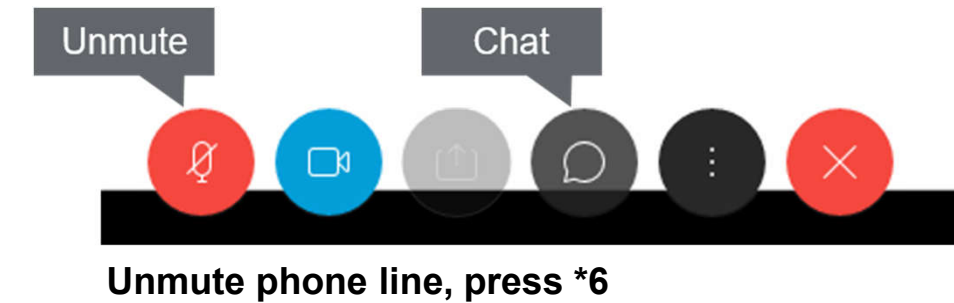


Atlanta Area Compensation Association Discussion Group

Managing the impact of COVID-19

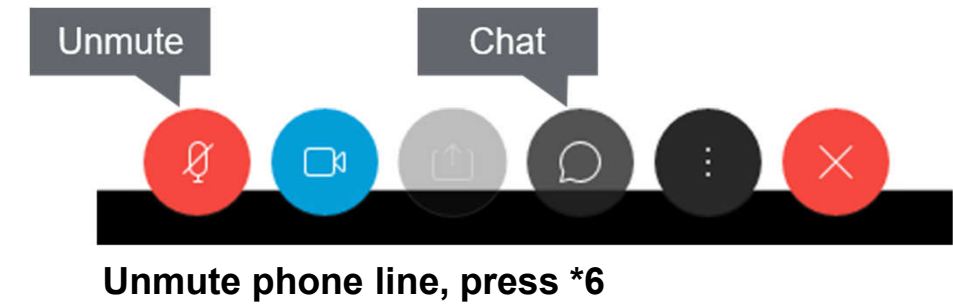
July 22, 2020

Objectives and Participation Guidelines



Objectives	Participation Guidelines
<ul style="list-style-type: none">■ To provide a discussion group for Reward professionals from Atlanta employers to listen, learn, and share ideas■ Willis Towers Watson to provide group moderation and:<ul style="list-style-type: none">■ Latest updates on the pandemic from a compensation perspective■ Insights from our ongoing employer pulse surveys	<ul style="list-style-type: none">■ Please keep your line on mute if you are not speaking■ This is an open dialogue; if you'd like to ask a question unmute your line<ul style="list-style-type: none">■ If you prefer, you can share your questions via the chat feature and direct those to Willis Towers Watson■ Be sensitive to the information being shared in the context of anti-trust guidelines

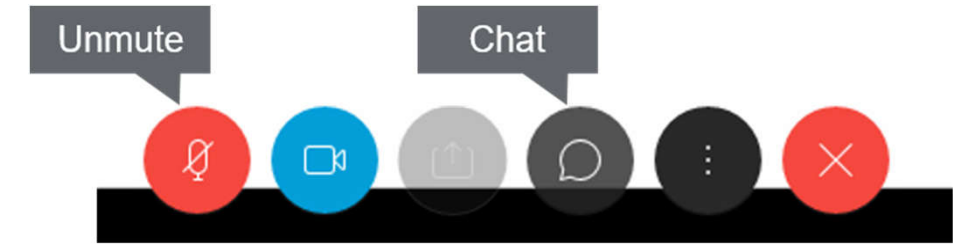
Anti-trust Guidelines



You Can	You Cannot
<ul style="list-style-type: none">■ Educate and provide meaningful information to participants■ Discuss proposed legislation or regulation■ Discuss technological developments and better ways to utilize them■ Best practices and procedures for human resource management■ General information on economic trends, business forecasts and markets	<ul style="list-style-type: none">■ Obtain proprietary or confidential information■ Discuss or make agreements with competitors regarding competitively sensitive information, such as:<ul style="list-style-type: none">■ Commercial arrangements■ Submission of non-competitive “courtesy bids”■ To deal or not deal with a particular client■ Sales territories, customers, distribution practices, cost information, recruitment/salaries■ Current or planned contract terms■ Companies or industry competitive information■ Discuss or agree with competitors regarding salary or other terms of compensation, including benefits for specific employees■ Discuss/agree with competitors “no poaching” agreements

Today's Topics

- 1 Reducing or Delaying Merit Increases
- 2 Salary Reductions
- 3 Short-Term and Long-Term Incentives
- 4 Furloughs
- 5 Other Topics?



Unmute phone line, press *6

Discussion Group Facilitators



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Willis Towers Watson
Director, Southeast Rewards Practice



David Wathen

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Southeast Rewards and
Executive Compensation Leader

Summary

Broad-based Salaried Rewards Program Priorities

- Majority of employers have **delivered 2020 merit increases as planned/budgeted (52%)** and most organizations do not anticipate delaying or eliminating salary structure adjustments in 2020
 - About a quarter of employers cited 2020 merit increases are either **delayed** or **canceled entirely**

