



# ESOP Executive Compensation Survey 2016

February 1, 2017

This report presents results from the 2016 installment in the NCEO's ongoing series of surveys on executive compensation at ESOP companies. These data were collected through an online survey conducted between October and December 2016.

The report contains the answers for each question in the survey for a total of 424 responses from companies **with an ESOP currently in place**. You will see a column with all responses to that question and columns breaking out companies with less than \$50 million in revenue and those with \$50 million or more.

Not all respondents answered every question; the number of responses to each question (n) is given in each table. Percentages may not add up to 100% due to rounding. For questions in which respondents were able to select multiple options, percentages may add up to more than 100%.

**Terms:** This report is in appreciation for your company responding to this survey and as such is for your company's use only. Feel free to share with anyone at your company, including outside board members, but please don't circulate outside the company.

1. When did your company establish its ESOP? (Please answer with a 4-digit year):

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Before 1981</b>	5%	5%	6%
<b>1981 - 1990</b>	12%	11%	13%
<b>1991 - 2000</b>	21%	17%	31%
<b>2001 - 2008</b>	31%	32%	30%
<b>2009 - 2015</b>	27%	31%	16%
<b>2016</b>	4%	3%	4%
	<b>n = 423</b>	<b>n = 239</b>	<b>n = 116</b>

2. What percentage of the company's shares are owned by the ESOP? (Please enter a number between 0 and 100)

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>1 - 49%</b>	15%	15%	11%
<b>50 - 99%</b>	13%	16%	9%
<b>100%</b>	73%	67%	78%
	<b>n = 417</b>	<b>n = 239</b>	<b>n = 116</b>

3. Is your company an S or C corporation?

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>S Corporation</b>	86%	84%	92%
<b>C Corporation</b>	14%	16%	8%
	<b>n = 424</b>	<b>n = 239</b>	<b>n = 116</b>

4. Is your company's stock traded?

	All	Revenue <\$50 million	Revenue ≥\$50 million
Yes	--	--	--
No	99.5%	99.6%	99.1%
	<b>n = 423</b>	<b>n = 239</b>	<b>n = 116</b>

## Executive Compensation

5a. Current annual base salary

	median values		
	All	Revenue <\$50 million	Revenue ≥\$50 million
CEO/President (n=416)	\$214,181	\$195,000	\$300,000
CFO/Top Finance/Accounting Executive (n=324)	\$148,250	\$132,189	\$175,136
COO (n=141)	\$179,400	\$150,000	\$205,000
Top Divisional Vice President (n=185)	\$170,000	\$153,000	\$184,278
Top Human Resources/Personnel Professional (n=140)	\$113,500	\$98,500	\$129,600
Top Sales/Marketing Executive (n=187)	\$150,000	\$140,000	\$170,000
Top Manufacturing/Products/Services Vice President (n=104)	\$129,500	\$122,000	\$172,500
Other executive (n=107)	\$150,000	\$150,000	\$185,000
	<b>n = 424</b>	<b>n = 239</b>	<b>n = 116</b>

5b. Cash bonuses, cash profit sharing plans, and other short-term cash incentives in the most recently completed fiscal year

	median values		
	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>CEO/President</b>	\$55,000	\$30,830	\$150,000
<b>CFO/Top Finance/Accounting Executive</b>	\$28,500	\$20,000	\$67,000
<b>COO</b>	\$39,500	\$22,000	\$100,000
<b>Top Divisional Vice President</b>	\$35,230	\$20,000	\$55,000
<b>Top Human Resources/Personnel Professional</b>	\$12,775	\$8,000	\$20,750
<b>Top Sales/Marketing Executive</b>	\$26,285	\$21,309	\$45,336
<b>Top Manufacturing/Products/Services Vice President</b>	\$20,375	\$17,150	\$38,949
<b>Other</b>	\$25,000	\$20,000	\$58,860
	<b>n = 424</b>	<b>n = 239</b>	<b>n = 116</b>

