



# Executive Pay in the New Economy February 2009 Results

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## Introduction

The Pearl Meyer & Partners “Executive Pay in the New Economy” survey series examines the modifications to executive pay programs that board members, executives and human resources professionals are contemplating in the wake of recent financial turmoil. Topics addressed include:

- Executive base salaries
- Executive bonus program design and payout levels
- Long-term incentive plans and equity awards
- Severance and security arrangements

The latest version of the survey was completed February 6, 2009. The 436 participants included 108 board members, 148 executives and 180 human resources professionals. We have summarized results across a variety of demographic categories, including:

- All firms
- Employee vs. Director perspectives
- Industry
- A constant sample of 121 participants who responded both to the November (Fall) and February (Winter) surveys.

We will also be publishing a Trends and Issues Report later this month that includes our observations relating to the implications of report findings.

We hope that you find this information useful. If you would like to discuss any aspect of these findings further, please contact:

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## Key Highlights

### Company Performance and Impact on Decision Making

- 67.3% of respondents who reported that company performance for the year was “well off target” indicated that recent financial market turmoil would “significantly” impact pay decisions, vs. only 19.0% of those who reported that company performance was “well ahead of target”.
- From a Constant Sample perspective, Winter 2009 responses showed an increase in the number reporting that performance for the year was “well of target” (28.1%, vs. 14.0% for Fall 2008) and the number who indicating that recent financial market turmoil would significantly impact pay decisions (38.3%, vs. 16.5% for Fall 2008).

### Executive Base Salary and Bonus Changes

- 40.3% of respondents indicated that executive team base salary increases for 2009 would be “considerably less” than 2008 increases.
- The Constant Sample indicates that there has been a marked increase in executive team base salary freezes. While only 14.2% reported that they were “strongly” considering base salary freezes in Fall 2008, 54.2% said that they have already implemented or were “strongly” considering a freeze in Winter 2009.
- 24.8% of respondents indicated that they would not provide a bonus payout to executives for 2008 performance. Respondents from the “Financials” category were most likely to indicate that they would pay no bonus (33.3%), while only 2.9% of “Energy / Utilities” respondents anticipated no bonus payout.

### Long-Term Incentives and Equity Awards

- 30.4% of respondents indicated that the economic value of this year’s award would be “considerably” lower than last year’s. The Constant Sample results indicate that many companies have come to the conclusion over the last three months that their award values will be lower than the prior year’s (the percentage anticipating a “considerably” lower award value increased from 25.8% to 34.8%).
- The most popular approach to determining the number of shares to grant to executives remains “referencing market data and matching the economic value at a targeted market percentile” (39.5%). However, firms are exploring alternative approaches this year as meaningful competitive data is hard to come by (for example, 20.1% indicated that they are “granting a similar number of shares as in the prior year” and therefore maintaining a fairly consistent year-over-year burn rate).

### Security and Severance Arrangements

- Only 18.8% of firms indicated that they anticipated modifications to their executive severance or change-in-control arrangements over the next 12 months. Interestingly, 31.8% of outside directors indicated that they anticipated modifications to these arrangements, as compared to only 13.8% of employees.

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Participant Demographics	All Firms	Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>Primary Role</b>					
Employee of the firm	75.2%	75.2%	0.0%	81.8%	83.5%
Outside director	24.8%	0.0%	24.8%	18.2%	16.5%
<b>What best describes your role with this organization?</b>					
Chief Executive Officer	7.8%	10.4%	0.0%	3.3%	4.1%
Chief Financial Officer	1.8%	2.4%	0.0%	0.8%	0.0%
VP of Human Resources	17.2%	22.9%	0.0%	9.9%	11.6%
General Counsel	1.6%	2.1%	0.0%	0.8%	0.8%
A member of the executive team (other than those listed above)	5.5%	7.3%	0.0%	5.0%	3.3%
A member of the compensation department	37.9%	50.3%	0.0%	59.5%	59.5%
A member of human resources (not in the compensation department)	1.1%	1.5%	0.0%	1.7%	2.5%
Other employee of the firm	2.3%	3.0%	0.0%	0.8%	1.7%
Chairman of the Compensation Committee	11.0%	0.0%	44.9%	11.6%	9.1%
Member of the Compensation Committee (non-Chairman)	8.7%	0.0%	35.5%	4.1%	5.0%
Member of the Board (not participant on Compensation Committee)	4.1%	0.0%	16.8%	1.7%	2.5%
Other Outside Director	0.7%	0.0%	2.8%	0.8%	0.0%
<b>Organizational Size (Revenue / Assets / Operational Budget)</b>					
Under \$300 million	25.5%	22.0%	36.1%	11.6%	13.2%
\$300 million to less than \$1 billion	22.5%	21.3%	25.9%	20.7%	18.2%
\$1 billion to less than \$3 billion	22.0%	22.3%	21.3%	22.3%	24.8%
\$3 billion to less than \$10 billion	18.6%	22.0%	8.3%	25.6%	24.8%
\$10 billion or greater	11.5%	12.5%	8.3%	19.8%	19.0%