Salary Reductions

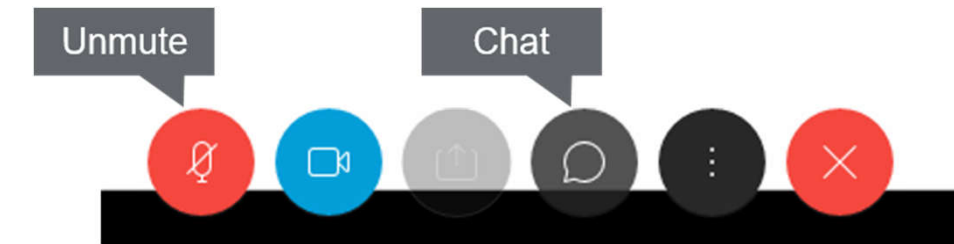
- Only **22% of employers** have either reduced or planned to reduced salaries for some portion of the employee population
 - The most common reduction is **10 – 20%** and the typical **duration** is **3 months**

Short and Long-Term Incentives

- The **majority of employers** have yet to take action on adjustments to incentive design policies
 - However 25% of employers** are monitoring COVID-19 specific guidance from major investors and proxy advisors

Furloughs

- Over 40% of employers** have implemented or have plans to implement some form of furloughs
 - Most employers expect the majority of furloughed employees to **fully return by Q1 2021**



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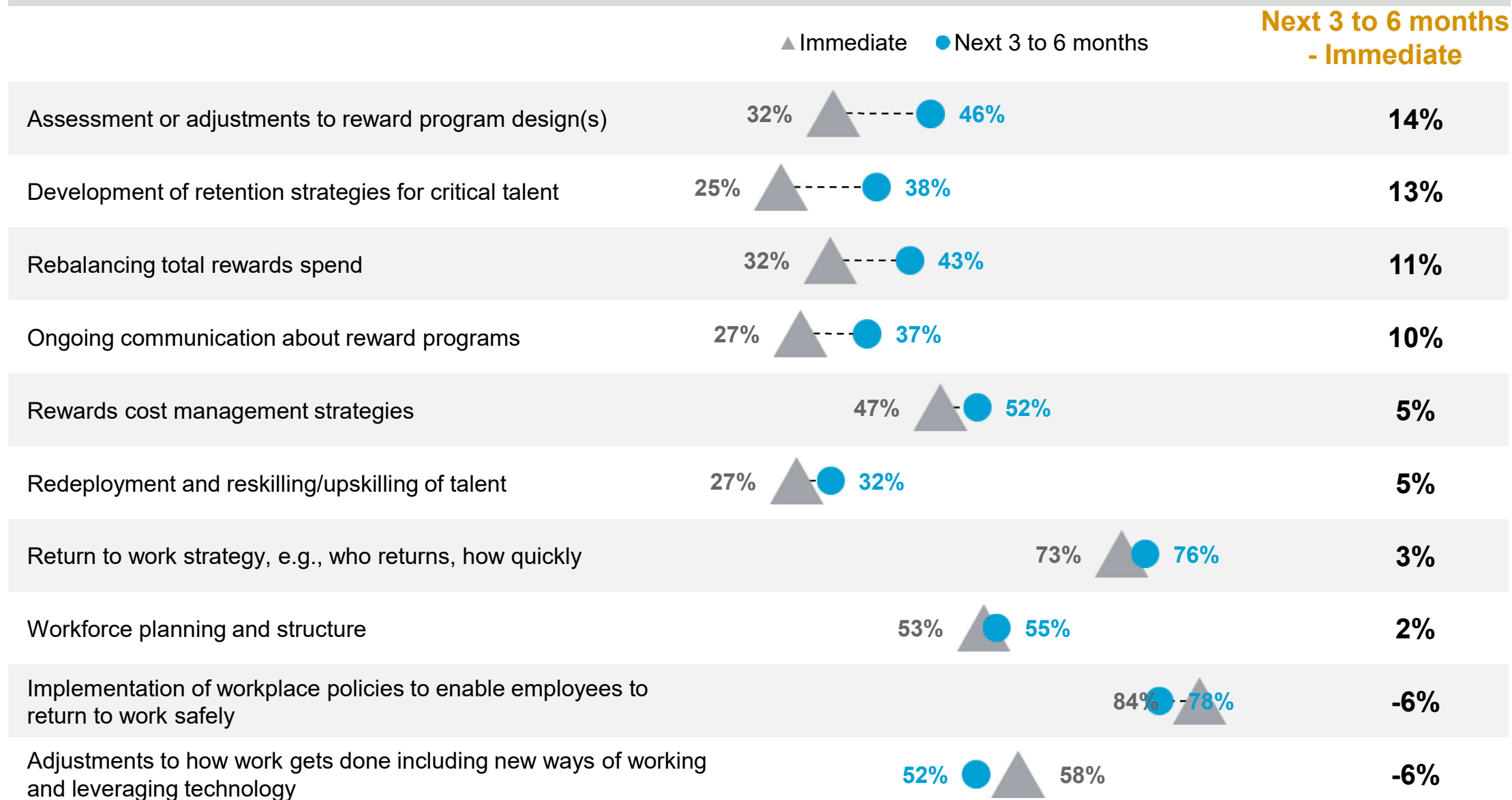
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Adjustments to reward program design, rebalancing total rewards spending and developing retention strategies are likely to grow in importance

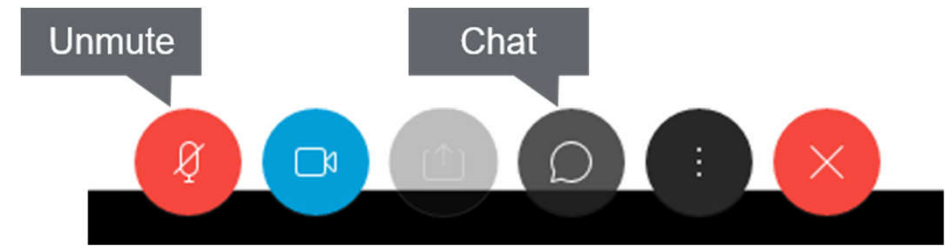
To what extent are each of the following Rewards/HR issues considered immediate priorities for your business? In the next 3 to 6 months?