5c. Equity compensation granted in the most recently completed fiscal year

	Percentage offering any equity compensation		
	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>CEO/President</b>	43%	36%	56%
<b>CFO/Top Finance/Accounting Executive</b>	39%	32%	49%
<b>COO</b>	36%	26%	45%
<b>Top Divisional Vice President</b>	47%	40%	57%
<b>Top Human Resources/Personnel Professional</b>	38%	26%	45%
<b>Top Sales/Marketing Executive</b>	46%	39%	58%
<b>Top Manufacturing/Products/Services Vice President</b>	46%	43%	55%
<b>Other</b>	45%	39%	56%

6. For each executive position, please indicate which of the following types of equity compensation you provide:

	<b>Percentage offering each type (among those who provide equity compensation)</b>			
<i>All Respondents</i>	Stock options	RSUs	SARs	Phantom stock
<b>CEO/President</b>	14%	15%	69%	38%
<b>CFO/Top Finance/Accounting Executive</b>	16%	20%	80%	30%
<b>COO</b>	27%	19%	73%	51%
<b>Top Divisional Vice President</b>	19%	11%	65%	35%
<b>Top HR/Personnel Professional</b>	21%	24%	85%	29%
<b>Top Sales/Marketing Executive</b>	14%	18%	89%	27%
<b>Top Manu./Products/Services Vice President</b>	9%	15%	79%	21%
<b>Other</b>	14%	23%	69%	31%

	<b>Stock options</b>		<b>RSUs</b>		<b>SARs</b>		<b>Phantom stock</b>	
	<b>&lt;\$50</b>	<b>≥\$50</b>	<b>&lt;\$50</b>	<b>≥\$50</b>	<b>&lt;\$50</b>	<b>≥\$50</b>	<b>&lt;\$50</b>	<b>≥\$50</b>
	<b>MM</b>	<b>MM</b>	<b>MM</b>	<b>MM</b>	<b>MM</b>	<b>MM</b>	<b>MM</b>	<b>MM</b>
<b>CEO/President</b>	10%	15%	10%	15%	66%	81%	41%	40%
<b>CFO/Top Finance/Accounting Executive</b>	11%	18%	16%	15%	76%	90%	26%	33%
<b>COO</b>	15%	27%	15%	20%	54%	93%	46%	53%
<b>Top Divisional Vice President</b>	20%	19%	8%	11%	48%	78%	36%	33%
<b>Top HR/Personnel Professional</b>	20%	17%	30%	11%	90%	94%	30%	28%
<b>Top Sales/Marketing Executive</b>	9%	19%	13%	15%	91%	88%	22%	23%
<b>Top Manu./Products/Services Vice President</b>	16%	0%	16%	9%	68%	100%	16%	36%
<b>Other</b>	6%	20%	13%	27%	69%	60%	25%	33%

7. For each executive position, indicate the value of contributions made to a 401(k), defined benefit, or other qualified retirement plans excluding the ESOP in the most recently completed plan year. Estimated amounts are fine. Write in 0 if you don't contribute to retirement plans aside from the ESOP.

	median values		
	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>CEO/President</b>	\$2,128	\$2,100	\$2,970
<b>CFO/Top Finance/Accounting Executive</b>	\$1,200	\$1,000	\$2,050
<b>COO</b>	\$2,500	\$0	\$4,000
<b>Top Divisional Vice President</b>	\$1,000	\$2,203	\$0
<b>Top Human Resources/Personnel Professional</b>	\$500	\$750	\$0
<b>Top Sales/Marketing Executive</b>	\$1,550	\$2,125	\$0
<b>Top Manufacturing/Products/Services Vice President</b>	\$1,866	\$1,900	\$0
	<b>n = 424</b>	<b>n = 239</b>	<b>n = 116</b>

8. For each executive position, indicate the value of contributions, dividends, and/or earnings distributions made to the ESOP into that individual's account in the most recently completed plan year. Estimated amounts are fine. Write in 0 if no contributions or distributions were made to the ESOP in the most recently completed plan year.

