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Performance Pays: CEOs See Highest Compensation Increases Since the Recession, According to New Korn Ferry Study

- CEOs Rewarded with Cash and Equity for Strong Corporate Income and Shareholder Returns -

- Median Total Direct Comp for CEOs at Largest US Companies Rises 8.7 Percent to \$13.4 Million -

LOS ANGELES--(BUSINESS WIRE)-- In an environment of double-digit growth in shareholder return and corporate income, CEOs at the largest companies in the United States in 2017 received the highest compensation increases since the recession.

That is according to the 11th annual CEO Compensation Study by [Korn Ferry](#) (NYSE: KFY). The study examined pay for CEOs at the nation's 300 largest public companies. The study included companies that filed their proxy statements between May 1, 2017 and April 30, 2018.

Median total direct compensation (TDC) for CEOs increased 8.7 percent to \$13.4 million. That's double last year's 4.2 percent increase in TDC and is the highest percentage increase since 2010, the first year of recovery from the Great Recession.

While year-over-year base salaries remained relatively flat, with a 1.5 percent increase to a median of \$1.3 million, a large percentage of the TDC increase came from performance-based compensation growth:

- Annual bonuses were up 4.1 percent
- Long-term incentive value (LTIs) were up 7.4 percent

When considering the mix of LTIs, performance awards (equity and cash) make up the largest percentage at 56 percent, which is the biggest share of the LTI mix ever recorded in the study. Stock options / SARs made up 20 percent of LTIs and restricted stock accounted for 24 percent.

"In years past, we've seen LTI increases but not bonus increases. However, this year we are seeing increases in both areas," said Donald Lowman, Korn Ferry Executive Pay and Governance Practice Leader for North America. "Even with the anticipation of the CEO pay ratio disclosure mandate, so far we haven't seen it dampen organizations' willingness to pay for performance, including strong shareholder value and net income increases."

During the period studied, total shareholder return (TSR) was up 17.8 percent. Net income was up 12.6 percent, which is the strongest since 2011.

Looking to next year, Korn Ferry expects changes in the mix of CEO TDC, due to significant changes to the executive compensation deduction rules in Section 162(m) of the Internal Revenue Code.

“Much will depend on each organization’s financial performance during the coming year, but with the changes in the tax rules governing executive compensation, we expect we will see slightly higher increases in base salaries than in recent years, and that base salary will represent a larger share of the overall mix of TDC for the CEO,” said Lowman.

About the Study

The 11th annual study, which is conducted by Korn Ferry (NYSE: KFY), examined all forms of pay for CEOs at the 300 largest public companies in the United States. The study included companies that filed their proxy statements between May 1, 2017 and April 30, 2018. Median revenues for the sample 300 were \$18.7 billion.

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help companies design their organization – the structure, the roles and responsibilities, as well as how they compensate, develop and motivate their people. As importantly, we help organizations select and hire the talent they need to execute their strategy. Our approximately 7,000 colleagues serve clients in more than 50 countries.

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