Note: Percentages indicate "To a great extent-5/4". Source: 2020 Rewards Readiness Plans for Resetting Business Operations Survey

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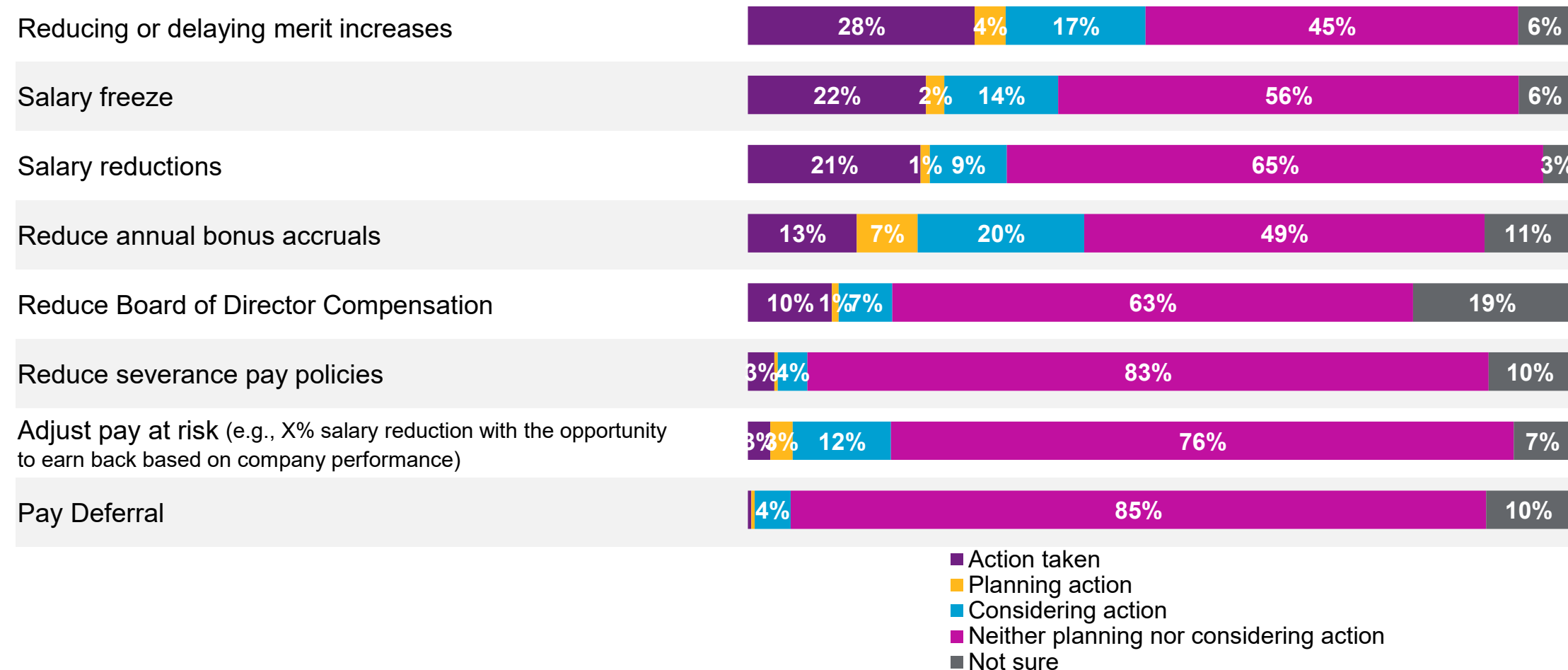
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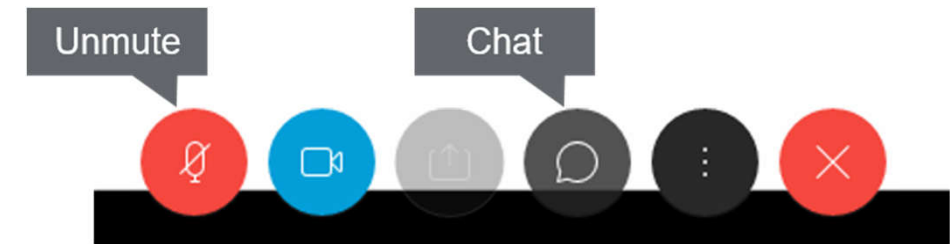
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Almost half of respondents have taken action on pay, another quarter are planning or considering taking actions

Please indicate what action items your company has already completed to help manage labor costs in response to the COVID-19 pandemic and the subsequent economic effects, and what your company may be planning or considering going forward for the balance of 2020



Note: 'Not applicable' excluded.
Source: 2020 Actions to Restore Stability Survey



