



# THE FUTURE OF TOTAL REWARDS: 2020 VISION

MAY 15, 2019 | GULF COAST SYMPOSIUM

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Longnecker & Associates



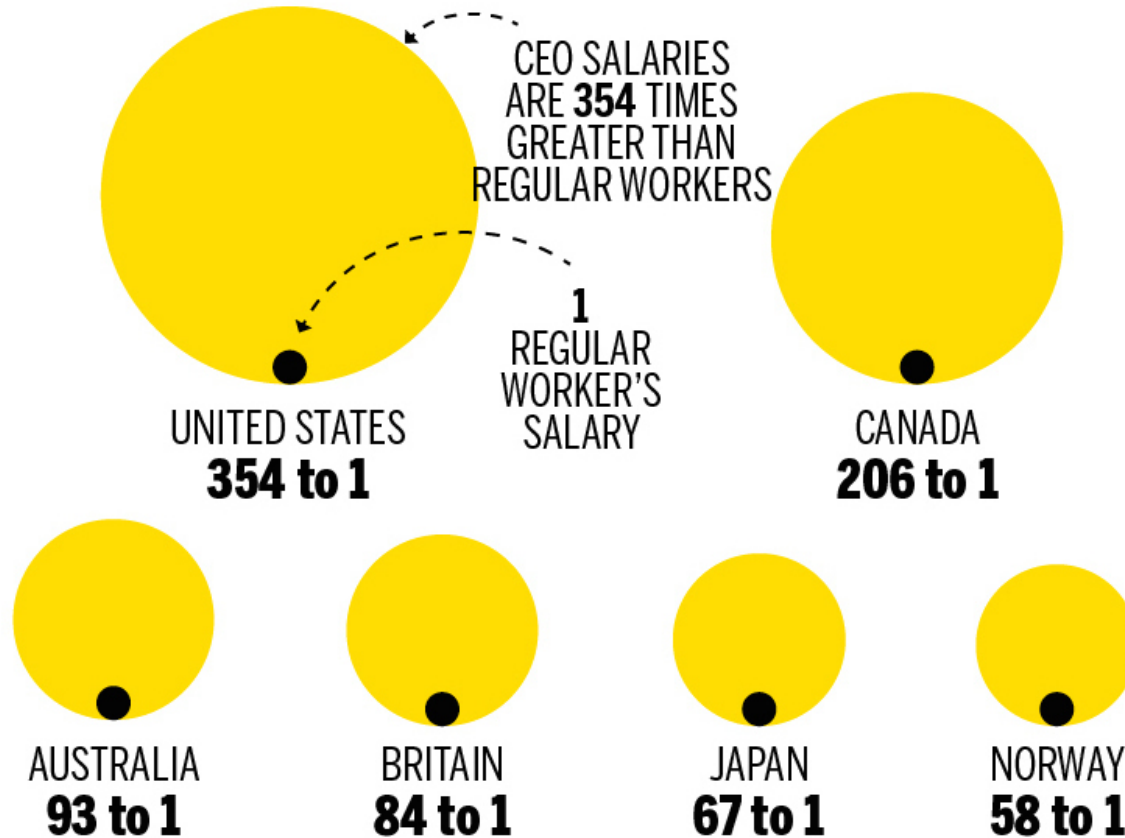
**LONGNECKER**  
& ASSOCIATES  
ALL IN.

# 2020 MARKET DYNAMICS



# POLITICAL DEBATE TOPICS: Income Inequality

*How many average workers' salaries would it take to pay an average CEO salary? Canada has one of the highest ratios in the world.*

