

BOOST REWARD PLANNING

WHAT HR PROFESSIONALS NEED TO KNOW ON COMP & BEN TRENDS

NOVEMBER 2014

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MERCER

A GLOBAL CONSULTING LEADER

Mercer helps clients around the world advance the **health, wealth, and performance** of their most vital asset — their **people**.

MERCER: A QUICK LOOK

- \$3.9 billion in revenue.
- 65-year history.
- Offices in more than 40 countries.
- 19,000+ colleagues.

OUR CLIENTS: A QUICK LOOK

- 80% of top US public companies.
- 70% of FTSE 100 companies.
- 70% of CAC 40 companies.
- 65% of Nikkei 225 companies.
- 80% of clients <5,000 employees.



TALENT BREADTH OF SERVICES



LEADERSHIP & ORGANIZATION PERFORMANCE

- CEO and board effectiveness.
- Leadership development and assessment.
- Organization performance.
- HR strategy.
- Talent management.
- HR effectiveness.
- Workforce analytics and planning.
- Diversity and inclusion.



REWARDS

- Executive remuneration.
- Workforce rewards.
- Benchmarking, pay structures, policies, regulatory and governance guidance.
- Pay for performance.
- Data and research-based competitive benchmarks and trends.



MOBILITY

- Global mobility strategy.
- Program effectiveness.
- Policy review.
- Data and research-based competitive benchmarks and trends.



COMMUNICATION

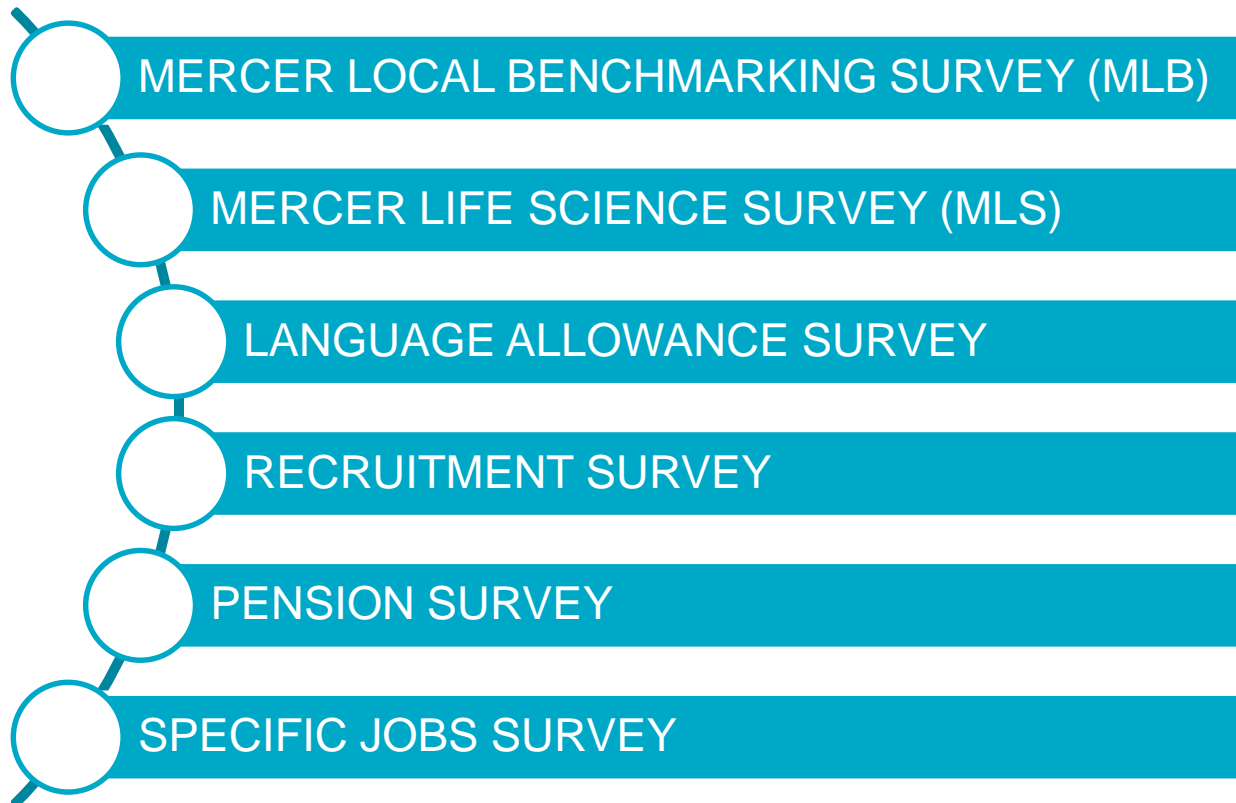
- Change communications.
- Employee engagement.
- Communication strategy.
- Web and mobile communications.

INFORMATION AND TECHNOLOGY SOLUTIONS

OTHER LOCAL PRODUCTS

COMPENSATION/REMUNERATION

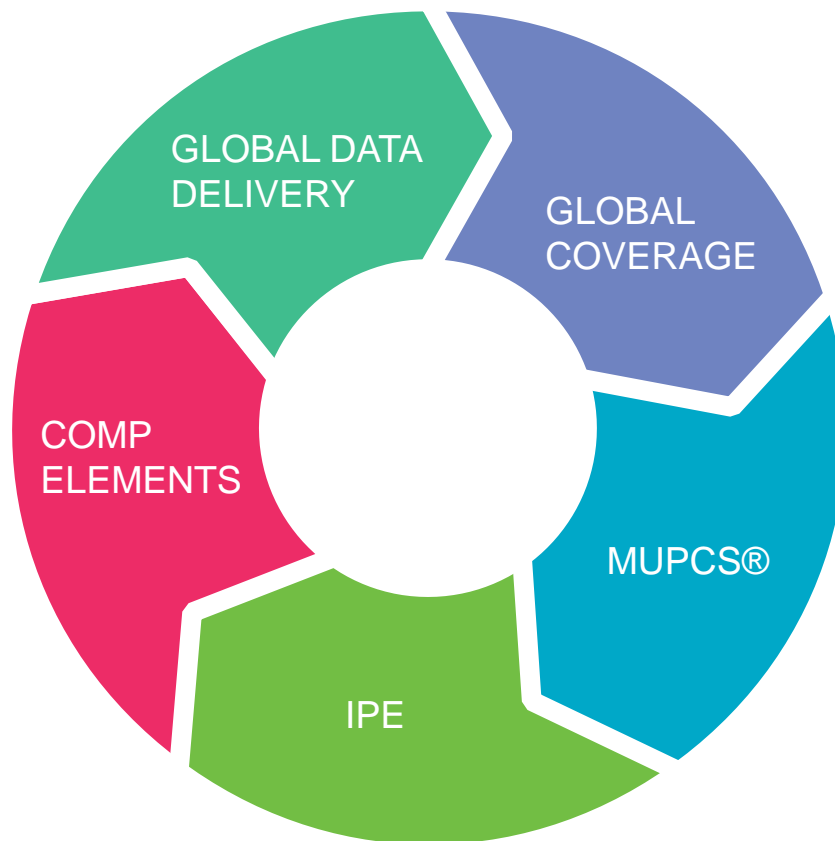
Mercer brings together the firm's worldwide human resource data to inform clients' strategic human capital decisions.



TRS OVERVIEW

TOTAL REMUNERATION SURVEY (TRS) ONE CONSISTENT METHODOLOGY AROUND THE GLOBE

Mercer Total Remuneration Survey (TRS) –
A Consistent Global “Language”



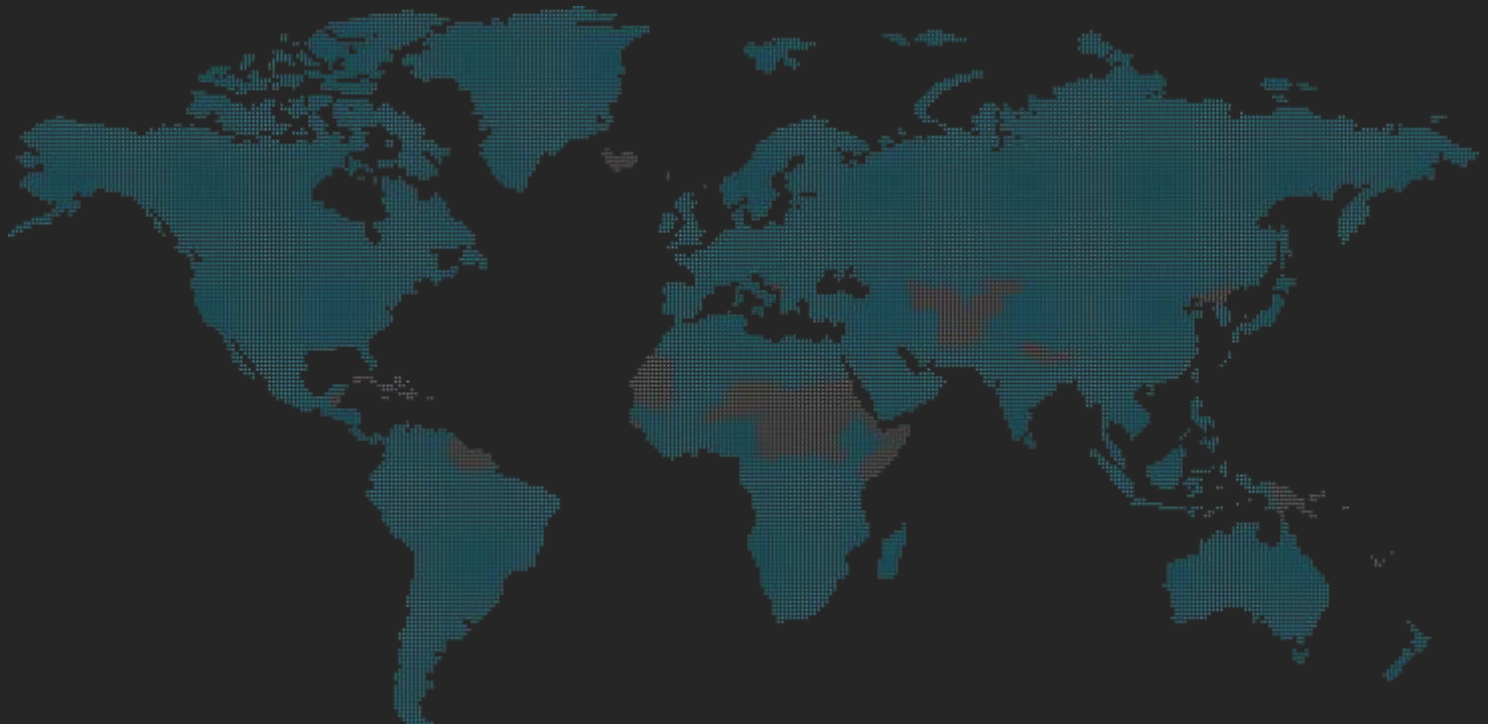
TOTAL REMUNERATION SURVEY (TRS)

GLOBAL COVERAGE

TRS is conducted in over 100 countries worldwide www.imercer.com/trs

New in 2014:

- Cambodia
- Jamaica
- Luxembourg
- Mongolia
- Myanmar



 GENERAL INDUSTRY

TOTAL REMUNERATION SURVEY (TRS)

MERCER UNIVERSAL POSITIONS CODING SYSTEM (MUPCS®)

JOB: The connection of job family, career stream and career level

JOB FAMILY:

Generally recognized major professional area often requiring a unique set of technical competencies and within most career development will occur.

SUB-FAMILY:

Professional discipline within a specific job function similar with respect to nature of work and knowledge requirements.

CAREER STREAM:

Career type within the organization characterized by unique responsibilities.

CAREER LEVEL:

Represents the hierarchical position of a job within a career stream and is used to differentiate career steps and defines each of the career levels based on predefined criteria. This consistent across job families.

JOB FAMILY	SUB-FAMILY	CAREER STREAM	CAREER LEVEL
Administration	Account Management	Executive	Senior Manager
Communications	Channel Sales	Management	Manager
Corporate Affairs	General	Professional	Team Leader (Prof.)
Engineering	Pre-sales Engineering	Para-Professional	Team Leader (Para-Prof.)
Finance	Sales Administration		
HR	Sales Planning		
Information Technology	Sales Training		
Legal	Telesales		
Manufacturing	Trade		
Marketing			
Repair & Maintenance			
Sales			
Supply & Logistics			

MERCER TOTAL REMUNERATION SURVEY (TRS)

MERCER UNIVERSAL POSITION CODING SYSTEM (MUPCS®)

- **Consistency:** Provides a unified position coding system and ensures greater consistency in benchmarking across the entire organization
- **Analysis:** Smart coding provides ability to analyze data by job family, job sub-family, career stream and career level
- **Global Leveling:** Enables and enhances cross border leveling and career progression analyses
- **Job Matching:** Makes the job matching process easier
- **Reporting:** Increases flexibility and leads to better pay decisions

2 1 0

FAMILY

100 - Top Management
110 - Corporate Affairs
120 - HR
130 - Knowledge Mgmt
200 - Finance & Admin.
210 - Finance
etc.

3 2 4

SUB-FAMILY

000 - General
300 - Risk Management
304 - Investment
308 - Treasury
312 - Credit & Collection
324 - Audit
348 - Financial Control
352 - Fincl Plan/Analysis
etc.

3

CAREER STREAM

1 - Executive
2 - Management
3 - Professional
4 - Para-Professional

5

LEVEL

1 - Pre-eminent
2 - Expert
3 - Specialist
4 - Senior
5 - Experienced
6 - Entry

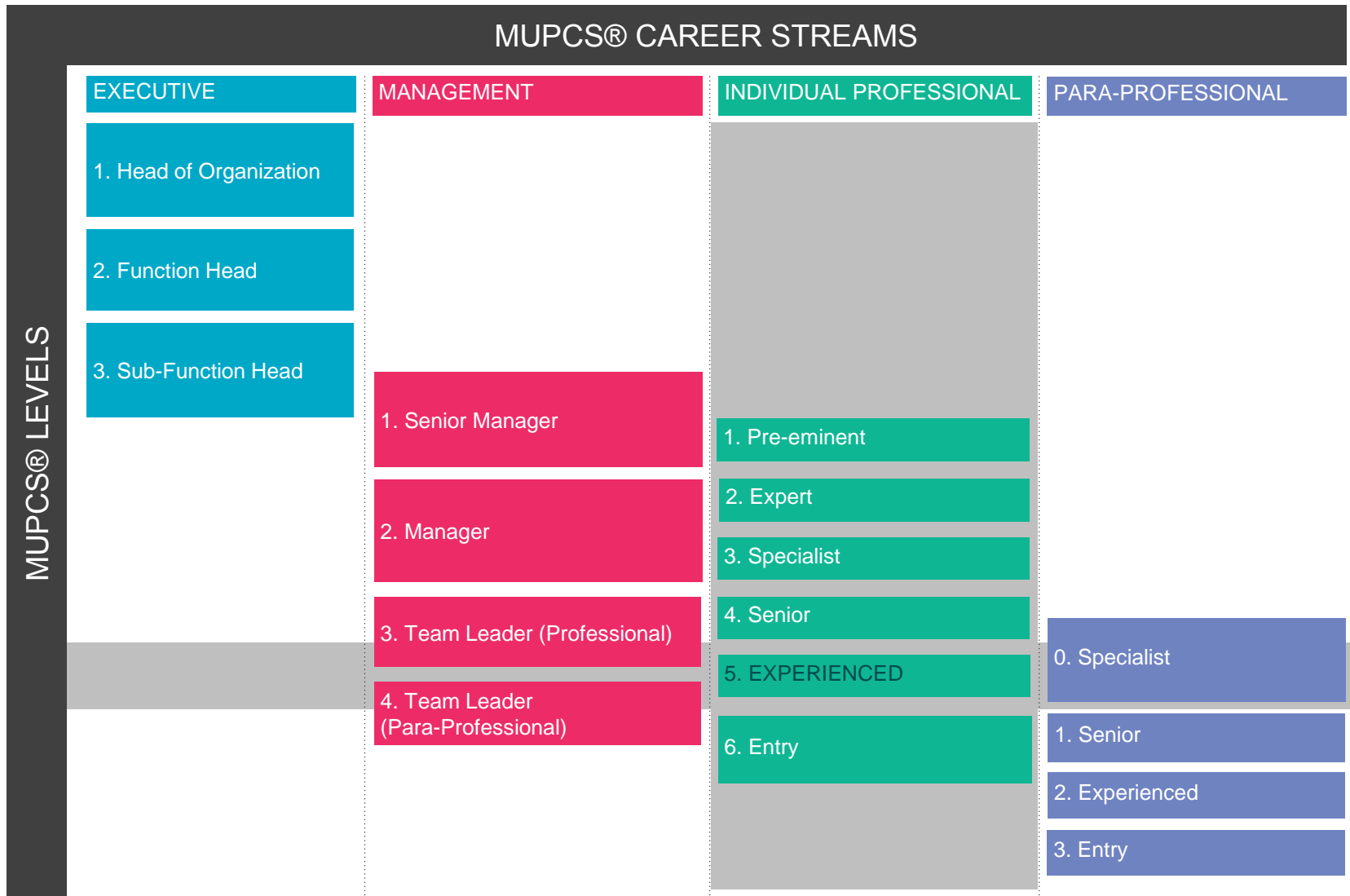
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JOB/ACTIVITY (used to differentiate similar position)

0
1
2
3
etc.

