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How to Create and Implement a Wealth Accumulation Table:

What Directors Now Need To Address

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Today's Discussion

- What are they
- What can/should be covered
- How are they developed
- How can they be used
- Implications and cautions

Accumulated Wealth Tables - - What are they?

- Tables created to show the values created by both the various parts of the total compensation program, as well as by the program as a whole
- Creates a measurement to assess the effectiveness of a company's programs in achieving defined objectives (or in establishing objectives)
- Can be used to project outcomes that may impact future disclosure

Accumulated Wealth Tables - - What can/should be covered?

- Can and should cover all major elements of total compensation, especially those that create wealth
 - Annual bonuses
 - Equity awards
 - Non-equity, longer-term cash awards
 - Retirement programs
 - Deferred compensation
- Other elements such as base salary can logically be included
- Can be both historic and futuristic in nature

Accumulated Wealth Tables - - How are they developed?

- Collect relevant data on key elements
 - Current and historic levels/grants
 - Historic and future rates of growth, range of outcomes, etc.
 - Relevant company demographics (e.g., promotion rates)
- Determine relevant time frame(s) to examine
 - Historic
 - Future
- Identify relevant assumptions and/or ranges of assumptions
 - Growth rates: compensation, stock price, interest rates
 - Variations in the above due to performance and other factors

Accumulated Wealth Tables - - How can they be used?

- To test the reasonableness of today's decisions from both an internal and an external perspective
- To determine the achievement of pre-established company/program objectives
- Assess internal equity, near-term and longer term
- Create path for integrating new, senior hires
- Provide a context for assessing the impact of plan design decisions
- Provide a context for assessing the balance between executive wealth, increased shareholder wealth and company performance

Accumulated Wealth Tables - - Implications and Cautions

- The tables are an additional tool that can be helpful, but are not stand-alone materials
- Assumptions are critical
- Cross-company comparisons are directionally correct at best
- Use reasonable timeframes
- Accuracy should not be over-emphasized