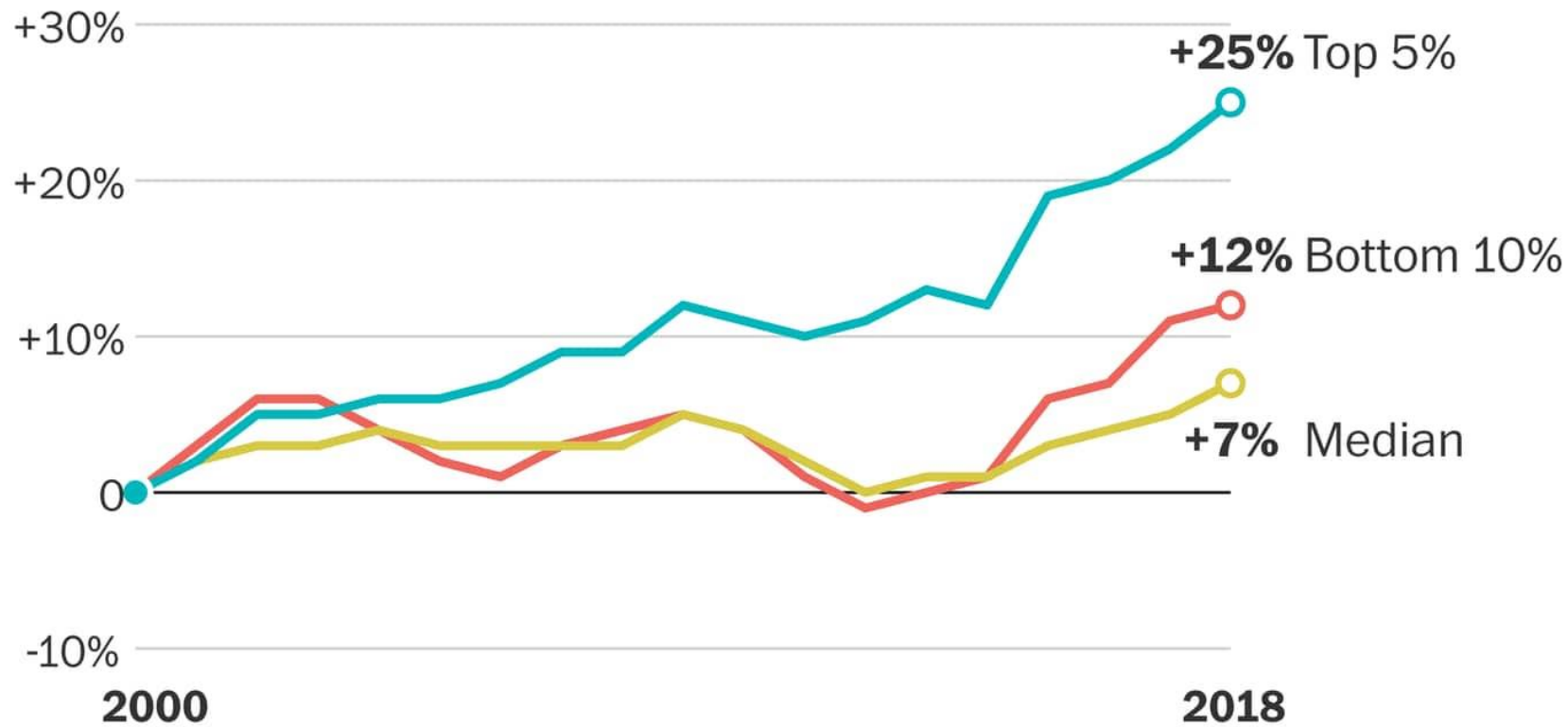


**MACLEAN'S**

SOURCES: AFL-CIO; U.S. BUREAU OF LABOR STATISTICS; OECD; NATIONAL STOCK MARKETS

## Top earners continue to pull away from everyone else

Cumulative percent change in real hourly wages since 2000

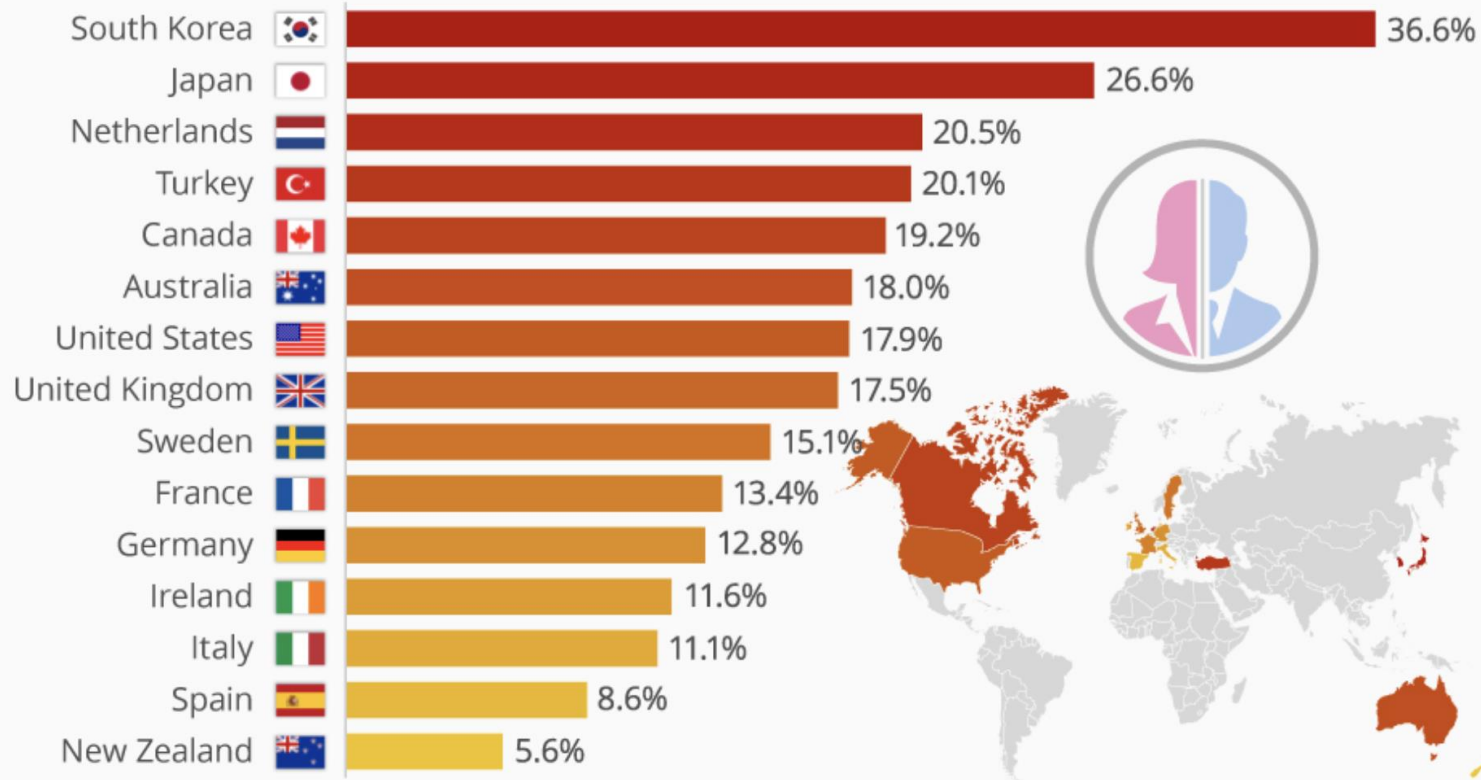


Source: Economic Policy Institute

THE WASHINGTON POST

## The Gender Pay Gap In Developed Nations Visualized

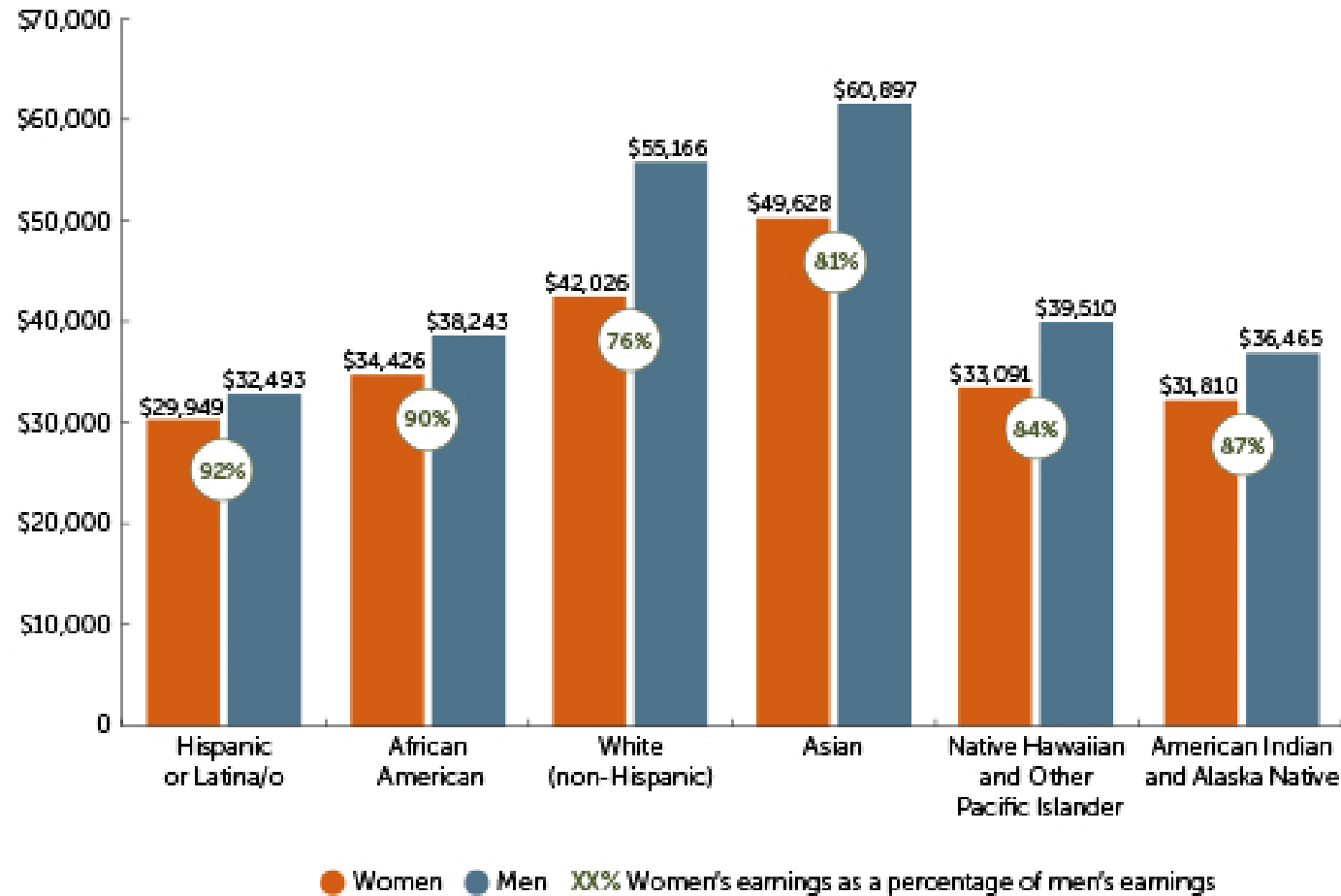
% difference in full-time earnings between men/women in selected OECD nations\*



