

From The Chair – Donna Crawford



What another great year at CACC! Our Board has been very busy this year and would like to take this time to recognize CACC's accomplishments:

- CACC Membership - Our membership grew to 143 members in 2005, breaking another record membership number.
- Our annual Membership Survey served as a great tool to improve communications to the Board.
- Professional Education – We sponsored nine (9) WorldatWork Certification Courses, which added value to our participating members in educational and networking opportunities.
- Membership Meetings - Cam Marston, presented his Four Generations in the Workplace Workshop, which was very well received, and we offered our first panel discussion, with strong attendance.
- Financials – As a professional organization, we gave back to our membership and remained financially sound.
- Public Relations – We continually improved the quality of our newsletter and web site.

I have enjoyed my time on the CACC Board and will serve as Ex-Officio in 2006. **Laura Williams** will assume the responsibilities as 2006 Chair. She and the new Board will take us to the next chapter of CACC. You will find your new Board filled with many talented and dedicated professionals who have a passion to continuing to move this organization forward. I want to send my appreciation to all the 2005 Board Members, and the Committee Chairs, for all their hard work, and to you, the membership, for your commitment to CACC.

Regards,
Donna Crawford

New Members

We are pleased to welcome the following new members:

- ❖ Suzi Elliot, Intermecc Technologies Corp.
- ❖ Heather Walters, Time Warner Cable
- ❖ Russell Watkins, Jr., Somp Japan Insurance Co.
- ❖ Mark Zirkle, Time Warner Cable

Member News

- ✓ *Karen Lacombe-Mulder* is now with BR&L Consulting, Inc.

Please contact Bob Corbett, "Compensation Matters" editor for 2006, at (704) 731-4378, with member news that you would like to share.

CACC Website



Be sure to visit our website at www.caccweb.com

Quotes

"If you cannot do great things, do small things in a great way."

"A goal is a dream with a deadline."

*Napoleon Hill,
American Author (1883-1970)*

2005 CACC Board of Directors and Committee Chairs

CHAIRPERSON

DONNA CRAWFORD704/940-1524

VICE CHAIRPERSON

LAURA WILLIAMS704/373-7572

TREASURER

STEPHEN DUDAK.....704/329-7740

SECRETARY

KIM HEFFERNAN704/330-6672

DIRECTOR -- MEMBERSHIP CMTE. CHAIR

DELANE HUNEYCUTT704/336-5700

DIRECTOR -- EDUCATION CMTE. CHAIR

BOB CORBETT704/731-4378

DIRECTOR -- MEMBER MEETINGS CMTE. CHAIR

ROBIN BERNSTEIN.....704/733-5099

DIRECTOR -- PUBLIC RELATIONS CMTE. CHAIR

ARNIE SILVERMAN.....704/557-4460

DIRECTOR-AT-LARGE

(OPEN)

EX-OFFICIO DIRECTOR

JEAN GILREATH704/264-8805

SPECIAL PROJECTS CHAIR

CHUCK PARKER704/382-3474

BUSINESS MANAGER

KEVIN GILL.....704/442-9247

Upcoming Events/Education

Membership Meetings (mark your calendars):

February 8, 2006 (Annual Meeting)
May 10, 2006
September 12, 2006 (1/2 –day Meeting)
November 8, 2006
February 7, 2007 (Annual Meeting)

WorldatWork Certification Courses:

April 17-19, 2006 –

T-4 -- Strategic Communications
C-2 -- Job Analysis, Documentation and Evaluation
B-1 -- Fundamentals of Employee Benefits Programs

July 10-12, 2006 –

T-6 -- Mergers and Acquisitions
C-11 -- Performance Management
B-3 -- Health Care and Insurance Plans

October 16-18, 2006 –

T-2 -- Accounting and Finance
C-1 -- Regulatory Environments for Comp Programs
C-17 -- Market Pricing

*For more information, or to register,
contact WorldatWork Customer Relations at (877) 951-9191,
or visit www.worldatwork.org*

CACC Academic Scholarship Program

The CACC Academic Scholarship Program was created to provide an incentive for, and assist CACC members with, the continuation of their pursuit of higher education in their HR-related career.

