



Executive Benefits and Perquisites

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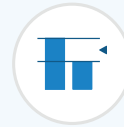
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Executive Summary

Executive compensation has become an increasingly hot-button issue over the past few years, and scrutiny has only intensified in the wake of Dodd-Frank. While the standard elements of executive pay—salary, annual bonuses and equity awards—make up the bulk of executive pay packages, they don't paint the complete compensation picture.

Companies seeking to secure top talent at the executive level may supplement their offerings with additional benefits, commonly known as perquisites, or perks. Perks take many forms, and are widely used to reward performance and provide necessities or conveniences that allow executives to focus on their role in the company. Perks can range from personal use of corporate aircraft or financial planning services, and may extend to include items such as tickets to local events.

Investor and media focus on executive benefits and perks has escalated in the age of information. These concerns, coupled with regulations by the Securities and Exchange Commission (SEC), have allowed investors to zero in on specific perks that may have gone unnoticed in the past.

Take, for example, executive use of a private company aircraft. Air travel perks are often singled out by the general public as proof that executives enjoy privileges and realize value beyond their standard pay packages—and those of the rank-and-file worker. As a rebuttal to these arguments, companies frequently point to the increased efficiency provided by the use of a company aircraft. Year over year—from fiscal 2014 to 2015—the percentage of S&P 500 CEOs that received aircraft perks increased by 1.3 percentage points to land at 39.1%. In contrast, the median value of aircraft perks to the same group of CEOs decreased from \$101,112 to \$95,127 over the same period.

The annual *Executive Benefits and Perquisites* report examines the prevalence and value of aircraft, automotive and professional services perks awarded to all named executive officers (NEOs) in the S&P 500 over the past three fiscal years, as these three perks were consistently the most common benefits awarded over the study period.

Equilar also undertakes a deeper dive to research the eligibility for a wider variety of perks among Fortune 100 NEOs, whether or not those perks were actually awarded. Since perquisite data is not consistently disclosed, and is detailed in footnotes to the “all other compensation” column of the summary compensation table or in the proxy's CD&A, this analysis required an extensive manual review of individual proxy statements.

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Methodology

Executive Benefits and Perquisites, an Equilar publication, details the prevalence and value of aircraft, automotive and professional services perks granted by S&P 500 companies to named executive officers (NEOs), as disclosed in annual proxy statements. Equilar captured additional perks for companies in the Fortune 100, including plan-based contributions, insurance premiums, security, charity, event tickets, dividends, aircraft tax gross-ups and flex perks. For the Fortune 100, prevalence was based on executive eligibility whether or not an accompanying value was disclosed, excepting relocation and severance/CIC perks, which represent the prevalence of NEOs receiving a payment. Other years were defined similarly. Formal definitions of the individual perks can be found in the appendix.

Key Findings

1. Nearly 40% of S&P 500 CEOs received aircraft perks over the study period, a figure that did not vary appreciably year to year. The median value of aircraft perks for S&P 500 CEOs fell to approximately \$95,000 in 2015 from just over \$100,000 in the two previous years.
2. About one in five NEOs in the S&P 500 actually received aircraft perks in 2015. About half of Fortune 100 NEOs were eligible though did not necessarily receive aircraft perks in the same year.
3. About 35% of S&P 500 CEOs received automotive perks across the study period. Median value of automotive perks reached a high of \$20,981 for CEOs in 2015.
4. About one-third of all S&P 500 NEOs received a professional services perk in 2015, at a median value of \$11,000.
5. The most common benefits or perks for Fortune 100 NEOs in 2015 were plan-based contributions and insurance premium payments, when 97.4% and 59.3% were eligible to receive them, respectively.
6. Of Fortune 100 NEOs in 2015, 37.5% were eligible for security perks, 31.1% were eligible for tax gross-ups and 9.0% were eligible for club dues payments.



S&P 500 Perks

Executive Benefits and Perquisites

Aircraft Perks

Aircraft perks are typically the most closely scrutinized executive benefits. Many corporate policies allow executives to take advantage of an aircraft for personal travel, and sometimes with their spouses, families or guests. From the company's point of view, allowing executives to travel and conduct business simultaneously promotes efficiency and also has an added safety benefit.