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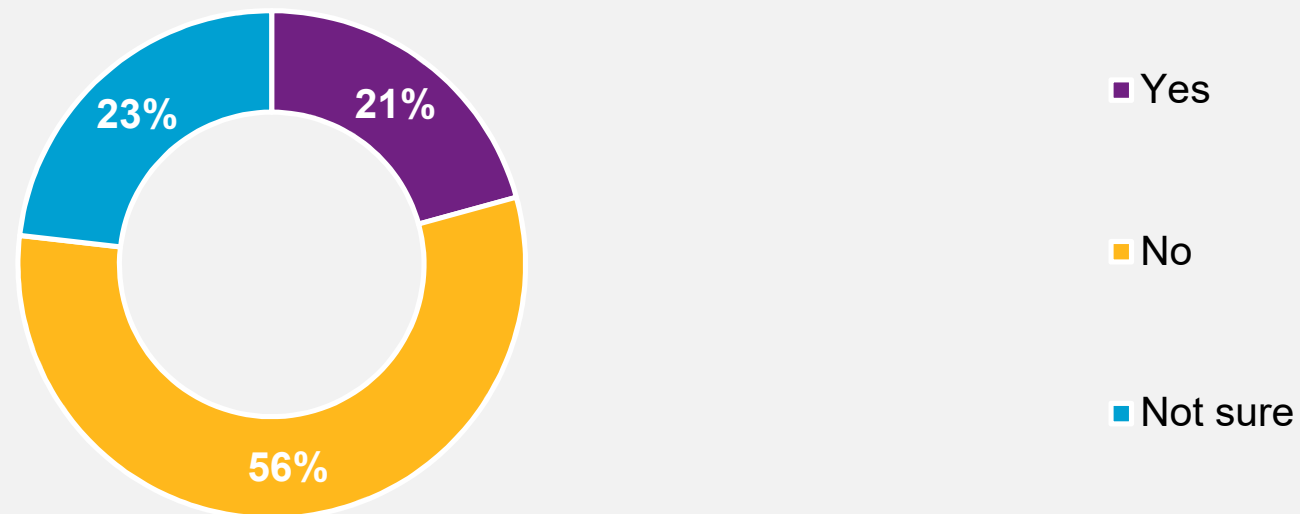
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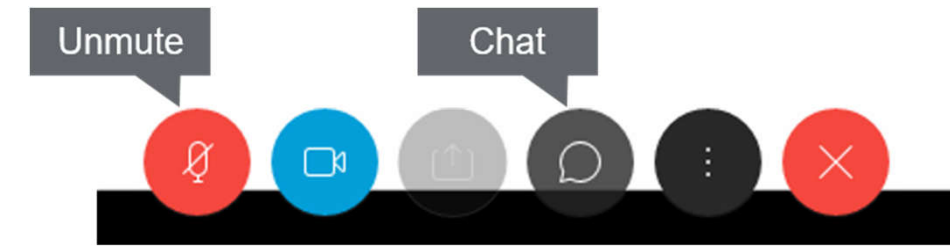
Most organizations that delayed or are planning to reduce or delay 2020 merit increases are not planning to implement increases before their next planned cycle

If delaying or planning to delay 2020 base pay increases:

Are you planning an opportunity to implement increases before your next planned cycle?



Note: Based on respondents taking, planning or considering reducing or delaying merit increases.
Source: 2020 Actions to Restore Stability Survey



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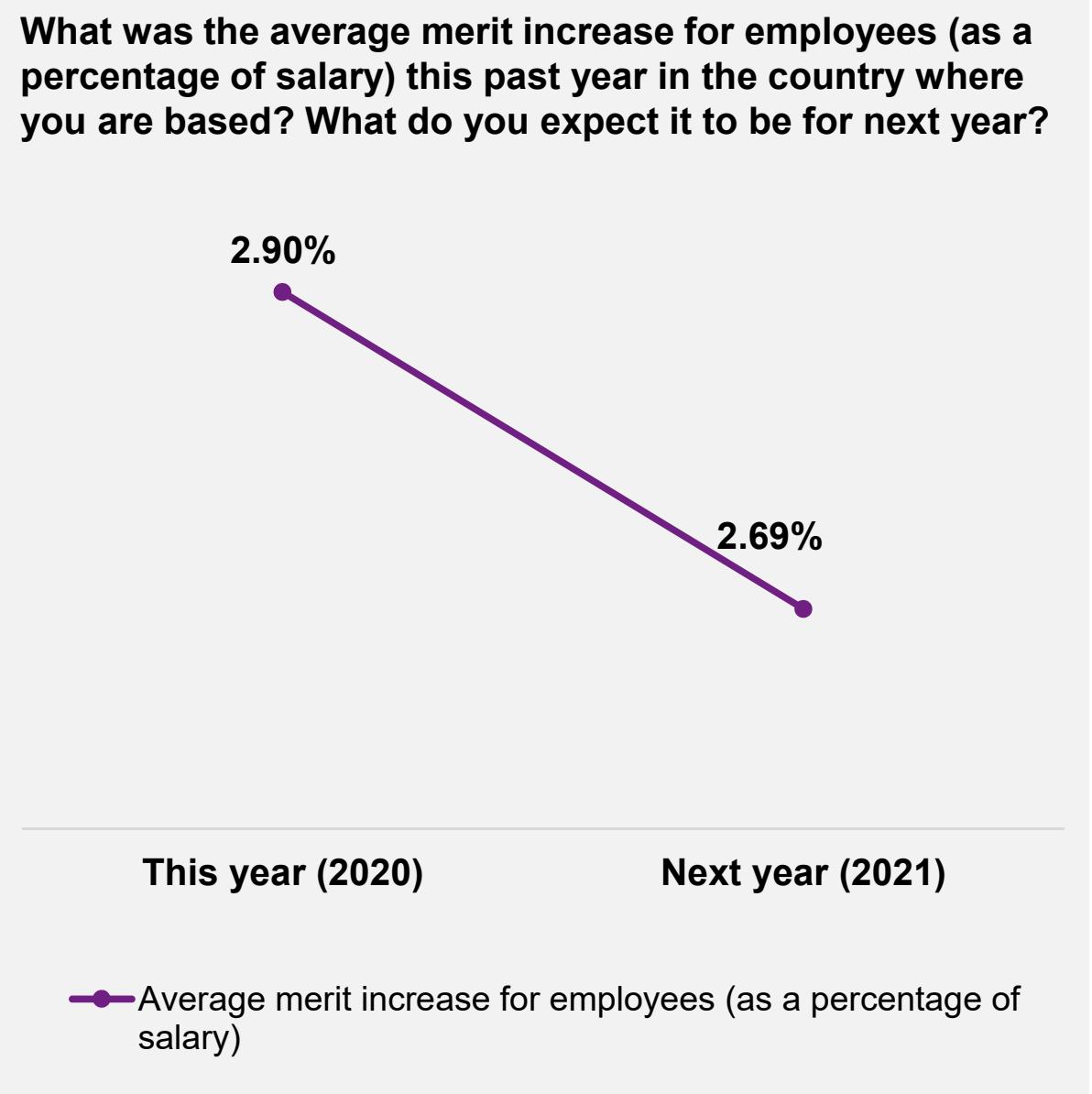
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Over 10 percent of respondents have not made merit increases this year; a similar percentage expect no increases next year

