

10TH Annual

Total Rewards Symposium 2024



YEARS

d. hilton associates inc.

A Volunteer Master Class

Becoming Good Consumers of Executive Compensation Research

John Andrews, EVP



d. hilton associates inc.



John W. Andrews, SPHR, CSCP, CCP

Executive Vice President

D. Hilton Associates, Inc.

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BEST BOOK

Managing Ignatius: The Lunacy of Lucky Dogs & Life in the Quarter
Jerry E. Strahan

BEST POD

WorkLife
Adam Grant

BEST BINGE

90 Day Fiancé

Executive Vice President

D. Hilton Associates, Inc. (39 years)

Emerson College

MA, Organizational Communication

University of Tulsa

BS, Communication

SHRM

Senior Professional in Human Resources Designation

World-at-Work

Certified Sales Compensation Professional

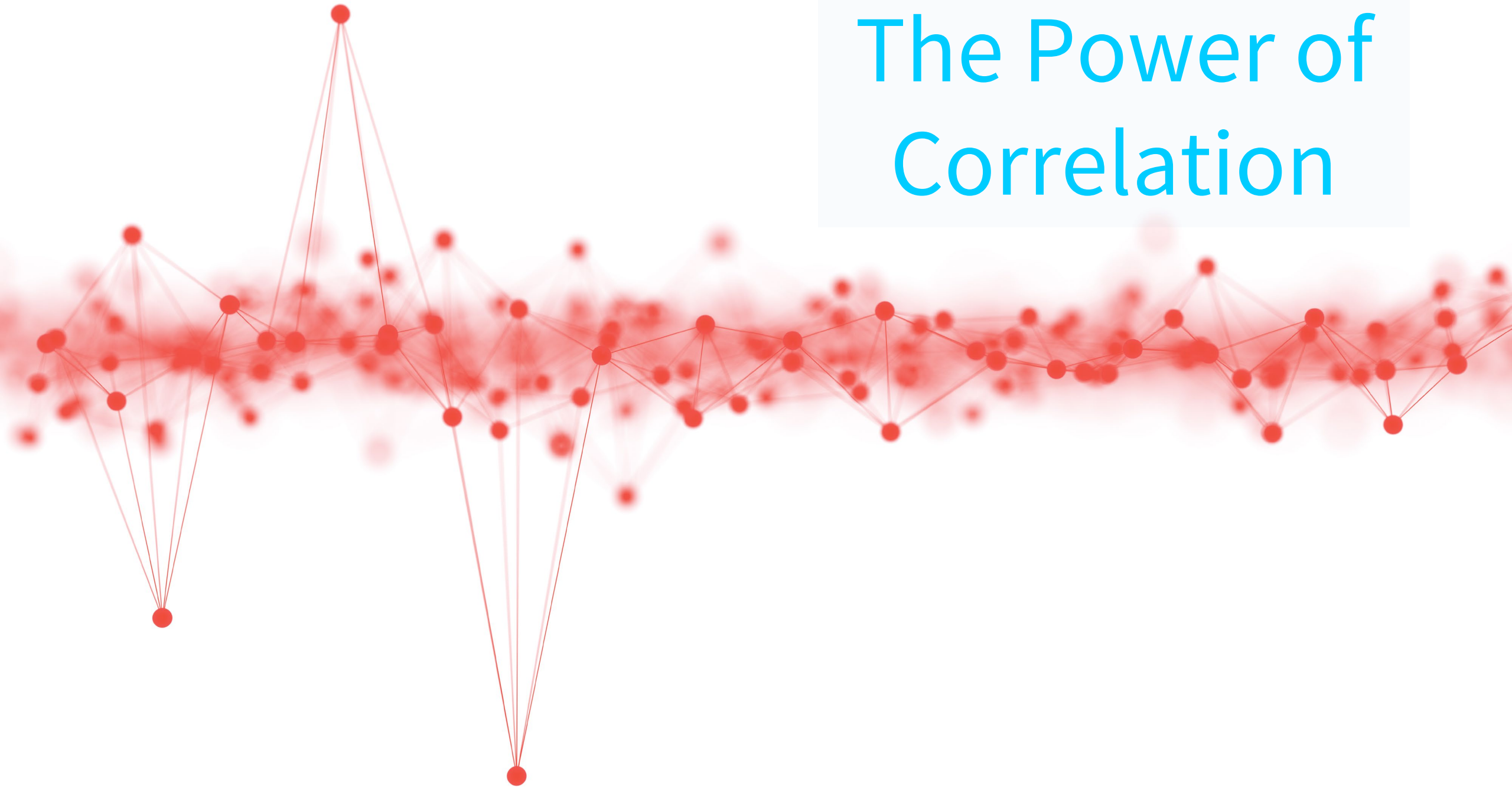
Certified Compensation Professional

Some Myths that Influence Executive Pay Decisions



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The Power of Correlation