A scholarship, in the amount of \$1,000, will be awarded to qualified members of the Charlotte Area Compensation Council (CACC). The candidate must be a member in good standing with CACC pursuing either an undergraduate or a graduate degree in an HR-related field through an accredited institution of higher learning. Full-time, part-time, online and distance learning programs are acceptable. This scholarship is a one-time, annual award. In future years, previous applicants and past scholarship recipients are eligible to re-apply each year.

Scholarship Applications must be postmarked by **April 15th** of each year to be considered for an award. Additional information about the program, and an application, can be found on the CACC website, www.caccweb.com.

If you have any questions about the CACC Academic Scholarship Program, please contact CACC's Business Manager at businessmanager@caccweb.com.

2005 CACC Perfect Attendance Award -- We Have The Winners!

We are pleased to announce that we have eight CACC members who are eligible for the Perfect Attendance Award for 2005. But we can only award three, so before we announce the winners, we'd like to recognize and thank the following CACC members who attended all of the quarterly Member Meetings in 2005, thus demonstrating tremendous support for our organization:

- Tony Armeni (Transamerica Reinsurance)
- Lee Diamond (Employee Benefits Communications)
- Kim Heffernan (Central Piedmont Comm. College)
- Karin Lacombe-Mulder (BR&L Consulting, Inc.)
- Jessica Pieloch (Carolinas HealthCare System)
- Anne Elizabeth Reid (Duke Energy)
- Vickie Rustin (Northeast Medical Center)
- Marie Winget (Compass Group)

While we wish we could give an award to everybody, based on a random drawing, we have selected the following three winners of the **2005 Perfect Attendance Award**: **Tony Armeni** (with Transamerica Reinsurance), **Karin Lacombe-Mulder** (with BR&L Consulting, Inc.), and **Jessica Pieloch** (with Carolinas HealthCare System). Our winners can use this award to attend a CACC-sponsored WorldatWork Certification Course in 2006 for FREE!

The Market is Making an Impact—CEO Pay is Changing!

Published with Permission from Aon Forum

Why do CEO pay levels continue to make headlines? To find out, Aon Consulting examined CEO pay practices from 2002 to 2004 as disclosed in 2005 proxies. The big news this year is not that CEO compensation is on the rise, but rather that the components of CEO pay are finally changing. However, CEO compensation is not changing uniformly across all market segments; we see significant differences in the various market segments' CEO pay practices.

Understanding Market Segments

The pay practices of large companies do not serve as a proxy for all companies. Using Aon's eComp database, we examined the CEO pay practices of approximately 3,900 public companies representing the small, mid-sized, large, and jumbo market segments as noted below.

| | Company Size | | | |
|------------------------|--------------|----------------|-------------|----------|
| | Small | Mid-sized | Large | Jumbo |
| <i>Revenue Range</i> | \$1m- \$99m | \$100m- \$999m | \$1b-\$4.9b | \$5b+ |
| <i>Median Revenues</i> | \$30m | \$329m | \$1.92b | \$10.95b |
| <i># of Companies</i> | 1,369 | 1,509 | 678 | 317 |

Salaries On The Move, Again

During the past few years, salary budgets generally were running from 3 to 4 percent per year. Further, currently published studies are again showing average budgets running around 3.5 percent. Given this, one might conclude that the most recent salary increases for CEOs would mirror these near-term historical trends. But with the exception of salary increases for CEOs of jumbo companies, increases actually ranged from 6 to 10 percent.

Although salaries only increased by 1 percent for jumbo companies, we believe this has more to do with the Internal Revenue Code's \$1 million non-deductible compensation cap than any real attempt to limit the growth of fixed compensation.

