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ERI UPDATE

Quarterly Notes for ERI Subscribers

New in the Cloud-Based Assessors

ERI continues to add features to its cloud-based **Assessor Series**® based on customer requests. New in the **Salary Assessor**®, users are now able to analyze lower level (non-executive) jobs by revenue in addition to years of experience. This is a huge improvement based on subscriber feedback through the years. ERI also added the ability to input years of experience for lower level positions in the Benchmark List and Geographic List. What's more, the Salary Planning sheet in the **Salary Assessor** has been upgraded significantly, allowing users to make large scale changes to similar jobs, such as the application of a specific planned action (e.g., a percentage increase or planned increase amount) to all jobs analyzed by years of experience. There are also more options to import and work with data, with users now able to upload data by department, pay grade, experience or organization size, location, and more. In addition, the enhanced Salary Planning sheet now allows users to reorder columns to create customized tables.

As the cloud-based **Assessor Series** is continually updated, the **Executive Compensation Assessor**® now includes more robust Canadian pay data due to an increase in the number of information circulars in the database and improved data extraction for fiscal year 2014. ERI also recently added three new Large City Averages to the **Relocation Assessor**® to assist users in analyzing benchmarks in the United States and Canada. Visit www.eri.com/whatsnew to learn more about new features in the **Assessor Series** and view a list of recently added jobs and locations.

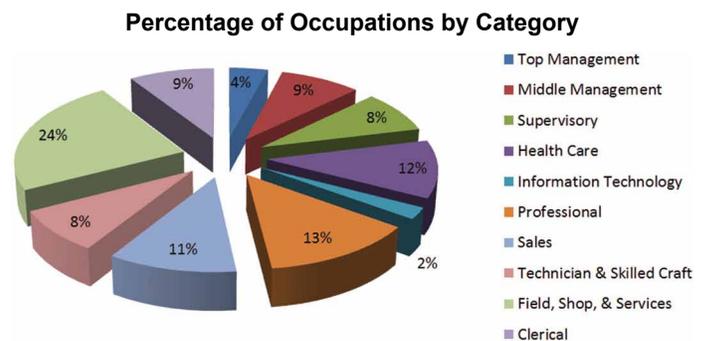
ERI's National Compensation Index

The **National Compensation Index** is designed to capture salary changes across a broad range of jobs found in the United States economy. This index shows how national compensation has changed over the three years prior to the time of publication: July 2015. Specifically, the data range used for this study was July 1, 2012, to July 1, 2015.

The data contained in this report are derived from quarterly results published in ERI's **Salary Assessor**, a professional compensation tool used widely across the public and private sector, including most Fortune 500 organizations. For more background on the **Salary Assessor**, please read the methodology provided under the Help menu in the cloud-based application.

The specific data used in this report represent 2,348 distinct occupations, which were consistently surveyed across the three years covered by this report. These occupations range from the lowest paid occupation that ERI surveys (dishwasher) to the highest paid (CEO) and represent mean base salary. Data are first examined on an aggregate basis before being broken down into 10 occupational categories. ERI's **National Compensation Index** is different from ERI's **Salary Increase Survey & Forecast** (available at <http://salary-surveys.eri.com/?fuseaction=MeritIncreaseSurvey.Main>) in that the former examines growth to the present, whereas the latter examines future projections of growth.

In the process of examining the growth of compensation data on a national basis, the data are broken into 10 specific occupational categories to study changes in compensation at a more granular level. The populations of these categories are illustrated below.



Read more at www.eri.com/whitepapers.

EXECUTIVE COMPENSATION

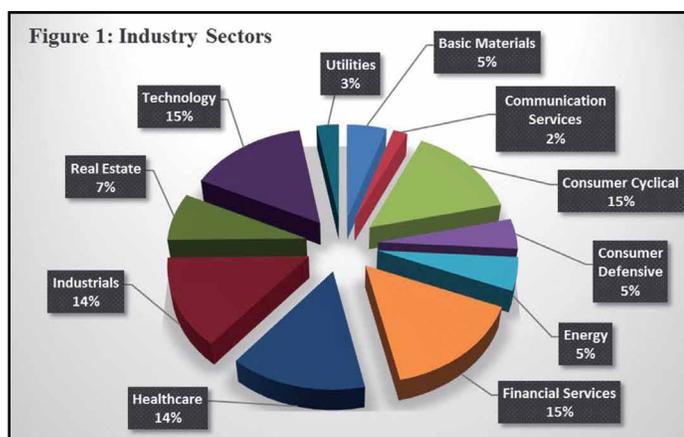
Executive Compensation Index

ERI's **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 securities traded on U.S. stock exchanges that collectively represent roughly 98% of the investable equity market in the United States. Last updated on June 26, 2015, the Russell 3000 includes 2,986 distinct publicly traded companies.