Participant Demographics	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Primary Role</b>						
Employee of the firm	78.3%	75.7%	68.3%	71.7%	81.5%	70.7%
Outside director	21.7%	24.3%	31.7%	28.3%	18.5%	29.3%
<b>What best describes your role with this organization?</b>						
Chief Executive Officer	7.3%	2.7%	4.9%	16.2%	7.6%	2.4%
Chief Financial Officer	3.7%	1.4%	7.3%	0.0%	1.1%	0.0%
VP of Human Resources	12.2%	20.3%	7.3%	31.3%	12.0%	12.2%
General Counsel	3.7%	1.4%	2.4%	1.0%	1.1%	0.0%
A member of the executive team (other than those listed above)	3.7%	5.4%	7.3%	9.1%	3.3%	4.9%
A member of the compensation department	46.3%	40.5%	34.1%	10.1%	54.3%	51.2%
A member of human resources (not in the compensation department)	1.2%	0.0%	2.4%	2.0%	1.1%	0.0%
Other employee of the firm	1.2%	4.1%	2.4%	2.0%	1.1%	0.0%
Chairman of the Compensation Committee	9.8%	12.2%	14.6%	13.1%	6.5%	14.6%
Member of the Compensation Committee (non-Chairman)	6.1%	9.5%	14.6%	11.1%	3.3%	12.2%
Member of the Board (not participant on Compensation Committee)	4.9%	1.4%	2.4%	4.0%	7.6%	2.4%
Other Outside Director	0.0%	1.4%	0.0%	0.0%	1.1%	0.0%
<b>Organizational Size (Revenue / Assets / Operational Budget)</b>						
Under \$300 million	27.7%	12.2%	39.0%	18.2%	40.2%	12.2%
\$300 million to less than \$1 billion	26.5%	17.6%	24.4%	29.3%	17.4%	17.1%
\$1 billion to less than \$3 billion	19.3%	27.0%	19.5%	24.2%	17.4%	26.8%
\$3 billion to less than \$10 billion	20.5%	29.7%	12.2%	17.2%	16.3%	12.2%
\$10 billion or greater	6.0%	13.5%	4.9%	11.1%	8.7%	31.7%

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Participant Demographics	<u>All Firms</u>	<u>Primary Role</u>		<u>Constant Sample</u>	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>Form of Ownership</b>					
Publicly Held; For Profit	72.0%	50.6%	21.4%	71.9%	71.1%
Closely Held; For Profit	3.0%	2.1%	0.9%	2.5%	0.8%
Privately Held; For Profit	20.0%	18.4%	1.6%	19.0%	22.3%
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	5.1%	4.1%	0.9%	6.6%	5.8%
<b>Industry Group</b>					
Industrials / Materials	19.3%	20.1%	17.0%	17.8%	20.7%
Consumer Discretionary / Staples	17.2%	17.3%	17.0%	16.1%	15.7%
Health Care	9.5%	8.6%	12.3%	5.9%	5.0%
Financials	23.0%	21.9%	26.4%	22.9%	20.7%
Info Tech / Telecomm Services	21.4%	23.1%	16.0%	23.7%	24.8%
Energy / Utilities	9.5%	9.0%	11.3%	13.6%	13.2%
<b>Organization's reporting entity</b>					
Parent/Stand Alone	93.1%	92.1%	96.3%	92.6%	94.2%
Subsidiary	6.4%	7.3%	3.7%	6.6%	5.8%
Division	0.5%	0.6%	0.0%	0.8%	0.0%

Participant Demographics	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Form of Ownership</b>						
Publicly Held; For Profit	69.9%	79.7%	70.7%	60.2%	76.1%	90.2%
Closely Held; For Profit	2.4%	2.7%	2.4%	6.1%	1.1%	2.4%
Privately Held; For Profit	24.1%	17.6%	14.6%	28.6%	18.5%	2.4%
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	3.6%	0.0%	12.2%	5.1%	4.3%	4.9%
<b>Industry Group</b>						
Industrials / Materials	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumer Discretionary / Staples	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Health Care	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Financials	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Info Tech / Telecomm Services	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Energy / Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
<b>Organization's reporting entity</b>						
Parent/Stand Alone	96.4%	95.9%	95.1%	86.9%	92.4%	95.1%
Subsidiary	2.4%	2.7%	4.9%	13.1%	7.6%	4.9%
Division	1.2%	1.4%	0.0%	0.0%	0.0%	0.0%

Executive Pay in the New Economy  
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Company Performance and Impact on Decision Making	All Firms	Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>Please indicate your assessment of your company's performance for the year as compared to plan or budget.</b>					
Well off target	26.4%	24.7%	31.5%	14.0%	28.1%
Somewhat off target	34.7%	36.4%	29.6%	42.1%	39.7%
On target	18.3%	21.6%	8.3%	27.3%	14.0%
Somewhat ahead of target	14.6%	11.7%	23.1%	9.1%	10.7%
Well ahead of target	4.9%	4.0%	7.4%	6.6%	5.0%
Not sure	1.2%	1.5%	0.0%	0.8%	2.5%
<b>To what extent will recent financial market turmoil impact your pay decision making process over the next 6 months?</b>					
Not at all	8.6%	7.2%	13.0%	8.3%	5.8%
Some impact on decision making process	56.1%	55.3%	58.3%	75.2%	55.8%
Significant impact on decision making process	35.3%	37.5%	28.7%	16.5%	38.3%

