

Terms and Definitions

Average Base Rate: The average rate for each organization totaled and divided by the number of organizations. It gives each organization equal weight regardless of the number of incumbents. Note: Does not include variable pay (commission, bonus, or other incentives). If you are reporting the rate as an annual salary, it MUST be reported as a full-time salary.

Average Hire-On Rate: The average amount paid to bring in a qualified employee for this job. This may vary from the established range minimum.

Average Total Compensation: The Average Total Comp (or Total Cash Compensation) includes any bonus or cash incentive pay granted. If the Average Total Comp for this position is the same as the Average Base Rate reported, enter your Average Base Rate again. Example: Your organization has 10 incumbents in the Facilities Director position. The Average Base Rate for that position is \$52.80. However, due to a gainsharing program, the Facilities Director averaged an hourly rate of \$59.50. The Average Total Comp of \$59.50 should be entered here.

Bonus: Direct lump sum payment made in addition to base salary.

Deferred Profit Sharing: A plan in which an employee is awarded a profit-sharing incentive, but actually receives it at a future time. Taxes are deferred until the time of actual receipt.

Employment Contract: A written guarantee of receiving certain rewards, regardless of results produced on the job, over a stipulated period. It may include provisions to protect the employer (for example: non-disclosure, non-compete clauses).

EVA (Economic Value-Added): EVA measures the value created for shareholders, employees, and customers. EVA equals net operating profit after taxes minus a capital charge.

Incentive Pay: Reward for performance above expected standards. It is differentiated from other reward systems listed.

Incentive Stock Options – Non-Qualified: A stock option where the executive has the right to pay today's market price for a number of shares in the organization at a future time. The plan does not meet IRS statutory requirements for favorable tax treatments.

Incentive Stock Options – Qualified: A stock option where the executive has the right to pay today's market price for a number of shares in the organization at a future time. The plan qualifies under statutory requirements and consequently has certain tax advantages to both employer and employee.

Key Contributor: Compensation designed to reward an individual who contributes unique skills and knowledge critical to the accomplishment of the organization's business plan.

Long-Term Incentive: An incentive awarded to employees for achieving an organization's long-term strategic objectives such as return to shareholders, earnings per share, return on assets, etc. The performance period for these incentives is typically three to five years, and the payout is not received until the end of the period.

Non-Deferred Profit Sharing: Annual cash payout of profit sharing plan (as opposed to a deferred retirement arrangement that pays when an individual reaches retirement age).

Number of Incumbents Reported: The actual number of employees in the reported position.

Number of Organizations: The number of locations for which participants reported data.

Percent of Incumbents Eligible for Bonus: Gives the percentage of incumbents reported in this position who are eligible for bonus.

Percent of Incumbents Who Received Bonus: Gives the percentage of incumbents reported in this position who received a bonus in the last twelve months.

Performance Share Plan: The number of awarded stock shares is based on organization performance.

Performance Unit Plans: The current value of the stock is used to develop a dollar allocation rather than a stock award.

Perquisites: Any of a number of privileges granted to employees in addition to basic wages, salaries, and ordinary benefits. The term often applies to executive perks such as automobiles and limos, resort vacations, club memberships, special washroom and dining facilities, reserved parking spaces, and use of corporate aircraft and other equipment.

Phantom Stock: Benefit plan that gives executives many of the benefits of stock ownership without actually giving them organization stock. Sometimes referred to as “shadow stock.”

Profits: The award is based on meeting or exceeding established profit goals.

Restricted Stock Plans: Conditional transfer of stock to the executive. Stock cannot be assigned, transferred, or sold without tax liability, but shares can be voted and dividends are received.

Return on Assets: The award is based on ratio of earnings to the total assets of an organization.

Return on Equity: The award is based on the ratio of financial return of an organization to shareholder equity in the firm.

Return on Sales: The award is based on the ratio of earnings from operations to net sales.

Stock Appreciation Rights: A non-qualified stock option where the optionee receives the appreciation of Fair Market Value over the option price either in stock or cash value without providing funds for the option price.

Supplemental Executive Retirement Plan (SERP): A form of non-qualified pension plan which offers the organization the ability to grant more liberalized benefits to ensure retirement amounts beyond those authorized under ERISA can be provided to the highly paid employee.

Tenure: The average number of years an incumbent has occupied their current position.

Unit Performance: The award is based on the ratio of unit revenue to net revenue.

Weighted Average Base Rate: The average rate for each organization multiplied by the number of incumbents reported in the position by each organization, divided by the number of all reported incumbents. It gives weight to all the incumbents in the job.

Weighted Average Total Compensation: The results of weighting the total average rate paid, including incentives.