(Continued on page 4, See "CEO Pay")

Our Next Member Meeting: Wednesday, February 8, 2006

Our **CACC Annual Member Meeting** in February features a presentation and workshop by Chester Elton of O. C. Tanner Company, entitled "*Everything You Need to Know About Recognition You Learned from Your Mom*".

Co-author of the Wall Street Journal best-selling "*A Carrot a Day: A Daily Dose of Recognition for your Employees*" (co-authored with Adrian Grostick), Chester is a motivation expert and sought-after speaker and recognition consultant. He has been quoted in the Wall Street Journal and has been a guest on CNN's Business Unusual, Bloomberg Television and on National Public Radio. He is Vice President of Performance Recognition with O. C. Tanner Recognition Company, the world's leading employee recognition firm.

There is no charge for CACC Members. Guests are \$75 per person. Registration includes a free copy of the "*A Carrot a Day*" book, as well as breakfast and parking.

The meeting will be held at the Westin Charlotte Hotel, 601 South College St., Charlotte. Parking will be paid by CACC.

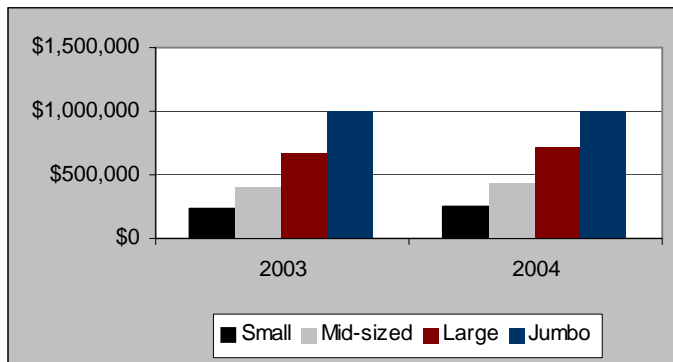
The meeting will begin at 7:45 AM with a breakfast buffet and networking period. The business meeting starts at 8:15 AM; the program will begin at 8:30 AM; and will end by 11:00 AM.

2006 CACC Perfect Attendance Award

CACC is offering up to three CACC (non-Board) members the opportunity to win a FREE WorldatWork Certification Course – all you have to do is attend all four member meetings in 2006, starting with the 2/8/06 Annual Meeting. (If there are more than three Perfect Attendees, the three winners will be selected by random drawing). Winners can use their award to attend a CACC-sponsored certification class and exam in 2006 – an over \$800 value! Simply attend all four meetings and be sure to sign the attendance sheet located at the sign-in table where you pick up your nametag before the meeting. We hope you will be winner this year!

(CEO Pay – continued from page 3)

CEO Salary Trends (Median)

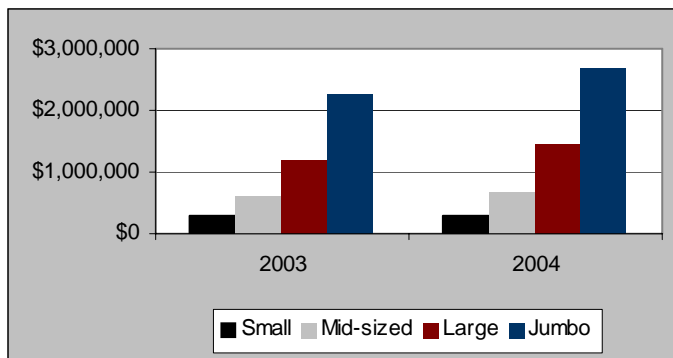


What About Bonuses and Total Cash Compensation?

Typical of an improving economy, bonuses were up sharply, ranging from an increase of 10 percent for small companies to a high of 36 percent for large companies. With the exception of the small company segment, bonus increases were fairly uniform, ranging from 30 to 36 percent.

When looking at total cash compensation (salary plus bonus) levels, we see a healthy rise in pay—ranging from a 9 percent increase for small companies to a 21 percent increase for large companies.

