COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE ADJUSTMENT
OF NATURAL GAS RATES OF DUKE ENERGY KENTUCKY, INC.

CASE NO. 2018-00261

FILING REQUIREMENTS

VOLUME 14

Duke Energy Kentucky, Inc.
Case No. 2018-00261
Forecasted Test Period Filing Requirements
Table of Contents

Vol. #	Tab #	Filing Requirement	Description	Sponsoring Witness
1	1	KRS 278.180	30 days' notice of rates to PSC.	Amy B. Spiller
1	2	807 KAR 5:001 Section 7(1)	The original and 10 copies of application plus copy for anyone named as interested party.	Amy B. Spiller
1	3	807 KAR 5:001 Section 12(2)	(a) Amount and kinds of stock authorized. (b) Amount and kinds of stock issued and outstanding. (c) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise. (d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions. (e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year. (f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year. (g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year. (h) Rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year. (i) Detailed income statement and balance sheet.	Robert H. "Beau" Pratt Michael Covington
1	4	807 KAR 5:001 Section 14(1)	Full name, mailing address, and electronic mail address of applicant and reference to the particular provision of law requiring PSC approval.	Amy B. Spiller
1	5	807 KAR 5:001 Section 14(2)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.	Amy B. Spiller

1	6	807 KAR 5:001 Section 14(3)	If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.	Amy B. Spiller
1	7	807 KAR 5:001 Section 14(4)	If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	Amy B. Spiller
1	8	807 KAR 5:001 Section 16 (1)(b)(1)	Reason adjustment is required.	Amy B. Spiller William Don Wathen, Jr.
1	9	807 KAR 5:001 Section 16 (1)(b)(2)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	Amy B. Spiller
1	10	807 KAR 5:001 Section 16 (1)(b)(3)	New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed	Bruce L. Sailers
1	11	807 KAR 5:001 Section 16 (1)(b)(4)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Bruce L. Sailers
1	12	807 KAR 5:001 Section 16 (1)(b)(5)	A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.	Amy B. Spiller
1	13	807 KAR 5:001 Section 16(2)	If gross annual revenues exceed $5,000,000, written notice of intent filed at least 30 days, but not more than 60 days prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Amy B. Spiller
1	14	807 KAR 5:001 Section 16(3)	Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.	Amy B. Spiller
1	15	807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.	Robert H. "Beau" Pratt
1	16	807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.	Sarah E. Lawler Cynthia S. Lee Robert H. "Beau" Pratt
1	17	807 KAR 5:001 Section 16(6)(c)	Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.	Sarah E. Lawler
1	18	807 KAR 5:001 Section 16(6)(d)	After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.	Robert H. "Beau" Pratt

1	19	807 KAR 5:001 Section 16(6)(e)	The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.	Robert H. "Beau" Pratt
1	20	807 KAR 5:001 Section 16(6)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	Sarah E. Lawler
1	21	807 KAR 5:001 Section 16(7)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.	All Witnesses
1	22	807 KAR 5:001 Section 16(7)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures.	Robert H. "Beau" Pratt Gary J. Hebbeler
1	23	807 KAR 5:001 Section 16(7)(c)	Complete description, which may be in prefiled testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	Robert H. "Beau" Pratt
1	24	807 KAR 5:001 Section 16(7)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period.	Robert H. "Beau" Pratt
1	25	807 KAR 5:001 Section 16(7)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; and 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; and 3. That productivity and efficiency gains are included in the forecast.	Amy B. Spiller
1	26	807 KAR 5:001 Section 16(7)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During construction ("AFUDC") or Interest During construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit.	Robert H. "Beau" Pratt Gary J. Hebbeler
1	27	807 KAR 5:001 Section 16(7)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection.	Robert H. "Beau" Pratt Gary J. Hebbeler

1	28	807 KAR 5:001 Section 16(7)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information: 1. Operating income statement (exclusive of dividends per share or earnings per share); 2. Balance sheet; 3. Statement of cash flows; 4. Revenue requirements necessary to support the forecasted rate of return; 5. Load forecast including energy and demand (electric); 6. Access line forecast (telephone); 7. Mix of generation (electric); 8. Mix of gas supply (gas); 9. Employee level; 10.Labor cost changes; 11.Capital structure requirements; 12.Rate base; 13.Gallons of water projected to be sold (water); 14.Customer forecast (gas, water); 15.MCF sales forecasts (gas); 16.Toll and access forecast of number of calls and number of minutes (telephone); and 17.A detailed explanation of any other information provided.	Robert H. "Beau" Pratt Gary J. Hebbeler Benjamin Passty
1	29	807 KAR 5:001 Section 16(7)(i)	Most recent FERC or FCC audit reports.	Michael Covington
1	30	807 KAR 5:001 Section 16(7)(j)	Prospectuses of most recent stock or bond offerings.	Robert H. "Beau" Pratt
1	31	807 KAR 5:001 Section 16(7)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or PSC Form T (telephone).	Michael Covington
2	32	807 KAR 5:001 Section 16(7)(l)	Annual report to shareholders or members and statistical supplements for the most recent 2 years prior to application filing date.	Robert H. "Beau" Pratt
3	33	807 KAR 5:001 Section 16(7)(m)	Current chart of accounts if more detailed than Uniform System of Accounts charts.	Michael Covington
3	34	807 KAR 5:001 Section 16(7)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast.	Michael Covington
3	35	807 KAR 5:001 Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available.	Michael Covington Robert H. "Beau" Pratt
3-11	36	807 KAR 5:001 Section 16(7)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters.	Michael Covington
11	37	807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls.	Michael Covington
11	38	807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent 5 quarters.	Robert H. "Beau" Pratt

11	39	807 KAR 5:001 Section 16(7)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style.	John J. Spanos
11	40	807 KAR 5:001 Section 16(7)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	Sarah E. Lawler
11	41	807 KAR 5:001 Section 16(7)(u)	If utility had any amounts charged or allocated to it by affiliate or general or home office or paid any monies to affiliate or general or home office during the base period or during previous 3 calendar years, file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable.	Jeffrey R. Setser
11	42	807 KAR 5:001 Section 16(7)(v)	If gas, electric or water utility with annual gross revenues greater than $5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period.	James E. Ziolkowski
11	43	807 KAR 5:001 Section 16(7)(w)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file: 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies supporting pricing of services generating annual revenue greater than $1,000,000 except local exchange access: a. Based on current and reliable data from single time period; and b. Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A
11	44	807 KAR 5:001 Section 16(8)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase.	Sarah E. Lawler

11	45	807 KAR 5:001 Section 16(8)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base.	Sarah E. Lawler Cynthia S. Lee Robert H. "Beau" Pratt John R. Panizza James E. Ziolkowski Michael Covington
11	46	807 KAR 5:001 Section 16(8)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account.	Sarah E. Lawler
11	47	807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors.	Sarah E. Lawler Cynthia S. Lee Robert H. "Beau" Pratt James E. Ziolkowski
11	48	807 KAR 5:001 Section 16(8)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes.	John R. Panizza
11	49	807 KAR 5:001 Section 16(8)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases.	Sarah E. Lawler
11	50	807 KAR 5:001 Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.	Sarah E. Lawler Renee H. Metzler
11	51	807 KAR 5:001 Section 16(8)(h)	Computation of gross revenue conversion factor for forecasted period.	Sarah E. Lawler
11	52	807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period.	Michael Covington Robert H. "Beau" Pratt
11	53	807 KAR 5:001 Section 16(8)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure.	Robert H. "Beau" Pratt
11	54	807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period.	Cynthia S. Lee Robert H. "Beau" Pratt Michael Covington
11	55	807 KAR 5:001 Section 16(8)(l)	Narrative description and explanation of all proposed tariff changes.	Bruce L. Sailers
11	56	807 KAR 5:001 Section 16(8)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.	Bruce L. Sailers
11	57	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Bruce L. Sailers
11	58	807 KAR 5:001 Section 16(9)	The commission shall notify the applicant of any deficiencies in the application within thirty (30) days of the application's submission. An application shall not be accepted for filing until the utility has cured all noted deficiencies.	William Don Wathen, Jr.

11	59	807 KAR 5:001 Section (17)(1)	(1) Public postings. (a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the commission. (b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the commission, post on its Web sites: 1. A copy of the public notice; and 2. A hyperlink to the location on the commission's Web site where the case documents are available. (c) The information required in paragraphs (a) and (b) of this subsection shall not be removed until the commission issues a final decision on the application.	Amy B. Spiller
11	60	807 KAR 5:001 Section 17(2)	(2) Customer Notice. (a) If a utility has twenty (20) or fewer customers, the utility shall mail a written notice to each customer no later than the date on which the application is submitted to the commission. (b) If a utility has more than twenty (20) customers, it shall provide notice by: 1. Including notice with customer bills mailed no later than the date the application is submitted to the commission; 2. Mailing a written notice to each customer no later than the date the application is submitted to the commission; 3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the commission; or 4. Publishing notice in a trade publication or newsletter delivered to all customers no later than the date the application is submitted to the commission. (c) A utility that provides service in more than one (1) county may use a combination of the notice methods listed in paragraph (b) of this subsection.	Amy B. Spiller

11	61	807 KAR 5:001 Section 17(3)	(3) Proof of Notice. A utility shall file with the commission no later than forty-five (45) days from the date the application was initially submitted to the commission: (a) If notice is mailed to its customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, that notice was mailed to all customers, and the date of the mailing; (b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or (c) If notice is published in a trade publication or newsletter delivered to all customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, the mailing of the trade publication or newsletter, that notice was included in the publication or newsletter, and the date of mailing.	Amy B. Spiller

11	62	807 KAR 5:001 Section 17(4)	(4) Notice Content. Each notice issued in accordance with this section shall contain: (a) The proposed effective date and the date the proposed rates are expected to be filed with the commission; (b) The present rates and proposed rates for each customer classification to which the proposed rates will apply; (c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply; (d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service; (e) A statement that a person may examine this application at the offices of (utility name) located at (utility address); (f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at http://psc.ky.gov; (g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602; (h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice; (i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and (j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.	Bruce L. Sailers
11	63	807 KAR 5:001 Section 17(5)	(5) Abbreviated form of notice. Upon written request, the commission may grant a utility permission to use an abbreviated form of published notice of the proposed rates, provided the notice includes a coupon that may be used to obtain all the required information.	N/A

12	-	807 KAR 5:001 Section 16(8)(a) through (n)	Schedule Book, including Work Papers (Schedules A-N)	Various
13	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 1 of 3)	Various
14	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 2 of 3)	Various
15	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 3 of 3)	Various
16-17	-	KRS 278.2205(6)	Cost Allocation Manual	Legal

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Natural Gas Rates; 2) Approval of a Decoupling Mechanism; 3) Approval of New Tariffs; and 4) All Other Required Approvals, Waivers, and Relief.	))))))))	Case No. 2018-00261

DIRECT TESTIMONY OF

RENEE H. METZLER

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

August 31, 2018

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Attachments:

CONFIDENTIAL RHM-1 - Duke Energy Compensation Policies:
- (a) 2018 Compensation Guidelines and Administration
- (b) Change of Schedule
- (c) ECA Guidelines
- (d) Exempt Supplemental Pay Policy
- (e) Higher Class Premium Pay
- (f) Shift Differential
- (g) Rotating Shift Guideline

RHM-2 - Willis Towers Watson's 2016 Global Talent Management and Rewards Study

RHM-3 - Mercer 2017 Global Talent Trends Survey

RHM-4 - Duke Energy 2018 Compensation Survey E-Library

RHM-5 - Studies
- (a) WorldatWork 2018/2019 Salary Budget Survey
- (b) The Conference Board 2018/2019 Salary Increase Budget Survey

RHM-6 - Union Contracts

(a) Agreement between Utility Workers Union of America Local 600 and Duke Energy Ohio, Inc., and Duke Energy Kentucky, Inc.

(b) Historic Sidebar Letters Between Duke Energy Ohio, Inc and Duke Energy Kentucky, Inc., and UWUA Local 600

(c) Contract between Duke Energy Ohio, Inc. Duke Energy Kentucky, Inc. and USW Local 12049 & 5541-06.

CONFIDENTIAL RHM- 7 - Duke Energy Incentive Plans

(a) Duke Energy 2018 Short-Term Incentive Plan and Union Employee Incentive Plan

(b) Duke Energy 2018 Restricted Stock Award Plan

(c) Duke Energy 2018 Executive Long-Term Incentive Plan

RHM-8 - Towers Watson Utility Industry Executive Compensation Trends

RHM-9 - 2014 Towers Watson Long-Term Incentive Policies and Practices

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Renee Metzler. My business address is 550 South Tryon, Charlotte North Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC (DEBS), as Managing Director – Retirement and Health and Welfare. DEBS provides various administrative and other services to Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. PLEASE SUMMARIZE YOUR EDUCATION.

A. I graduated from the University of Mary Washington with a Bachelor of Arts degree in Spanish Language and Literature. I also hold a Professional in Human Resources (PHR) certification.

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.

A. I have 29 years of human resources experience, primarily working with benefits and compensation programs. I joined Piedmont Natural Gas Company, Inc. (Piedmont) in 2001 and have held various leadership positions in human resources. Most recently I was the Managing Director – Total Rewards at Piedmont with responsibility for broad-based compensation, executive compensation, retirement benefits, health & welfare benefits, the human resources management system (HRMS) and payroll. I have served in a leadership role on several projects, including the redesign of Piedmont's retirement (pension, 401(k) and retiree medical) program, the design and implementation of a consumer-driven health plan with a Health Savings Account, the implementation of the Workday HRMS system, the design and implementation of Piedmont's wellness program, the redesign of Piedmont's long-term incentive plan and the integration of Piedmont employees into the Duke Energy compensation and benefits programs. I became an employee of Duke Energy in October 2016 when Piedmont was acquired by Duke Energy.

Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGING DIRECTOR – RETIREMENT AND HEALTH & WELFARE.