MERCER TOTAL REMUNERATION SURVEY (TRS)

CAREER STREAMS AND LEVELS



TOTAL REMUNERATION SURVEY (TRS) UNDERPINNED BY INTERNATIONAL POSITION EVALUATION (IPE)

- Mercer's proprietary global point factor position evaluation approach
- IPE is embedded into TRS databases
- Job matching is combined with IPE to provide flexibility in processing non-benchmark jobs in actual market data and market regression

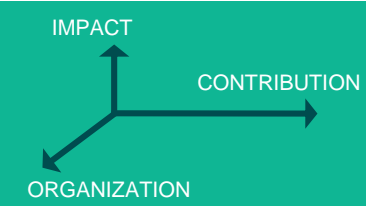
HIERARCHICAL LEVELS	MERCER IPE CLASSES
General Directors/Presidents	60 – 70
Vice-Presidents/Directors	58 – 62
Managers	53 – 59
Supervisors/Specialists	50 – 54
Professional/ Administration/Staff	45 – 51
Blue Collar	40 – 45

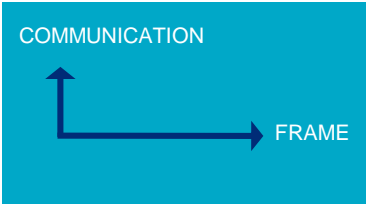


BASIC TERMS

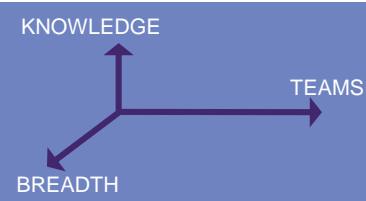
POSITION CLASS

IPE (International Position Evaluation) is designed to objectively evaluate the relative ranking of positions by a global factor rating approach.

	FACTOR 1: IMPACT	
	SIZE OF ORG.	Revenue and Total Employee Number
	IMPACT	Scope of impact to organization
	CONTRIBUTION	Contribution level to organization

	FACTOR 2: COMMUNICATION	
	COMMUNICATION	Communication level to be required in organization
	FRAME	Whether the communication is internal or external and the interests are shared or divergent

	FACTOR 3: INNOVATION	
	INNOVATION	Innovation level to be required
	COMPLEXITY	Complexity level on performing

	FACTOR 4: KNOWLEDGE	
	KNOWLEDGE	Knowledge level to be required
	TEAMS	Context of team (ex. Team member, team leader & teams manager)
	BREADTH	Geographical context (ex. Domestic, regional & global)

BASIC TERMS

POSITION CLASS

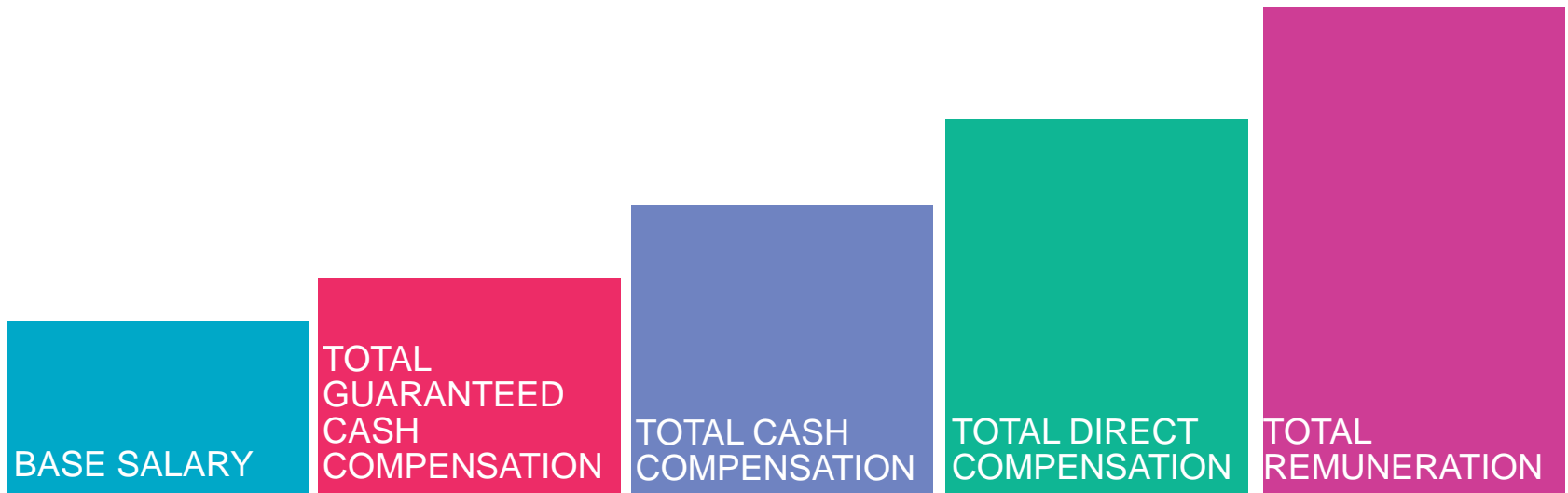
Position Class range can be grouped with +/- 1~3 flexibility depending on specific internal grade.

	TOTAL POINT RANGE	PC		TOTAL POINT RANGE	PC		TOTAL POINT RANGE	PC
STAFF	26 – 50	40	MANAGERIAL	426 – 450	56	TOP MANAGEMENT	826 – 850	72
	51 – 75	41		451 – 475	57		851 – 875	73
	76 – 100	42		476 – 500	58		876 – 900	74
	101 – 125	43		501 – 525	59		901 – 925	75
	126 – 150	44		526 – 550	60		926 – 950	76
	151 – 175	45		551 – 575	61		951 – 975	77
	176 – 200	46		576 – 600	62		976 – 1000	78
PROFESSIONAL	201 – 225	47		601 – 625	63		1001 – 1025	79
	226 – 250	48		626 – 650	64		1026 – 1050	80
	251 – 275	49		651 – 675	65		1051 – 1075	81
	276 – 300	50		676 – 700	66		1076 – 1100	82
	301 – 325	51		701 – 725	67		1101 – 1125	83
	326 – 350	52		726 – 750	68		1126 – 1150	84
	351 – 375	53		751 – 775	69		1151 – 1175	85
MANAGERIAL	376 – 400	54		776 – 800	70		1176 – 1200	86
	401 – 425	55		801 – 825	71		1201 – 1225	87

GENERIC CATEGORIZATION

TOP MANAGEMENT
58 and above
MANAGEMENT
54 - 57
PROFESSIONAL
47 - 53
STAFF
46 and below

TOTAL REMUNERATION SURVEY (TRS) COVERS THE FULL PICTURE – TOTAL REMUNERATION



TOTAL REMUNERATION SURVEY (TRS) MERCER WORKFORCE INTELLIGENCE NETWORK® (MERCER WIN®)

- State-of-the-art online platform provides single-point access to comprehensive HR data
- Makes it easy to retrieve and synthesize vast amounts of data into useable packets of information
- Produces customized charts, graphs and reports at the click of a button

MERCER WIN®

WHAT IS IN IT FOR YOU?

- Interactive, easy to use solution
- Access to your survey results across industry and across borders
- Unlimited peer cut reports for participants
- Ability to compare your submission to the market instantly
- Analyze and compare structure to market by job, family, career level and Position Class (PC)
- Refine the results exactly the way you want
- Interactive, configurable charts
- ...and more

HOW TO MAXIMIZE DATA UTILIZATION

CATEGORY	SITUATION	RECOMMENDATION
PEER GROUP	<ul style="list-style-type: none"> • The number & composition of participants of survey changes every year. • Some companies re-define their industry by strategic goal change. • Even with same company, revenue, headcount, value chain changes every year. Some go through restructuring. • Salary Freeze & Salary Deduction happen in specific industry sector. 	<ul style="list-style-type: none"> • Create your own peer group with clear criteria, not by reputation only. (revenue, headcount, value chain, same business model, etc.) • Maintain your own peer group for Year over Year comparison. • Check participant list every year whether your peer candidates newly join. • Validate every year whether your peers are real competitors in retaining/ recruiting talents.
PAY TARGET	Pay target is quite often set as 50%ile of your defined comp. type.	<ul style="list-style-type: none"> • Differentiate Pay Target %ile for key talents. • Customize Pay Target %ile for transitional period. (e.g. 30%ile to 50%ile over the next 3 years. The 2nd year, you can compare data with 40%ile or 45%ile with tools.)
DATA AVAILABILITY	Market value is not generated due to minimum data points.	<ul style="list-style-type: none"> • Combine adjacent levels in the same function and same sub-function. • Refer to the same level value with similar function. • Refer to the other position value range in the same internal grade.

REVIEW OF SURVEY RESULTS

EUROPEAN REWARD TRENDS

BULGARIA

Salaries are increasing at a slightly higher rate than in the Western countries

Christmas Allowance is the most common among all kinds of Allowances

Increasing number of companies are reviewing and implementing grading structures and using job evaluation systems for determining salaries

There is a trend for organisations planning to ***increase the overall headcount***, which is a reflection of the optimism after financial crisis

More companies are introducing long-term incentive plans to manage risk and increase business sustainability

