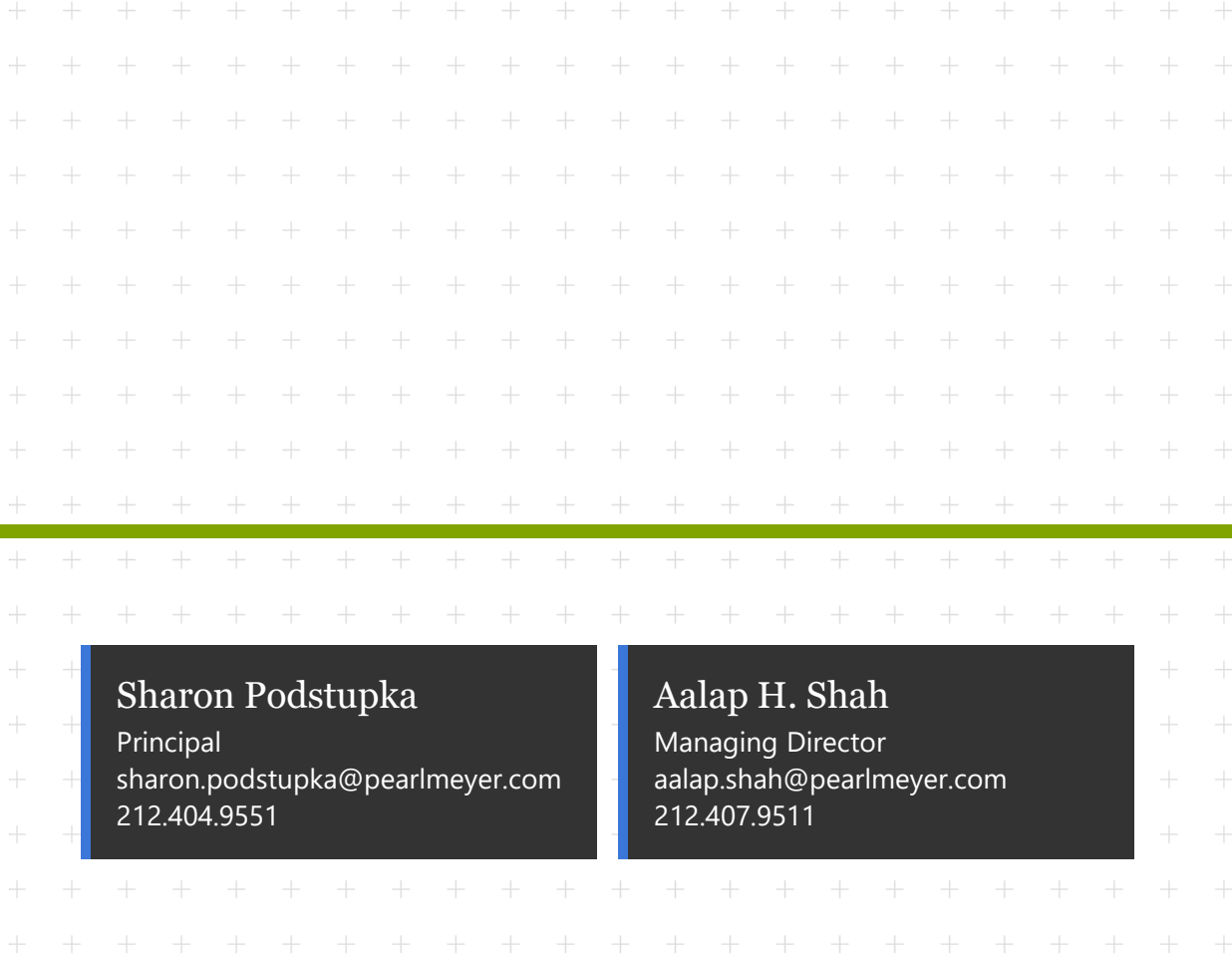


**Pearl Meyer**

# On Point Survey: Clearly Communicating Executive Pay



Executive Summary

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# Introduction

Boards—and compensation committees in particular—thoughtfully develop executive pay programs with attraction, retention, and motivation in mind. But is there a commensurate amount of investment and effort dedicated to communicating the details and the potential value of those programs to the executive team? If not, boards may be missing an opportunity to engage with their leaders and boost the effectiveness of executive pay. Pearl Meyer recently conducted a survey to learn:

- + How boards and their management teams are educating participants about their executive compensation opportunities;
- + If boards and their management teams believe their executives understand how their compensation is structured and delivered; and
- + If boards and their management teams believe executives appreciate the value of their compensation and how it compares to their internal colleagues and external peers.