A. I am responsible for all health and welfare and retirement benefits for Duke Energy, including all of Duke Energy's affiliated regulated and non-regulated companies, including Duke Energy Kentucky (collectively the Companies). Areas of responsibility include: management of key vendor relationships, benefit plan design and strategy, administration and compliance.

Q. HAVE YOU EVER TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to show that the benefits and compensation opportunities provided to employees are reasonable, customary, prudent and market-competitive. My testimony illustrates that the benefit programs and compensation opportunities provided to Duke Energy, including Duke Energy

Kentucky's employees, are critical for attracting, engaging, retaining and directing the efforts of employees with the skills and experience necessary to efficiently and effectively provide natural gas services to Duke Energy Kentucky's customers. I also sponsor Schedules G-2 and G-3 in satisfaction of Filing Requirement (FR) 16(8)(g).

II. COMPANIES' EMPLOYMENT CHARACTERISTICS

Q. PLEASE DESCRIBE THE GENERAL COMPOSITION OF THE COMPANIES' EMPLOYEE POPULATIONS.

A. As of June 30, 2018, Duke Energy has a total of 30,104 employees. Duke Energy Kentucky has 198 employees, comprised of 14 exempt employees and 184 union employees. DEBS has 7,855 employees, comprised of 5,857 exempt employees, 1,998 non-exempt employees, of whom, 873 are union employees.

Q. WHERE DO THESE EMPLOYEES WORK WHEN PERFORMING SERVICES FOR DUKE ENERGY KENTUCKY CUSTOMERS?

A. Duke Energy Kentucky's customers receive services from employees of Duke Energy Kentucky and affiliated companies. The natural gas employees work at Erlanger Gas Plant, Erlanger Resource Center, Todhunter Resource Center, Kellogg Ave Gas Resource Center, Queensgate meter testing facility and the Monfort Heights Resource Center. They also work in our Cincinnati, Ohio headquarters and in the Duke Energy headquarters in Charlotte, North Carolina.

Q. WHAT TYPE OF SPECIAL SKILLS OR KNOWLEDGE IS REQUIRED IN ORDER TO OPERATE A NATURAL GAS UTILITY SUCH AS DUKE ENERGY KENTUCKY?

A. The operation and maintenance of gas lines and mains requires specialized technical skills. Employees must have the requisite knowledge and technical skills to plan, design, construct, operate and maintain pressurized gas lines and mains in a manner that provides safe, adequate and reliable service. The operation and maintenance of a field office and a customer call center requires a detailed knowledge of all aspects of customer service. Field office and call center employees must understand the characteristics of the gas delivery service provided by Duke Energy Kentucky, the metering, billing and collection processes and various other customer service matters. At the corporate level, highly-skilled managers, engineers, accountants, computer hardware and software experts, computer programmers and other highly-trained professionals are needed to support the employees who are directly responsible for procuring and delivering natural gas to Duke Energy Kentucky's customers.

Q. HOW IMPORTANT IS THE RECRUITMENT AND RETENTION OF SUCH EMPLOYEES TO DUKE ENERGY'S SUCCESS?

A. The recruitment and retention of such employees is critical to Duke Energy's success. The skills needed for employees to render safe, reliable and high-quality utility service take several years to develop. For example, gas plant operators and control technicians are highly-skilled positions that require experience and knowledge that is acquired over several years. If we were to lose such employees, we would incur additional costs to train replacements for these positions. Consequently, the fact that we strive to be an "employer of choice" that attracts qualified employees and retains such employees, benefits customers by providing a more highly-skilled work force that provides safe and reliable service to customers at a reasonable cost.

Q. WHAT FACTORS AFFECT THE RECRUITMENT AND RETENTION OF SUCH EMPLOYEES?

A. The compensation, benefits and career development opportunities provided by Duke Energy directly affects its ability to attract and retain qualified employees. Industry and market conditions also impact the ability to recruit and retain employees.

Q. HAS THE COMPANY EXPERIENCED ANY COMPETITION IN RETAINING HIGHLY TRAINED AND SKILLED NATURAL GAS WORKERS IN RECENT YEARS?

A. Duke Energy does experience challenges in retaining highly trained and technical workforce across its enterprise. Duke Energy strives to provide a competitive compensation package and has a robust training program; however, we face competition from local and national natural gas companies and contractors that target their recruiting efforts at employees trained by Duke Energy. It would be imprudent for Duke Energy to not take measures to prevent potential losses in all of its service territories. Maintaining a competitive total rewards package is instrumental in meeting Duke Energy and Duke Energy Kentucky's shared goals of providing safe, reliable and reasonable utility service.

Q. WHERE DOES DUKE ENERGY OBTAIN APPLICANTS FOR VACANT POSITIONS?

A. We draw applicants from various geographic areas, depending on the job we need to fill. As a general rule, the more highly-skilled the job position being filled, the broader the scope of the recruitment efforts. We generally recruit executives on a national level; exempt employees locally and regionally; and non-exempt employees locally. The Companies employ applicants drawn from other utilities and from diverse employment backgrounds in other industries.

III. COMPENSATION PHILOSOPHY

Q. PLEASE DESCRIBE DUKE ENERGY'S BASIC COMPENSATION PHILOSOPHY.

A. The Compensation Committee of the Board of Directors of Duke Energy establishes and reviews Duke Energy's overall compensation philosophy, confirms that our policies and philosophy do not encourage excessive or inappropriate risk-taking by our employees, reviews and approves the salaries and other compensation of certain employees, including all executive officers of Duke Energy, approves equity grants and reviews the effectiveness of compensation programs. Our compensation philosophy has three major parts.

First, we want our compensation to be market-based, meaning we are competitive to the external market of similar companies, allowing us to remain attractive against competition and retain qualified employees. Our compensation programs are targeted to deliver total compensation that is competitive with that provided by our peers. Duke Energy employs a compensation strategy that combines base pay and variable incentive opportunities for all levels of positions. This approach fosters efficiency, safety and a focus on the customer by motivating employees to lower costs and generate efficiencies that benefit customers while providing employee compensation opportunities at reasonable market-competitive rates that enable the Companies to attract and retain the expertise needed to efficiently and effectively provide its natural gas service to customers.

Second, we're performance-oriented. We believe that linking compensation to performance is one way that we can set high expectations for employees and reward results. Our compensation program is designed to provide total compensation that is consistent with performance. Finally, we're fair and flexible. Our well-managed policies and pay administration guidelines ensure that we pay employees consistently and fairly across departments, but we're also flexible when we need to align our policies with business needs as they grow and change (copies of these policies can be found in Confidential Attachment RHM-1a through g).

In 2015, Duke Energy developed a strategy called The Road Ahead in which the Companies identified a number of important strategic initiatives to transform the energy future with a focus on customers, employees, operations and growth. With this focus, Duke Energy will continue to provide exceptional value to our customers and be an integral part of the communities in which we serve. Duke Energy is committed to lead the way to cleaner, smarter energy solutions that customers value through a strategy focused on, among other things, a transformation of the customer experience to meet the changing expectations through enhanced convenience, control and choice in energy supply and usage. In order to accomplish these goals, Duke Energy must be able to attract, retain and motivate employees who are able to carry out this mission. One of the keys to providing a desirable workplace is to provide competitive pay and benefit programs.

Q. DESCRIBE DUKE ENERGY'S COMPENSATION PHILOSPHY FOR EXECUTIVES.

A. The Companies' compensation philosophy is similar for both executive employees and all employees below the executive level. The compensation package for executives consists of a combination of fixed and variable pay using base salary, short-term incentives and long-term incentives. These components, in the aggregate, are targeted to deliver total compensation that is competitive with the applicable peer group and consistent with performance. Duke Energy adopted this executive compensation strategy in order to attract, retain and motivate the executive talent required to deliver superior performance. The strategy emphasizes performance-based compensation that balances rewards for both short-term and long-term results and that aligns the executives' interests with the long-term success of Duke Energy, including Duke Energy Kentucky.

Q. WHY MUST DUKE ENERGY PROVIDE EMPLOYEES WITH A MARKET-COMPETITIVE TOTAL COMPENSATION PACKAGE?

A. It is critical that Duke Energy provide a market-competitive total compensation opportunity to efficiently and effectively attract and retain an adequately skilled and experienced workforce. Attracting and retaining such a workforce is reasonable and necessary for the safe and efficient provision of service to customers and the operation of most aspects of the Company's business. As shown on page 4 of Attachment RHM-2, a 2016 Global Talent Management and Rewards study conducted by Willis Towers Watson, the top driver of attraction and retention is pay. This study captures the perspective of over 2,000 organizations — who collectively employ almost 21 million people worldwide — on key attraction, retention and engagement issues that are essential to the development of an effective employment deal and total rewards strategy. The study describes a key point that employees want to work for organizations that offer fair and competitive pay, opportunities for advancement and job security. On page 7 of Attachment RHM-3, Mercer's 2017 Global Talent Trends Study, the top factor that employees in the United States indicate would make a positive impact to their work situation is compensation that is fair and market competitive. The study goes on to report that there is greater concern over base pay and benefits than in prior years, and employees are seeking the security of tangible and predictable rewards given a climate of uncertainty and change.

Q. WHAT WOULD BE THE IMPLICATIONS TO CUSTOMERS IF THE COMPANIES ALLOWED COMPENSATION LEVELS TO FALL BELOW MARKET-COMPETITIVE LEVELS?

A. Allowing compensation to fall below market-competitive levels would have substantial negative implications for the cost of service to customers. Many craft positions require lengthy apprenticeships to learn the skills needed to perform work independently and safely. The expense incurred to hire and train new employees and the loss of productivity realized through high turnover rates would negatively affect the ability of the Company to provide safe and reliable service at a reasonable cost. This is also true for leadership positions. Duke Energy invests in developing highly effective leaders who carry out the organization's Road Ahead mission and inspire employees to work together to achieve results the right way. Paying less than competitive levels of compensation would put the Companies at risk of losing these valuable leaders to other companies and potentially having to pay more to attract the same level of leadership talent externally. On page 7 of Attachment RHM-2, the financial cost of turnover is illustrated to show how the negative implications from lost productivity, hiring, training, and job vacancy can put a significant level of productivity and financial value at risk to the Companies.

Q. WHAT ARE THE COMPONENTS OF DUKE ENERGY'S COMPENSATION PROGRAMS?

A. To achieve the objective of providing competitive pay, the components of the Company's Total Rewards compensation program include: (1) the establishment of a fair market value for all jobs; (2) annual merit increases to recognize individual performance, (3) annual short-term cash incentive awards that reward eligible employees with cash bonuses when pre-established goals are achieved; (4) long-term incentive (LTI) opportunities to attract and retain high-performing leaders; and (5) recognition awards given when employees make significant contributions to business operations due to exceptional personal initiative, dedication, perseverance or a uniquely effective approach to work.

Q. PLEASE DESCRIBE HOW DUKE ENERGY STRUCTURES ITS COMPENSATION PROGRAMS.

A. Duke Energy's compensation programs consist of a base pay component and incentive pay components that together provide a market-competitive total compensation package for all employees. The base pay component is a set amount, reviewed by management at least annually, and established at a level that: (1) provides competitive compensation based on the nature and responsibilities of the employee's position; and (2) is fair relative to the pay for other similarly-situated positions in the organization. The short-term incentive pay component is variable based on performance and is at risk to the employees. Incentive pay is linked to the accomplishment of specific goals established in advance for the individual employee, his or her business unit, one or more of the Companies, and/or Duke Energy. The purpose of incentive pay is: (1) to encourage employees to perform at a high level in order to accomplish specific objectives intended to ensure safe, reliable and economical utility service to our customers; (2) to ensure their business unit's and Duke Energy's overall success; and (3) to constitute a component of a compensation package that is competitive with the market. The LTI plans round out a competitive total compensation package for leaders. The goal of having a LTI component as part of certain employees' total compensation package is to attract and retain high-caliber leaders and align their interests with the long-term strategy of Duke Energy, including Duke Energy Kentucky, through equity-based compensation. The designs of the short-term and long-term incentive programs are also reviewed annually.

IV. REASONABLENESS OF COMPENSATION PROGRAMS

Q. DO YOU HAVE AN OPINION AS TO WHETHER DUKE ENERGY'S EMPLOYEE COMPENSATION PROGRAMS ARE REASONABLE AND NECESSARY TO ATTRACT, RETAIN, AND MOTIVATE THE QUALIFIED EMPLOYEES NEEDED TO PROVIDE SAFE, RELIABLE, EFFICIENT AND ECONOMICAL SERVICE TO DUKE ENERGY KENTUCKY'S NATURAL GAS CUSTOMERS?

A. Yes. In my opinion, the Companies' base pay, short-term and long-term incentive compensation programs are market competitive, reasonable and necessary to attract, retain and motivate qualified employees that Duke Energy needs to provide safe, reliable, effective, efficient and economical natural gas service to Duke Energy Kentucky's retail customers.

V. BASE PAY PROGRAMS

Q. PLEASE DESCRIBE THE COMPANIES' BASE PAY PROGRAMS.

A. Every employee receives base pay in the form of semi-monthly earnings (for exempt employees) or bi-weekly wages (for non-exempt and union employees).

Q. HOW DOES DUKE ENERGY KNOW ITS COMPENSATION IS MARKET COMPETITIVE?

A. Duke Energy employs a market-based compensation strategy by using annual compensation surveys to establish salary ranges and ensure jobs are paid competitively in base and in total direct compensation (base + incentives) as compared to jobs at companies that are similar to Duke Energy in size and revenue. Duke Energy participates in a variety of third party salary surveys on an annual basis and data from these surveys is analyzed to determine overall competitiveness of pay for jobs throughout the Companies. A complete list of the salary surveys Duke Energy is currently participating in is reflected in Attachment RHM-4.