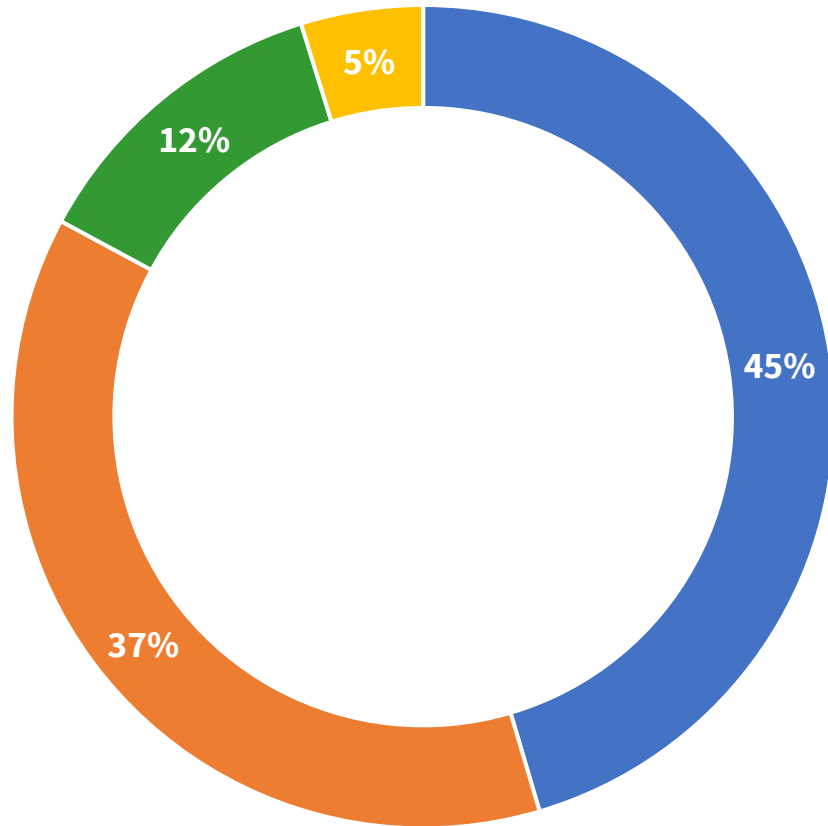
And....
Hamburgers
used to cost
25 cents

Bigger credit unions
pay more than
smaller credit unions.



0.503
Correlation

Of the 438 billion-dollar credit unions...



	#	2024
\$1 - \$2 Billion	199	45%
\$2 - \$5 Billion	164	37%
\$5 - \$10 Billion	54	12%
>\$10 Billion	21	5%
	438	100%



A dense crowd of people walking on a city street, with a blue text box in the upper left corner.

0.139
Correlation

Bigger cities pay more
than small cities.



HOUSING INDEX WEIGHT 28%

“Even a slight inaccuracy in housing data can produce a large error in the Index.”

Specifications

1. Location: Good subdivision (Top 20% HHI)
2. 60 Minutes Commuting Area
3. Lot size: 8,000 sq. ft. (except NYC)
4. Living area: 2,400 sq. ft.
5. Single-family detached house

4 bedrooms • 2 full baths • Living room • Dining room • Kitchen with built-in cabinetry and cooking island • Finished family room • One fireplace (if standard in your area) • Utility room • Attached two-car garage. (except NYC)