- **2020 TAKEAWAY:** The faster you get ahead of the gender pay equality curve and publish your good works, the better

# POLITICAL DEBATE TOPICS: Minority Pay Gap

Median Annual Earnings, by Race/Ethnicity and Gender, 2015



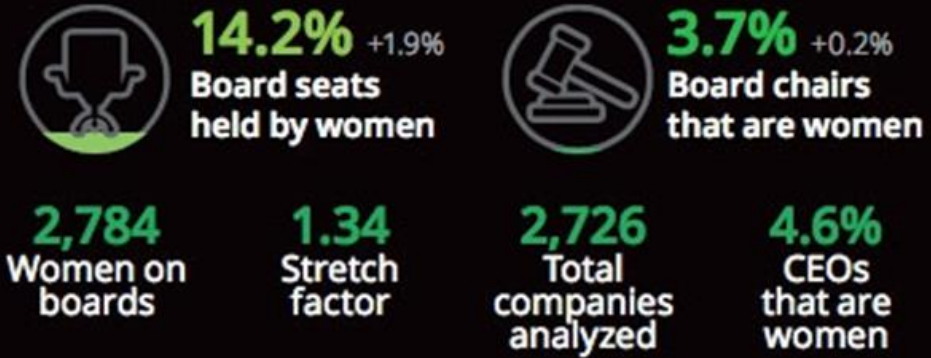
Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates

# LEGISLATION: Boardroom Diversity

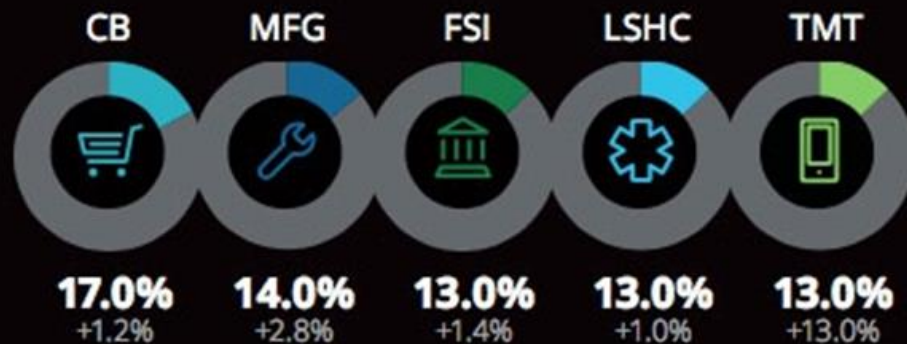
## Women in the Boardroom

# UNITED STATES

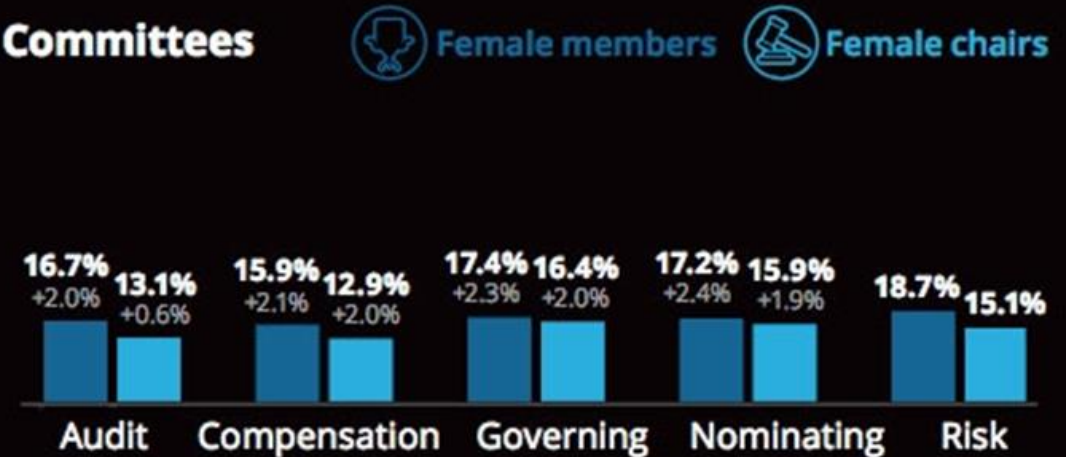
### Overall numbers



### Top industries with highest percentage of women on boards



### Committees



# LEGISLATION: Women in the Boardroom

## California Quota Mandate



**2020 TAKEAWAY:** The CA women boardroom mandate by 2020 will be closely watched by other states and organizations to determine how to implement



### Who Cares?

- **IRS** – Protects against tax abuse
- **State Regulators** – Consumer Protection
- **Donors** – Concerned that appropriate portion of contribution is used in accordance with donative intent
- **Members** – Concerned that dues are used in accordance with member intent
- **Media** – Excessive compensation makes great news in current economic environment
- **Competitor Organizations** – The pool of available member donor funds is smaller than ever, creating competition for those funds
- **Competing Interests** – More than ever, nonprofit entities are seen as tools of political and social reform, and potential adversaries are looking at executive compensation as a means to tarnish public image.
- Your **Employees, Executives** and **Target Executives!**

# LEGISLATION: Not-for-Profit Regulations

## Reasonable Process & Reasonable Pay

### 1. Board or Committee Chair

- Annual cycle established
- Manageable number of committee members
- Designated process and responsibilities between board and management for:
  - Annual performance goal setting and assessment
  - Compensation planning and decisions systematically organized
  - Organization compensation philosophy
  - Organization compensation budget
  - Responsibilities of Committee versus Board designated

### 2. Process in place for addressing intermediate sanctions, the rebuttable presumption of reasonableness

MPs urge companies to cap 'eye-watering' executive pay

Soaring boardroom salaries and lavish pensions a symbol of 'corporate greed'

What's The Harm In Excessive CEO Pay? Answer: Long-Term Damage To Shareholders And Pension Funds

When Corporations Pay CEOs Way More Than Employees, Make Them Pay!

Portland's groundbreaking strategy for curbing executive compensation should be a model for the rest of the country.

