

Breakout III: CEO Pay Ratios, Do They Matter?

#BDComp22

Christie Summervill
BalancedComp, LLC.



November 2022

CEO Pay Ratios Do They Matter?

By Christie Summervill, CEO

Beginning in 2015, publicly traded companies were required to report the CEO's total pay to the average total pay of the median employee: CEO Pay Ratio.

The Purpose

Concern had grown that executive compensation had grown rapidly while wages for the average employee had grown stagnant.

It was also thought the CEO pay ratio would impact consumers choices on where to conduct business and investors more informed decisions.

It was hoped that companies would take action to reduce inequalities. This was a social justice initiative.

Is it fair that CEO compensation continue to climb faster than average wages and does this have anything to do with you?

**A provision of the
Dodd- Frank
Wallstreet reform
and Consumer
Protection Act**

Difficulty comparing ratios mutes consumers and stockholders

Flexibility allowed in reporting

- Defining "median employee"
- Comparing only base pay or total cash comp
- Difficulty interpreting results
- Results impacted by outsourcing strategies
- Number of branches
- The average tenure of a CEO bank president in 2020 was nine years compared to 1 in 4 employees quitting in their first year
- Some differences explained by % of goals accomplished

National CEO Midpoint for 2023

These salaries moved an average of 2.64% YOY

\$1B- \$2B	Avg Annual Bonus	\$2B- \$4B	Avg Annual Bonus	\$4B- \$8B	Avg Annual Bonus	\$8B- \$12B	Avg Annual Bonus
\$507,257	40.0%	\$597,314	60.0%	\$686,587	76.5%	\$830,248	98.5%

Base pay needs to be factored to your local market.

For info, email christie@balancedcomp.com.

Average CEO Pay vs. Employee Pay.

(300 clients base pay comparison)

Banks	\$100M- \$200M	\$200M- \$400M	\$400M- \$600M	\$600M- \$1B	\$1B- \$2B	\$2B- \$4B	\$4B- \$8B	\$8B- \$12B
CEO	\$146,500	\$226,506	\$288,469	\$341,666	\$448,769	\$522,821	\$687,096	\$1,434,812
All	\$52,192	\$59,151	\$62,736	\$64,734	\$70,391	\$65,512	\$68,426	\$57,873
Ratio	2.80	3.83	4.60	5.28	6.38	7.98	10.04	24.79

Credit Unions	\$100M- \$200M	\$200M- \$400M	\$400M-\$600M	\$600M- \$1B	\$1B- \$2B	\$2B- \$4B
CEO	\$171,954	\$249,724	\$317,309	\$366,630	\$536,370	\$586,604
All	\$47,899	\$53,564	\$55,443	\$58,454	\$64,207	\$60,486
Ratio	3.59	4.66	5.72	6.27	8.35	9.70

Average CEO vs. Employee Compa Ratio

Banks	\$100M- \$200M	\$200M - \$400M	\$400M- \$600M	\$600M- \$1B	\$1B- \$2B	\$2B- \$4B	\$4B- \$8B	\$8B- \$12B
Executive	82.32	92.28	94.60	94.51	95.36	98.17	99.41	105.81
Exempt	88.79	88.97	97.44	96.98	99.47	97.64	96.60	103.02
Non-Exempt	89.89	97.83	95.04	93.84	95.47	94.27	93.17	98.06
CEO	84.98	90.42	90.06	89.25	84.82	87.30	97.30	121.53

Credit Unions	\$100M- \$200M	\$200M - \$400M	\$400M - \$600M	\$600M- \$1B	\$1B - \$2B	\$2B- \$4B
Executive	91.42	92.57	89.60	90.33	99.00	98.02
Exempt	93.22	95.21	90.62	91.37	95.71	95.26
Non-Exempt	92.82	94.84	91.97	91.29	91.97	99.31
CEO	90.11	88.47	84.69	89.64	94.30	97.56

