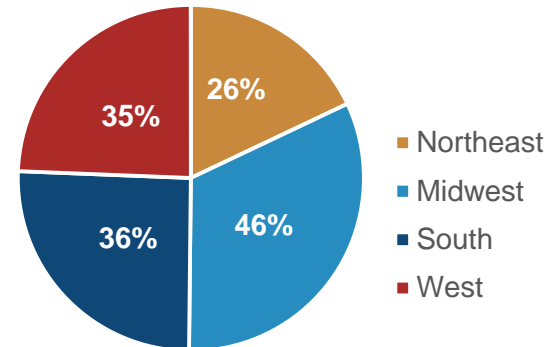
- Northeast** *New England:* Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont  
*Middle Atlantic:* New Jersey, New York and Pennsylvania
- Midwest** *East North Central:* Illinois, Indiana, Michigan, Ohio and Wisconsin  
*West North Central:* Iowa, Kansas, Minnesota, Missouri, 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

## Full-Time Equivalent (FTEs)



N=431

## Location

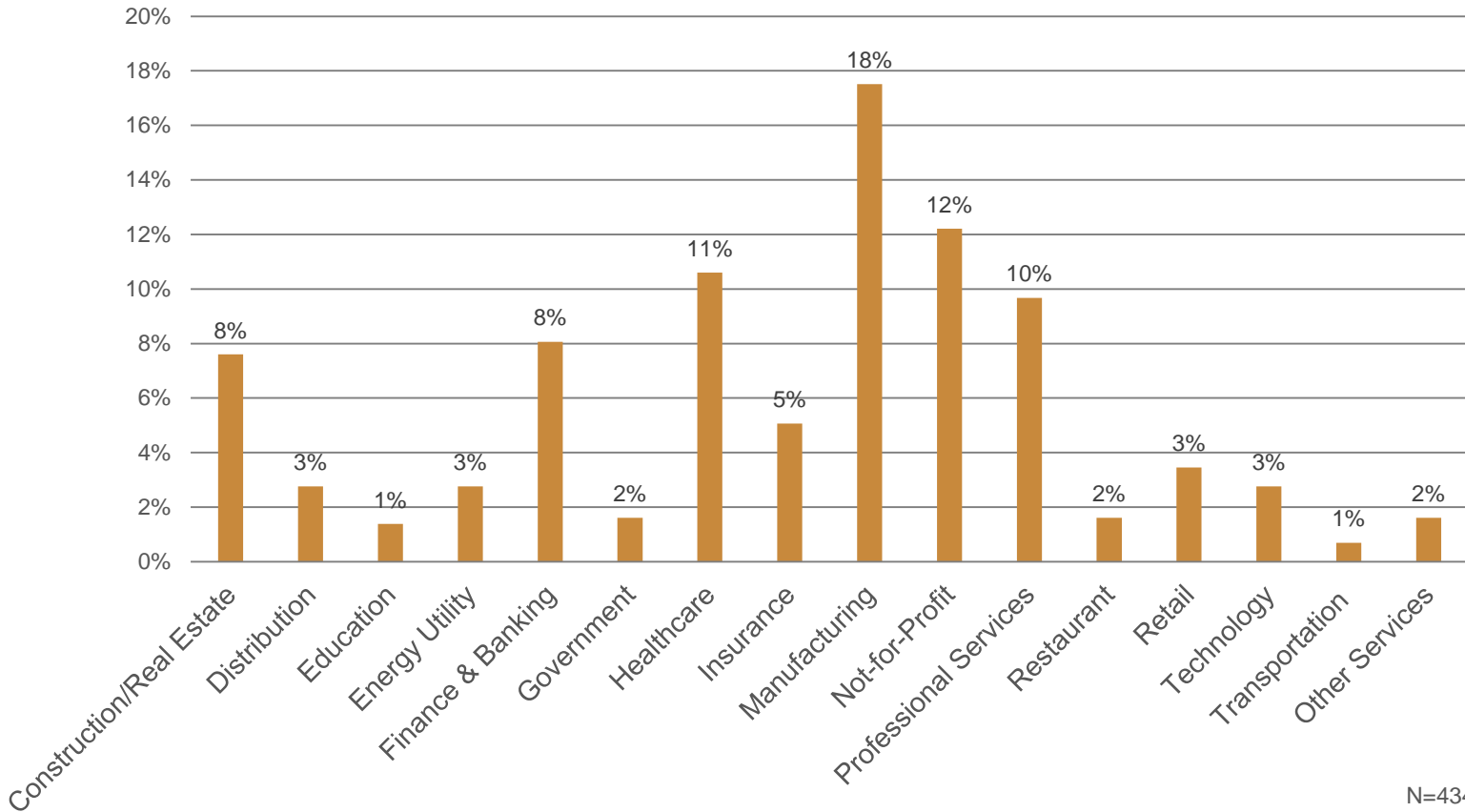


N=437

Some employers are located in multiple regions

# Demographics

## Organizations by Industry



2018/2019 Compensation, Retirement and Benefit Trends Report

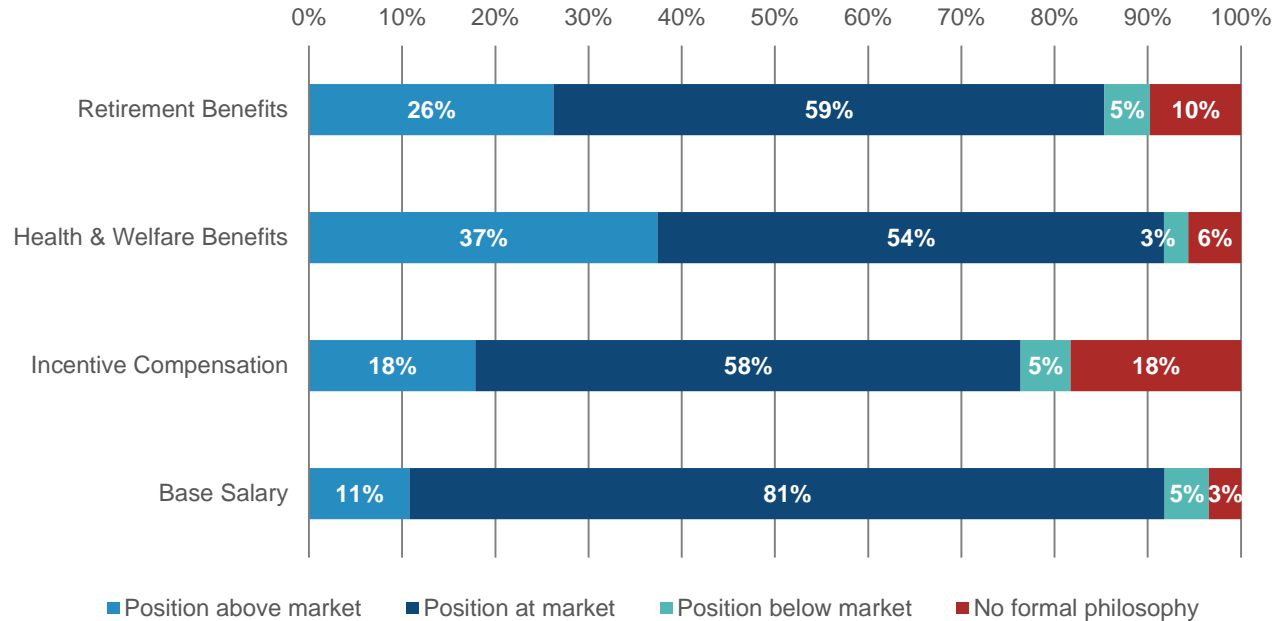
# COMPENSATION PRACTICES



# Total Compensation Philosophy

QUESTION: *What is your organization's total compensation philosophy?*

When considering which areas of the Total Compensation philosophy to differentiate, the greatest emphasis is placed on Health & Welfare Benefits or Retirement Benefits to be at levels above the market.



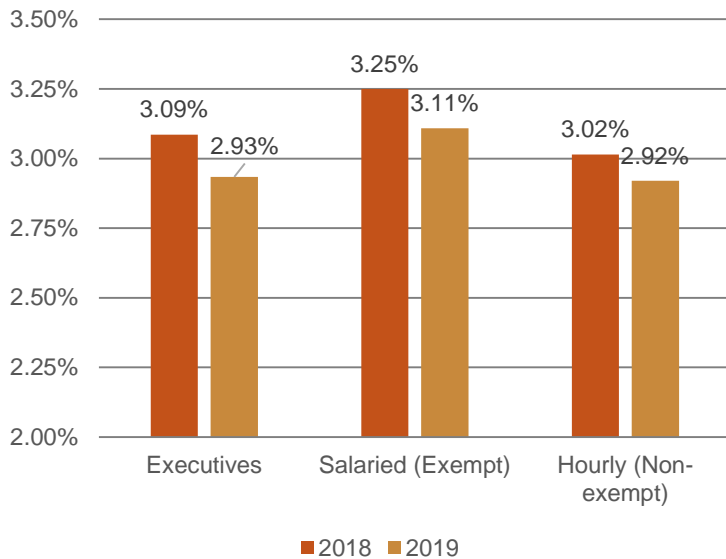
N=230

# Base Salary Increases

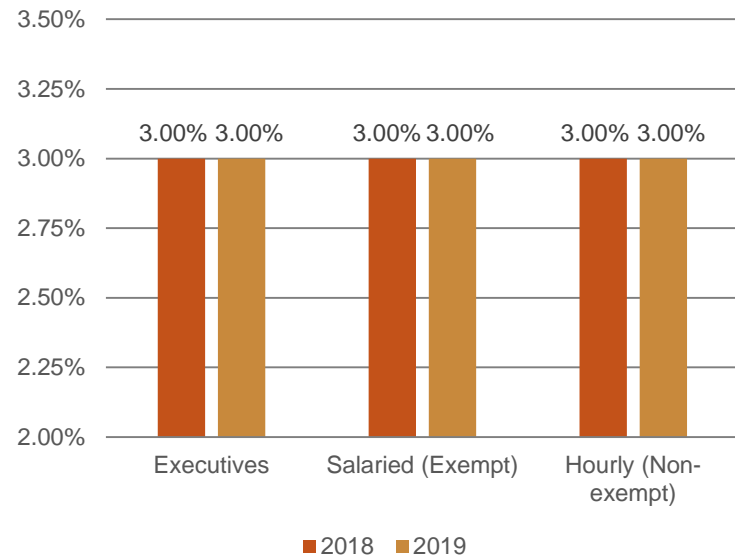
**QUESTION:** Please indicate the AVERAGE percentage amount allocated for base salary increases in 2018 and the amount anticipated for 2019, as a percent of base pay.