Q. HOW ARE BASE SALARIES DETERMINED AND HOW DOES THE COMPANIES' BASE PAY COMPARE WITH THE MARKET TRENDS?

A. The Companies have adjusted their base pay in recent years to stay competitive based on market data from comparably-sized companies. On an annual basis we look at market data for both general industry positions and energy services positions and compare that data to our total compensation package. Using this market data, competitive base salary ranges are established for non-represented positions, which consist of a minimum and maximum base salary for each job grade. These salary ranges are adjusted annually to remain competitive using market information found in studies conducted by third party consultants. Salary ranges are generally wider for higher level jobs, where the variance in skills and responsibilities is greater, and narrower at lower pay grades. Not every employee in a certain job enters the pay range at the same pay or performs work at the same level, so there may be differences in where each employee is paid within the salary range. Base pay for salaried positions is determined by management within the salary range for the job grade assigned to each position based on the qualifications and experience of the prospective employee relative to the requirements for the position. For jobs with multiple incumbents, the base pay of other employees in the same position is also a consideration. Market data is also reviewed and used to determine annual wage increase recommendations. In 2018, Duke Energy's overall wage increase budget, or merit budget, set for exempt and non-exempt non-union employees was 3 percent, based on market information found in studies conducted by third party consultants. The chart below depicts the annual market adjustments reported in the annual WorldatWork Salary Budget Survey, U.S. Salary Increase Budgets study as compared to Duke Energy's overall wage increase budgets for the corresponding years.

Projection Year	All Groups		Executive		Exempt		Non-Exempt	
	Industry[1]	Duke Energy	Industry[1]	Duke Energy	Industry[1]	Duke Energy	Industry[1]	Duke Energy
2014	3%	3%	3%	3%	3%	3%	3%	3%
2015	3%	3%	3%	3%	3%	3%	3%	3%
2016	3%	3%	3%	3%	3%	3%	3%	3%
2017	3%	3%	3%	3%	3%	3%	3%	3%
2018	3%	3%	3%	3%	3%	3%	3%	3%

[1]WorldatWork Salary Budget Survey, U.s. Salary Increase Budgest

The 2018 merit budget for Duke Energy exempt employees, including executives, and non-union non-exempt employees was also 3 percent. The full 2018/2019 WorldatWork Salary Budget Survey, as well as another example of an external study conducted by third-party consultants that Duke Energy utilizes to determine the appropriate annual increase each year, can be found in Attachment RHM-5a and b. It should be noted that employees' individual increases may vary relative to the budget to allow for individual differentiators based on performance and current pay levels relative to the market. The increase awarded to each employee, if any, is based on a combination of factors, including his/her individual performance rating, his/her performance relative to his/her peers, the position of his/her salary within the salary range for his/her job and the size of the merit budget. The Compensation Committee of the Board of Directors of Duke Energy Corporation reviews data from a nationally recognized, independent executive compensation consulting firm (Willis Towers Watson) to determine the compensation for Duke Energy's executive officers on an annual basis. The peer group of companies used for these analyses consists of companies specifically selected by the Compensation Committee to represent the talent markets from which Duke Energy competes to attract and retain executive employees.

Q. FOR REPRESENTED POSITIONS, HOW ARE BASE INCREASES DETERMINED AND HOW DOES THE COMPANIES' BASE PAY COMPARE WITH THE MARKET TRENDS?

A. Hourly represented employees, such as mechanics and gas operators, are provided general wage increases negotiated with the labor unions that represent the Companies' employees. Wage increases are just one component of union negotiations, and must be negotiated on in the larger context of work-related topics, such as benefits, work rules and overtime. These general increases are expressed as percentages of current base pay rates. The Companies base their positions in these negotiations on survey projections for market increases. The Companies also utilize survey market data to ensure pay is competitive to market. The current contracts in place with employees of Duke Energy Kentucky can be found in Attachment RHM-6 (a) through (c).

Duke Energy Kentucky and the Utility Workers Union of America (UWUA) Local No. 600 entered into a four-year collective bargaining agreement on April 15, 2015, that expires on March 31, 2019.[1] Under the Collective Bargaining Agreement, membership received a 1.5 percent increase and a 1 percent lump sum in 2015, a 2 percent increase in 2016, a 2 percent wage increase on April 1, 2017 and a 2 percent wage increase on April 1, 2018. The Companies agreed upon increases are conservative as compared to the market projections.

The collective bargaining agreement between Duke Energy Kentucky and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW) Local 12049 and 5541-06 expires on May 15, 2021. Membership received a 2% increase in 2016, a 2.25% increase in 2017 and 2018. Membership will receive a 2.50% increase in 2019 and a 2.25% increase in 2020.

VI. INCENTIVE PAY PROGRAMS

Q. PLEASE IDENTIFY THE COMPANIES' INCENTIVE PAY PROGRAMS.

A. The Companies' major incentive pay programs are: (1) Duke Energy Short-Term Incentive Plan (STI); (2) Duke Energy Union Employee Incentive Plan (UEIP); and (3) Duke Energy LTI Plan. Plan documents memorializing these programs can be found in Attachment RHM-7a through c. The STI and UEIP plan descriptions are included in Attachment RHM-7a. The two LTI plans, Restricted Stock Units (RSU) and Executive LTI Plan brochure are included as Attachments RHM-7b and RHM-7c, respectively.

Q. DESCRIBE THE STI PLAN DESIGN FOR 2018.

A. For 2018, the STI goals, weightings and payout opportunities are reflected in the table below:

[1] Attachment RHM-6a

TABLE 1: SUMMARY 2018 STI PLAN

	Leadership Weight	Non-Leadership Weight	Payout range
EPS	50%	30%	0-200%
Operational Excellence	20%	15%	0-150%
CSAT	10%	5%	0-150%
Team	N/A	50%	0-150%
Individual	20%	N/A	0-150%
Safety	± 5%	+ 5%	N/A

For 2018, the majority of executives have a weighting split 80 percent/20 percent between corporate and individual goals as shown above; however, there are some executives who are aligned with the weighting of the Non-leadership category due to their heavy operational focus.

Q. PLEASE DESCRIBE THE CURRENT STI PLAN AND WHY THE INCENTIVE PLAN COSTS SHOULD BE RECOVERABLE.

A. The annual cash incentive plan is available to all employees at Duke Energy; however some represented employees, including those in Duke Energy Kentucky, participate in the UEIP sub-plan per their union agreement, which will be described in later testimony. The STI program promotes a corporate culture that is performance-oriented, by setting forth goals and direction for the workforce that has focus on our customers. At the beginning of each calendar year, corporate, business unit and individual performance goals are established for each annual incentive program, and a thorough review is performed at the end of the calendar year to determine the achievement levels for each performance goal. The Compensation Committee of the Board of Directors of Duke Energy Corporation approves the corporate performance goals as well as the executive officers' individual goals at the beginning of each calendar year and certifies the payout level achieved for such goals at the end of the calendar year. All non-union employees are subject to the following annual corporate metrics:

Earnings Per Share (EPS): The EPS measure focuses on financial discipline, efficient operations and prudent use of resources, all of which are vital to the health and stability of the organization. It is a very common practice both within and outside of the utility industry to use EPS as a primary goal in incentive programs. As reflected on page 10 of Attachment RHM-8, the Utility Industry Executive Compensation Trends report prepared by Willis Towers Watson, 80 percent of utility companies include EPS as performance measure in their annual incentive plans. A growing EPS benefits customers by reducing cost of capital as the Company continues to invest in the necessary maintenance of the distribution system and transforms the customer experience by providing customers with more billing options, additional energy usage information and new tools to help manage and reduce energy costs. Finally, the EPS measure may reduce or completely eliminate any incentive during periods of time where the Companies cannot afford to pay it. For example, if 2018 adjusted diluted EPS is less than EPS circuit breaker of $4.15, Duke Energy executives will not receive any payment under the STI plan, and other participants will not receive a payment in connection with any of the corporate measures, but will be eligible to receive payouts on the team component based on actual performance.

Operational Excellence: This metric is broken into the following three equally-weighted measures, each of which motivates Duke Energy employees to strive to provide cost-effective, reliable and safe products and services to our customers:

(1) O&M Expense control: Cost control is an integral part of any company's success. The intent of this goal is for employees to focus on cost control on a day-to-day basis, which will allow Duke Energy to incorporate these savings into programs that will benefit our customers.

(2) Reliability: To ensure that cost focus does not sacrifice our ability to provide reliable service, reliability measures are also included in the STI program. The reliability component of STI includes a Natural Gas Outage measure. All customers expect reliable service from Duke Energy. By including reliability in our annual incentive metrics, employees are provided extra motivation to ensure we provide reliable service to our customers.

(3) Safety/Environmental: This metric incorporates safety and environmental stewardship into our day to day activities, thus making the safety of our employees, customers and communities a priority. Safety is of utmost importance and is not only encouraged but continuously reinforced through all levels of Duke Energy,

including through incentive pay opportunities. Safety refers to the health and safety of everyone who works here, as well as our communities and the environment. The safety and environmental goal payout will be determined by averaging the year-end accomplishment of two goals: (1) Total Incident Case Rate, which measures the number of occupational injuries and illnesses per 100 employees, including staff-augmented contractors; and (2) Reportable Environmental Events, which are environmental events that require the notification (verbal/written/electronic) of a regulatory agency, or that result in a regulatory citation or other enforcement action by a regulatory agency.

Customer Satisfaction: The incentive program also includes a Customer Satisfaction goal, or CSAT, which measures the degree to which a customer has a favorable perception of an interaction, product, service or of Duke Energy overall. This goal is intended to keep customers central to all that we do across the company regardless of where we work. Achievement is based on the combination of our score in several J.D. Power studies, a national benchmarking survey that compares Duke Energy's CSAT to other utilities, as well as on the results from our internal business customer surveys.

Business unit (or "team") goals are typically lower-level tactical and operational goals that increase line-of-sight to employees. Almost all employees have a component of their incentive assigned to team goals. Team goal results establish a pool of dollars allocated at the discretion of managers among employees based on their individual performance and contributions to the team. The team goals directly benefit customers by tying employee compensation to reliability, outage frequency, time required to restore service, lost-time accidents, customer satisfaction scores, O&M expense levels and capital expenditures. Superior performance relating to these goals directly benefits Duke Energy Kentucky customers through safe and reliable service, customer service quality, and low energy costs.

In addition, as an added focus on safety and to reinforce the Company's zero tolerance for controllable work-related employee or contractor fatalities, the STI programs reward all employees, exempt and non-exempt, with an additional 5 percent for their short-term incentive payout, if there are no controllable work-related employee or contractor fatalities, there are less than a designated number of life altering injuries (LAIs) (4 in 2018), and there is no significant operational event. Conversely, incentive payments for senior executives will be reduced by 5 percent if there are more than a designated number of LAIs (5 in 2018) or there is a significant operational event (including a controllable work-related employee or contractor fatality). The results of the 2018 STI plan will be available in the first quarter of 2019.

Q. PLEASE DESCRIBE THE UEIP.

A. The UEIP is available to union employees of Duke Energy Kentucky and its affiliated companies. Employees participating in the UEIP may not also participate in the STI program offered to the general employee population described in the previous question. The purpose of the UEIP is to attract, retain and motivate employees, enhance teamwork and high levels of achievement, and to facilitate the accomplishment of specific corporate and business unit goals. We believe having these goals benefits the customer. We believe having this incentive plan is a necessary component of the total compensation package for union employees that attracts and retains the critical skills necessary to provide safe, efficient and reliable service to customers. These union employees include many of our back office personnel, including administrative and clerical, as well as customer care associates, meter readers and employees who construct and maintain the Company's natural gas delivery system. All are functions that are critical to reliable customer service.

The UEIP is a short-term incentive opportunity that allows union employees to receive cash payments if the Company attains certain corporate performance goals and/or if their group attains certain operational performance goals during a calendar year. The UEIP award levels consist of a percentage of the employee's base and overtime earnings, and is based upon the achievement of corporate and business unit goals, such as financial results, safety and customer satisfaction. The award levels for employees participating in the UEIP may also vary based upon their participation in the various retirement programs. All union employees who participate in a cash balance feature under a Duke Energy sponsored pension plan or who don't participate in a Duke Energy sponsored pension plan are eligible for up to a 5 percent maximum annual incentive payment. Employees who participate in a final average pay feature under a Duke

Energy sponsored pension plan are eligible for up to a 2 percent maximum annual incentive payment. Additionally, regardless of which retirement program they participate in, represented employees are eligible for a safety adder equal to 5 percent of their incentive payouts if there are no controllable work-related employee or contractor fatalities, there are less than a designated number of life altering injuries (LAIs) (4 in 2018) and there is no significant operational event.

Q. WHY IS IT IMPORTANT FOR THE COMPANY TO PROVIDE SHORT-TERM INCENTIVE OPPORTUNITIES AS A PART OF ALL EMPLOYEES' TOTAL COMPENSATION?

A. Short-term incentive opportunities are a component of a market-competitive total compensation offering necessary to attract and retain qualified employees. Having a portion of employees' total compensation "at risk" allows the Company to tie specific performance measures to employees' pay, and focuses their efforts on performing the right work, the right way. If the Companies did not provide incentive opportunities to their employees, the same target value of incentive compensation would need to be added to base pay in order to maintain market-competitive compensation for its employees. Put another way, whether it is in base pay or a combination of base pay and incentives, Duke Energy must keep its overall compensation package competitive in order to attract and retain a competent workforce.

The annual incentive pay opportunity that all employees have as a part of their total compensation promotes a corporate culture that is performance-oriented in order to provide the greatest benefit to the customer. Annual incentive goals are communicated to managers and employees and reported throughout the year; therefore, high performance becomes part of the culture and employees are motivated to exhibit the behaviors required to meet the goals. In addition, the annual incentive pay opportunities provide the ability to raise the bar on performance expectations from year-to-year. By motivating employees to excel at such goals as customer satisfaction, safety, reliability, and financial stewardship, the Company is able to deliver the highest value at a reasonable cost. This also allows the Company to share its success with the employees who make that success possible. Incentive pay is similar to the other costs related to providing natural gas service. It is a necessary cost to provide customers safe and reliable service. In the competitive market for talent, employees consider total rewards, including base pay, incentive pay and benefits, as a key determinant in deciding whether to work for a particular employer.