*The bottom line is that this data provides boards and management teams with an opening to align their perceptions and revisit their communication strategies. It will be time well spent if executives better understand and appreciate the overall value of their compensation opportunities.*

If you have any questions or are interested in discussing these findings, please contact:

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## Survey Details

- + This survey was conducted in May 2024
- + 222 respondents from 102 public companies, 89 private companies, and 31 not-for-profit/government entities provided data

# Key Highlights

Few respondents think the board and/or C-suite are effective at communicating about executive pay, indicating a need for improvement.



## Communication Effectiveness

- + Only a small percentage of respondents (17.9%) believe that the board and/or C-suite is effective in communicating with executives about their compensation plans
- + Directors are more likely to think that the board and/or C-suite is effective in this area, with 43.3% holding this view and only 12.7% of management sharing this belief



## More Disconnects Between Directors and Management

- + Directors have a more favorable view about the perceived value of total target direct compensation (TTDC) than management (51.6% vs. 29.4%)
- + Directors are also more likely to think that executives' understanding of their TTDC opportunities is "excellent" than management (32.3% vs. 16.7%)



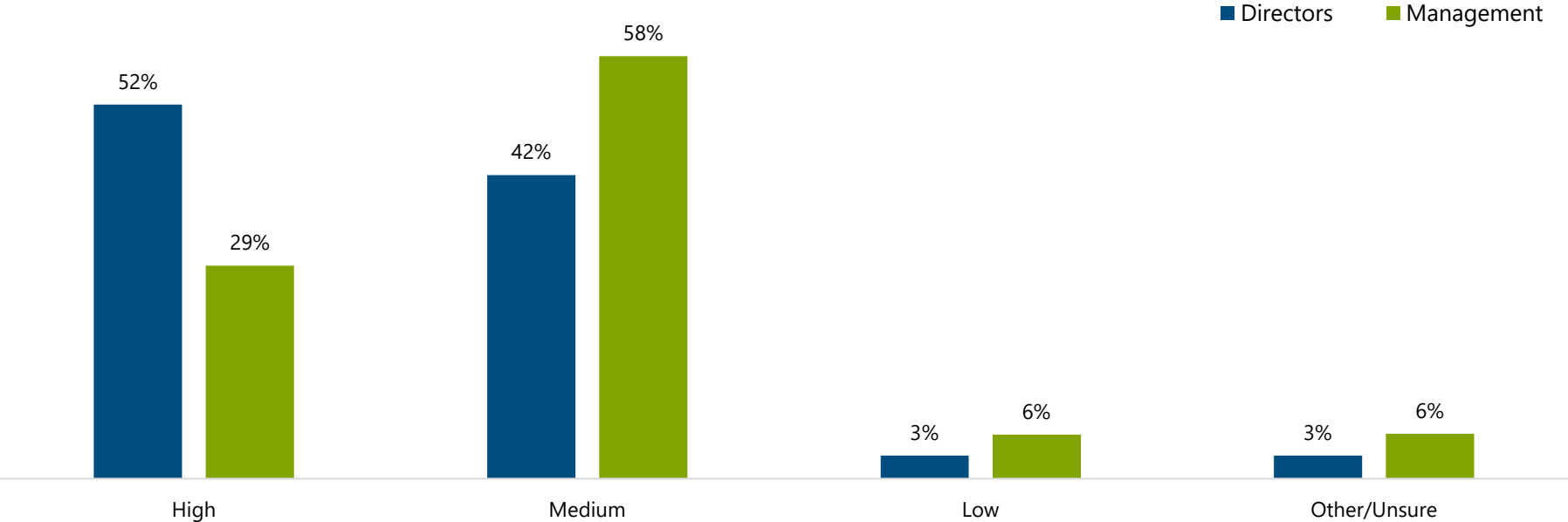
## Ways to Improve

Respondents indicated several ways that boards and/or C-suites could improve their executive compensation communications by using several different strategies: more information on progress toward goals (49.2%), increased detail (44.8%), increased frequency (38.3%), more opportunity for Q&A (38.3%), and more transparency about the goal setting process (38.3%)

# Perceived Value of Total Target Direct Compensation (TTDC)

Management is less likely than directors to believe that executives highly value their TTDC opportunities.