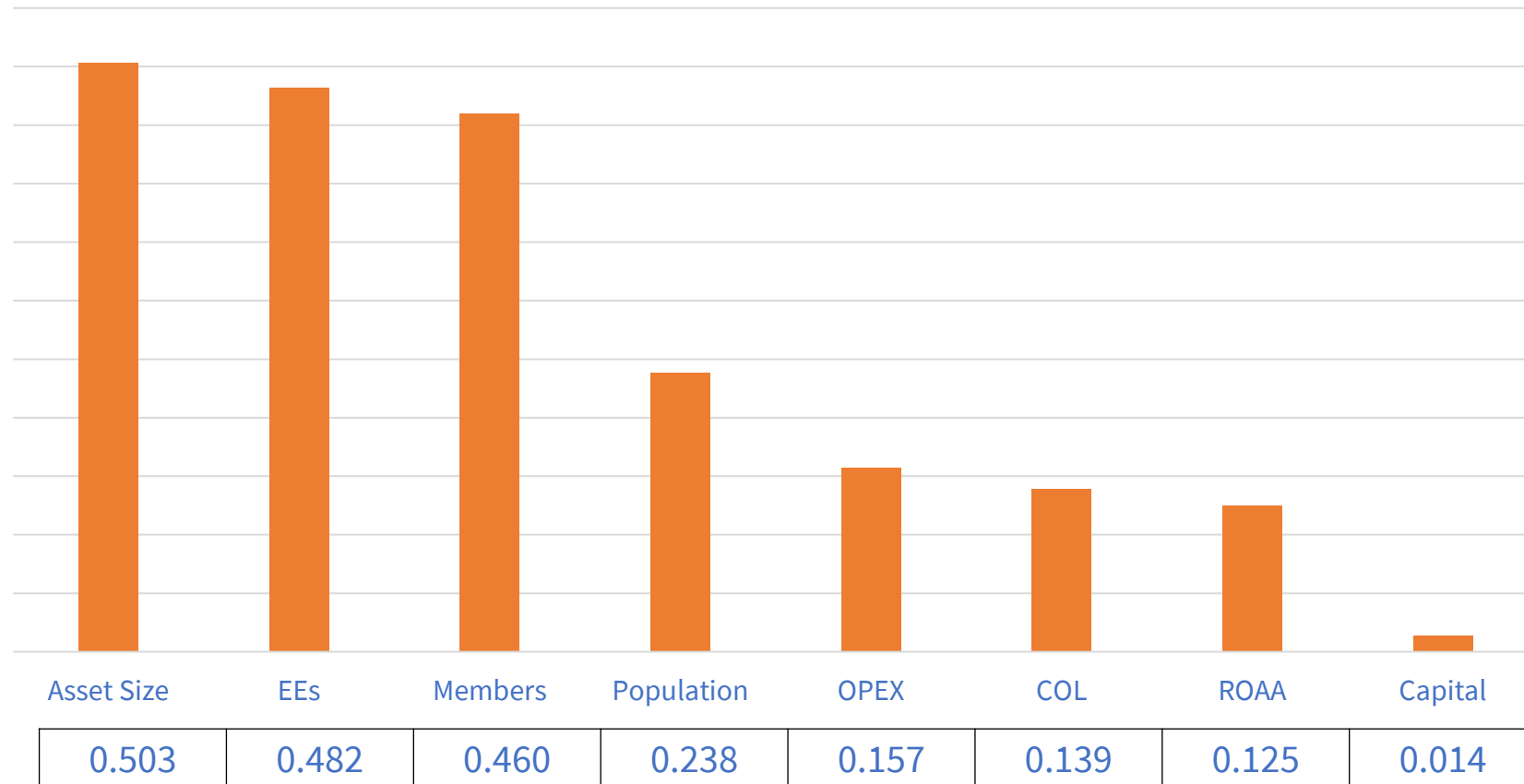


0.125
Correlation

Top Financial
Performers pay more
than others.

Factors that Influence Pay

Average Correlation with CEO Compensation



Source: D. Hilton Longitudinal Study

We don't have to
match incentive pay.

If you don't believe in
variable pay, then
your base pay must
match the market's
total cash
opportunity.



No matter how great your benefits are, it's more than likely that you can't discount total cash.



Questions your survey provider doesn't want you to ask

It's our survey, but
we outsource it to an
outside vendor.



A man and a woman are in a kitchen. The man, wearing a pink shirt, is holding a glass jar of green sauce and looking at it with a concerned expression. The woman, with long brown hair, is looking at the jar with a pained or disgusted expression, her mouth open as if she is about to vomit. In the background, there is a white refrigerator with a large jar of red sauce on the top shelf and a bottle of beer on the bottom shelf. A large orange is visible in the foreground on the right side.

Our 2024 survey is actually
based on data collected in
2022.

We may/may not tell you
how many organizations
participated, but we
definitely won't tell you
who they are.



This is our 25th
annual survey, but
we really start over
every year.