Unmute Chat



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14% are expecting 0% for this year

12% are expecting 0% for next year

34% are expecting a decrease from this year to next year

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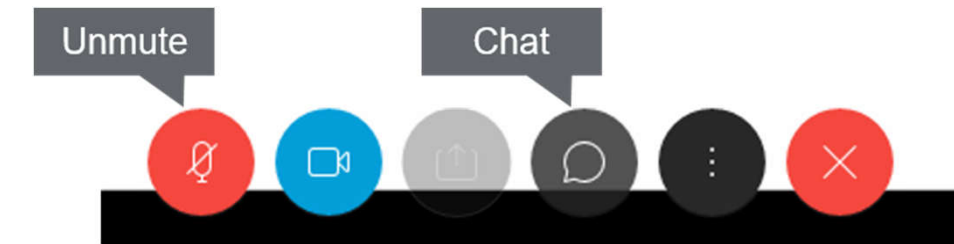
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Source: 2020 Actions to Restore Stability Survey

When organizations make salary reductions...

10-20%	Typical salary reduction (depending on level)
3 months	Typical duration of salary reductions
100%	Salary reductions typically cover everyone in the group of employees
30-40%	of companies reduce short-term incentive opportunities and pension contributions to reflect salary reductions

Note: Based on respondents taking, planning or considering salary reductions.
Source: 2020 Actions to Restore Stability Survey



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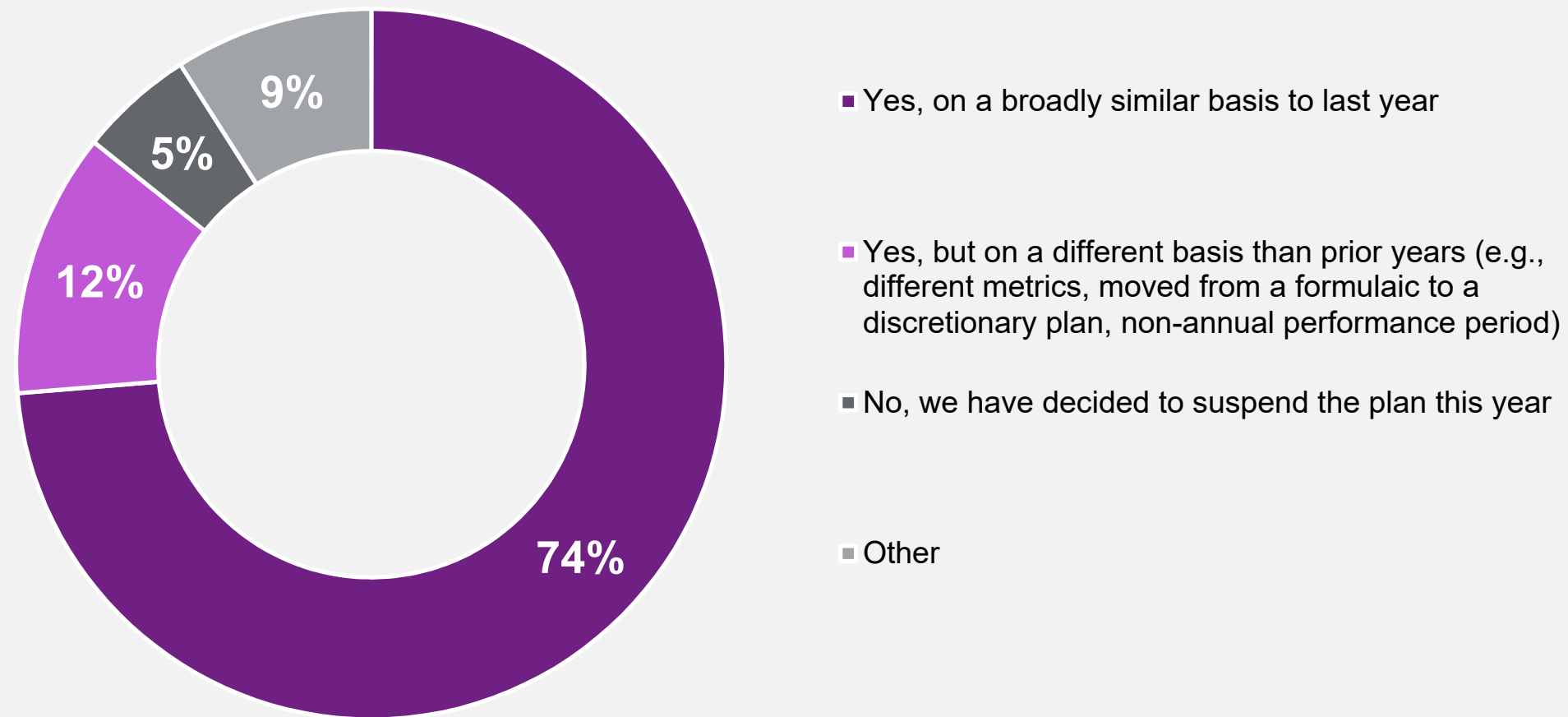
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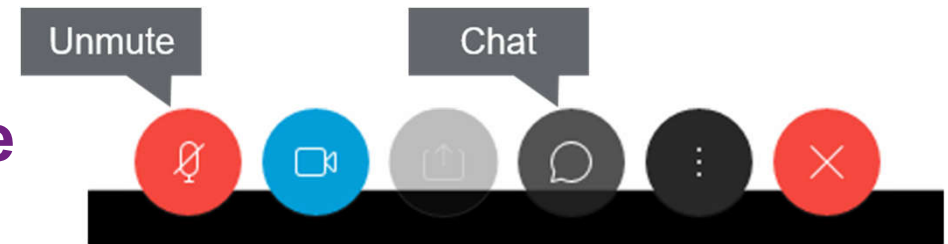
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Three out of four organizations are operating their annual incentive plan for executives on a broadly similar basis to last year