How Executives Rate the Value of their TTDC  
(includes base salary, annual, and long-term incentive opportunities)

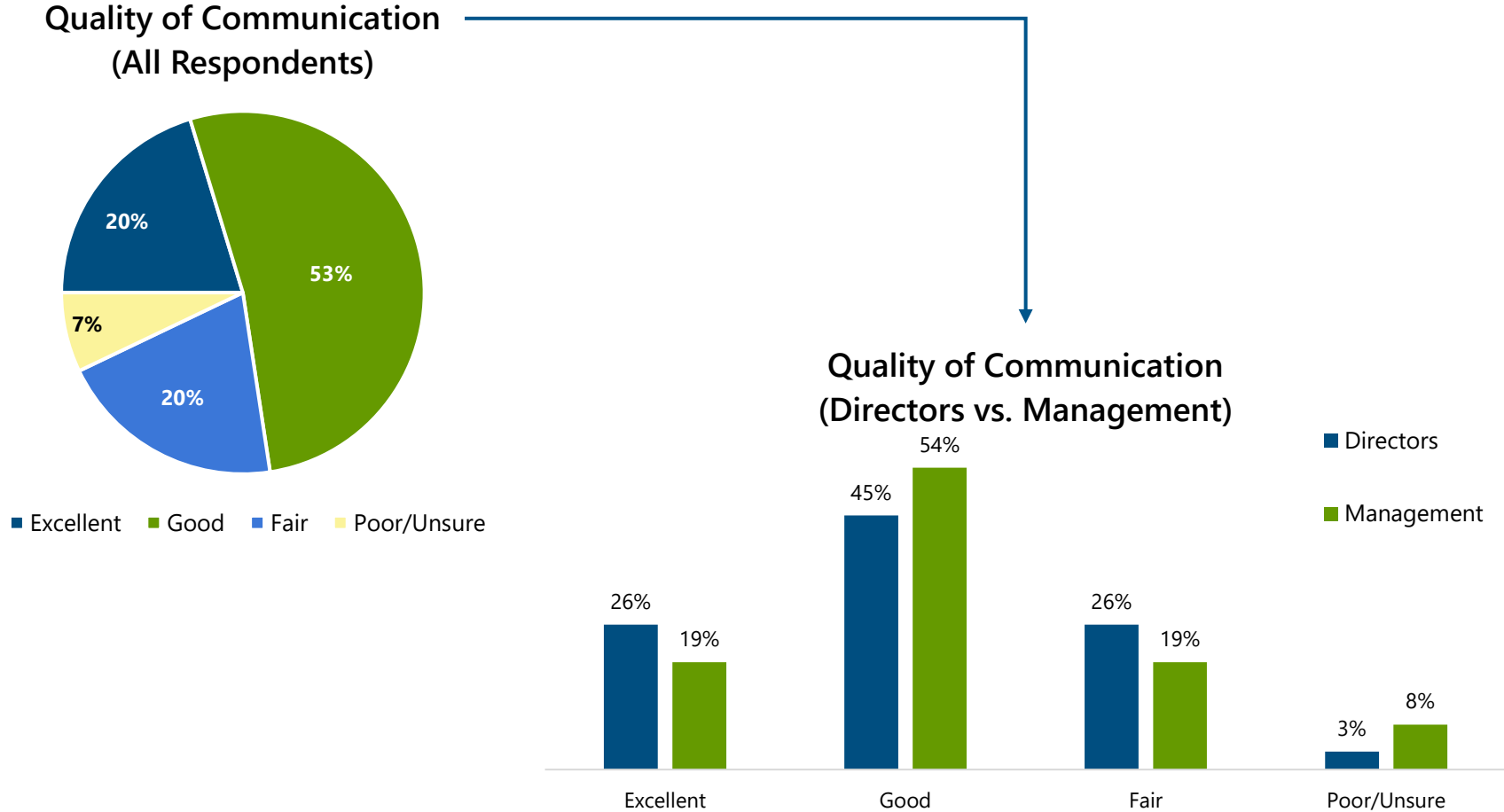


## Observations/ General Conclusions

- + Overall, the findings indicate a significant divergence in perceptions of how executives value their compensation, with directors having a more favorable view than management
- + This suggests a need for better alignment among directors and management on how compensation communications are developed and delivered to executives

# Quality of Communication

While the majority view the communication about TTDC positively, there is still significant room for improvement.