Median base salary increases for executive, salaried exempt and hourly non-exempt stayed consistent with the past several years at 3.0%. Projected 2019 increases for executives and salaried exempt are highest in the Finance, Banking & Insurance sector, while Construction & Real Estate is highest for hourly non-exempt. The West region is again projecting higher increases for all job categories compared to other regions.

**Budget Salary Increase (Average)**



**Base Salary Increases (Median)**



# Base Salary Increases Projected for 2019 by Industry

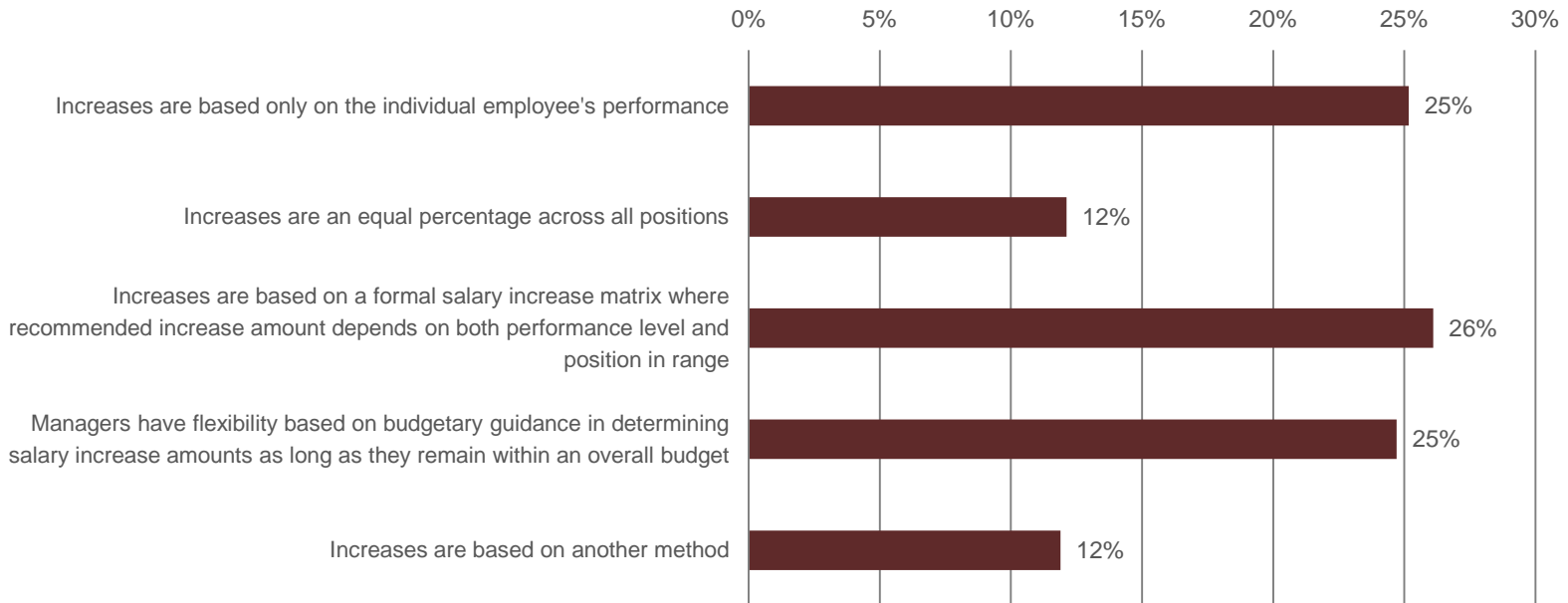
QUESTION: Please indicate the AVERAGE percentage amount anticipated for 2019, as a percent of base pay.

	Overall	Manufacturing, Distribution, Utilities, Technology, & Transportation	Not-for-Profit, Education, & Government	Construction & Real Estate	Other Services, Professional Services, Restaurant, & Retail	Finance, Banking, & Insurance	Healthcare
<b>Executives</b>	%	%	%	%	%	%	%
Average	2.93	2.67	2.60	2.39	3.32	3.89	2.33
Median	3.00	3.00	3.00	3.00	3.00	3.00	2.90
<b>Salaried (Exempt)</b>							
Average	3.11	2.91	2.83	3.25	3.42	3.65	2.40
Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Hourly (Non-exempt)</b>							
Average	2.92	3.03	2.51	3.44	2.95	3.17	2.46
Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Base	408	103	66	32	108	53	42

# Salary Increase Recommendations

QUESTION: *What guidance does your organization provide to managers making salary increase recommendations/decisions?*

When making salary increase decisions the method most utilized focuses on the individual employee performance while giving managers flexibility within an overall budget to grant increases.

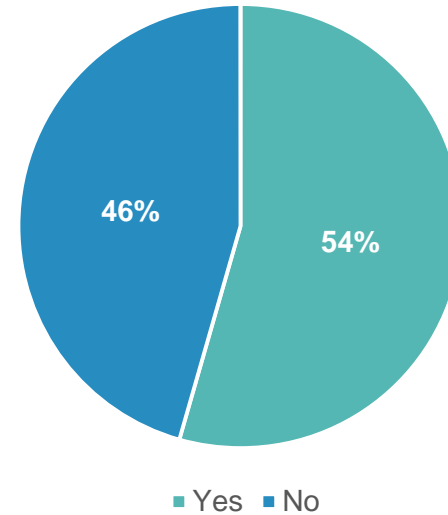


N=429

# Salary Structure

**QUESTION:** *Do you have a formal salary structure (i.e., ranges with a minimum and maximum) to manage compensation across levels within the organization?*

A slight majority of organizations utilize a formal salary structure with grades (minimums, midpoints and maximums) to manage compensation. As organization size grows (FTE count), the more likely they are to have utilize a formal structure. From an industry perspective, Healthcare, Not-for-Profit, and Finance, Banking & Insurance sectors are more likely than other groups to have a formal salary structure to manage their compensation investment.



N=439

## Salary Structure by FTEs

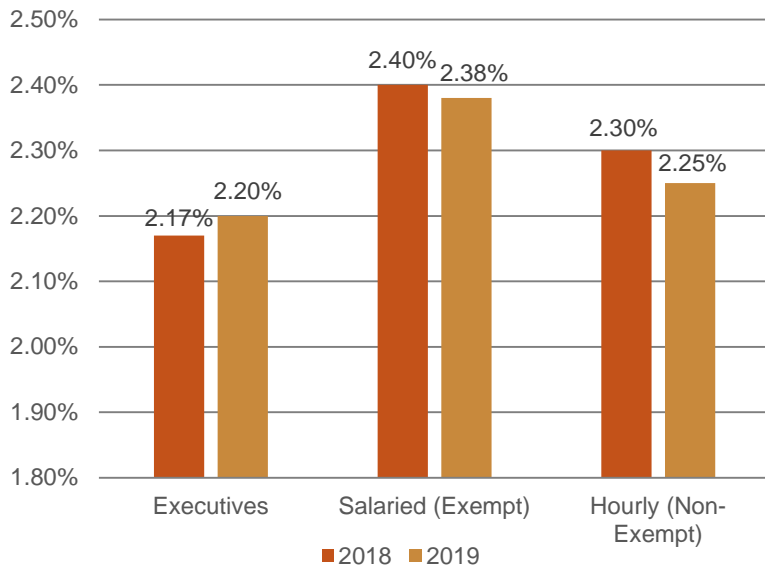
	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Yes</b>	54%	36%	56%	67%	74%	83%
<b>No</b>	46%	64%	44%	33%	26%	17%
<b>Base</b>	439	182	86	60	27	76

# Salary Range/Structure Movement

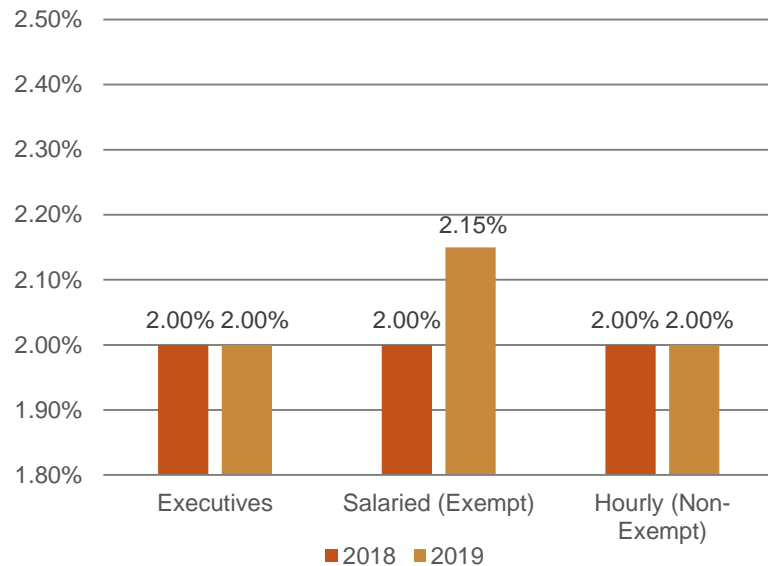
QUESTION: Please indicate the percentage salary range/structure movement for 2018 and the amount anticipated for 2019.

Projected median increases are expected to be similar to 2018 increases of 2.0%, with a slight uptick for salaried exempt populations. The West region and the Construction & Real Estate sector are projecting the highest median structure movement within their respective categories.

