



Compensation Matters!

Trends & Hot Topics in Total Rewards

Rena Somersan

Managing Principal, Compensation Consulting
Newport, an Ascensus Company

INTRODUCTION

- **Team of 12 Compensation Experts in a company of 6000 RETIREMENT folks**

- Specializing in workforce and executive compensation, incentive comp design, sales compensation, and performance management tied to pay programs.

- **Middle Market Companies, All Industries, Across the U.S.**

- We've got your compensation needs covered!

- **Professional Speaker**

- Traveling all over, presenting to CEOs for 3 hours at a time.
- HR folks, you can thank me later!

- **Global Experience**

- Lived and worked in Japan for 3 years and Turkey for 13 years.
- Compensation issues are the same worldwide – always a pain!
- Had merit matrices with 65% at the center!

- **Travel Enthusiast**

- Always on the move to be with friends and family.
- Pretty sure I was a gypsy in a past life!

- **Pickleball Fanatic**

- When I'm not crunching numbers, I'm smashing pickleball courts!

Rena Somersan

Managing Principal

Rena.Somersan@newportgroup.com
(414) 312-8189

Making compensation fun, one
presentation at a time!



Agenda

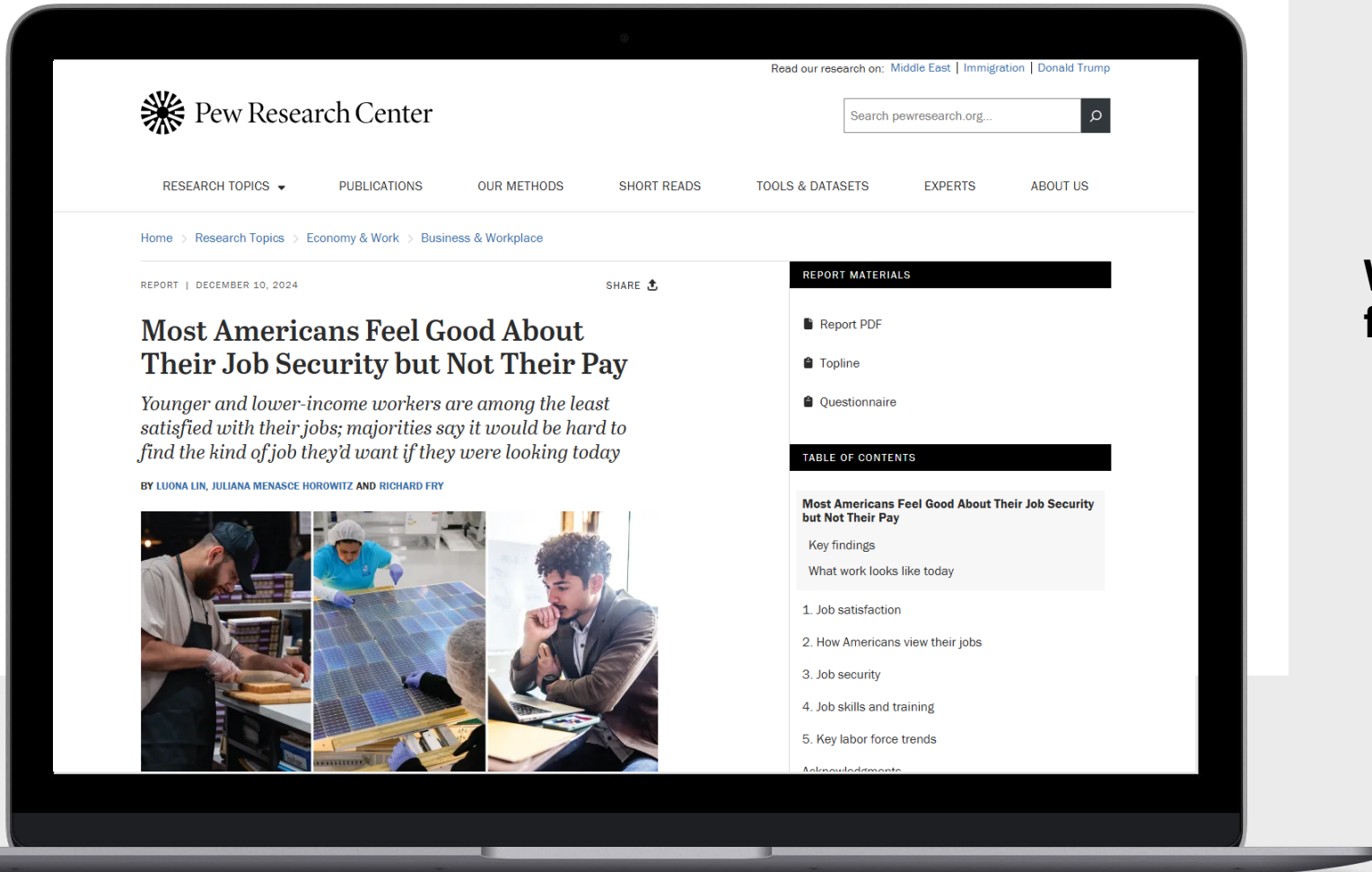
01 Trends in Salary Budgets, Salary Structure and other Increases

02 Key Total Rewards Concepts and Trends

03 Highlights from 15 Top Total Rewards Programs

04 Future Trends

05 Total Rewards Leader Priorities



What Percent of U.S. Workers are feeling satisfied with their job overall?

50%
Extremely/
Very Satisfied



38%
Somewhat
Satisfied

What Percent of U.S. Workers are feeling satisfied with their PAY?

30%
Extremely/
Very Satisfied

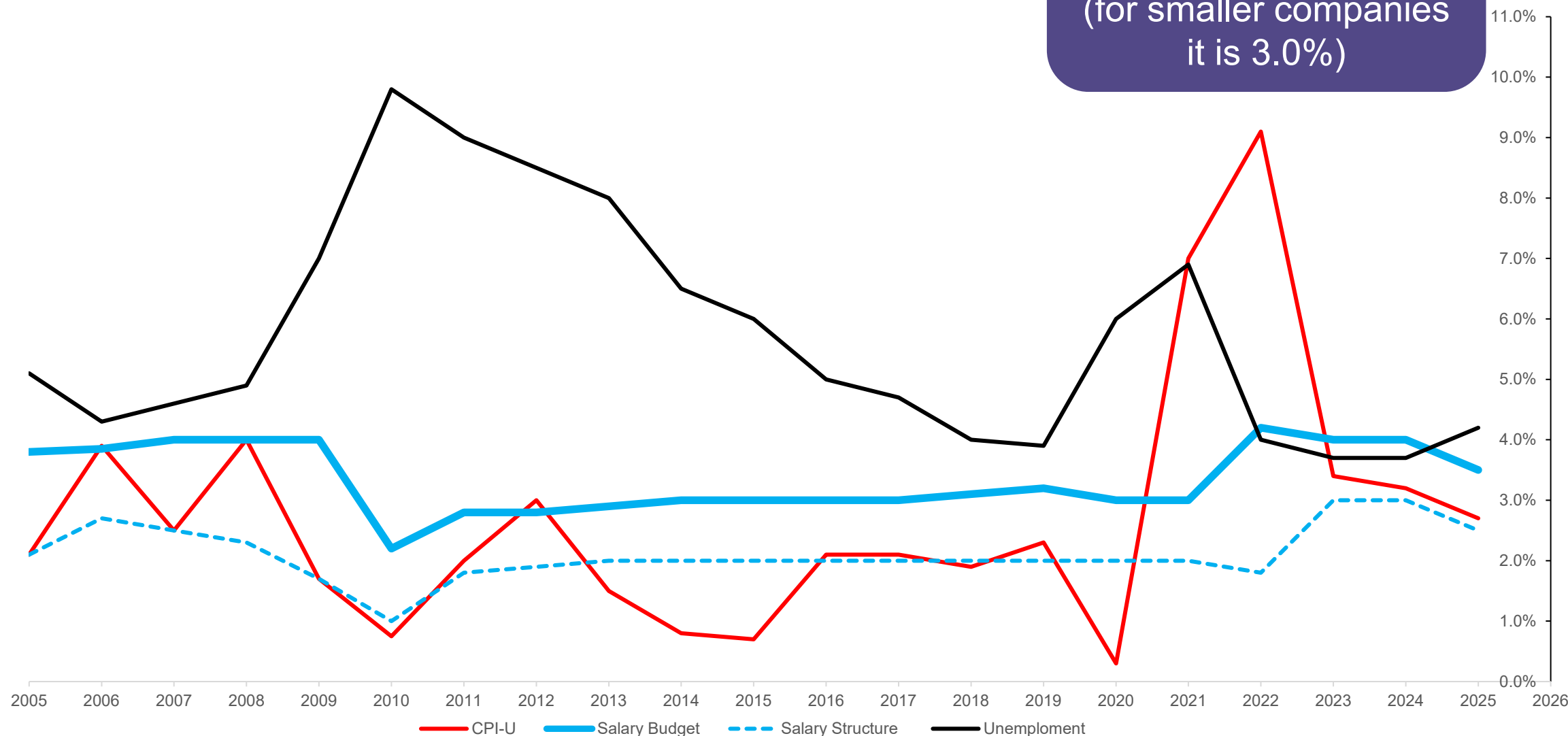


35%
Somewhat
Satisfied

Cost of Living versus Cost of Labor

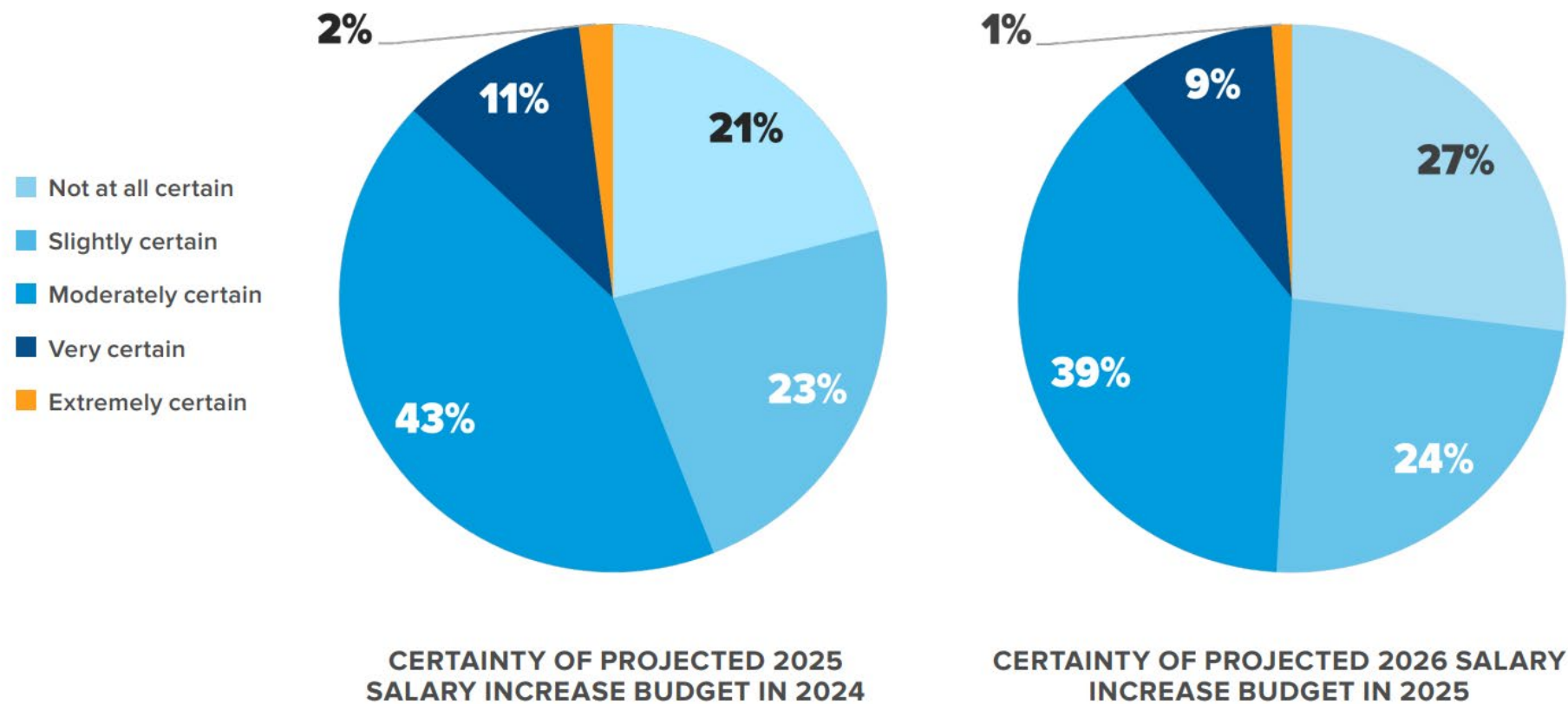
THE W@W FORECAST
FOR RAISES IN 2026 IS
3.5%

(for smaller companies
it is 3.0%)



Source: World at Work Salary Budget Survey data tabulated over the years; CPI and Unemployment from BLR