Q. PLEASE DESCRIBE THE LTI PLAN.

A. Duke Energy's LTI programs provide equity-based compensation to executive and leadership-level employees in a manner that aligns their interests with the long-term interests of Duke Energy, including Duke Energy Kentucky. While no direct employees of Duke Energy Kentucky participate in the Companies' LTI programs, certain DEBS employees that provide services to Duke Energy Kentucky are participants. The goal of the LTI programs is to attract and retain high-caliber leaders by providing a competitive compensation package and to encourage our leaders to make sound business decisions from a long-term perspective. Stock awards are an important component — but not the only component — of a total rewards package that is reviewed annually to ensure ongoing competitiveness. Our LTI opportunities generally vest over a period of three years in order to focus our executives on long-term performance and enhance retention.

Duke Energy has two LTI programs. One is an Executive LTI program, called the Executive Incentive Plan (EIP), which is reserved for members of the Executive Leadership Team (ELT) and Senior Management Committee (SMC) to drive an ownership mindset and ensure accountability for making short- and long-term strategic decisions. For 2018, participants in this program have 70 percent of their target LTI opportunity awarded as performance shares. The performance shares granted in 2018 incorporate three performance goals based on cumulative adjusted EPS, relative Total Shareholder Return (TSR) compared to companies in the Philadelphia Utility Index and absolute Total Incident Case Rate (TICR). The goals correlate to long term value, and are set at levels that we believe are reasonable in light of past performance and market conditions. EIP participants must generally continue their employment with Duke Energy for a three-year period to earn a payout and the number of performance shares that participants ultimately earn is tied to Duke Energy's long-term performance. The other 30 percent of EIP participants' target LTI opportunity is awarded as restricted stock units (RSU). Vesting of RSUs is solely tied to the participants' continued employment through vesting dates over a three-year vesting period and is not dependent upon the financial performance of the Companies. Participants who remain employed with the Companies through a vesting date receive a share of Duke Energy common stock for each vesting RSU.

A different LTI program is available to other strategic leaders below the ELT level who are responsible for the most critical roles/responsibilities in each business group (population generally ranges between 2-3 percent of the total Duke Energy employee population). These employees participate in the RSU program and receive their LTI value in the form of RSUs that vest equally over three years, thereby encouraging retention of high-quality employees. The reward of these RSUs is purely aimed at continuing employment, and is in no way tied to actual company performance. Participation in the RSU plan is reserved for positions that meet at least one of the following criteria:

- Position has significant responsibility for a broad area or function or geographic region;
- The employee leads major projects or groups with substantial enterprise or business unit strategic or financial impact;
- The employee is in a role that has decision-making authority that impacts Company performance; and
- Position requires specialized expertise that is critical to business operations or strategy development.

The RSU plan is an equally important component within the market-competitive total compensation package for eligible leadership positions (below executive level) and is critical to maintaining market-competitiveness and retaining key leadership talent. These employees' base salary is set such a level, that when factoring in the retention-driven RSUs, the total package results in a market-competitive package.

Q. WHY IS IT IMPORTANT FOR DUKE ENERGY TO PROVIDE LONG-TERM INCENTIVE OPPORTUNITIES AS A PART OF CERTAIN EMPLOYEES' TOTAL COMPENSATION?

A. As mentioned above, LTI programs are necessary components of Duke Energy's compensation package. They allow the Companies, including Duke Energy Kentucky to attract and retain high-performing leaders that are able to carry out our vision of leading the way to cleaner, smarter energy solutions that are valued by customers. The EPS and TSR measures associated with the performance shares granted as part of the long-term incentive plan tie a substantial portion of compensation for executive employees to both internal and external measures of the Companies' long-term financial performance. This encourages eligible employees to reduce expense, operate efficiently, and conserve financial resources, which directly benefits customers by keeping rates low.

It is very common for public companies of Duke Energy's size and complexity to have similar programs. In fact, according to the study previously reference as Attachment RHM-8, conducted by Willis Towers Watson (the Utility Industry Executive Compensation Trends report), of 25 regulated electric utilities with median revenues of $12.3 billion, long-term incentive plans are used among *all* utilities within the sample. RSU plans are more prevalent among utilities with revenues greater than $12 billion. In a similar 2014 study conducted by Willis Towers Watson of long-term incentive practices among large utilities, the percentage of the employee population receiving LTI in the form of restricted stock was 3.5 percent. Attachment RHM-9 is a copy of the 2014 study. The number of Duke Energy leaders eligible for its LTI programs in 2017 was approximately 642 employees, equating to 2.2 percent of the total employee population, reflecting the conservative and selective approach the Companies take with providing this compensation component, limiting participation to those strategic leaders who can most closely affect the long-term sustainability of the business. As with annual cash incentive compensation, the long-term incentive opportunities provided to the Companies' leaders is a necessary component of a market-competitive target level of total compensation for these positions. If the Companies did not incorporate LTI as a part of the total compensation for these leadership positions, it would require higher base salaries in order to provide the same level of market-based total compensation. If an increase to base pay was not made in place of the LTI component and the overall level of total compensation was reduced, the Companies would not be able to effectively attract or retain the experienced leaders necessary to direct the efforts of its employees and make the best strategic decisions on behalf of the Company. Attachment RHM-2 shows the financial cost to the Company of turnover at the senior manager/executive level is 74 percent of annual compensation for each position.

VII. <u>COST RECOVERY OF INCENTIVE PAY EXPENSE</u>

Q. WHAT INCENTIVE PAY EXPENSE DOES DUKE ENERGY KENTUCKY PROPOSE TO RECOVER IN THIS PROCEEDING?

A. Duke Energy Kentucky proposes to share its incentive plan expense between shareholders and customers in a manner similar to what the Commission recently approved in Case No. 2017-00321. In that case, the Commission approved recovery of incentive pay expense related to performance objectives that directly benefit customers, such as reliability, customer satisfaction and individual performance objectives. The Commission disallowed recovery of incentive pay expense related to corporate performance objectives based upon achieving corporate earnings per share.

Q. PLEASE FURTHER EXPLAIN DUKE ENERGY KENTUCKY'S PROPOSAL FOR RECOVERY OF INCENTIVE PLAN EXPENSE.

A. As shown above in Table 2: 2018 STI plan, the Company's Leadership and Non-Leadership STI continues to include a weighting factor for achieving corporate EPS. In 2009, Duke Energy added a weighting for achieving other goals such as O&M savings and reliability targets that continue today. Adding reliability targets provides a balance between the need to prudently manage costs and providing cost-effective, reliable and safe service to our customers. In 2015, Duke Energy added customer satisfaction, safety and environmental targets. Safety and environmental targets were added to encourage positive behavior of employees in our day-to-day operations, and customer satisfaction targets were added to keep customers central in all that we do. As previously explained, all of these various performance measures included in the Companies' incentive plans are designed to benefit customers. Accordingly, Duke Energy Kentucky proposes to recover the following amount of incentive compensation costs, based upon achieving target goal levels, in its revenue requirement calculation.

TABLE 3: SUMMARY OF INCENTIVE PLAN COMPONENTS

Incentive Plan	Incentive Plan Components	Weighting	Percentage Recoverable
STI – Non Leadership and operationally-focused Executive Leadership team members	EPS O&M Reliability Safety/Environmental Customer Satisfaction Employee Safety Objective Team/Individual Goals	30% 5% 5% 5% 5% 5% adder 50%	0% 5% 5% 5% 5% 5% adder 50%
STI - Leadership	EPS O&M Reliability Safety/Environmental Customer Satisfaction Employee Safety Objective: Individual Goals	50% 6.67% 6.67% 6.67% 10% ± 5% 20%	0% 6.67% 6.67% 6.67% 10% ± 5% 20%
Non-executive LTI	Restricted stock units	100%	100%
Executive LTI	Restricted stock units Performance shares (70%) • Total Shareholder Return (TSR) relative to that of the companies in the Philadelphia Utility Index • Cumulative adjusted Earnings Per Share (EPS) • Absolute Total Incident Case Rate (TICR)	30% 17.5% 35% 17.5%	30% 0% 0% 17.5%
UEIP	Various by union - based on EPS, safety, customer satisfaction, etc.	100%	100%

Q. WHY DOES THE COMPANY'S PROPOSAL FOR INCENTIVE COMPENSATION ASSUME REACHING 100% OF TARGET ACHIEVEMENT LEVELS?

A. These are the budgeted achievement levels for the performance goals for the STI and the UEIP. The 100 percent target achievement level is used for the budget because this is what the Company expects to achieve on average over time.

Q. WHY DOES DUKE ENERGY KENTUCKY CONTINUE TO BELIEVE THAT THE RSU PORTION OF THE LTI PLANS SHOULD BE RECOVERABLE?

A. As I previously discussed, the RSU award is not related to corporate financial performance and earnings. The award is a necessary component of total compensation to ensure Duke Energy pays competitive to market and incent employees to stay at Duke Energy. Because this amount vests over a three year term, employees are more likely to remain with the company to receive this benefit. If the company were to eliminate the RSU portion of its existing compensation package, its total package would fall below market, and the Company would have to increase cash compensation.

VIII. <u>BENEFIT PLAN DESIGN</u>

Q. WHAT IS THE COMPANY'S BENEFITS PHILOSOPHY AND HOW DOES IT TIE INTO THE COMPANIES' OVERALL COMPENSATION PHILOSOPHY?

A. At Duke Energy, we place a priority on attracting and retaining a diverse, high-performing workforce. An important way we do this is by providing a comprehensive, competitive total rewards package of pay and benefits that includes base pay, incentive pay opportunities and benefits. Benefits are the non-pay portion of an employee's total rewards. Generally, benefits are provided through one of two vehicles: health and welfare benefit plans and retirement plans. Health and welfare benefit plans include medical, dental, vision, life insurance, and disability plans. Our benefit programs are designed so that the Companies are able to maintain a highly trained, experienced workforce that is capable of rendering excellent utility service. Retaining employees is important for us because our business involves complex processes such that employees must receive long-term training to perform their jobs safely and effectively. Retirement plans include pension and 401(k) plans. Our retirement plans are designed to enable employees, through shared responsibility, to accumulate sufficient resources to be able to transition into retirement at the appropriate time. Employees' ability to retire at the right time increases opportunities for the workforce as a whole, and also helps the utility manage costs.

Q. PLEASE DESCRIBE DUKE ENERGY'S EMPLOYEE BENEFIT PROGRAMS PROVIDED TO EMPLOYEES.

A. The benefit programs in which all eligible employees may participate include medical, health savings account, dental, vision, flexible spending accounts, employee assistance program, wellness, sick pay, short-term disability, long-term disability (LTD), life insurance, accidental death and dismemberment and business travel accident insurance. Retirement benefits include company contributions and company matching contributions to promote the shared responsibility between the company and employees for accumulating retirement resources.

Q. PLEASE DESCRIBE DUKE ENERGY'S POST EMPLOYMENT HEALTHCARE BENEFITS PROVIDED TO EMPLOYEES.

A. Duke Energy is the result of a series of many acquisitions and mergers and has worked hard at integration to minimize differences among legacy company employee groups. This includes the post-employment benefits available to employees when they retire. Newly hired employees will be eligible to enroll in company sponsored pre-65 retiree medical, dental and vision benefits at retirement on an unsubsidized basis by paying the full cost of coverage. Additionally, Duke Energy provides retirees access to a retiree exchange program for assistance with exploring options for coverage available on the individual market as an alternative to Duke Energy-sponsored retiree coverage. They will also have the option to convert or port their active life insurance to an individual policy at retirement. Active employees who were part of a closed group and eligible for a retiree healthcare subsidy towards the cost of Duke Energy-sponsored retiree health care coverage generally were transitioned to a common approach in the form of a pre-65 Health Reimbursement Account (HRA) benefit. As Duke Energy periodically reviews healthcare trends, we see that 32 percent of general industry and 57 percent of utility industry companies provide financial support for pre-65 coverage for current and future retirees. We also see that 32 percent of general industry and 53 percent of utility industry companies provide financial support for post-65 coverage for current and future retirees. As Duke Energy's financial support of retiree healthcare has lessened over the years, we have recognized that this is an area of concern for many employees. To address this, we encourage employees who are enrolled in a High Deductible Health Plan (HDHP) to contribute to a Health Savings Account (HSA) and receive company matching contributions to save for their future retiree healthcare costs.

Q. HOW DOES DUKE ENERGY DETERMINE THAT THE EMPLOYEE BENEFIT PROGRAMS THAT IT OFFERS ARE REASONABLE AND NECESSARY?

A. Duke Energy routinely examines its benefits to confirm how we compare with national trends among comparable employers, and we consider the most effective ways to serve our diverse workforce who reside in over 25 states. Because we are a company with a history of mergers and acquisitions, we try to ensure consistency and fairness among legacy company employee groups as well as cost-effectiveness for the Companies. We benchmark our programs against other large employers from both the utility industry and general industry, so that we are positioned to attract and retain qualified employees needed to support our customers. Duke Energy leverages its consultants, vendor partners and nationally recognized surveys to evaluate the competitiveness of its benefits and costs. Examples of surveys include Willis Towers Watson's Financial Benchmarks Survey, Best Practices in Health Care Survey, Emerging Trends in Healthcare Survey and Benefits Data Source. These surveys indicate that Duke Energy's benefit plans and employee contributions are in line with its utility industry and general industry peers, making them reasonable and necessary in order to compete with other employers for qualified talent. Based on Duke Energy's reviews of the competitiveness and reasonableness of its benefit programs and employee costs, Duke Energy routinely determines if any changes should be made.

Q. WHAT PORTION OF THE HEALTH AND INSURANCE COSTS OF BENEFITS DO EMPLOYEES PAY?

A. For company-sponsored Vision, Supplemental and Dependent Life, Supplemental and Dependent Accidental Death & Dismemberment (AD&D), and Optional Long-Term Disability (LTD) insurance, the employee is required to pay 100 percent of the cost of group coverage. The company pays 100 percent of the cost of Basic Life/AD&D, Basic LTD and Business Travel Accident Insurance. When designing medical plan options and determining employee cost share, Duke Energy focuses on the total cost of coverage – not just the premium (or contributions since medical and dental coverage is self-insured) that is deducted from employees' paychecks. Total cost of coverage includes the additional out-of-pocket costs such as copays, deductibles and co-insurance. Looking at only the premium does not provide the total picture of employees' cost share.

