THE FUTURE OF TOTAL REWARDS: 2020 VISION

MAY 15, 2019 GULF COAST SYMPOSIUM

Brent Longnecker Longnecker & Associates



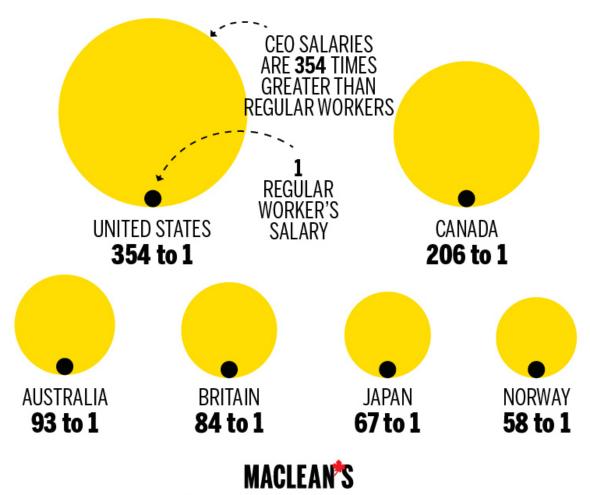
2020 MARKET DYNAMICS





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.



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



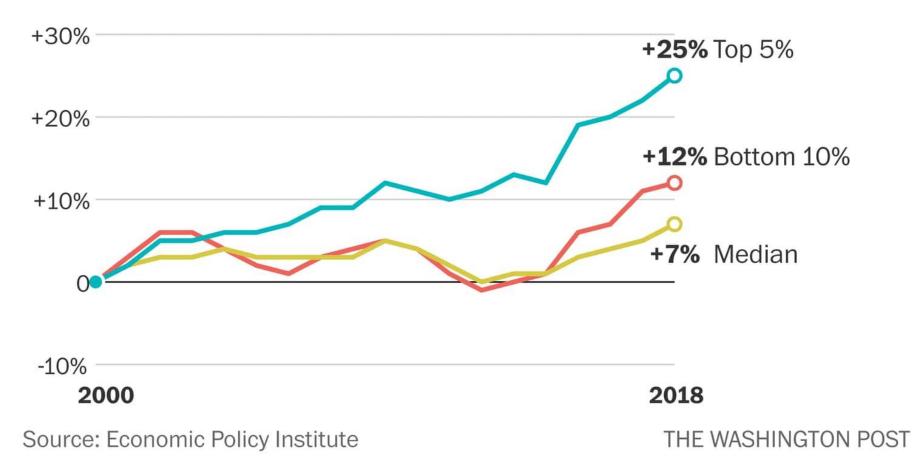






Top earners continue to pull away from everyone else

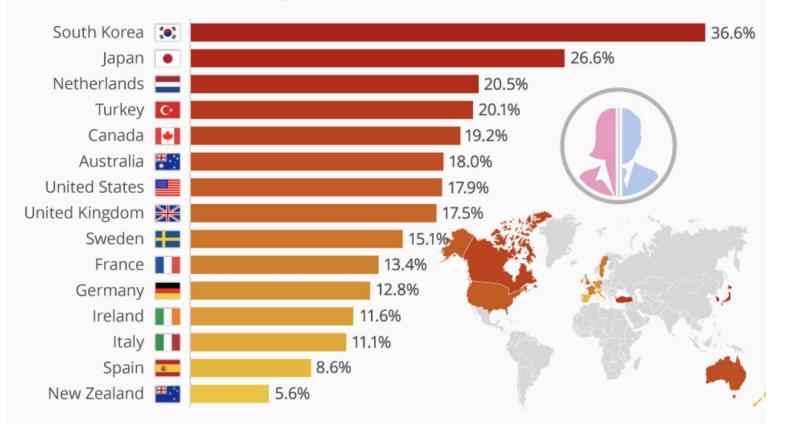
Cumulative percent change in real hourly wages since 2000