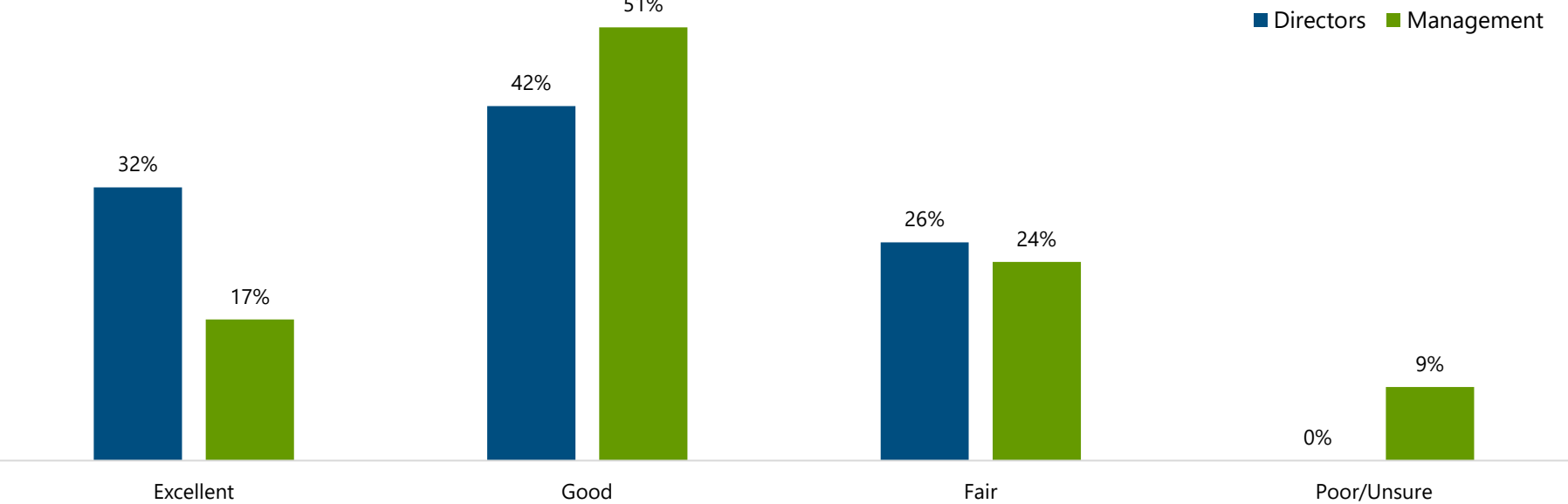
**Observations/  
General Conclusions**

- + With over a quarter rating quality as "fair" or "poor" and only one of five respondents rating it "excellent," this suggests that many feel that communication could be more effective
- + Like the different perceptions around the value of TTDC, responses also suggest a gap between how directors and management view the quality of communications

# Perceived Understanding of TTDC Opportunities

Directors are more far more likely than management to believe that executives' understanding of their TTDC opportunities is "excellent."