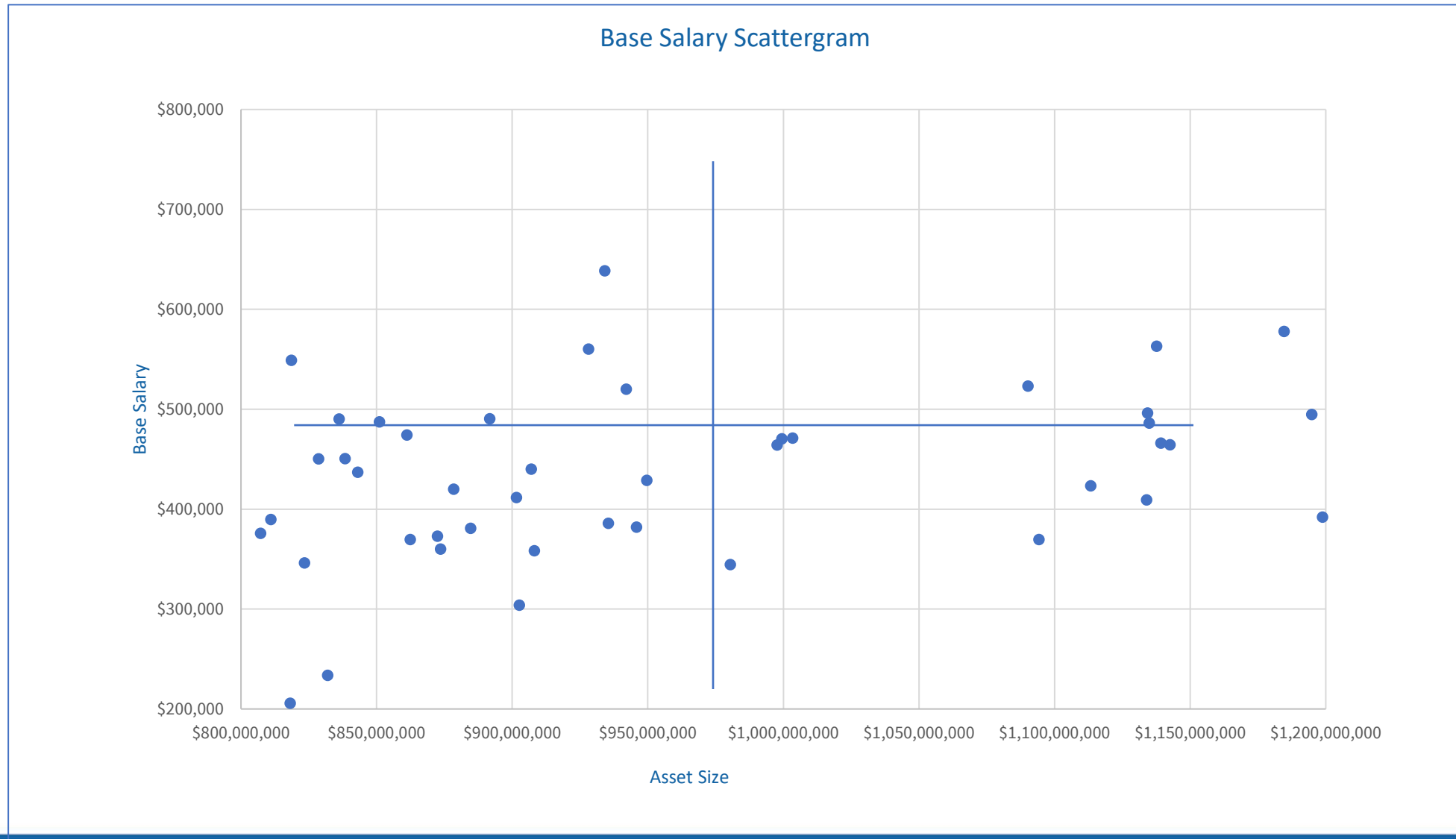
No Job Matching
Guidelines

Base Salaries Only

Arbitrary Asset Bands

Average Data – No
Percentiles

The Billion Dollar Mark Isn't Magical



	Source 1	Source 2	Source 3	Source 4	D. HILTON
Data Collected					Continuous
Aging Strategy					Lead
Participants					75% of Market
Asset Bands					Unlimited
Participants Named					Yes
Variable Pay					Target
Outsourced					Validated In-House

If you don't
have anything
nice to say...

Workshop Time!