The Gender Pay Gap In Developed Nations Visualized

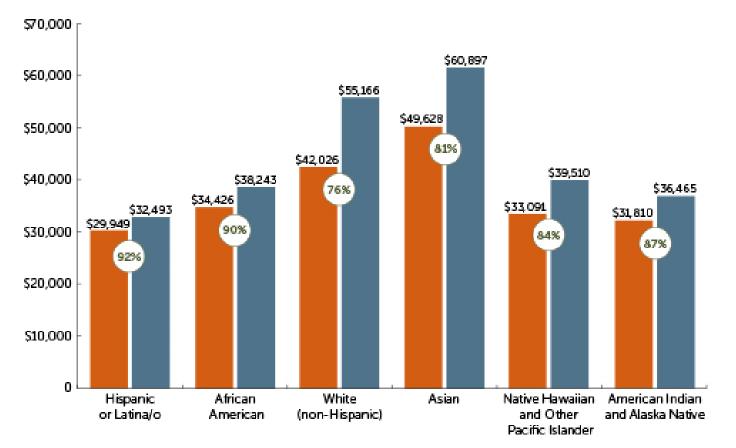
% difference in full-time earnings between men/women in selected OECD nations*



 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

Women Men XX% Women's earnings as a percentage of men's earnings.

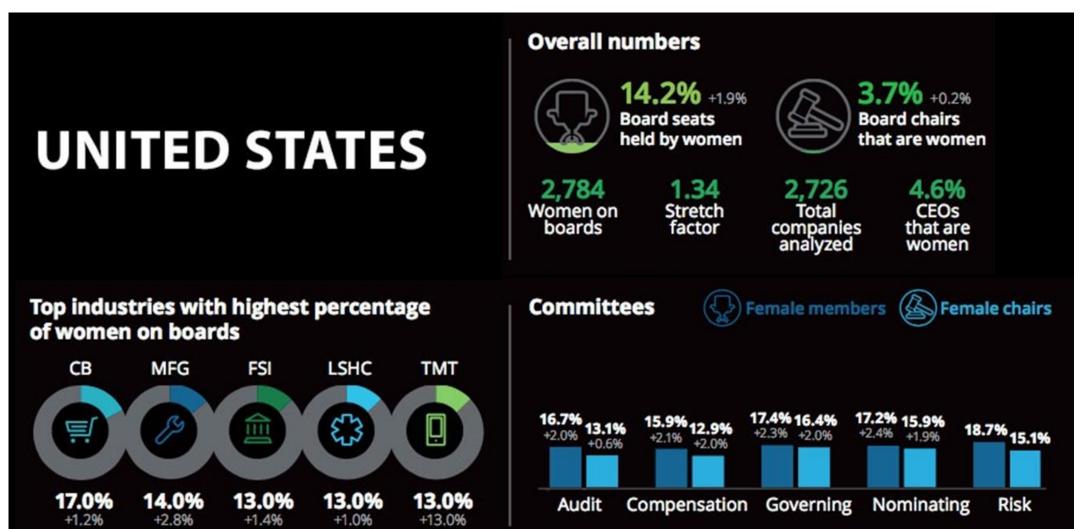
Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates



LEGISLATION: Boardroom Diversity

Women in the Boardroom





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

LEGISLATION: Not-for-Profit Regulations



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



LEGISLATION: CEO Pay



The New Sin Tax



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



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

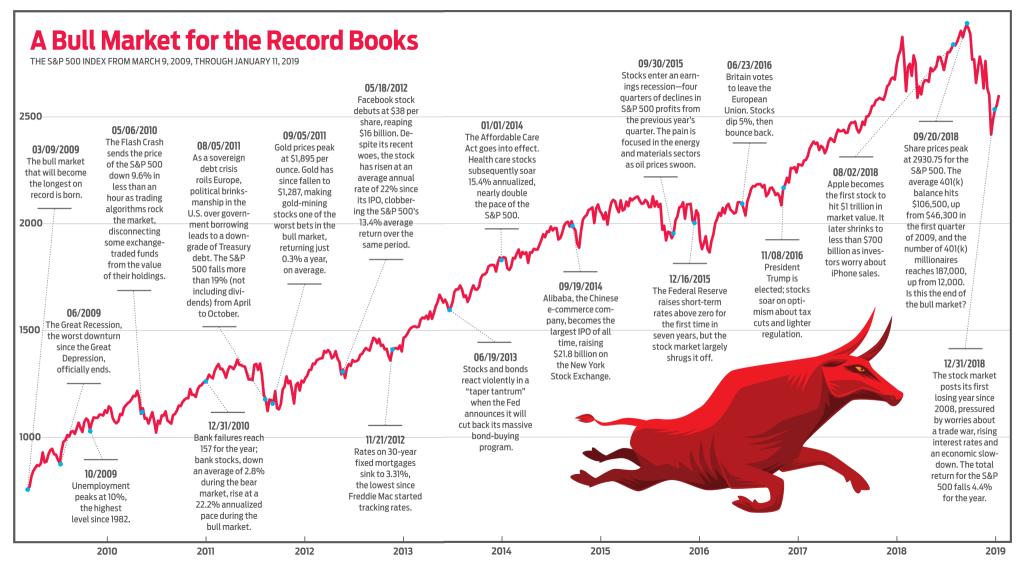
Executive Compensation Is Out Of Control. What Now?

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

FINANCE • CEO PAY

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.

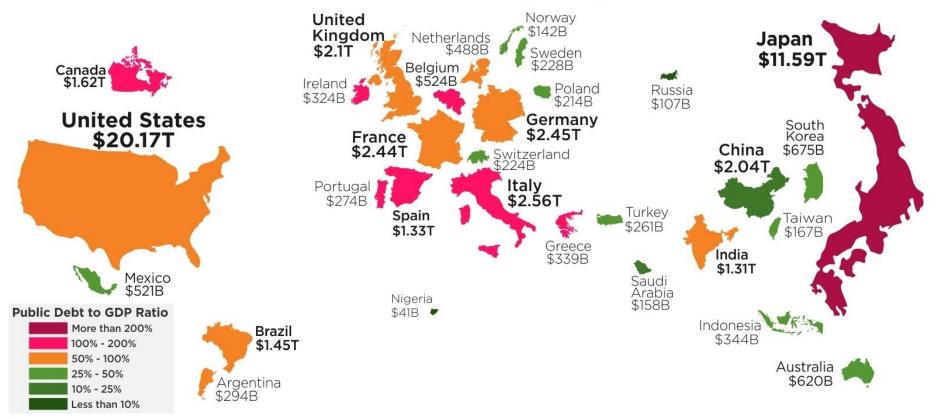






The Financial Impact of Sovereign Debt Around the World - 2017

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.

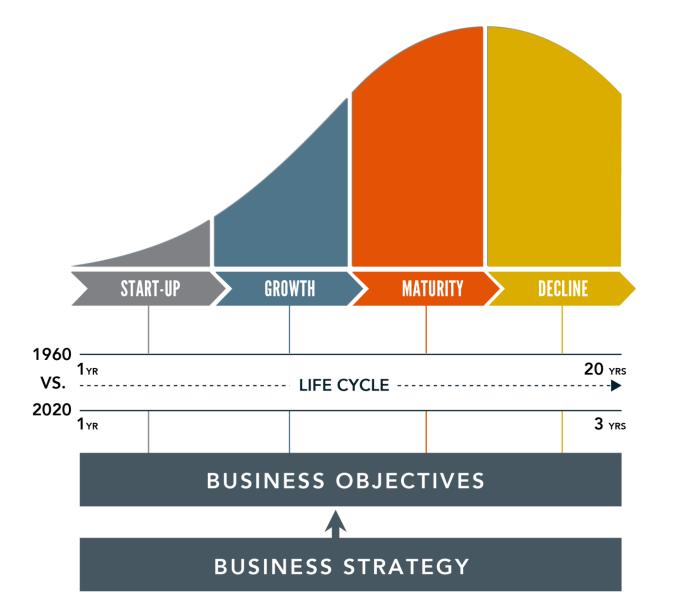
Article & Sources:

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



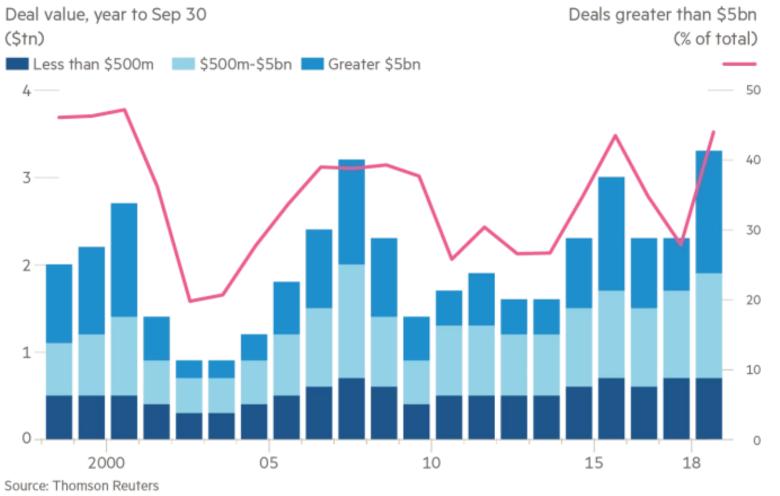
MARKET VOLATILITY: Life Cycles Are Short & Business Is Volatile







GLOBAL M&A ACTIVITY REACHES NEW HIGH

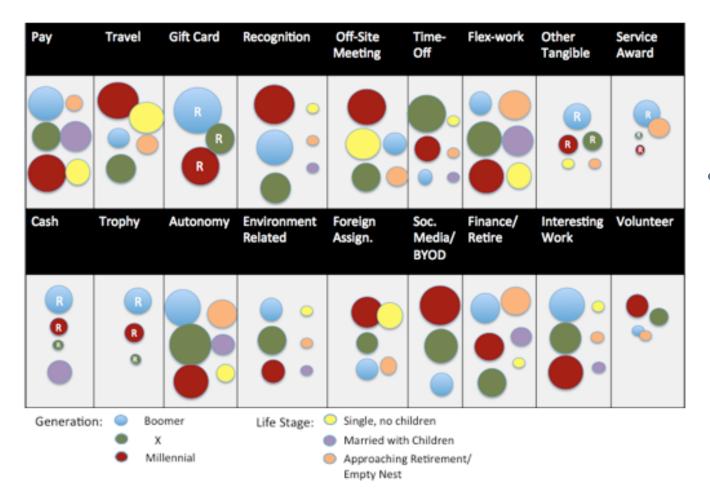


[©] FT

MILLENIALS: More Time More Recognition



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



The bigger the circle, the more it matters

 2020 TAKEAWAY: PTO, Flex-time and autonomy should be a significant consideration for the Total Rewards offering and a significant way to differentiate MILLENIALS: Employees Sharing Compensation Information Google Doc with Employee Salaries went Viral in 2019