All Firms	Impact on Executive Pay Decision Making in 2009			
	Performance vs Plan	Not at all	Some Impact	Significant Impact
Well off target	4.4%	28.3%	67.3%	100.0%
Somewhat off target	4.7%	63.1%	32.2%	100.0%
On target	12.8%	75.6%	11.5%	100.0%
Somewhat ahead of target	17.7%	64.5%	17.7%	100.0%
Well ahead of target	14.3%	66.7%	19.0%	100.0%
Not sure	20.0%	20.0%	60.0%	100.0%

Company Performance and Impact on Decision Making	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Please indicate your assessment of your company's performance for the year as compared to plan or budget.</b>						
Well off target	19.5%	40.5%	7.5%	40.4%	23.9%	5.1%
Somewhat off target	47.6%	33.8%	32.5%	33.3%	32.6%	20.5%
On target	17.1%	12.2%	25.0%	10.1%	23.9%	28.2%
Somewhat ahead of target	8.5%	10.8%	30.0%	10.1%	13.0%	35.9%
Well ahead of target	4.9%	2.7%	5.0%	6.1%	3.3%	10.3%
Not sure	2.4%	0.0%	0.0%	0.0%	3.3%	0.0%
<b>To what extent will recent financial market turmoil impact your pay decision making process over the next 6 months?</b>						
Not at all	8.6%	8.2%	12.5%	11.1%	6.5%	5.4%
Some impact on decision making process	55.6%	50.7%	55.0%	50.5%	56.5%	81.1%
Significant impact on decision making process	35.8%	41.1%	32.5%	38.4%	37.0%	13.5%

Executive Base Pay Changes	All Firms	Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>In percentage terms, do you anticipate that your executive team's base salary increases for 2009 will be...</b>					
Considerably less than 2008's increases	40.3%	41.5%	37.0%	13.3%	42.5%
Somewhat less than 2008's increases	29.5%	25.6%	40.7%	35.0%	26.7%
About the same as 2008's increases	28.1%	30.4%	21.3%	45.8%	26.7%
Somewhat more than 2008's increases	1.4%	1.6%	0.9%	5.8%	2.5%
Considerably more than 2008's increases	0.7%	0.9%	0.0%	0.0%	1.7%
<b>Are you considering freezing your executive team's base salaries in 2009?</b>					
We have already decided to freeze executive base salaries in 2009	37.2%	38.5%	33.3%	N/A	37.3%
We are strongly considering freezing base salaries	13.7%	13.1%	15.7%	14.2%	16.9%
We have given somewhat more consideration to freezing base salaries in 2009 than in recent years	13.0%	11.5%	17.6%	19.2%	10.2%
We have given little consideration to freezing base salaries, and no more so than in recent years	8.8%	8.3%	10.2%	17.5%	7.6%
We are not considering freezing base salaries	27.3%	28.7%	23.1%	49.2%	28.0%
<b>What is your anticipated total merit increase budget for executives for 2009?</b>					
0% (Base salaries are frozen)	39.7%	41.5%	34.3%	N/A	42.4%
0% to 2%	15.2%	14.4%	17.6%	N/A	14.4%
2% to 3%	13.3%	11.2%	19.4%	N/A	14.4%
3% to 4%	19.2%	18.2%	22.2%	N/A	15.3%
4% to 5%	7.1%	8.6%	2.8%	N/A	7.6%
5% to 6%	2.6%	3.2%	0.9%	N/A	2.5%
More than 6%	2.9%	2.9%	2.8%	N/A	3.4%

Executive Base Pay Changes	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>In percentage terms, do you anticipate that your executive team's base salary increases for 2009 will be...</b>						
Considerably less than 2008's increases	37.5%	48.6%	25.0%	35.7%	51.6%	35.1%
Somewhat less than 2008's increases	31.3%	25.0%	45.0%	27.6%	22.0%	40.5%
About the same as 2008's increases	28.8%	26.4%	25.0%	32.7%	25.3%	24.3%
Somewhat more than 2008's increases	2.5%	0.0%	2.5%	3.1%	0.0%	0.0%
Considerably more than 2008's increases	0.0%	0.0%	2.5%	1.0%	1.1%	0.0%
<b>Are you considering freezing your executive team's base salaries in 2009?</b>						
We have already decided to freeze executive base salaries in 2009	40.0%	46.6%	32.5%	30.9%	40.0%	30.6%
We are strongly considering freezing base salaries	11.3%	15.1%	7.5%	12.4%	18.9%	16.7%
We have given somewhat more consideration to freezing base salaries in 2009 than in recent years	12.5%	13.7%	17.5%	14.4%	7.8%	11.1%
We have given little consideration to freezing base salaries, and no more so than in recent years	8.8%	6.8%	10.0%	11.3%	7.8%	8.3%
We are not considering freezing base salaries	27.5%	17.8%	32.5%	30.9%	25.6%	33.3%
<b>What is your anticipated total merit increase budget for executives for 2009?</b>						
0% (Base salaries are frozen)	40.0%	49.3%	27.5%	33.0%	46.2%	35.3%
0% to 2%	13.8%	13.7%	15.0%	16.5%	18.7%	11.8%
2% to 3%	13.8%	13.7%	22.5%	8.2%	9.9%	23.5%
3% to 4%	20.0%	12.3%	22.5%	30.9%	11.0%	17.6%
4% to 5%	10.0%	6.8%	7.5%	4.1%	6.6%	5.9%
5% to 6%	1.3%	1.4%	0.0%	3.1%	4.4%	5.9%
More than 6%	1.3%	2.7%	5.0%	4.1%	3.3%	0.0%