Following a decline from 2013 to 2014, the prevalence of aircraft perks received by S&P 500 CEOs increased by 1.3 percentage points from 2014 to 2015, reaching 39.1%. Similarly, aircraft benefits for all NEOs declined from 2013 to 2014, from 19.7% to 18.5%, but subsequently remained at 18.5% for the 2015 fiscal year.

Although prevalence increased from 2014 to 2015, the median aircraft perk value for CEOs actually decreased year over year. Between 2013 and 2014, the median value increased slightly from \$100,946 to \$101,112, and subsequently dropped to the lowest median value in three years to \$95,127 in 2015. Meanwhile, the median value for aircraft perks among all S&P 500 NEOs—inclusive of CEOs—saw more fluctuation from 2013 to 2015. From 2013 to 2014, the median value for all executives reported in proxy statements increased by 13.5%, from \$56,248 to \$63,846, but fell to a three-year low in 2015 of \$53,967.

In 2015, the highest disclosed value of an aircraft perk was \$873,368, 16.2 times the median value of \$53,967 for all NEOs in the S&P 500. The average for the top five disclosed values was \$758,271, or 14.1 times the median.

Figure 1 S&P 500 Aircraft Perk Prevalence

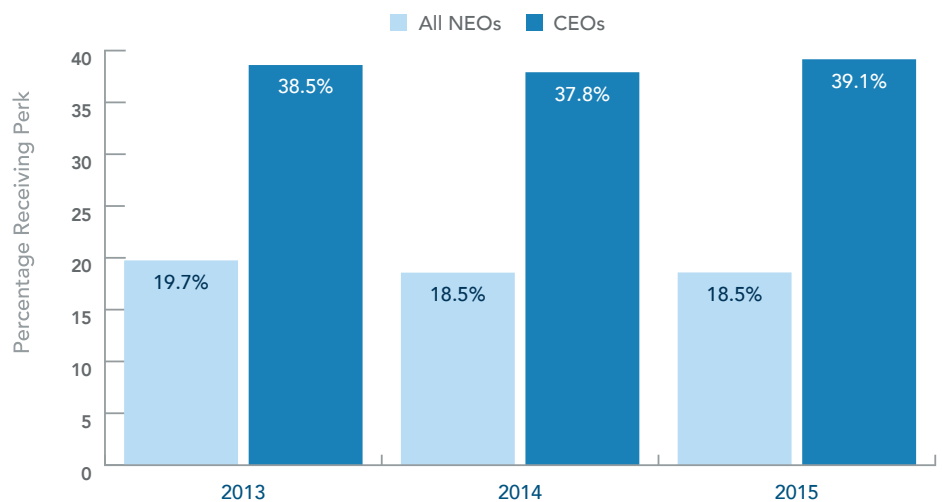
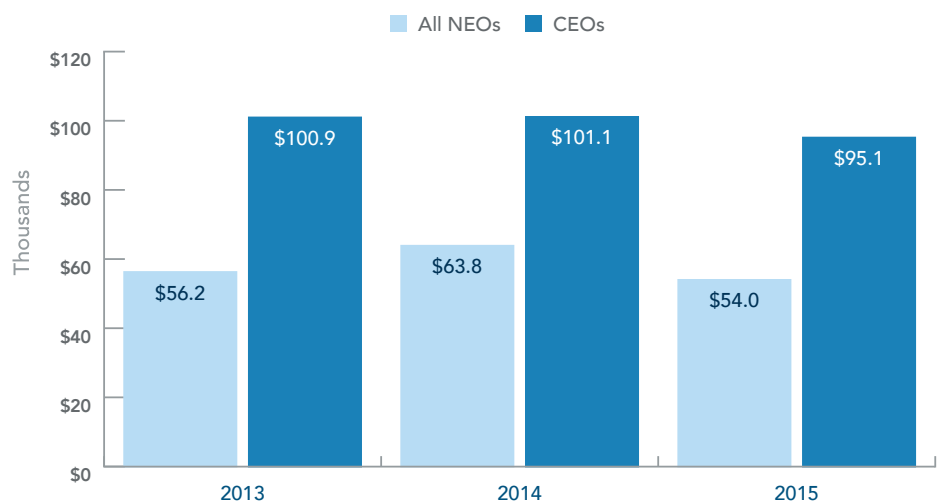


Figure 2 S&P 500 Median Aircraft Perk Values

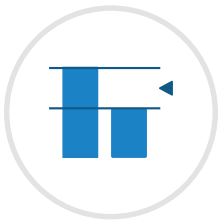


Disclosure Example 1 Aircraft Perks

Deere & Co. (DE)
DEF 14A (p. 39)
Filed 1/13/2016

Deere described in length the reason its CEO used the corporate aircraft. Illustrative of the trends shown in the data, the company offers this perk almost exclusively to the CEO, while other NEOs have very restricted usage.