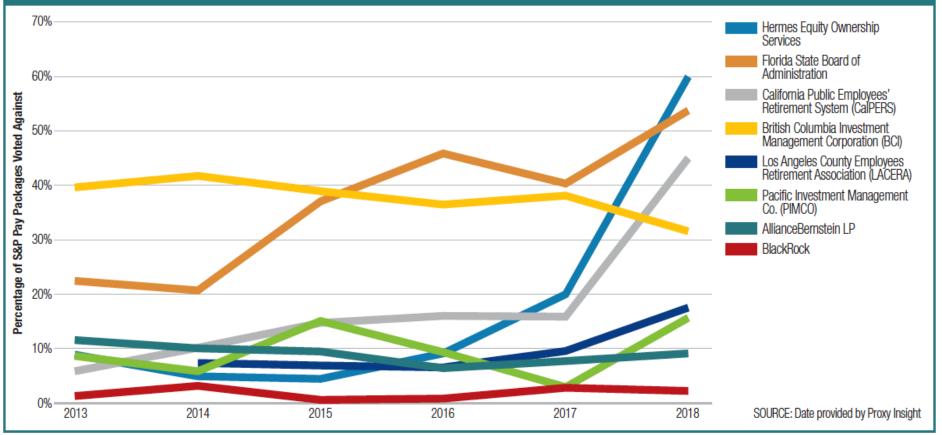
| | Dept. | Salary (Annual) |
|---------------------|-------|-----------------|
| coogle | Dev | 142,800 |
| | Eng | \$162,433 |
| | Ор | \$89,395 |
| | Ор | \$92,700 |
| | Dev | 172,857 |
| | Dev | \$103,750 |
| | Eng | \$120,553 |
| | Dev | \$190,775 |
| the star and a star | Eng | \$140,600 |
| | 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

100 most overpaid CEOs

All S&P 500 CEOs

70%

80%

90%

Sound Fund Votes 100%



19

Source: New Calpers Comp Analysis to Hold Directors' Feet to the Fire | April 2019, Agenda Week

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

MN (Dutch pension fund) (\$146 B) Pensionfund Metalektro (PME) (\$53 B) PGGM Investments (\$251 B) Minnesota State Board of Investment (\$93 B) Achmea (\$136 B) Florida State Board of Administration (\$202 B) Hermes (\$47 B) California Public Employees' Retirement System (CalPERS) (\$323 B) bpfBOUW (De Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid) (\$57 B) British Columbia Investment Management Corporation (BCI) (\$101 B) Massachusetts Pension Reserves Investment Management (PRIM) (\$66 B) New York City Pension Funds (\$197 B) 539 New York State Common Retirement Funds (\$192 B) Connecticut Retirement Plans & Trust Funds (\$32 B) Ohio Public Employees Retirement System (OPERS) (\$86 B) Los Angeles Co. Employees Retirement Association (LACERA) (\$56 B) Caisse de dépôt et placement du Québec (\$308 B) Texas Employees Retirement System (\$29 B) California State Teachers' Retirement System (CalSTRS) (\$221 B) State of Wisconsin Investment Board (SWIB) (\$111 B) Canada Pension Plan Investment Board (CPPIB) (\$248 B) University of California (\$107 B) Maryland State Retirement and Pension System (\$43 B) Texas Teacher Retirement System (\$165 B) Los Angeles City Employees' Retirement System (LACERS) (\$43 B) Alaska Retirement Management Board (\$27 B) Ontario Teachers' Pension Plan (OTPP) (\$141 B) Illinois Municipal Retirement Fund (\$41 B) PSP Investments (\$105 B) Texas Education Agency (\$37 B) Norges Bank Investment Management (\$1301 B) Alberta Investment Management Corporation (AlMco) (\$78 B) New York State Teachers' Retirement System (\$113 B) Arizona State Retirement System (\$38 B) Washington State Investment Board (WSIB) (\$116 B) Oregon Investment Council (\$77 B) Los Angeles Fire & Police Pensions (\$21 B) Pennsylvania State Employees' Retirement System (SERS) (\$28 B) Colorado PERA (\$55 B) Virginia Retirement System (\$67 B) Pensioenfonds Vervoer (\$26 B) North Carolina Department of State Treasurer (\$94 B) Ontario Municipal Employees Retirement System (OMERS) (\$95 B) Australia Retail Employees Superannuation (\$35 B) 10% 20% 30% 40% 50% 60%