Flexible benefits plans still not popular in Bulgaria

At management level ***car benefit is at highest rate across the Region***



BULGARIA TRS SURVEY OVERVIEW

146

PARTICIPANT
COMPANIES

475

GLOBAL JOBS
SURVEYED

MEDIAN NET
SALES REVENUE

53 mil BGN

MEDIAN FTE 111

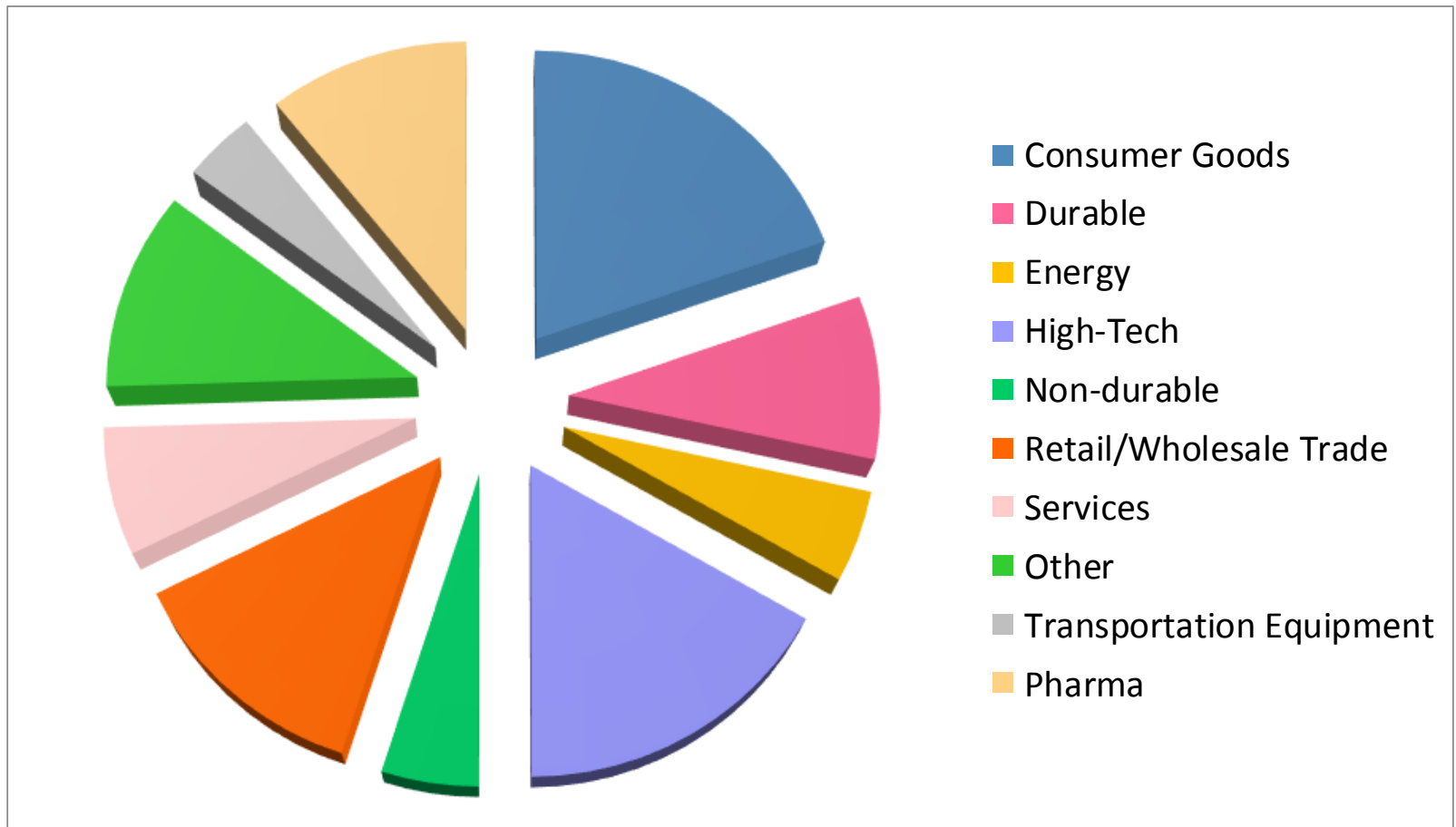
25%

OF THE COMPANIES HAVE
THEIR PARENT COMPANY IN
THE US

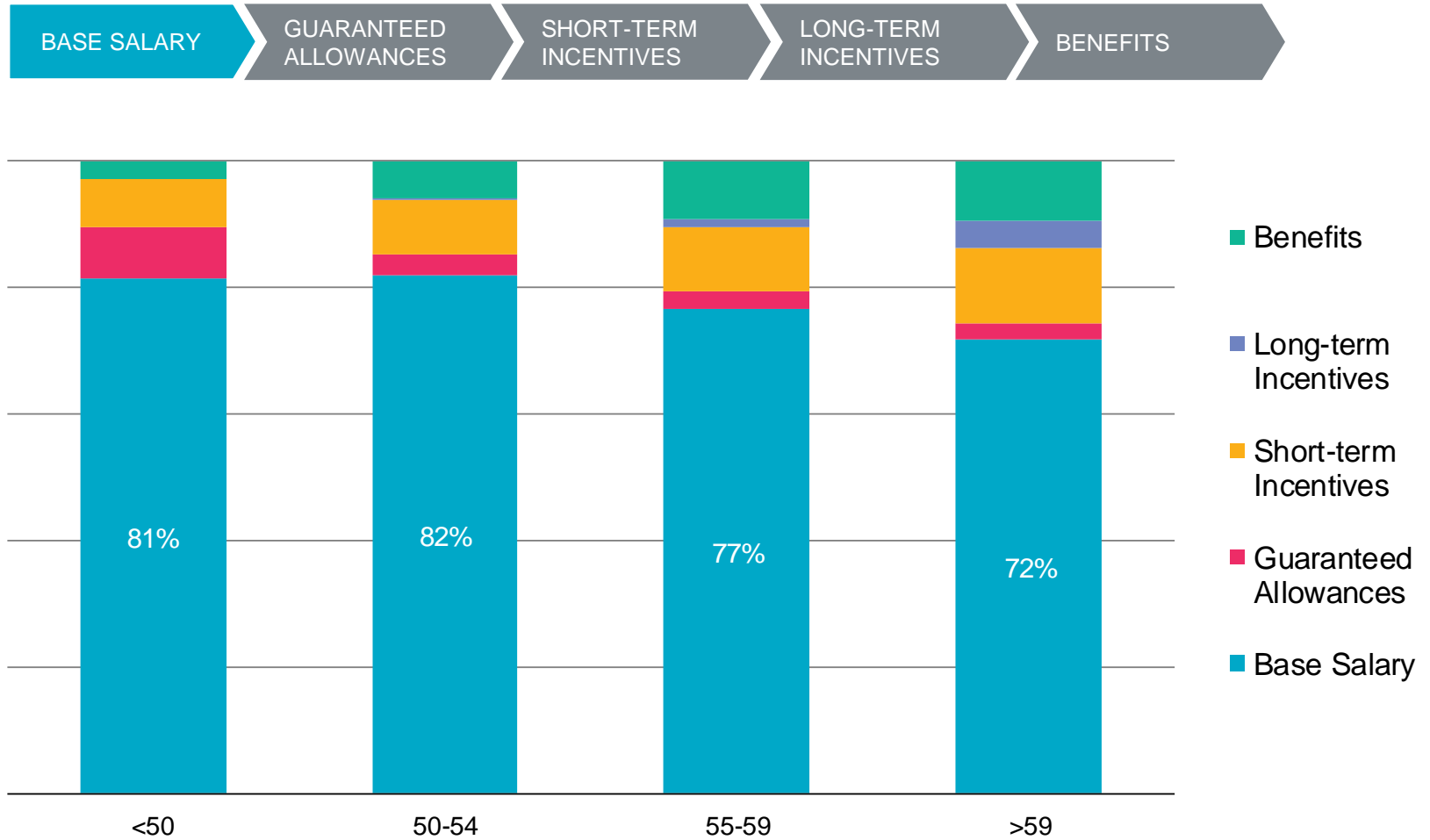
IN THE LAST YEAR THE
SAMPLE INCREASED BY

67%

2014 BULGARIA TRS PARTICIPANTS – INDUSTRY REPRESENTATION

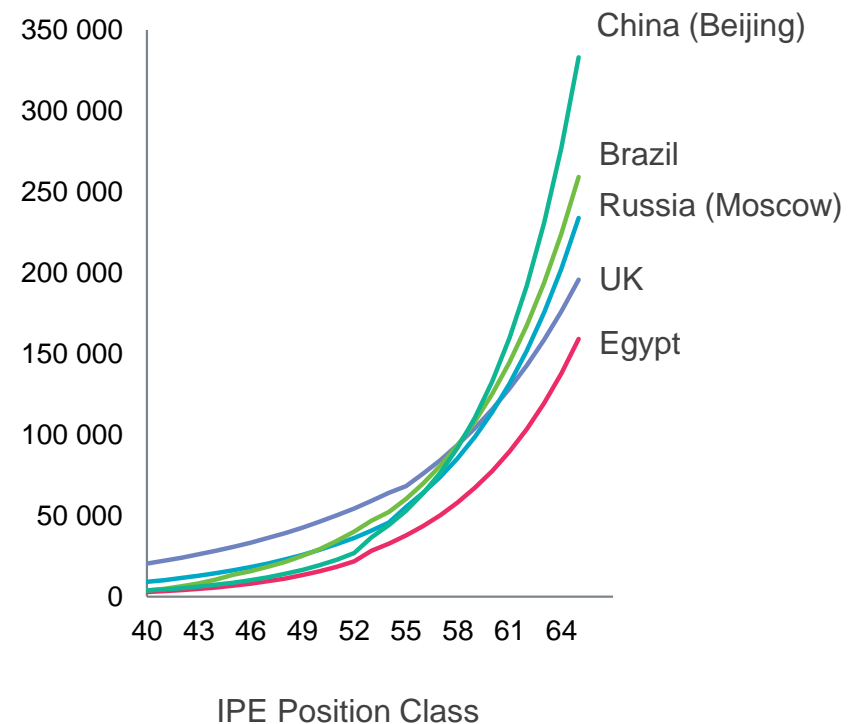
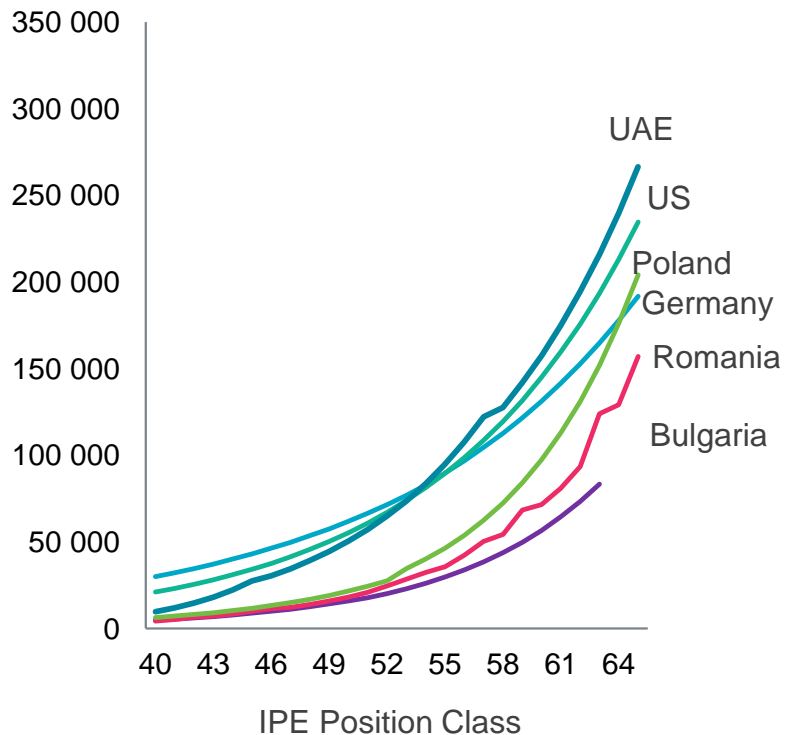


TOTAL REMUNERATION MIX



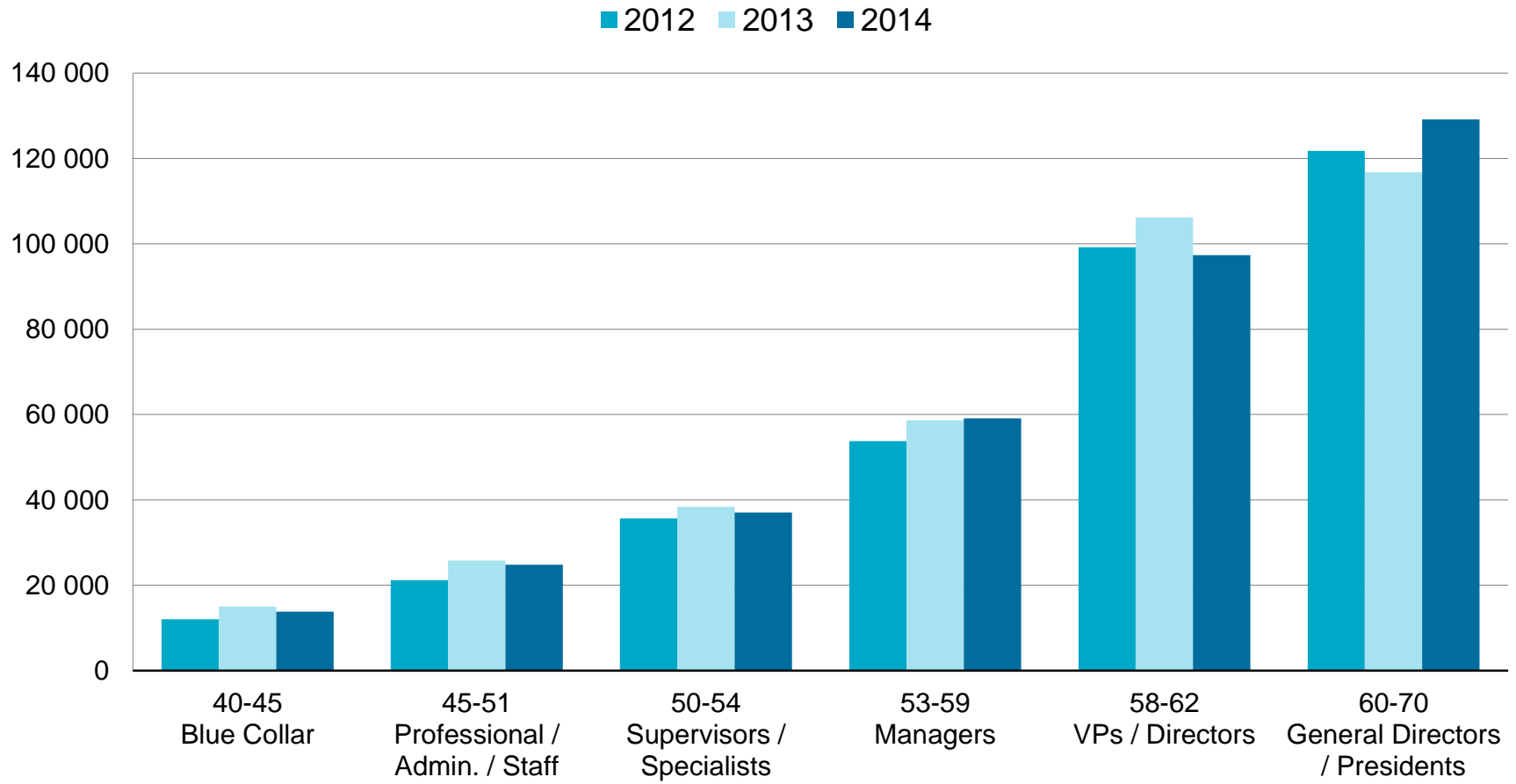
WORLDWIDE SALARY COMPARISON 2014

ANNUAL TOTAL GUARANTEED CASH (EUR)