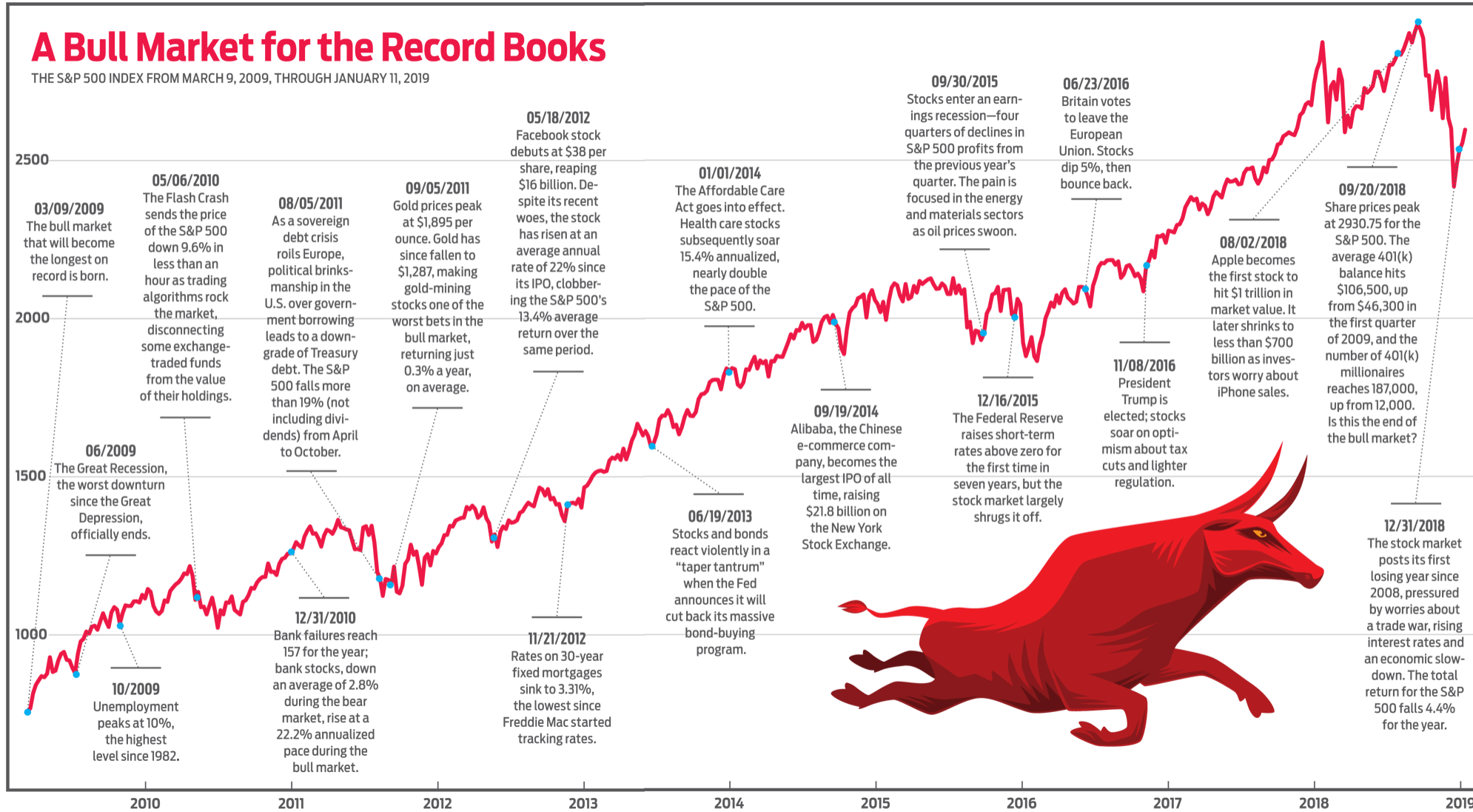
By Sarah Anderson and Sam Pizzigati

Executive Compensation Is Out Of Control. What Now?

FINANCE • CEO PAY  
CEO Pay Is Out of Control. Here's How to Rein It In

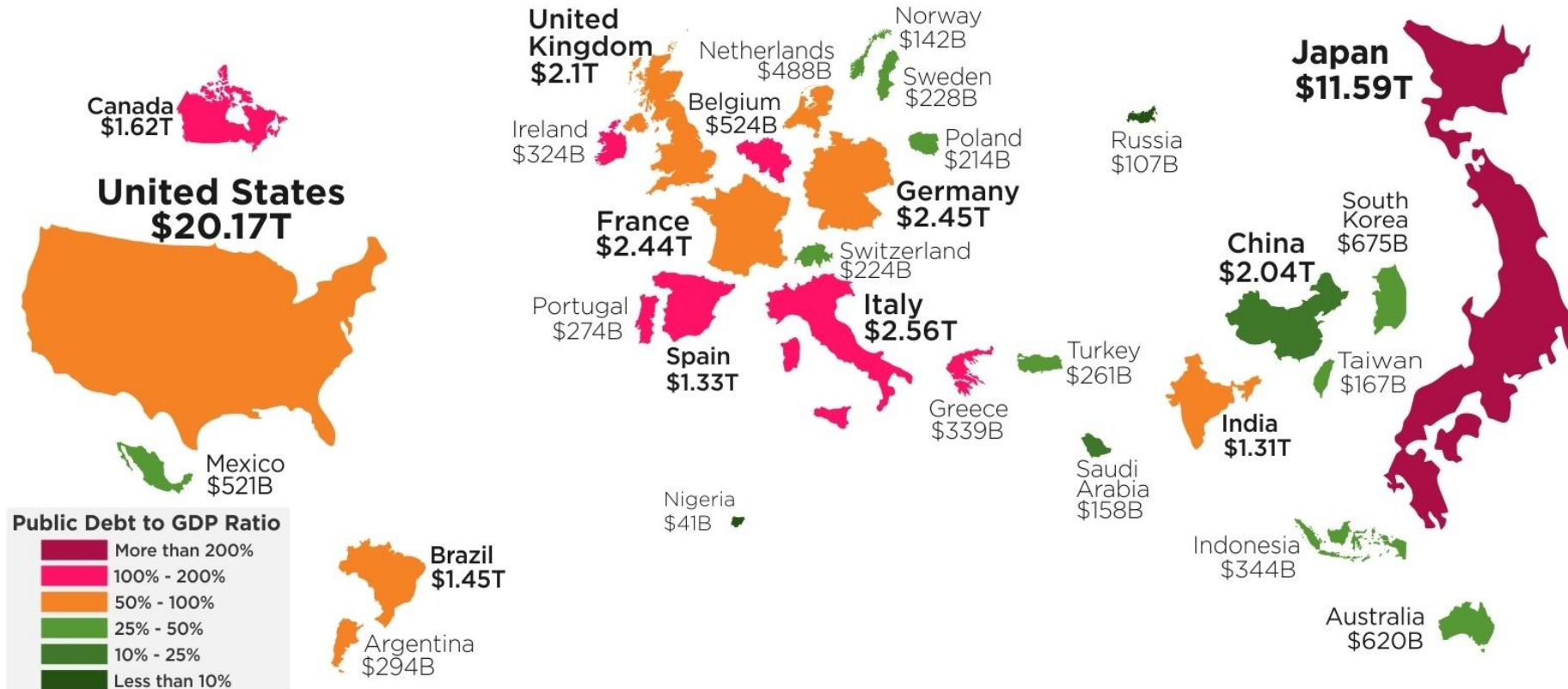
**2020 TAKEAWAY:** Many prior legislators have implemented “CEO Taxes” like 280G, 162m, Tax Cuts & Jobs Act, etc. It’s highly likely more punitive tax bills will be approved.