MEDIA RELATIONS: Negative Press vs. Positive Press



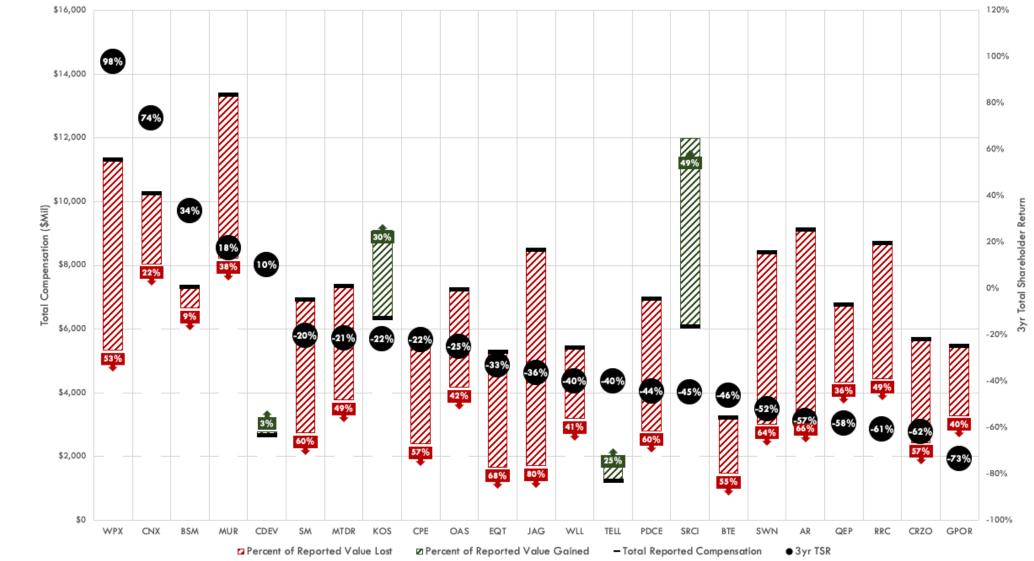


MEDIA RELATIONS: A Proxy Statement is Not a Bank Statement



TOTAL CEO COMPENSATION (FY2018) | \$1B - \$5B Market Cap

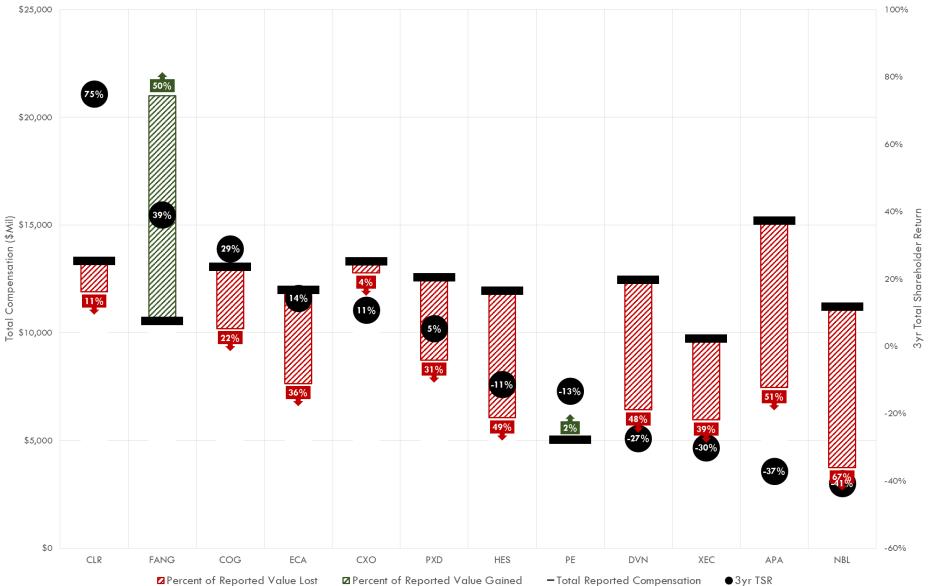
Realized vs. Reported Value (as of 12/31/2018)



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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