



ECONOMIC
RESEARCH
INSTITUTE

ERI UPDATE

Quarterly Notes for ERI Subscribers

Cloud Assessor Series - New Features

ERI continues to add features to its cloud-based **Assessor Series**® based on customer requests. The **Nonprofit Comparables Assessor**™ now displays reliability statistics for the selected job and location. New in the **Salary Assessor**®, the Salary Planning sheet includes several additional columns: Details, Internal Title, Performance, Hire Date, Survey Incentive, Actual Incentive, and Employee Location. Users can customize the Survey Estimate calculation, displaying the mean, median, or a specific percentile based on revenue size, years of experience, or level. It is now possible to quickly view definitions of terms and add or remove particular columns in the Salary Planning table. What's more, the **Salary Assessor** allows users to import up to 500 rows of data for all of the new columns to the Salary Planning table.

#	Department	Employee Name	Position Title	Survey Estimate	Survey Details	Pay Grade	Midpoint	Present Salary	Compa Ratio	Planned Action	Data Plan Incre:
1	Lincoln High	John Doe	Accountant	\$67,513	8 yrs/Mean	26	65,360	\$55,000	99.3	\$800	1/1/21
2	Lincoln High	Jane Smith	Superintendent	\$53,080	rev 100M/Mean	21	43,375	\$40,000	92.2	\$600	1/1/21
3	Lincoln High	Burt Cooper	Librarian	\$69,893	8 yrs/50%	26	65,360	\$54,000	97.6	\$600	10/15/21
4	Lincoln High	Lean Hanko	Athletic Coach	\$43,639	1 yrs/Median	15	32,368	\$30,000	92.7	\$300	10/15/21
5	Administrative	Lisa Jane	Principal Headmaster	\$92,059	N 2/Mean	35	85,882	\$80,000	93.2	\$1,000	10/9/21
6	Administrative	Michael Korn	School Administrator (Pr	\$103,418	9 yrs/Median	35	85,882	\$88,000	102.5	\$800	10/9/21
7	Custodial Sta	Edward Nobel	Janitor	\$28,629	2 yrs/40%	9	24,154	\$22,000	91.1	\$200	10/9/21
8	Custodial Sta	Sandy Spector	Janitor	\$32,142	5 yrs/40%	9	24,154	\$25,000	103.5	\$100	10/9/21
9	Custodial Sta	Alice Chancellor	Janitorial Supervisor	\$72,522	7 yrs/Mean	26	65,360	\$55,000	99.3	\$500	10/15/21
10	Lincoln High										

For more information about the cloud-based **Assessor Series**, contact us for a guided tour or sign up for a product webinar. To learn more about new features and view a list of recently added jobs and locations, visit this new page about the latest release of ERI's cloud-based product suite: www.eri.com/whatsnew.

Executive Compensation Index

The ERI Executive Compensation Index is a quarterly report that measures trends in executive compensation using analysis of the companies included in the Russell 3000 index. The Russell 3000 is comprised of 3000 publicly traded US firms that collectively represent roughly 98% of the investable equity market in the United States. The ERI Executive Compensation Index specifically highlights compensation for three executive positions:

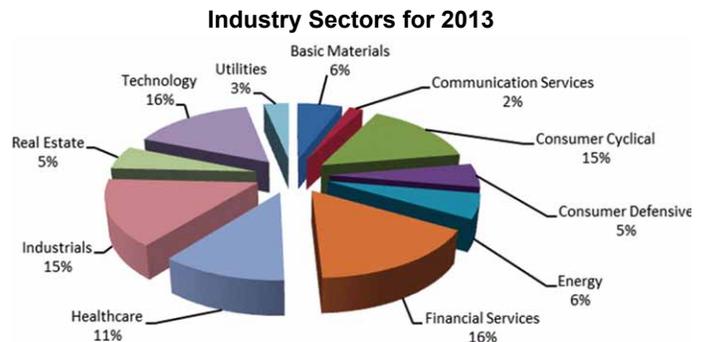
- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer

This report also discusses the fluid landscape for the benchmark and analysis of executive compensation packages. Analysis of public company disclosures drive this discussion.

Company-Level Data

Median revenue for the Russell 3000 increased 6.6% from 2012 to 2013. The median revenue for companies in the index was just over \$787 million in 2013. From 2008 to 2009, median annual revenue dropped more than 12% for this group. Since 2009, median revenue is up more than 25%. Roughly 70% of companies in the index saw positive revenue growth in 2013, while 38% increased revenue by at least 10% over 2012.

The chart below illustrates the 2013 Russell 3000 by industry sector. Financial services and technology companies were the most prevalent, collectively representing 32% of the index. Industrial manufacturers and cyclical consumer goods providers each represent 15%.