Uncertainty around the budget remains high



Economic Factors

- **Macroeconomic Forces**

- Indirect, delayed impact on salary budgets
- Trends often lag economic changes by about a year

- **U.S. Economic Growth**

- Slow to modest growth in 2025
- GDP growth fluctuated between 1.8% and 2.4%
- Federal Reserve forecast: 2.1% real annual GDP growth in June 2025

- **Interest Rates and Economic Uncertainty**

- Persistently high interest rates
- Increased uncertainty due to proposed tariff policies
- Hesitancy in U.S. and global markets

- **Consumer Spending**

- Strong in the first two quarters of 2025

- **Federal Reserve Actions**

- Focus on maximum employment and stable prices
- Cautious stance amid moderate growth

- **Consumer Price Index (CPI)**

- June 2025: CPI increased by 0.3% (seasonally adjusted)
- 2.7% increase over the prior 12 months (June 2024 to June 2025)
- Top inflation drivers: housing, energy, and food costs

- **Core Inflation**

- Excludes food and energy costs
- Declined slightly from 3.3% to 3.0% (June 2024 to June 2025)

- **Housing Costs**

- Significant contributor to CPI increases (32% of weighted impact)

- **Labor Market**

- Added 147,000 jobs in June 2025 (state government and healthcare)
- Weekly unemployment claims down nearly 6% (June 2024 to June 2025)
- Job losses in Federal Government and professional services

- **Higher Interest Rates and Trade Policies**

- Affect hiring and job creation
- Potential shifts in trade policies may slow job growth

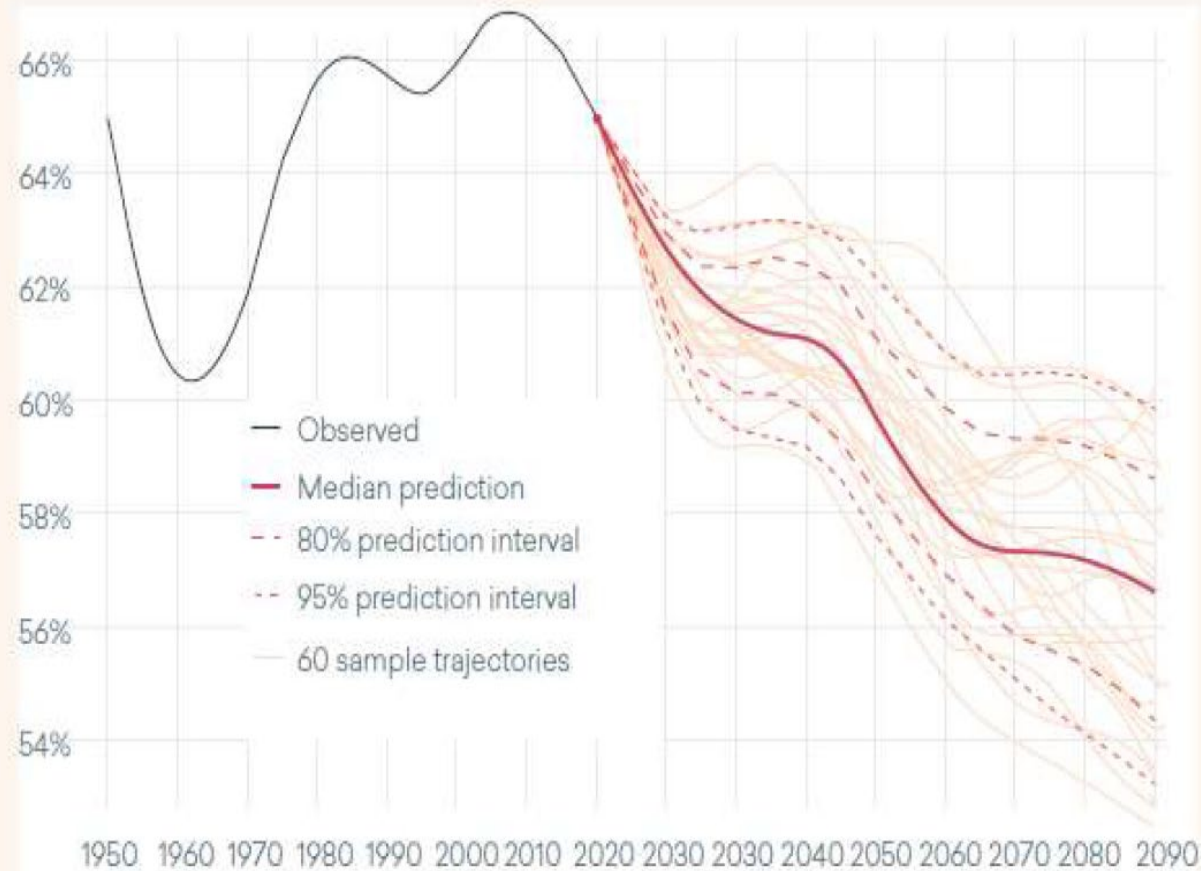
- **Demographic Trends**

- Labor force expected to expand moderately through 2027
- Decline in labor force participation due to Baby Boomer retirements

DEMOGRAPHIC ISSUES

U.S. % of Population

Ages 15-64



Source: United Nations, DESA, Population Division

Fertility Rates

49 OF THE LAST 50 YEARS
BELOW REPLACEMENT LEVEL

U.S. total fertility rate

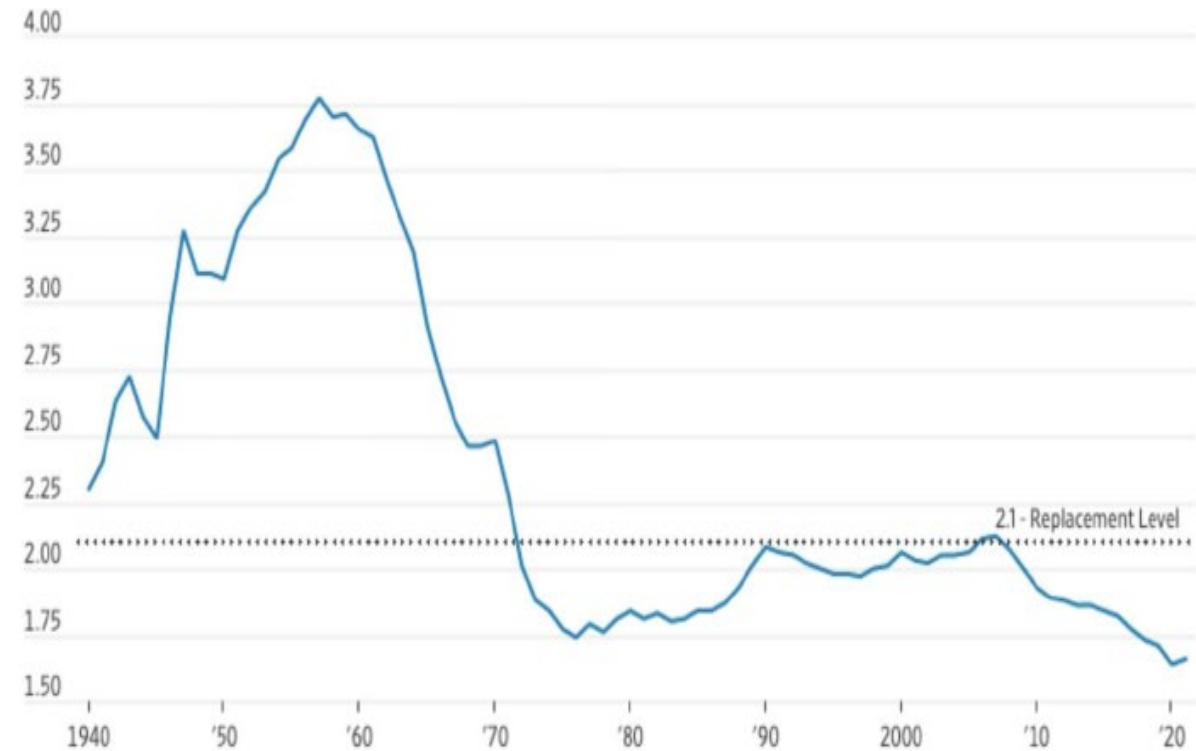


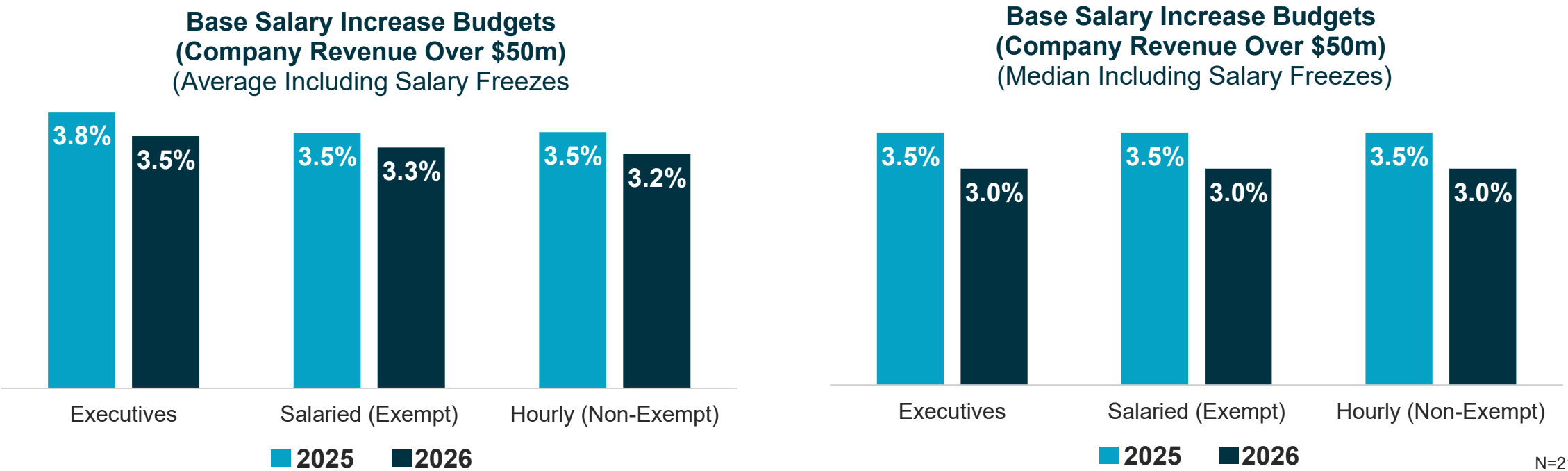
Photo Credit: The Wall Street Journal

Source: Population Reference Bureau
By Diana Elliott, January 20, 2023

Base Salary Increase Budgets (For companies with revenues over \$50m)

QUESTION: What is your organization's actual base salary increase budget for 2025 and anticipated budget for 2026, as a percentage of base payroll for the employee groups below?

When salary freezes (zero % increases) are included, the average 2025 base salary increase budgets are between 3.8% for executives (where more salary freezes were reported) and 3.5% for salaried and hourly staff. Between 10-23% of participants indicated a zero % increase. Median 2025 salary budgets are 3.5% for all employee groups. Slightly lower budgets are anticipated for 2026 for all categories. This is a shift as the labor market continues to moderate and there is economic uncertainty. Results are indicating that employers are planning to provide lower increases in 2026.

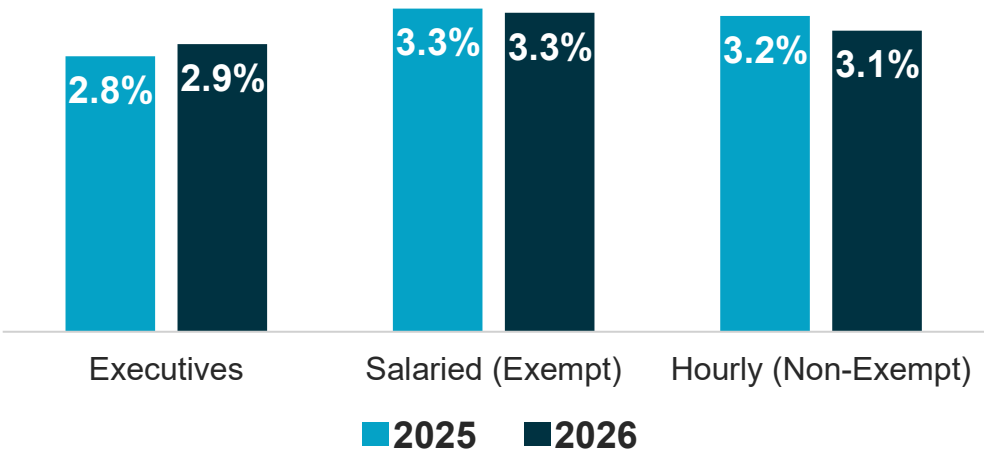


Base Salary Increase Budgets (For companies with revenues under \$50m)

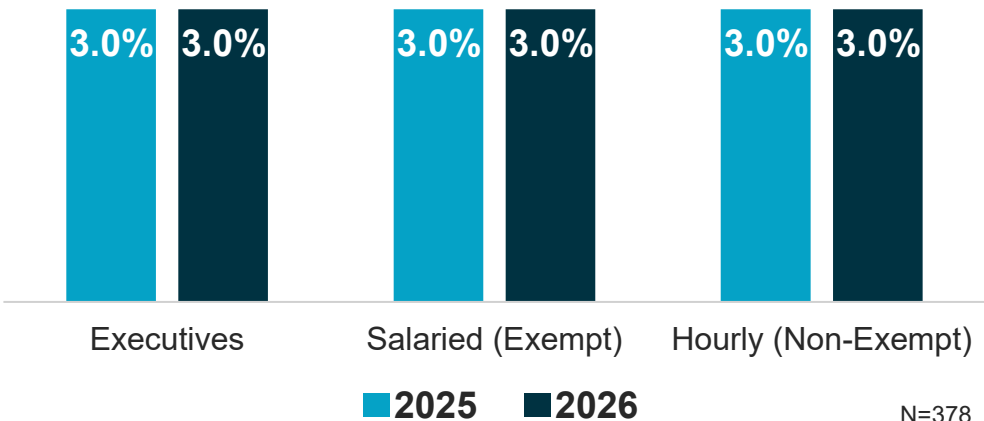
QUESTION: What is your organization's actual base salary increase budget for 2025 and anticipated budget for 2026, as a percentage of base payroll for the employee groups below?