The July 2015 edition of ERI's **Executive Compensation Index** specifically highlights compensation for three executive positions: Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. This report, available at www.eri.com/whitepapers, also discusses the fluid landscape for the analysis and benchmarking of executive compensation packages. Analysis of public company disclosures drives this discussion.

Median revenue for the Russell 3000 increased 4.43% from 2013 to 2014. The median revenue for companies in the index was just over \$810 million in 2014. From 2008 to 2009, median annual revenue dropped more than 12% for this group. Since 2009, median revenue is up more than 25%. Roughly 80% of companies in the index saw positive revenue growth in 2014, while 56% percent increased revenue by at least 10% over 2013.

Figure 1 illustrates the 2015 Russell 3000 by industry sector. Financial services, technology, and consumer cyclical companies each represent 15% of the index. Not far behind are healthcare and industrial manufacturers at 14%.



To analyze executive pay, the Russell 3000 companies were divided into three groups by the most recent market capitalization. The market cap groups were defined as follows:

- Small Cap – less than \$750 million (948 companies)
- Medium Cap – between \$750 million and \$4 billion (1,176 companies)
- Large Cap – greater than \$4 billion (862 companies)

U.S. Board Director Compensation

U.S. organizations, whether their business is tax-exempt, privately held, or publicly traded, will appoint a board of directors as an executive body to act on behalf of their stakeholders, such as investors, shareholders, or donors. The purpose of the board is to ensure proper functioning of the organization in the interests of stakeholders and to comply with relevant laws and regulations. Typically, the board directors will also fulfill various committee and leadership roles to more effectively provide advisement, oversight, and governance.

The research and compensation analytics in this paper present an operating framework for HR leaders and business practitioners who work with boards of directors, covering these topics:

- Committees
- Independence
- Board Roles
- Compensation

This paper utilizes data from 5,510 proxies from publicly traded corporations for the 2014 fiscal year (filed as of May 2015) in order to examine the complexity of board independence and compensation. All benchmark data reflect the median values analyzed.

Board directors serve on committees, which are established to focus on mission critical functions. The Audit & Finance, Compensation & HR, and Governance & Nominating committees are mandated for most publicly traded companies. Additionally, there may be unique committees formed to serve specific business or industry needs (e.g., Science & Technology). ERI Economic Research Institute analyzed the committee composition of 5,510 companies as of the 2014 fiscal year. The most prevalent committees in the sample are as follows:

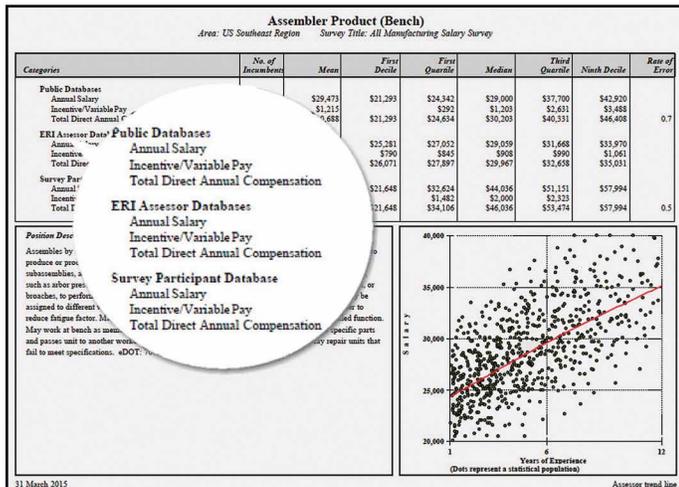
ERI Committee Name	Count	% of Companies
Audit & Finance	5,435	98.64
Compensation & HR	4,578	83.09
Governance & Nominating	4,390	79.67
Executive	805	14.61
Science & Technology	133	2.41
Environmental Health & Safety	115	2.09
Strategic Planning	98	1.78
Investment	87	1.58
Mergers & Acquisitions	40	0.73

Visit www.eri.com/whitepapers to read more about board director compensation in the U.S.