### Salary Range/Salary Structure Movement (Average)



### Salary Range/Salary Structure Movement (Median)

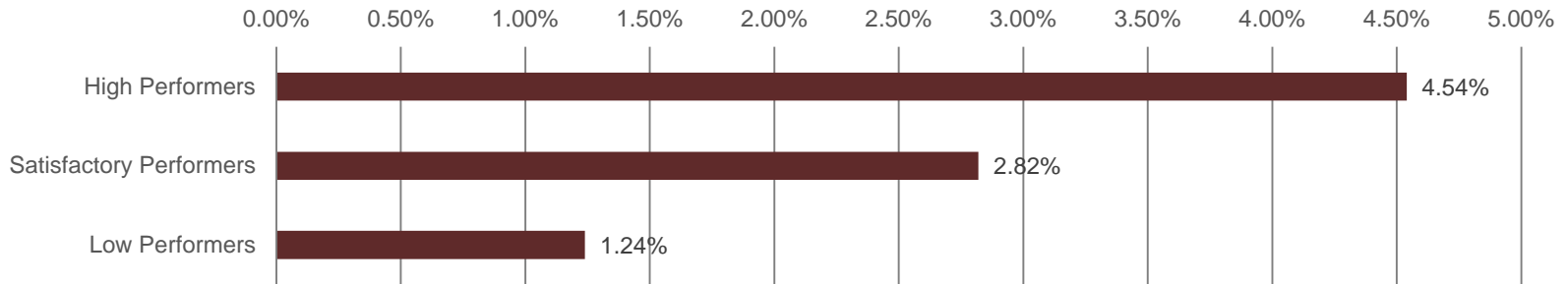


N=191

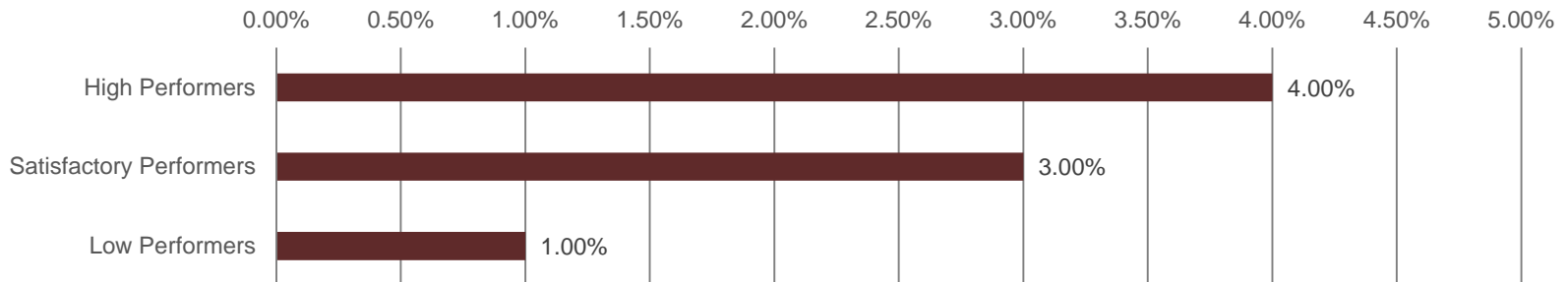
# Pay for Performance Increases

QUESTION: *In general, please indicate the average base salary increases in 2018 for each of the following categories:*

Increasingly, dollars continue to be allocated to differentiate high performers and less money is being utilized, as a percent of payroll, to reward low performers. While salary budgets increased 3%, higher performers received approximately a 4.5% adjustment.



QUESTION: *In general, please indicate the median base salary increases in 2018 for each of the following categories:*

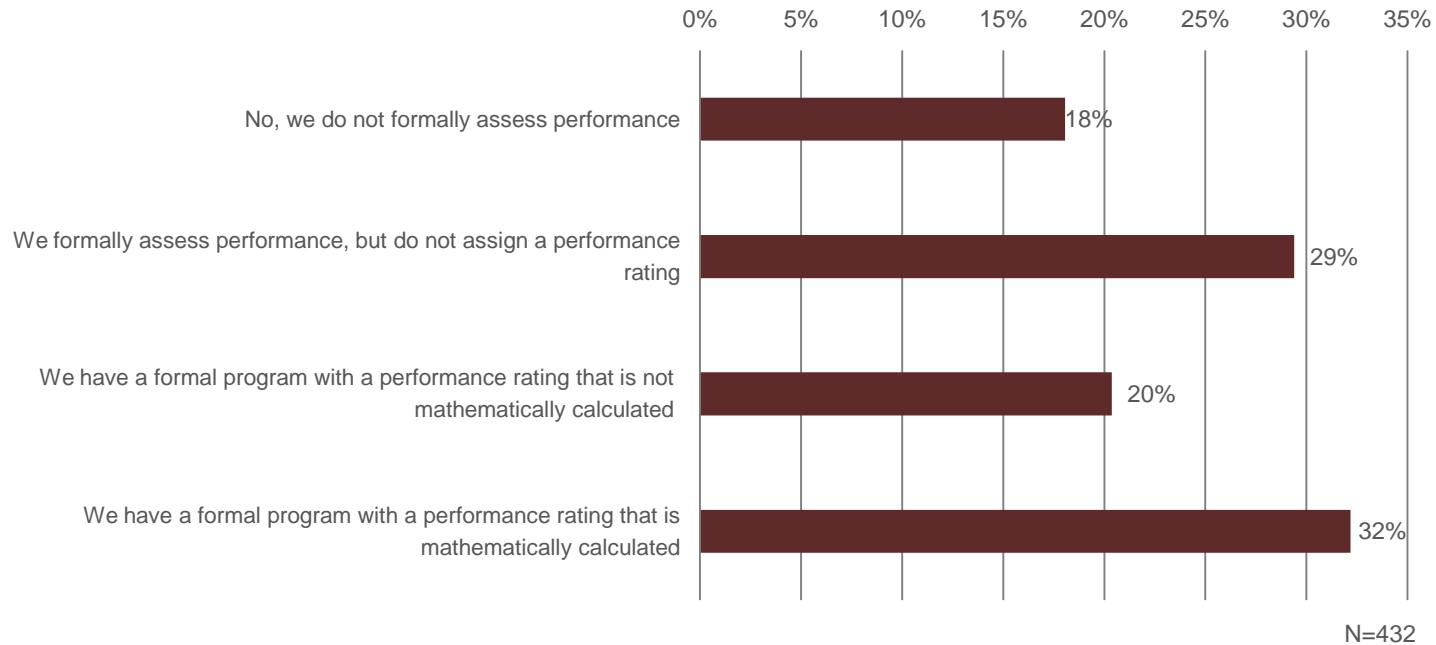


N=393

# Employee Performance Management Program

QUESTION: *Do you have a formal employee performance management program, resulting in a performance rating or score that is shared with the employee?*

When assessing performance, the greatest number of employers utilized a mathematically calculated formula. Approximately one-third of employers assessed performance but did not assign a performance rating.





# Short-Term Incentive by Industry

QUESTION: Which employee groups are eligible to participate in a short-term incentive or bonus program?

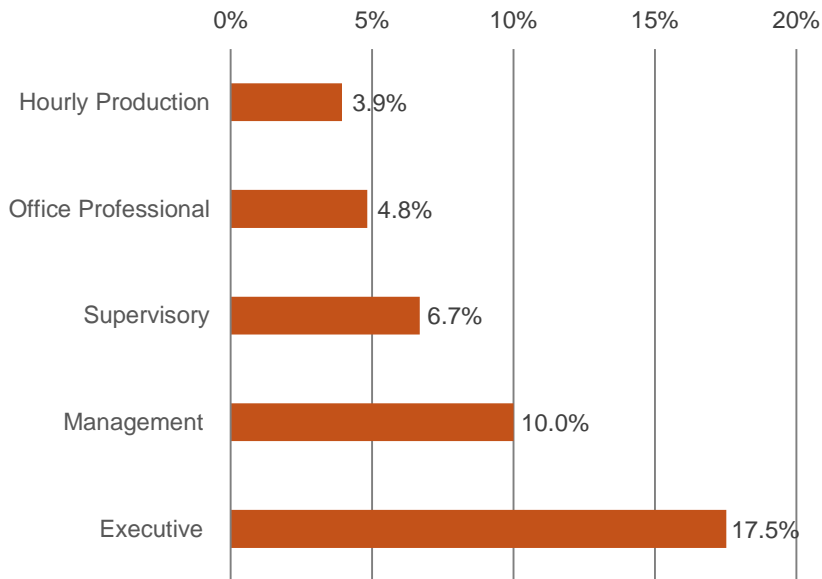
	Overall	Manufacturing, Distribution, Utilities, Technology, & Transportation	Not-for-Profit, Education, & Government	Construction & Real Estate	Other Services, Professional Services, Restaurant, & Retail	Finance, Banking, & Insurance	Healthcare
<b>Hourly Production</b>	63%	62%	58%	67%	57%	83%	56%
<b>Office Professional</b>	77%	71%	88%	93%	75%	91%	59%
<b>Supervisory</b>	79%	78%	85%	93%	77%	89%	53%
<b>Management</b>	89%	88%	88%	100%	91%	91%	81%
<b>Executive</b>	86%	90%	88%	87%	84%	89%	75%
<b>Base</b>	352	100	33	30	99	53	32

# Short-Term Incentive Award Opportunity

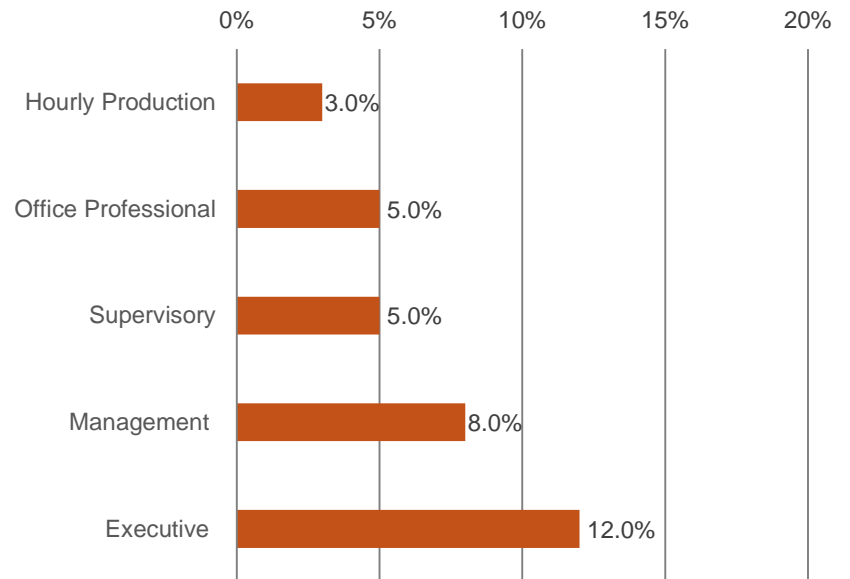
QUESTION: *What is the targeted short-term incentive pay opportunity at your company for 2018?*

Targeted levels of short-term incentive for 2018 are highest for executives with an average of 18% of base pay. Hourly production employees had an average target target opportunity of 4%.

