



GLOBAL
GOVERNANCE
ADVISORS

Compensation Trends



Outline

Contents of Today's Education Session

THE GREAT RESIGNATION	4
DISRUPTING FORCE OF REMOTE WORK	10
IMPACTS ON COMPENSATION PRACTICES	12
IMPACTS ON PUBLIC PENSIONS	15



The Recent Pandemic Heightened Impacts on Compensation & Retention Practices

THE GREAT RESIGNATION

Reminder of What Employees Want

© all rights reserved 2022



The Great Resignation



© all rights reserved 2022

What was (is) It?

- Theory proposed by Texas A&M Professor Anthony Klotz
 - Voluntary, en masse, resignation beginning in early 2021
- Proposed reasons:
 - Increased demand and need for front-line employees
 - Higher wages
 - Less risk due to government support programs
 - Forced many to start new businesses / retire early
 - Opportunity to move out of unpleasant situations & find more meaningful work
 - Remote and hybrid work erased many limitations
- Greater opportunities for mid-level employees
 - Risky to hire inexperienced staff



Top Performers & Highest Skilled are the First to Go.

People With Options are the Most Marketable.

The Great Resignation



© all rights reserved 2022

Impact on Employers

- High level of employee turnover
- Forced organizations to consider:
 - Greater workplace flexibility
 - Work-life balance challenges
 - Recognition practices (incentive structures)
- Heightened importance of attraction & retention strategies
 - Compensation adjustments
 - New / adjusted incentive structures
 - Greater use of restricted share units
 - Focus on long-term-incentive programs



Attrition Has a Material Impact on Organizations

DISRUPTING FORCE OF REMOTE WORK

A Game Changer



© all rights reserved 2022

Impact of Remote Work

- Forced employers to:
 - Implement remote practices/policies/etc.
 - Invest in new technologies
 - Be flexible with employee hours & work-life challenges
 - Monitor location of employees for tax purposes
- Showed employees:
 - Better work-life balance (But not always)
 - More autonomous / flexible use of time
- In many cases, proved that productivity levels do not drop
- Broke down geographic limitations to hiring



IMPACTS ON COMPENSATION PRACTICES

More Options Became Available



© all rights reserved 2022

Employees got the upper hand

- Employers need to show value
 - Assume candidate has 2 additional offers
- Relative competitiveness and future retention became very important
 - Increased use of time-based awards
 - Focus on new / improved incentive plans
 - Renewed interest in long-term incentives
- Forecasted increases in base salaries
 - Anticipate 3% to 5% in private sector



Importance of Incentive Programs



© all rights reserved 2022

Recognition of contribution

- McKinsey Study
 - Employees want good pay, benefits, etc.
 - Really want to be valued
- Transparency is key
 - Clear (objective) incentive plans
 - Realistic expectations
 - Multiple check-ins
- Less of a fringe benefit & more of a necessity
 - Is it doing what we intended it to do?
 - What is our underlying intention?



IMPACTS ON PUBLIC PENSIONS

Impact on Pension Systems



© all rights reserved 2022

Rethinking of approach

- Expanded peer groups
 - No longer solely public agencies/employers
 - Greater blend of public & private
- Competitive opportunity is key
 - Often competing for talent against public & private sector employers