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How to Approach a Survey



**Find Five
Things**

Analyzing Survey Results

TABLE OF CONTENTS

INTRODUCTION

METHODOLOGY

EXEC COMP IN AN EVOLVING ENVIRONMENT

OVERALL RESULTS - FINDINGS BY COMPANY SIZE

COMPENSATION LEVELS BY COMPANY SIZE

SIZE GROUP A

SIZE GROUP B

SIZE GROUP C

OVERALL RESULTS - FINDINGS BY INDUSTRY

COMPENSATION LEVELS BY INDUSTRY

FINANCIAL SERVICES-BANKING

FINANCIAL SERVICES-NONBANKING

REAL ESTATE

RETAIL

TECHNOLOGY

Methodology

The data collected from the 600 companies in the sample represent the compensation policy in effect at each company's fiscal year end, as disclosed in the executive compensation narrative in public filings. We analyzed the data in aggregate by the standard five components of compensation: salary, annual incentives, stock options, other long-term incentives (LTIs) and full-value stock awards.

Year-over-year analyses are based on the average change in overall pay levels for base salary, total cash compensation (TCC) and total direct compensation (TDC). Year-over-year changes to annual incentives are not shown in the company size and industry analyses because the results can be driven by companies' specific situations. For stock and other LTIs, not all CEOs or CFOs received annual stock or LTI awards on an annual basis. As such, year-over-year comparisons may not accurately indicate market trends and have been excluded for the company size and industry analyses.

Year-over-year pay increases are calculated based on company-by-company, year-over-year changes in pay data, rather than comparing year-over-year pay data based on published reports. Each report typically represents a slightly different array of companies due to delistings, mergers and other circumstances. Our approach helps to ensure an apples-to-apples comparison. Tables show the 2021 pay data and the net change in pay levels.

TYPES OF COMPENSATION

- ▶ **Salary** is the annualized base salary.
- ▶ **Annual Incentives (AI)** comprise discretionary bonuses earned, as well as payments received under performance-based annual incentive (PBAI) plans¹.
- ▶ **Total Cash Compensation (TCC)** is salary plus any AI earned.
- ▶ **Long-Term Incentives (LTI)** are the total LTI including stock options, full-value stock awards and other LTIs.
 - **Stock Options** are the grant date fair value awards as reported by each company.
 - **Full-Value Stock Awards** data include both stock and stock unit awards. The grant date fair value of the awards was used in this analysis. Irregular grants have been annualized.
 - **Other LTIs** refer to payments received under LTI plans such as cash-based LTIs.
- ▶ **Total Direct Compensation (TDC)** represents the sum of salary, AI, stock options, full-value stock awards and other LTIs for each incumbent.

SCOPE FACTORS

Compensation levels and program design features for the CEOs and CFOs are organized by company size and industry. The results can be benchmarked by either of these factors to obtain different perspectives on pay levels and compensation practices.

ADDITIONAL NOTES ON THE STUDY

In cases where there was more than one CEO or CFO at a company within the fiscal year, we used the compensation for the incumbent who occupied the position for the majority of the fiscal year.

To establish a common comparative base for all 600 companies in the study sample, we used a consistent methodology to value compensation levels, including annualizing salary data as appropriate. We also removed or annualized sign-on and retention cash or equity awards. If a company could not be brought into parity with other companies in the sample, then that company was excluded from the sample and replaced with a similar company to obtain a representative sample across industries and company size.

COMPANY SIZE

Most traditional executive compensation studies use annual revenues, or assets in the case of financial services institutions, as the primary scope factor because of the well-established and direct correlation between company size and executive compensation.

Our study reports compensation for three groups of companies based on size:

Size Category	Revenue Range	Asset Range (Financial Services)
Group A	\$100 million – \$500 million	\$100 million – \$1.25 billion
Group B	\$500 million – \$1.25 billion	\$1.25 billion – \$2.5 billion
Group C	\$1.25 billion – \$3 billion	\$2.5 billion – \$6 billion

INDUSTRY

This study also reports the pay levels and compensation practices for CEOs and CFOs for companies in eight industries.

- ▶ Energy
- ▶ Financial Services–Banking
- ▶ Financial Services–Nonbanking
- ▶ Healthcare & Life Sciences
- ▶ Manufacturing
- ▶ Real Estate
- ▶ Retail
- ▶ Technology

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- ▶ Manufacturing
- ▶ Real Estate
- ▶ Retail
- ▶ Technology

How to Approach a Consultant's Report

Find Four
Things



What's Your Assessment?