# MARKET VOLATILITY: 10-Year Bull Run



## The Financial Impact of Sovereign Debt Around the World - 2017

This Map Shows Countries' Debt and Their Ability to Pay It Back

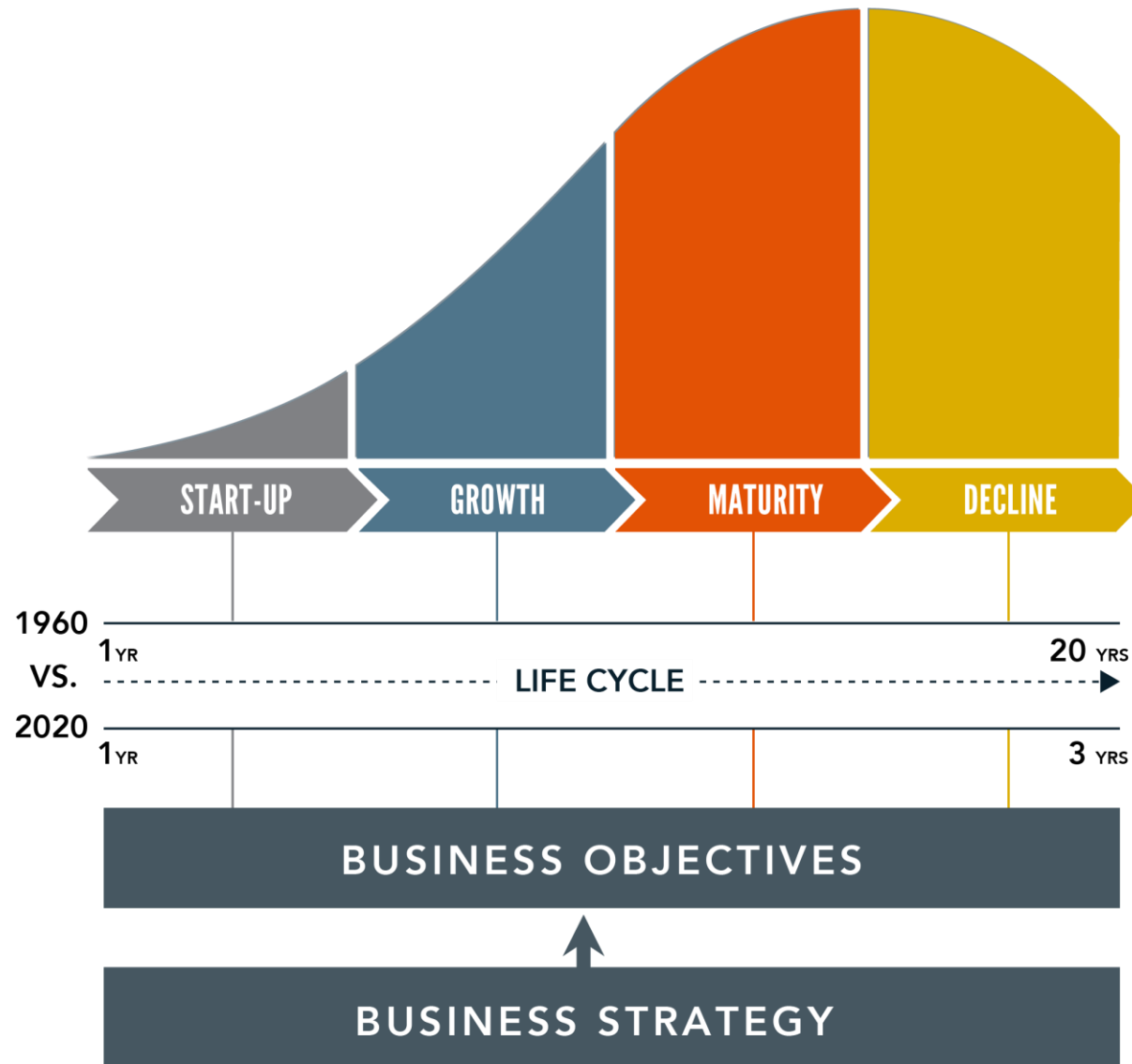


**How to read this map:** Countries appear bigger as their national debt is higher, e.g. USA. Conversely, countries with lower national debt appear smaller, e.g. Nigeria. The colour represent countries' debt to GDP ratio.

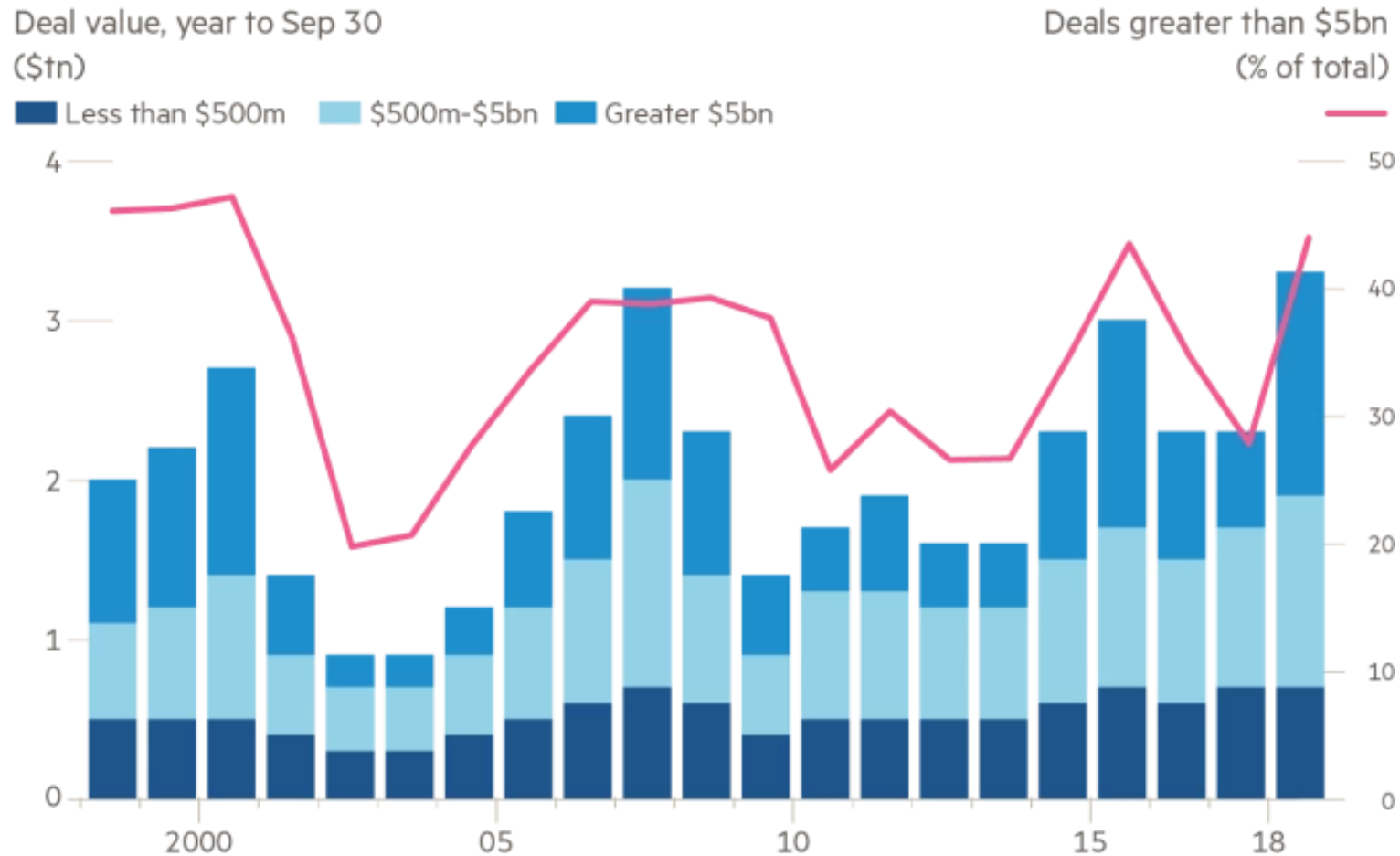
**Article & Sources:**

<https://howmuch.net/articles/worlds-debt-2017>  
<http://www.usdebtclock.org/>  
 U.S. Treasury Department