"In August 2006, the Board voted to require the CEO to use the Company's aircraft for all business and personal travel, believing that the ability to travel safely and efficiently provides substantial benefits that justify the cost. The geographic location of Deere's headquarters in the Midwest, outside of a major metropolitan area, makes personal and business travel challenging. Traveling by company aircraft for business and personal reasons allows the CEO to conduct business confidentially while in transit. Since the CEO travels extensively, inefficient travel is costly to the Company. Personal use of company aircraft by other NEOs is minimal. Any personal travel on Deere aircraft by the other NEOs, individually or accompanied by family members, must be approved by the CEO. The Committee has limited the CEO's annual personal usage of company aircraft to approximately 100 hours."



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Automotive Perks

Company cars are another perk executives may receive. Automotive perks can include everything from a private car and driver to parking and mile reimbursements. Private cars and drivers, for example, are often justified for security purposes for the most senior-level and high-profile executives.

Similar to aircraft perks, the percentage of S&P 500 companies that granted automotive perks to their CEOs decreased in 2015 compared to 2014. In 2015, 34.6% of CEOs received an automotive perk—declining three percentage points from the prior year. Meanwhile, the prevalence of automotive perks for all NEOs only slightly declined year over year, reaching 28.0% in 2015 from 29.2% the year prior.

Although the prevalence of automotive perks decreased from 2014 to 2015, median automotive perk values slightly increased over the same period. In fiscal 2015, the median value of automotive perks for CEOs was \$20,981, an increase from \$18,650 in 2014. The median also increased for all NEOs in the S&P 500 from \$16,449 in 2014 to \$17,498 in 2015.

Figure 3 S&P 500 Automotive Perk Prevalence

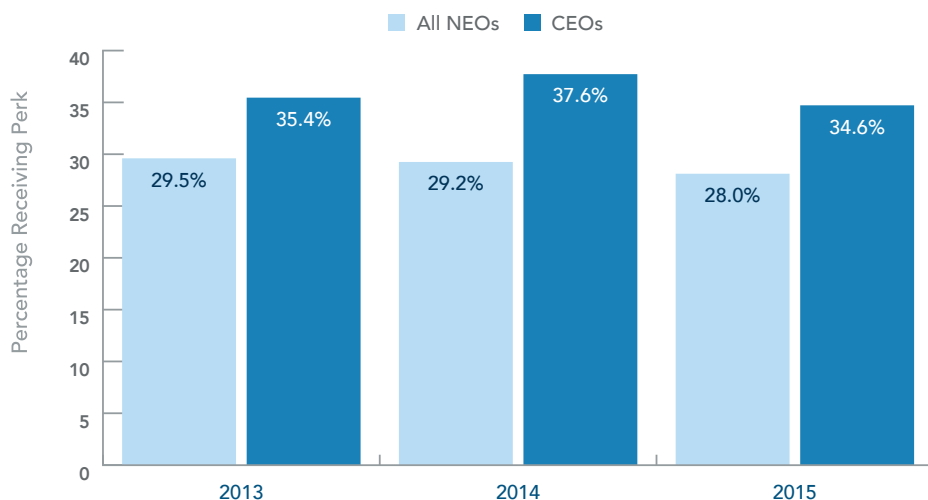
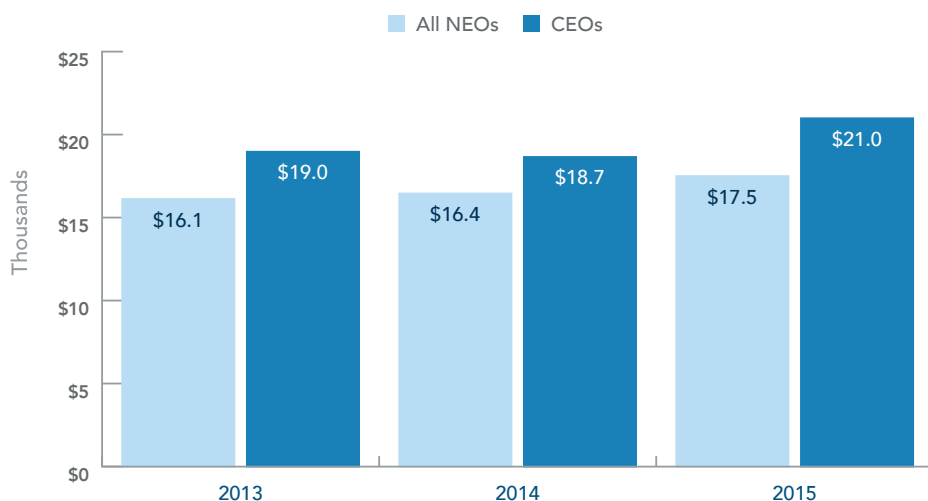