Executives' Perceived Understanding of TTDC Opportunities



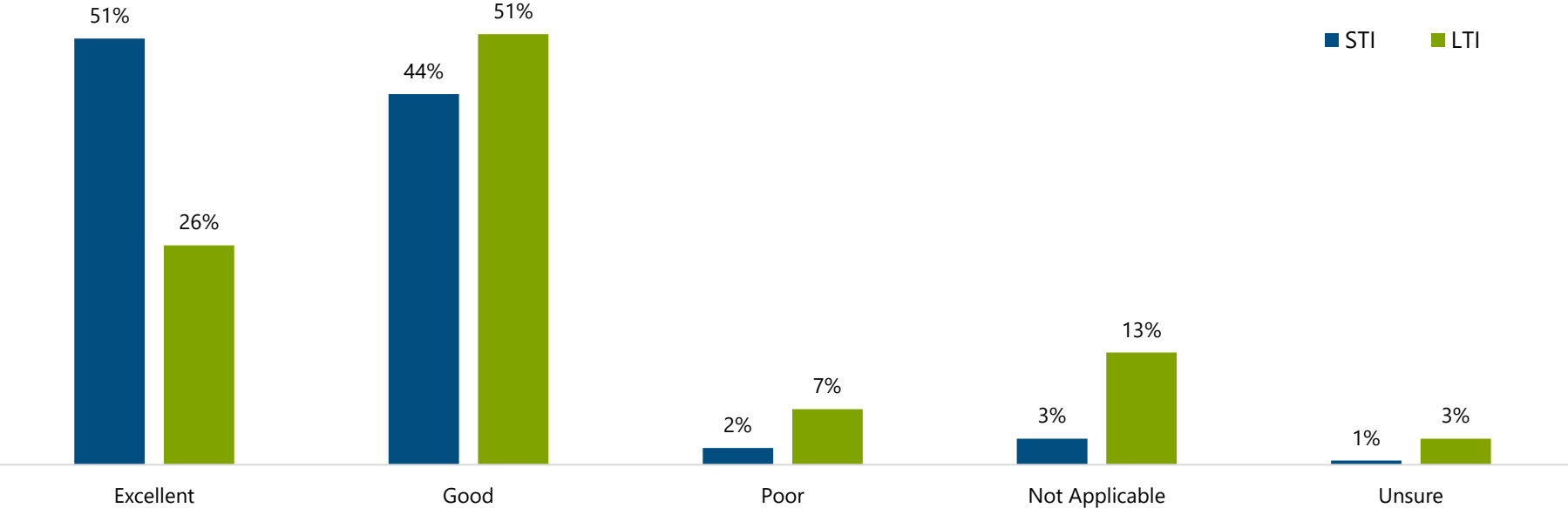
**Observations/  
General Conclusions**

- + Perceptions are different between directors and management, with directors being more positive than management about how well their executives understand how their TTDC opportunities are determined
- + This gap indicates a need for improvement in how information about executive compensation is delivered to and discussed with participants

# Perceived Understanding of Incentive Plans

Executives are well-informed about their overall incentive opportunities, but there is room to enhance education on long-term incentives.

