Pearl Meyer

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Looking Ahead to Executive Pay Practices/Design in 2025: Banking Edition

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Pearl Meyer's "Looking Ahead to Executive Pay Practices" is an annual, online survey and valuable compensation planning tool. This year's survey focused on compensation practices and design was conducted in August and September of 2024, with total participation of 46 financial services companies. Data and analysis are presented in the executive summary available for download. Some key findings are noted below.

After a challenging 2023, changes to compensation plans for 2024 remained elevated relative to 2022, but expectations for 2025 are forecast at a lower rate of change. Similar to prior surveys, most respondents target executive compensation at or above the market 50th percentile. And while most respondents did not recently change (nor do they anticipate changes to) their executive compensation philosophy, nearly 18% increased or plan to increase competitive positioning for one or more pay components, suggesting that labor markets remain somewhat tight.

Compensation committees continue to address a variety of topics beyond executive and non-employee director compensation, with many respondents becoming more involved with broader human capital oversight, and 14% of respondents having already taken on additional oversight responsibilities.

About half of all respondents took one or more actions this year to address incentive plan goal-setting challenges, including delaying the timing for finalizing goals (9%), widening performance range spreads, and adding or increasing the emphasis on relative (vs. absolute) or qualitative (vs. quantitative) measures. Two thirds of all respondents described current-year incentive plan performance goals as having similar degrees of stretch compared with 2023, with nearly 21% citing more aggressive hurdles.

Only 30% of all respondents anticipate making changes to short-term or long-term incentive designs for 2025. Among those that do, the most commonly cited change is to add new performance metrics, but respondents are also considering adding strategic, new objective, subjective, and relative performance metrics.

Finally, AI remains a hot topic with banks making investments in training and development, software licenses, and for larger banks, hiring AI talent. To date few have included or contemplated including AI goals in executive compensation metrics, but a few have added it to their upcoming agendas.

About the Authors

Dan Wetzel is a managing director at Pearl Meyer. With over 30 years of experience in the field of compensation and benefits, Dan assists clients in the areas of executive and non-employee director compensation and employee pay, focusing on the development of annual and long-term incentive compensation programs to meet clients' strategic objectives. He also provides consultation in the areas of employment contracts and change of control provisions, mergers and acquisitions, expert testimony, reasonableness of compensation, salary administration, performance management, and employee and executive benefits. His client engagements cover a variety of industries and company organizational and developmental stages, including startup/pre-IPO, privately-held, public, subsidiary, foreign-owned, and non-profit organizations.

Rhonda is a senior survey account manager at Pearl Meyer. She joined the team in August of 2019 and she works as a liaison to the Southeast banking associations on banking salary surveys while also assisting many other state and national survey clients.

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.