Duke Energy's plans and cost share are designed to encourage good consumer health care choices by providing opportunities for lower employee premiums and higher out-of-pocket costs at the point of service so that the utilizers of health care services are paying for it. For example, premiums for the high deductible health plan (HDHP) options have higher costs at the point of service, but lower premiums. Alternatively, the preferred provider organization (PPO) option has lower costs at the point of service and higher premiums. 76 percent of our covered employee population is enrolled in our HDHP options. For those enrolling in a HDHP option, employees can make payroll contributions to an HSA and Duke Energy matches employee contributions to their HSA each pay period up to $600 per year for individual coverage and $1,200 per year for family coverage for most employees.

Duke Energy employees' total cost of medical coverage (premiums and out-of-pocket costs) for 2018 is projected to be 34 percent, which falls between that of employers in general industry (35 percent) and utility industry (29 percent). For dental coverage, the employee pays on average 35 percent of the premium and 56 percent of the total cost of coverage (premium plus out-of-pocket costs). When an employee enrolls in medical and dental coverage, he/she may also cover his/her eligible dependents. Duke Energy subsidizes more for the cost of employee coverage than for dependent coverage.

IX. BENEFIT COST MANAGEMENT CONTROLS

Q. HAS DUKE ENERGY TAKEN STEPS TO CONTROL THE COST OF EMPLOYEE BENEFITS?

A. Yes. On an ongoing basis, Duke Energy reviews its employee benefits and costs in an effort to keep costs reasonable, while continuing to provide benefits that are sufficient to attract and retain employees. Employees pay a portion or all of the cost for many of their benefits, so we strive to manage costs for not just the Companies, but for employees as well. Periodically, benefit plan changes are made and other steps are taken to control costs. The following are some examples of steps taken in recent years to control costs.

Retirement Plans

Duke Energy has taken significant steps to both control costs and reduce the risk associated with its retirement plans. Duke Energy closed its pension plans to non-union new hires in 2014, and has since negotiated closing pension participation for new hires for all union groups. New hires receive a Duke Energy retirement contribution to the 401(k) in lieu of pension participation, and have an opportunity to receive company matching contributions if they choose to contribute to the 401(k). Pension eligible employees have generally experienced reductions in future pension benefit accruals with transitions from a final average pay formula to a cash balance formula. As early as 1997, Duke Energy, through mandatory conversions and choice windows, moved non-union pension eligible employees to a cash balance design. Moving the existing employees allowed the Company to reduce future pension accrual, and reduce risks associated with longevity and investments (since most participants take lump sum distributions). To offset the impact of these pension reductions, Duke Energy increased its matching opportunity in the 401(k) plan. The emphasis throughout this process was to create a competitive retirement benefit, which provided as much comparability as possible across all legacy organizations and new hires, while aligning to the market.

Health & Welfare Plans

Ongoing steps:

Duke Energy performs an annual market check on the pharmacy benefit manager contract to ensure competitive contract terms and pricing. These have resulted in 2 percent – 6 percent savings each year for employees and Duke Energy.

Duke Energy regularly evaluates the need to bid out Health & Welfare vendor contracts through a request for proposal (RFP) process so that contracts have competitive fees, discounts, and guarantees.

Duke Energy annually reviews its Health & Welfare plan design and costs to determine the need for changes to deductibles, copays, co-insurance, out-of-pocket limits and cost sharing strategies to align with market trends.

An ongoing dependent verification process has been in place since 2010, which requires proof of eligibility to ensure that only eligible dependents are enrolled in medical, dental, vision and life insurance coverage.

Duke Energy annually assesses utilization management programs and processes that may help eliminate unnecessary or inappropriate treatments and medications, including pre-certifications, prior authorizations, step therapy, safety and monitoring for fraud and abuse (*e.g.*, opioids), and specialty medication management.

Periodic steps:

In 2009, Duke Energy began to eliminate retiree medical subsidies for non-union new hires and has since negotiated the same with all unions.

In 2011, Duke Energy partnered with a new vendor for an integrated approach to health management with the goal of improving health and controlling costs through plan design, clinical and wellness programs and improved employee education/communications. Duke Energy deployed a mandatory 90-day supply for maintenance medications under its medical plans. In the first three years, significant savings were achieved compared to projected costs if programs remained unchanged.

In 2012, Duke Energy deployed wellness and non-tobacco user rewards as incentives to influence healthy behavior and help employees make the connection between their choices and health care costs. Duke Energy also deployed the mandatory use of Bariatric Centers of Excellence for bariatric surgeries. Duke Energy eliminated the standard exclusive provider organization (EPO) medical plan option to encourage enrollment in the HDHP. Co-insurance replaced copays for prescription drugs for the PPO and Enhanced EPO medical plan options in order to increase transparency into the cost of prescription drugs (the Enhanced EPO was a union negotiated option required to be offered by several collective bargaining agreements that was eventually eliminated, effective Dec. 31, 2014).

Beginning in 2013, as part of Duke Energy's effort to encourage enrollment in an HDHP option and compliance with prescription drug therapy, certain preventive medications were covered at 100 percent.

In 2014, in an effort to further encourage good consumer decisions, Duke Energy replaced its existing medical plan options with new plan options and a cost sharing strategy to encourage enrollment in the HDHP options. The new plan options included two HDHP options and one PPO option. Since then, enrollment in the HDHPs has grown significantly. Current enrollment is 76 percent compared to 16 percent prior to 2014. Duke Energy deployed mandatory use of Spine and Joint Centers of Excellence for hip replacement, knee replacement, spinal fusion and disc disorder surgeries to improve clinical outcomes and better manage costs.

Active company-paid life and AD&D insurance was reduced from two times annual base pay to one times annual base pay. Company-paid retiree life insurance generally was eliminated for future retirees.

Duke Energy discontinued sponsorship of post-65 medical plan options and implemented a Medicare exchange solution for all retirees and their dependents. This provides retirees with a choice of individual policies to supplement Medicare.

Duke Energy changed the definition of eligible pay for LTD from total pay (base pay, overtime and incentive pay) to base pay only.

In 2015, wellness incentives were expanded to also reward spouses/domestic partners for healthy actions.

Duke Energy has worked hard at integration to minimize differences among legacy company employee groups. This includes retiree healthcare subsidies for future retirees. In 2015, non-union employees who were part of a closed group and eligible for some form of subsidy towards the cost of Duke Energy-sponsored retiree health care coverage were transitioned to a subsidy in the form of a pre-65 HRA benefit and the same has been negotiated with all unions.

In 2016, Duke Energy deployed a telehealth program as a low-cost option for doctor consultations. Duke Energy deployed strategies for compound drugs and non-FDA approved drugs to limit inappropriate use.

In 2017, Duke Energy deployed a virtual weight loss/diabetes prevention program because obesity is a primary diagnosis for a significant number of members. Out-of-network coverage for dialysis treatment was eliminated. The PPO co-insurance and annual out-of-pocket maximum were changed to better reflect the higher claims experience of covered members and to better align with market trends. Employee contributions for the cost of spouse/domestic partner medical coverage were further adjusted to reflect the higher claims costs that spouses/domestic partners incur compared to other covered members.

In 2018, Duke Energy added a pre-65 retiree exchange program that provides assistance to retirees with finding medical, dental, and vision coverage on the individual market as alternatives to the Duke Energy-sponsored retiree coverage. An expert medical opinion program was added to enhance member confidence in the effectiveness of their treatment plan and improve diagnosis accuracy. Enhanced maternity and infertility support services were also added in 2018 to address maternity costs.

Q. HAVE THE RECENT STEPS TAKEN HAD AN IMPACT ON MEDICAL PLAN COSTS?

A. Yes, our efforts are having an impact. Duke Energy's Medical/Prescription Drug trend per employee from 2011 through 2017 has averaged 2.47 percent. This compares to national trend average for the same time period of 4.73 percent as reported by Willis Towers Watson.

Q. HAVE OTHER COST REDUCTIONS BEEN IMPLEMENTED WITH REGARD TO RETIREE MEDICAL BENEFITS?

A. Duke Energy generally applies the same annual review and periodic changes to the pre-65 retiree medical coverage options as the active employee medical coverage options, including the utilization management processes, clinical programs, vendor contracts and annual plan design review. Duke Energy continues to pass along applicable increases in contributions to pre-65 retirees on an annual basis based on retiree claims experience.

Q. IN YOUR OPINION, WILL DUKE ENERGY ELIMINATE MEDICAL AND DENTAL BENEFITS FOR RETIREES?

A. Duke Energy eliminated retiree subsidies for new hires and generally eliminated company-paid life insurance for future retirees. At the time that this change was adopted, it was deemed necessary to maintain some level of financial support in the form of an HRA for a closed group of current employees who did not have sufficient time to save for retiree healthcare and to make up for a benefit they were relying on in retirement. Duke Energy no longer offers post-65 group coverage but facilitates enrollment in individual policies through Medicare exchanges. Duke Energy continues to provide access to future retirees for pre-65 medical, dental and vision coverage in order to attract and retain the qualified employees needed to provide quality service to our customers, especially given the uncertainty of private exchanges and the public marketplace for pre-65 coverage. Although Duke Energy reserves the right to amend, modify or terminate any of its benefits, there has been no decision to eliminate access to pre-65 retiree benefits in the future.

X. REASONABLENESS OF BENEFITS PROGRAM

Q. DO YOU HAVE AN OPINION REGARDING THE REASONABLENESS AND NECESSITY OF DUKE ENERGY'S EMPLOYEE BENEFITS PROGRAMS TO ATTRACT, RETAIN AND MOTIVATE QUALIFIED EMPLOYEES TO PROVIDE SAFE, RELIABLE, EFFICIENT, AND ECONOMICAL SERVICE TO DUKE ENERGY KENTUCKY'S NATURAL GAS CUSTOMERS?

A. Yes. In my opinion, the Companies' employee benefits programs are market competitive, reasonable, and necessary to attract, retain and motivate the qualified employees that the Companies need to provide safe, reliable, effective, efficient and economical natural gas service to Duke Energy Kentucky's retail customers.

XI. SCHEDULES AND FILING REQUIREMENTS SPONSORED BY WITNESS

Q. PLEASE DESCRIBE SCHEDULES G-2 ANG G-3.

A. Schedules G-2 and G-3 consist of certain compensation and fringe benefit costs as required as part of FR 16(8)(g). I provided this information to Duke Energy Kentucky witness Mr. Robert "Beau" Pratt for his use in preparing the forecasted financial data.

Q. HOW DID YOU ESTIMATE THESE LABOR AND BENEFIT COST CHANGES FOR THE FORECASTED PERIOD?

A. I made reasonable estimates based on recent trends, current conditions, the market studies by independent consultants that I discussed previously in my testimony, and my previous experience with compensation and benefits matters. Based on these considerations, I provided Mr. Pratt with the following estimates for the forecasted test period consisting of the twelve months ending March 31, 2020: the union and non-union labor rate increases the fringe benefit loading rates, payroll tax, and indirect labor loading rates for union and non-union labor.

XII. CONCLUSION

Q. WERE SCHEDULES G-2 AND G-3 AND ATTACHMENTS RHM-1 THROUGH RHM-9 PREPARED BY YOU OR AT YOUR DIRECTION?

A. Yes.

Q. ARE SCHEDULES G-2 AND G-3 AND ATTACHMENTS RHM-1 THROUGH RHM-9 TRUE AND ACCURATE COPIES OF THE DOCUMENTS THEY PURPORT TO REPRESENT?

A. Yes.

Q. IS THE INFORMATION YOU PROVIDED TO MR. PRATT ACCURATE TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?

A. Yes.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

VERIFICATION

STATE OF NORTH CAROLINA	)	
	)	**SS:**
COUNTY OF MECKLENBURG	)	

The undersigned, Renee Metzler, Managing Director – Retirement and Health and Welfare, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing testimony and that it is true and correct to the best of her knowledge, information and belief.

Renee Metzler Affiant

Subscribed and sworn to before me by Renee Metzler on this 9 day of August, 2018.

