



# **2008 BOARD OF DIRECTORS COMPENSATION AND GOVERNANCE SURVEY**

**November 2008**

**TCS Total Compensation Solutions**

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**November 2008**

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## Introduction

As this survey goes to print, we are seeing a financial crisis on Wall Street that some financial advisors compare to the Great Depression. It is too early to know the long term effects of this crisis on the economy. However, it is almost certain that stronger regulation of the financial industry will be mandated within the year. Will this reform be as sweeping as Sarbanes-Oxley? Will there be a fundamental shift in the compensation philosophy for top management? And, will there be new trends in compensation affecting the Board of Directors? These questions and many others will confront Board members in the years to come.

Within the last ten years, both government and general industry have concluded that Boards of Directors must be held to a higher standard. We have observed that the bar is constantly being raised with regard to oversight of the management team. All Boards are becoming more active in its role of protecting shareholders' interests. And, there continues to be increasing scrutiny of management actions concerning financial representations, executive compensation, mergers and acquisitions, and other operational issues.

What is clear to us and our clients is that the Board of Directors needs to be more involved in its overview process. We have observed that Boards spend more time deliberating on company matters and they have a more diverse level of expertise than in the past. Directors and Trustees spend more time before, during, and after meetings and have specific types of legal, financial or industry experience in order to carry out their duties. This transition has made it reasonable for each Board to evaluate its own performance, redesign the structure of the Board, update the charter of each of its standing committees and even review their own compensation.

There is a fundamental shift in the way Boards operate. They must continue to offer an objective, business and industry-oriented approach to oversight of the management of their respective organizations. This must be done with objectivity and transparency and they need to be prepared to offer their shareholders or, stakeholders a clear and concise description of their decision-making process.

The Board of Directors needs an objective source of information to support its decision making process. They must review their own compensation and governance. The best place to get this information is from the external market and Total Compensation Solutions is pleased to respond to that need by publishing the **2008 Board of Directors Compensation and Governance Survey**.

This is our third edition of a study on Board of Directors' compensation policies and practices. TCS consultants, who have experience working with Boards of Directors, have created this report to meet the need for timely, accurate compensation and governance information to support our clients and their respective Boards.

In each successive edition of this study, we add new companies and we explore how three distinct company types: **Publicly Held**, **Privately Held** and **Not-For-Profit organizations**, deal with their Board of Directors. We observe vast differences between these types of companies with respect to:

- Board structure
- Compliance with government standards,
- Policies and practices, and
- Compensation levels.

Our expanding database allows us to examine whether the size of a company affects the overall compensation and governance policies and practices for the Board of Directors. The companies in this study were grouped into the following size categories:

- Large – Over \$1 Billion in Gross Revenue
- Mid-Level – \$100 Million Up To \$1 Billion in Gross Revenue
- Emerging – Up To \$100 Million in Gross Revenue

For 2008, we have compiled data on Board of Directors' compensation from 371 organizations. TCS survey methods were developed in-house by our survey department in conjunction with survey participants and our consultants. Recent compliance rules and regulations have also had an impact on the survey. The survey input document was designed for "on-line" completion and electronic submission. This database also uses publicly filed documents and incorporates this information into the report.

TCS screens, checks and verifies all data points to ensure accuracy and statistical significance in this report. This report is divided into four sections:

Section I	Executive Summary	Introduces the study and its overall objective to provide a comprehensive source of data for Board Compensation and Governance issues; participant demographics; and key findings.
Section II	Analysis By Company Type	Analyzes Board of Directors information by three company types: publicly held, privately held and not-for-profit.
Section III	Analysis By Company Size	Analyzes Board of Directors information by three company sizes: large, mid-level and emerging
Section IV	Reference Section	Defines and explains the role of the Board and its Committees; sample Committee Charters; total cash compensation determination; and key provisions of the Sarbanes-Oxley act and the SEC CD&A rules.