	<b>median values</b>		
	<b>All</b>	<b>Revenue &lt;\$50 million</b>	<b>Revenue ≥\$50 million</b>
<b>CEO/President</b>	\$15,000	\$13,000	\$20,000
<b>CFO/Top Finance/Accounting Executive</b>	\$10,000	\$8,500	\$16,325
<b>COO</b>	\$13,398	\$11,650	\$16,430
<b>Top Divisional Vice President</b>	\$13,090	\$12,000	\$18,697
<b>Top Human Resources/Personnel Professional</b>	\$7,500	\$5,676	\$10,958
<b>Top Sales/Marketing Executive</b>	\$12,000	\$12,000	\$10,905
<b>Top Manufacturing/ Products/Services Vice President</b>	\$10,693	\$10,563	\$13,250
<b>Other</b>	\$12,402	\$8,761	\$15,000
	<b>n = 424</b>	<b>n = 239</b>	<b>n = 116</b>



## Equity Ownership and Compensation Mechanics

9. Please indicate the number of common shares in each of the following categories. (The sum of the answers below should be the total number of shares outstanding.)

	<b>Percentage of respondents with any common shares in each category</b>					
	Number of shares held by the ESOP (both allocated and unallocated)	Number of shares held directly by current executive employees (outside the ESOP)	Number of shares held directly by current non-executive employees (outside the ESOP)	Number of shares held directly by former employees (outside the ESOP)	Number of shares held directly by directors (who were never employees)	Number of shares held directly by all others (e.g. outside investors)
<b>10<sup>th</sup> percentile</b>	38%	0%	0%	0%	0%	0%
<b>25<sup>th</sup> percentile</b>	64%	0%	0%	0%	0%	0%
<b>50<sup>th</sup> percentile</b>	100%	0%	0%	0%	0%	0%
<b>75<sup>th</sup> percentile</b>	100%	7%	0%	0%	0%	0%
<b>90<sup>th</sup> percentile</b>	100%	46%	23%	6%	0%	0%

10. Please indicate the number of granted common shares/units in each of the following categories. (Only include shares/units that have not yet been exercised.)

	<b>Percentage of respondents with any granted common shares/units in each category</b>		
	<b>All</b>	<b>Revenue &lt;\$50 million</b>	<b>Revenue ≥\$50 million</b>
<b>Stock options</b>	6%	6%	5%
<b>SARs</b>	32%	23%	45%
<b>Phantom stock</b>	17%	13%	28%
<b>Restricted stock and RSUs</b>	3%	3%	4%
<b>Any other kind of equity compensation</b>	3%	3%	3%

11. What is your current plan for granting equity compensation to executives? (Select all that apply)

	<b>All</b>	<b>Revenue &lt;\$50 million</b>	<b>Revenue ≥\$50 million</b>
<b>Annually</b>	22%	5%	14%
<b>On hire</b>	7%	4%	10%
<b>Tenure-based</b>	5%	3%	8%
<b>Based on an individual performance metric</b>	27%	6%	14%
<b>Based on a company performance metric</b>	20%	16%	26%
<b>On a discretionary basis</b>	17%	14%	23%
<b>Periodically, less often than annually</b>	3%	3%	4%
<b>Other</b>	3%	3%	4%
<b>N/A – no equity compensation granted to executives</b>	58%	66%	44%
	<b>n = 361</b>	<b>n = 231</b>	<b>n = 111</b>

11.1. Please indicate the type of vesting you use for equity compensation awards granted to executives. (Select all that apply)

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Company performance-based vesting</b>	16%	15%	17%
<b>Group performance-based vesting</b>	3%	2%	3%
<b>Individual performance-based vesting</b>	6%	7%	2%
<b>Time-based cliff vesting</b>	44%	37%	49%
<b>Time-based graded vesting</b>	39%	44%	32%
	<b>n = 157</b>	<b>n = 81</b>	<b>n = 65</b>

