

Executive Compensation

Executive Compensation CHALLENGES

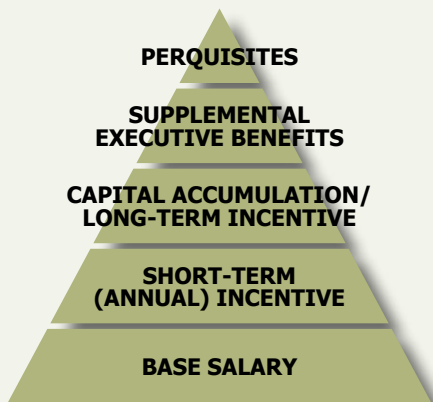
Executives have a unique role and they have different expectations of compensation:

- Decisions made by executives have a great impact on the organization's short- and long-term results, so their performance requirements are more demanding than those of other employees.
- They may have, or be seeking, an ownership position in the organization.
- Since they are highly paid, taxation presents particular problems.
- Their highly paid status also creates problems for them relative to employee group benefit plans, since legislation continues to place limitations upon executive-level benefits.
- They frequently play an important social role for the organization and must be seen as leaders in the community.

In managing executive compensation programs, employers must balance executive compensation requirements with additional important factors:

- Attracting, retaining and motivating qualified executives in a manner that is acceptable to owners or shareholders.
- Ensuring that executive compensation is at risk for acceptable performance.
- Taking maximum advantage of accounting, taxation and other rules while maintaining focus on the basic intent of compensation.
- Determining the impact of executive compensation on other compensation programs.

Executive Compensation STRATEGY



Executive compensation essentially consists of a package of five elements. Executive compensation strategy provides overall direction throughout the design of the package.

Executive Compensation CONSULTING SERVICES

Carlson Dettmann consultants have experience in the analysis, design and implementation of all elements of executive compensation. Our consulting services include:

- **Establishing Executive Compensation Strategy.** Deciding how best to combine all the elements of an executive compensation program requires careful, in-depth analysis and expert knowledge. There should be a direct link between your executive compensation program and your corporate goals. We will work with your senior management and directors to address these issues, and help develop a compensation strategy that takes into account your business goals, executive performance and management practices.
- **Determining Competitive Pay Levels.** We can determine the appropriate competitive levels for each element of executive compensation based upon the analysis of published compensation surveys, or by conducting an individually tailored survey.
- **Designing Effective Incentive Plans.** Designing incentive plans that are consistent with your organizational and financial goals can be essential to your organization's ultimate success. We can help you decide which executives should participate, the amount they should receive, performance measures, funding and the form and timing of payout. This includes both annual and longer-term incentive programs.
- **Designing Executive Capital Accumulation Plans.** Long-term income and capital accumulation programs should be an aid in retaining and building the net worth of your executives. This form of executive compensation is often more complex than simple cash compensation, in part because of the continuing changes in tax laws and accounting rules. We can work with you to establish objectives, identify the program best suited to your needs, design the plan, and then simulate plan performance to test the plan's ability to provide intended benefits with minimal negative impact on earnings per share and cash flow.
- **Examining and Designing Appropriate Executive Benefits and Perquisites.** Executive benefits and perquisites are significant forms of indirect compensation and should be integrated into your total compensation package. We can conduct a thorough analysis of your program including retirement benefits, short- and long-term disability benefits, medical coverage and life insurance benefits. We can also assess the competitiveness and appropriateness of your various perquisites. When the study is complete, you will receive a report that identifies any shortcomings and presents ways to resolve them.
- **Designing Deferred Compensation Plans.** Executives are frequently interested in deferring some portion of their current pay to some future period or to retirement. We can design non-qualified deferred compensation arrangements within supplemental executive retirement plans, incentive or capital accumulation plans, or employment contracts.
- **Other Related Services:**
 - » Implementing and communicating compensation programs to maximize their effectiveness, including developing brochures, conducting workshops and making presentations.
 - » Developing employment contracts to recruit executives in mid-career, or for other reasons.
 - » Designing performance appraisal systems to help you determine base salary levels or individual incentive awards.
 - » Developing plans for transfer of ownership within privately or closely held corporations.
 - » Informing you of compensation developments, including pending legislation that may affect your executive compensation program.
 - » Addressing the special executive compensation needs of closely held companies, including designing appropriate capital accumulation programs.

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Carlson Dettmann Consulting (CDC), a division of enetrix, provides management consulting with primary expertise in compensation strategies and related business services. Our collective knowledge and experience, acquired through well-known national and regional consulting firms, has accrued through many years of providing compensation counsel to employers throughout the Upper Midwest. We are qualified to understand the diverse characteristics of public, private, for-profit, and not-for-profit organizations, and their respective needs.