# MARKET VOLATILITY: Life Cycles Are Short & Business Is Volatile



## GLOBAL M&A ACTIVITY REACHES NEW HIGH

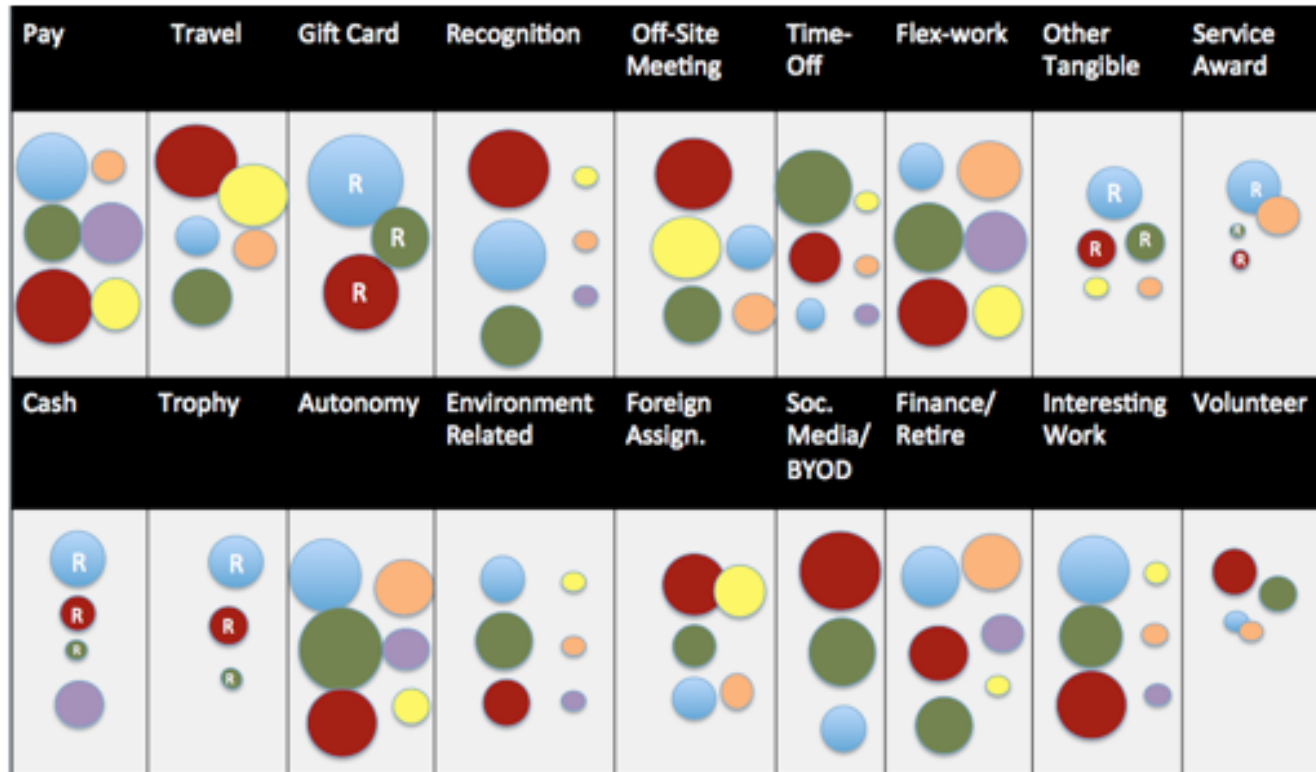


Source: Thomson Reuters  
© FT

# MILLENNIALS: More Time More Recognition

## Pto, Flex-time, Autonomy will be the New Currency of Choice

The bigger the circle, the more it matters



**Generation:** Boomer (Blue), X (Green), Millennial (Red)  
**Life Stage:** Single, no children (Yellow), Married with Children (Purple), Approaching Retirement/ Empty Nest (Orange)

- 2020 TAKEAWAY:** PTO, Flex-time and autonomy should be a significant consideration for the Total Rewards offering and a significant way to differentiate