11.2. If your company uses time-based vesting, please indicate how many years the typical grant is vested after.

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Years (median)</b>	5	5	5
	<b>n = 111</b>	<b>n = 57</b>	<b>n = 44</b>

12. Please indicate which (if any) executives...

	<b>Are NOT participants in the ESOP</b>	<b>Have direct share ownership outside the ESOP (founding shares, vested restricted stock, granted on hire, etc.)</b>
<b>CEO/President (n=416)</b>	8%	24%
<b>CFO/Top Finance/Accounting Executive (n=324)</b>	3%	14%
<b>COO (n=141)</b>	2%	20%
<b>Top Divisional Vice President (n=185)</b>	2%	17%
<b>Top HR/Personnel Professional (n=140)</b>	2%	8%
<b>Top Sales/Marketing Executive (n=187)</b>	3%	11%
<b>Top Manu./Products/Services Vice President (n=104)</b>	5%	9%
<b>Other executive (n=107)</b>	4%	14%

13. Are any executives expected to receive a payment following a change-in-control of the company?

	<b>All</b>	<b>Revenue &lt;\$50 million</b>	<b>Revenue ≥\$50 million</b>
<b>Yes</b>	20%	16%	27%
<b>No</b>	80%	84%	72%
	<b>n = 376</b>	<b>n = 239</b>	<b>n = 116</b>

14. How is your board compensation committee composed? (“Independent directors” have no affiliation with the company except in their capacity as a director.)

	<b>All</b>	<b>Revenue &lt;\$50 million</b>	<b>Revenue ≥\$50 million</b>
<b>We do not have a board compensation committee</b>	38%	16%	17%
<b>None of the directors on our board compensation committee is independent.</b>	11%	19%	26%
<b>At least one of the directors on our board compensation committee is independent.</b>	22%	11%	11%
<b>The majority of the directors on our board compensation committee are independent.</b>	14%	10%	23%
<b>All of the directors on our board compensation committee are independent.</b>	16%	45%	23%
	<b>n = 375</b>	<b>n = 238</b>	<b>n = 115</b>

15. How many members serve on your board compensation committee?

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Members (median)</b>	3	3	3
	<b>n = 234</b>	<b>n = 177</b>	<b>n = 102</b>

## Demographics

16. Which of the below best describes your industry?

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Construction</b>	15%	13%	16%
<b>Finance/insurance/real estate</b>	4%	6%	0%
<b>Health care and social assistance</b>	3%	3%	3%
<b>Information, technology</b>	5%	7%	1%
<b>Manufacturing</b>	27%	29%	26%
<b>Professional, scientific, technical services</b>	20%	23%	11%
<b>Retail trade</b>	4%	4%	5%
<b>Wholesale trade</b>	11%	5%	22%
<b>Other</b>	12%	11%	16%
	<b>n = 371</b>	<b>n = 239</b>	<b>n = 116</b>

17. How many full- and part-time employees does your company have?

	All	Revenue <\$50 million	Revenue ≥\$50 million
100 or fewer	47%	67%	6%
101 to 500	42%	31%	62%
Over 500	12%	2%	32%
	n = 366	n = 237	n = 114

18. Where is your company's headquarters?

	All	Revenue <\$50 million	Revenue ≥\$50 million
Northeast	12%	12%	11%
Midwest	36%	37%	35%
South	24%	23%	25%
West	28%	28%	28%
Outside US	0%	0%	1%
	n = 370	n = 238	n = 116

19. What was the company's average annual change in stock price over the past five years? (If your company has had an ESOP for fewer than five years, answer for the number of years the plan has been in place.)