Survey	Scope	Subjects	Weighting	25 th Pctl	50 th Pctl	75 th Pctl
Bank Industry Survey X	> \$3B	35	10.00	\$490.3	\$671.9	\$839.8
Consulting Firm Banking and Credit Union Cut	> \$3B	44	10.00	\$625.6	\$694.4	\$765.0
2023 990 Peer Group	2021	14	50.00	\$681.2	\$771.3	\$875.0
Web-Based Survey Y Banking and Financial Cut	National Data	267	10.00	\$445.7	\$550.3	\$762.2
CU Industry Survey Z	> \$3B or More	11	20.00	\$610.1	\$660.7	\$870.6

Is More Better?

Survey	Scope	Subjects	Weighting	25 th Pctl	50 th Pctl	75 th Pctl
Bank Industry Survey X	> \$3B	35	8.30	\$490.3	\$671.9	\$839.8
Consulting Firm Banking and Credit Union Cut	> \$3B	44	8.30	\$625.6	\$694.4	\$765.0
2023 990 Peer Group	2021	14	50.00	\$681.2	\$771.3	\$875.0
Web-Based Survey Y Banking and Financial Cut	National Data	267	8.30	\$445.7	\$550.3	\$762.2
CU Industry Survey Z	> \$3B or More	11	8.30	\$610.1	\$660.7	\$870.6

How to Read a Proxy



“In determining the competitiveness of compensation compared to the market, the Committee, with the assistance of its independent compensation consultant, regularly reviews the compensation of our executive officers against the Company’s peer group and against survey data from a larger segment of companies within the financial services industry.

The Committee believes that peer group construction revolves around finding a balance between including relative companies that match in size and focus and enough companies to make comparisons meaningful. The companies listed are those that the Committee believes are appropriate for compensation benchmarking purposes due to industry, asset size, revenue, and market capitalization.”



Compensation Peer Group

Company	Ticker	12/31/2023 Assets (\$ in millions)	12/31/2023 Market Cap (\$ in millions)
U.S. Bancorp	USB	663,491	67,387
PNC Financial Services Group, Inc.	PNC	561,580	61,683
Truist Financial Corporation	TFC	535,349	49,239
Capital One Financial Corporation ⁽¹⁾	COF	478,464	49,937
Citizens Financial Group Incorporated	CFG	221,964	15,451
Fifth Third Bancorp	FITB	214,574	23,488
M&T Bank Corporation	MTB	208,264	22,750
Huntington Bancshares Incorporated	HBAN	189,368	18,420
KeyCorp	KEY	188,281	13,482
Regions Financial Corporation	RF	152,194	18,025
Zions Bancorporation	ZION	87,203	6,499
Comerica Incorporated	CMA	85,834	7,360
First Horizon Corporation	FHN	81,661	7,912
Synovus Financial Corporation	SNV	59,810	5,506

Compensation Peer Group

\$275.1 Billion (average peer)

\$208.3 Billion (median peer)

“In addition to peer group data annually, the Committee’s independent compensation consultant periodically reviews the Company’s total comp program against broader financial services industry survey data compiled by other sources (including compensation surveys prepared by McLagan, a leading performance/reward consulting and benchmarking firm focused specifically on the financial services industry). All of this information is used by the Committee when it considers the competitiveness/appropriateness of the amount and composition of pay at Regions.”

Company	12/23 Assets (billions)
U.S. Bancorp	\$664
PNC Financial Services	\$562
Truist Financial Corporation	\$535
Capital One Financial Corporation	\$479
Citizens Financial Group	\$222
Fifth Third Bancorp	\$215
M&T Bank Corporation	\$208
Huntington Bancshares	\$189
KeyCorp	\$188
Regions Financial Corporation	\$152
Zions Bancorporation	\$87
Comerica	\$86
First Horizon Corporation	\$82
Synovus Financial Corporation	\$60



AND THE WINNER IS...



Techniques



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Why Age Data

We need to have current market information to make real-time decisions for our workforce.

- We need to have reliable benchmarks
- We need to have regular updates (inflation determines frequency)
- We need consistent methodology
- We need transparency in reporting

All Salaries Go Up?

5/22

Employment (1)	Employment RSE (3)	Mean hourly wage	Mean annual wage (2)	Wage RSE (3)
340,170	1.1 %	\$ 38.74	\$ 80,570	0.8 %

5/24

**13%
Decrease**

Percentile	10%	25%	50% (Median)	75%	90%
Hourly Wage	\$ 17.80	\$ 23.62	\$ 33.65	\$ 48.09	\$ 67.05
Annual Wage (2)	\$ 37,020	\$ 49,130	\$ 69,990	\$ 100,020	\$ 139,470



Great Moments in Regulatory Oversight

Historic Milestones in Executive Pay Regulations

1993 Omnibus Budget Reconciliation Act of 1993

- Limits tax deductibility of executive compensation above \$1 million.
- Limit applies to time-vested restricted stock.
- Limit does not apply to performance-based compensation, including stock options.
- Applies only to public companies.
- Increases attractiveness of stock options to a company.