CEO Cash Compensation Trends (Median)



The Big Change—Long-term Incentives

Many current studies are reporting healthy increases in long-term incentive compensation levels. Ours shows that although long-term incentive compensation levels are rising, the level of increase among the different market segments varies

(CEO Pay – continued from previous column)

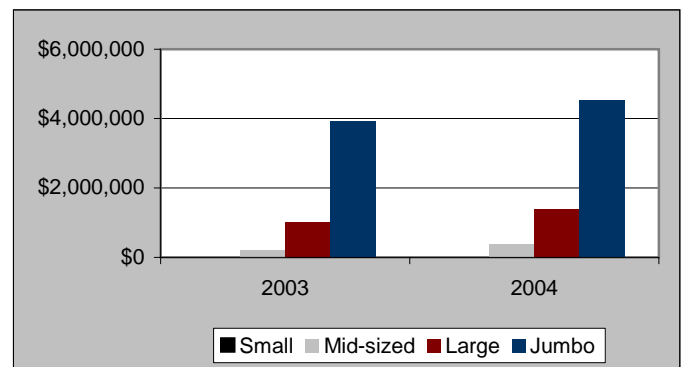
dramatically. Small companies showed no increase in long-term incentive compensation levels, while mid-sized companies showed a whopping 66 percent increase. Although both of these results are completely unexpected, the analysis shows—once again—that CEO pay practices are not at all uniform across different market segments.

But the big news is not an increase in long-term incentive compensation levels, but rather the decrease in the use of stock options. The table that follows shows the average stock option grant values expressed as a percentage of the total long-term incentive grant value. Because we are trying to capture recent trends, we are comparing the 2004 long-term incentive compensation value to the 2002 value.

| Market Segment | 2002 Stock Option Grant (value as % of entire grant) | 2004 Stock Option Grant (value as % of entire grant) |
|----------------|--|--|
| Small | 93% | 88% |
| Mid-sized | 84% | 72% |
| Large | 75% | 59% |
| Jumbo | 76% | 63% |

As we suspected, large and jumbo companies are leading the charge with changing their equity mix practices. For large companies, stock options represented about 75 percent of the 2002 total long-term incentive value but only 59 percent of the 2004 value. This is in stark contrast to small companies, where stock options represented 93 percent of the 2002 value versus 88 percent for 2004.

CEO Long-Term Incentive Trends (Median)



(Continued on page 5, See “CEO Pay”)

(CEO Pay – continued from page 4)

Share Usage is Declining, but is Value Declining?

We also learned that companies are paying attention to concerns about shareholder dilution. The amount of shares used to deliver long-term incentive compensation has been declining over the past several years. Shown below is a comparison of the average number of shares used in the 2002 grant compared to the 2004 grant. In the most extreme example, small companies used on average about half as many shares in 2004 as they did in 2002. But regardless of the market segment, the average number of shares used under long-term incentive compensation plans has dramatically decreased. This is an interesting result, given that the value of long-term incentive grants continues to increase.

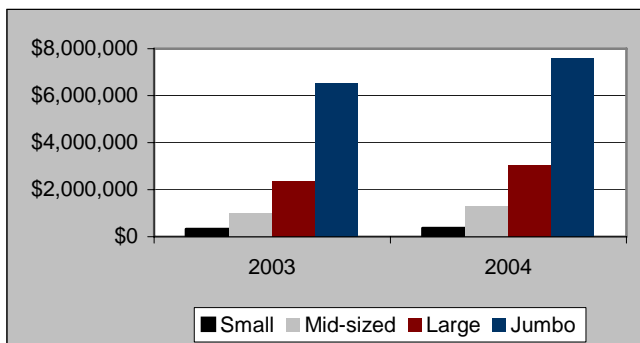
| Market Segment | Number of Shares Underlying the 2002 Grant | Number of Shares Underlying the 2004 Grant |
|----------------|--|--|
| Small | 125,300 | 62,930 |
| Mid-sized | 144,644 | 86,524 |
| Large | 433,490 | 301,409 |
| Jumbo | 236,567 | 156,545 |

The Total Pay Picture

We see two interesting outcomes when comparing CEO pay practices among the market segments:

- Big differences in the number of stock option grants to CEOs. Small companies are still relying heavily on stock options, while large companies have expanded their use of whole shares.
- Disparity in CEO pay increases among market segments. Small company CEOs saw a 12 percent increase in total direct compensation, while large company CEOs enjoyed a meaningful 29 percent increase.