When salary freezes (zero % increases) are included, the average 2025 base salary increase budgets are 2.8% for executives, 3.3% for salaried staff, and 3.2% hourly staff. Between 10-23% of participants indicated a zero % increase. Median 2025 salary budgets are 3.0% for all employee groups. Slightly lower (3%) budgets are anticipated for 2026 for all categories. This is a shift as the labor market continues to moderate and there is economic uncertainty. Results are indicating that small employers are providing lower increases than larger ones in 2026.

Base Salary Increase Budgets
(Company Revenue Under \$50m)
(Average Including Salary Freezes)



Base Salary Increase Budgets
Company Revenue Under \$50m
(Median Including Salary Freezes)



N=378

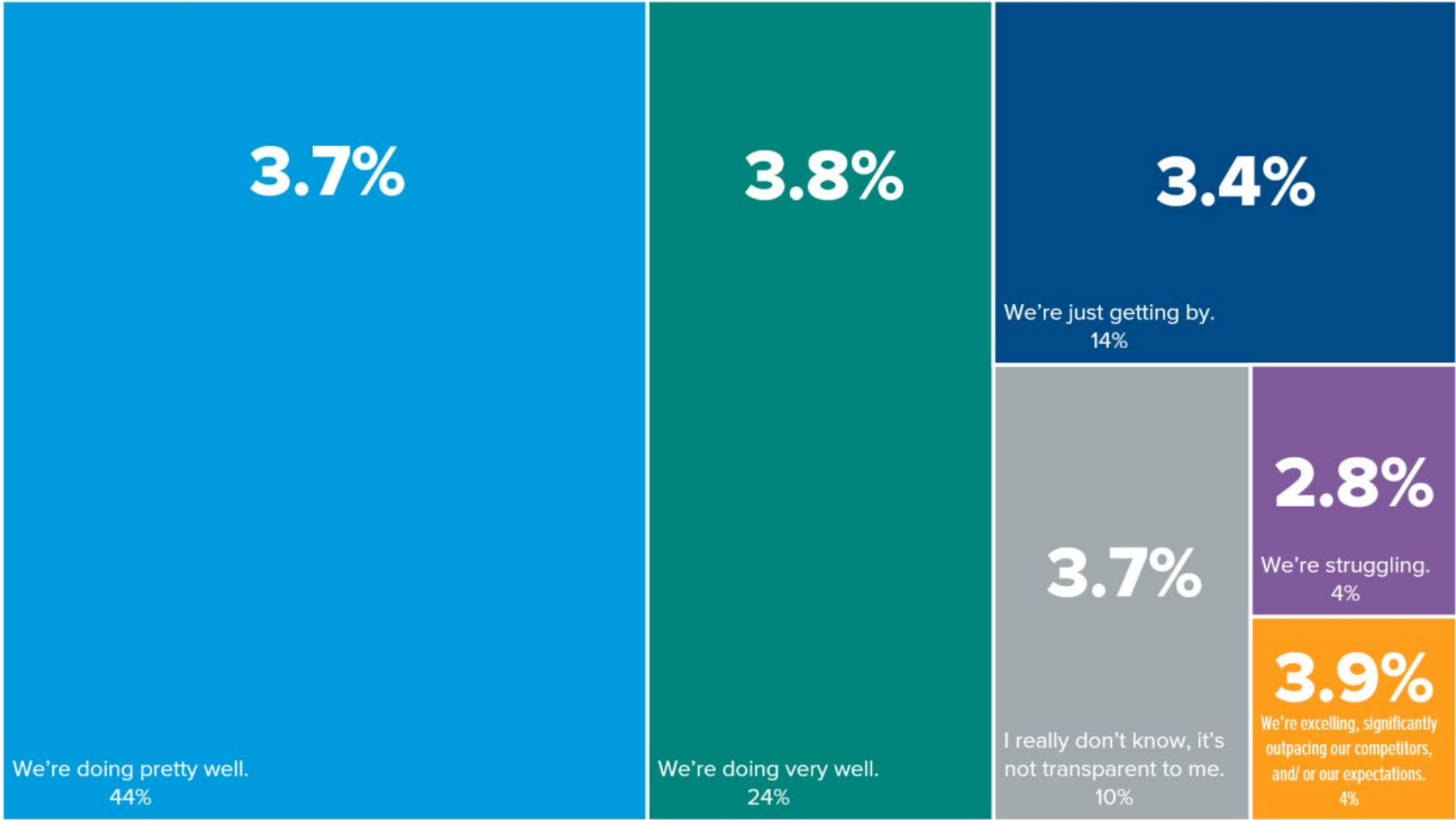
The Conference Board – larger companies



Key findings:

1. 2026 salary budgets are expected to hold near 3.5%
2. 61% of firms cite economic uncertainty as a factor slowing workforce plans
3. Investments are more performance driven, moving away from general retention strategies
4. HC leaders need to work across their organization to align talent and pay with shifting priorities

Budgets based on Company Performance



Other Trends in Increases

- **Promotional Increases:** the average promotional pay increase as a percent of salary increased from 8.8% to 9.3%
- Merit increase budgets averaged 3.2% in 2025 and stay same in forecast for 2026
- Pay differentiation for high-performers has been about 1.3% more than for middle-performers for the past 10 years.
- 68% of organization plan to make pay adjustments for pay equity reasons.
- Salary structures are projected to move by 2.2% in 2026

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05 Total Rewards Leader Priorities

Total Rewards Philosophy

Total Rewards Components

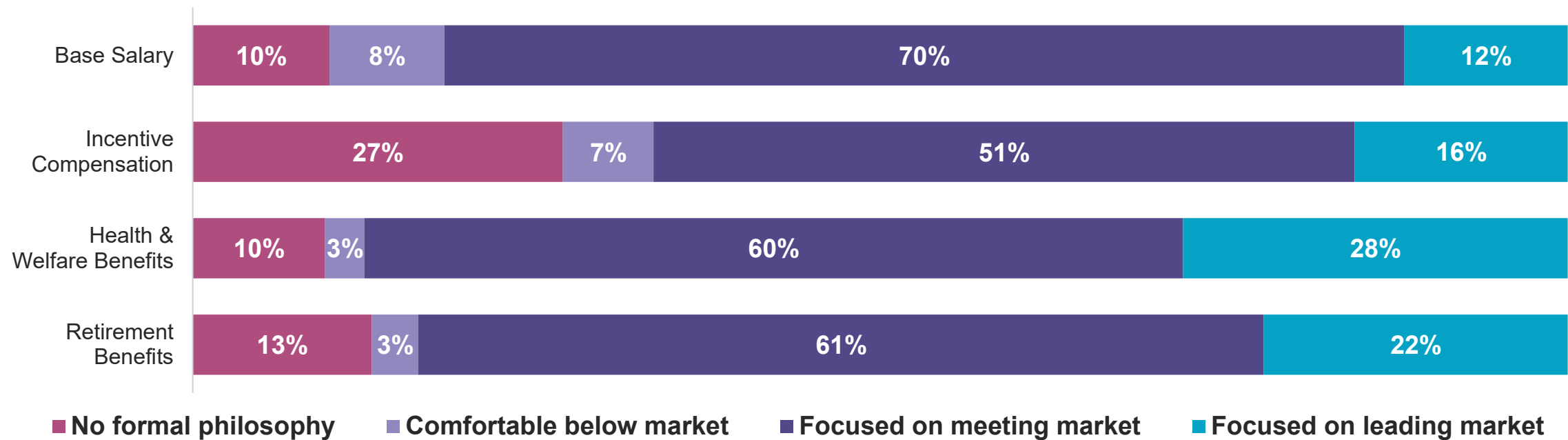
- Compensation
- Benefits
- Work-Life Effectiveness
- Performance Management
- Talent Development
- Recognition



Total Rewards Philosophy

QUESTION: What is your organization’s total rewards philosophy?

When considering which areas of the total rewards philosophy to differentiate, the greatest emphasis continues to be health and welfare benefits, followed by retirement benefits, where 28% and 22%, respectively, focused on leading market. Most organizations “target or meet “the market” (commonly known as the 50th percentile) for base salaries (70%), incentive compensation (51%), health and welfare benefits (60%), and retirement benefits (61%). Very few organizations (3% to 8%) are comfortable with any rewards below market, as expected in a tight labor environment. With most organizations targeting at market, organizations that position above market have an opportunity to compete more effectively for talent.



N=563

How do I arrive at the best Total Rewards Philosophy for my company?

Questions to ask:

- What are some strategic issues the organization may be facing in the next few years? What is my EVP (employee value proposition)?
- In what ways should your Total Rewards Program be used to support strategic goal achievement?
- Will the organization have a need for new types of jobs or skill sets in the next 3-5 years?
- What is our “competitive” market for talent?
 - Industries
 - Size
 - Geography
- What is our competitive “target” against that market?
 - For Base Salary
 - For Total Cash
 - For Total Direct Comp
- What “intrinsic” rewards are there at the company?

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1. Highlights of Google Total Rewards

- **Salary & Equity:** To encourage long-term investment in the company's success, Google provides industry-leading base salary and stock options.
- **Health & Wellness:** They provide on-site medical services, fitness centers exclusive for their employees, and wellness programs.
- **Work-Life Balance:** They offer generous parental leave policies, flexible work schedules, and on-site childcare services, which help their employees achieve a nice work-life balance that is important for everyone.
- **Career Development:** At Google, learning never stops. Employees have ample learning opportunities, including leadership programs, internal growth opportunities, and access to the company's extensive library.



The Reason It Works: Google's extensive [rewards program](#) aims to satisfy the diverse needs of its global workforce. When employees have access to possibilities for career advancement, competitive pay, and personal well-being, they may sustain their drive personally and professionally.

2. Highlights of Salesforce Total Rewards

- **Programs for Equity Pay:** Salesforce provides a comprehensive equity pay scheme that links employee performance to business success.
- **Paid Time Off:** Salesforce provides standard PTO and has a paid volunteer time-off policy to help encourage employees to give back to the community.
- **Wellness Programs:** These services, such as virtual therapy sessions, mindfulness programs, and meditation rooms, are included in their wellness program and are highly emphasized in the mental health care plan.
- **Benefits for Families:** Salesforce's financial support for adoption and surrogacy, along with its generous parental leave program, helps families.



The Reason It Works: The [company](#) is recognized worldwide for providing direction to employees by aligning economic success with social responsibility.

Recently, Salesforce CEO Marc Benioff announced a significant reduction in workforce, cutting approximately 4,000 customer service roles due to the increasing use of AI, which is now doing up to 50% of the work at Salesforce. He stated that this change is necessary because he needs "less heads" in the company

3. Highlights of Adobe Total Rewards

- **Bonuses & Stock Options:** Adobe recognizes employees with annual stock grants and performance-based bonuses and also rewards individuals for their corporate achievements.
- **Unlimited PTO:** Due to the company's flexible vacation policy, employees are allowed to leave for any period needed to rest during their vacation.
- **Learning Opportunities:** Adobe provides an Education Reimbursement Program to pay up to \$10,000 annually for employees' continuing education.
- **Diversity & Inclusion:** Adobe is committed to an inclusive culture and provides opportunities for leadership development.



The Reason Why It Works: Adobe's entire [rewards program](#) reflects the company's commitment to flexibility, empowerment, and personal development. By placing a high priority on employee development, Adobe maintains a motivated and future-ready workforce.

4. Highlights of Unilever's Total Rewards

- **Recognition Initiatives:** Unilever's "Heroes Awards" honor remarkable achievement and contributions while encouraging a sense of gratitude.
- **Digital incentive System:** Employees can personalize their incentive packages, including health and financial advantages, by using the "uFlexReward" platform.
- **Sustainability Incentives:** Bonuses for innovative concepts are given to employees who take part in sustainability projects.
- **Global Mobility:** Unilever facilitates career transitions abroad, enabling employees to acquire various experiences in other geographies.



The Reason It Works: Thanks to Unilever's [personalized approach](#) to rewards, employees may customize their perks and pay to meet their lifestyles and professional objectives. This flexibility is especially desirable in a workforce that is becoming more diverse and international.