2015 Compensation Surveys Released

ERI Salary Surveys has released its 2015 collection of industry and job function compensation surveys for the United States and Canada. These are traditional salary surveys, reporting employer-provided participant data gathered during the present and prior year (October 2014 to March 2015), complemented by two additional sections of data for comparison purposes. The result is up to three survey sources per benchmark job.

Surveys typically include more than 100 benchmark jobs, from support staff to executive positions. In addition to market-based pay data – annual salary, incentive/variable pay, and total direct annual compensation shown in means, medians, and percentiles – each benchmark position includes a job description, a graph with a trend line and data points, and the Selected Characteristics of the Occupation (optional).



Surveys range in price from \$489 to \$789 and may be purchased at <http://salary-surveys.erieri.com>. All 2015 U.S. surveys are available with national or regional results. The reports are delivered as a PDF or hardcopy document (additional printing and shipping charge applied). For more information, contact us by email at survey.sales@erieri.com or by phone at (877) 210-6563.

2015 Executive Pay Survey Released

Our 2015 **Top Management and Executive Compensation Survey** has been expanded to provide comprehensive data for both cash and non-cash compensation. The new report continues to feature annual salary and bonus pay data, while adding long-term incentives, both cash and equity, that are found in executive compensation packages. The report also allows for the analysis of compensation by company size, with the results separated into four distinct groups based on 2014 company revenues. More information is available at <http://salary-surveys.erieri.com/TopManagementandExecutiveCompensationSurvey>.

Participation Opens for 2016 Surveys

The participation window for **ERI Salary Surveys** opens October 1, 2015, and continues through April 1, 2016. All survey participants will receive the survey's executive summary as well as a significant discount on the purchase of the full survey results. **Assessor Series** subscribers that participate in a survey are eligible to receive the survey report in PDF format for free. Information on our surveys and participation options may be found at <http://salary-surveys.erieri.com>.

How to Participate in Our Surveys

Step One: Choose a Survey by Industry or Job Function

- Select from a variety of compensation surveys for the U.S. and Canada at <http://salary-surveys.erieri.com>. We also offer two benefits surveys that cover medical, dental, vision, and other non-cash compensation.

Step Two: Participate Online or Offline

- Complete a questionnaire online or offline. Each survey page on our website includes an online submission form, as well as Excel and PDF versions of our survey questionnaires.

Step Three: Submit Your Data and Order Form

- Complete the online submission process to submit your data and to order online. Questionnaires and order forms in Excel and PDF formats may be returned by mail, email, or fax.

2015-2016 Salary Increase Report

In September, ERI released the latest **Salary Increase Survey & Forecast** with overall salary budget averages ranging from 2.9% to 3.1% for 2016. As with results of ERI's other compensation and benefits surveys, **Assessors Series** subscribers receive this report free with participation. ERI subscribers must access survey questionnaires from the **Platform Library**® and participate to avoid standard fees. Participation discounts do not apply to **Assessor Series** subscriptions.

Earn Recertification Credits

HR professionals are eligible to receive recertification credits for WorldatWork Society of Certified Professionals® designations (e.g., CCP, CBP, GRP, CSCP, CECP, and WLCP) by participating in **ERI Salary Surveys** compensation and benefits surveys. Each completed survey is eligible for 0.5 recertification credits. A maximum of two surveys from ERI may be used for credit per recertification period. To receive credit, participants may enter their involvement with **ERI Salary Surveys** through WorldatWork's online recertification application in the "Leadership" section" under "Non-WorldatWork Survey Credits." For more information, please contact WorldatWork at customerrelations@worldatwork.org.