Are you operating an annual incentive plan for executives this year?



Source: 2020 Returning to the Workplace Survey



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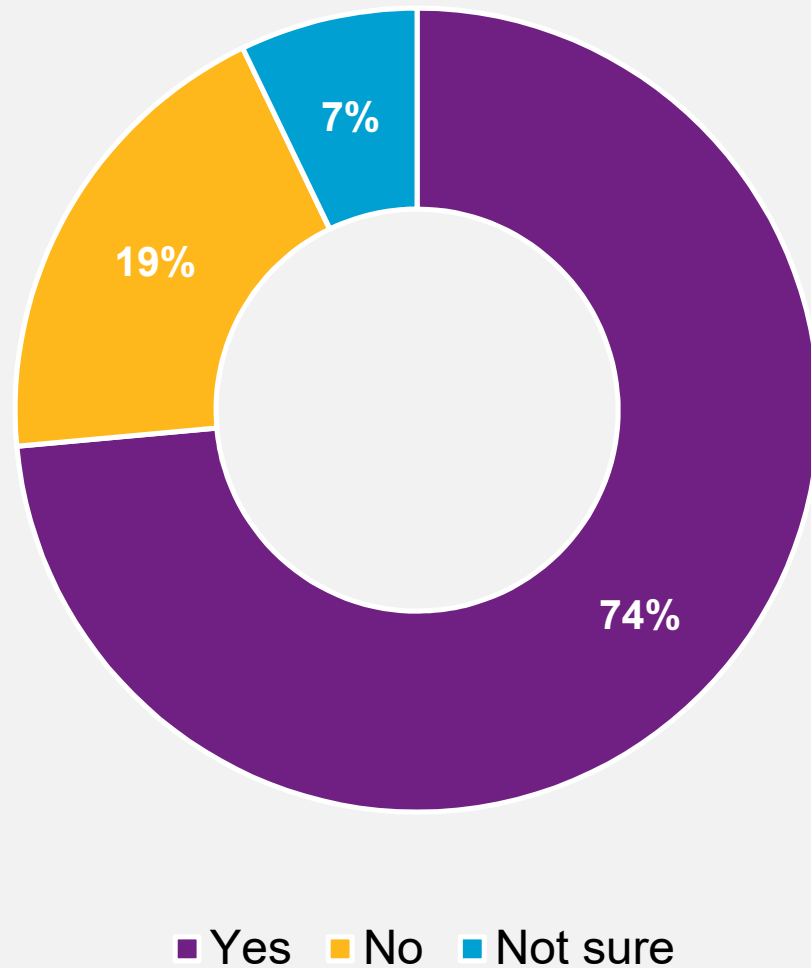
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Almost half of respondents with a broad-based employee STI plan expect it to be funded at target this year

Does your organization have a short-term incentive plan for broad-based employees?



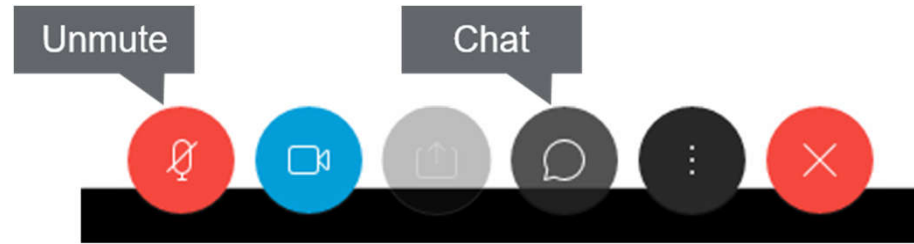
If your organization has a short-term incentive plan for broad-based employees, what percentage of the targeted level was funded in the most recently completed fiscal year? What is the projected funding for your current fiscal year?