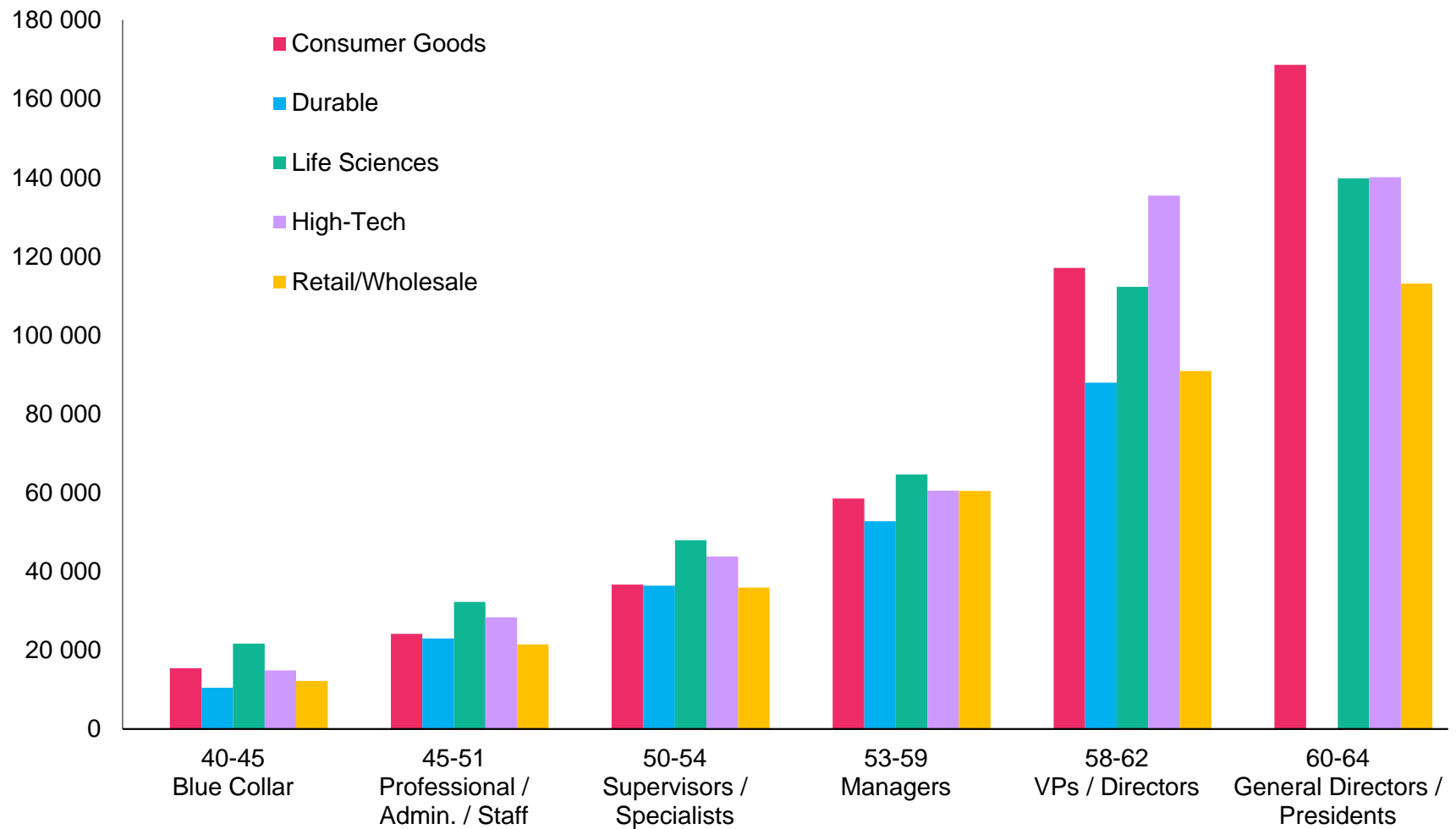


Source: Mercer Total Remuneration Surveys

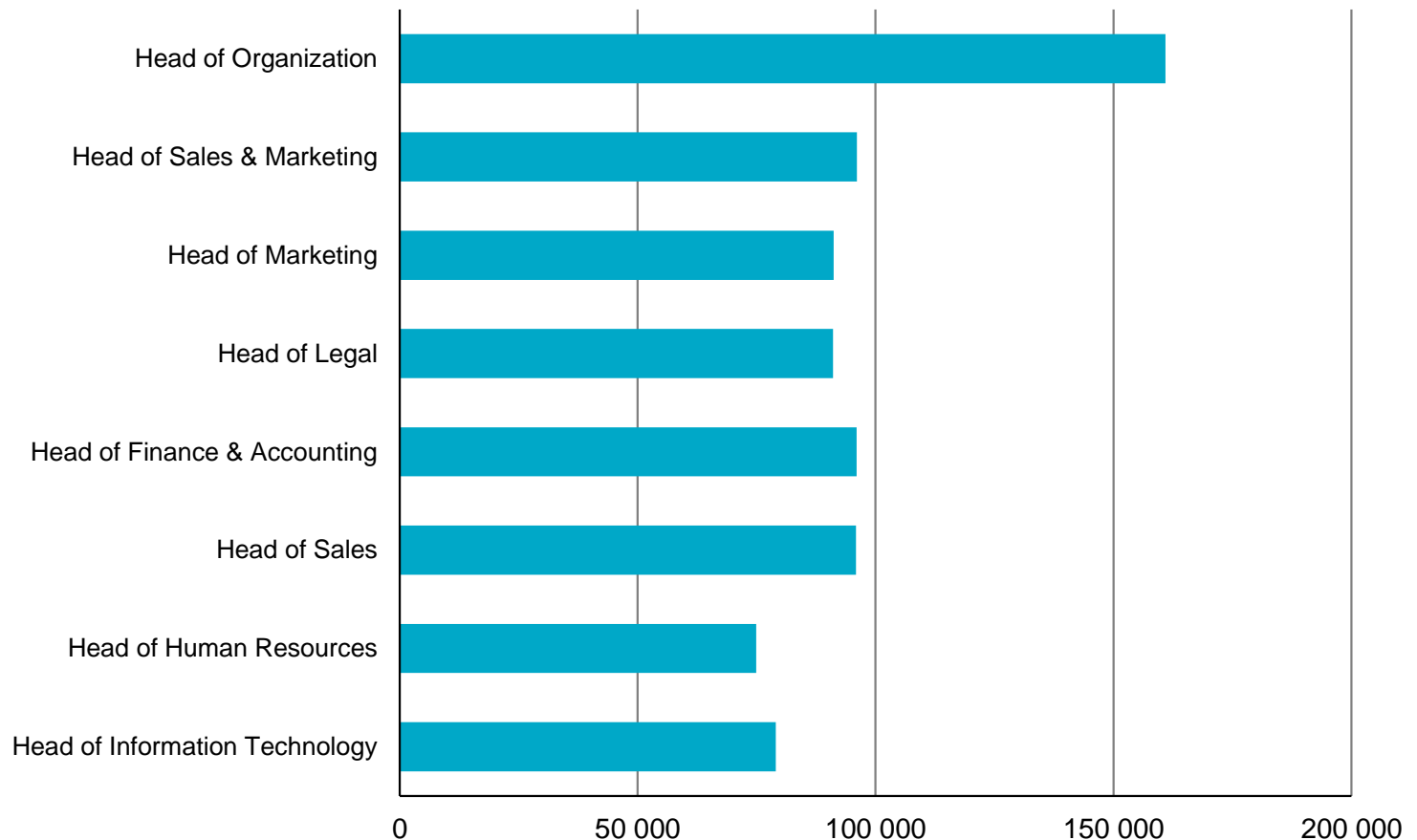
2014 BULGARIA TRS ANNUAL BASE SALARY – MEDIAN IN BGN



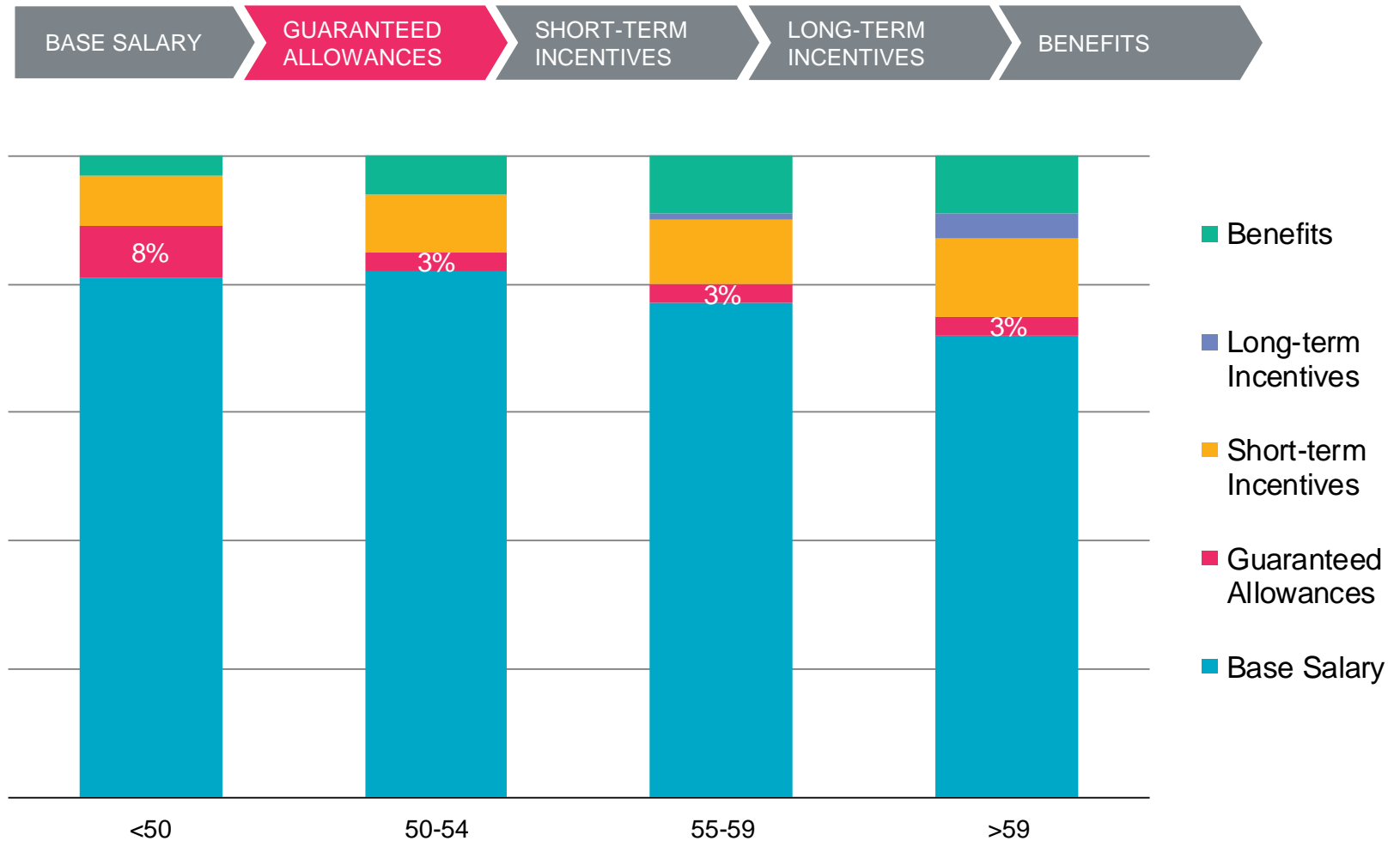
2014 BULGARIA TRS ANNUAL BASE SALARY BY INDUSTRY (BGN)



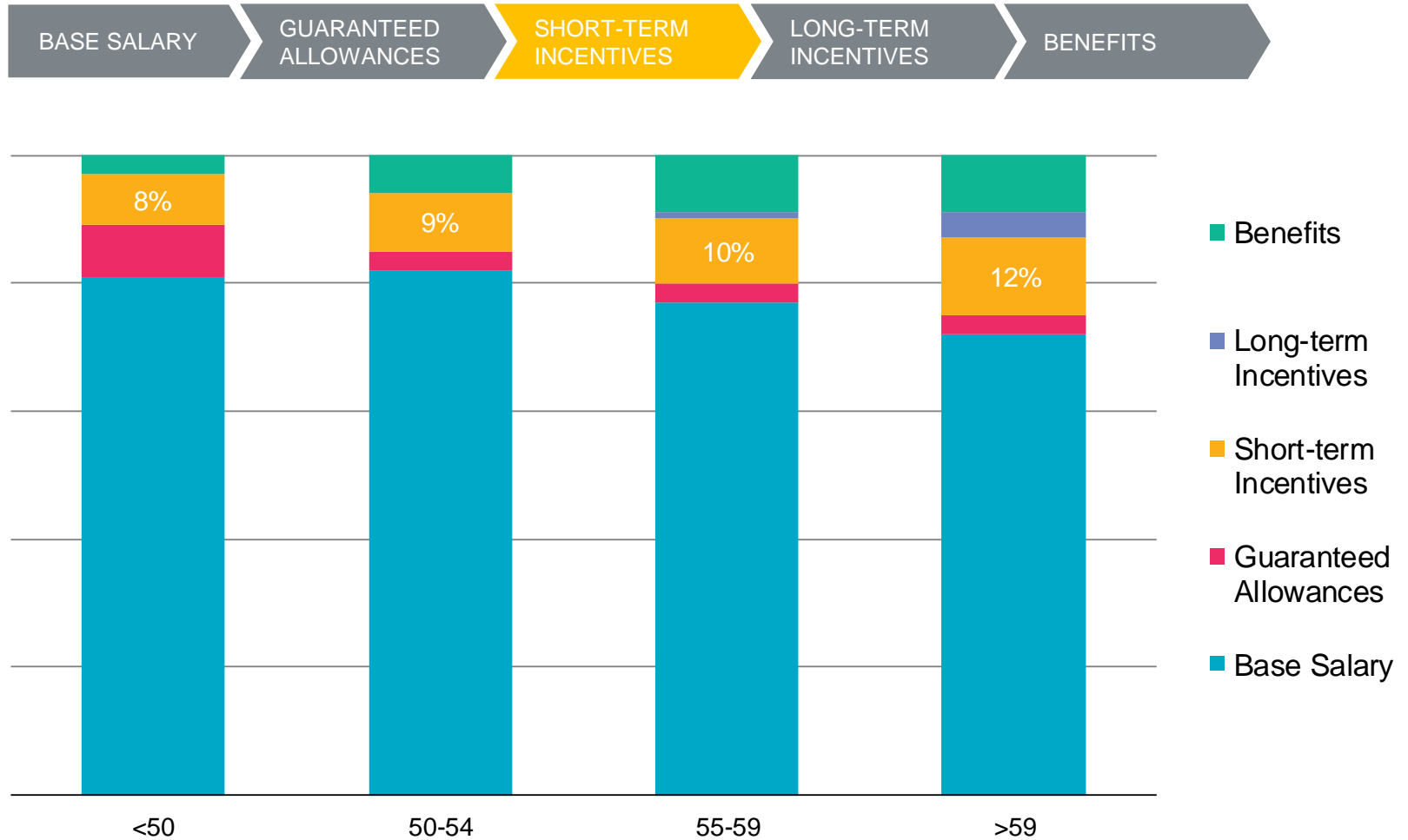
2014 BULGARIA TRS EXECUTIVES – ANNUAL BASE SALARY BY FUNCTION HEAD (BGN)