Deborah S. Rome
NOTARY PUBLIC Deborah S Rome

My Commission Expires: January 24, 2020

<u>KyPSC CASE NO. 2018-00261</u>

CONFIDENTIAL ATTACHMENT RHM-1(a) IS BEING FILED UNDER THE SEAL OF A PETITION FOR CONFIDENTIAL TREATMENT

KyPSC CASE NO. 2018-00261

CONFIDENTIAL
ATTACHMENT RHM-1(b)
IS BEING FILED UNDER THE
SEAL OF A PETITION FOR
CONFIDENTIAL TREATMENT

KyPSC CASE NO. 2018-00261

CONFIDENTIAL
ATTACHMENT RHM-1(c)
IS BEING FILED UNDER THE
SEAL OF A PETITION FOR
CONFIDENTIAL TREATMENT

<u>KyPSC CASE NO. 2018-00261</u>

CONFIDENTIAL
ATTACHMENT RHM-1(d)
IS BEING FILED UNDER THE SEAL OF A PETITION FOR CONFIDENTIAL TREATMENT

KyPSC CASE NO. 2018-00261

CONFIDENTIAL
ATTACHMENT RHM-1(e)
IS BEING FILED UNDER THE SEAL OF A PETITION FOR CONFIDENTIAL TREATMENT

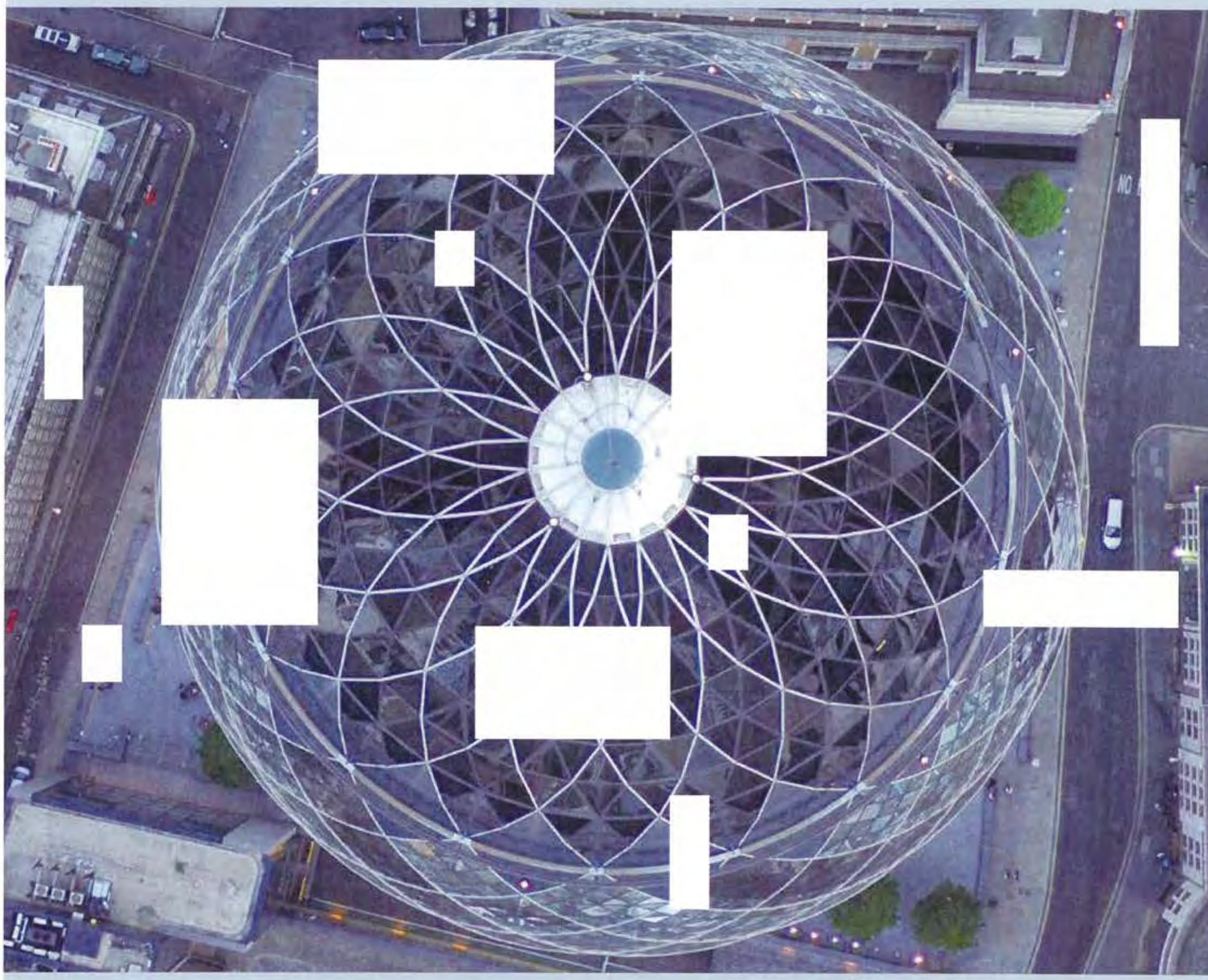
<u>**KyPSC CASE NO. 2018-00261**</u>

CONFIDENTIAL
ATTACHMENT RHM-1(f)
IS BEING FILED UNDER THE
SEAL OF A PETITION FOR
CONFIDENTIAL TREATMENT

KyPSC CASE NO. 2018-00261

CONFIDENTIAL ATTACHMENT RHM-1(g) IS BEING FILED UNDER THE SEAL OF A PETITION FOR CONFIDENTIAL TREATMENT

Willis Towers Watson



Under pressure to remain relevant, employers look to modernize the employee value proposition

Global findings report for the 2016 Global Talent Management and Rewards and Global Workforce Studies

The pace at which organizations are able to deliver on this modernization agenda will become a key differentiator of organizational success and help determine the winners and losers in the competition for high-value talent.

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Under pressure to remain relevant, employers look to modernize the employee value proposition

Global findings report for the 2016 Global Talent Management and Rewards and Global Workforce Studies

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In the new world of work, employers and employees face pressures to remain relevant. The rapid rise of technology allows organizations to deconstruct and disperse work across a global virtual workplace, reshaping the workplace and redefining how and by whom work gets done. In some organizations, the traditional full-time employment model is giving way to contingent or alternative work arrangements typically associated with the gig economy. In addition, the accelerated pace of innovation, shifting demographics and increasing demands for transparency in many areas, including rewards, are contributing to profound shifts in today's workplace.

Employers are restless for change. To grow talent – and their business – they recognize that it's time to move beyond the default models, expectations and practices of the past. We see the outlines of a modernization agenda emerging as employers take a new agile approach to the development of talent and reward programs in order to position themselves for future growth.

However, employers may not yet fully understand the implications for their business of an ever-shifting workplace and new employment relationships. The pace at which organizations are able to deliver on this modernization agenda will become a key differentiator of organizational success and help determine the winners and losers in the competition for high-value talent.

For their part, many employees are uncertain of their place in a dynamic global economy. To remain relevant, they must understand emerging work options and develop collaboration, digital and global operating skills to help drive business value creation. In return, employees expect their employers to connect with them on a more meaningful level similar to how companies connect with their customers. For employers to meet this expectation they must provide not just a job but an experience that will offer rewards and work environments aligned with employees' changing needs and preferences.

Effective leaders and managers play critical roles in delivering a compelling employee value proposition (EVP) at the heart of the employee experience. Leadership, the top driver of sustainable engagement, is essential to success in today's ever-evolving business environment.

This report presents the key findings of two complementary research studies designed to capture both employee and employer perspectives on critical issues and trends in this new world of work.

- The 2016 Global Workforce Study measures the attitudes of a representative sample of over 31,000 employees around the globe to provide a detailed view into the expectations and concerns of employees.
- The 2016 Global Talent Management and Rewards Study captures the perspective of over 2,000 organizations – who collectively employ almost 21 million people worldwide – on key attraction, retention and engagement issues that are essential to the development of an effective employment deal and Total Rewards strategy.

The findings from this research will guide employers as they chart their own course in the high-stakes race to deliver human capital programs that attract, retain and engage talent critical to their future success.

Talent on the move puts value at risk

In today's shifting workplace, technology is disrupting jobs and labor markets. Almost 70% of respondents to a survey conducted by the World Economic Forum in partnership with Willis Towers Watson reported an increased use of digital media for work-related purposes over the prior three years.* Moreover, many of today's most sought-after specialties (e.g., cloud computing, mobile app design) did not even exist a decade ago. This disruption is causing a skilled worker deficit in certain areas (e.g., science, technology, engineering and mathematics [STEM] fields) and a low-skilled worker surplus in others (e.g., office support/administration, manufacturing/production). Moreover, half of organizations are either moving or plan to move away from middle-skilled jobs in favor of jobs that will require more skills – many of which are already in short supply – or jobs that will require fewer skills, possibly shrinking or eliminating the surplus of low-skilled workers.

To navigate this landscape, employers must actively monitor labor market conditions and take actions to stay ahead of changing employee expectations.

Labor activity continues to pick up

Hiring activity is accelerating globally, notwithstanding some regional experiences. Nearly half of organizations in both mature and emerging economies report that hiring has increased in the last year (with only 19% reporting a decrease in hiring activity).

Turnover is also rising globally and remains a challenge. More firms report that turnover has increased (35%) rather than decreased (19%) in the past 12 months. Thirty-seven percent of organizations in emerging economies report an increase in turnover, as do 33% of those in mature economies.

Employers in emerging markets find it difficult to attract employees with...

Attraction and retention challenges persist

Organizations continue to experience attraction and retention challenges globally. In particular, employers everywhere are finding it difficult to get and keep top talent.

- **Mature economies.** Mature economies are experiencing attraction and retention challenges at levels slightly higher than those seen in 2014. Twenty-eight percent of organizations report difficulties attracting employees, a five-percentage-point increase over two years. Moreover, over half of employers find it difficult to attract talent in key segments: critical-skill employees (55%), high-potential employees (54%) and top-performing employees (56%).

  Twenty percent of employers in mature economies say it's difficult to keep employees, while 16% held this view in 2014. These companies are experiencing the most challenges in retaining high-potential employees (47%) and top performers (44%).

- **Emerging economies.** In emerging economies there's no significant relief in sight, with 44% of employers reporting difficulties attracting employees. The challenges of attracting top talent remain at levels similar to those reported in 2014. Sixty-six percent report difficulties attracting employees with critical skills and over three-quarters indicate that they are experiencing challenges attracting high-potential (77%) and top-performing (76%) employees.

  Retention remains a challenge in emerging economies with 41% of organizations reporting difficulties keeping employees in general. Organizations in these economies also face continuing problems attracting top talent, although generally not to the same extent as in 2014. Fifty-nine percent say that it's difficult to keep critical-skill talent. Even more organizations say the same for high-potential (70%) and top-performing (65%) employees.

*Implications of Digital Media Survey, 2015, World Economic Forum

Understanding what employees value

Even as changes are reshaping the workplace, employees globally remain focused on the fundamentals when deciding to join or leave an organization. Employees are looking to work for organizations that offer fair and competitive base pay, opportunities for advancement and job security. While employers generally understand these priorities, their views diverge from those of employees in a few key areas.

When it comes to attracting employees, companies understand the importance of competitive base pay, career advancement opportunities and challenging work. But they overestimate the importance of their mission and values, and don't place enough emphasis on job security *(Figure 1)*.

Employers recognize the value that employees place on competitive base pay and career advancement opportunities when deciding to stay with or leave an organization *(Figure 2)*. However, they overlook the importance of the physical work environment and job security.

Employees are looking to work for organizations that offer fair and competitive base pay, opportunities for advancement and job security.

There's a clear disconnect between employers and employees regarding the value of job security as both an attraction and retention driver. But to compete for employees who value job security, it's essential to understand what these employees are actually seeking. Only about one in four (26%) employees who express a desire for job security are worried about losing their job *(Figure 3)*. For other employees, job security is a proxy for financial concerns, their own ability to handle changes or an expression of employees' support for the current direction of their organization. Organizations can address employee needs in these areas without unrealistic promises of guaranteed jobs and within the framework of the modernization agenda.

Figure 1. **Top global drivers of attraction**

	Attraction drivers – employer view	Attraction drivers – employee view
1	Career advancement opportunities	Base pay/Salary
2	Base pay/Salary	Job security
3	Reputation of the organization as a great place to work	Career advancement opportunities
4	Challenging work	Challenging work
5	Job security	Opportunities to learn new skills
6	Organization's mission, vision and values	Reputation of the organization as a great place to work
7	Opportunities to learn new skills	Health care and wellness benefits

Figure 2. **Top global drivers of retention**

	Retention drivers – employer view	Retention drivers – employee view
1	Career advancement opportunities	Base pay/Salary
2	Base pay/Salary	Career advancement opportunities
3	Relationship with supervisor/manager	Physical work environment
4	Ability to manage work-related stress	Job security
5	Opportunities to learn new skills	Ability to manage work-related stress
6	Flexible work arrangements	Relationship with supervisor/manager
7	Short-term incentives (e.g., annual bonus)	Trust/Confidence in senior leadership

Figure 3. **Job security and the modernization agenda are not irreconcilable**

Job security is a top driver of attraction and retention but can mean different things to different people.

Group	**Fearful**	**Stable and steady**	**Financially concerned**	**Making a career of it**	**In a good place**
	26%	24%	22%	10%	19%
Key characteristic	Don't want to lose my job	Don't want my job to change	Don't want to lose my paycheck	In it for the long haul	I'm happy, for now
Employers can offer	Career security through training to remain relevant in the new market	Integrated performance management to help employees to adapt to changing workplace needs Alternative work arrangements to allow employees to do same tasks for more than one employer	Total Rewards programs redesigned to help employees with concerns about budgeting and financial planning	Leadership and managers who support an innovative culture Greater use of pay programs with emphasis on long-term payoffs (career management, long-term incentive pensions)	Pay for performance and skills Training for highly valued skills to remain relevant in marketplace

Note: Percentages represent those who selected job security as a driver of retention and who fall into this group.

In addition, the importance of the physical work environment for retention likely reflects the growing diversification of office arrangements in many organizations, such as open-space plans, hoteling, and more collaborative work spaces and supporting technologies. Understanding how to optimize employee work environments to provide a compelling experience is an emerging trend in the ongoing challenge to retain talent.

In addition to attracting and retaining employees, companies must focus on engaging employees in order to achieve better financial results.

Because today's employees are geographically dispersed, working longer with fewer resources, sustainable engagement requires enablement and energy in addition to traditional engagement in order to achieve maximum impact on retention and performance. Our sustainable engagement model includes the following three key components:

1. *Traditional engagement,* which refers to a willingness to give discretionary effort
2. *Enablement,* which depends on a local work environment that supports productivity and performance
3. *Energy,* which results from a healthful work environment – one that supports employees' physical, social and emotional well-being

Figure 4. **Top global drivers of sustainable engagement**

	Sustainable engagement drivers
1	Senior leadership
2	Clear goals and objectives
3	Supervision
4	Image and integrity
5	Workload and flexibility

As in 2014, the foremost driver of sustainable engagement globally is leadership *(Figure 4).*

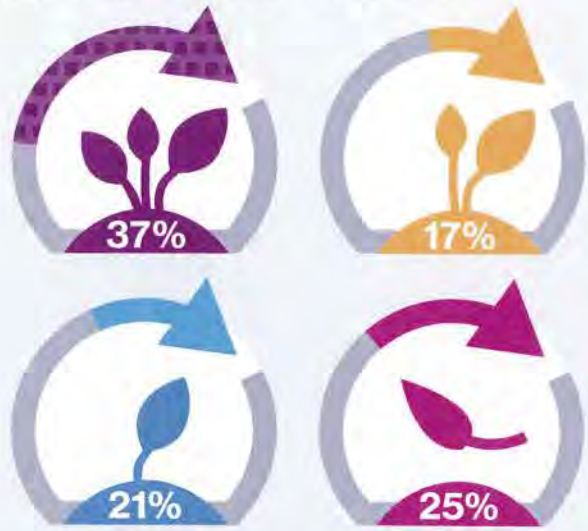
Overall, the combination of increased hiring activity, gaps in employer understanding of retention drivers and low levels of sustainable engagement creates considerable turnover risk.