Funding for most recently completed fiscal year **100%**

Projected funding for current fiscal year **90%**

47% of organizations expect to have 100% or more funding for the current fiscal year

Source: 2020 Actions to Restore Stability Survey



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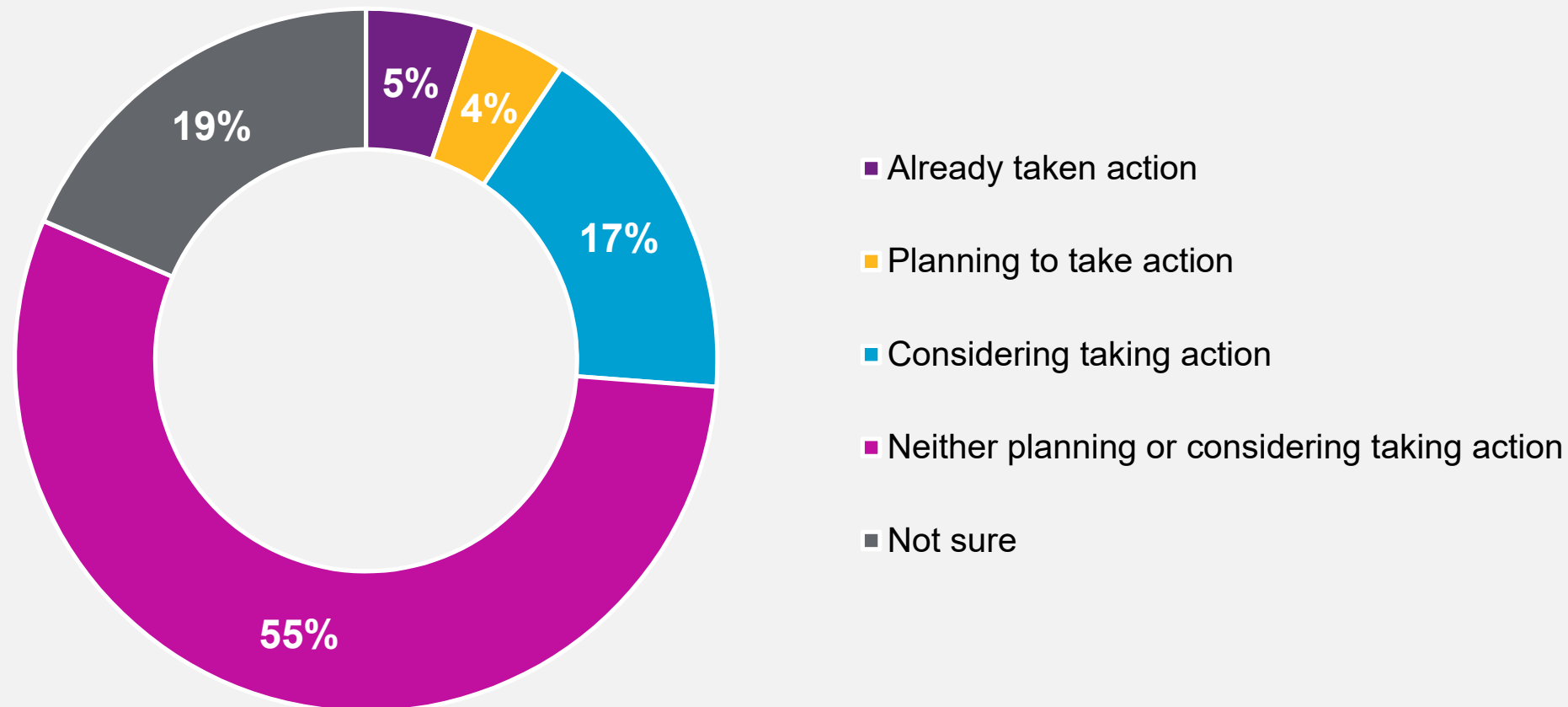
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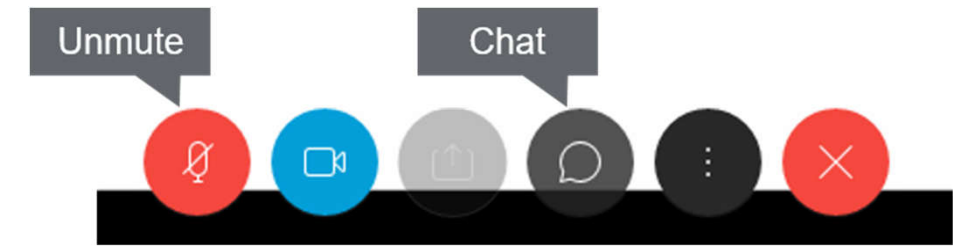
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Only five percent of organizations have already taken action on LTI programs as result of COVID-19 impact

Are, or do you anticipate any aspect of your long-term incentives awarded this year being impacted by COVID-19?



Note: 'Not applicable' excluded.
Source: 2020 Returning to the Workplace Survey



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Two fifths of respondents have taken at least one action on furloughs/alternative work arrangements; another one in ten are planning or considering doing so

Please indicate what action items your company has already completed to help manage labor costs in response to the COVID-19 pandemic and the subsequent economic effects, and what your company may be planning or considering going forward for the balance of 2020

Involuntary unpaid leave of absences or furloughs will be mandated to specific groups of employees



Voluntary unpaid leave of absences or furloughs will be offered to interested employees



Voluntary alternative work arrangements will be offered to interested employees at a reduced pay (e.g., shortened work week, extra paid time off for 2021)

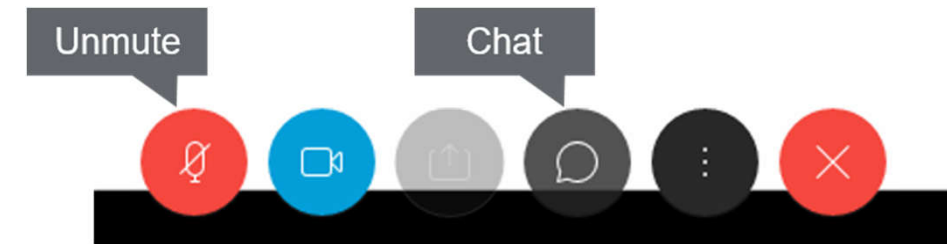


Involuntary alternative work arrangements will be mandated to specific groups of employees at a reduced pay (e.g., shortened work week, extra paid time off for 2021)