Figure 4 S&P 500 Median Automotive Perks



Professional Services Perks

The last of the three highlighted and most-common perks includes professional services, which can provide executives aid in tax preparation or legal advice for contract negotiation. More specifically, professional services include financial counseling, tax planning and preparation, estate planning, and certain legal aid. Most companies that offer professional service perks to their executives often cap or limit the amount and the nature of assistance offered.

The prevalence of professional services perks for CEOs over the last three years has remained relatively consistent, reaching a new high in 2015 of 37.2%, up from 35.8% and 36.5% in the preceding two years. Professional services are the most commonly offered perquisite to NEOs in the S&P 500. The prevalence of professional services provided to NEOs reached a high of 33.8% in 2015, up from 32.9% and 32.5% in 2014 and 2013, respectively.

The value of professional services perks for CEOs fluctuated between \$14,000 and \$15,000 during the study period, while the median value for all NEOs increased from about \$10,000 in 2013 to \$11,000 in 2015.

Figure 5 S&P 500 Professional Services Perk Prevalence

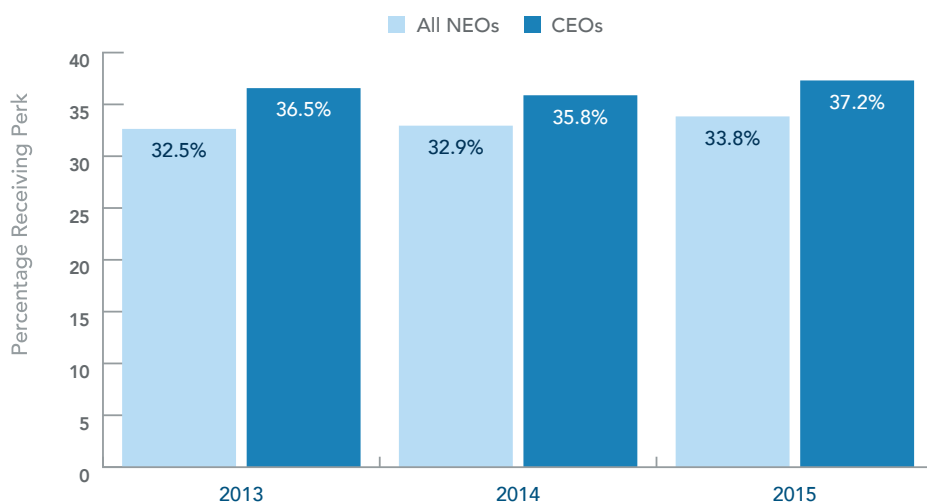
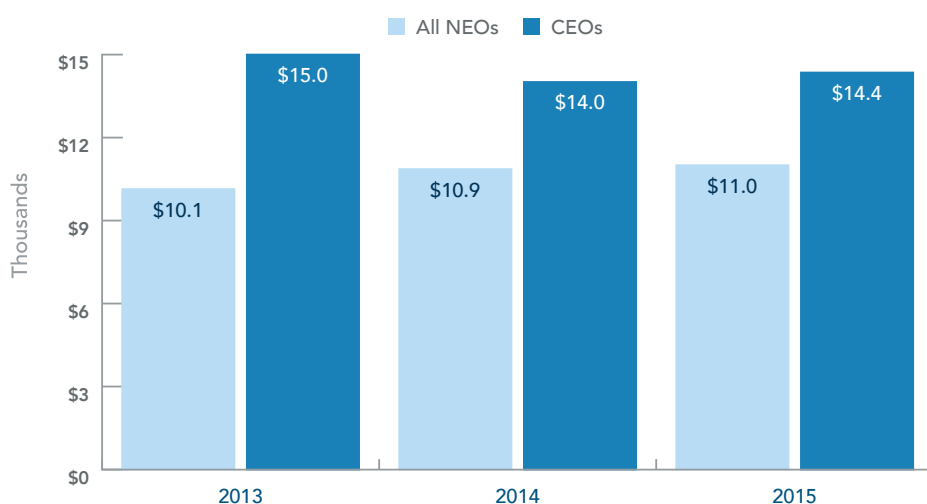