Executive Annual Incentive (Bonus) Programs	All Firms	Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>What is the likelihood that you may exercise discretion in determining your annual incentive payout FOR 2008 PERFORMANCE?</b>					
We have paid, or are likely to pay "below formula"	29.1%	30.5%	25.0%	25.6%	35.7%
We may pay "below formula"	13.1%	12.5%	14.8%	16.2%	13.0%
We have paid, or are most likely to pay "at formula"	43.6%	43.6%	43.5%	47.9%	38.3%
We may pay "above formula"	8.2%	7.5%	10.2%	6.0%	8.7%
We have paid, or are likely to pay "above formula" annual incentive	6.1%	5.9%	6.5%	4.3%	4.3%
<b>To what extent was (or will) your annual incentive payout to executives FOR 2008 PERFORMANCE be paid out in the form of stock denominated vehicles?</b>					
We do not anticipate (or have not made) any annual incentive payout for 2008 performance	24.8%	25.0%	24.3%	N/A	23.2%
The payout will be 100% cash	55.8%	62.7%	36.4%	N/A	61.6%
We allow executives to choose to receive a portion of their incentive payout in the form of stock	3.2%	3.3%	2.8%	N/A	3.6%
By policy, we denominate a portion of the payout (less than 50%) in the form of stock	11.3%	6.0%	26.2%	N/A	8.0%
By policy, we denominate a portion of the payout (50% or more) in the form of stock	4.9%	3.0%	10.3%	N/A	3.6%

Executive Annual Incentive (Bonus) Programs	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>What is the likelihood that you may exercise discretion in determining your annual incentive payout FOR 2008 PERFORMANCE?</b>						
We have paid, or are likely to pay "below formula"	23.4%	26.4%	12.8%	45.7%	33.0%	8.6%
We may pay "below formula"	10.4%	22.2%	2.6%	17.0%	13.2%	2.9%
We have paid, or are most likely to pay "at formula"	46.8%	43.1%	66.7%	27.7%	41.8%	57.1%
We may pay "above formula"	11.7%	5.6%	7.7%	5.3%	7.7%	17.1%
We have paid, or are likely to pay "above formula" annual incentive	7.8%	2.8%	10.3%	4.3%	4.4%	14.3%
<b>To what extent was (or will) your annual incentive payout to executives FOR 2008 PERFORMANCE be paid out in the form of stock denominated vehicles?</b>						
We do not anticipate (or have not made) any annual incentive payout for 2008 performance	24.4%	26.4%	13.5%	33.3%	26.1%	2.9%
The payout will be 100% cash	57.7%	52.8%	64.9%	49.5%	58.0%	61.8%
We allow executives to choose to receive a portion of their incentive payout in the form of stock	2.6%	2.8%	2.7%	2.2%	4.5%	5.9%
By policy, we denominate a portion of the payout (less than 50%) in the form of stock	10.3%	15.3%	10.8%	10.8%	8.0%	17.6%
By policy, we denominate a portion of the payout (50% or more) in the form of stock	5.1%	2.8%	8.1%	4.3%	3.4%	11.8%

Long Term Incentives and Equity Awards	All Firms	Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>Relative to the prior year's equity award, the value of awards made at the end of 2008 or beginning of 2009 will be...</b>					
Considerably lower	30.4%	30.0%	31.3%	25.8%	34.8%
Somewhat lower	29.1%	25.7%	37.5%	32.0%	28.1%
About the same	31.3%	34.3%	24.0%	34.0%	24.7%
Somewhat higher	6.1%	5.7%	7.3%	6.2%	5.6%
Considerably higher	3.1%	4.3%	0.0%	2.1%	6.7%
<b>What best describes your company's approach to determining the number of shares to grant to each executive (for awards made at the end of 2008 or beginning of 2009)?</b>					
We referenced market data and attempted to match the economic value at a targeted market percentile.	39.5%	42.9%	31.5%	N/A	34.9%
The number of shares is based on an assumed share price growth rate and a targeted "future value" at that growth rate.	5.3%	4.7%	6.5%	N/A	4.7%
We granted a similar number of shares as in the prior year (i.e., burn rates are relatively consistent year-over-year).	20.1%	19.8%	20.7%	N/A	23.3%
The number of shares was determined based on achievement relative to pre-determined performance goals.	10.9%	5.7%	22.8%	N/A	11.6%
We used an alternative approach not described above.	24.3%	26.9%	18.5%	N/A	25.6%

Long Term Incentives and Equity Awards	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Relative to the prior year's equity award, the value of awards made at the end of 2008 or beginning of 2009 will be...</b>						
Considerably lower	41.0%	33.3%	19.4%	29.0%	28.4%	22.6%
Somewhat lower	24.6%	30.3%	32.3%	27.4%	31.1%	32.3%
About the same	27.9%	27.3%	35.5%	30.6%	33.8%	35.5%
Somewhat higher	3.3%	7.6%	12.9%	4.8%	5.4%	6.5%
Considerably higher	3.3%	1.5%	0.0%	8.1%	1.4%	3.2%
<b>What best describes your company's approach to determining the number of shares to grant to each executive (for awards made at the end of 2008 or beginning of 2009)?</b>						
We referenced market data and attempted to match the economic value at a targeted market percentile.	50.9%	21.7%	39.3%	35.2%	46.6%	45.2%
The number of shares is based on an assumed share price growth rate and a targeted "future value" at that growth rate.	7.0%	5.0%	3.6%	3.7%	6.8%	3.2%
We granted a similar number of shares as in the prior year (i.e., burn rates are relatively consistent year-over-year).	15.8%	28.3%	35.7%	9.3%	19.2%	19.4%
The number of shares was determined based on achievement relative to pre-determined performance goals.	7.0%	11.7%	7.1%	14.8%	8.2%	16.1%
We used an alternative approach not described above.	19.3%	33.3%	14.3%	37.0%	19.2%	16.1%