TOTAL REMUNERATION MIX

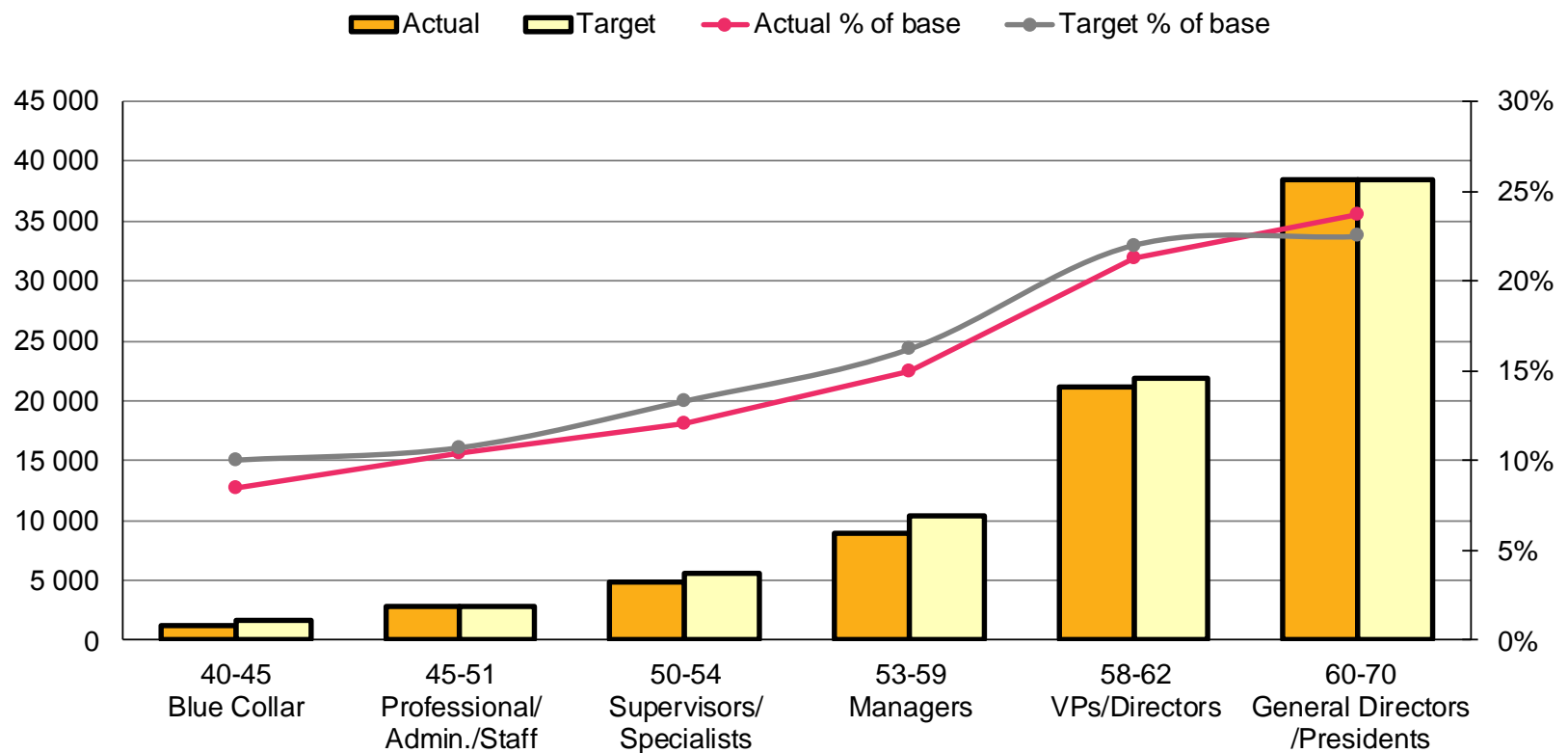


TOTAL REMUNERATION MIX



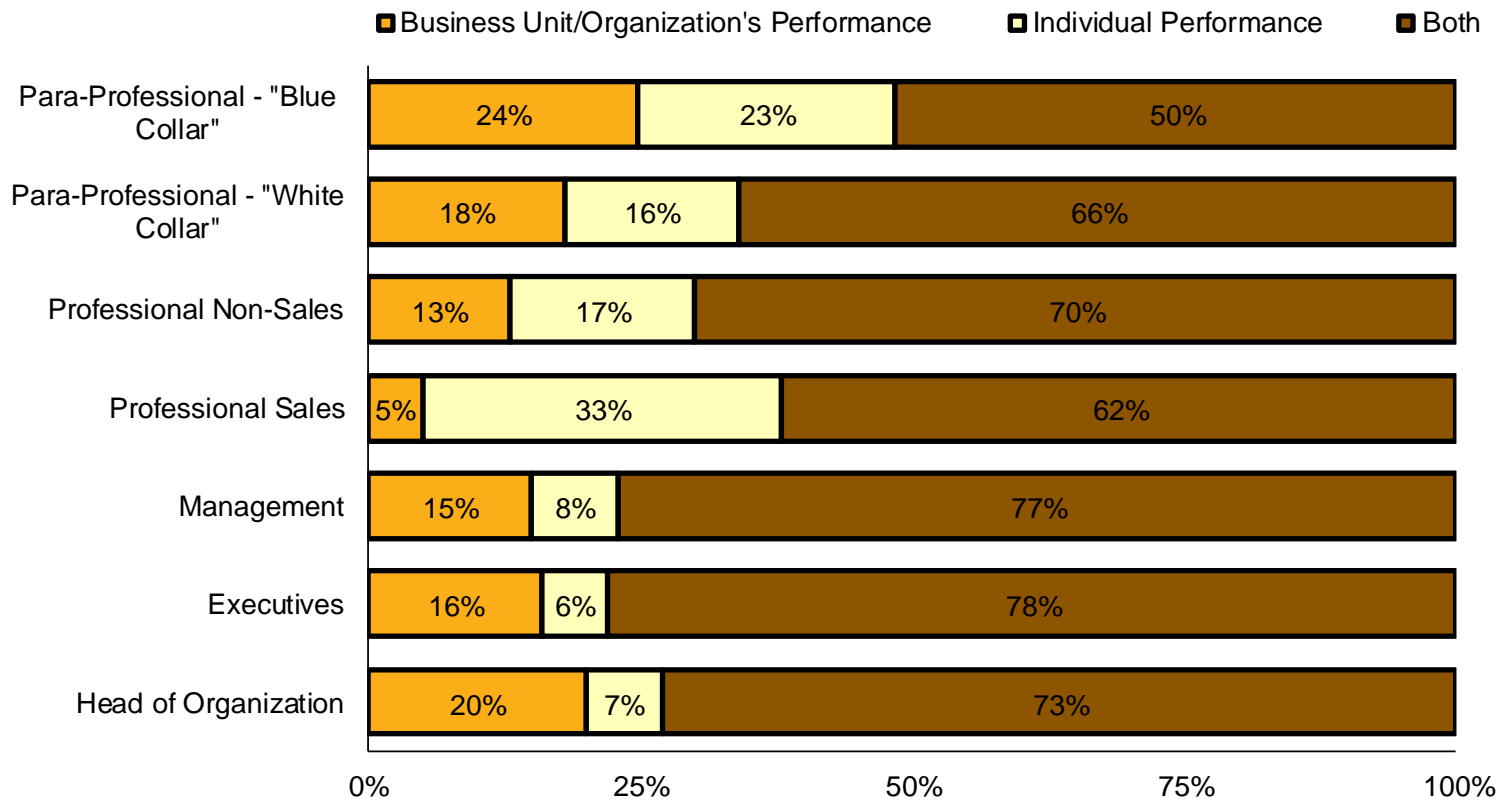
2014 BULGARIA TRS

SHORT-TERM INCENTIVES – ACTUAL VS TARGET BONUS – MEDIAN IN BGN



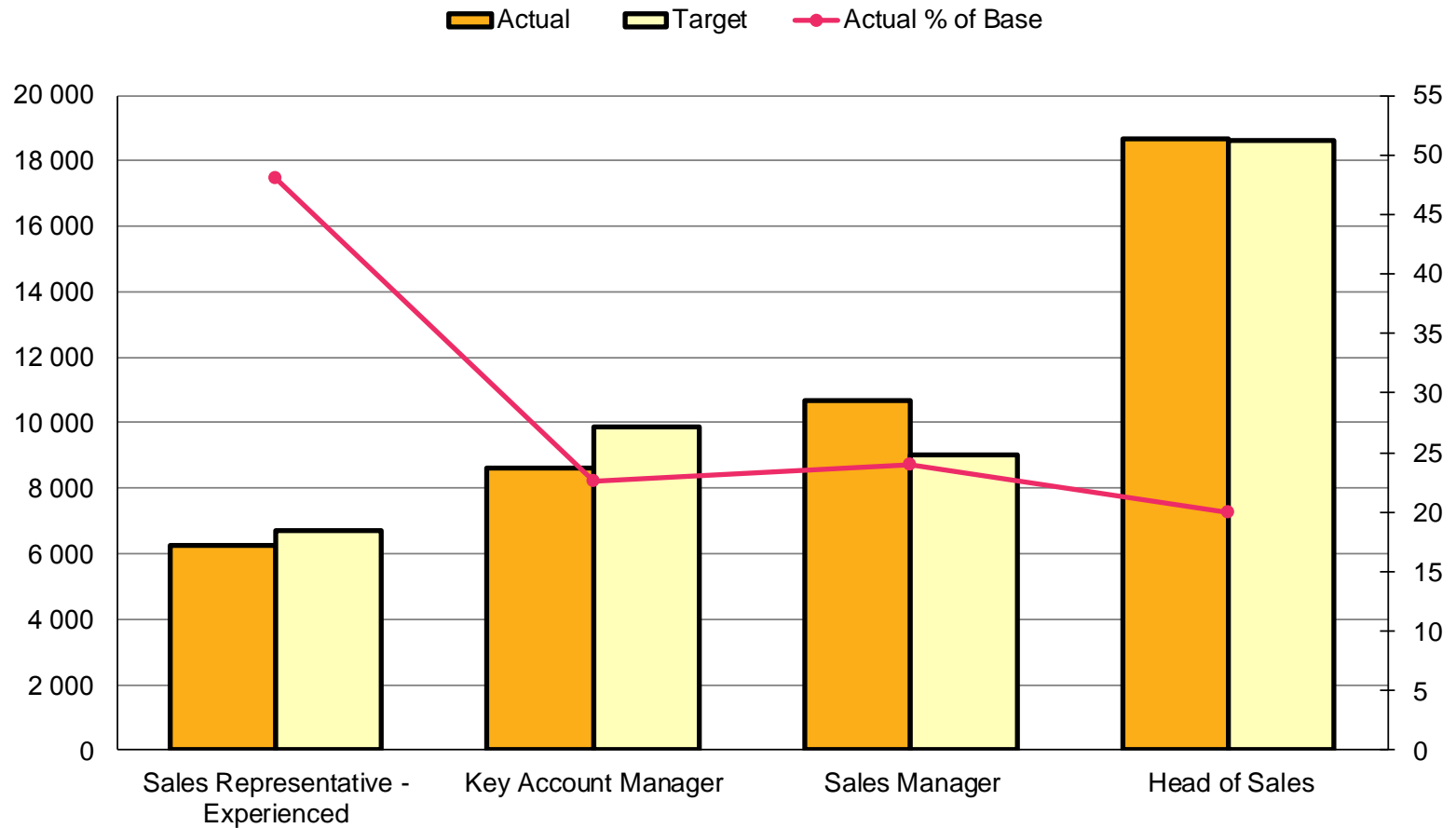
2014 BULGARIA TRS

WHAT ARE SHORT-TERM INCENTIVES BASED ON?