How did employees score on sustainable engagement? There is considerable room for improvement as only slightly more than a third (37%) of employees globally are highly engaged, meaning they scored high on all three aspects *(Figure 5)*. A quarter of employees globally are disengaged in 2016.

Value at risk

Overall, the combination of increased hiring activity, gaps in employer understanding of retention drivers and low levels of sustainable engagement creates considerable turnover risk. In fact, fewer than half of workers (41%) globally say they intend to stay with their employer over the next two years by choice. Roughly a third of all professionals below the senior manager level are "soft stays" who will remain with their current employer because they do not believe they can find comparable options in other organizations *(Figure 6)*.

Figure 5. **Sustainable engagement segments**



- **Highly engaged:** those who score high on all three aspects of sustainable engagement
- **Unsupported:** those who are traditionally engaged but lack enablement and/or energy
- **Detached:** those who feel enabled and/or energized but lack a sense of traditional engagement
- **Disengaged:** those who score low on all three aspects of sustainable engagement

Figure 6. **A significant percentage of the workforce is at risk of leaving their organization within the next two years**

	Stayers	Soft stays	At risk	Leavers
Senior manager/Executive	42%	26%	18%	14%
Director/Manager/Middle manager	44%	32%	9%	15%
First-line supervisor/Team leader	43%	33%	7%	17%
Professional, nonmanagerial (including specialist/technician)	42%	32%	7%	19%
Administrative/Clerical (including sales associates and service workers)	38%	35%	7%	21%
Laborer/Manual worker (not a manager/supervisor)	40%	34%	5%	21%

Stayers – employees who prefer to remain with their current employer

Soft stays – employees who intend to remain with their current employer because they do not feel that they can find a comparable job elsewhere; however, if they could find another option they would take it

At risk – employees who prefer to remain with their current employer even if there is a comparable opportunity elsewhere but are likely to leave in the next two years

Leavers – employees who intend to leave their current employer within the next two years

New employees also represent a productivity drag on managers and other team members, adding significantly to the cost of turnover.

Actual and potential turnover among employees globally puts considerable value at risk in terms of productivity. Typically, it takes between five and nine months for employees to achieve full productivity depending on job level. Beyond this direct effect from their own reduced level of productivity during this period, new employees also represent a productivity drag on managers and other team members, adding significantly to the cost of turnover.

It's also possible to estimate the financial cost of employees at risk of turnover *(Figure 7)*. For example, at the senior manager/executive level, the cost of turnover equals 74% of annual compensation. Given that 31% of senior-level managers are at risk of turnover, the total value at risk due to senior managers' turnover is 23% of the total annual compensation. This value varies by job level and by organization – companies farther along on the modernization journey exhibit characteristics that can lower these costs – yet in every case represents a significant level of productivity and financial value at risk.

Figure 7. **The cost of turnover puts significant value at risk**

Job level	Financial cost of turnover (% of annual compensation)*	% of employees at high risk of turnover**	Financial cost at risk***
Senior manager/Executive	74%	31%	23%
Professional	59%	25%	15%
Sales and customer/Client management	59%	27%	16%
Business support	48%	27%	13%

*Financial cost of turnover (FCOT) measured in our proprietary benchmark database
**% at risk of turnover taken from 2016 Global Workforce Study results
***Financial cost at risk=FCOT × % at risk of turnover

The value of delivering a relevant EVP

To address engagement and turnover issues as well as accompanying productivity risks, it's critical for employers to understand employee expectations and preferences (see sidebar to the right).

Employees are looking for employers to connect with them on a meaningful and personal level similar to how companies connect with their customers and clients. Fifty-six percent of employees report that their employer should understand them as well as they are expected to understand their customers. However, only 39% report that their employers are meeting this expectation. This percentage represents a slight decline from 2014 when 43% of employees held this view.

This employee experience is part of the value exchange at the heart of the EVP (see sidebar below). The employee experience includes employees' interactions with the company, colleagues and customers; the work environment, and Total Rewards – which together, drive employee engagement. In return for delivering a meaningful and relevant employee experience, employers expect that employees will adopt the mindset and behaviors necessary to optimize their contribution to the organization's success.

Keeping up with employees' changing expectations

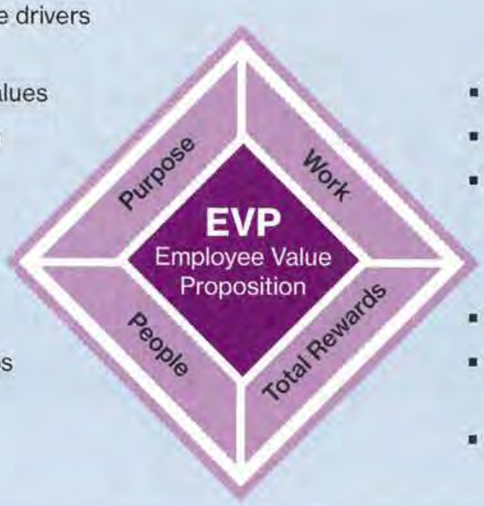
How do organizations stay up to date with the shifting needs and preferences of their employees? Companies across all industries globally are developing more agile employee listening strategies that go beyond exclusive reliance on the traditional employee survey. Today, advancements in technology make possible quarterly, monthly and even daily polls along with always-on tools, exit/onboarding surveys and a range of qualitative/unstructured alternatives – for example, online collaboration platforms and social media sites.

It's critical for employers to understand this broad set of solutions and how they can be best combined to form a comprehensive listening strategy. For a more in-depth discussion, please see "From survey event to listening strategy: capture the value of employee opinion."

Ensure the EVP articulates what the company delivers and expects in return

Structure the EVP to address employee drivers

- Company mission, vision and values
- Company image and reputation



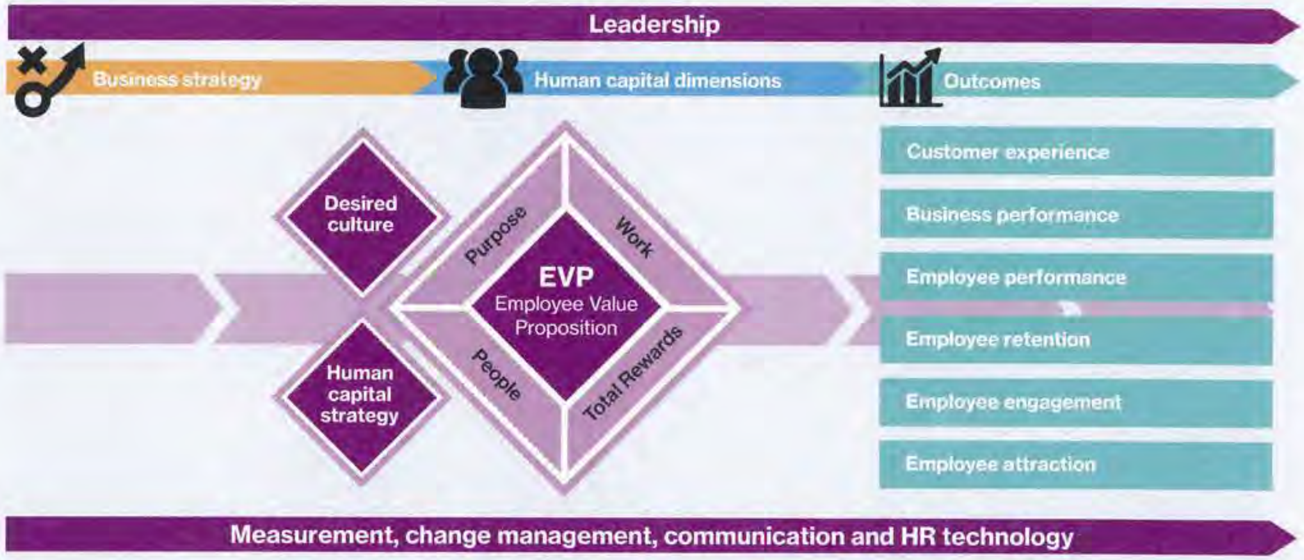
- Job content
- Work environment
- Tools and resources to do work

- Leadership
- Manager/employee relationships
- Peer relationships

- Foundational rewards
- Performance-based rewards and recognition
- Career and environmental rewards

Figure 8. **Modernizing your EVP should be accomplished in the context of an overarching human capital framework**

Organizations that align their human capital dimensions to business strategy achieve better outcomes



Only a quarter of employees report that their organizations have matured to the stage of best practice companies with highly evolved EVPs that are aligned with what they stand for in the marketplace and differentiated from those of other companies with whom they compete for talent. Employees of these EVP best practice companies tend to be among the most highly engaged.

To provide a framework for thinking about the elements that contribute to a modern EVP and accompanying talent and reward programs, we have developed the Willis Towers Watson Human Capital Framework *(Figure 8)*. This framework helps leaders make decisions about the strategy, design and delivery of their programs from an integrated, holistic perspective. And it emphasizes the critical role that leaders play in ensuring human capital dimensions align with and support achievement of the company's business strategy.

The value of getting the EVP right

To win in the new world of work, employers need to redefine their approach to developing an EVP that they can offer to current employees as well as potential job candidates (the candidate value proposition or CVP). Organizations stand to capture considerable value by getting the EVP right and connecting with their employees in a meaningful way. EVP best practice companies report:

- **Better understanding of their employees.** Seventy-eight percent of EVP best practice companies report that their organization understands employees as well as employees should understand their customers (compared with 46% of companies overall).
- **Higher levels of financial performance and sustainable engagement.** Best practice organizations with highly evolved EVPs are almost twice as likely (1.9 times) to report financial performance substantially above that of their peers and almost three times as likely (2.7 times) to say that their employees are highly engaged as organizations without a formal EVP.
- **Fewer attraction and retention difficulties.** Best practice organizations with highly evolved EVPs in mature economies report less difficulty attracting and retaining employees in general as well as top performers and employees with critical skills. Their counterparts in emerging economies report fewer difficulties getting and keeping employees for some employee groups, including top performers.

Overall, a strong EVP drives engagement, and highly engaged employees are less likely to leave their employers. In fact, 72% of highly engaged employees report that they would like to continue working for their current employer until they retire, as opposed to only 26% of the disengaged.

The investment organizations make in developing a relevant EVP and accompanying employee experience clearly delivers strong returns.

The critical role of effective leaders

An organization's leaders are ultimately accountable for both establishing and delivering on the company's EVP. Senior leaders and managers play critical roles in ensuring that the employee experience at the heart of the EVP enables the organization to connect with its employees in a meaningful way. So how do employers and employees rate their senior leaders and managers?

Senior leadership

Employees not ready to follow

Employees give their senior leaders low marks. Roughly half or fewer say that senior leaders at their organization are doing a good or very good job of growing the business (52%), managing costs (47%) or developing future leaders (39%). Among the next generation of leaders, just 46% say that senior managers are doing a good or very good job of developing future leaders.

Less than half of employees report that the senior leadership in their organization has a sincere interest in employee well-being (44%) or that they have trust and confidence in the job being done by the senior leadership of their organization (48%). Only half report that they believe the information they receive from senior leadership. We conclude that many employees are not ready to follow their current leaders and do not have great confidence in the next generation of leaders.

It is essential for organizations to address shortfalls in key aspects of leadership in order to craft a meaningful EVP and relevant employee experience.

The value at stake

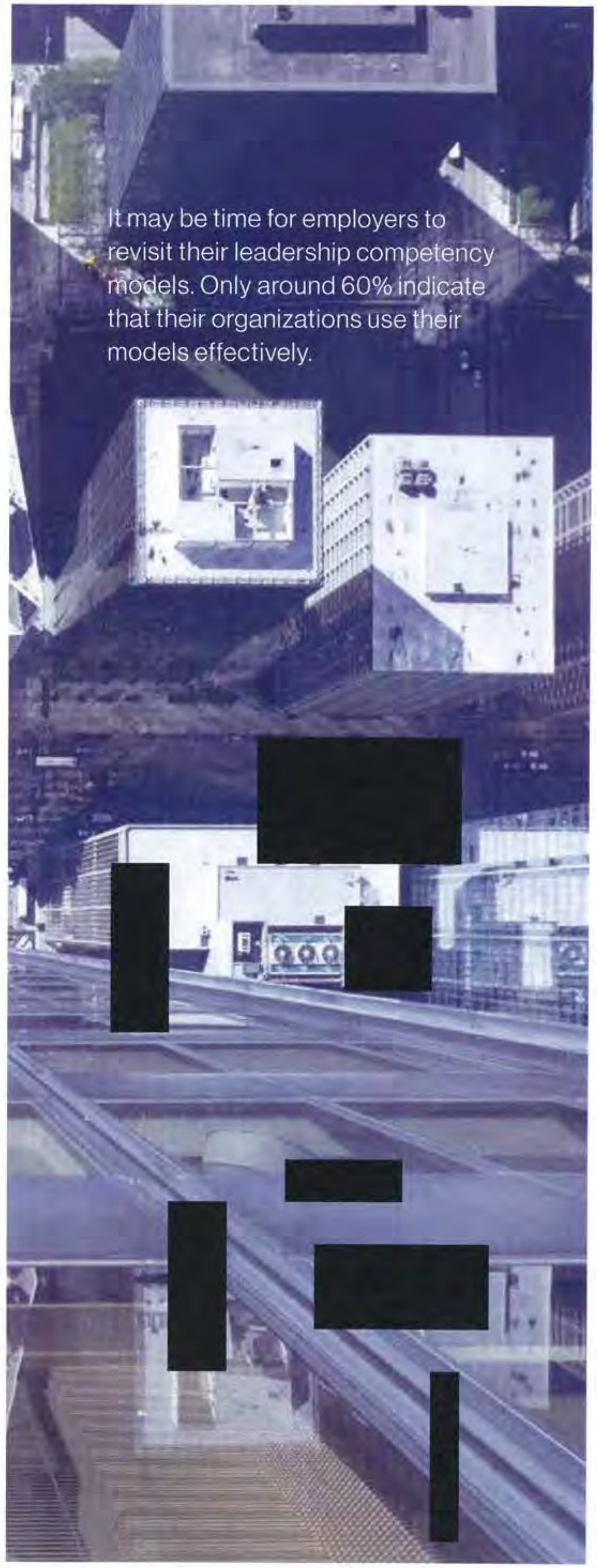
Employees' perception of their senior leaders is a key influencer in their decision to stay with or leave an organization. Leadership is the top driver of sustainable engagement in mature and emerging economies alike. Employees with positive perceptions of their leaders are much more likely to be highly engaged.