Long Term Incentives and Equity Awards	All Firms		Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009	
Number of Firms Reporting	436	328	108	121	121	
<b>How do you anticipate awards will compare to awards provided in the prior year? (Percents are of those providing each type of award)</b>						
Fair Market Value Stock Options (rights to purchase stock at a fixed price equal to 100 percent of fair market value at grant date)						
Greater Percentage of Value	8.9%	8.7%	9.4%	3.3%	10.3%	
About the Same	54.0%	53.0%	56.3%	81.7%	41.4%	
Lower Percentage of Value	37.1%	38.3%	34.4%	15.0%	48.3%	
Premium Priced Stock Options (rights to purchase stock at a fixed price equal to some value greater than 100 percent of fair market value at grant date)						
Greater Percentage of Value	20.8%	25.0%	16.7%	33.3%	50.0%	
About the Same	37.5%	33.3%	41.7%	66.7%	25.0%	
Lower Percentage of Value	41.7%	41.7%	41.7%	0.0%	25.0%	
Restricted Stock / Restricted Stock Units (shares of stock subject to a restriction period during which the shares cannot be sold)						
Greater Percentage of Value	17.2%	17.4%	16.7%	12.3%	23.8%	
About the Same	52.0%	52.9%	50.0%	75.4%	39.7%	
Lower Percentage of Value	30.8%	29.7%	33.3%	12.3%	36.5%	
Performance Shares / Units (shares of stock subject to achievement of pre-determined performance goals)						
Greater Percentage of Value	20.6%	15.5%	33.3%	12.7%	20.5%	
About the Same	52.2%	51.5%	53.8%	80.0%	38.6%	
Lower Percentage of Value	27.2%	33.0%	12.8%	7.3%	40.9%	
Other Cash-Based Long-Term Incentive Plan (awards paid out in cash if financial targets are achieved over a period of time greater than one year)						
Greater Percentage of Value	11.7%	10.1%	13.7%	18.4%	17.6%	
About the Same	50.0%	49.3%	51.0%	68.4%	52.9%	
Lower Percentage of Value	38.3%	40.6%	35.3%	13.2%	29.4%	
<b>Relative to the prior year's burn rate, do you anticipate that this year's burn rate will be...</b>						
Considerably lower	15.9%	16.1%	15.6%	11.5%	12.8%	
Somewhat lower	19.3%	17.5%	23.3%	12.6%	20.9%	
About the same	39.9%	40.8%	37.8%	41.4%	34.9%	
Somewhat higher	15.6%	14.7%	17.8%	24.1%	10.5%	
Considerably higher	9.3%	10.9%	5.6%	10.3%	20.9%	

Long Term Incentives and Equity Awards	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>How do you anticipate awards will compare to awards provided in the prior year? (Percents are of those providing each type of award)</b>						
Fair Market Value Stock Options (rights to purchase stock at a fixed price equal to 100 percent of fair market value at grant date)						
Greater Percentage of Value	7.3%	6.7%	8.3%	16.7%	6.4%	10.5%
About the Same	48.8%	51.1%	70.8%	41.7%	61.7%	52.6%
Lower Percentage of Value	43.9%	42.2%	20.8%	41.7%	31.9%	36.8%
Premium Priced Stock Options (rights to purchase stock at a fixed price equal to some value greater than 100 percent of fair market value at grant date)						
Greater Percentage of Value	0.0%	40.0%	0.0%	12.5%	50.0%	25.0%
About the Same	66.7%	20.0%	50.0%	37.5%	0.0%	50.0%
Lower Percentage of Value	33.3%	40.0%	50.0%	50.0%	50.0%	25.0%
Restricted Stock / Restricted Stock Units (shares of stock subject to a restriction period during which the shares cannot be sold)						
Greater Percentage of Value	28.6%	17.1%	10.0%	15.4%	16.7%	8.0%
About the Same	38.1%	56.1%	60.0%	46.2%	51.9%	72.0%
Lower Percentage of Value	33.3%	26.8%	30.0%	38.5%	31.5%	20.0%
Performance Shares / Units (shares of stock subject to achievement of pre-determined performance goals)						
Greater Percentage of Value	23.5%	16.7%	18.2%	21.7%	25.0%	14.3%
About the Same	44.1%	44.4%	81.8%	60.9%	42.9%	57.1%
Lower Percentage of Value	32.4%	38.9%	0.0%	17.4%	32.1%	28.6%
Other Cash-Based Long-Term Incentive Plan (awards paid out in cash if financial targets are achieved over a period of time greater than one year)						
Greater Percentage of Value	12.5%	12.5%	16.7%	11.8%	11.5%	7.1%
About the Same	54.2%	37.5%	66.7%	41.2%	46.2%	78.6%
Lower Percentage of Value	33.3%	50.0%	16.7%	47.1%	42.3%	14.3%
<b>Relative to the prior year's burn rate, do you anticipate that this year's burn rate will be...</b>						
Considerably lower	16.4%	15.8%	16.1%	25.9%	13.9%	3.2%
Somewhat lower	21.8%	17.5%	19.4%	20.4%	22.2%	9.7%
About the same	25.5%	42.1%	48.4%	35.2%	47.2%	45.2%
Somewhat higher	23.6%	10.5%	12.9%	7.4%	13.9%	32.3%
Considerably higher	12.7%	14.0%	3.2%	11.1%	2.8%	9.7%