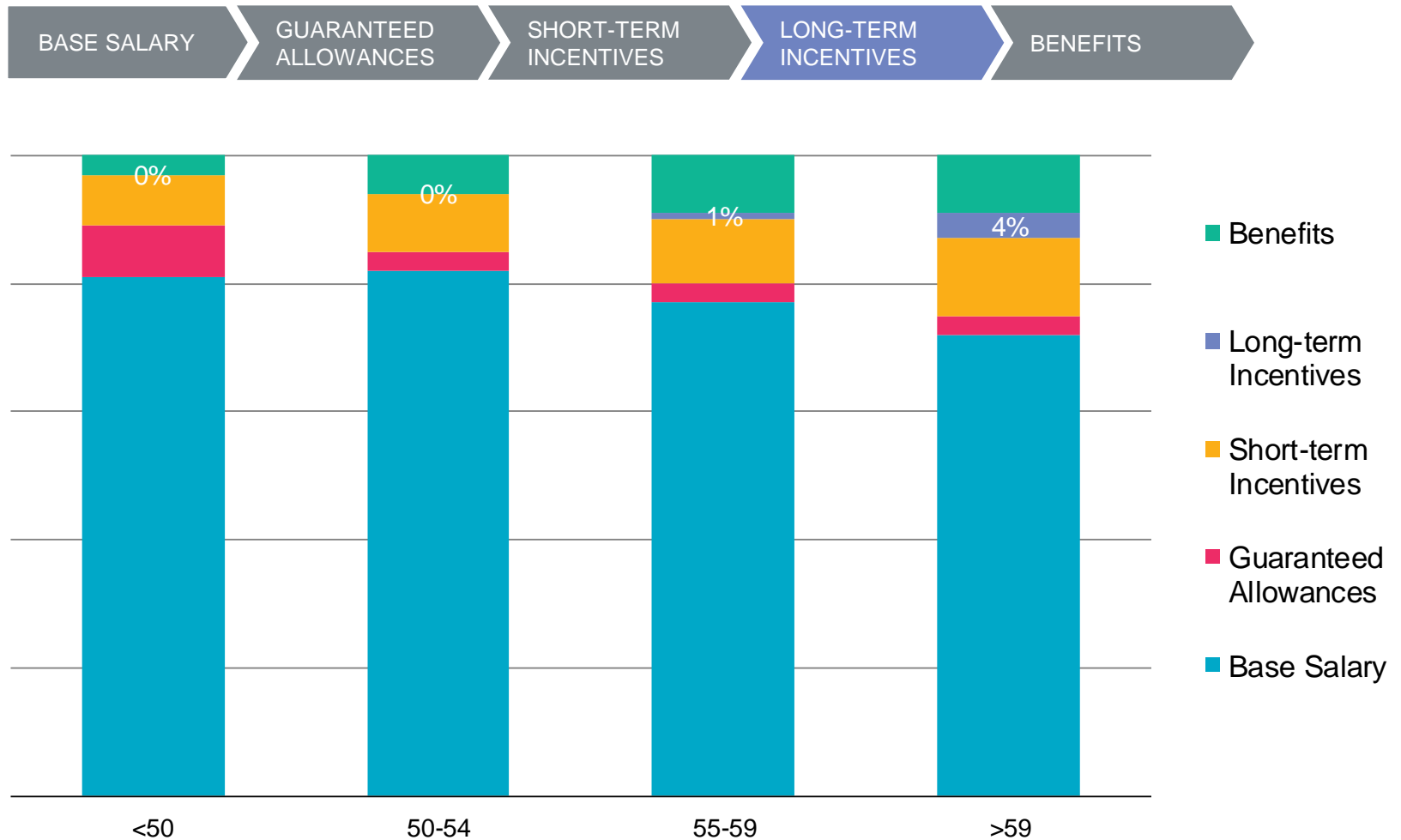


2014 BULGARIA TRS

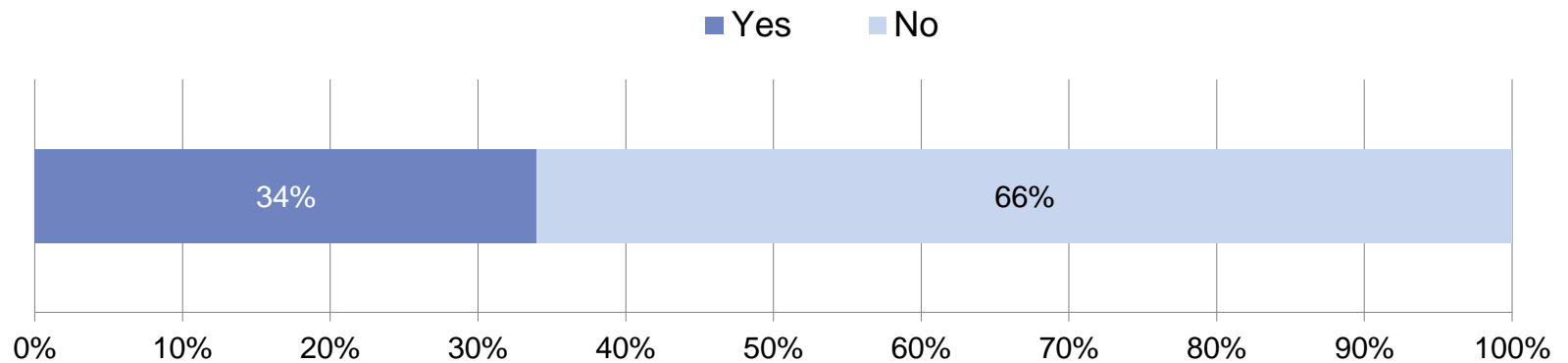
SALES INCENTIVES – MEDIAN IN BGN



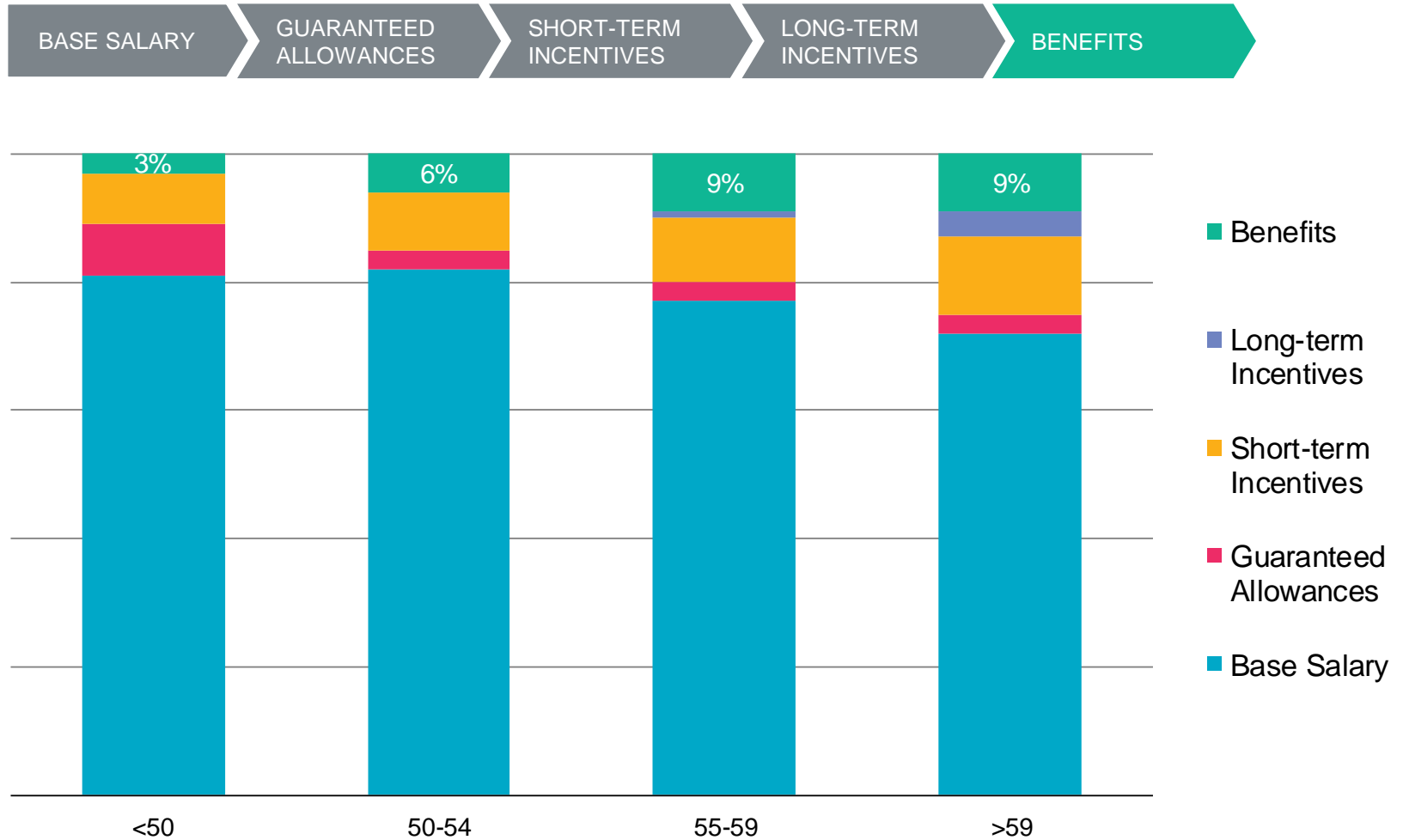
TOTAL REMUNERATION MIX



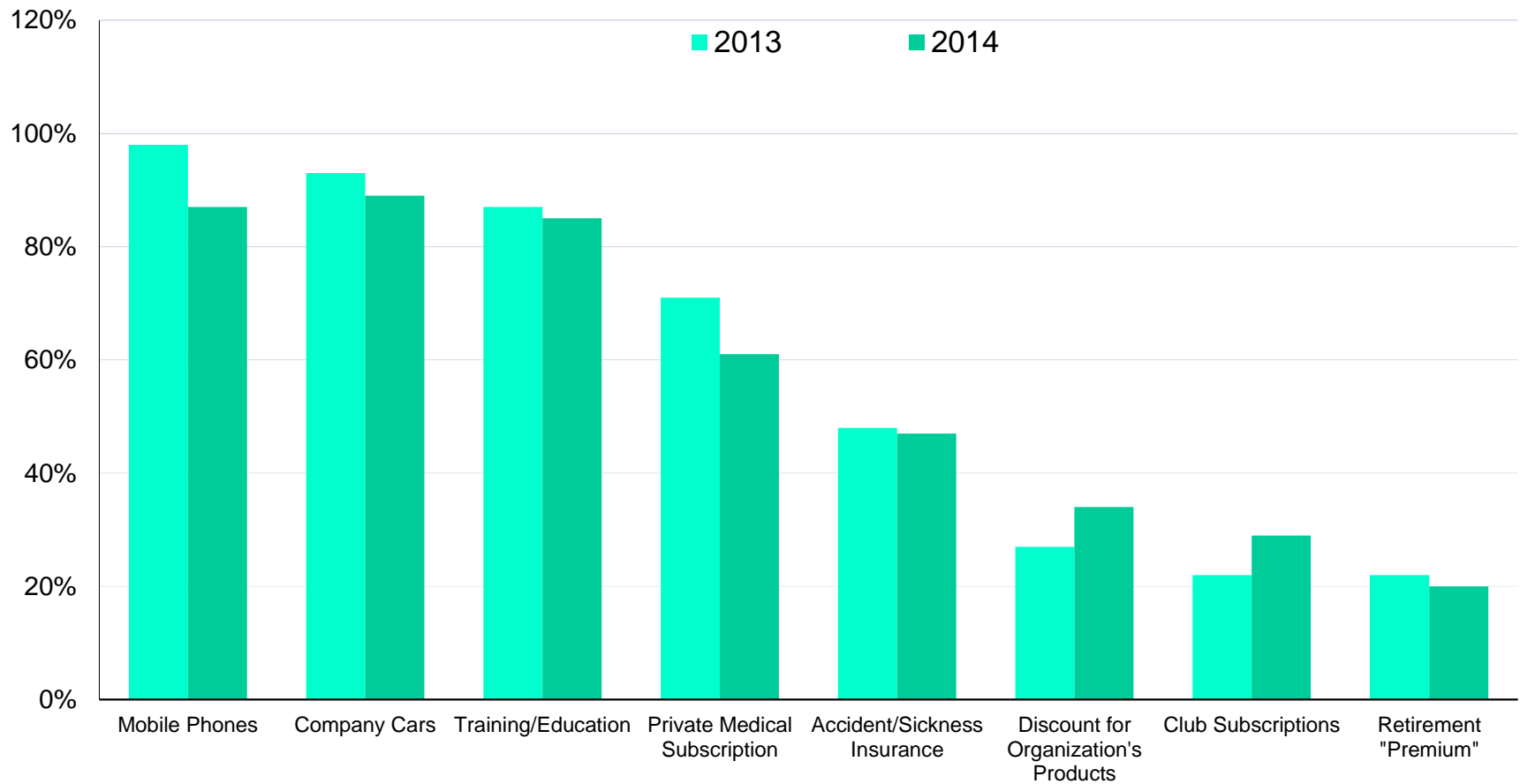
2014 BULGARIA TRS DO ORGANIZATIONS OPERATE ANY LONG-TERM INCENTIVE PLANS?



TOTAL REMUNERATION MIX



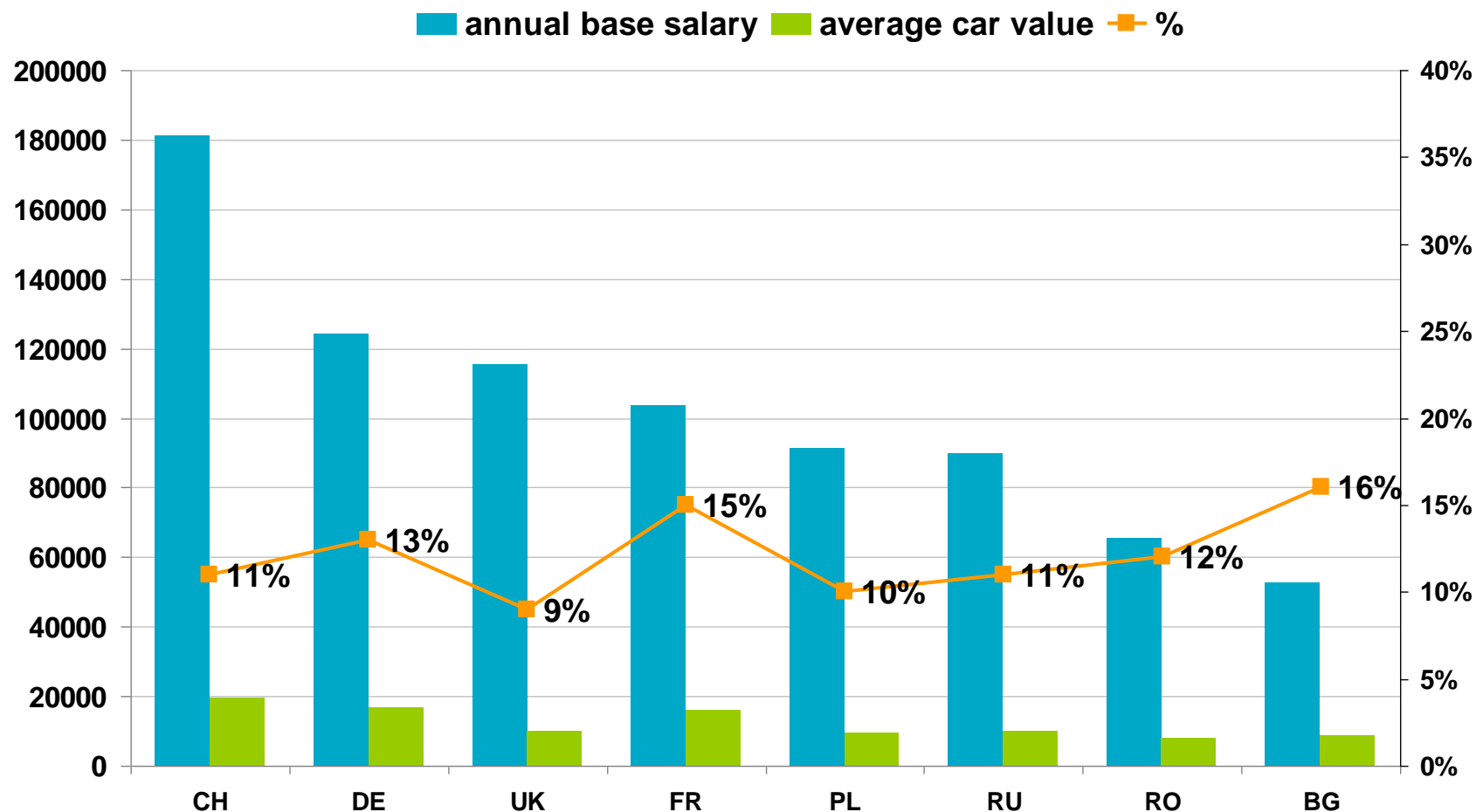
2014 BULGARIA TRS THE MOST COMMON BENEFITS



BENEFITS BY MARKET

COMPANY CAR VALUE VS ANNUAL BASE SALARY (EUR) FOR MIDDLE MANAGEMENT (PC 58-62)

(ACTUAL MEDIANS)

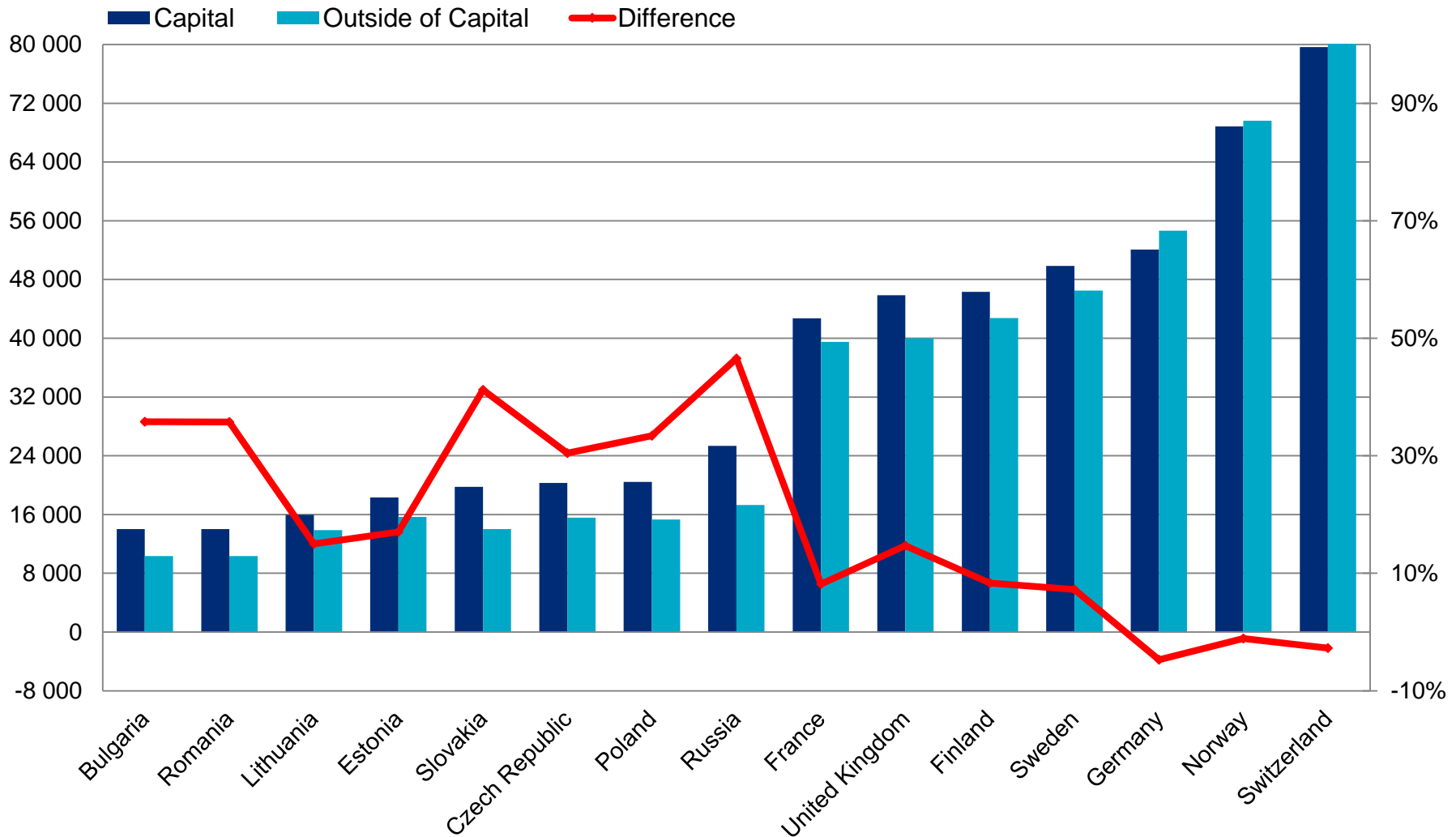


Source: 2013 Mercer's Total Remuneration Surveys (General Industry)