# MILLENNIALS: Employees Sharing Compensation Information

## Google Doc with Employee Salaries went Viral in 2019

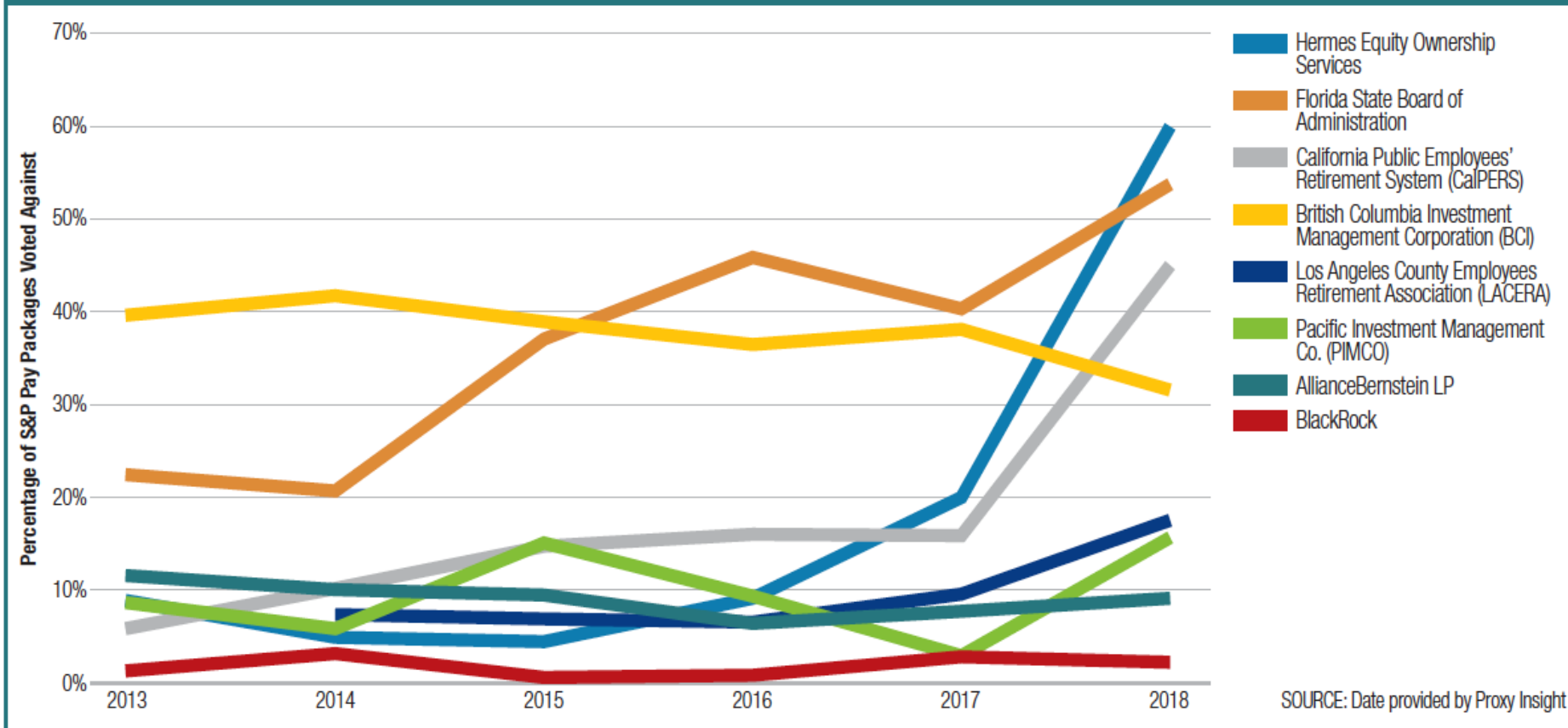


Dept.	Salary (Annual)
Dev	142,800
Eng	\$162,433
Op	<b>\$89,395</b>
Op	\$92,700
Dev	172,857
Dev	\$103,750
Eng	\$120,553
Dev	<b>\$190,775</b>
Eng	\$140,600
Sale	\$113,542