**Target Short-Term Incentive Pay Opportunity for 2018 (Average)**



**Target Short-Term Incentive Pay Opportunity for 2018 (Median)**

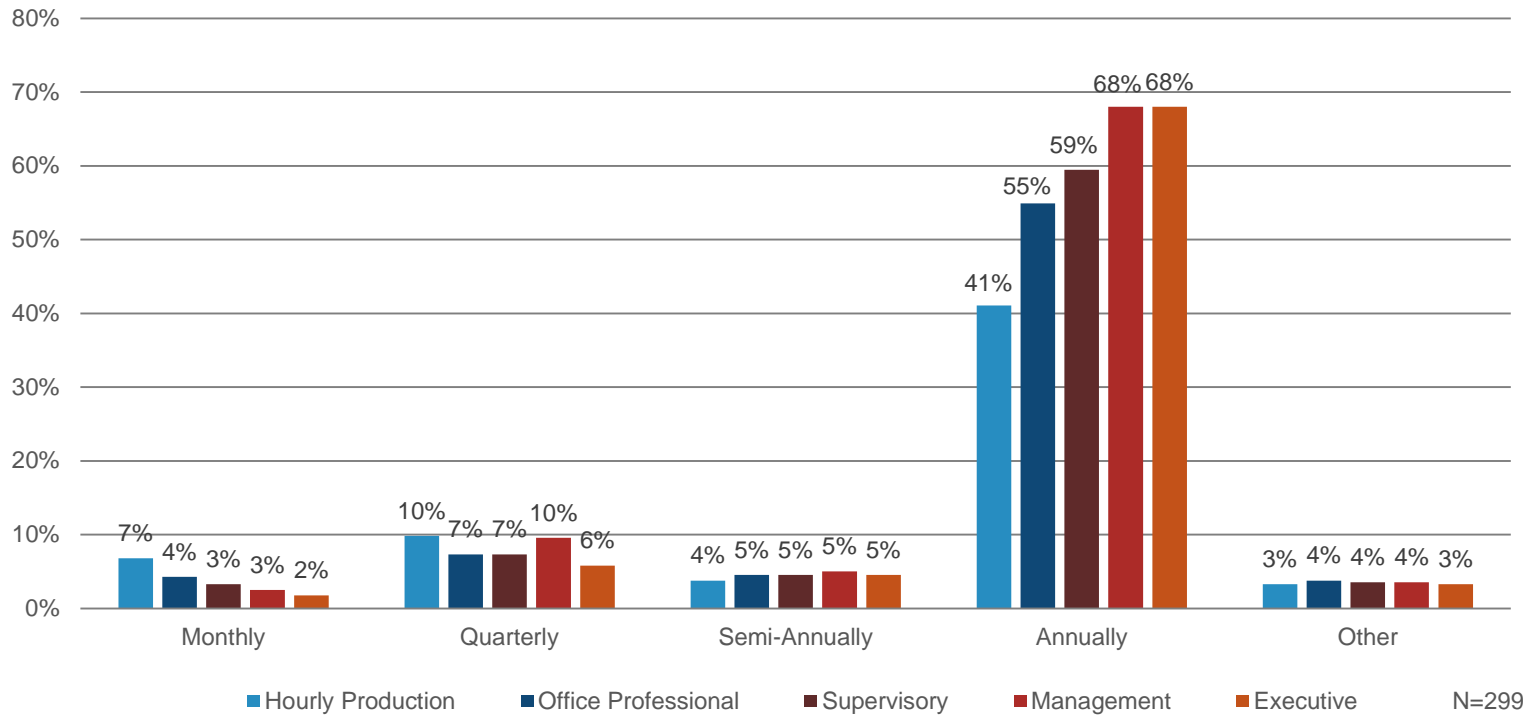


N=261

# Short-Term Incentive Frequency

QUESTION: *Incentive or bonus awards are available over what performance period for the following groups:*

When incentive awards are made available they are most frequently offered on an annual basis across all employee groups. Approximately 18% of organizations did not offer any incentive or bonus award opportunity.



# Long-Term Incentive Vehicles by Industry

QUESTION: Which long-term incentive vehicles are offered to eligible employees?

	Overall	Manufacturing, Distribution, Utilities, Technology, & Transportation	Not-for-Profit, Education, & Government	Construction & Real Estate	Other Services, Professional Services, Restaurant, & Retail	Finance, Banking, & Insurance	Healthcare
<b>Stock Options</b>	9%	13%	0%	13%	13%	10%	3%
<b>Stock Appreciation Rights</b>	1%	1%	0%	3%	0%	0%	5%
<b>Phantom Stock</b>	3%	4%	0%	6%	1%	4%	3%
<b>Performance Units</b>	8%	13%	0%	0%	7%	15%	3%
<b>Restricted Stock</b>	13%	22%	0%	6%	11%	25%	0%
<b>No Long Term Incentive Offered</b>	61%	55%	89%	44%	67%	29%	81%
<b>Other</b>	19%	16%	11%	31%	15%	37%	11%
<b>Base</b>	391	104	57	32	104	52	19

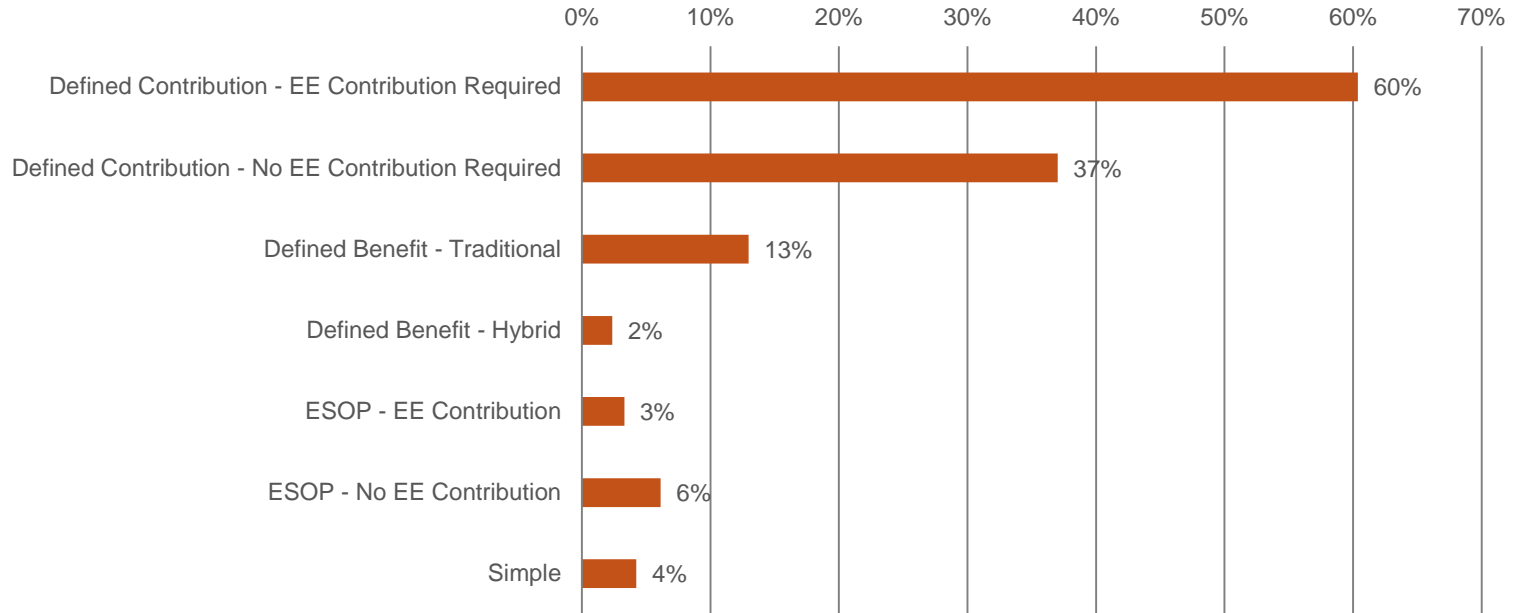
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# RETIREMENT PLANS

# Retirement Plan Options

QUESTION: *What type of qualified retirement plan(s) do you offer?*

The results of the 2018-2019 survey are consistent with past findings, showing most employers (97%) offer some type of defined contribution plan.



