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Board of Directors Compensation at Private Companies: 2026 Update

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Introduction

Private company boards continue to face a rapidly evolving governance environment marked by expanding director responsibilities, increasingly complex risk oversight, and heightened expectations for alignment between compensation and organizational performance outcomes.

While public company director compensation data remains the most widely available and frequently used reference point, private company director pay practices have evolved meaningfully due to increased director workloads, new governance expectations, and growing adoption of equity-like compensation mechanisms. Additionally, private companies increasingly seek the same director talent as public companies; a competitive value proposition for private company directors is therefore crucial.

This 2026 update provides a current perspective on how private companies can benchmark and design competitive director compensation programs that align with governance realities and talent market demands.

The Evolving Market for Director Talent

Private companies are competing with public companies for directors with expertise in strategy, digital transformation, cybersecurity, and human capital.

Key dynamics shaping the 2026 market include the following:

- Expanded time commitments for directors, often approaching public company levels.
- Rising demand for expertise in AI governance, workforce transformation, and environment, social, and governance risk management.
- Higher expectations for board engagement in company strategy, talent development, and culture.

These pressures have led many private companies to reevaluate director compensation levels that have historically lagged behind public company norms.

Benchmarking Practices in 2026

Because reliable private company director compensation data is limited and often specific to a sector or industry without regard to size, which is a primary determinant of director pay levels, private companies continue to leverage public company benchmarks but with nuanced adjustments.

Current benchmarking practices reflect the following market trends:

- Market data is sourced from surveys or a size- and industry-appropriate public company peer group (in these cases, usually the same peer group used for executive compensation benchmarking).
- Boards increasingly evaluate total compensation positioning—not just cash compensation—given the expanding use of synthetic equity or supplemental cash payments to offset the lack of real equity grants.
- Pay structures increasingly align with director skill requirements and company complexity.

Public company director pay structures continue to serve as a model for private board program design, which include annual board cash retainers, additional cash retainers for board leadership and committee service, and consideration of a long-term incentive or synthetic value-sharing mechanisms.

As with public companies, private companies are also moving away from paying meeting fees, to simplify administration and reinforce that directors are compensated for oversight and fiduciary responsibilities rather than meetings attended.

The Rise of Synthetic Equity and Value-Based Programs

One of the most significant developments in private company director pay in recent years is the broader adoption of long-term, value-oriented compensation mechanisms.

These programs aim to replicate the alignment created by public company equity grants as follows:

- Phantom equity linked to enterprise value growth.
- Cash-based long-term value creation plans.
- Deferred cash tied to long-term company performance metrics.
- Supplemental cash retainers structured to mirror public company equity values.

These tools are particularly prevalent within private equity backed companies and larger family-owned enterprises seeking to attract directors with public company-caliber experience.

Private companies considering a long-term compensation element, however, need to strike the appropriate balance between director pay which is competitive and rewards directors for their fiduciary responsibilities with director pay that is linked to company performance. A long-term compensation element in the director pay program should not mirror management incentive designs, as doing so can blur the distinction between independent oversight and day-to-day operational management.

Director Compensation Levels and Positioning in 2026

Private companies have updated their compensation philosophies as director responsibilities have expanded. Typical positioning trends relative to appropriate public company benchmarks now include the following:

- Cash compensation: 50th to 60th percentile of comparable public company benchmarks.
- Total compensation (without synthetic equity): often in the 40th to 50th percentile range.
- Total compensation (with synthetic equity or long-term cash plans): 40th to 60th percentile.

These shifts reflect heightened board workloads, increased governance complexity and liability exposure, and director expectations for market-competitive compensation.

Special Considerations for Nonprofit Boards

Large nonprofit organizations, particularly in health insurance, higher education, and national charitable sectors, continue to evolve their director compensation frameworks.

Key 2026 trends include the growing use of retainers rather than meeting fees and greater differentiation for committee chairs and board officers. Continued conservative market positioning (25th to 50th percentile) is also expected, but trending upward for organizations with significant scale or complexity.

Nonprofit boards face similar governance challenges to private and public companies (especially around risk, compliance, and workforce issues), driving increasing attention toward pay competitiveness.

New Governance Expectations Shaping Director Pay

Board responsibilities have expanded significantly, particularly in areas in which private companies historically faced lighter oversight requirements.

Key 2026 governance areas influencing director compensation at both public and private companies include the following:

- AI Governance: Oversight of AI strategy, ethical safeguards, risk management, and workforce impact.
- Cybersecurity: Increased involvement in breach readiness, incident response oversight, and enterprise cyber-risk frameworks.
- Human Capital & Culture: Expanded expectations around workforce strategy, leadership succession, inclusion and belonging, engagement, and talent risks.
- Regulatory & Stakeholder Expectations: Growing pressure from private investors, lenders, and rating agencies for more transparent governance practices—even for nonpublic entities.

Director pay programs are increasingly calibrated to reflect this broader scope of accountability and expertise.

Conclusion

Private company director compensation continues to evolve alongside rising governance expectations, a more competitive talent market, and the growing need for directors with specialized expertise.

Companies designing 2026 director pay programs should:

- Ensure compensation is aligned with the complexity and demands of board service.
- Incorporate synthetic equity or long-term value-sharing mechanisms where appropriate.
- Benchmark using public company data thoughtfully and customize based on company size, ownership model, and industry.
- Recognize the increasing importance of AI, cybersecurity, and human capital oversight in determining competitive pay.

A well-designed director compensation program remains a critical tool for attracting, retaining, and motivating high-quality board members who are capable of guiding organizations through a period of rapid change, regardless of public/private status.

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About the Author

Ed is a consulting team leader with 25+ years advising boards and senior management on executive compensation for public and private companies to help design pay programs aligned with performance, governance, and stakeholder expectations.

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.