Executives' Perceived Understanding of Incentive Plans



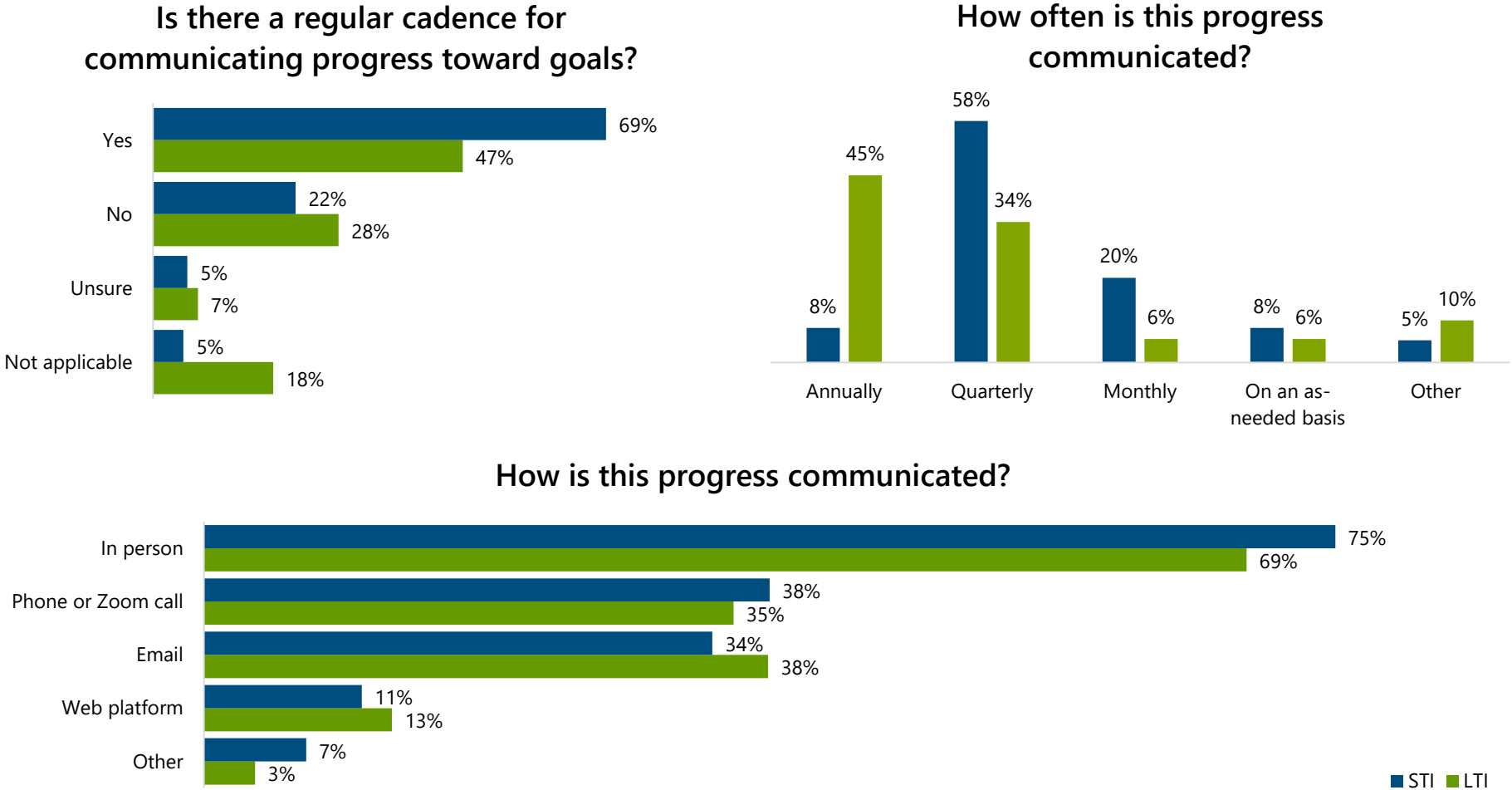
### Observations/ General Conclusions

- + Executives are perceived to have a solid understanding of their incentive award opportunities, particularly for short-term incentives (STI)
- + However, there is slightly less confidence in their understanding of long-term incentives. (LTI)
- + It appears that more frequent communication on STI may be driving higher levels of understanding (next page) vs. LTI



# Communication of Progress Toward Incentive Plan Performance Goals

Not surprisingly, companies are more proactive and frequent in communicating progress on STI goals compared to LTI goals.