CEO Total Direct Compensation Trends (Median)



(CEO Pay – continued from previous column)

Where Do We Go From Here?

We believe that executive compensation is still very much in transition. Shareholders may be delighted that companies are using fewer shares in their long-term incentive compensation programs. But is this trend desirable? Will companies continue to use fewer shares and grant more valuable long-term incentives in the future? We would like to say “no,” but experience tells us that the outcome is impossible to forecast.

We predict that companies will introduce more performance-based equity vehicles (such as performance shares) and find the appropriate balance between share usage and long-term incentive value delivery. No doubt stock option expensing in 2006 will help companies find this balance sooner than later.

Compensation Quotes

“If you pick the right people and give them the opportunity to spread their wings and put compensation as carrier behind it you almost don’t have to manage them.”

Jack Welch, former CEO, GE

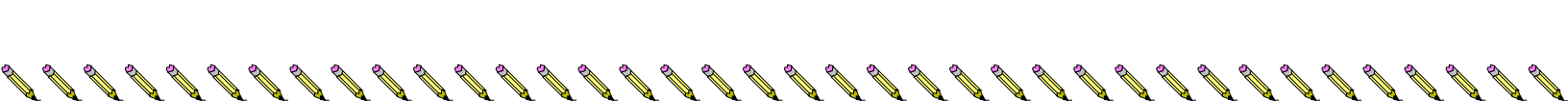
If you’re not learning while you’re earning, you’re cheating yourself out of the better portion of your compensation.

Napoleon Hill, American Author 1883-1970

WorldatWork Building Blocks Locations



WorldatWork produces a series of brief training and professional development booklets called Building Blocks. CACC provides a copy of all Building Block booklets at Johnson C. Smith Univ. Library; UNCC Library, and The Employers Association Library.



Member Profile – Kim Heffernan

Kim has been a member of CACC since 2005 and currently serves on the Board as Secretary. Kim is the Director of Compensation and Benefits at Central Piedmont Community College, a two-year educational institution serving Mecklenburg County and the surrounding areas. Central Piedmont Community College has over 2000 full-time and part-time faculty and staff. Prior to joining Central Piedmont Community College last January, Kim worked at W.K. Dickson & Co. and Queens University of Charlotte.

Kim has 10 years of experience in human resources. Kim graduated from Bradley University in Illinois with a B.S. degree in Economics. She is a Certified Employee Benefits Specialist (CEBS) and Professional in Human Resources (PHR). Kim had previously served on the Board of Charlotte Area Society for Human Resource Management. Kim and her husband, John, live in the Charlotte for the past 7 years. They have two cats and enjoy traveling and gardening.

Editor’s Note

It has been my great pleasure to edit “*Compensation Matters*” for the last three years. It never ceases to amaze me how fast three years, and 12 issues of this newsletter, have passed by. During that time I have met and made many new friends, seen some old friends move away to pursue either other jobs or retirement, and worked with outstanding Board colleagues. I hope during that time I have provided you with an entertaining and informative newsletter.

As I transition to the role of Vice Chairperson for CACC I will be turning the reins of this newsletter over to the very capable hands of Bob Corbett, who has done an exceptional job as Education Chair, and I look forward to meeting and working with more of you in my new role.

Regards,

Arnie Silverman

Charlotte Area Compensation Council
c/o Gill Consulting
4618 Mullens Ford Rd.
Charlotte, NC 28226-5041