UPCOMING EVENTS

Fair Labor Standards Act (FLSA) FAQs

ERI developed the **Occupational Assessor® (OA)** FLSA module over ten years ago to provide organizations with an efficient method for beginning the process of classifying employees as exempt or non-exempt from overtime regulations. For this reason, ERI closely watches all developments relating to the FLSA and to the overtime regulations at the federal level and for the nine select states that the cloud-based OA covers. Not surprisingly, we have received many questions related to the Notice of Proposed Rulemaking announced on July 6 and provide the FAQs below to assist subscribers with planning. ERI's webinar, "Navigating FLSA Compliance," scheduled for December 8, 2015, will address the proposed rule changes (register at <http://dlc.erieri.com/?FuseAction=ShopCartTraining.ItemDetails&ItemID=157>).

How different are the proposed changes?

The proposed changes affect the salary levels of "white collar" exemptions (e.g., Executive, Administration, and Professional exemption tests).

In an effort to keep the regulations current without having to go through the typical proposal-comments-revisions-implementation cycle, the minimum salary level required to be exempt will be based on data from the Bureau of Labor Statistics (BLS). Specifically, the minimum salary will be tied to the 40th percentile of earnings for full-time salaried workers from the annual BLS data. The latest 40th percentile annual salary reported in the context of this proposed change is currently \$47,892 (or \$921/week) and is expected to increase to \$50,440 (or \$970/week) by the time the rule is law. The current salary level is \$23,660.

The annual compensation level of Highly Compensated Exemption test (HCE) which is currently set to \$100,000 is proposed to be changed to \$122,148, which represents the 90th percentile of all salaried employees from the annual BLS data. This test requires that some exempt duties be performed on a "regular basis" and that the annual compensation be met.

How often is the minimum salary level value expected to be updated?

To prevent the effective erosion of the salary level thresholds, the proposed regulations will likely incorporate the requirement to update the salary level annually based on the 40th percentile of the BLS data or possibly based on inflation tied to the Consumer Price Index for All Urban Consumers (CPI-U).

Which states currently have unique overtime laws and are reflected in the product?

California, Colorado, Connecticut, Hawaii, Kentucky, New Jersey, Pennsylvania, Washington, and Wisconsin

Read more of ERI's FAQs related to FLSA at [www.erieri.com/Blog/post/2015/08/18/Fair-Labor-Standards-Act-\(FLSA\)-FAQs](http://www.erieri.com/Blog/post/2015/08/18/Fair-Labor-Standards-Act-(FLSA)-FAQs).

Public Webinars

For more information, see www.erieri.com/webinars.

Proxy Statements & Executive Compensation: Best Practices Case Study – Thermo Fisher Scientific

Part 1 – October 21, 2015 – 9:00 AM - 10:30 AM (PDT)

Part 2 – November 17, 2015 – 9:00 AM - 10:30 AM (PST)

ERI is offering a two-part webinar training series for business leaders who are directly or indirectly involved in executive compensation with publicly traded companies. The topics will be presented in a best practice case study format, with Martin Van Walsum, Vice President Executive Compensation of Thermo Fisher Scientific, co-presenting, providing insight into how a 96.8% Say on Pay approval was achieved. The webinars qualify for CE credits.

Navigating FLSA Compliance

December 8, 2015 – 9:00 AM - 10:30 AM (PST)

Learn what makes a position exempt vs. non-exempt under federal Fair Labor Standards Act (FLSA) requirements and gain insight on properly classifying positions. This course will define a process companies can follow to manage classifications, as well as cover current and anticipated recordkeeping requirements.

Subscriber Webinars

For more information, see www.erieri.com/webinars.

Salary Assessor Training

October 13, 2015 – 9:00 AM - 10:00 AM (PDT)

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

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

Executive Compensation Assessor Training

October 20, 2015 – 9:00 AM - 10:00 AM (PDT)

November 19, 2015 – 9:00 AM - 10:00 AM (PST)

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

Geographic Assessor Training

October 1, 2015 – 9:00 AM - 10:00 AM (PDT)

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

December 3, 2015 – 9:00 AM - 10:00 AM (PST)

Relocation Assessor Training

October 22, 2015 – 8:00 AM - 9:00 AM (PDT)

November 24, 2015 – 8:00 AM - 9:00 AM (PST)

Trade Shows

NASPP 2015 Annual Conference

October 27-30, 2015

San Diego, CA

AICPA Forensic & Valuation Conference

November 8-10, 2015

Las Vegas, NV