To read this Executive Compensation Index in full, please see www.eri.com/whitepapers.

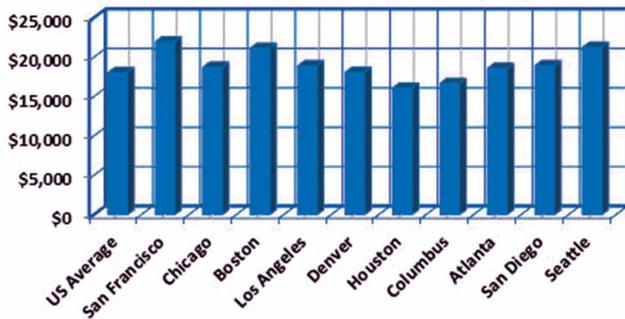
COST OF LIVING

Accurate Rental Data for COL Analysis

Rising demand for rentals combined with falling vacancy rates in the larger US cities mean tight rental markets. HR and mobility professionals need to closely monitor rental prices for relocating employees since housing is a major component of cost-of-living differentials. The desire of many Millennials to live in more urban settings and retain locational flexibility (rent rather than become homeowners) makes accurate rental data even more critical to analyzing and providing competitive relocation packages. The importance of precise cost-of-living data is magnified for organizations attracting top talent in competitive industries.

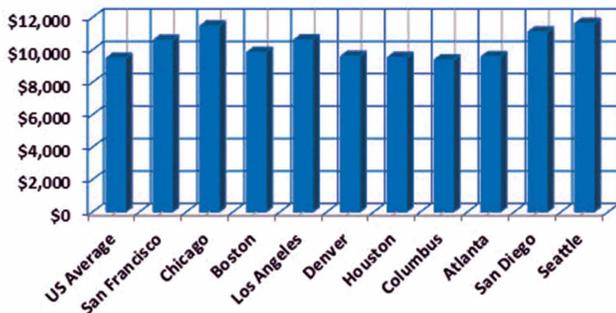
Below we outline the cost-of-living differentials by expenditure category for major cities in the US as compared to the US national average. The illustration uses **Relocation Assessor**® data for an individual making \$80,000 annually who is married and renting a two bedroom, two bath apartment (900 square feet). We include comparisons by expenditure category to illustrate housing as the most important contributor to differentials.

Consumables



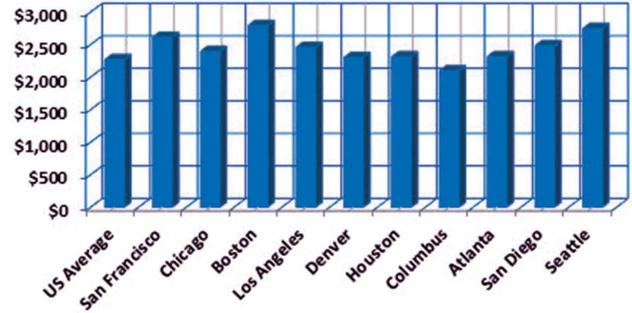
Consumables compare a market basket of typically purchased goods and services. Both Houston and Columbus are below the US average of \$18,018, while Boston, San Francisco, and Seattle are far above the average. The range is from \$16,076 (Houston) to \$21,949 (San Francisco).

Transportation



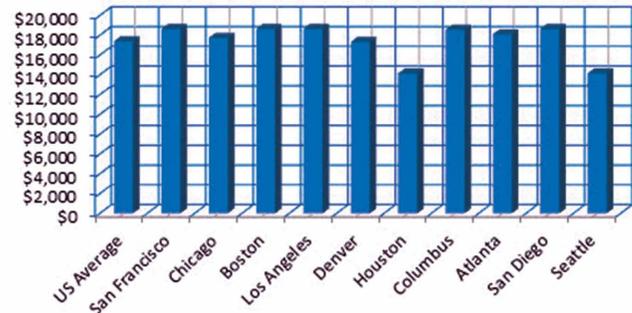
The range of transportation costs varies between \$11,624 (Seattle) and \$9,379 (Columbus), with the US average at \$9,490.

Health Services



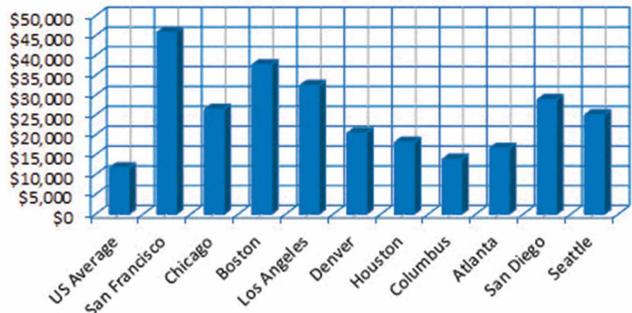
Health services have the smallest range around the national average of \$2,266.