# SHAREHOLDER ACTIVISM

## Shareholder Outreach and the Impact on Pay

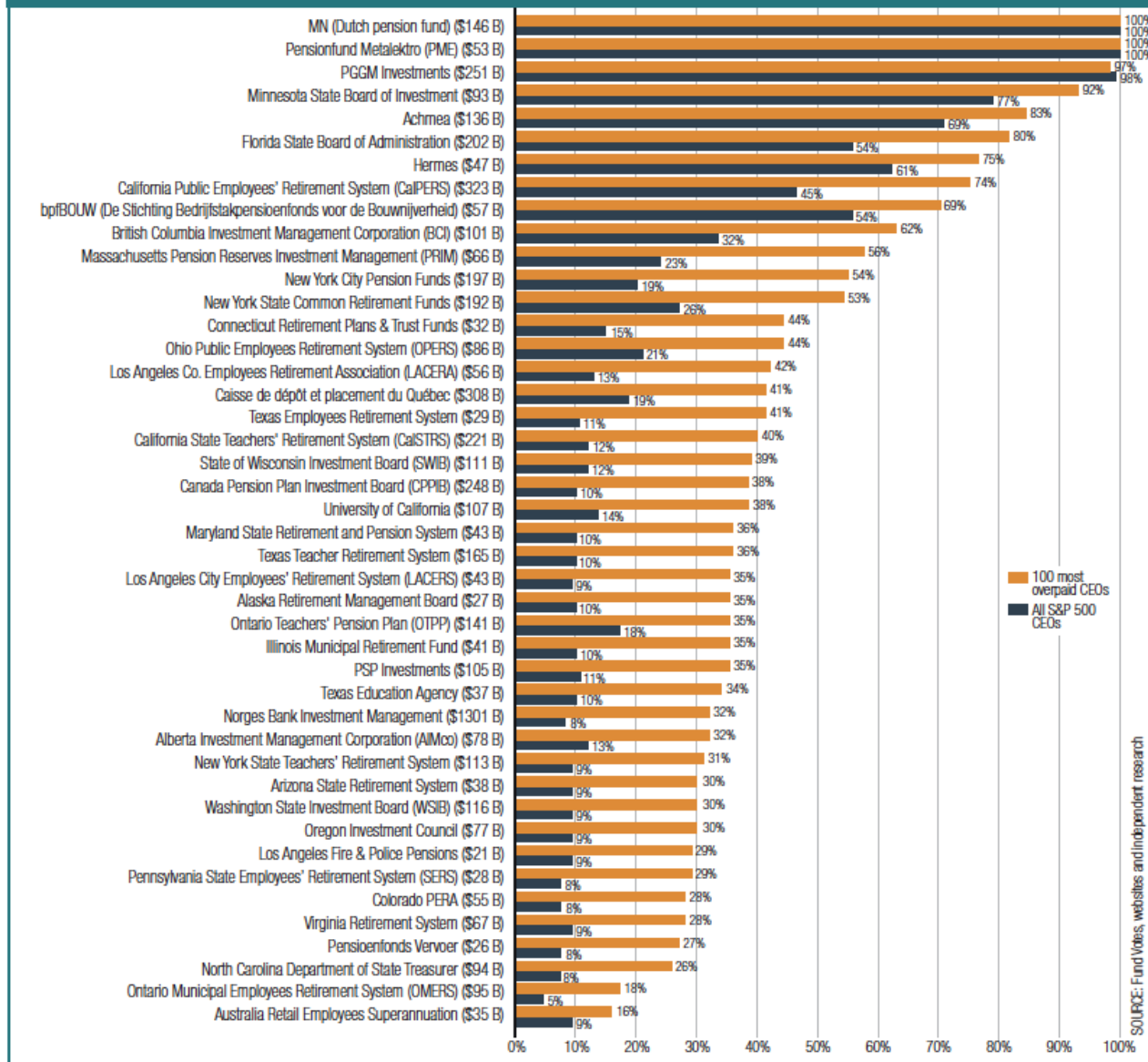
### FIGURE 3 - VOTING CHANGES ON CEO PAY OVER TIME OF SEVERAL LARGE FUNDS



# SHAREHOLDER ACTIVISM Shareholder Outreach and the Impact on Pay



**FIGURE 8 – PENSION FUNDS MOST LIKELY TO OPPOSE CEO PAY AT ALL S&P 500 COMPANIES AND THE 100 MOST OVERPAID COMPANIES**



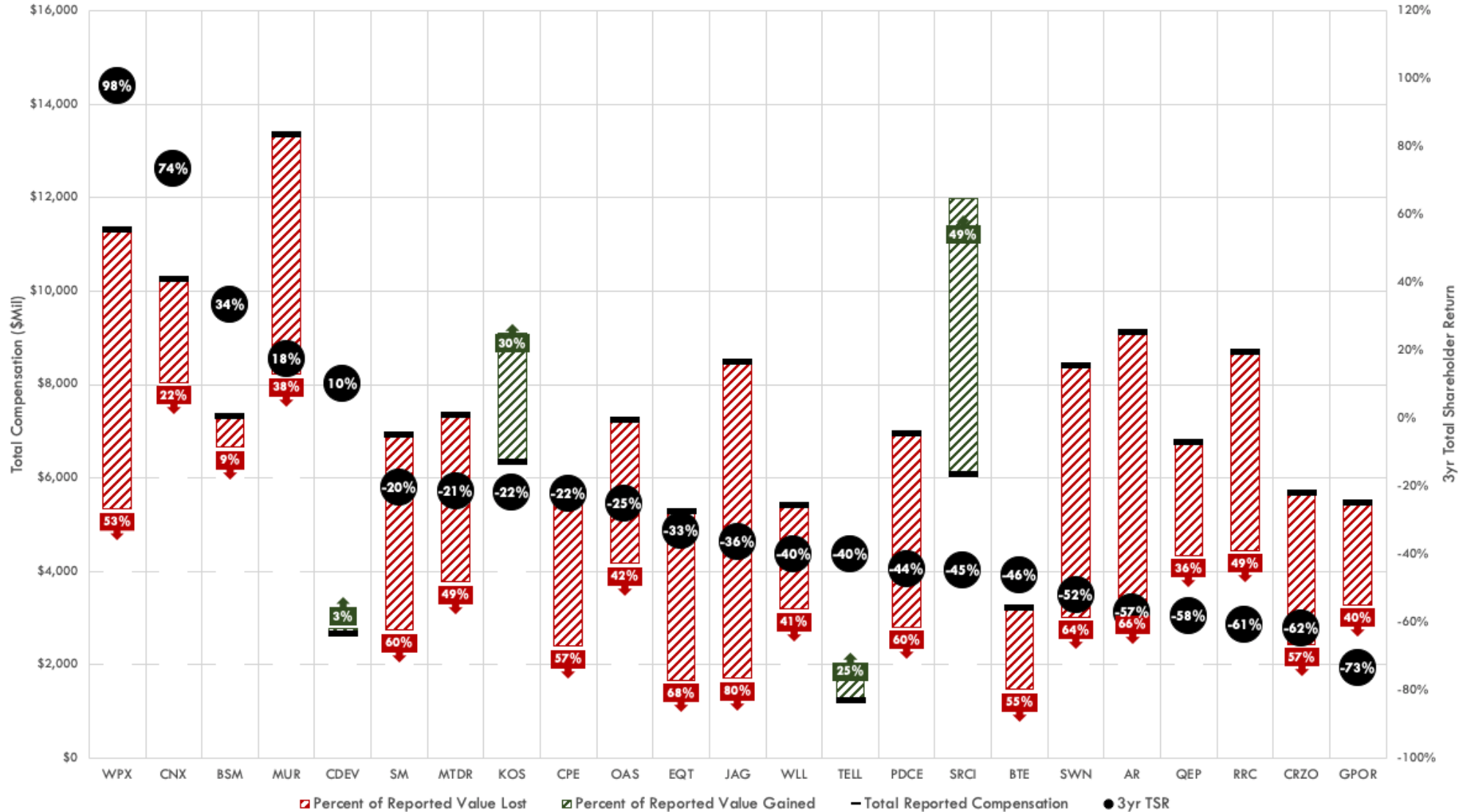
SOURCE: Fund Votes, websites and independent research

# MEDIA RELATIONS: Negative Press vs. Positive Press



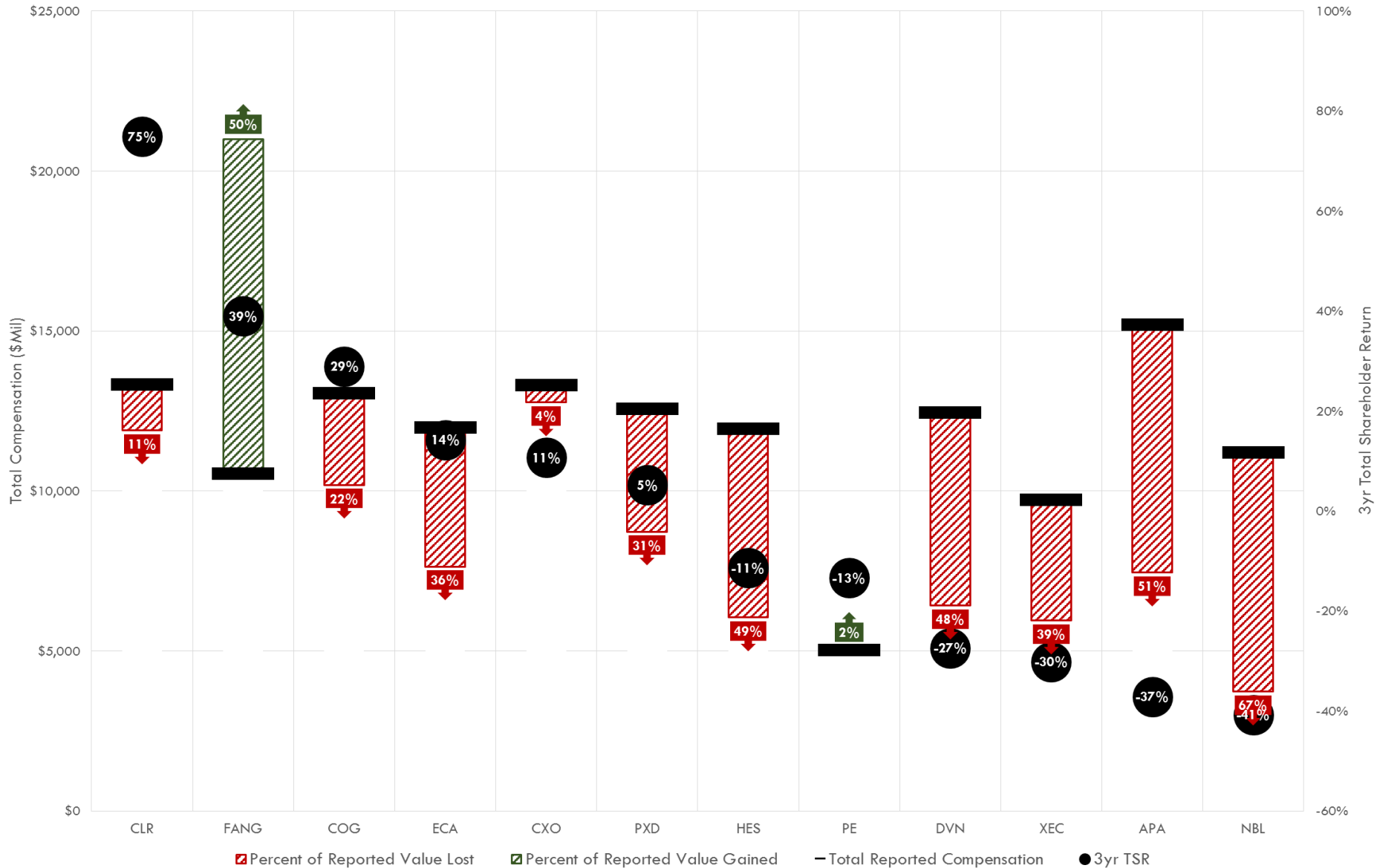
# MEDIA RELATIONS: A Proxy Statement is Not a Bank Statement

TOTAL CEO COMPENSATION (FY2018) | \$1B - \$5B Market Cap  
Realized vs. Reported Value (as of 12/31/2018)



# MEDIA RELATIONS: A Proxy Statement is Not a Bank Statement

TOTAL CEO COMPENSATION (FY2018) | \$5B - \$25B Market Cap  
Realized vs. Reported Value (as of 12/31/2018)



# QUESTIONS?

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