N=424

# Retirement Plan Matching Contributions by FTEs

QUESTION: *Does your company offer matching contributions?*

	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Yes, qualified</b>	74%	62%	77%	84%	89%	84%
<b>Yes, non-qualified</b>	12%	6%	13%	5%	11%	30%
<b>No, but planning to next year</b>	1%	2%	0%	0%	4%	1%
<b>No, but considering for the future</b>	5%	6%	5%	5%	4%	1%
<b>No, and not considering for the future</b>	16%	25%	11%	9%	4%	11%
<b>Base</b>	430	180	84	58	27	73

# Retirement Plan Automatic Enrollment by FTEs

QUESTION: *Does your plan have an automatic enrollment feature?*

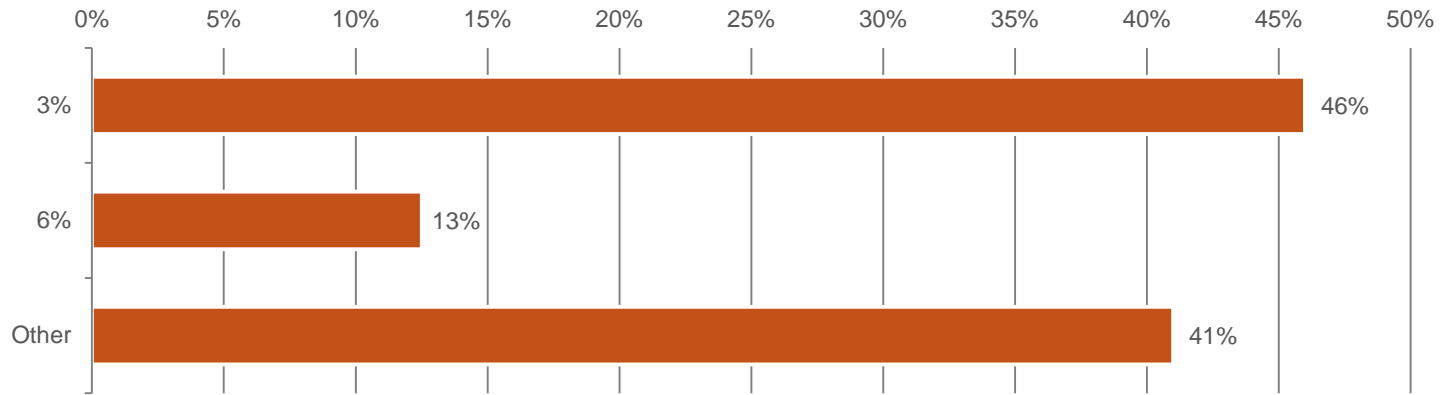
	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Yes</b>	48%	38%	41%	57%	74%	58%
<b>No, but planning to next year</b>	2%	2%	3%	3%	0%	0%
<b>No, but considering for the future</b>	18%	24%	15%	13%	7%	13%
<b>No, and not considering for the future</b>	33%	36%	41%	27%	19%	29%
<b>Base</b>	439	182	86	60	27	76



# Retirement Plan Automatic Enrollment

QUESTION: *What percentage contribution rate do you use for automatic enrollments?*

Most organizations (46%) use a 3% contribution rate as the default enrollment level, but there appears to be a wide range other contribution rates being used by 41% of organizations.

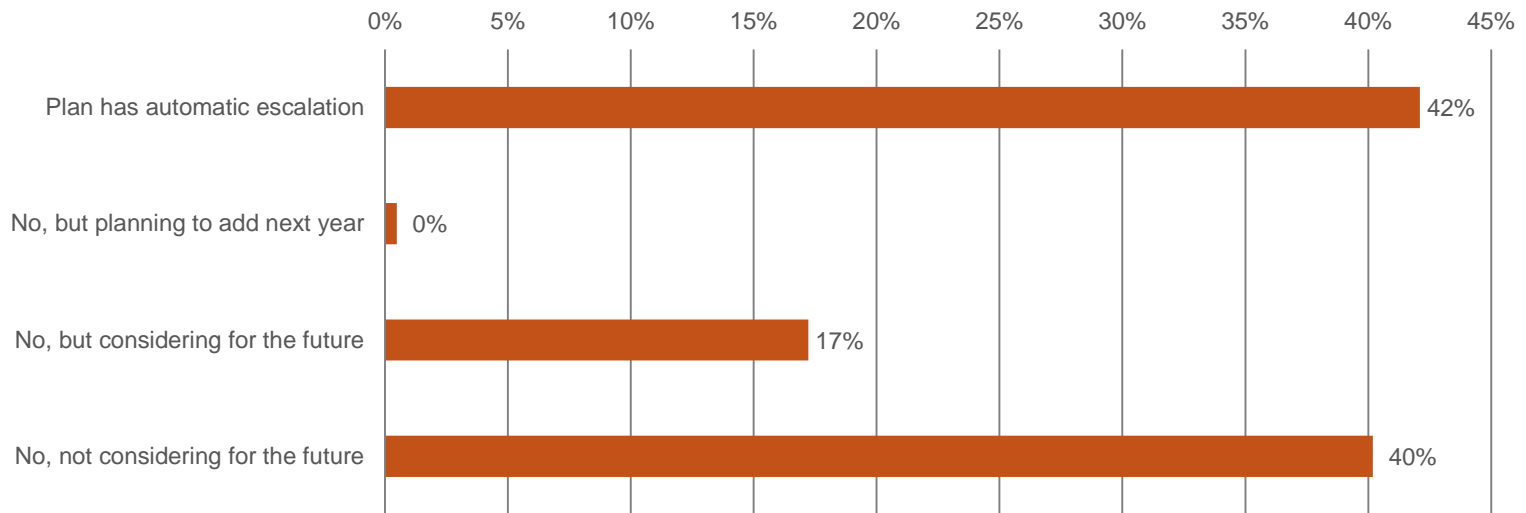


N=200

# Retirement Plan Automatic Escalation

QUESTION: *If you have or are planning to add an automatic enrollment feature, will your auto enrollment include an automatic escalation feature?*

The survey found 42% of plans that include an automatic enrollment feature also have an automatic escalation feature, and an additional 17% are considering adding automatic escalation for the future.

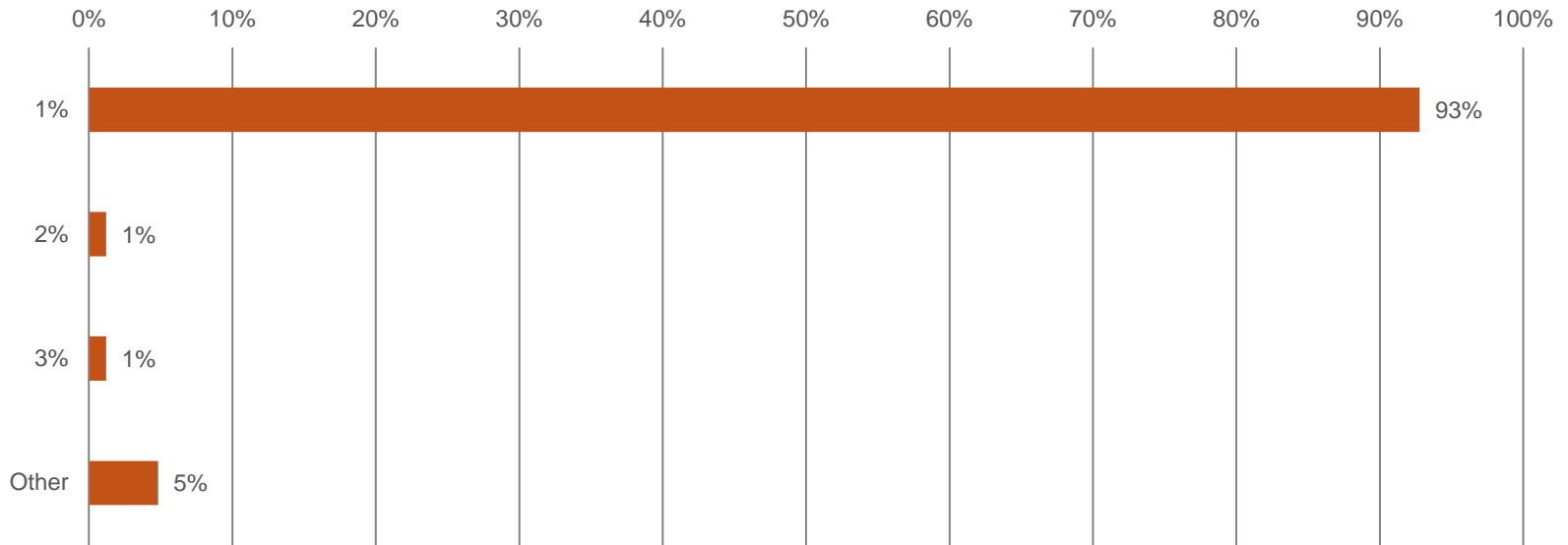


N=209

# Retirement Plan Automatic Escalation

QUESTION: *If “yes”, for automatic enrollment and/or automatic escalation, what percent are you considering escalating each year?*

Overwhelmingly, automatic escalation is targeted at +1% with low variance based on employee size or industry sector.

