



Compensation for Outside U.S. Corporate Directors Increased 4% in 2014, Towers Watson Analysis Finds

August 27, 2015

Annual pay for outside directors reached the quarter-million-dollar mark for first time in study's history

ARLINGTON, Va.--(BUSINESS WIRE)--Aug. 27, 2015-- Total pay for outside directors at the nation's largest corporations increased by 4% in 2014, primarily driven by rising stock values, according to a new analysis by global professional services company Towers Watson (NASDAQ: TW). The study found that median annual total pay for outside directors reached the quarter-million-dollar mark for the first time in the history of the study, although cash compensation remained flat. Additionally, two out of five companies made a change to one or more core elements of their director pay program.

According to [Towers Watson's annual analysis](#) of director compensation at *Fortune* 500 companies, median total direct compensation for directors climbed 4% last year, to \$250,000, an increase from nearly \$240,000 in 2013. Total compensation includes cash pay, and annual or recurring stock awards. The median value of cash compensation remained flat in 2014 at \$100,000 for the second year in a row, while stock compensation value rose 7% at the median, to almost \$140,000, nearly double the 4% increase in 2013. The average mix of pay remained constant at 56% in equity and 44% in cash.

"For the second consecutive year, rising stock values were the driving force behind moderately larger increases in total pay for outside directors," said Paul Conley, U.S. West division leader for Executive Compensation at Towers Watson. "While many companies boosted the annual cash retainer for board service, total cash compensation remained flat, as fewer companies are paying directors on a per-meeting basis, a sign that companies continue to simplify their director pay programs. In short, companies are paying for directors' overall contributions as opposed to paying for the time they devote to the role."

The annual cash retainer for board service increased significantly (13%) in 2014, rising from \$80,000 to \$90,000 at the median. This marks the largest annual increase since before the financial crisis of 2009. Over one-quarter of companies (26%) increased their board retainer, up from 21% of companies in 2013. The number of companies that provides an annual board retainer as the sole form of cash compensation has steadily increased over the last few years, rising from 28% in 2010 to 37% last year.

"Moderate annual increases in director compensation have become the norm. They afford companies more control over compensation. As demands and pressures on directors continue to rise, particularly through committee work and ongoing regulatory changes, we expect companies will continue to evaluate their director compensation programs in order to attract and retain the most qualified directors and ensure ongoing competitiveness," said Conley.

Among other survey findings:

- Companies continue to embrace stock ownership guidelines and retention requirements for directors. Ninety-one percent of companies now have one or both mandates in place. Nearly four out of five (79%) ownership guidelines are based on a multiple of the annual retainer, with the median multiple remaining at five times the annual retainer for the fifth year in a row.
- Companies continue to impose caps on directors' potential stock grants in response to recent court rulings. More than a quarter (27%) of companies that adopted or amended stock plans (that include directors as participants) in the 2015 proxy season included an annual award limit specific to nonemployee directors.
- Incremental pay for board leaders remained flat at the median compared with the prior year. The total compensation premium received by a lead or presiding director relative to that of a typical director remained the same at 11% this year, while the pay growth among all directors has led to a drop in the nonexecutive board chair premium over the typical director, from 70% to 64% this year.

About the Analysis

Towers Watson analyzed the compensation for outside directors at 470 publicly owned *Fortune* 500 companies that filed their fiscal year 2014 proxy statements by June 30, 2015. Data for these companies were then compared against the results of an analysis of 474 *Fortune* 500 companies for 2013.

About Towers Watson

Towers Watson (NASDAQ: TW) is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. The company offers solutions in the areas of benefits, talent management, rewards, and risk and capital management. Towers Watson has 16,000 associates around the world and is located

on the web at towerswatson.com.



View source version on businesswire.com: <http://www.businesswire.com/news/home/20150827005156/en/>

Source: Towers Watson

Towers Watson
Ed Emerman, +1 609-275-5162
eeerman@eaglepr.com