GEOGRAPHICAL ANALYSIS

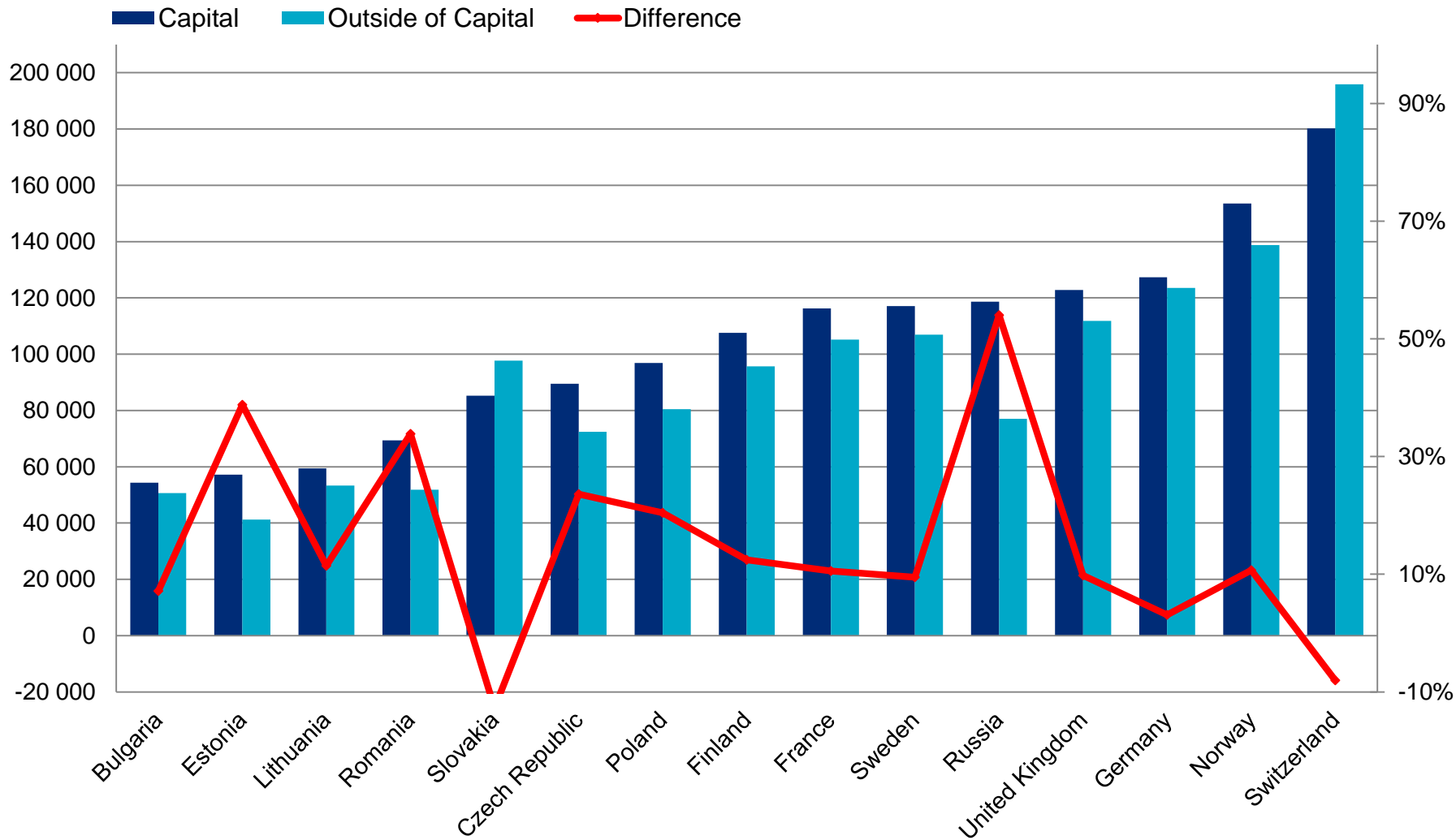
REGIONAL PAY DIFFERENCES WITHIN COUNTRIES

PROFESSIONALS, CAPITAL VS OUTSIDE OF CAPITAL



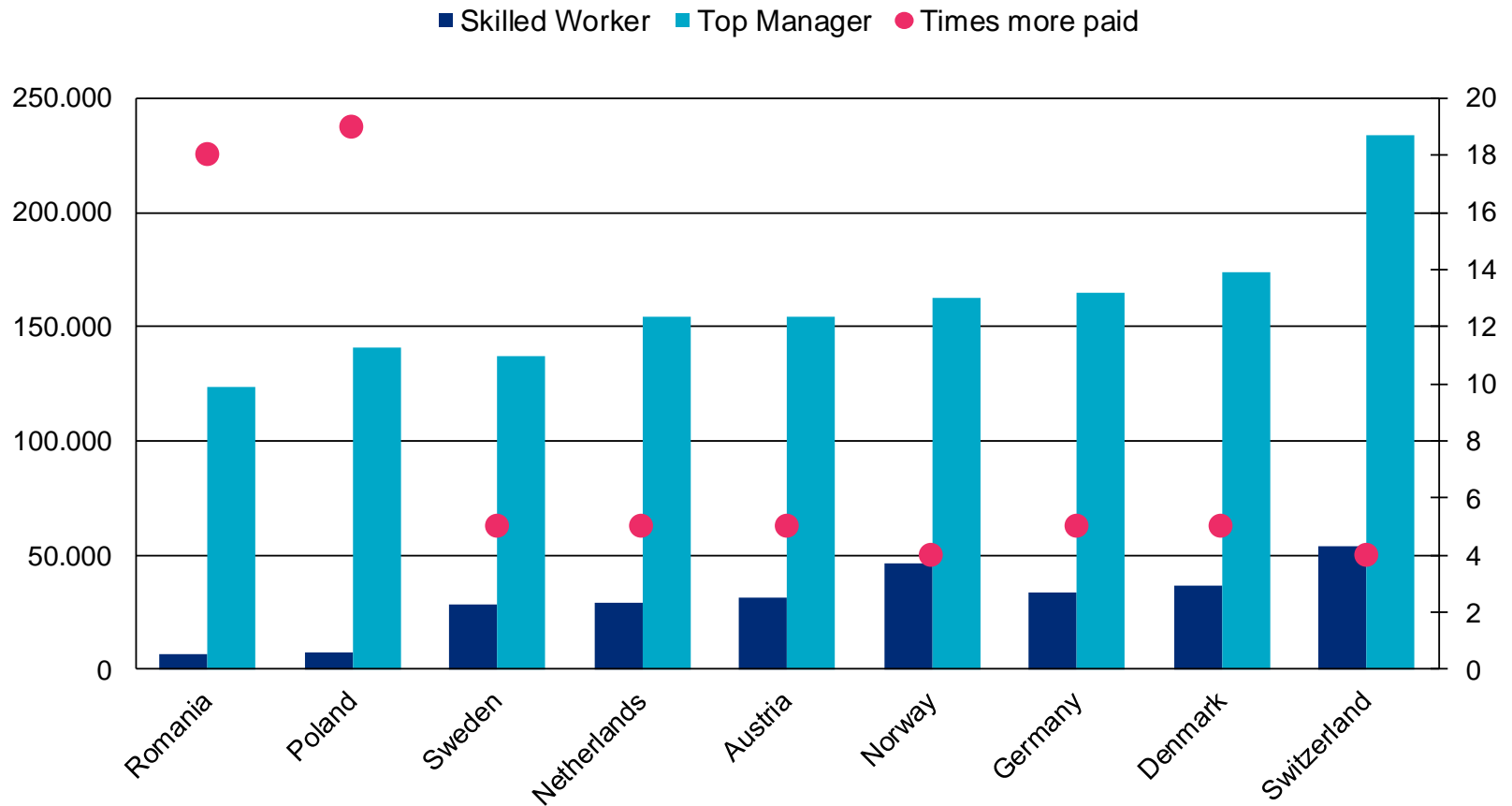
REGIONAL PAY DIFFERENCES WITHIN COUNTRIES

EXECUTIVES, CAPITAL VS OUTSIDE OF CAPITAL



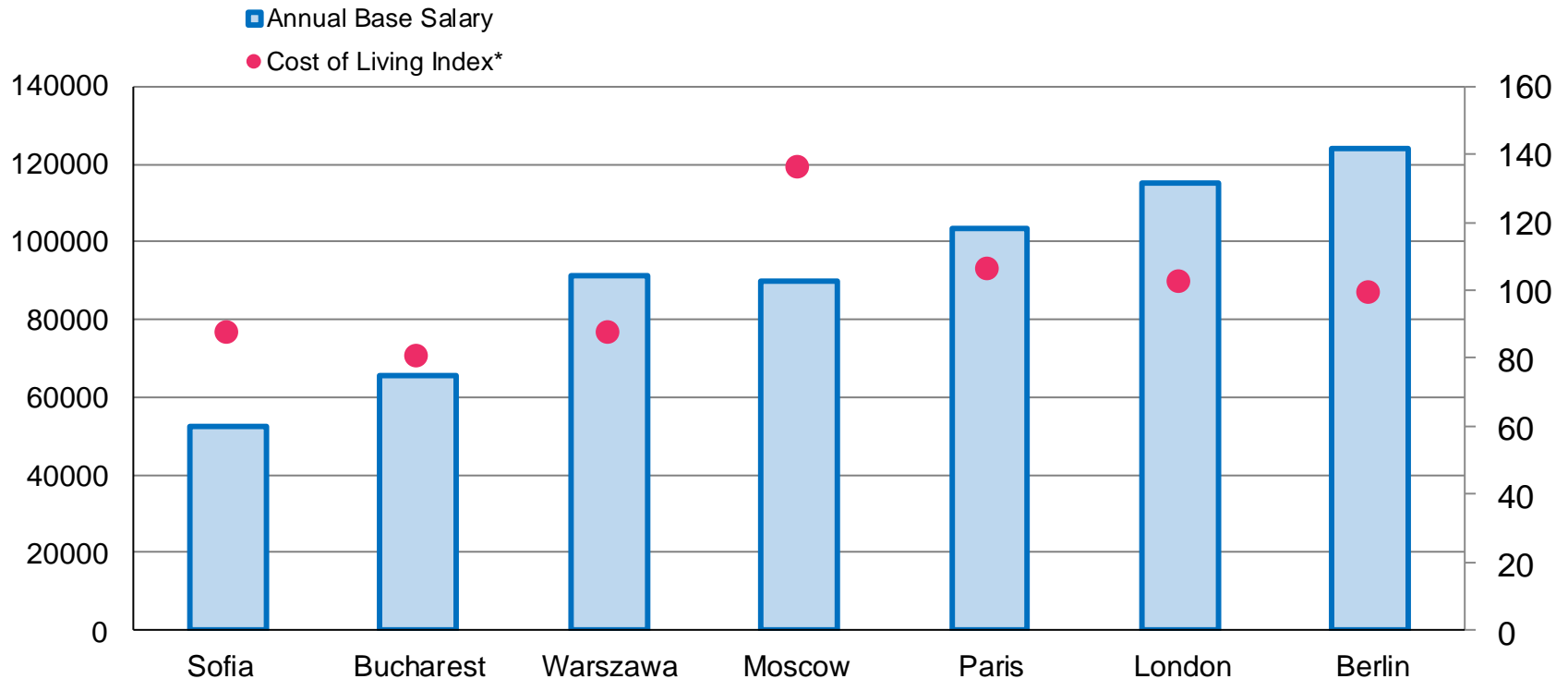
SALARY DIFFERENCES

ANNUAL BASE SALARY, SKILLED WORKER VERSUS TOP MANAGER



CITY COMPARISON (NEW YORK CITY = 100)

ANNUAL BASE SALARY (IN EUR) – SENIOR SPECIALIST / TEAM LEADER



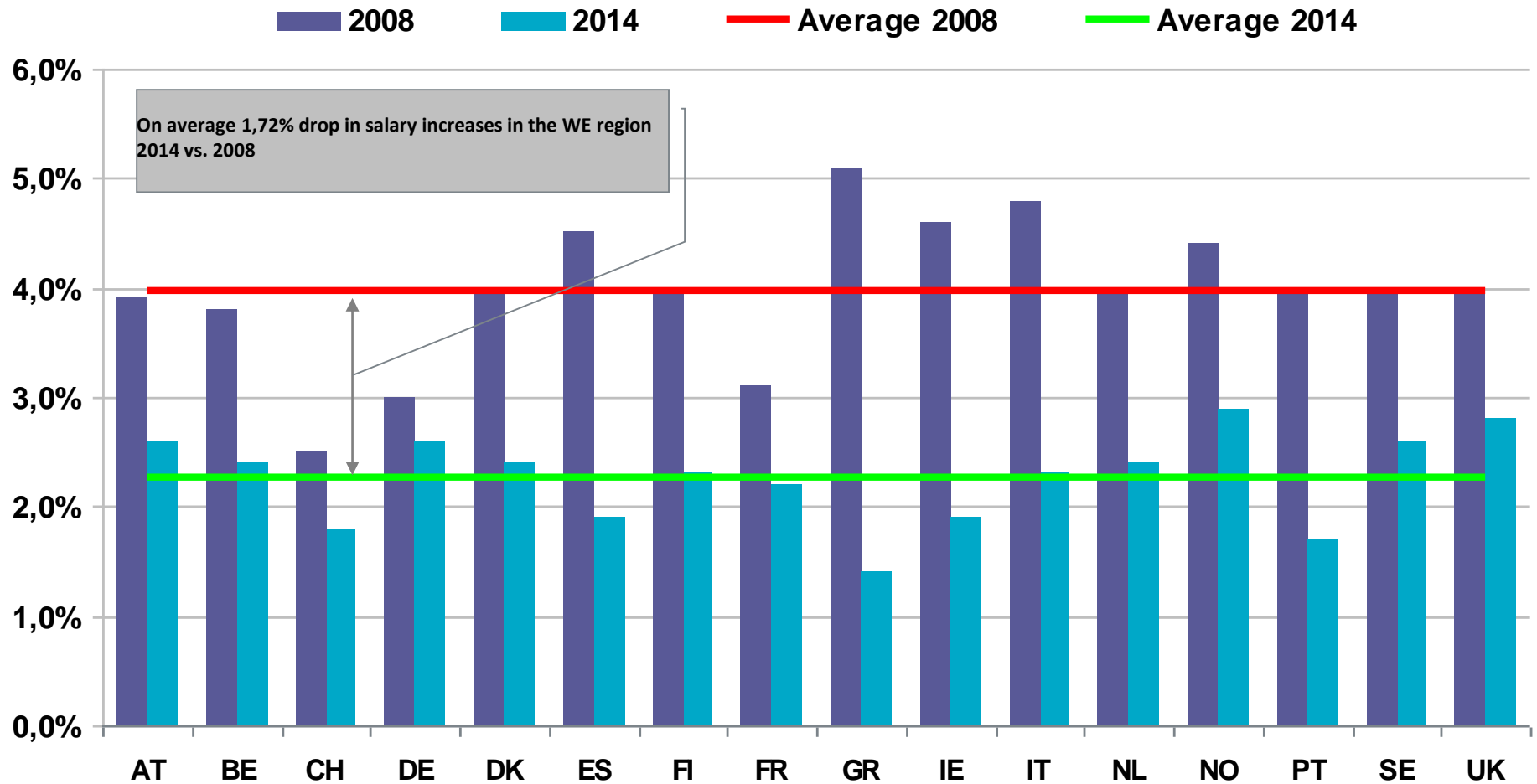
Source: Mercer Cost of Living report, March 2013