5. Highlights of Airbnb's Total Rewards

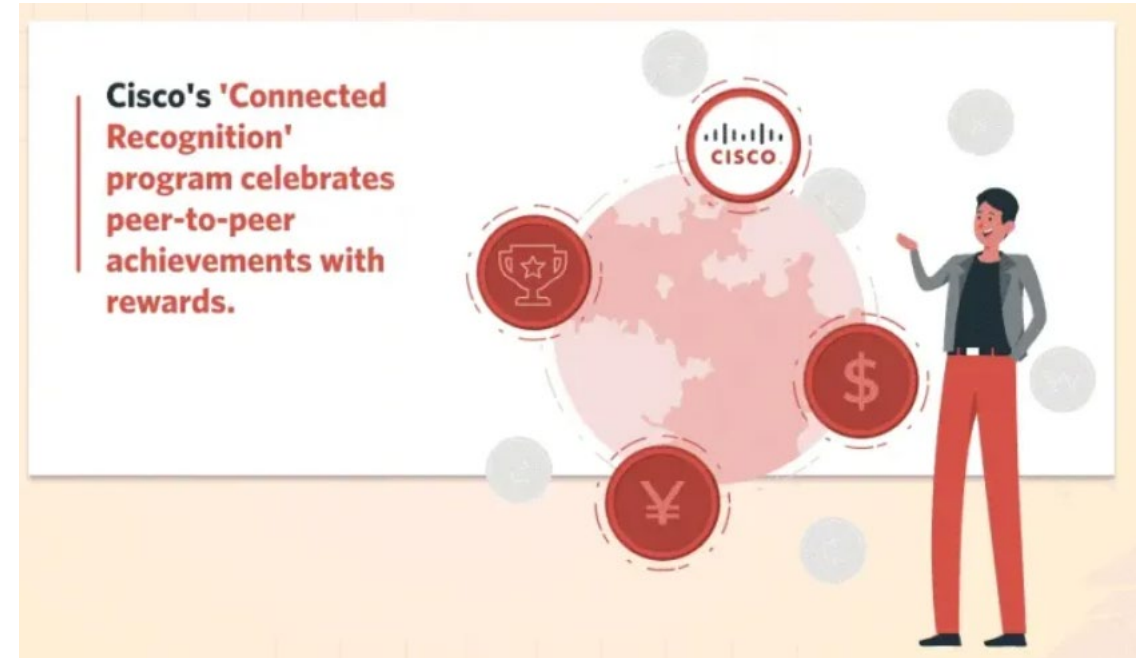
- **Exclusive Benefits:** Airbnb provides discounts and travel vouchers so that employees can use the service they helped develop.
- **Wellness Stipends:** Annual wellness stipends are given to employees to spend on healthcare-related goods and services.
- **Social responsibility:** Airbnb sponsors paid volunteer days and social impact initiatives to motivate employees to work on worthwhile projects.
- **Workplace Environment:** The business provides distinctive workspaces that include yoga rooms, recreational amenities, and locations for creativity that spur development.



The Reason It Works: The goal of Airbnb's whole [rewards program](#) is to foster a purposeful and happy work environment. To maintain employee engagement and commitment, the organization offers support for well-being, social responsibility, and career development.

6. Highlights of Cisco's Total Rewards

- **Connected Recognition Program:** Cisco has a peer-to-peer recognition program through which employees can recognize one another for excellent job performance by exchanging points for awards.
- **Work-Life Flexibility:** Cisco allows employees to work off-site and enjoy flexible schedules, allowing them to achieve a balance between work and other personal activities.
- **Employee Assistance Program:** The organization provides many mental health services, which include online counselling and treatment to the staff and their dependents.
- **Career Development:** Cisco has huge investments in training and developing employees at every level into leaders.



The Reason It Works: Cisco focuses on flexibility and [appreciation](#) to galvanize a robust culture anchored upon community. This approach to mental health and well-being means the worker feels entirely supported in every aspect of their life.

7. Highlights of Microsoft's Total Rewards

- **Equity & Profit Sharing:** The company has an intricate equity program for its employees so that profits are split equitably in the business.
- **Learning and Development:** Employees get a chance to learn leadership courses and acquire certifications, and also have a chance to have a career counsellor.
- **Wellness Benefits:** At Microsoft, the company cares for the general physical as well as mental well-being of its employees through quality healthcare plans and workout reimbursement.
- **Diversity & Inclusion:** To ensure that all employees are motivated and included, the organization offers mentorship programs and employee resource groups (ERGs).



The Reason It Works: The entire [rewards program](#) by Microsoft allows professional development and ensures that the employees have the capability and wherewithal to maintain a good work-life balance. A seamless solution to delivering rewards helps retain their top professionals in such a competitive industry.

8. Highlights of Zappos (An Amazon Subsidiary) Total Rewards

- **Peer-to-Peer Recognition:** The employees of Zappos may have "Zappos Dollars" which they give to each other to be redeemed for gifts, outings, and donations.
- **Workplace Culture:** Zappos provides a fun working place that gives employees free meals, events, and a feeling of belonging.
- **Work-Life Balance:** People interested in self-improvement and enjoying flexible hours will most likely be able to maintain a healthy work-life balance.
- **Special Privileges:** Through the company's "Wow Parking" initiative, employees who are really good at their jobs can enjoy a designated parking spot



The Reason It Works: The basis of [Zappos'](#) robust total rewards program is its rich culture that emphasizes fun and recognition. This allows employees to feel appreciated and motivated to contribute to the company's success.

Zappos also instituted a \$2500 to LEAVE program!

9. Highlights of Southwest Airlines' Total Rewards

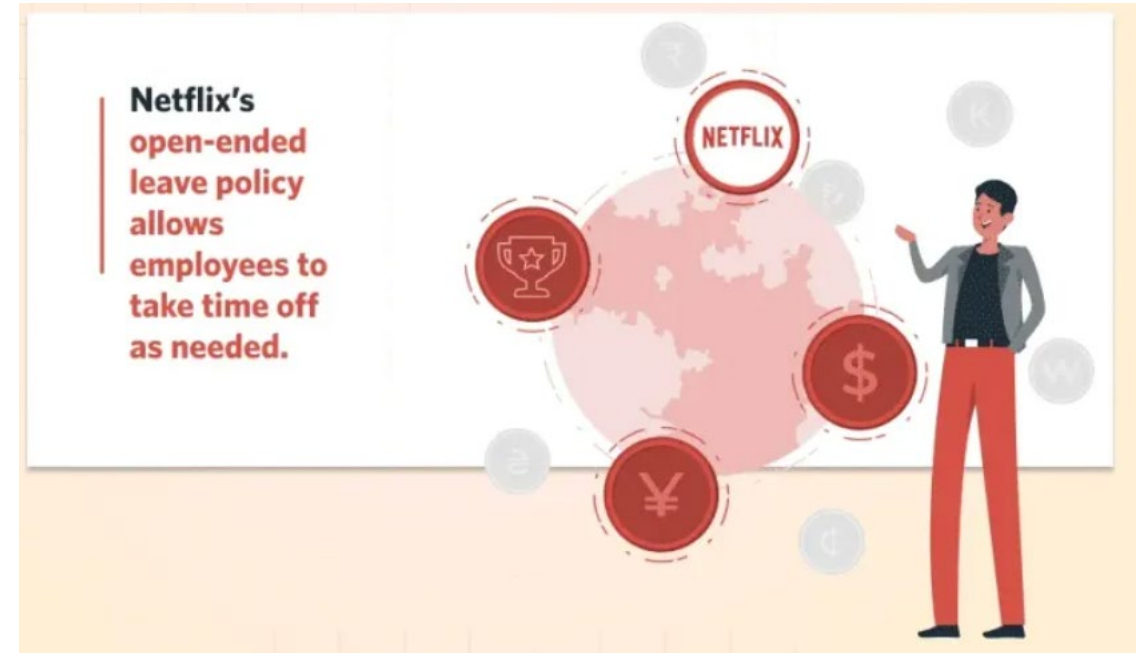
- **SWAG Program:** Employees can give points to one another through Southwest's Gratitude Program, which can then be exchanged for products, gift cards, and airfare rebates.
- **Extra Perks:** Employees are offered free flights, along with privileges of travelling, to spend quality time with their family.
- **Wellness Programs:** Besides fitness regimens and mental health counselling, complete health plans are also offered.
- **Retirement Benefits:** They have employer-matched contributions towards a 401(k) plan to take care of their retirement.



The Reason It Works: Southwest Airlines' acknowledgement and [recognition](#) are the reasons behind its energizing work culture, which encourages employees to provide excellent customer service.

10. Highlights of Netflix's Total Rewards

- **Leave Policy:** Netflix follows a 360-degree pattern of review and offers its employees an open-ended leave policy; they can take time off whenever necessary.
- **Generous Parental Holiday:** Netflix gives the employee the freedom to spend more time with the extended family. Therefore, the employees are provided with up to a year off for parental vacation.
- **Salary Transparency:** To know how a specific employee's remuneration is determined, Netflix allows open pay rules
- **Health & Wellness:** The company offers wellbeing schemes, mental health support, and extensive health benefits.



The Reason It Works: Netflix's [incentives program](#) is based on trust and flexibility, which equips employees with what they need to balance their personal and professional lives successfully.

11. Highlights of Spotify's Total Rewards

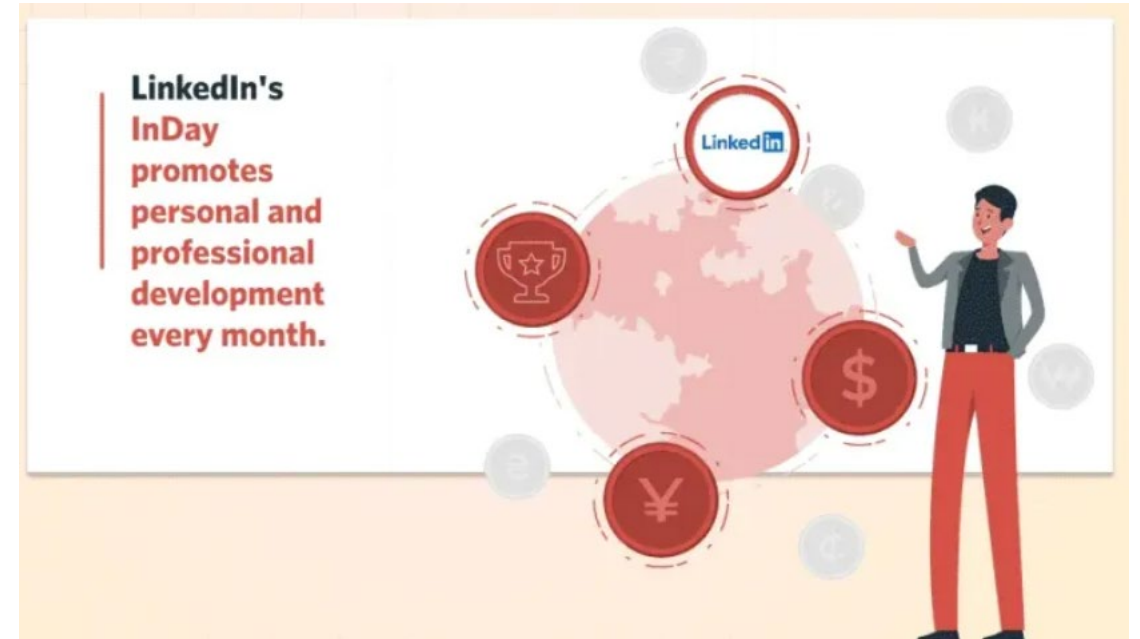
- **Flexible Public Holidays:** The company maintains an open culture by providing staff with options to celebrate public holidays that are important to them, regardless of where they live.
- **The Work from Anywhere Program:** The program allows employees to work from wherever suits them, whether at home or in the office.
- **Parental Leave:** Spotify allows all its employees, male or female, to take six months of paid parental leave.
- **Benefits for Mental Health:** Global coverage for mental health through programs for mental wellbeing, online counselling, and mindfulness training.



The Reason It Works: Spotify's [flexibility-first approach](#) to whole pay, promises to have a more diverse and satisfied workforce by giving employees the opportunity of coming up with a unique work-life harmony.

12. Highlights of LinkedIn's Total Rewards

- **Wellness Program:** LinkedIn ensures the welfare of its employees by offering them a program referred to as InDay. The program ensures that, one Friday every month, there are plans that are associated with professional and personal development.
- **Performance Incentives:** The company allows employees to have a stake in its success by offering them equity in the business. Bonuses based on performance motivate employees to deliver even better performance.
- **Learning Resources:** Through LinkedIn Learning, the workforce can continually develop their skills using courses that are free to access within the library.
- **Volunteer Opportunities:** The company allows opportunities to volunteer on subjects in which the employees are particularly enthusiastic and offers paid time off for volunteers.



The Reason It Works: LinkedIn's all-inclusive [incentives program](#) partly gains a very connected workforce by focusing on career advancement, well-being, and work with a sense of purpose.