Long Term Incentives and Equity Awards	All Firms		Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009	
Number of Firms Reporting	436	328	108	121	121	
<b>Is your organization considering repricing / restructuring / exchanging outstanding underwater stock options?</b>						
No, this is not under consideration	71.5%	71.8%	71.0%	80.0%	70.2%	
We have given the topic some consideration, but are unlikely to take action in the next 6 months	15.5%	15.3%	16.1%	13.8%	17.9%	
We have given the topic a great deal of consideration, but are unlikely to take action in the next 6 months	5.5%	6.5%	3.2%	1.3%	6.0%	
We have given the topic a great deal of consideration and will likely attempt an action in the next 6 months	5.8%	4.6%	8.6%	5.0%	3.6%	
We have just completed a repricing or are in the midst of doing a repricing	1.6%	1.9%	1.1%	0.0%	2.4%	
<b>If not considering repricing, what were the factors in the decision to not take action over the next 6 months?</b>						
Anticipated difficulty in garnering support from shareholders.	43.1%	40.4%	50.0%	N/A	45.0%	
Equity plan document language precludes a repricing / restructuring / exchange.	9.2%	8.5%	11.1%	N/A	15.0%	
A repricing / restructuring / exchange would run counter to overall compensation philosophy.	33.8%	29.8%	44.4%	N/A	35.0%	
Additional expense associated with tender offer, filings, etc. (i.e., administrative expense).	13.8%	14.9%	11.1%	N/A	15.0%	
Logistical difficulties in developing and implementing a program within this limited time frame.	16.9%	17.0%	16.7%	N/A	30.0%	
Decided to preclude action until it is confirmed that share price drop is long-term (not an isolated event).	29.2%	34.0%	16.7%	N/A	35.0%	
<b>If not considering repricing within the next 6 months, do you anticipate reconsidering in the next 12 months?</b>						
Yes	29.2%	34.0%	16.7%	N/A	30.0%	
No	16.9%	14.9%	22.2%	N/A	10.0%	
Not sure at this time.	53.8%	51.1%	61.1%	N/A	60.0%	

Long Term Incentives and Equity Awards	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Is your organization considering repricing / restructuring / exchanging outstanding underwater stock options?</b>						
No, this is not under consideration	67.2%	64.4%	80.6%	78.0%	66.7%	82.8%
We have given the topic some consideration, but are unlikely to take action in the next 6 months	17.2%	20.3%	12.9%	13.6%	13.9%	13.8%
We have given the topic a great deal of consideration, but are unlikely to take action in the next 6 months	3.4%	6.8%	3.2%	3.4%	11.1%	0.0%
We have given the topic a great deal of consideration and will likely attempt an action in the next 6 months	12.1%	5.1%	0.0%	5.1%	5.6%	3.4%
We have just completed a repricing or are in the midst of doing a repricing	0.0%	3.4%	3.2%	0.0%	2.8%	0.0%
<b>If not considering repricing, what were the factors in the decision to not take action over the next 6 months?</b>						
Anticipated difficulty in garnering support from shareholders.	50.0%	50.0%	20.0%	40.0%	33.3%	75.0%
Equity plan document language precludes a repricing / restructuring / exchange.	0.0%	12.5%	20.0%	20.0%	0.0%	25.0%
A repricing / restructuring / exchange would run counter to overall compensation philosophy.	25.0%	37.5%	40.0%	50.0%	22.2%	50.0%
Additional expense associated with tender offer, filings, etc. (i.e., administrative expense).	0.0%	12.5%	20.0%	20.0%	16.7%	25.0%
Logistical difficulties in developing and implementing a program within this limited time frame.	8.3%	31.3%	0.0%	0.0%	22.2%	25.0%
Decided to preclude action until it is confirmed that share price drop is long-term (not an isolated event).	33.3%	18.8%	40.0%	20.0%	44.4%	0.0%
<b>If not considering repricing within the next 6 months, do you anticipate reconsidering in the next 12 months?</b>						
Yes	25.0%	31.3%	20.0%	20.0%	38.9%	25.0%
No	16.7%	18.8%	20.0%	10.0%	22.2%	0.0%
Not sure at this time.	58.3%	50.0%	60.0%	70.0%	38.9%	75.0%