- Action taken
- Planning action
- Considering action
- Neither planning nor considering action
- Not sure

Note: 'Not applicable' excluded.
Source: 2020 Actions to Restore Stability Survey



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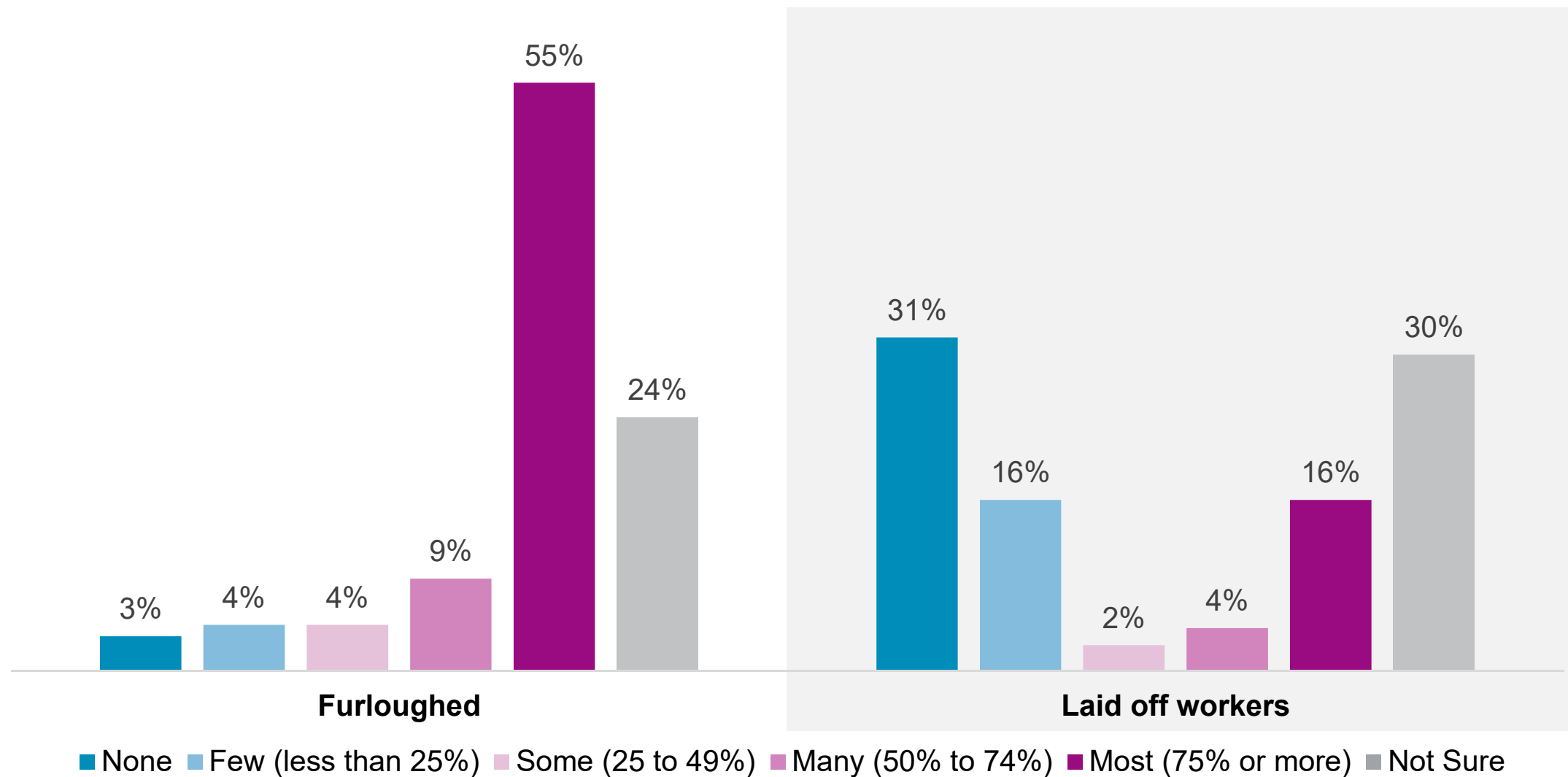
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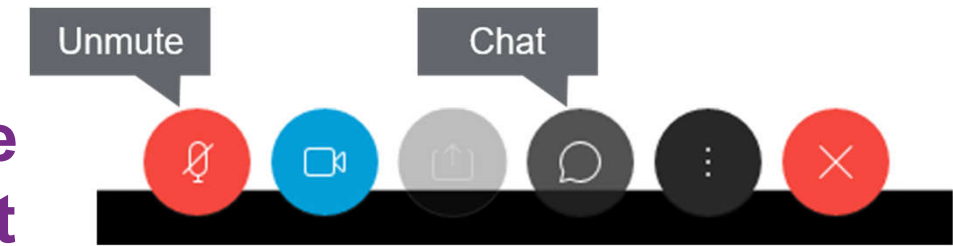
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The typical respondent expects most of their furloughed workforce to work by the first quarter of 2021, but only one in six expect most of their laid off workers to return in that time frame

What percentage of the following workers do you expect to return to work by the first quarter of 2021?



Note: Based on respondents taking, planning or considering actions.
Source: 2020 Actions to Restore Stability Survey



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