13. Highlights of HubSpot Total Rewards

- **Unlimited PTO:** HubSpot empowers employee independence through an unlimited amount of paid time off, so they can take whatever time they want off.
- **Parental Benefits:** The company offers fully paid parental leave and flexible options to return to work in order to enable new parents to balance their professional and personal lives.
- **Stipend:** The stipends are offered to support the employees in being comfortable as well as efficient in working from home.
- **Mental Health Support:** HubSpot provides employees with access to resources on mental wellness, therapy, and counselling to help them manage their mental health.



The Reason It Works: [HubSpot's](#) emphasis on well-being and flexibility generates an extremely healthy and productive work environment, which enhances employees' personal and professional performance.

14. Highlights of the Johnson & Johnson Total Rewards

- **HealthCare:** The company provides health and well-being programs, such as physical challenges, on-site medical care, and mental health support.
- **Global Parental Leave:** Johnson & Johnson also offers employees the opportunity to spend quality time with their families by providing eight weeks of paid parental leave abroad.
- **Education Reimbursement:** Tuition reimbursement is allowed for degree programs, professional certifications, and continuing education.
- **Employee Recognition:** Employees are recognized for their achievements and hard work through global recognition forums.

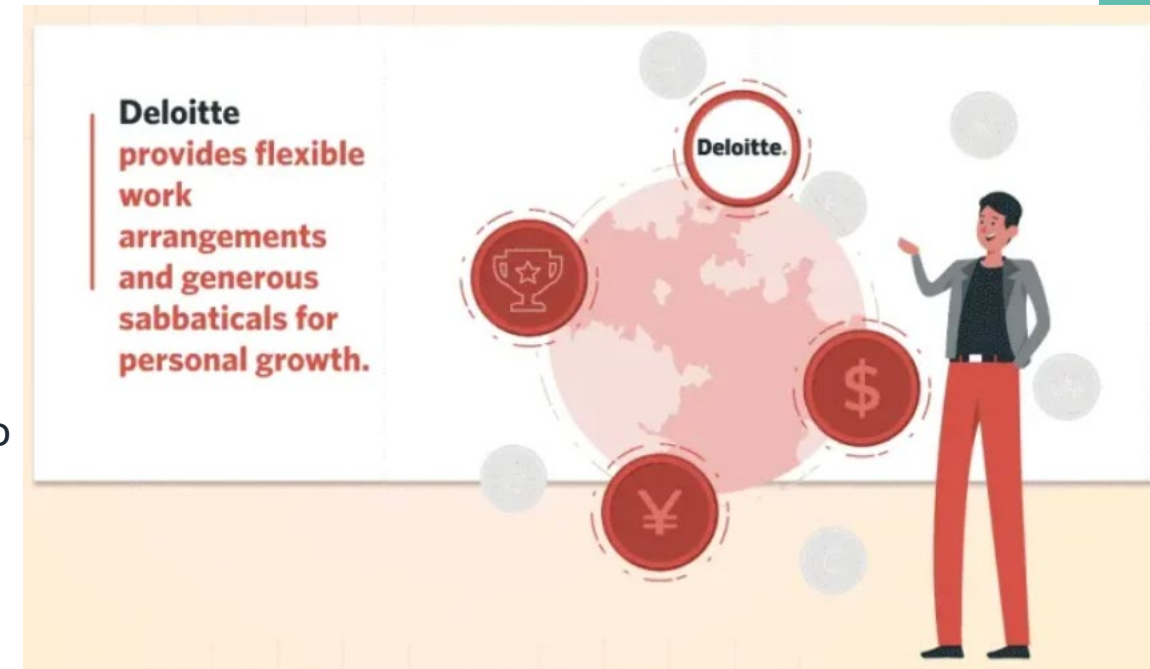


The Reason It Works: Johnson & Johnson's overall [rewards approach](#) is highly focused on health, education, and recognition to make employees feel valued and encouraged at every stage of their working lives.


15. Highlights of Deloitte's Total Rewards

Deloitte has been recognized again and again as one of PEOPLE Magazine's "[100 Companies that Care](#)".

- **Flexible Work Arrangements:** Deloitte offers alternatives to remote work and flexible work hours so that employees can set their work schedule to suit their preferences.
- **Paid Leave & Sabbaticals:** In addition to generously paid leaves, the company permits employees to take sabbaticals lasting three to six months during service for career or personal growth.
- **Leadership Development:** Deloitte heavily invests in programs meant to assist employees throughout their career growth in moving into leadership roles.
- **Inclusive Benefits:** Deloitte cares for every employee by ensuring that all of them receive equivalent parental leaves, adoption assistance, and inclusive health care benefits.



The Reason It Works: Professionals who crave a comprehensive and rewarding career will find [Deloitte's Total Rewards](#) very effective because of its flexibility, career progression, and inclusivity.



**What do you think? Are there
other things **YOUR COMPANY**
offers that aren't on the lists?**

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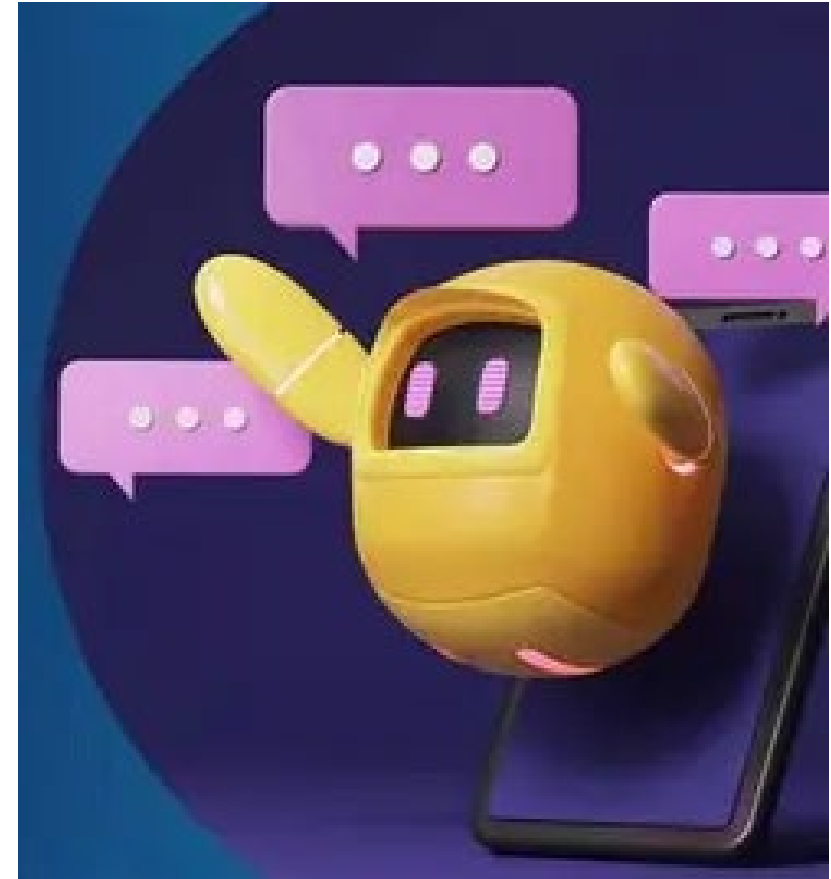
AI in Compensation and Benefits: Predictive Analytics

- **Building Predictive Models for Employee Turnover**
 - Performance ratings
 - Engagement survey responses
 - Training/development activity
 - Tenure and experience levels
 - Absenteeism and tardiness
 - Compensation and promotions
- **Machine Learning's Edge in Recognizing Patterns**
- **Integrating Performance Management Data**
- **From Data to Action: Implementing Predictive Insights** (Customized training and development plans, Mentorship programs, Improved feedback processes, Flexible work arrangements, Promotion opportunities, Stay interviews)



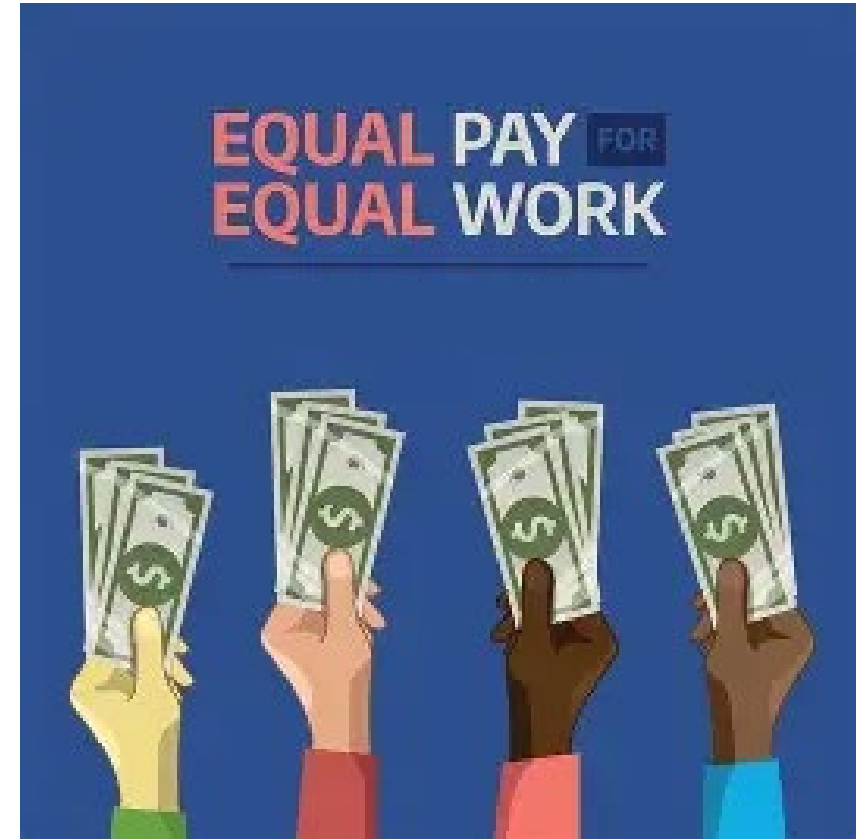
AI in Compensation and Benefits: Personalized Guidance

- **AI Chatbots – customized guidance on benefits selection**
 - Optimal benefits packages based on:
 - Worker's lifestyle
 - Family status
 - Career stage
 - Financial priorities



AI in Compensation and Benefits: Equitable Pay

- **Use AI for pay equity analysis**
 - identify unintended pay disparities
 - Evaluate compensation data across gender, race, age, tenure, performance ratings and other factors
 - pinpoint areas of potential bias and take corrective action.
- Regular pay audits using AI ensure fair compensation practices aligned to inclusion initiatives. This helps attract and retain top talent from all backgrounds.



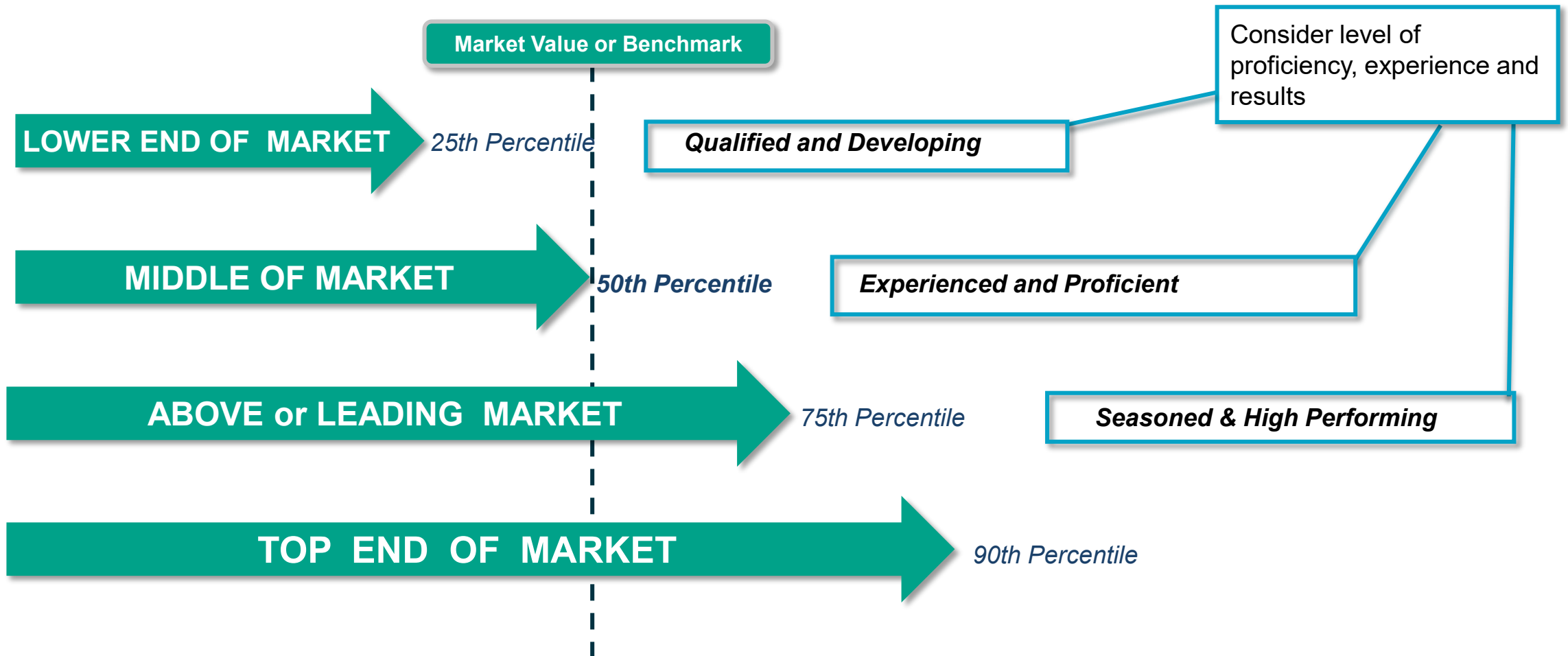
AI in Compensation and Benefits: Competitive Positioning

- AI tracks compensation data from industry surveys and online salary sites.
 - external data synthesized with internal pay structures
 - comparisons of org pay relative to its talent market.
- Where does pay lag
 - make targeted adjustments
 - have an evidence-based approach protects against unnecessary spending while keeping compensation competitive.
- Many of the survey data providers have AI tools integrated to do survey “job matching” for you off of the job description.