Long Term Incentives and Equity Awards	All Firms		Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009	
Number of Firms Reporting	436	328	108	121	121	
<b>If considering or have completed a repricing, what will (or were) surrendered options be replaced with?</b>						
New stock options	59.1%	71.4%	37.5%	N/A	80.0%	
Restricted shares / RSUs	45.5%	21.4%	87.5%	N/A	20.0%	
Cash	4.5%	7.1%	0.0%	N/A	20.0%	
<b>Percent eligible to participate in repricing / restructuring / exchange</b>						
Non-Executive Board Members Eligible	27.3%	21.4%	37.5%	N/A	0.0%	
CEOs Eligible	50.0%	42.9%	62.5%	N/A	20.0%	
Other Named Executive Officers Eligible	59.1%	57.1%	62.5%	N/A	40.0%	
<b>Importance of Considerations in Implementing Repricing / Exchange / Restructuring - Average Rank (1=Highest, 6 = Lowest)</b>						
New motivational and retentive power for EXECUTIVES.	2.2	2.0	2.5	N/A	2.8	
New motivational and retentive power for EMPLOYEES.	3.0	3.3	2.4	N/A	3.0	
Reduced dilution and creation of additional shares available for future grant.	3.5	3.5	3.5	N/A	3.0	
Restore alignment between executives / employees and shareholder interests.	3.0	3.1	2.9	N/A	2.8	
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	4.1	3.9	4.5	N/A	4.8	
Other (e.g., compliance with 409A, administrative issues, etc.)	5.3	5.3	5.3	N/A	4.6	
<b>Percent Ranking 1 or 2</b>						
New motivational and retentive power for EXECUTIVES.	68.2%	71.4%	62.5%	N/A	60.0%	
New motivational and retentive power for EMPLOYEES.	50.0%	42.9%	62.5%	N/A	40.0%	
Reduced dilution and creation of additional shares available for future grant.	22.7%	21.4%	25.0%	N/A	40.0%	
Restore alignment between executives / employees and shareholder interests.	40.9%	42.9%	37.5%	N/A	40.0%	
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	9.1%	14.3%	0.0%	N/A	0.0%	
Other (e.g., compliance with 409A, administrative issues, etc.)	9.1%	7.1%	12.5%	N/A	20.0%	

Long Term Incentives and Equity Awards	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>If considering or have completed a repricing, what will (or were) surrendered options be replaced with?</b>						
New stock options	42.9%	80.0%	100.0%	0.0%	83.3%	0.0%
Restricted shares / RSUs	57.1%	20.0%	0.0%	100.0%	33.3%	0.0%
Cash	0.0%	20.0%	0.0%	0.0%	0.0%	0.0%
<b>Percent eligible to participate in repricing / restructuring / exchange</b>						
Non-Executive Board Members Eligible	28.6%	40.0%	0.0%	33.3%	16.7%	N/A
CEOs Eligible	28.6%	60.0%	0.0%	100.0%	50.0%	N/A
Other Named Executive Officers Eligible	42.9%	60.0%	100.0%	100.0%	50.0%	N/A
<b>Importance of Considerations in Implementing Repricing / Exchange / Restructuring - Average Rank (1=Highest, 6 = Lowest)</b>						
New motivational and retentive power for EXECUTIVES.	1.9	2.2	2.0	1.0	3.2	N/A
New motivational and retentive power for EMPLOYEES.	3.0	3.0	1.0	5.3	2.0	N/A
Reduced dilution and creation of additional shares available for future grant.	3.6	3.2	5.0	3.3	3.5	N/A
Restore alignment between executives / employees and shareholder interests.	2.9	2.8	3.0	3.0	3.3	N/A
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	4.6	3.8	4.0	4.0	3.8	N/A
Other (e.g., compliance with 409A, administrative issues, etc.)	5.1	6.0	6.0	4.3	5.2	N/A
<b>Percent Ranking 1 or 2</b>						
New motivational and retentive power for EXECUTIVES.	71.4%	60.0%	100.0%	100.0%	50.0%	N/A
New motivational and retentive power for EMPLOYEES.	57.1%	40.0%	100.0%	0.0%	66.7%	N/A
Reduced dilution and creation of additional shares available for future grant.	28.6%	20.0%	0.0%	33.3%	16.7%	N/A
Restore alignment between executives / employees and shareholder interests.	42.9%	60.0%	0.0%	33.3%	33.3%	N/A
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	0.0%	20.0%	0.0%	0.0%	16.7%	N/A
Other (e.g., compliance with 409A, administrative issues, etc.)	0.0%	0.0%	0.0%	33.3%	16.7%	N/A

Severance and Security Arrangements	All Firms	Primary Role		Constant Sample	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>Do you anticipate reviewing your executive severance or change-in-control arrangements during the next 12 months?</b>					
Yes, we will be reviewing these arrangements and anticipate some modifications	18.8%	13.8%	31.8%	21.2%	13.4%
Yes, we will be reviewing these arrangements as normal course-of-business, but do not anticipate modifications	26.2%	25.9%	27.1%	28.8%	24.7%
No, we do not anticipate reviewing these arrangements	55.0%	60.3%	41.2%	50.0%	61.9%
<b>Do you anticipate that modifications will increase or decrease severance to executives in terminations ABSENT a change-in-control?</b>					
Increase	2.6%	1.5%	4.9%	13.6%	4.2%
Decrease	19.3%	15.3%	27.9%	31.8%	11.1%
Uncertain	78.1%	83.2%	67.2%	54.5%	84.7%
<b>Do you anticipate that modifications will increase or decrease severance to executives in terminations FOLLOWING a change-in-control?</b>					
Increase	7.2%	6.8%	8.2%	27.3%	11.0%
Decrease	14.4%	12.8%	18.0%	18.2%	11.0%
Uncertain	78.4%	80.5%	73.8%	54.5%	78.1%
<b>Do you anticipate that modifications will decrease any provisions for gross-up payments (for excise tax attributable to parachute payments following a change-in-control)?</b>					
Yes	7.7%	4.5%	14.8%	N/A	6.8%
No, we are leaving our current provisions unchanged.	35.9%	34.3%	39.3%	N/A	37.8%
No, we are actually adding or expanding gross-up provisions.	1.5%	1.5%	1.6%	N/A	2.7%
No, we do not currently provide for gross-up payments and do not plan on adding these provisions.	26.7%	24.6%	31.1%	N/A	27.0%