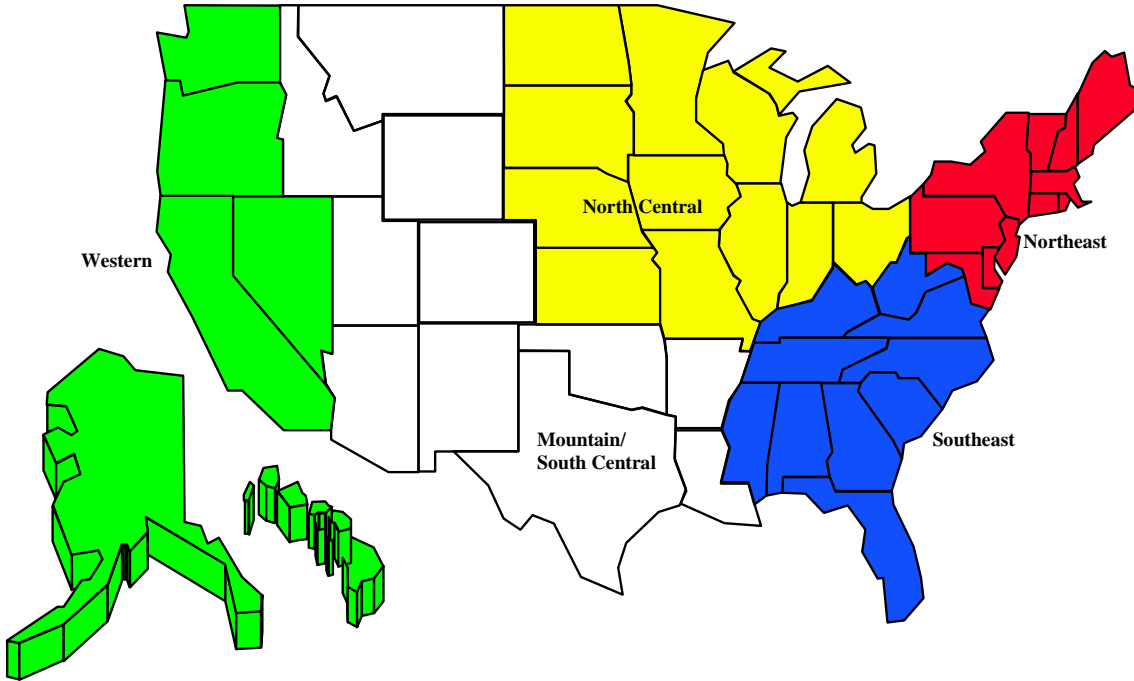
**Introduction - continued**

Once again, Total Compensation Solutions is pleased to provide this report on Board of Directors Compensation and Governance to our clients and subscribers. We remain committed to assisting our clients with their compensation programs for Board members, executives, and staff. We thank those organizations that provided data, and feedback on previous reports.

If you have any questions on this report or would like to provide comments on this survey or future editions, please call our offices at 914-730-7300 or email your questions to: [pgavejian@total-comp.com](mailto:pgavejian@total-comp.com) or [tbailey@total-comp.com](mailto:tbailey@total-comp.com) .

**Participant Demographics**

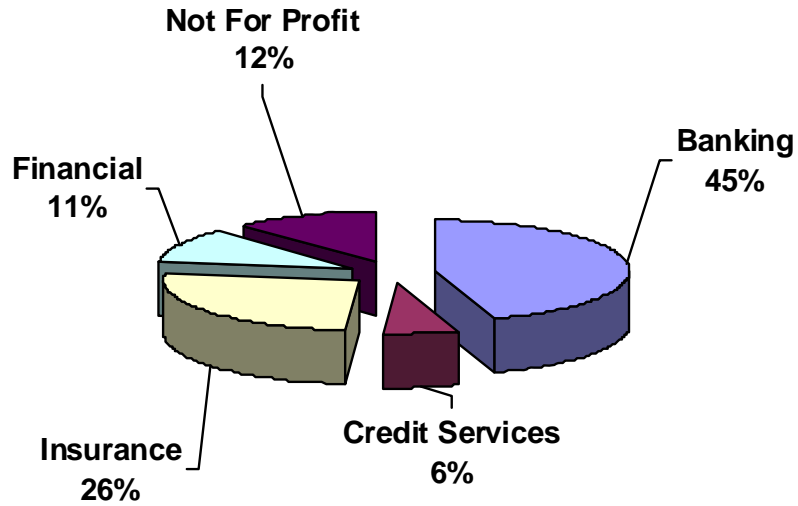
**Geographic Breakdown of Survey Participants**



Region	Number	Percentage
Northeast	118	32%
Southeast	80	21%
North Central	91	25%
Mountain/South Central	29	8%
Western	53	14%
<b>Total</b>	<b>371</b>	<b>100%</b>

**Participant Demographics - continued**

**Industry Breakdown of Survey Participants**



Industry	Number	Percent
Banking	168	45%
Credit Services	21	6%
Insurance	97	26%
Financial	42	11%
Not For Profit	43	12%
<b>Total</b>	<b>371</b>	<b>100%</b>

**Findings and Observations - continued**

**Board Compensation**

TCS observes that the duties and responsibilities for Board Members have changed significantly in the last couple of years. In addition, Board accountability is changing and with the increased time commitment, the increased emphasis on expertise, and the increased accountability, it makes sense that Board compensation has increased. Based on this study, we observe the following:

***Overall Compensation***

- The average total cash compensation for Board Chairman grew by 15% over last year and the average total cash compensation for Board members grew by eight percent.

	2007	2008	% Difference
Chairman	\$45,377	\$52,131	15%
Director	\$38,914	\$42,138	8%

- The average total cash compensation for the Board Chairman and for the Director among all of the 371 organizations based on organization type is shown below:

**By Company Type**

	Overall	Public	Private
Chairman	\$52,131	\$54,013	\$52,291
Director	\$42,138	\$46,252	\$26,510

Note: In this study, 98% percent of the not-for-profit organizations did not pay any compensation to their Board members.

- The average total cash compensation for the Board Chairman and for the Director among all of the 371 organizations based on organization size (e.g., large, mid-level, emerging) is shown below:

**By Company Size**

	Overall	Large	Mid-Level	Emerging
Chairman	\$52,131	\$73,233	\$56,571	\$30,909
Director	\$42,138	\$63,061	\$43,613	\$22,344



Total Compensation Solutions is a human resources consulting firm dedicated to *assisting clients in achieving their strategic compensation objectives*. Our approach to compensation and benefits issues is to utilize data to identify best practices in the marketplace. Our research spans a variety of topics including Board Compensation, Executive, Middle Management and Professional Compensation, Performance Management, Organization Structure, Health and Welfare and Retirement Benefits Plans. With client interaction, we gather and report information on compensation, personnel practices and benefits and we apply the most effective, market-driven solution to each organization's unique set of circumstances.

From our offices in Armonk, NY and Los Angeles, CA we are able to link with our clients via traditional and online media. For more information about Total Compensation Solutions, please visit our Website [www.total-comp.com](http://www.total-comp.com) or contact us at:

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