Survey Data Analysis

- Using Percentiles or Aligning to Compensation Philosophy



How do I know if I'm paying competitively enough to attract and retain my talent?

Factor #1: Use Multiple Published Salary Survey Sources

- Newport (OPO, Builders, Manufacturing, Water Utilities, Electric Coops, Healthcare)
- Economic Research Institute
- PRM
- PAS
- CompData
- Gallagher
- Mercer Surveys
- Willis Towers Watson



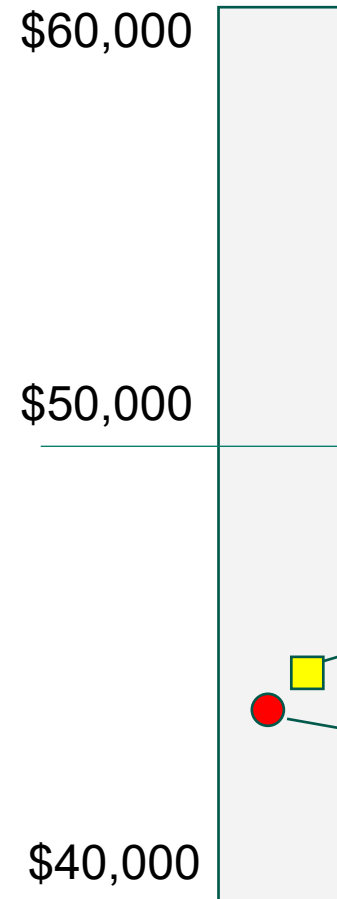
What about
the FREE
data on the
Internet???

Market Data Sample

Job Title	Organization Information	Market Composite					
Benefits Specialist	Industry: Healthcare Pay Info Reported: Hourly	Base Pay			Total Cash		
		25th	50th	75th	25th	50th	75th
		\$31.15	\$34.50	\$38.65	\$31.04	\$34.80	\$39.34

Survey Information						Survey Data					
Survey Job Title	Survey Job Code	Scope Information	Org. Count	Inc. Count	Survey Weighting	Base Pay			Total Cash		
						25th	50th	75th	25th	50th	75th
Gallagher National Healthcare Staff											
Benefits Administrator/Coordinator	S072	Midwest	52	111	0.500	\$29.36	\$32.54	\$37.24			
		North Central	20	58	0.500	\$29.94	\$35.27	\$37.32			
HHRAM Healthcare											
Benefits Analyst/Coordinator	7038	1,701 or more FTEs	12	30	0.000	\$30.18	\$38.71	\$44.82			
Mercer IHN Module 5 - Healthcare Individual Contributors - US											
Benefits Specialist	5843	Employee Location - Region (in-country): North Central; Org Wgtd	61	176	1.000	\$30.60	\$34.07	\$39.16	\$30.68	\$34.07	\$39.16
WTW Health Care Middle Management											
Benefits - Intermediate (Professional)	AHR060-P2	Sub Region: Great Lakes States; Org Wgtd	28	83	1.000	\$33.20	\$35.53	\$39.52	\$33.20	\$35.53	\$39.52

Compression Problems are Running Rampant



Pay compression is the situation that occurs when there is only a small difference in **pay** between employees regardless of their skills or experience. ... **Pay compression** is the result of the market-rate for a given job outpacing the increases historically given by the organization to more tenured employees.

New Employee (Sam) – negotiated start rate in a HOT competitive market

Current Employee (Sarah) 3 years

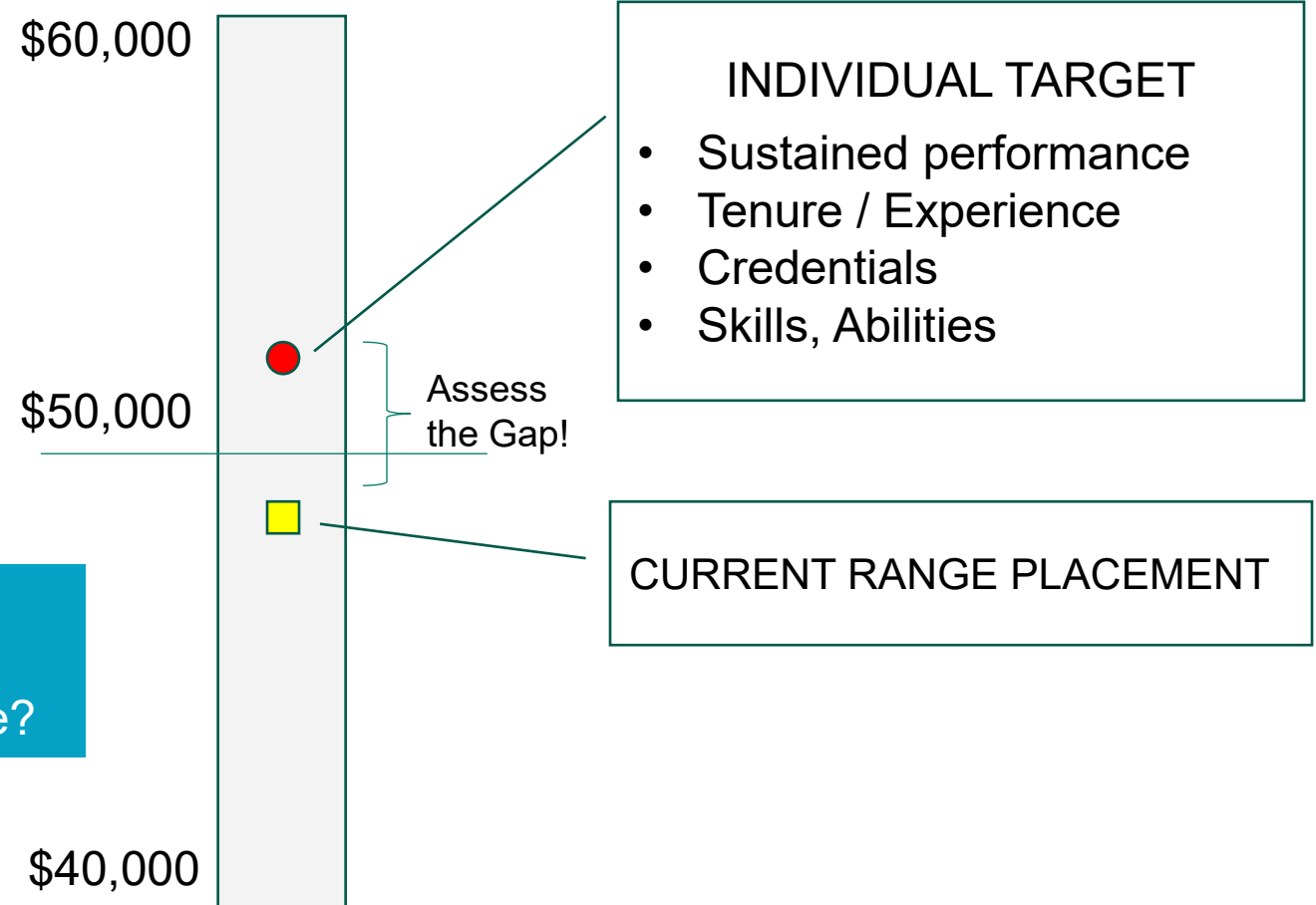
What are the causes of Salary Compression?



Range Placement Analysis

A structured approach to salaries based on job level, experience or tenure & other important criteria

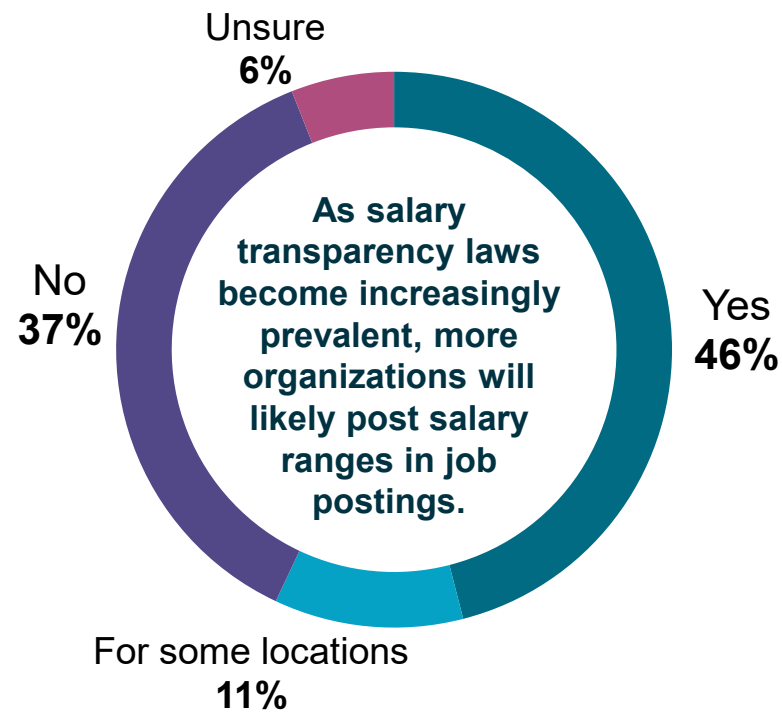
Key Takeaway
Where ARE they?
Where SHOULD they be?



Prevalence of Salary Range in Job Postings

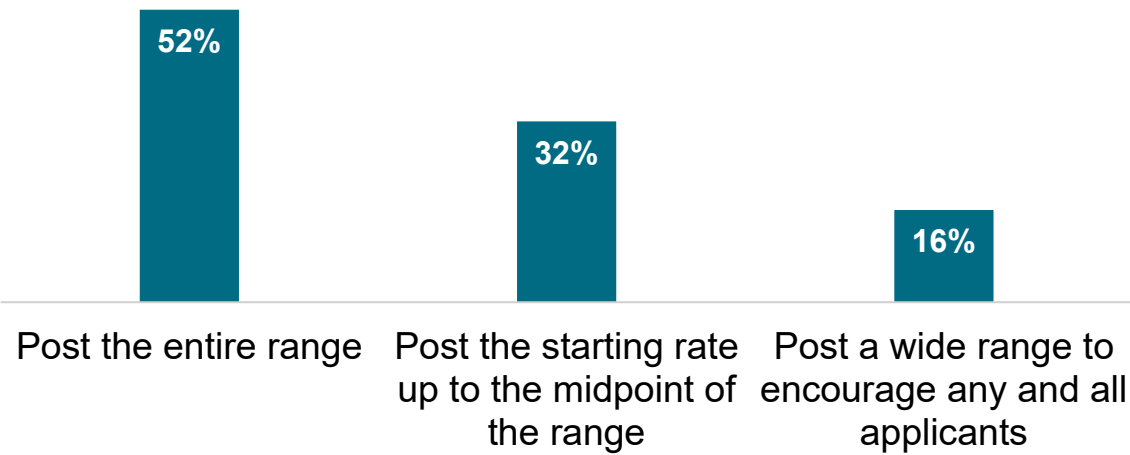
SURVEY QUESTION: Does your organization include the salary range in job postings?

RESULTS: Approximately 57% of organizations report including job salary ranges for all or some of their locations.



SURVEY QUESTION: If your organization includes the position's salary range in job postings, which of the following is provided:

RESULTS: Approximately 52% of organizations include the entire salary range in their job postings while the next most common approach is to post the start rate up to the midpoint of the range. Only 16% post a wide range to encourage a broader pool of applicants (“wide” meaning wider than the actual entire range).



Generational Differences in Total Rewards Preferences

Baby Boomers (Born 1946-1964)

1. **Retirement Benefits:** High value on pension plans and retirement savings.
2. **Healthcare:** Comprehensive health insurance and wellness programs.
3. **Job Security:** Preference for stable, long-term employment.
4. **Recognition:** Value formal recognition and awards for long service.

Generation X (Born 1965-1980)

1. **Work-Life Balance:** Importance of flexible working hours and remote work options.
2. **Career Development:** Opportunities for professional growth and skill development.
3. **Financial Rewards:** Competitive salaries and performance-based bonuses.
4. **Health and Wellness:** Access to mental health resources and fitness programs.

