Pearl Meyer

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Looking Ahead to Executive Pay Practices in 2023: Banking Edition



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Many expected somewhat of a return to “normal” (or at last “semi-normal”) in 2022 following pandemic-related challenges in 2020 and 2021. As prevalence of COVID-19-related serious illnesses continued to decline, more employees began returning to the office (at least on a hybrid basis), and many companies experienced a strong start in terms of financial results. Most respondents still expect overall company performance for 2022 to be at or above last year’s results, with slightly more than half projecting year-over-year improvements. Most also expect incentive payouts for performance cycles ending in 2022 to be at or above target.

In response to rising wage inflation and tight labor markets, 30% of respondents provided higher than normal merit increases in 2022, and approximately 30% provided off-cycle adjustments. Most respondents expect to increase base salaries in 2023, with median projections equal to 3.5% – 4.0% across all employee categories, and 40% of companies planning to provide higher percentages than in 2022.

The application of discretion for incentive award cycles ending in 2022 is mixed with 22% expected to use discretion for the annual incentives and 24% not expecting to use discretion. Many are taking a “wait and see” approach.

For executives, most respondents have not provided (or currently plan to provide) retention awards. When provided, recipients are typically determined on a selective basis, primarily with service-based vesting periods ranging from one to three years.

These points and other relevant data are addressed in this executive summary.

About the Author

Dan brings 30+ years in compensation and benefits, advising on executive/director and broad-based pay, incentive design, CIC/contracts, and transaction support.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.