1995 FAS 123

- Requires companies to disclose the value of stock option grants in footnotes to financial statements.
- Recommends but does not require the expensing of stock options.
- Stock options continue to receive favorable accounting treatment.

2002 The Sarbanes-Oxley Act of 2002

- Requires executives to disclose new equity grants within two business days of grant.
- Prohibits personal loans to officers and directors.
- Requires companies to clawback incentive compensation in the case of financial restatement resulting from fraud or misconduct.
- Eliminates practice of cashless exercise of stock options.
- Eliminates practice of stock option backdating.

Thank You 990s

- First adopted in 1941 (2-page form)
- Reached 4 pages in 1947
- Required officer compensation to be reported in 1969
- Reached 6 pages in 1976 (42-page instruction booklet)
- Reached 12 pages in 2024 (102-page instruction booklet)

Form 990

Return of Organization Exempt From Income Tax

1a Decedent's first name and middle initial (and maiden name, if any)
3a City, town, or post office; county, state or province; country or foreign postal code


1b Decedent's last name
3b Year domicile established

4 Date of birth
5 Date of death
6b Executor's address (number and street including apartment or suite no.; city, town, or post office; state or province, country; and ZIP or foreign postal code) and phone no.

9 If you extended the time to file, state on line 1 pursuant to the special rule

10 Attach a certified copy of the value of assets included in the return, item by item

Concerns About Relying on Old Data



	2020	2021	2022	2023	2024
Aging	\$250,000	\$262,500	\$275,625	\$289,406	\$303,877
Verified	\$250,000	\$225,000	\$281,250	\$309,375	\$340,313
	Old CEO	First-Time CEO Replacement	Adjustment to Market	Normal Increase	Normal Increase

Are More Sources Better?