Figure 6 S&P 500 Median Professional Services Perks





Fortune 100 Perquisites

Executive Benefits and Perquisites

In order to delve deeper into how companies make available a wider range of executive benefits and perks, Equilar reviewed eligibility of this “other compensation” for Fortune 100 executives. While the S&P 500 data reports perks actually received by NEOs, this Fortune 100 data references eligibility for benefits and perks absent a requirement that they be granted to executives. As a result, the number of executives eligible for aircraft, automotive and professional services perks was substantially higher for NEOs at Fortune 100 companies than the number of executives actually awarded those perks in the S&P 500.

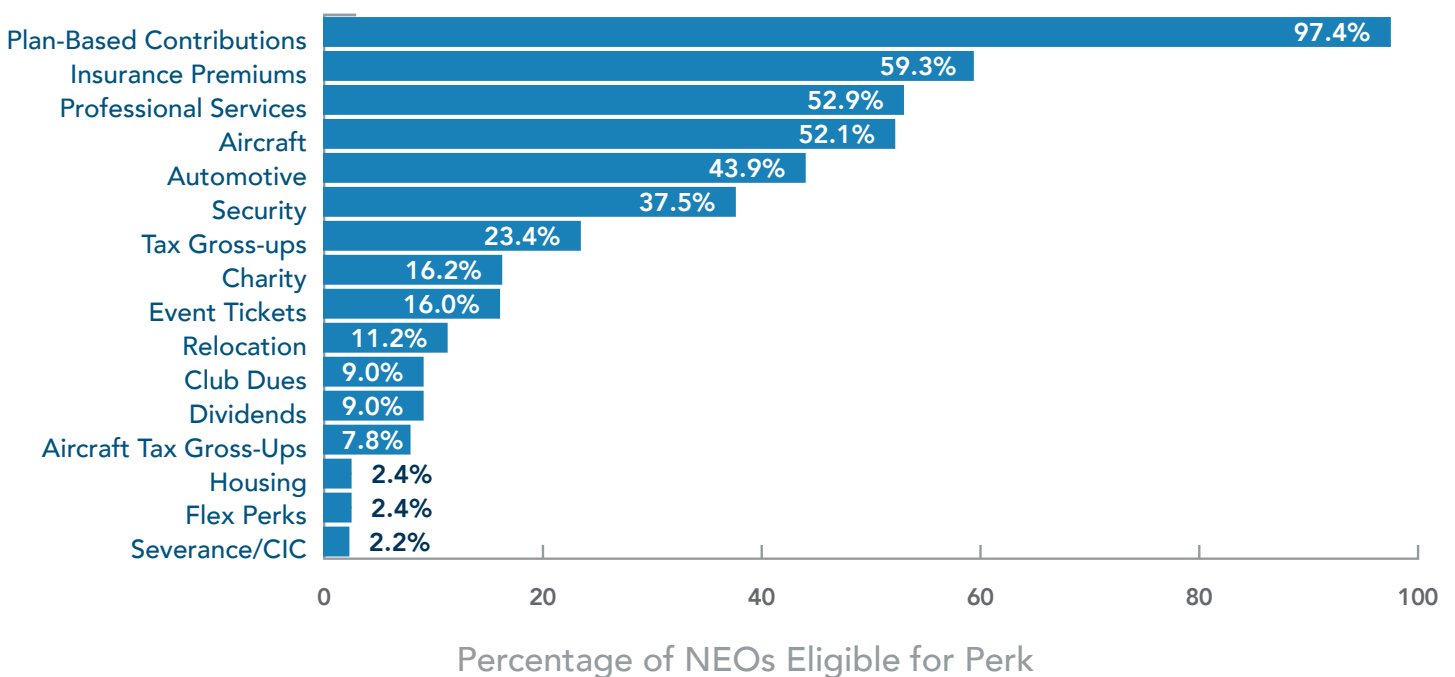
The following detailed breakdown of the “all other compensation” column of the summary compensation table and perk disclosure in the CD&A—including all NEOs—includes a look at plan-based contributions, insurance

premiums, aircraft, automotive, security, tax gross-ups, charitable contributions, event tickets, relocation, club dues, dividends, aircraft tax gross-ups, corporate housing and flex perquisite allowances. This more comprehensive look at the perks for executives at Fortune 100 companies is captured in the [Equilar Custom Project database](#).