Income + Payroll Taxes



Both Texas and Washington have no state income tax, thus tax differentials for Houston and Seattle are significantly lower than the national average. The estimated effective federal tax rate (including payroll taxes) for a married couple is 17.7% (\$14,136). Adding estimated effective average state income tax brings the national average to 21.7% (\$17,392). Some jurisdictions, such as Denver, have an additional local income tax which is added to the federal and state tax estimates in the calculations.

Rent/Utilities/Insurance



As expected, housing costs in all the cities are higher than the US average of \$11,678 in annual cost of Rent/Utilities/Insurance. San Francisco is almost four times higher at \$45,825, while Boston is slightly more than three times higher at \$37,661. The city closest to the US average is Columbus at \$18,085.

ERI SALARY SURVEYS

ERI Subscribers: Free Compensation and Benefits Surveys with Participation

As an additional bonus to your ERI **Assessor Series** subscription, we invite you to participate in our 2015 collection of compensation and benefits surveys to receive the PDF results for free. Take advantage of this opportunity to receive direct participant data as well as add to the validity of the **Assessor Series** databases that you use. In addition to our industry and job function compensation surveys, **ERI Salary Surveys** offers two benefits surveys: the **Health Care Benefits Benchmarking Survey** and the **Benefits in Nonprofit Organizations** survey. These benefits surveys were designed to assist organizations in benchmarking health plan costs and practices with other employers in the external marketplace in order to evaluate the effectiveness of current strategies or potential changes.

Health Care Benefits Survey

January is the final month to participate in the eighth annual **Health Care Benefits Benchmarking Survey**. Submit your organization's data before January 31, 2015, to receive a 50% discount on the report. (**Assessor Series** subscribers receive the results for free with participation.)

The survey provides a timely and accurate measurement of health care plan costs that can serve as a reference when considering plan changes and cost-saving strategies. The report features sections on general benefits practices, general features of medical coverage, and co-payment requirements, as well as prescription drug plans, dental and vision benefits, and more. Data are presented by organization sector, industry group, organization size, and geographic region.

Over the past several years, health insurance has consistently consumed a larger portion of employer costs – in some situations, preempting pay increases. To defray the costs, many employers have been shifting to less expensive options for health care offerings. Given the recent attention paid to benefits management by HR professionals, combined with legislation under the Patient Protection and Affordable Care Act and potential penalties and fees for employers, it stands to reason that executive and financial leadership will have a heightened interest in benefits decisions moving forward.

Examples of cost-saving measures reported in the 2014 survey follow:

- 54% increased employee contribution to premium.
- 20% increased prescription co-payment or coinsurance amounts.
- 24% increased medical co-payment or coinsurance amounts.
- 32% increased deductible amounts.
- 26% increased out-of-pocket maximum amounts.
- 14% changed the drug formulary.
- 9% moved to self insurance.

Data for the 2015 survey are collected from October 1, 2014, to January 31, 2015, with an effective date of benefits data of January 1, 2015. Organizations may download the survey questionnaire online at <http://salary-surveys.eri.com> or by contacting survey.sales@eri.com.

Participate in Compensation Surveys

ERI subscribers may participate in compensation surveys via the Salary Surveys field of the cloud-based **Platform Library** (or from the Survey Questionnaires button in the installed **Platform Library**) until March 31, 2015. Either link will direct you to a full listing of our industry and job function compensation surveys on the **ERI Salary Surveys** website. Simply click on a survey title for participation options. Participation history is automatically saved online, allowing users to access previous years' submissions within their secured digital lockers, update the data, and resubmit for the current participation period. There is also the option to download an Excel® spreadsheet or PDF of the survey questionnaire for submission by email or mail.

We welcome ERI subscribers to participate in any applicable compensation survey to become eligible for the free report published in August. Non-subscribers are also encouraged to participate in any of our surveys to receive a 50% discount on purchase price. **ERI Salary Surveys** ensures that all data collected in our questionnaires will remain confidential. Your organization's name will appear in the participant list of the completed report unless you specifically request to be excluded from the list. Visit us online for more information or contact us at 877-210-6563.

Benefits in Nonprofit Organizations

Nonprofit organizations are faced with additional administrative challenges regarding benefits management due to limited funding for competitive packages. The **Benefits in Nonprofit Organizations** survey serves as a valuable reference for comparing offerings to those of other nonprofits on the same playing field.

Participation in the 15th annual report will continue until March 31, 2015. Participating organizations save 50% on the purchase of the survey, published in July. Participating ERI subscribers receive the report for free.