Impact on Pension Systems

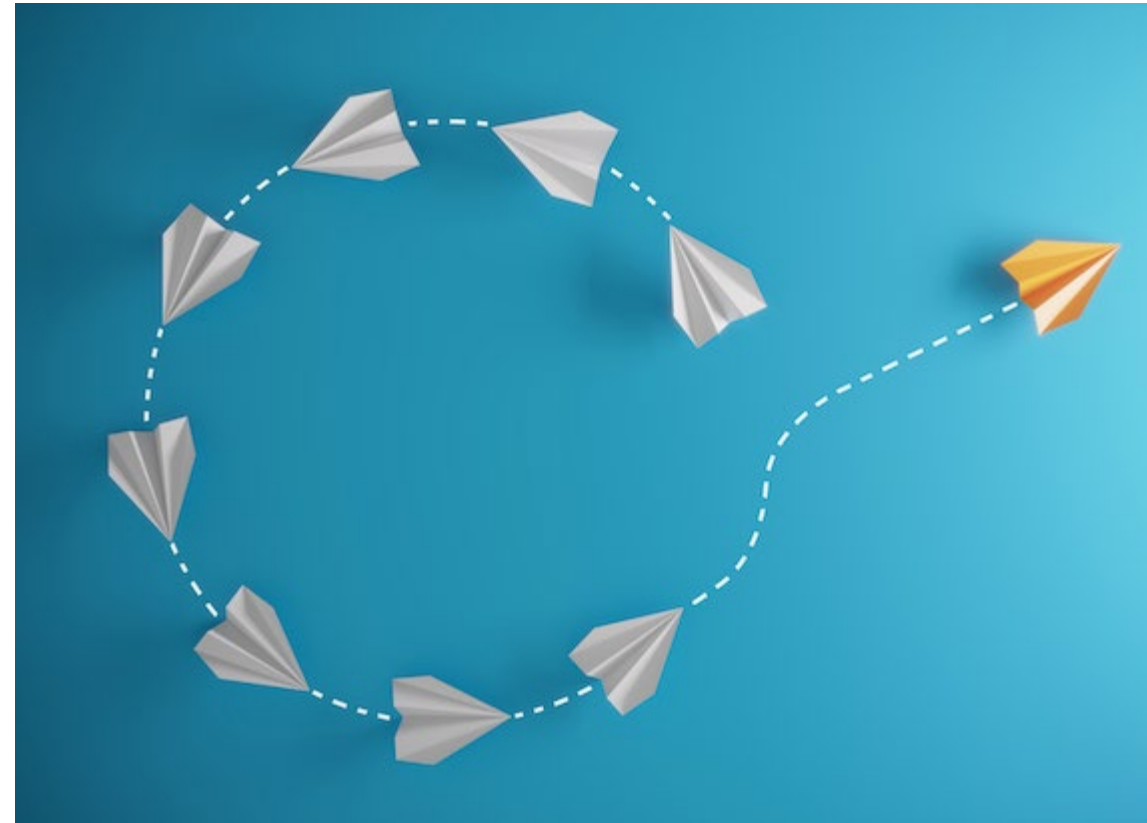


© all rights reserved 2022

Forced change

- Old ways no longer work
 - Old compensation benchmarking & design practices are no longer competitive
 - Old work practices & environments are no longer applicable
- Evolution is key to sustainability

Total compensation approaches & practices now have a higher prominence in sustainability strategies



Impact on Pension Systems



© all rights reserved 2022

Annual Incentive Plans

- Focus on Total Fund results
 - “One team” approach
 - PSPIB moved in this direction
- Incorporate Asset Class results
 - Where warranted for AC professionals
- Focus on Quantitative objectives
- Include Qualitative objectives
 - To recognize “how” things are achieved



Impact on Pension Systems



© all rights reserved 2022

Long-Term Incentive Plans

- 100% focused on Total Fund results
- Includes Investment and Senior Non-Investment Executives
- 3- to 5-Year Performance Period

Position	LTIP Eligibility in Market
CEO	√
COO	Mixed
CFO	Mixed
System Actuary	Mixed
General Counsel	Mixed
CIO	√
Deputy CIO	√
Managing Investment Director	√
Investment Director	√
Investment Manager	√
Associate Investment Manager	Mixed