Data Points

- ▶ Plan-based contributions were the most common benefits offered to NEOs in the Fortune 100, with 97.4% of NEOs eligible, followed by insurance premium payments at 59.3% (Fig. 7)
- ▶ In 2015, 23.4% of Fortune 100 NEOs were eligible for tax gross-ups, excluding those related to aircraft perks, for which 7.8% of NEOs were eligible (Fig. 7)
- ▶ Among the other perks Equilar reviewed, 11.2% of Fortune 100 NEOs were eligible for payments related to relocation, 9.0% for dividend payments on unvested equity awards and 2.2% for payments related to severance or a change-in-control (Fig. 7)
- ▶ Among NEOs at Fortune 100 companies, 37.5% were eligible for personal and home security benefits (Fig. 7)

Figure 7 Fortune 100 Perk Eligibility, in Fiscal 2015



Disclosure Example 2 Security Perks

Lockheed Martin Corp. (LMT)
DEF 14A (p. 56)
Filed 3/11/2016

Companies may choose to disclose the motivations behind granting substantial security perquisites. For example, Lockheed Martin included the following statement in its proxy filing.

"The amounts reported for security include providing home security to some of our NEOs consistent with what is provided to corporate executives in other public companies in our industry. Given the nature of our business, additional security may be provided for travel in high-risk areas or to address particular situations. We believe that providing personal security in response to concerns arising out of employment by the Corporation is business-related."

Disclosure Example 3 Flex Perks

American Express Co. (AXP)
DEF 14A (p. 57)
Filed 3/21/2016

American Express utilized a flexible perquisite allowance, in addition to its specifically defined perquisites. Under this plan, NEOs received an allowance of \$35,000 per year in addition to amounts received for: security, aircraft, office parking, reimbursement for certain information technology, meals from the company's dining facility, spousal travel, occasional secretarial support and sporting/entertainment event tickets. The company provided the following statement in its proxy regarding the reasoning behind this perk policy.

"We provide limited perquisites to support our objective to attract and retain talent for key positions, as well as to address security concerns. We also provide a flexible cash perquisite allowance of \$35,000 for executive officers of the company."



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Appendix

Executive Benefits and Perquisites

Corporate Aircraft

The value for this perk includes the incremental cost to the company for an executive's personal use of corporate aircraft. The cost excludes aircraft tax gross-ups and business use of aircraft.

Automotive

This perk is composed of automotive-related perks which may include expenses paid for automobile, driver (even a driver provided for security purposes), mileage reimbursements, maintenance, car lease, parking, and ground transportation.

Professional Services

This perk is composed of financial planning services, including financial counseling, tax planning and preparation, estate planning, and any other professional services.

Relocation

This perk includes amounts related to home selling costs, moving costs, temporary housing and travel.

Corporate Housing

This perk includes amounts related to apartments or housing maintained by the company for use by an executive while traveling.

Tax Gross-Ups

Also referred to as tax gross-ups, tax reimbursements are typically paid to executives to cover taxes incurred as a result of receiving compensation in the form of perks.

Aircraft Tax Gross-Ups

This perk includes reimbursement of taxes for use of corporate aircraft.

Severance/CIC

Includes any severance/CIC payments, vesting of equity, etc.

Flex Perks

This perk is an allowance for an executive to choose how to spend on a variety of perks.

Insurance Premiums

This perk includes amounts related to any kind of insurance.

Personal and Home Security

This perk includes amounts related to personal security of the executive and of the executive's residence.

Charity

This perk includes amounts related to donations to charitable organizations, schools or other non-profit organizations.

Event Tickets

This perk includes amounts related to entertainment.

Dividends

This perk includes dividends paid on equity.

Plan-Based Contributions

This perk includes amounts paid to executives related to post-retirement or equity ownership plans.

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