Generational Differences in Total Rewards

Millennials (Born 1981-1996)

1. **Purpose-Driven Work:** Desire to work for companies with strong values and social responsibility.
2. **Technology Integration:** Expectation of modern, tech-savvy workplaces.
3. **Continuous Feedback:** Preference for regular feedback and coaching over annual reviews.
4. **Work-Life Integration:** Emphasis on flexible work arrangements and work-life integration.

Generation Z (Born 1997-2012)

1. **Diversity and Inclusion:** High value on diverse and inclusive workplaces.
2. **Career Mobility:** Expectation of rapid career progression and varied job experiences.
3. **Digital Engagement:** Preference for digital communication and collaboration tools.
4. **Personalized Benefits:** Interest in customizable benefits packages that cater to individual needs.

Agenda

01 Trends in Salary Budgets, Salary Structure and other Increases

02 Key Total Rewards Concepts and Trends

03 Highlights from 15 Top Total Rewards Programs

04 Future Trends

05 Total Rewards Leader Priorities

Top Three Priorities of Total Rewards Leaders

- Impact Drivers:
 - Leadership engagement in total rewards discussions
 - Alignment with organizational goals
 - Market competitiveness

10 Key Goals for Total Rewards Leaders

1. Focus on fairness, equity, and transparency in compensation practices
2. Compliance with global regulations and improving employee understanding of pay structures
3. Prioritizing comprehensive benefits packages for employee well-being and satisfaction
4. Push toward innovation and global standardization while balancing cost efficiency
5. Well-structured job architecture for aligning compensation, career progression, and talent development
6. Emphasis on transparency in roles and growth opportunities to retain and engage employees
7. Clear and consistent communication about Total Rewards to enhance engagement and satisfaction
8. Ensuring employees understand the value of their compensation and benefits
9. Technology as a key enabler for improving efficiency, compliance, and personalized Total Rewards experiences
10. Prioritizing automation and data-driven strategies to modernize Total Rewards programs

Agenda

01 Trends in Salary Budgets, Salary Structure and other Increases

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06 Incentive Pay Programs

Incentive Compensation

Total Cash (Annual Incentives)

- Bonus (usually “after the fact”)
 - Recognition
 - Project completion
 - Sign-on/hiring
 - Retention
 - Spot awards
 - Discretionary
- Short-term incentive (“before the fact”)
 - Formula driven
 - Balanced score card metrics

Total Direct Compensation

- Long-term incentives (usually 3 – 5 years)
- Typically limited to executive or upper management levels where decisions made have long-term impact
 - Performance Cash or Units
 - Phantom Stock or SARs
- When designed properly such programs can provide an
 - ownership mentality and
 - a long-term performance orientation tied to financial/individual performance and/or increases in enterprise value.

Annual Incentive Scorecard – Example

	Performance Measures		Plan Weighting		Actual Performance	Performance Levels				Earned (Opportunity x Weighting)	
						Incentive Award Opportunity (% of Base Salary)					
						Below Threshold 0.00%	Threshold 20.00%	Target 40.00%	Excellent 60.00%		
Organizational Financial Performance	Revenue	50%	<u>25%</u>	\$216,000,000.00	<200M	\$200,000,000	\$210,000,000	\$220,000,000	13.00%	\$43,518	
						52.00%					
	EBITDA	50%	<u>25%</u>	22.90%	0.00%	19.50%	20.70%	21.70%	15.00%	\$50,213	
							60.00%				
Strategic Performance	Strategic Goal 1A: Performance Management: Annual Reviews	30%	<u>15.00%</u>	100.00%	<100%	N/A	100.00%	N/A	6.00%	\$20,085	
						40.00%					
	Strategic Goal 2: Engagement Survey Participation		<u>15.00%</u>	99.50%	<90%	90.00%	95.00%	100.00%	8.70%	\$29,123	
							58.00%				
	Individual Performance	20%	<u>20%</u>	4.00	<1	1.00	3.00	5.00	10.00%	\$33,475	
							50.00%				
	Total		100%						53%		

Base Salary	Total Incentive Opportunity	Total Cash
\$334,750	\$176,413	\$511,163

Award Opportunity

Incentive Award Opportunity (% of Base Salary)			
Below Threshold	Threshold	Target	Excellent
0.00%	20.00%	40.00%	60.00%

80%

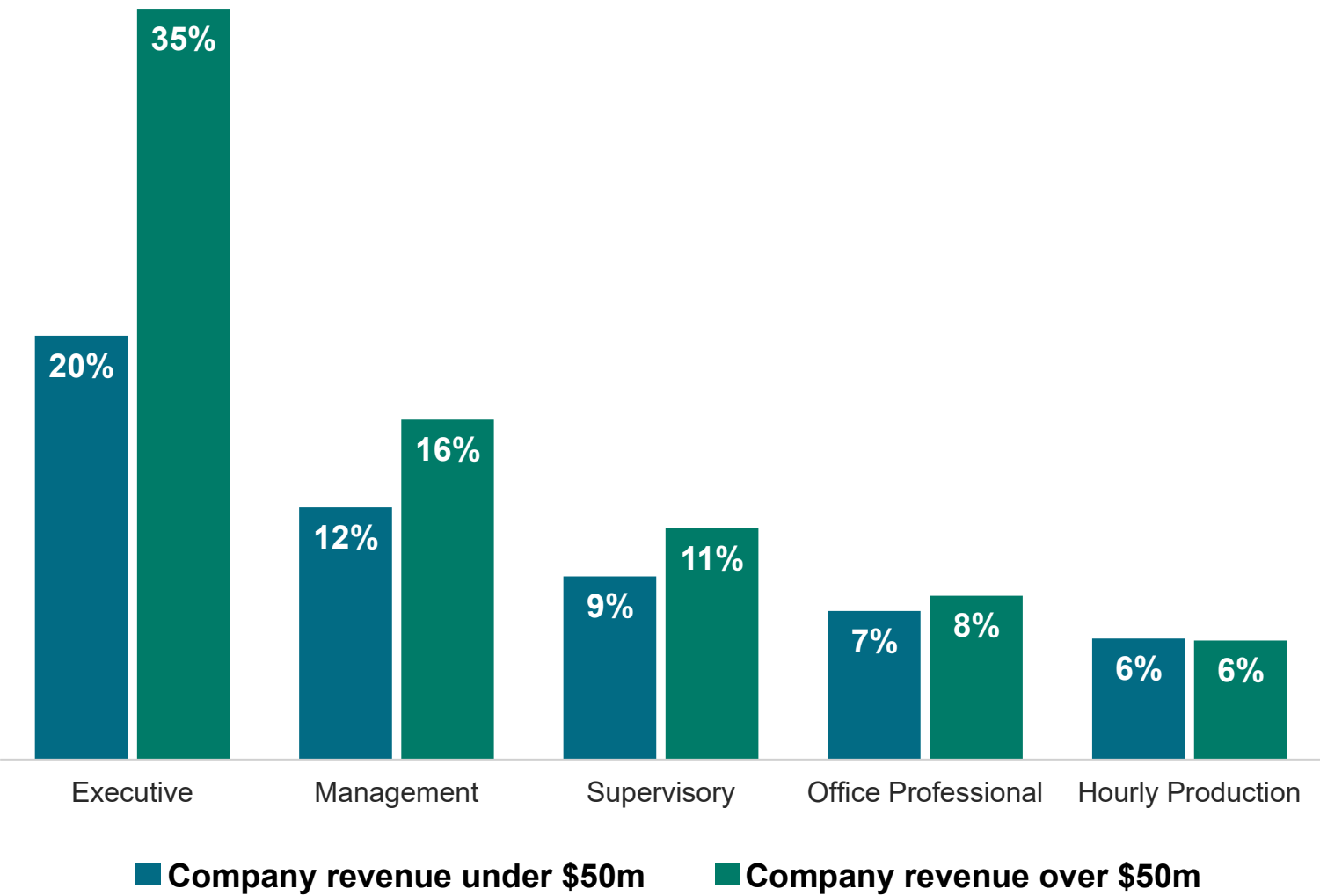
Payout for threshold performance should be HALF target and payout for excellent performance should be up to 2x

Short-Term Incentive Pay Opportunity

QUESTION: What is the average target 2025 annual short-term incentive pay opportunity for each employee group

Target short-term incentive pay opportunity (as a percent of base salary) varies by organizational revenue size and continues to be highest among executives and management, with larger organizations offering higher payouts. Actual incentive payout awards in 2025 will reflect organizational results and recognition of individual employee efforts and contributions.

Incentives serve as an integral part of the annual compensation package.

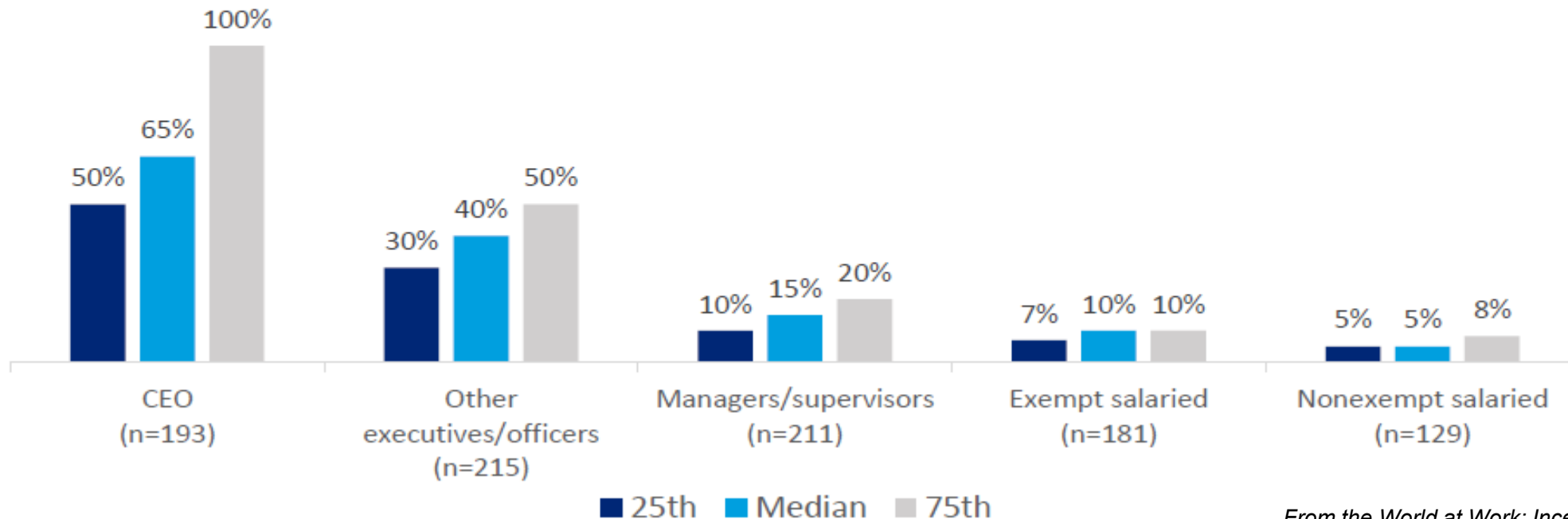


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Incentive Award Opportunity

What is your target annual incentive pay level, as a percentage of salary, for the following positions?

- Target AIP opportunities are highest for the CEO at 65% of salary at the median, tapering down to 5% of salary for nonexempt employees



Metrics

	Performance Measures
Organizational Financial Performance	Revenue
	EBITDA
Strategic Performance	Strategic Goal 1A: Performance Management: Annual Reviews
	Strategic Goal 2: Engagement Survey Participation
	Individual Performance

Weighting

Performance Measures	Plan Weighting	
Revenue	50%	<u>25%</u>
EBITDA		<u>25%</u>
Strategic Goal 1A: Performance Management: Annual Reviews	30%	<u>15.00%</u>
Strategic Goal 2: Engagement Survey Participation		<u>15.00%</u>
Individual Performance	20%	<u>20%</u>

Performance Targets

Performance Measures	Performance Levels			
	Below Threshold	Threshold	Target	Excellent
Revenue	<200M	\$200,000,000	\$210,000,000	\$220,000,000
EBITDA	0.00%	19.50%	20.70%	21.70%

Probability of Attainment

Actual Performance and Payout

	Performance Levels						
Weighting	Actual Performance	Incentive Award Opportunity (% of Base Salary)				Earned (Opportunity x Weighting)	
		Below Threshold 0.00%	Threshold 20.00%	Target 40.00%	Excellent 60.00%		
<u>25%</u>	\$216,000,000.00	<200M	\$200,000,000	\$210,000,000	\$220,000,000	13.00%	\$43,518
				52.00%			
<u>25%</u>	22.90%	0.00%	19.50%	20.70%	21.70%	15.00%	\$50,213
					60.00%		

NOTE THE MOTIVATIONAL ARCHITECTURE!