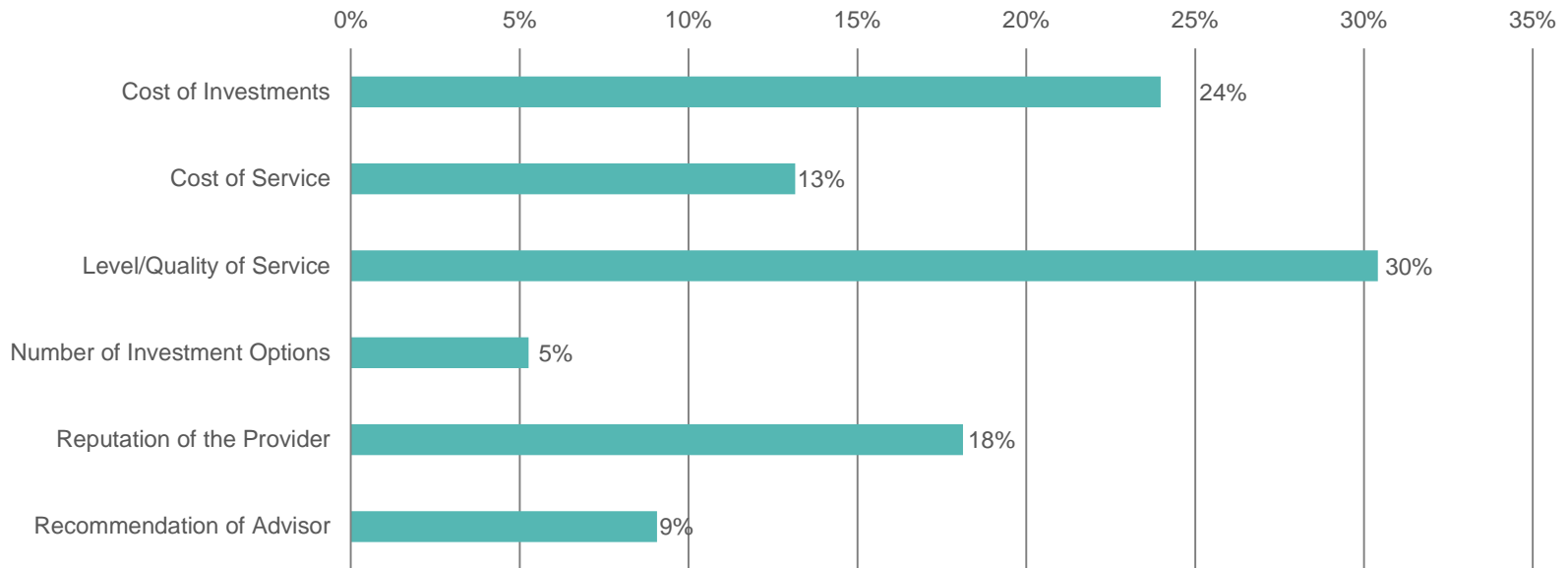


N=83

# Evaluating Retirement Plan Services

QUESTION: Which of the following factors is MOST important in evaluating retirement plan offerings? (Please rate by level of importance, with 1 being the most important and 6 being the least important)

In 2018, one-third of employers focused most on the level and quality of services offered. The cost of investments follow close behind in importance to employers.



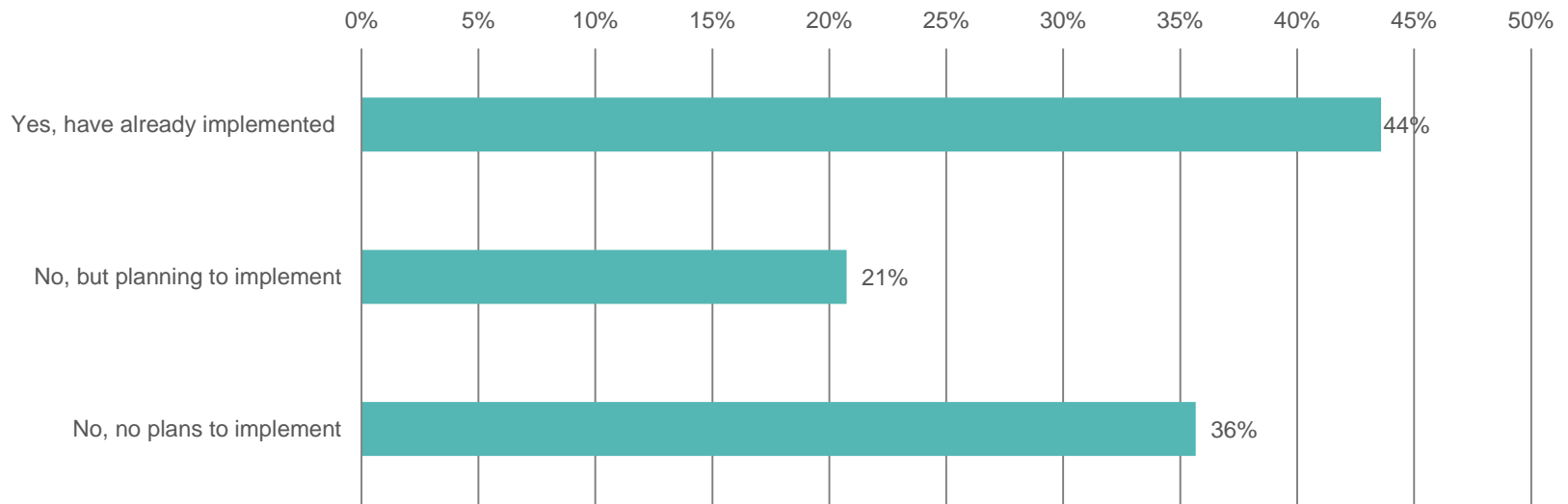
Note: can have multiple factors as "MOST" important.

N=342

# Financial Wellness Programs

QUESTION: *Has your company implemented "financial wellness" (financial literacy and education) programs to help employees prepare for current and future financial needs—whether separately or as part of the overall health and wellness program?*

Just under half of organizations (44%) have implemented a financial wellness program to help employees prepare for current and future financial needs with another 21% planning to implement financial wellness programs.



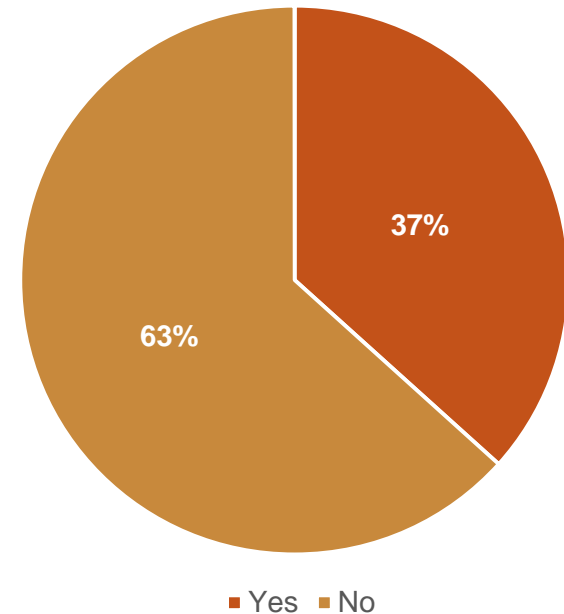
N=429

# Non-Qualified Deferred Compensation Plans

QUESTION: *Do you offer a Non-Qualified Deferred Compensation, Non-Qualified Benefit, or other Key Person benefit plan?*

Thirty-seven percent of organizations offer a non-qualified deferred compensation or benefit program to their employees. This is a slight increase over last year when 33% of companies offered non-qualified plans.

Note that use increases significantly and percentages essentially reverse as organization size grows, with prevalence at 72% when size exceeds 1,500 FTEs. This increase in percentage is consistent with our non-qualified survey which indicates that 92% of *Fortune* 1500 companies offer deferred compensation plans.



N=439

# Non-Qualified Deferred Compensation Plans by FTEs

QUESTION: *Do you offer a Non-Qualified Deferred Compensation, Non-Qualified Benefit, or other Key Person benefit plan?*

	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Yes</b>	37%	17%	19%	45%	59%	87%
<b>No</b>	63%	83%	81%	55%	41%	13%
<b>Base</b>	439	182	86	60	27	76

# Non-Qualified Deferred Compensation Plans by Industry

QUESTION: *Do you offer a Non-Qualified Deferred Compensation, Non-Qualified Benefit, or other Key Person benefit plan?*

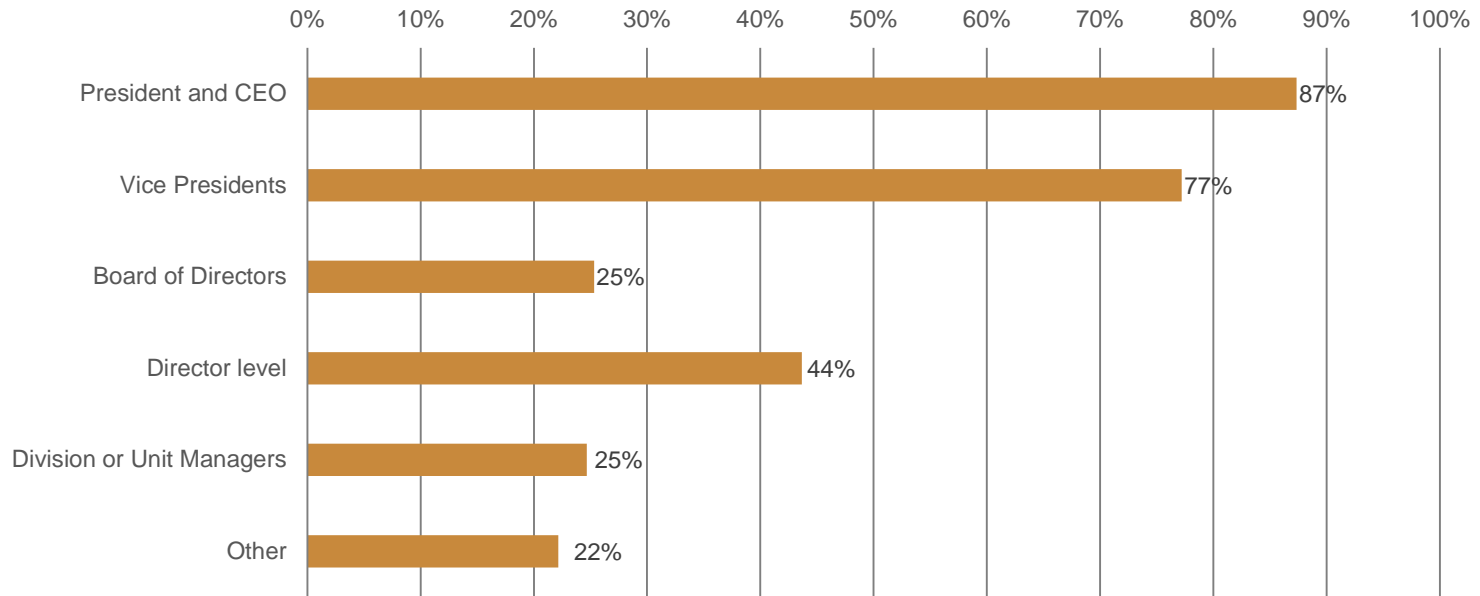
	Overall	Manufacturing, Distribution, Utilities, Technology, & Transportation	Not-for-Profit, Education, & Government	Construction & Real Estate	Other Services, Professional Services, Restaurant, & Retail	Finance, Banking, & Insurance	Healthcare
<b>Yes</b>	37%	37%	27%	24%	34%	54%	41%
<b>No</b>	63%	63%	73%	76%	66%	46%	59%
<b>Base</b>	439	115	66	33	117	57	46



# Non-Qualified Deferred Compensation Plans Eligibility

QUESTION: *What specific positions are eligible to participate in the plan?*

As anticipated, due to the importance of the leadership responsibilities, eligibility in a non-qualified plan is most often for those in the CEO and Vice-President roles.