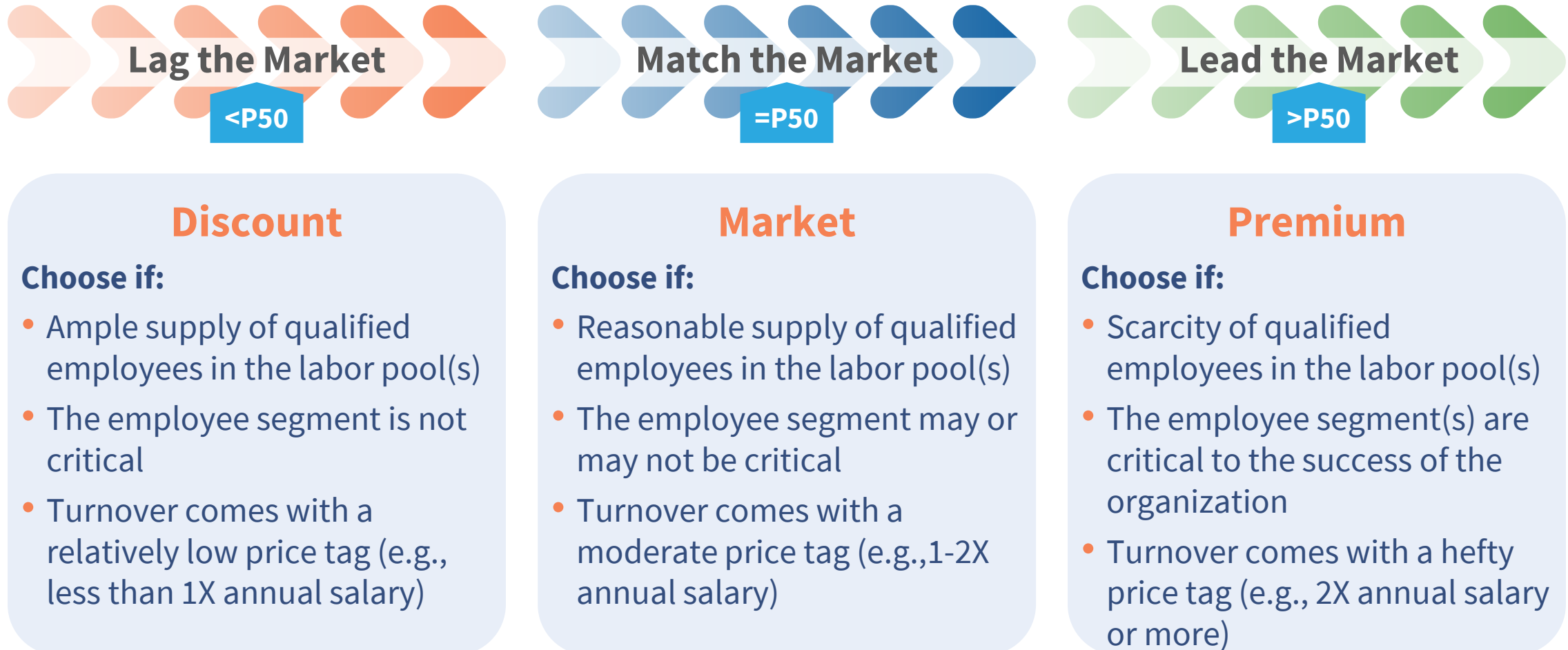
LOAN OFFICER SALARY ESTIMATES FROM ACROSS THE WEB

Percentile	10%	25%	50% (Median)	75%	90%
Hourly Wage	\$ 17.80	\$ 23.62	\$ 33.65	\$ 48.09	\$ 67.05
Annual Wage [2]	\$ 37,020	\$ 49,130	\$ 69,990	\$ 100,020	\$ 139,470

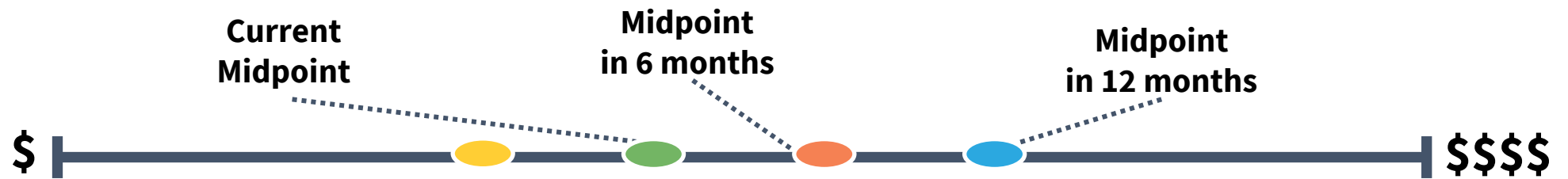
Based on the latest salary information compiled by Zippia, Salary.com, Indeed, Glassdoor, Ziprecruiter, Comparably, Payscale and CareerExplorer, the [average salary](#) for a loan officer typically falls between \$45,817 and \$182,148.

<div>Zippia</div> <div>\$45,817 yearly</div>	<div>Glassdoor [1]</div> <div>\$111,336 yearly</div>	<div>Indeed [2]</div> <div>\$182,148 yearly</div>	<div>Comparably [3]</div> <div>\$159,912 yearly</div>							
Overview	Jobs	Salary	Resume	Skills	What They Do	Education	Certifications	Demographics	Job Description	More ▾
<div>Salary.com [4]</div> <div>\$65,884 yearly</div>	<div>ZipRecruiter [5]</div> <div>\$70,335 yearly</div>	<div>Payscale [6]</div> <div>\$51,533 yearly</div>	<div>CareerExplorer [7]</div> <div>\$63,380 yearly</div>							

What Variables Drive Market Position?



The market is a moving target, adding complexity to the decision to lead, match, or lag.



Lag-Lag: The compensation remains behind the market for the complete fiscal year.

Match-Lag: The pay structure matches the midpoint in target labor markets on the first day of the fiscal year. From that day forward, the pay structure lags the market.

Lead-Lead: By targeting the end date of the fiscal year, the pay structure remains ahead of the market for the entire year.

Lead-Lag: You place the pay structure at the six-month mark, leading for the first six months and lagging for the last six months of the year. **This approach is common practice.**

FOOD
FOR
THOUGHT

Recap



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Better Data

Access to D. Hilton's proprietary executive compensation database where you control the process. You can choose the following:

1. Your peers
2. Asset sizes
3. Geographical locations
4. Data cuts (using percentiles)
5. Pay philosophy

Access to total compensation:

1. Base
2. Total Cash
3. Benefits and Perquisites
4. Retirement and Retention



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Better Results

Access to D. Hilton's self-funding research publications:

- Annual Compensation Forecast
- Annual Benefits Survey
- Annual SERP Survey
- Numerous White Papers

Exclusive invitation to D. Hilton's Annual Client Symposium, to learn about our latest research initiatives and network with some of the nation's premier credit unions.