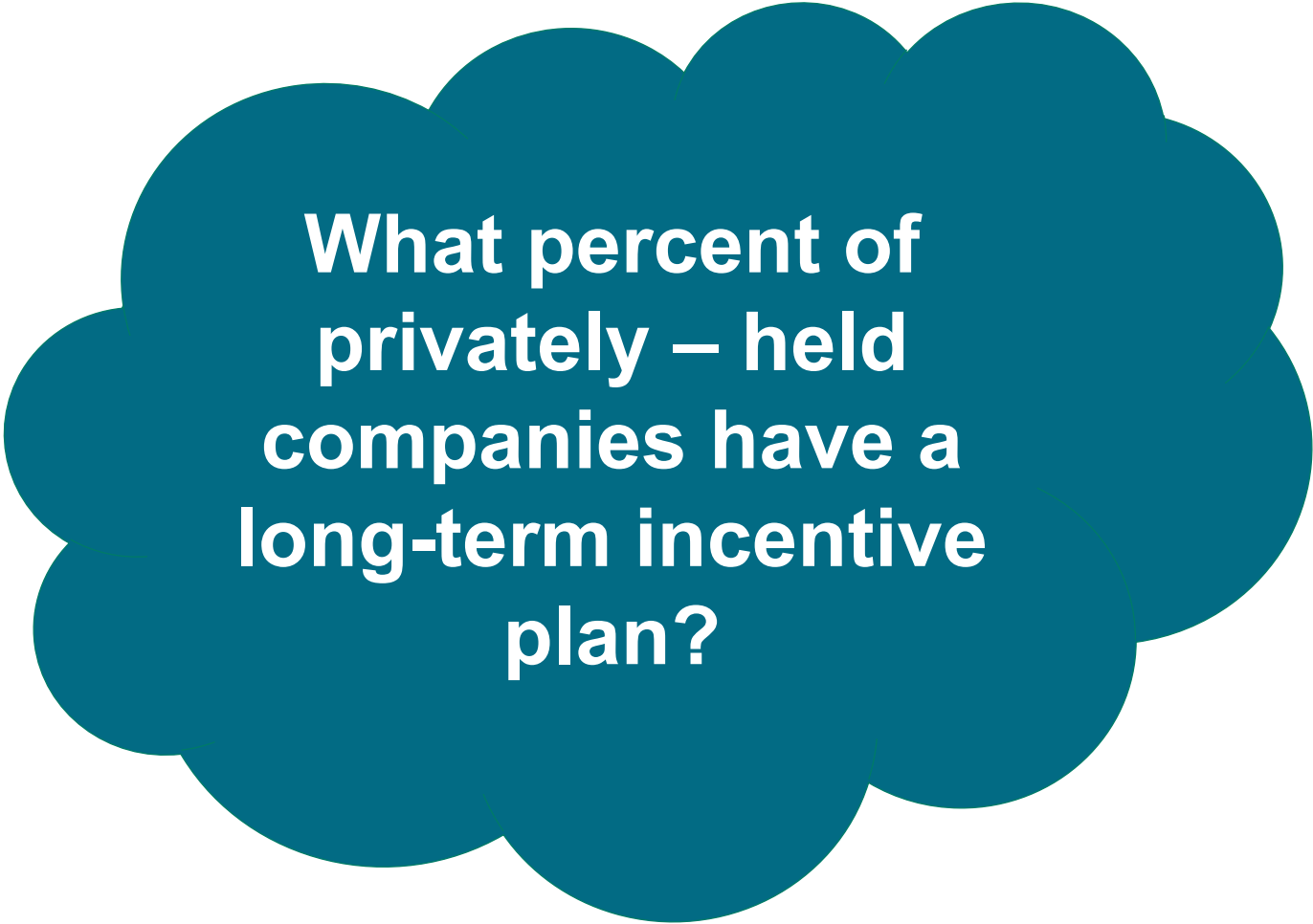
Annual Incentive Scorecard – Example

	Performance Measures		Plan Weighting		Actual Performance	Performance Levels				Earned (Opportunity x Weighting)	
						Incentive Award Opportunity (% of Base Salary)					
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						50.00%					
	Total	100%							53%		

Base Salary	Total Incentive Opportunity	Total Cash
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DO YOU HAVE A LONG-TERM INCENTIVE PLAN?

What's Your Guess?

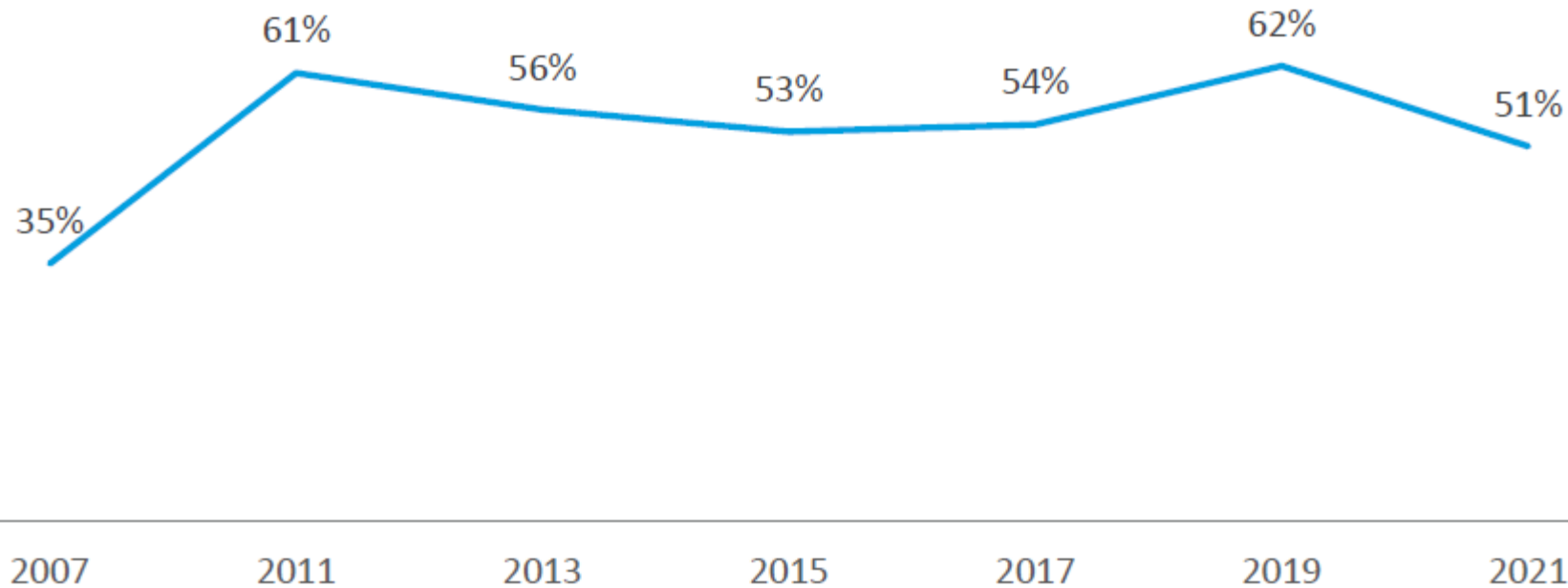


**What percent of
privately – held
companies have a
long-term incentive
plan?**

Long-term Incentive Prevalence

Does your organization have a long-term incentive plan?

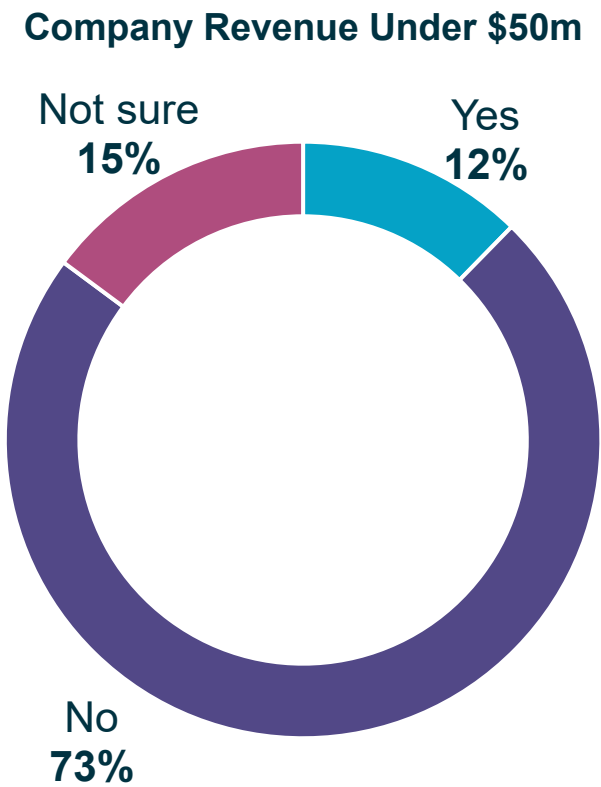
- LTI prevalence at privately held companies dropped to 51% in 2021, but are expected to return to previous levels due to competitive pressures



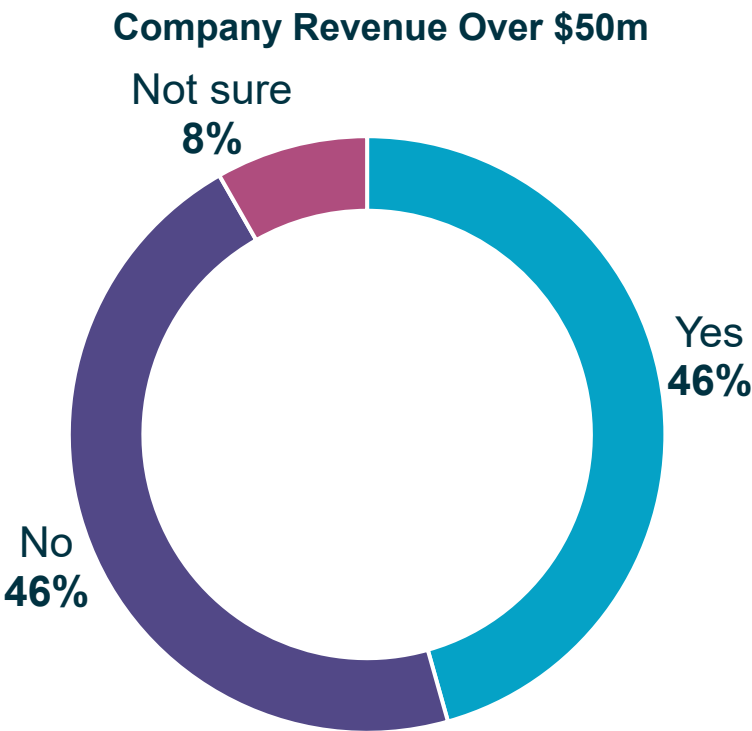
Long-Term Incentive Plan Prevalence

QUESTION: Does your organization provide long-term incentive compensation to eligible employees?

Long-term incentive (LTI) prevalence is highly correlated to organizational size by revenue. In the overall sample, 25% of all organizations reported using a long-term incentive program (LTIP) to reward for long-term performance. When revenue size is accounted for, 12% of smaller organizations report having LTI plans, while 46% of larger organizations do.






N=357



N=206

Performance Unit Program

- Annual Grant Example

	2025	2026	2027	2028	2029	2030
Grant Amount (units)	100					
Unit Value (at target)	\$1,000	[Performance Period]		Payout		
Total Award Value (at target)	\$100,000			\$100,000		
Grant Amount (units)		125				
Unit Value (at target)		\$1,000	[Performance Period]		Payout	
Total Award Value (at target)		\$125,000			\$125,000	
Grant Amount (units)			150			
Unit Value (at target)			\$1,000	[Performance Period]		Payout
Total Award Value (at target)			\$150,000			\$150,000

Unit Value Determination - Example

The table at right illustrates an example unit value determination methodology. Unit value ranges from \$0 for performance below threshold to \$2,000 for “maximum” performance levels. (Cap is \$2,000 in this model.) Unit value is \$1,000 for target performance.

Unit Value	Goal Attainment	Percentage of Unit Value Achieved
\$0	< Threshold	0%
\$500	Threshold -- Target	50%
\$1,000	Target	100%
\$2,000	Maximum Performance	200%

Phantom Stock Program

- Allocation Approaches

Approach	Grant Details	Grant Amount (Shares)	LTI Award Amount	2025 Share Price	Share Price at Vesting (Dec 31, 2027)	Appreciation	Cash Award at Vesting
Full Value	Participant receives a phantom stock grant of 100 shares, which equals her three-year target LTI award amount (\$100,000).	100	\$100,000	\$1,000	\$1,210		\$121,000
Appreciation Only	Participant receives a phantom stock grant of 100 shares. Initial award value cannot be determined (i.e., appreciation only).	100	N/A	\$1,000	\$1,210	\$210	\$21,000

Explanation of Each Approach

- Full Value: This approach results in the highest potential payout because the grant is based on the current share price (\$1,000) and the participant receives a payout equal to the current share price at the time of vesting (principal value plus appreciation).
- Appreciation Only: Participants benefit only from the appreciation in share price (if any) from the grant date, which results in a comparatively smaller payout.

(1) Model assumes 10% YOY share price appreciation as determined by an external valuation.

QUESTIONS?

Rena Somersan
Managing Principal

Rena.Somersan@newportgroup.com
(414) 312-8189



Thank you.

Rena Somersan

rena.somersan@newportgroup.com



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