Severance and Security Arrangements	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Do you anticipate reviewing your executive severance or change-in-control arrangements during the next 12 months?</b>						
Yes, we will be reviewing these arrangements and anticipate some modifications	15.3%	12.1%	34.6%	21.9%	14.7%	22.6%
Yes, we will be reviewing these arrangements as normal course-of-business, but do not anticipate modifications	32.2%	20.7%	11.5%	31.3%	27.9%	25.8%
No, we do not anticipate reviewing these arrangements	52.5%	67.2%	53.8%	46.9%	57.4%	51.6%
<b>Do you anticipate that modifications will increase or decrease severance to executives in terminations ABSENT a change-in-control?</b>						
Increase	0.0%	5.9%	0.0%	5.0%	2.4%	0.0%
Decrease	23.1%	14.7%	22.2%	20.0%	17.1%	22.2%
Uncertain	76.9%	79.4%	77.8%	75.0%	80.5%	77.8%
<b>Do you anticipate that modifications will increase or decrease severance to executives in terminations FOLLOWING a change-in-control?</b>						
Increase	7.3%	8.8%	11.1%	2.5%	12.2%	0.0%
Decrease	14.6%	8.8%	22.2%	17.5%	14.6%	11.1%
Uncertain	78.0%	82.4%	66.7%	80.0%	73.2%	88.9%
<b>Do you anticipate that modifications will decrease any provisions for gross-up payments (for excise tax attributable to parachute payments following a change-in-control)?</b>						
Yes	7.3%	2.9%	5.6%	12.2%	7.3%	11.1%
No, we are leaving our current provisions unchanged.	34.1%	26.5%	55.6%	31.7%	34.1%	55.6%
No, we are actually adding or expanding gross-up provisions.	2.4%	2.9%	0.0%	0.0%	2.4%	0.0%
No, we do not currently provide for gross-up payments and do not plan on adding these provisions.	24.4%	29.4%	22.2%	31.7%	26.8%	22.2%

Severance and Security Arrangements	<u>All Firms</u>	<u>Primary Role</u>		<u>Constant Sample</u>	
	Total	Employee of the firm	Outside director	Fall 2008	Winter 2009
Number of Firms Reporting	436	328	108	121	121
<b>Which statement best describes your current treatment of outstanding equity grants upon a change-in-control?</b>					
We provide single-trigger acceleration (accelerated vesting upon a change-in-control)	33.6%	36.6%	26.1%	43.2%	33.7%
We provide double-trigger acceleration (accelerated vesting requires both a change-in-control and job loss)	49.0%	43.5%	62.5%	42.0%	51.7%
Not sure	17.4%	19.9%	11.4%	14.8%	14.6%
Of those providing single-trigger acceleration: Percent considering changing to double-trigger acceleration over the next year?	8.8%	6.3%	17.4%	10.5%	10.0%
Of those providing double-trigger acceleration: Percent considering changing to single-trigger acceleration over the next year?	4.0%	4.3%	3.6%	2.7%	4.3%

Severance and Security Arrangements	Industry Group					
	Industrials / Materials	Consumer Discretionary / Staples	Health Care	Financials	Info Tech / Telecomm Services	Energy / Utilities
Number of Firms Reporting	83	74	41	99	92	41
<b>Which statement best describes your current treatment of outstanding equity grants upon a change-in-control?</b>						
We provide single-trigger acceleration (accelerated vesting upon a change-in-control)	37.5%	38.6%	31.0%	34.5%	23.6%	40.0%
We provide double-trigger acceleration (accelerated vesting requires both a change-in-control and job loss)	44.6%	42.1%	62.1%	43.1%	55.6%	56.7%
Not sure	17.9%	19.3%	6.9%	22.4%	20.8%	3.3%
Of those providing single-trigger acceleration: Percent considering changing to double-trigger acceleration over the next year?	9.5%	4.5%	0.0%	5.0%	11.8%	25.0%
Of those providing double-trigger acceleration: Percent considering changing to single-trigger acceleration over the next year?	0.0%	0.0%	5.6%	0.0%	12.5%	0.0%

## About Pearl Meyer & Partners

Pearl Meyer & Partners is the leading full-service compensation consulting firm serving as a trusted advisor to Directors and their senior management in the creation of compensation programs that work.

Pearl Meyer & Partners mission is:

- Deliver the highest quality counsel regarding compensation and reward strategy and implementation at all levels within our client organizations.
- Provide thought leadership as expected of the leading authority on board, executive, employee, and sales compensation.
- Be trusted advisors to directors, executives, senior managers, and Human Resources organizations providing balanced, thoughtful, and innovative solutions.

From its offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston and Los Angeles, the firm's Partners and professional staff have advised organizations in virtually every industry here and abroad, ranging from Fortune 500 companies to smaller and private firms and not-for-profit organizations.

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