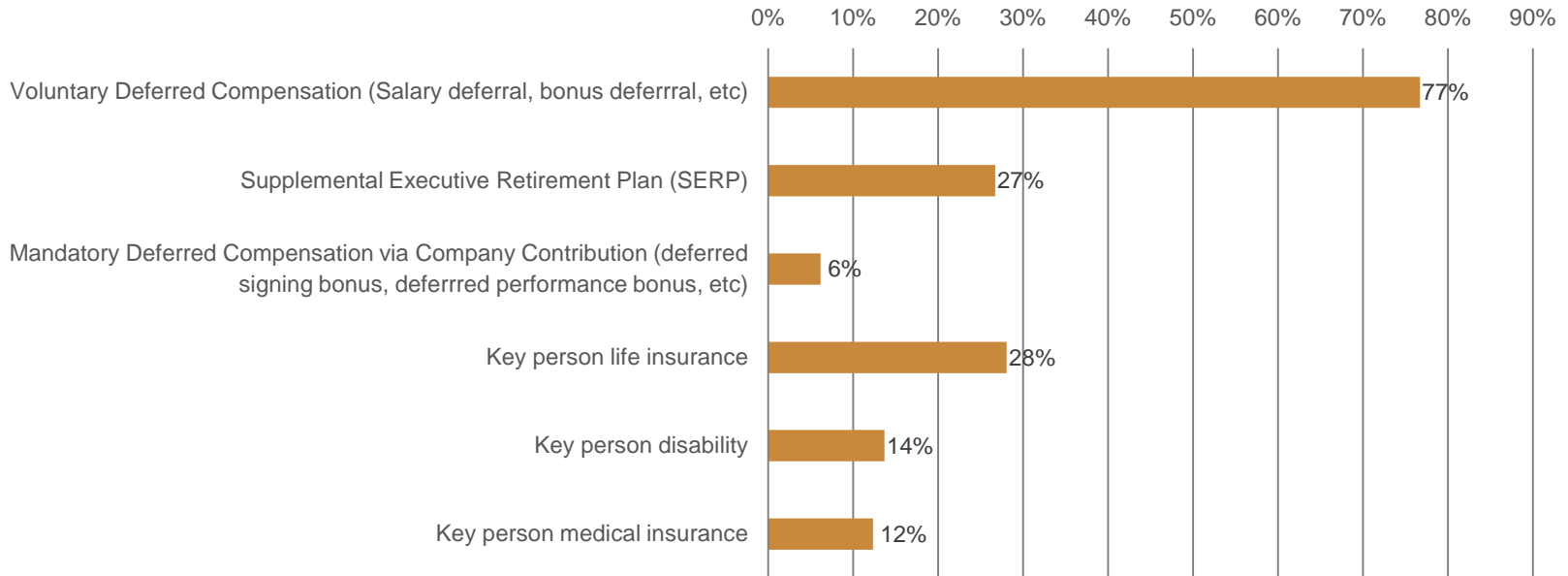


N=158

# Non-Qualified Deferred Compensation Plans

QUESTION: *Does your company offer the following non-qualified benefit programs? (Check all that apply)*

When a non-qualified benefit program is offered, a voluntary deferred compensation program was utilized most often by 77% of responding organizations.

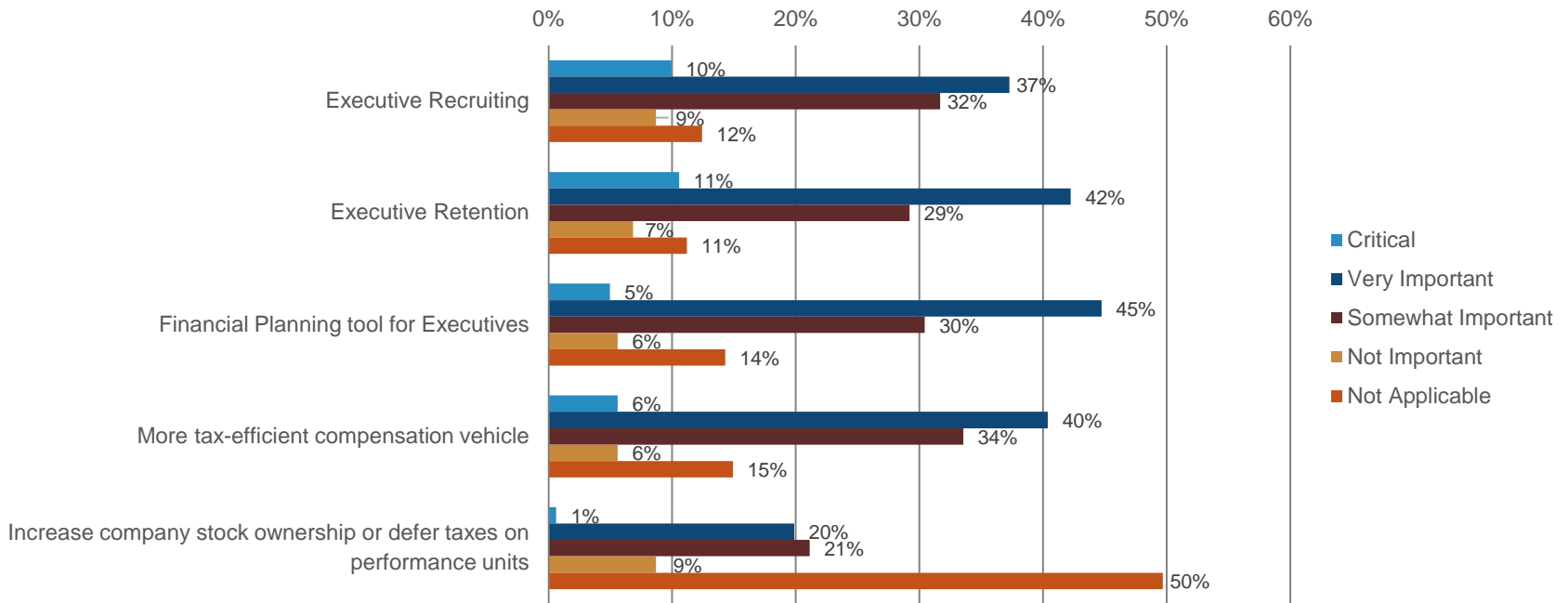


N=146

# Non-Qualified Deferred Compensation Plans Importance

QUESTION: *How important are each of the following for your non-qualified benefit programs? (Check one box for each row)*

Over half of organizations found the use of non-qualified programs to be “critical” or “very important” as a tool for executive retention and a good financial planning tool for executives. Executive recruiting and the tax efficiencies offered are supported by these plans as well, according to respondents.



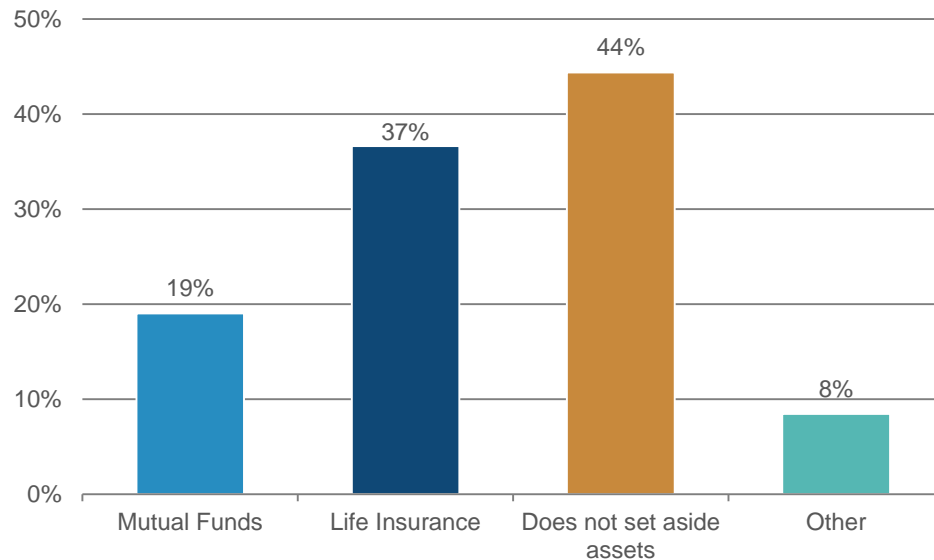
N=161

# Non-Qualified Deferred Compensation Plans

## Informal Funding

QUESTION: *Does your company set aside company assets to informally fund non-qualified plan liabilities? (Check all that apply)*

For the 56% of organizations that set aside company assets to informally fund non-qualified plan liabilities, the favored option is to use life insurance (37%) to accomplish that purpose. This was significantly higher for larger organizations with 751-1,500 employees (46%) and over 1,500 employees (54%).