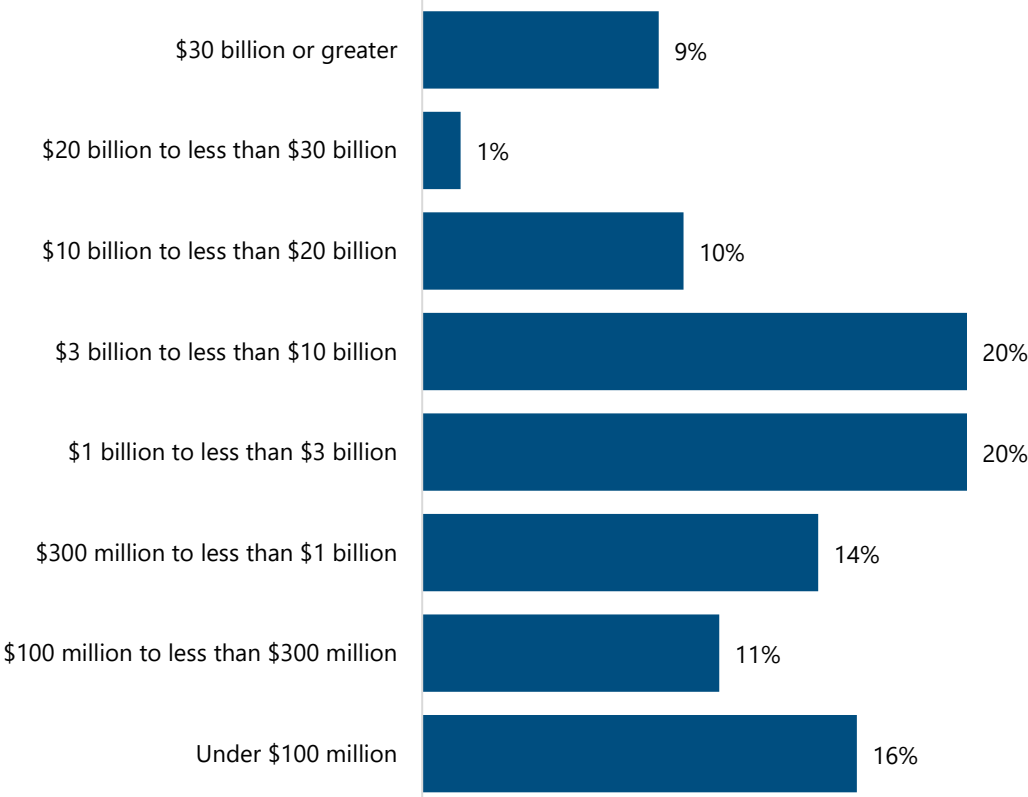
**Observations/  
General Conclusions**

- + Companies regularly update executives about STI goals, with most opting for quarterly in-person meetings to communicate progress, reflecting a commitment to keeping participants informed and engaged
- + Keeping participants engaged and focused on LTI metrics and goals may require a strategy that commits to a more frequent and consistent messaging platform

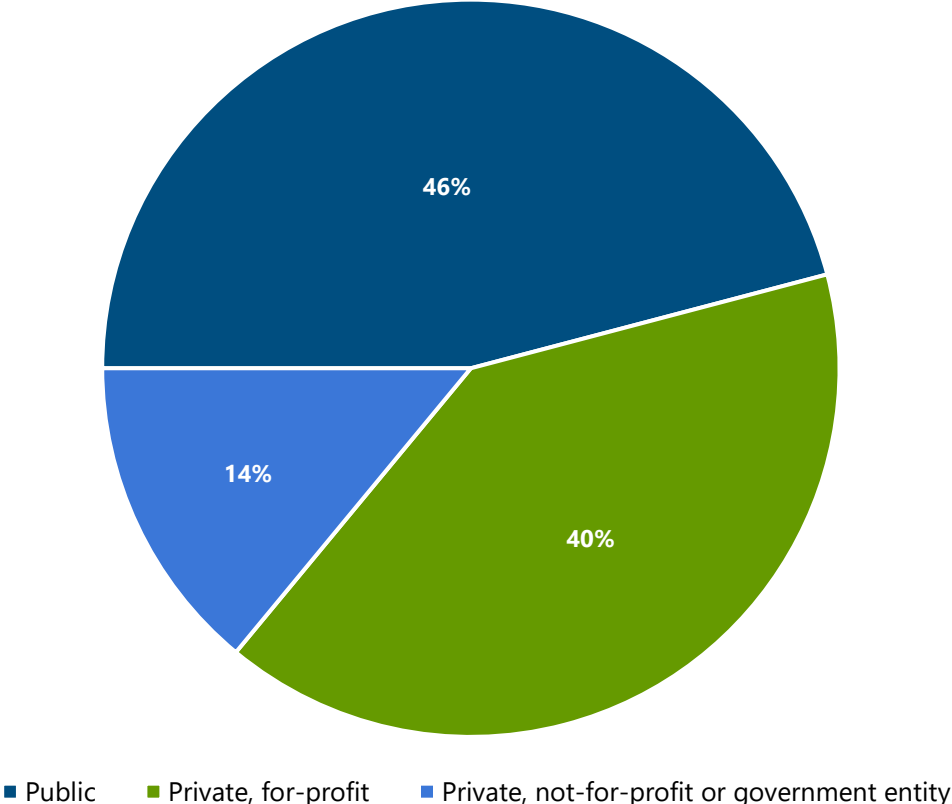
# Demographics

## Respondents by size and organization type

Revenue, Asset Size, or Operating Budget



Organization Type



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