Empirical data from 300 clients

	\$100M- \$200M	\$200M- \$400M	\$400M- \$600M	\$1B- \$2B	\$2B- \$4B	\$4B- \$8B	\$8B- \$12B
Banks	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Credit Unions	xxx	xxx	xxx	xxx	xxx	xxx	xxx

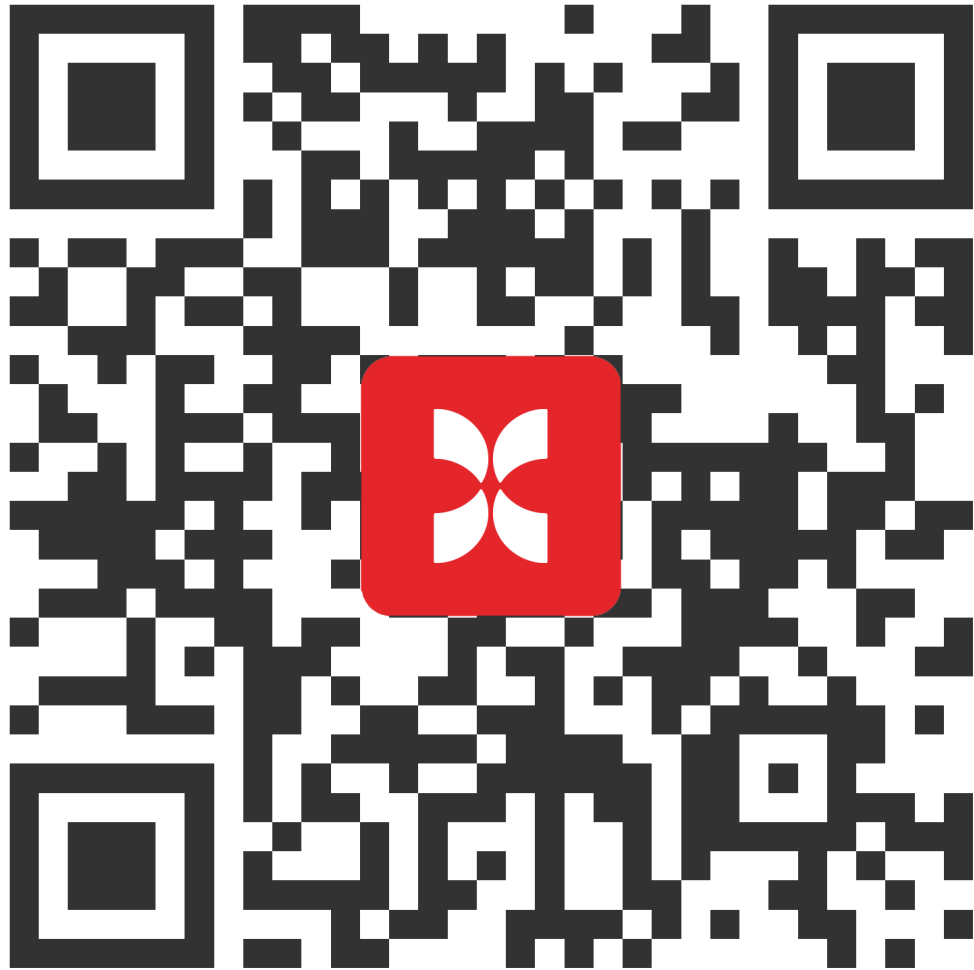
A Better Focus

Paying competitive to market

- By focusing on CEO Pay ratios, we can miss the focus behind the keys to pay inequality.
- Developing the discipline, either internally or by using external industry experts, of identifying accurate market rates and comparing pay levels based on amount of experience and objective productivity standards is the way to completely eliminate pay inequality. We should be comparing specific jobs against those same jobs in the market, not against the CEO Pay ratio.

The Real Causes of Pay Inequality

- Hiring “The Good Deal”
- The Absence of an effective D&I Program
- Absence of requested internal audits of the data outside of the HR dept.
- HR professionals who have to DIY salary ranges



Christie Summervill

MBA, SPHR

CEO, BalancedComp



balancedcomp.com