	All	Revenue <\$50 million	Revenue ≥\$50 million
Negative (we had a loss)	12%	15%	5%
0-10%	37%	37%	36%
11-20%	29%	25%	36%
21% or higher	22%	22%	23%
	n = 365	n = 236	n = 114



20. Which of the following best describes your pre-tax profits as a percent of revenue in the most recently completed fiscal year?

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Negative (we had a loss)</b>	8%	10%	4%
<b>0-10%</b>	68%	62%	80%
<b>11-20%</b>	17%	20%	11%
<b>21% or higher</b>	7%	7%	5%
	<b>n = 363</b>	<b>n = 236</b>	<b>n = 114</b>

21. What is the approximate value of all of your company's outstanding shares based on the most recently completed ESOP valuation? (Please provide your answer in dollars).

	All	Revenue <\$50 million	Revenue ≥\$50 million
<b>Under \$10 million</b>	55%	71%	18%
<b>\$10 million to \$50 million</b>	32%	26%	47%
<b>\$51 million to \$100 million</b>	14%	2%	26%
<b>Over \$100 million</b>	8%	1%	10%
	<b>n = 335</b>	<b>n = 226</b>	<b>n = 105</b>

22. Please choose a category for the dollar value of your company's revenues in the most recently completed fiscal year.

	<b>All</b>	<b>Revenue &lt;\$50 million</b>	<b>Revenue ≥\$50 million</b>
<b>Up to \$10 million</b>	24%	38%	0%
<b>\$10 million to \$50 million</b>	43%	62%	0%
<b>\$51 million to \$100 million</b>	15%	0%	46%
<b>\$101 million to \$200 million</b>	9%	0%	28%
<b>\$201 million to \$500 million</b>	7%	0%	22%
<b>\$501 million or more</b>	2%	0%	5%
	<b>n = 355</b>	<b>n = 239</b>	<b>n = 116</b>

23. What impact does having an ESOP have on your approach to compensation?

*Sample responses (out of 272 total):*

- "We tend to pay at the 50th percentile in terms of cash compensation since we have a great retirement benefit in our ESOP."
- "We try to be above the median for base compensation and in the top 25% for total compensation, based upon our industry metrics."
- "We view the ESOP separate from compensation decisions."

24. What is the biggest challenge you face incorporating the ESOP into your compensation structure?

*Sample responses (out of 174 total):*

- "Making sure all areas of the organization understand how the ESOP (or in our case, KSOP) works. Additionally, the "line-of-sight" or how they can directly affect the profits of the company and therefore, their personal wealth."
- "Our business is heavily connected to the commodity market which presents more volatility with our performance results and with our dollar valuation."
- "Managing repurchase obligation"

25. How is the ESOP used in your recruitment strategy?

*Sample Responses (out of 184 total):*

- "Heavily. We leverage being employee owned strongly, and it is a major part of our corporate culture."
- "The ESOP is clearly stated to prospective employees. For some it means nothing, to others it is intriguing. In time both begin to understand the value and how they contribute to the growth and profitability of the company."
- "Really not used at all, we need to utilize this more!"

## Other Resources

Contact Nancy Wiefek ([nwiefek@nceo.org](mailto:nwiefek@nceo.org)) or call 510-208-1312 for any questions about this survey or any of the NCEO's research.

Our [ESOP Executive Compensation Survey page](#) provides more information about the survey and a link to purchase the full survey report when it becomes available in February 2017.

The NCEO publication [Executive Compensation in ESOP Companies](#) provides guidance for ESOP companies managing their compensation practices, including information on strategy, compliance, and fiduciary issues. This publication contains data from the 2014 ESOP Executive Compensation Survey.

Our [Corporate Governance in ESOP Companies](#) report provides information on how ESOPs handle an array of governance issues from our 2016 survey.

The NCEO's [Ownership Culture Survey](#) is a customizable employee survey that helps ESOP companies harness their potential ownership advantage by measuring employee attitudes, perceptions, and levels of understanding about employee ownership.