



## Korn Ferry Hay Group Study Finds Director Compensation Now Focused More on Committee Contribution and Specialized Expertise

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-- Sixth Annual Analysis Finds Year-Over-Year Total Director Compensation Relatively Flat  
--Median Total Compensation for Directors Between \$256,500 and \$274,200

LOS ANGELES--(BUSINESS WIRE)--Nov. 3, 2016-- The Hay Group division of [Korn Ferry](#) (NYSE:KFY) has released findings of its sixth annual director compensation and benefits study. The study, which includes data from the 300 largest companies that filed proxy statements between May 1, 2015, and April 30, 2016, finds less change at the overall board compensation level and more at the committee level, which is recognition of the fact that much of the board's important work is now undertaken by committees.

The report notes a trend toward including additional retainers for the so-called "Big 3" committee chairs – audit, compensation, and nominating/governance committees, exemplifying the need for board members with specific expertise.

"Director pay is a reflection of the board's increased fiduciary duties and risk as well as the escalation of new regulations," said Irv Becker, North America Leader for Korn Ferry Hay Group's Executive Pay and Governance practice. "Serving as a director today is not only a more time-consuming and tougher job, but it also requires more specialized talent, and directors should be paid accordingly."

In 2015, the median total direct compensation for directors in the analyzed companies ranged between \$265,500 and \$274,200.

More companies are continuing to eliminate fees for simply attending board meetings, and instead are focusing on packages that include an annual retainer (cash and/or equity), committee chair retainers, and long-term incentives in the form of restricted stock, restricted stock units, common or deferred stock.

### Breakdown of Total Director Compensation Elements

- *Annual Retainer* – The median annual retainer remains unchanged from last year, at \$100,000. The last time the median annual retainer increased was in 2014, when it increased to \$100,000 from the 2013 median annual retainer of \$90,000. The overwhelming majority (99.3 percent) of the companies paid directors an annual retainer, with most of these companies providing this retainer in cash.
- *Long-Term Incentive Packages* – The median value of long-term incentive packages remained steady at \$150,000, though the mix of elements of those packages has evolved. There is a growing trend away from stock options, toward restricted stock. Now only 7.7 percent of the analyzed companies granted directors stock options, versus 8.3 percent the previous year. Restricted stock continues to be the most prevalent means of rewarding directors, with 79.7 percent of companies using this incentive, up from 72.3 percent the previous year. In sum, the data show that 81 percent of the companies granted directors some form of long-term incentive compensation, up from 74.3 percent the previous year.
- *A premium for committee chairs* – In recognition of the additional responsibility and time commitment, virtually all of the companies in the study paid an additional retainer to committee chairs. The study found 96.7 percent paid their audit committee chair a median retainer of \$25,000, versus \$21,000 last year; 95.7 percent paid their compensation committee chair a median retainer of \$20,000, which is unchanged from last year; and 92 percent paid their nominating/governance committee chair a median retainer of \$15,000, which is also unchanged from last year.
- *Few committee member retainers offered, except for audit* – Perhaps a reflection of the added time commitment and specialized expertise, the percentage of companies paying a retainer to audit committee members ticked upward from 40.3 percent to 41 percent, while the median retainer increased from \$10,000 to \$12,000. Twenty-six percent of companies paid a compensation committee retainer, a median retainer of \$10,000, which is unchanged since last year. Companies were least likely to offer retainers to members of their nominating/governance committees, with only 24 percent of companies saying they do so, with a median of \$10,000, which is up \$1,000 from the previous year.

"In terms of future trends for director pay, we expect to see more companies continue the current trend toward eliminating board and committee meeting fees and instead recognizing the crucial role and additional investment of time of those who serve on key committees," said Becker. "Effective directors are in great demand because they have unique skills that are critical to a company's success, and should be fairly compensated for their efforts."

Click [here](#) for the full study.

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