N=142

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# HEALTH AND WELFARE BENEFITS

# Health Insurance Plan Options by FTEs

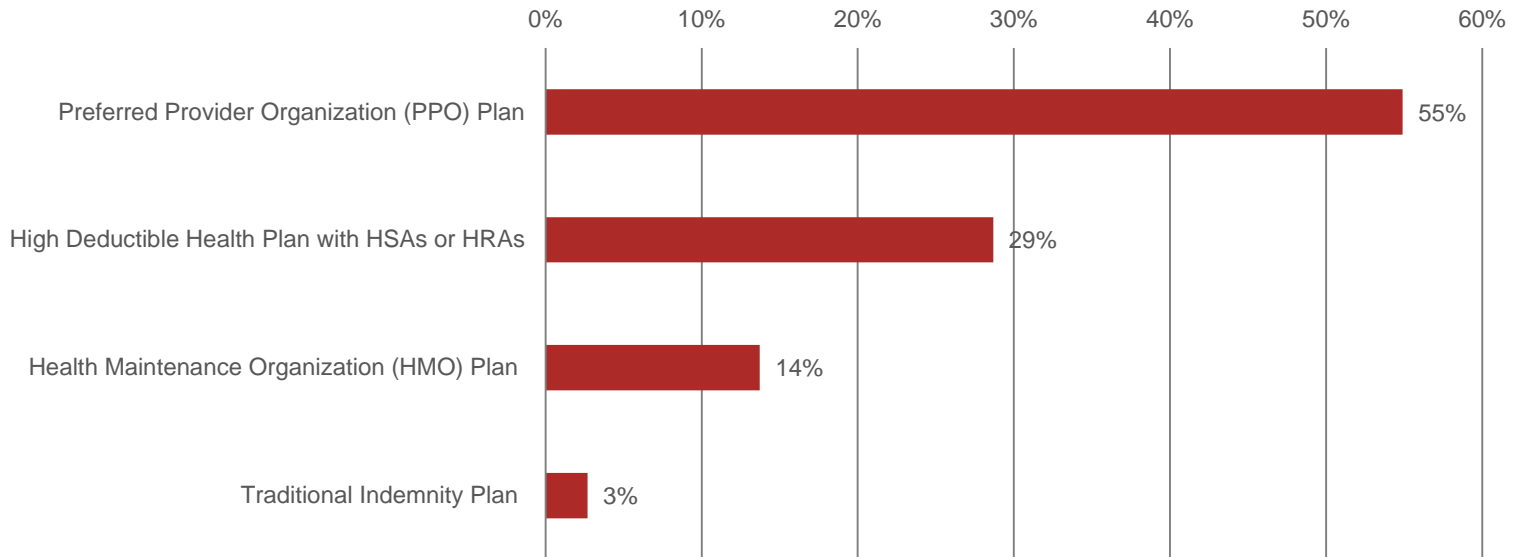
QUESTION: *Which of the following plans do you offer as health insurance options?*

	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Preferred Provider Organization (PPO) Plan</b>	79%	74%	72%	88%	96%	86%
<b>High Deductible Health Plan (HDHP) with HSAs or HRAs</b>	55%	41%	57%	61%	70%	77%
<b>Health Maintenance Organization (HMO) Plan</b>	28%	31%	27%	23%	30%	25%
<b>Traditional Indemnity Plan</b>	3%	3%	2%	2%	0%	3%
<b>Do Not Offer Health Insurance</b>	1%	2%	0%	0%	0%	0%
<b>Other</b>	2%	1%	4%	4%	4%	1%
<b>Base</b>	421	174	83	57	27	73

# Health Insurance Plan Preference

**QUESTION:** *For your most recent open enrollment, which of the following health insurance options was selected by the largest number of employees?*

Similar to recent years, PPOs continue to be the most popular option among employees. Overall, 55% selected PPOs during the most recent open enrollment period. High Deductible Health Plans continue to remain popular with almost one-third choosing this option.

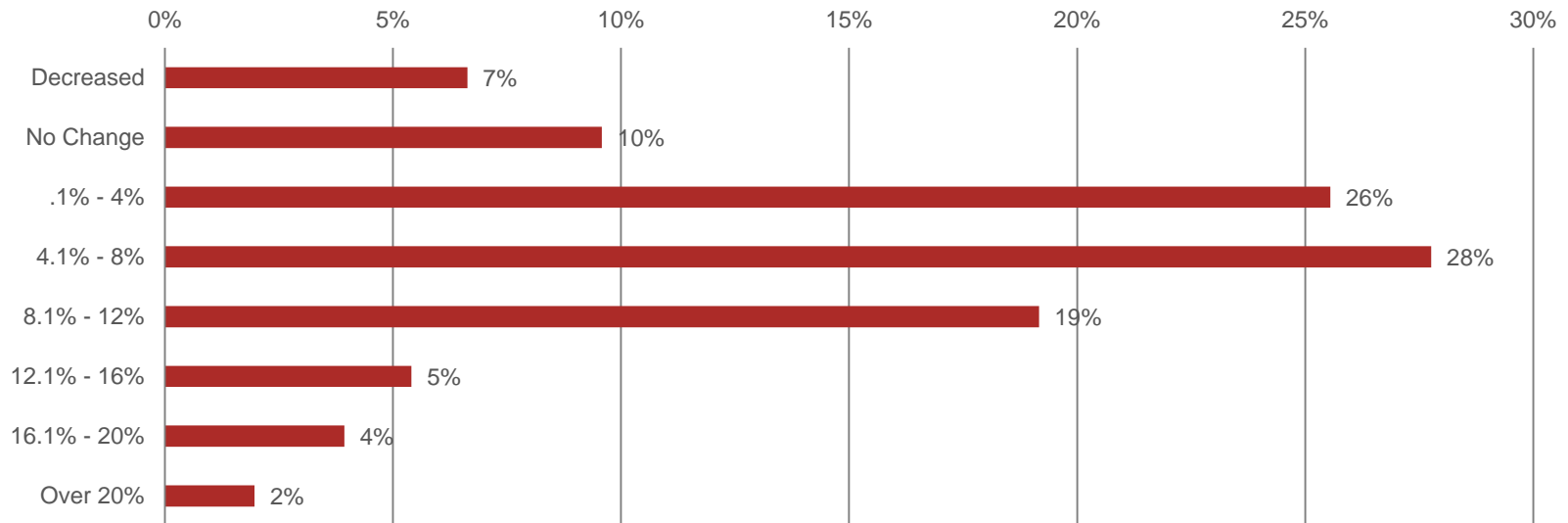


N=408

# Health Insurance Percentage Change for 2018

QUESTION: *What was the average percentage change in your health insurance plan costs for the 2018 plan year?*

While most employers (84%) saw an increase in health plan costs in 2018, the largest percentage of employers (28%) reported increases from 4.1% up to 8%.



N=407



# Health Insurance Total Premium Amount by FTEs

QUESTION: *For the health insurance option selected by the majority of your employees, what is your average total premium amount? What percentage do your employees contribute to the premium amount?*

	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Average Monthly Premium</b>						
Family	\$1,382	\$1,548	\$1,385	\$1,320	\$1,359	\$1,051
Employee + One (Spouse or Child)	\$985	\$1,087	\$1,043	\$952	\$841	\$739
Employee + Children	\$921	\$1,033	\$975	\$901	\$764	\$649
Employee Only	\$522	\$606	\$462	\$552	\$436	\$385
<b>Employee Share of Premium</b>						
Family	32%	35%	38%	28%	20%	23%
Employee + One (Spouse or Child)	30%	33%	34%	28%	21%	24%
Employee + Children	29%	31%	33%	27%	21%	23%
Employee Only	19%	17%	19%	23%	21%	21%
Base	336	145	69	50	24	47

# Plans to Address Health Care Costs by FTEs

QUESTION: *What actions do you plan to take for the 2019 plan year to address healthcare costs?*

	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Raise Employee Portion of Premium Payment</b>	30%	24%	33%	35%	42%	32%
<b>Raise Employee Deductibles</b>	16%	14%	23%	18%	12%	15%
<b>Implement Wellness Program</b>	14%	11%	14%	18%	15%	19%
<b>Offer Consumer Driven Health Care Option</b>	6%	6%	6%	4%	12%	6%
<b>Conduct Dependent Audit</b>	5%	3%	6%	5%	8%	9%
<b>Discontinue Coverage to Dependents</b>	1%	0%	0%	0%	0%	3%
<b>Offer Opt-Out Incentive</b>	4%	4%	3%	4%	4%	6%
<b>Pursue Coverage through a Private Exchange</b>	1%	2%	0%	2%	4%	0%
<b>Discontinue Coverage to Part-Time Employees</b>	0%	0%	1%	0%	0%	0%
<b>Discontinue Retiree Medical</b>	0%	0%	0%	0%	4%	0%
<b>Discontinue Coverage in State or Federal Exchange</b>	0%	0%	0%	0%	0%	0%
<b>Institute On-Site Health Center</b>	0%	1%	0%	0%	0%	0%
<b>No Actions Planned</b>	55%	59%	50%	53%	54%	50%
<b>Base</b>	395	160	80	55	26	68

# Benefits by FTEs

QUESTION: Which of the following benefits do you currently offer?

	Overall	100 or Fewer	101-250	251-750	751-1,500	1,500 or More
<b>Dental</b>	97%	96%	95%	98%	100%	97%
<b>Life</b>	94%	94%	93%	95%	89%	96%
<b>Long-term Disability</b>	83%	79%	83%	90%	81%	85%
<b>Short-term Disability</b>	78%	76%	73%	85%	78%	78%
<b>Vision</b>	86%	85%	86%	81%	81%	92%
<b>Wellness Programs</b>	52%	51%	49%	58%	48%	54%
<b>Long-term Care Insurance</b>	18%	17%	15%	24%	22%	19%
<b>Retiree Medical</b>	10%	12%	4%	8%	11%	11%
<b>On-site Health Center</b>	6%	7%	4%	8%	7%	5%
<b>Base</b>	406	161	81	59	27	74

# Thank you for joining us!

## For More Information

For a copy of our CRB Trends Report Executive Summary, please visit: [www.newportgroup.com](http://www.newportgroup.com)

For a copy of our full report, or questions about our services, please contact your Newport Group relationship manager.

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