

## Dear All,

Happy New Year, may this be our best year yet! We hope everyone had a joyful holiday season in the company of family and friends. As many of you may know, I had a total knee replacement late December. I want to take this opportunity to thank all of you for your well wishes, calls and notes. Thankfully, the surgery went well and I am recovering slowly but surely, the fun part is trying to do it without pain medication! I also want to thank my amazing team for filling in and doing a great job while I recover.

We have some great articles to share with you in this first L-Blast of 2020. It's election year and we thought it would be a good time to examine the effects presidential elections can have on executive compensation. In this L&A original article, we review the last seven elections and their impact on the U.S. economy, based on S&P 500 TSR growth.

Our next article is a great piece on succession planning and its importance in ensuring a company is positioned for continued success when a new leader steps in. The four guidelines shared in this article provide concrete advice on mastering the art of leadership succession.

The final article provides a concise breakdown on executive compensation components and trends as major markets continue to recover from the 2008 financial crisis. It presents key recommendations on how CFOs can take a more proactive role in the compensation decision cycle to help better align pay and performance.

Lastly, the results for our 2020 Energy Pay Pulse survey are in and we are happy to share some of the key takeaways. As always, let us know if there is a particular subject you'd like to learn more about or if you have any questions about the topics covered in this L-Blast.

Sincerely,

Brent Longnecker and the L&A Team  
Chairman and CEO  
Longnecker & Associates



## Election Year and Its Effects on Compensation

Every January, L&A purposes to focus on major events that will shape the compensation landscape in the new year. In 2020, the biggest factor that will impact the future of compensation packages and organizational success/profitability, that is a certainty, is the 2020 presidential election this November. As L&A has attended many board meetings over the fourth quarter of 2019 and into the early stages of January, many boards are already beginning to look ahead to late 2020 and into 2021 as part of their strategic planning processes.

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## Why the Best CEOs Are Already Thinking About Their Exits

When CEOs botch their exits, their successors and their companies suffer. According to Russell Reynolds, between 2003 and 2015 one in every seven CEO retirements in the S&P 500 was followed by the forced departure of the new CEO within the first three years, 85 percent of them due to low performance or forced by the board or activist investors.

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## Trends in Executive Compensation

Executive compensation is not only a consideration close to the pocket book of CFOs but also a topic of increasing importance to managements and boards. As major economies show signs of recovering from the 2008 recession, compensation can become more decisive to retaining and motivating critical senior executive talent. But, executive compensation also continues to be scrutinized by major investors, proxy advisory firms and increasingly regulators—given the losses incurred by shareholders over the last couple of years.

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## 2020 Energy Pay Pulse Survey Results

The L&A Energy Pay Pulse Survey continues to comprehensively assess trends within the energy industry to reflect the importance of retaining top talent. This year's survey generated notable results:

- G&A expenses have decreased 23% from 2018 to projected 2020, confirming a strict focus on expense management.
- About 16% of organizations anticipate a reduction in force (RIF) in the next 12 months with varying ranges of reduction.
- Most organizations are projecting to award their executives with an AIP payout with the Formulaic portion at or near target performance and the Qualitative portion at or below target performance.
- Most organizations either increased or maintained the same LTI award value in 2019 and most will maintain the same LTI award value in 2020.

[QUESTIONS?](#)

## Compensation Discussion & Analysis (CD&A) Disclosure Preparations

As we start preparing for proxy season, our consultants are ready to assist you in the development and overall structure of your CD&A disclosure.

Leveraging extensive experience and knowledge of real-time best practices in the evolving shareholder communication platform, L&A will help you craft an effective message to your investor audience while fulfilling SEC requirements.

[CONTACT US BELOW TO GET STARTED!](#)

281.378.1350

[GET STARTED](#)

## JOIN US AT UPCOMING EVENTS

### NACD San Antonio Program- Risky Business: The Changing Risk Landscape

Thursday, January 30  
4:00 p.m. – 6:30 p.m.

Hotel Eilan - Sustenio  
18603 La Cantera Terrace  
San Antonio, TX 78256

Join us for a discussion around enterprise risk management. From disruptive business models to cyber security to geopolitical risk and culture, we will explore the ever changing risk landscape and risk management at the board level.

[REGISTER](#)

### NACD Houston Program- Aligning the Three Wheels of Risk Management/Oversight

Friday, February 14  
7:00 a.m. – 9:00 a.m.

The Junior League of Houston  
1811 Briar Oaks  
Houston, TX 77027

Join the panel as they discuss in depth the results of the recent study by the IIA, *OnRisk 2020*. Hear about the risk management and oversight from multiple perspectives.

[REGISTER](#)

### NACD Austin Program- In Conversation with Maggie Wilderotter

Wednesday, February 19  
4:00 p.m. – 7:30 p.m.

The Fairmont Hotel  
101 Red River St  
Austin, TX 78701

Hear from guest speaker, Maggie Wilderotter who currently serves on the public boards of Costco Wholesale Corporation, Hewlett Packard Enterprise, Cadence Design Systems, Lyft and is Board Chair at DocuSign.

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## Let's Work Together

We know what it takes to attract, retain and motivate key talent. Contact us to develop a plan that works for your business.

[GET IN TOUCH](#) 281.378.1350

Compensation Services  
Incentive Plan Design  
Litigation Support  
Strategic & Governance Advisory  
Restructuring Services

## Get to Know Us

### Kyle Lampert

MANAGER

**How long have you been with L&A?**

Five years

**Hometown:** Houston, Texas

**Alma Mater:** Texas A&M University

**Words to Live By:** "Trust in the LORD with all your heart and lean not on your own understanding; in all your ways submit to him, and he will make your paths straight." **Proverbs 3:5-6**