* Expatriate CoL

SALARY INCREASES

2008 vs. 2014 salary increases

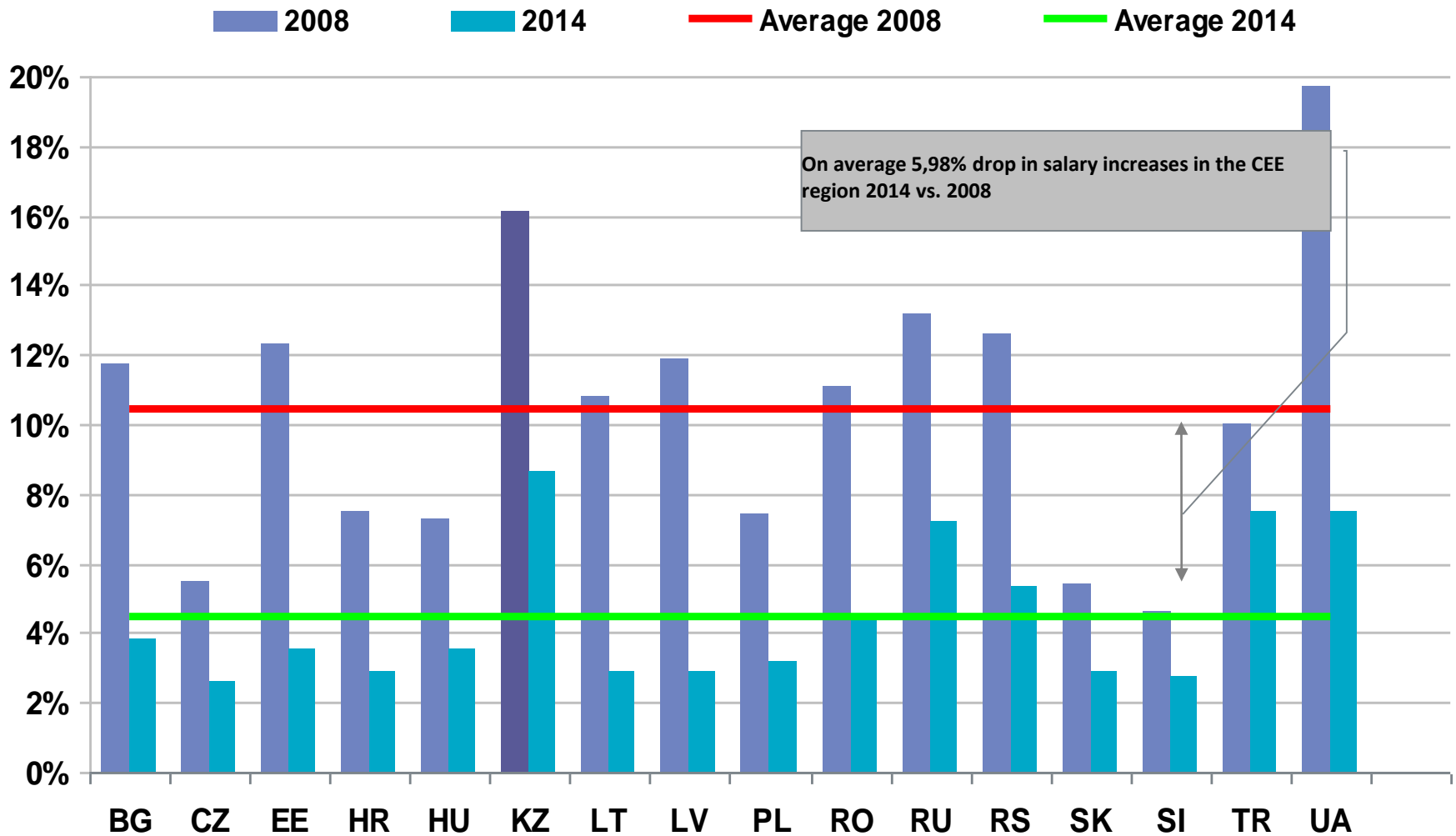
WE – all levels



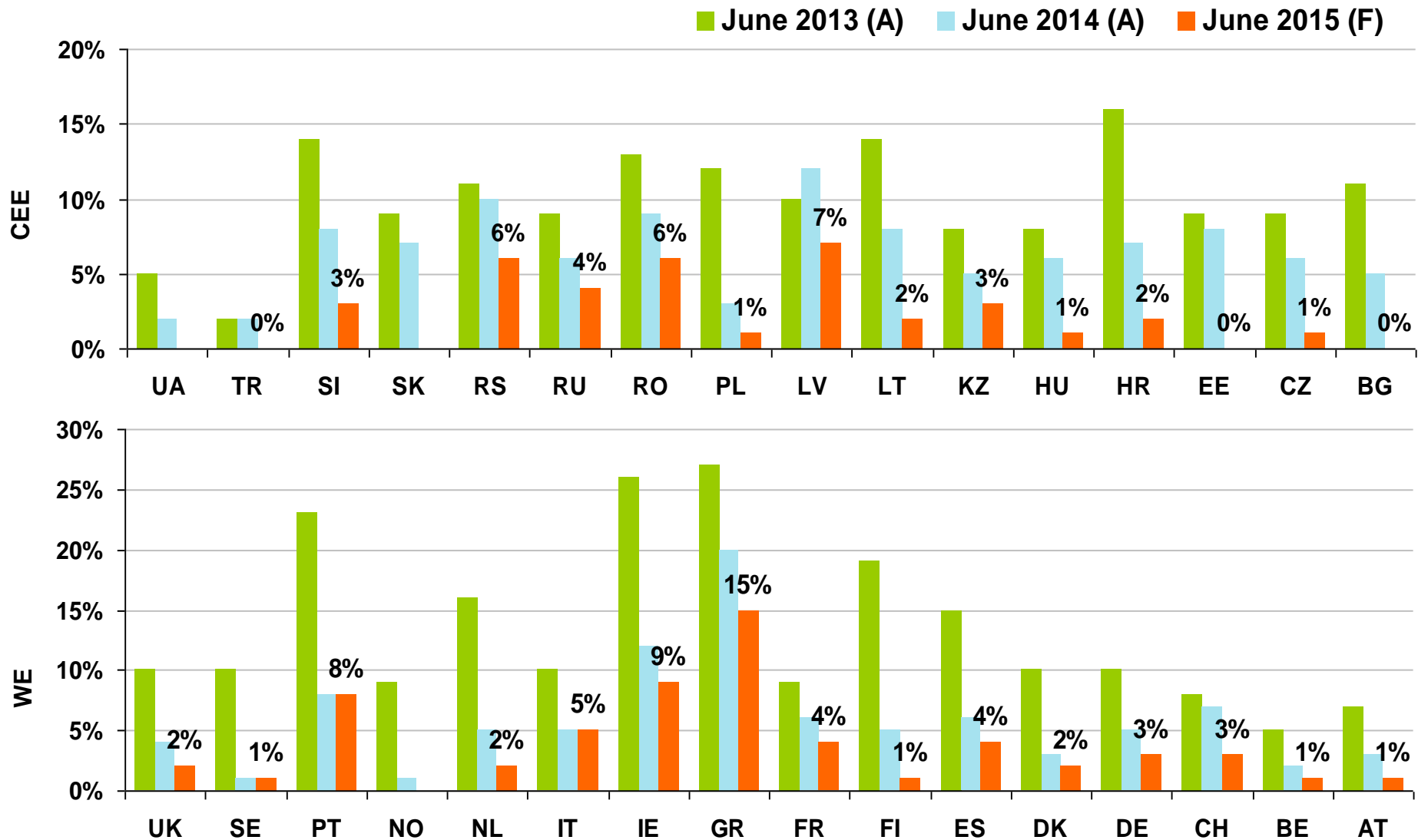
Source: June 2014 Salary Movement Snapshot

November 27, 2014

2008 vs. 2014 salary increases CEE – all levels

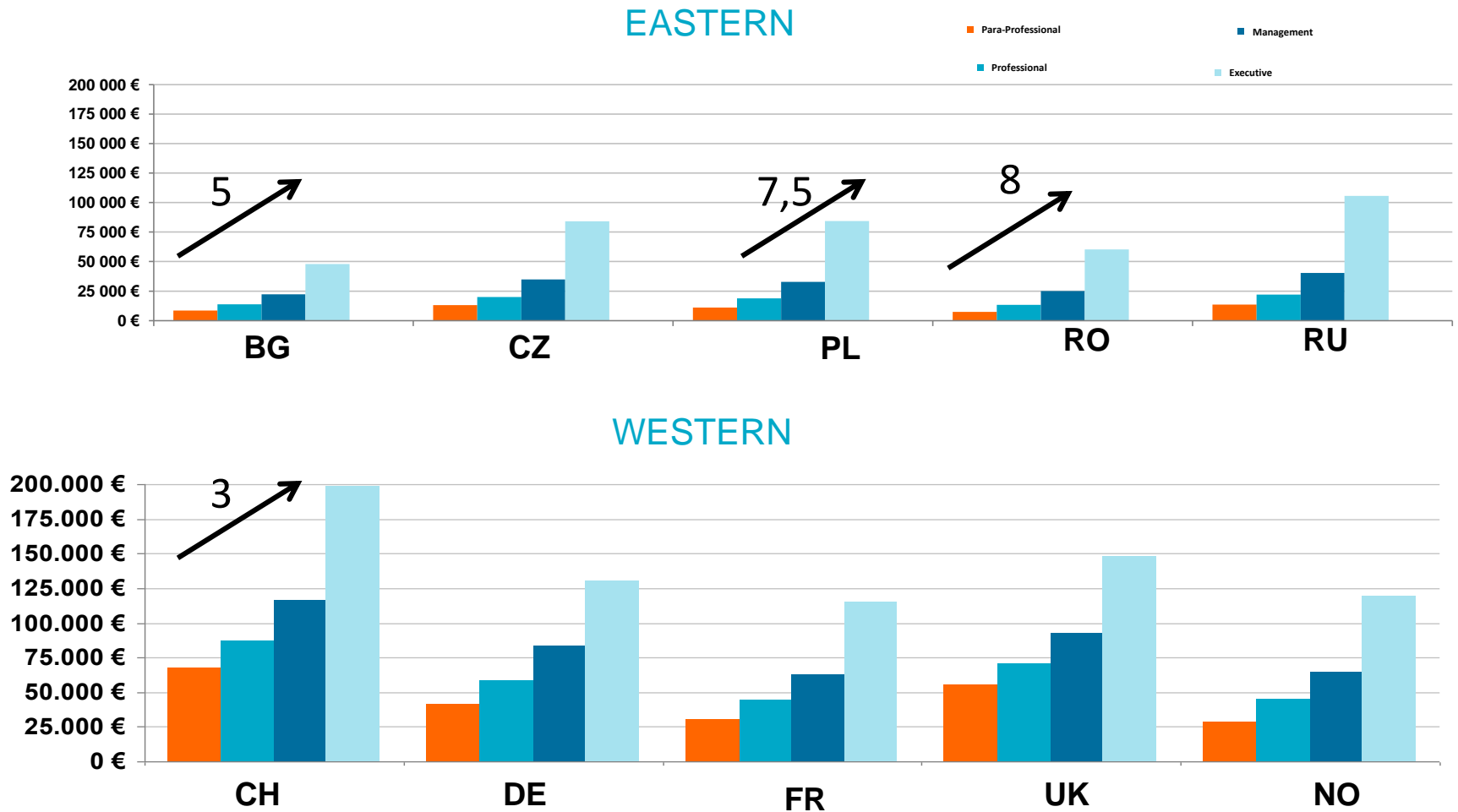


SALARY FREEZES IN EUROPE EXECUTIVE LEVEL



Pay progression

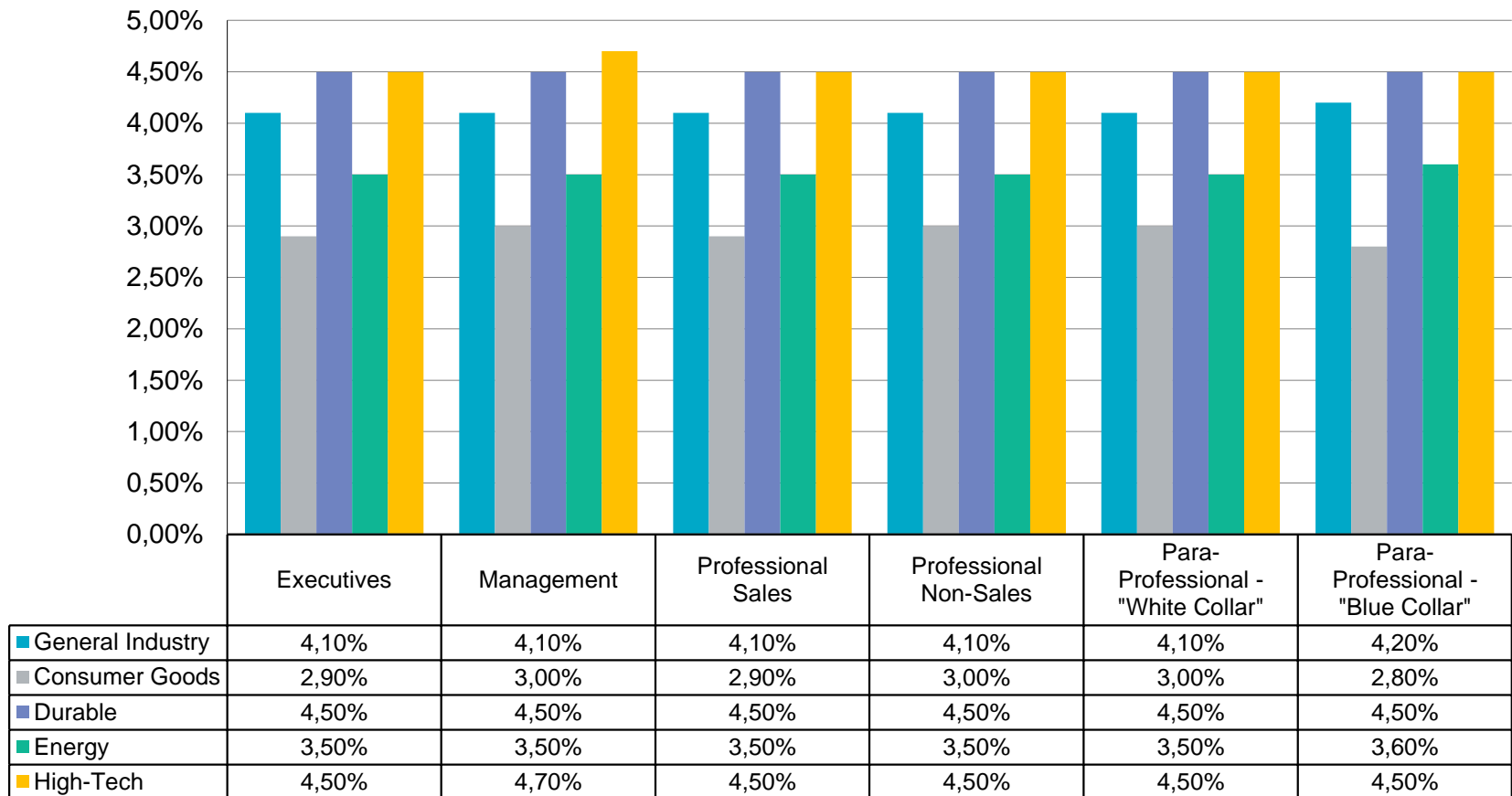
Career streams



Source: Mercer Total Remuneration Surveys 2013

BULGARIA SALARY MOVEMENT 2014

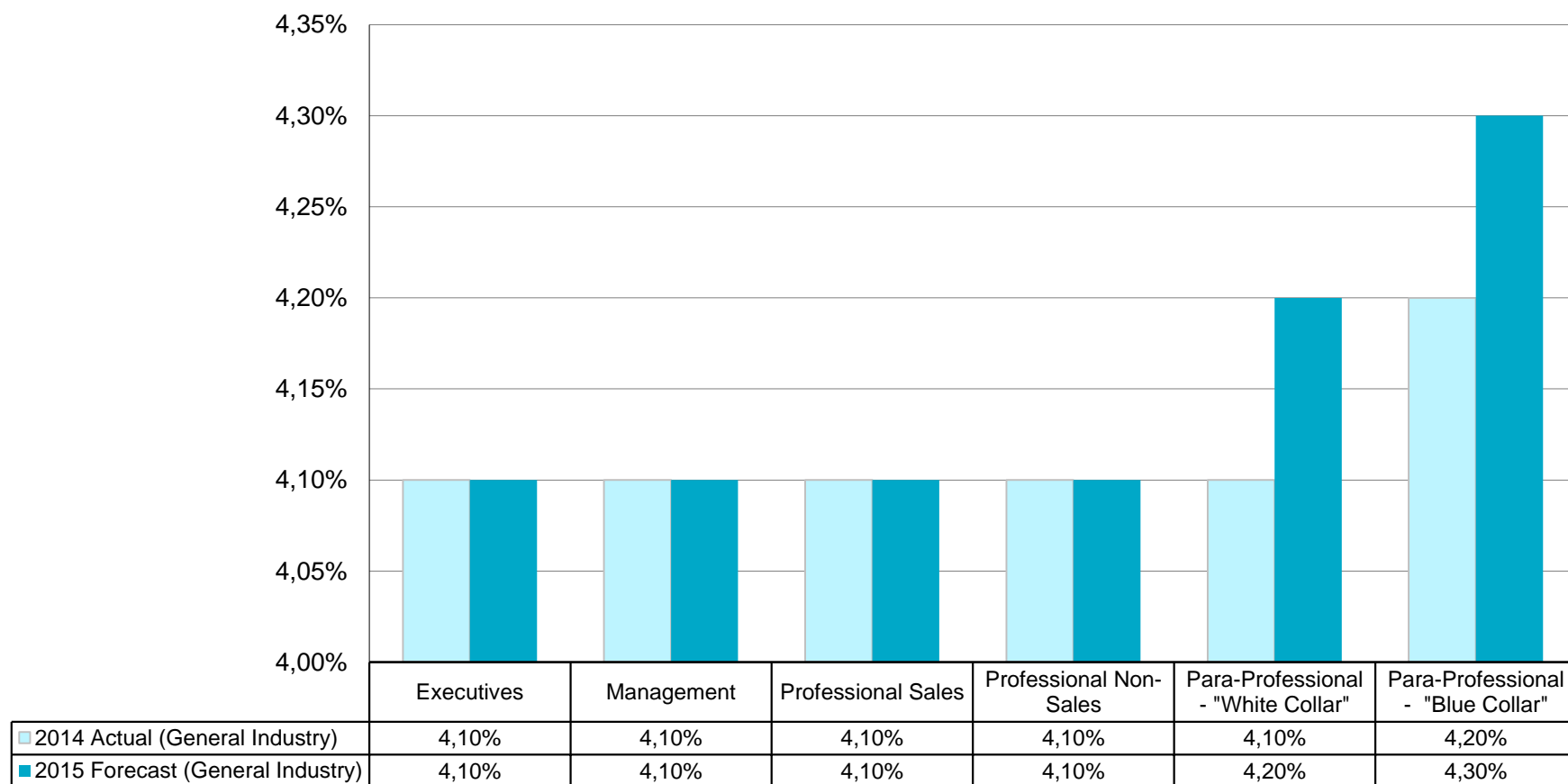
INDUSTRY COMPARISON



Source: 2014 Salary Movement Snapshot, September Edition

BULGARIA SALARY MOVEMENT SNAPSHOT SURVEY SEPTEMBER EDITION

2014 VS 2015



Sources: 2014 Salary Movement Snapshot (General Industry), September Edition

Trend #1

From one size fits all, to segmentation of the total rewards framework.

Common principles expressed differently per employee or region segment.

Integration of talent and reward with focus on communications.

Employees value most what they understand best.

Trend #3

Use more sophisticated workforce analytics, in setting the total reward framework.

Expanding use of HR analytics to predict future outcomes.

QUESTIONS