In addition to a strong focus on medical, prescription, and dental costs, the **Benefits in Nonprofit Organizations** survey also reports data on life and disability insurance, retirement plan practices, paid leave, executive perquisites, and various other benefits. Data are reported by organization scope, type, size, and geographic location.

NONPROFIT PAY & UPCOMING WEBINARS

Pay Raises for Nonprofit CEOs?

With 2015 pay raises in the minds of many nonprofit leaders and their boards, this is a good time to look at publications of annual reports about pay raises for nonprofit executives. Let's review some of the findings of recent reports and see how helpful they will be for setting executive compensation that will be market-based and in line with IRS regulations.

Here are some key points from *The Chronicle of Philanthropy's* annual compensation survey:

- Big nonprofits and foundations are beginning to finally pay executives more than the inflation rate, with a median increase of 4.9% between 2011 and 2012 (*The Chronicle* tracks only 82 organizations, the largest charities in the US.).
- Excluding the 20 groups that cut pay or kept it flat, the remaining 62 organizations in *The Chronicle's* survey increased CEO pay 6.8% in 2012.
- Compensation was more than \$2 million for 18 CEOs.

GuideStar's annual study was also released in October and gives a broader view of increases in the sector, as the research includes data from about 91,000 organizations. Consider these findings:

- The median pay increase for top executives at nonprofits was 2.2% in 2012, up from 2% in 2011 and 1.6% in 2010.
- There is a significant gap between pay in larger and smaller charities, and it appears to be widening. For CEOs in the largest charities, the median increase was about 4% in 2012 (median salary of \$444,108), while the average increase for heads of charities with less than \$250,000 was approximately 1% (median salary of \$44,806).

So what is the "right" increase for 2015? Using these reports, one could conclude a range between 1% and 7% – of course, the reports are of CEO pay increases between 2011 and 2012. Obviously, those determining an annual pay raise for a charity executive must do research far beyond reading some averages and medians for the nonprofit sector as a whole or even the groupings available in these reports.

The factors that influence compensation remain the same: what you do (the job) and where you do it (type, size, and sometimes location of organization). The data that are needed for comparison must be collected from similar organizations, and what is important to the market is the salary paid, not the rate of increase. The rate of increase for a CEO in a specific organization should be based on how the current pay aligns with the market rate for the position as determined by the comparable data. Overall averages and medians always seem to be of great interest but often are a poor basis to determine market rates that follow IRS criteria. Read more at www.eri.com/Blog/post/2014/09/22/Pay-Raises-for-Nonprofit-CEOs.

Public Webinars

For more information, see www.eri.com/Webinars.

Designing Base Pay Structures

January 21, 2015 – 9:00 AM - 10:30 AM (PST)

This webinar provides information and tips that may be used to effectively design a base pay structure with compensation levels that remain internally equitable, externally competitive, and cost effective. Various approaches that may be used in assigning jobs of equal internal value or worth into grades within the structure will also be discussed.

Designing Executive Compensation Packages

February 10, 2015 – 9:00 AM - 10:30 AM (PST)

This course is an introduction to executive compensation focusing on topics applicable to publicly traded and privately held corporations (with a few targeted topics related to executive compensation in nonprofits). It will cover total compensation elements and will include base salary, short-term incentives, long-term incentives, deferred plans, benefits, and perquisites.

Compensation Basics

March 17, 2015 – 9:00 AM - 10:30 AM (PST)

This introductory webinar examines methods and processes essential for compensation practitioners such as job analysis, job documentation, and job evaluation. Several analysis techniques will be discussed that may be used to obtain relevant information about each distinct role performed within an organization for appropriate documentation. Guidelines for conducting a job analysis interview will be provided, and suggestions will be given for designing an effective job analysis questionnaire.

Subscriber Webinars

For more information, see www.eri.com/Webinars.

Geographic Assessor Training

January 8, 2015 – 9:00 AM - 10:00 AM (PST)

February 5, 2015 – 9:00 AM - 10:00 AM (PST)

March 5, 2015 – 9:00 AM - 10:00 AM (PST)

Executive Compensation Assessor Training

January 22, 2015 – 8:00 AM - 9:00 AM (PST)

February 19, 2015 – 8:00 AM - 9:00 AM (PST)

March 19, 2015 – 8:00 AM - 9:00 AM (PST)

Relocation Assessor Training

January 29, 2015 – 8:00 AM - 9:00 AM (PST)

February 26, 2015 – 8:00 AM - 9:00 AM (PST)

March 26, 2015 – 8:00 AM - 9:00 AM (PST)

Salary Assessor Training

January 13, 2015 – 9:00 AM - 10:00 AM (PST)

February 10, 2015 – 9:00 AM - 10:00 AM (PST)

March 10, 2015 – 9:00 AM - 10:00 AM (PST)