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CFMA ASSOCIATION Objective: To provide a basic understanding of the core principles employed in developing compensation plans Rahmberg Stover



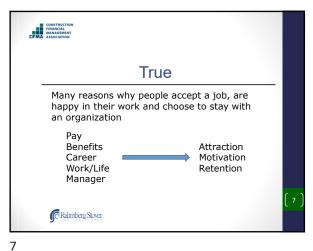
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CFMA ASSOCIATION **False** Just the reverse - compensation management is more of an art than a science Rahmberg Stover

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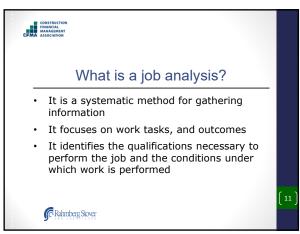




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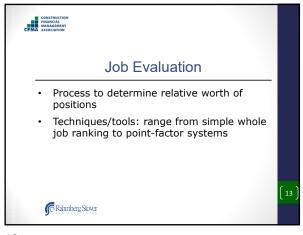
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Job Evaluation, cont'd

• Typical factors considered:

• Education, experience and skill requirements

• Interpersonal/Communication Skills

• Job Complexity

• Judgment/Independence of Action

• Supervisory or Managerial Responsibility

• Impact of Actions/Consequence of Errors

• Working Conditions

• Physical and Mental Demands

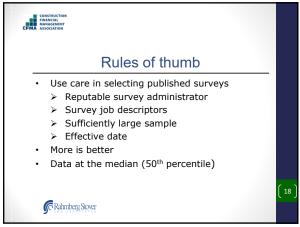
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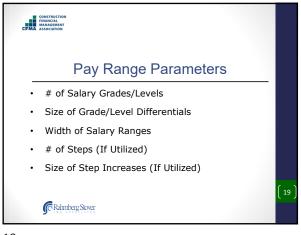


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Approach to developing pay ranges

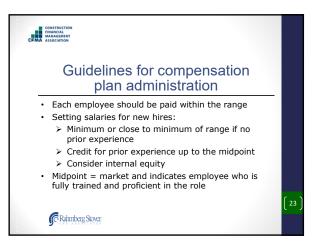
Integrate job evaluation and market analysis results

Align range midpoints to market (at median)
Typical range widths (minimum to maximum) vary between 20%/25% to 40%/50%

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Guidelines for compensation plan administration (cont'd)

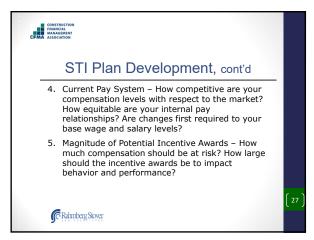
- Above midpoint (above market) reserved for highperforming employee(s) with years of service
- Employee who reaches range maximum considered "red-circled"
- No further increases until range is increased
- Can consider lump sum awards
- Promotional increases 5 - 15%
- Lateral transfer (same market value) - no increase

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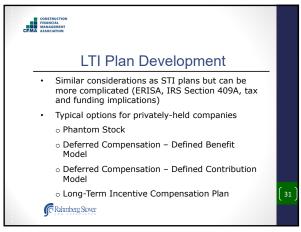


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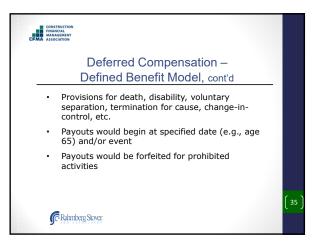


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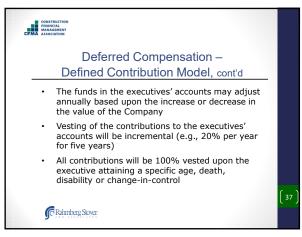
CEMA ASSOCIATION Deferred Compensation -**Defined Benefit Model** Typically benefit is established in relation to final average salary computation over a specified time period and is paid over a specified time period (e.g., 25% of salary per year for 10 years, 50% of salary per year for 5 years) Include incremental vesting and vesting reduction for each year executive separates prior to a specified age (e.g., 65) Vesting can be tied to achievement of company performance targets Rahmberg Stover

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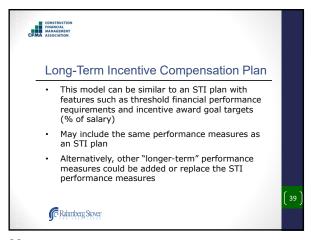


FINANCIAL MANAGEMENT Deferred Compensation -**Defined Contribution Model** Company provides contributions on an annual basis to an account established for each executive participating in the plan The contribution amounts can be correlated to the short-term incentive plan bonus (e.g., equal to the bonus or some percentage of the bonus) as the short-term incentive bonus is a strong proxy for the executive's experience, performance and role, and Company performance Rahmberg Stover

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Congression

Long-Term Incentive Compensation Plan

Would establish a longer time horizon (e.g., 3-5 years) for measuring performance and similarly, payouts could be spread out over multiple years

Provisions are included for separation from the Company prior to retirement and impact of prohibited activities upon separation from the Company