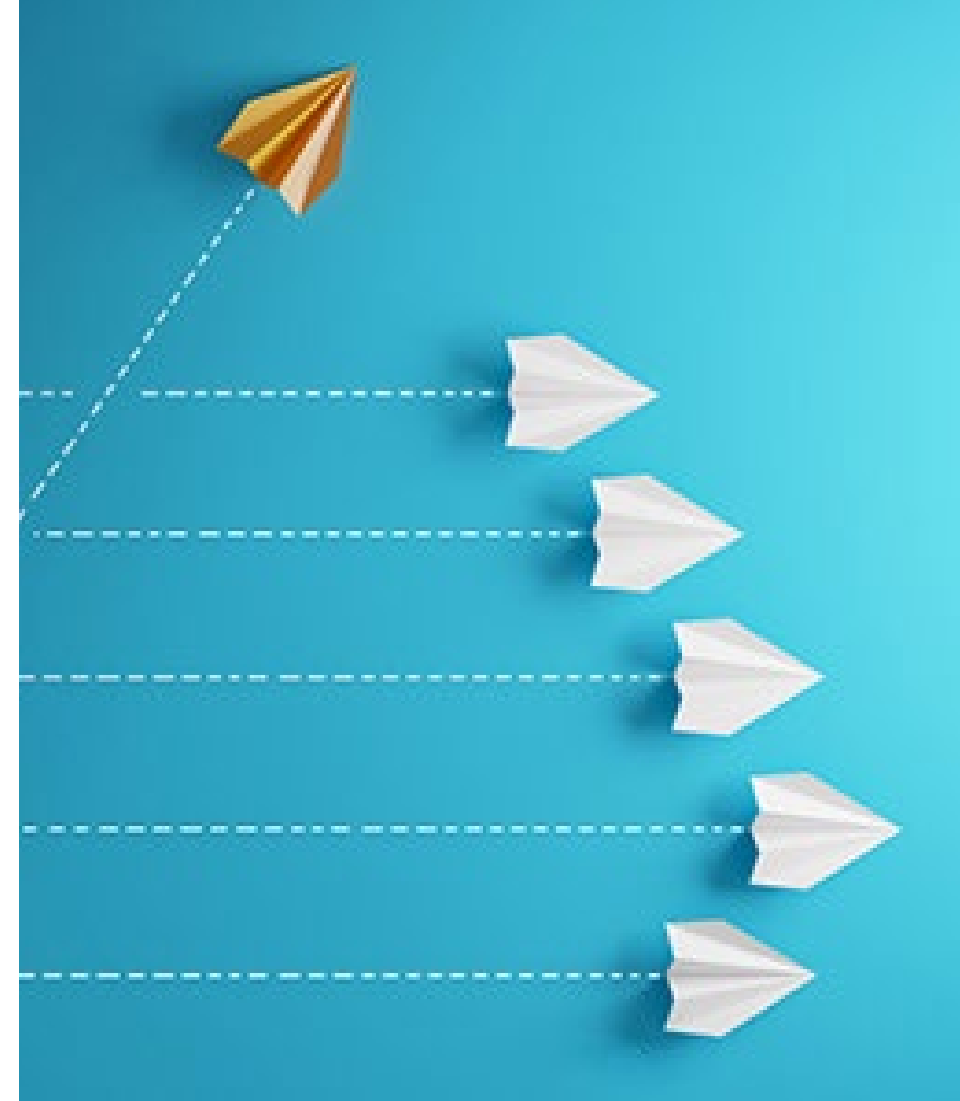
Impact on Pension Systems



© all rights reserved 2022

Long-Term Incentive Plans

- Senior Non-Investment Executives (COO, CFO, etc.)
 - Typically eligible in (transformed) Canadian pension funds & private sector
 - Not eligible at state agencies and endowment funds
- Associate Investment Managers
 - Front Office professionals typically eligible
 - Investment Services (Back Office) professionals show mixed prevalence



SILVER LINING

***Pensions Are Learning That
Old Paradigms & Practices
Are No Longer Working***

Today's Presenters



Brad Kelly

Partner

brad.kelly@ggainc.com

(416) 707-4614



Peter Landers

Senior Partner

peter.landern@ggainc.com

(416) 799-6640

