



[Company X]'s Compensation Philosophy

The philosophy behind *[Company X]*'s compensation program is to create a compensation program that supports the company's mission and values. We believe our compensation program is a management tool that when aligned with an effective communication plan is designed to support, reinforce, and align our values, business strategy, operational & financial needs with a goal of growth and profitability.

[Company X]'s compensation program is designed to attract, motivate, and retain talented employees who drive the company's success. We strive to provide base salary that meets the market (50th percentile) when employees are fully proficient and meeting expectations. We believe that employee consistently performing above expectations and are proficient in the role should be rewarded with a higher base pay. Employees who are new to their role and/or not meeting expectations would be paid below the target (50th percentile). In addition to base salary, the company will utilize incentive or variable pay as a way to meet the strategic goals of the company. Incentive pay will be available to some employees with consideration for a number of factors and will be based on individual goals that relate to the company objectives as well as overall company performance.

In alignment with our company culture, we will strive to communicate openly about the goals of the company and the design of the compensation program. The compensation process is intended to be fair and simple so that all employees and Managers understand the goals and the outcomes of the process. *[Company X]* will work hard to administer the compensation program in a manner that is consistent and free of discrimination.

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PayScale has experts here to help you. We offer customized compensation consulting services where we not only analyze your company's position in the market and define your strategy, we build a sustainable pay structure and then guide you through plan implementation. Additionally, once the consulting project is complete you have access to the world's largest salary database so you can review, improve and modify your plan anytime.

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A well crafted compensation philosophy and strategy is the foundation for your compensation program. Just like your mission statement helps guide your business strategy, your compensation philosophy sets the direction of your compensation program. Many organizations share their compensation philosophy broadly with all employees. It's a great communication tool to help get everyone on the same page about compensation goals. The compensation strategy is usually shared with a smaller group of decision makers who are responsible for setting compensation goals.

[Company X]’s 2011 Compensation Strategy

Competitive Set: *[Company X]* will benchmark the *[City]* metro area and target *[Industry]* as our industry and an organization size of *[Company X]’s* employees. We believe that this definition of competitive set is most representative of our market.

Degree of Competitiveness: *[Company X]* will use the 50th percentile of base salary as the target for employee base pay. Individual placement against that target will be based on experience and performance.

Variable Pay Targets: *[Company X]* will use variable pay as a financial incentive for performance based goals. These targets are used to establish the amount of incentive an employee is eligible to receive for outstanding performance.

The following chart should be used as a basis for determining what incentive pay targets are for each employee (based on level)

Position Level	Variable Pay Target (as a % of TCC)
Individual Contributor	
Supervisor or Manager	
Director	
Executive	

Variable Pay Design: *[Company X]* will use variable pay as a financial incentive for rewarding individuals for individual and company goal attainment based on the level within the organization.

The following chart should be used as a basis for determining the allocation of variable pay attributable to individual goals vs. company goals.

Employee Role	Variable Pay attributable to company vs. individual goals
Individual Contributor	0-15%/85-100%
Manager/Director	10-25%/75-90%
Executive	50-75%/50-25%