Employees say that **senior leaders** at their organization are doing a **good** or **very good job** of...

Time to reassess leadership competencies

Over half of employers indicate that their organizations develop leaders who will be able to meet changing business needs (64%) and hold leadership accountable for building the next generation of talent (53%). Yet given the low ratings from employees, it could be that organizations are overstating the effectiveness of their programs because they are more focused on meeting process objectives rather than the more difficult challenge of measuring results.

It may be time for employers to revisit their leadership competency models. Only around 60% indicate that their organizations use their models effectively.



What competencies should organizations be prioritizing in their models in order to develop effective leaders? Given that leadership continues to be the number one driver of sustainable engagement, employers can start by focusing on the competencies that support the drivers of employee engagement.

Our research shows that highly engaged employees are likely to give high scores to the following statements related to leadership competencies:

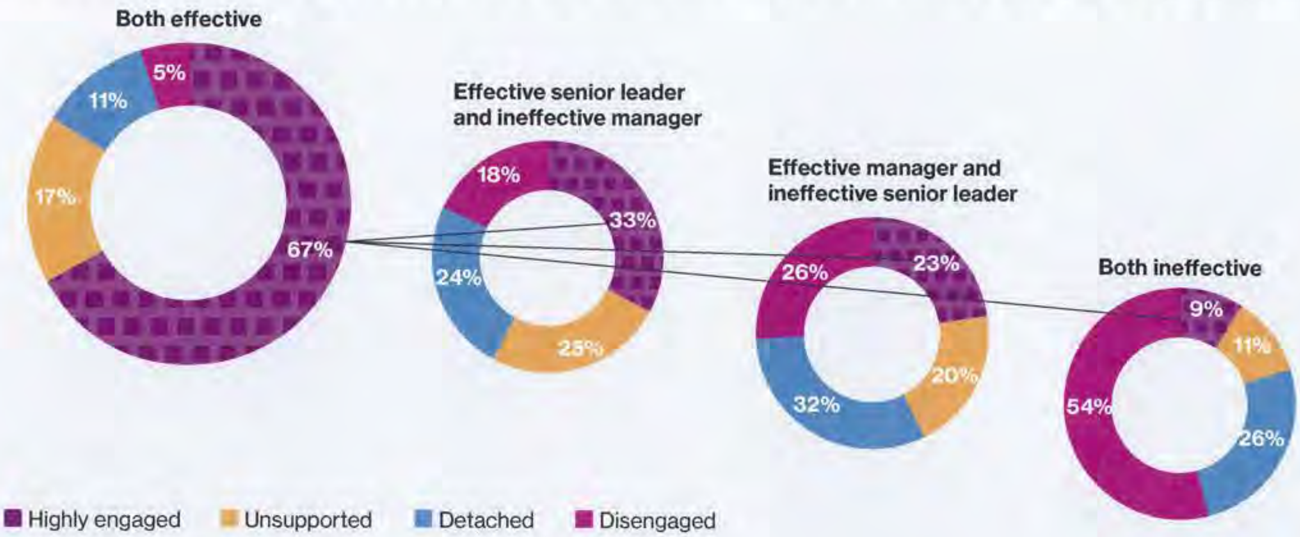
- I have trust and confidence in the job being done by the senior leadership of my organization.
- Senior leadership behaves consistently with the organization's core values.
- I believe the information I receive from senior leadership.
- Senior management is effective at growing the business.
- Senior management is effective at managing costs.
- Senior management is effective at developing future leaders.

Companies need to identify the drivers of sustainable engagement in their organizations, focus on defining the competencies that support those drivers and then hold leaders accountable for demonstrating the competencies that underpin effective leadership.

Make it relevant!

To develop more effective leaders: 1) build awareness within your organization of the importance of an effective leadership in delivering the EVP and driving higher levels of engagement; 2) revise your leadership competency model to focus on the skills and behaviors that affect an employee's intent to stay and his or her productivity; 3) use leadership assessment tools to identify who will make the best leaders and focus on the competencies that drive sustainable engagement.

Figure 9. **The bottom line: Employees with effective senior leaders and managers are much more likely to be highly engaged**



Source: Willis Towers Watson 2016 Global Workforce Study – Global
Note: Proportions may not sum up to 100% due to rounding.

Managers

Employees view managers more favorably than HR

Employees have a generally favorable view of their immediate manager and give him or her higher ratings than the HR organization does. While employees recognize their manager's shortcomings in specific areas such as performance management and career advancement, this does not seem to affect their overall perception of their manager's effectiveness. In fact, 63% say their immediate manager is effective at his or her job.

However, only 45% say that the people manager role in their organization is respected. Why? Fewer than half (46%) think their manager has enough time to handle the people aspects of the job. And employees think that managers lack skills and tools in critical areas such as performance management.

The value at stake

An employee's relationship with his or her immediate manager is a key driver of retention and sustainable engagement.

Both supervision and leadership are drivers of sustainable engagement. However, the employees who perceive both their manager and senior leaders as effective are the most likely to be highly engaged *(Figure 9)*. Just 9% of employees who do not think either their manager or senior leaders are effective within their organization are highly engaged. When one of them is effective that number rises by 14% (if their manager is effective) or 24% (if the senior leaders are effective). But when both are effective, the percentage of employees who are highly engaged rises to 67%.

Make it relevant!

To improve the effectiveness of your managers, ensure they: 1) have the time to do their job well, 2) listen to and treat their employees with respect, 3) have the right tools and training in areas ranging from performance management to career development, 4) offer dual career tracks to help ensure the employees you promote to managerial positions are those best suited for the role versus employees seeking management positions solely for the opportunity to enhance their compensation, 5) use formal assessments to identify the best candidates for the manager role, and 6) make sure leaders and managers are aligned so that employees see both of them working together effectively.

How can employers enhance their EVP to remain relevant?

Step 1: Start with effective recruiting, onboarding and staffing.

Eighty-three percent of best practice organizations with a highly evolved EVP support the full employee life cycle, including recruiting and onboarding, while only 9% of organizations without a formal EVP do so.

HR software – specifically for talent assessment and onboarding – can help organizations ensure they recruit the right candidates and that new hires become fully productive faster. The vast majority of employers (70%) say that they currently have recruiting and onboarding software in place, and 20% plan to acquire this software in the next year or two.

However, employers can improve their use of software and online resources overall.

- **Develop a skills inventory**. Only 33% of employers say they maintain an inventory of employee skills to help match people to roles and assignments. An inventory of employee skills and identification of skill gaps can help employers ensure they recruit, hire and staff the right talent.
- **Use social media for brand building.** While employers are using social media to find candidates by posting jobs to sites such as LinkedIn, fewer than half (46%) report that they post content (other than job ads) to build the employer brand. By posting content about their brand on social media, organizations can raise the visibility of their culture and employee experience among high-value candidates.

Step 2: Focus on core practices and what matters most to employees.

The drivers of attraction, retention and sustainable engagement should be top of mind as employers look to modernize and improve their EVP. Our survey findings reveal employee and employer perspectives on the following key drivers and evolving best practices.

Base pay

Various factors contribute to the underlying pressure on base pay.

- Many employees are dealing with financial concerns that can distract from work and negatively affect productivity. Almost half of employees (49%) say that they often worry about their current financial state, and 53% report that they often worry about their future financial state.
- There's a growing expectation of openness and transparency regarding pay and pay equity issues. Legislative or disclosure changes in many countries, including the U.K. and U.S., are likely to increase the need for pay transparency.
- It's becoming easier for employees to gather salary information from online sources. Many employees have taken advantage of the opportunity to research online what people with jobs similar to theirs get paid at other firms (one in six in the last month).
- Despite the high prevalence of eligibility for other forms of rewards, for most employees, base pay remains the largest slice of the Total Rewards pie and is critical to meeting their fundamental financial needs.

50% of employees think they are **paid fairly,** but **one in five disagrees.**

How do employees view current base pay practices? Employees tend to think they are paid fairly relative to people holding similar jobs in other organizations – *however, the numbers are weak.*

- Half (50%) think they are paid fairly, but one in five disagrees.
- Only three out of five employees (62%) indicate that they understand how base pay is determined.
- Employees don't have a good understanding of relative pay. Only about half say they understand how their total compensation compares with that of the typical employee in their organization (47%) and with the typical employee in other companies like theirs who holds a similar job (44%).

Employers tend to hold managers at least partly responsible for the low effectiveness of base pay, with only 51% saying that their managers execute base pay well. And almost one in five (18%) disagrees with the statement that managers are effective at fairly reflecting performance in pay decisions, indicating a need for improved pay equity.

Employers also seem to recognize that program design could be an issue. Over 50% have already taken action, or are planning or considering taking action to change the criteria for base pay increases. But are they paying sufficient attention to the right factors?

The value at stake

Base pay continues to be the top driver of attraction and retention for employees in both mature and emerging economies. In addition, the perception of fairness in base pay is linked to an employee's engagement, which, in turn, drives productivity and financial performance.

Over half of employees who say they are paid fairly compared with people in other companies with similar jobs and compared with people in their organization with similar jobs are highly engaged.

Managers take a broader view of merit pay criteria

Our 2015 Talent Management and Rewards Pulse Surveys revealed HR's perception that managers are taking a more holistic and forward-looking perspective on the factors used to make merit increase decisions than is called for in their company's plan design. In this year's research, managers confirmed that they are equally likely to give weight to employee potential, skills required for future success, achievement of team goals, internal equity and market competitiveness. However, manager and employer perspectives differ in the following areas:

- Almost 60% of managers say *perceived potential* affects merit increase decisions versus 41% of HR professionals who say it should.
- 63% of managers say *possession of skills critical to future success of the organization's business model* affects merit increase decisions versus 46% of HR professionals who say it should.

Employers may be underemphasizing the criteria critical to the future growth of the business and rewarding past performance instead.

- 66% of managers say *achievement of team goals* affects merit increase decisions versus 49% of HR professionals who say it should.
- Managers are also more concerned than HR professionals about *internal equity* (52% versus 42%) and *market competitiveness* (55% versus 48%) in making merit increase decisions.

Seventy-two percent of employers say that an employee's final year-end rating should be considered in making merit increase decisions in contrast to just 63% of managers who say it does affect their decisions. In fact, only half of managers report that formal performance ratings are effective at driving higher levels of performance among their direct reports.

A clear disconnect exists between how managers are currently making reward decisions, the program design, and the tools and processes provided by HR. Employers may be underemphasizing the criteria critical to the future growth of the business and rewarding past performance instead.

Employers need to address internal pay equity

Only 51% of employees believe they are paid fairly compared with others in their organization in similar roles; this isn't surprising given that only 60% of organizations have a formal process in place to ensure fairness in compensation distribution. Consequently, employers have significant room for improvement in this area.

Make it relevant!

To modernize your base pay practices: 1) adopt a more holistic approach to making merit increase decisions that assesses not only an individual's past performance, but also future potential and ability to contribute to a team; 2) conduct a pay equity analysis and develop an action plan to address pay equity issues; and 3) improve communications in the area of rewards and base pay to increase transparency and enhance the perception of fairness. Using a multichannel approach, target communications about base pay policies to different workforce segments.

Pay for performance

To ensure that base pay and incentive compensation becomes a valuable component of the EVP, employers need to address shortfalls in key areas, especially those related to pay for performance:

- Only 40% of companies think base salary increases are effective at driving higher individual performance. Managers hold a similar view. Fewer than half (48%) say that annual base salary increases are effective at driving higher levels of performance among their direct reports. However, this figure increases to 51% among managers who spend seven or more hours per employee on performance management, compared with only 37% for managers who spend two hours or less per employee. The time managers invest in performance management activities appears to influence their perception of the effectiveness of base pay increases.
- Slightly more than half (55%) of employers report that base salary increases are effective at differentiating pay based on individual performance. And only 49% of managers say that annual base salary increases are effective at differentiating pay based on performance among their direct reports. This figure rises to 54% among managers who spend seven or more hours per employee on performance management, compared with 36% for those who spend two hours or less. Regardless, there is still significant room to improve the effectiveness of base pay salary increases when it comes to differentiating pay based on individual performance.
- Looking at bonuses, only one-half of companies (50%) and 52% of managers think that short-term incentive programs are effective at driving higher individual performance. And only 52% of both groups think that short-term incentive programs are effective at differentiating pay based on individual performance.
- As far as employees are concerned, less than half (45%) say there is a clear link between their performance and their pay; only 62% say they understand how their base pay is determined, and barely more than half (54%) understand how their bonus is determined.

These findings on the lack of pay-for-performance differentiation are supported by this year's data on the downside and upside of bonus awards based on performance. While employees who partially met expectations saw their bonus award cut in half relative to target, the very best performers (the roughly top 10% who far exceeded expectations) received bonuses that only exceeded target by 20%. Clearly, there is an opportunity to improve the execution of pay-for-performance promises.

The value at stake

Pay-for-performance programs customized for critical workforce segments provide a source of competitive advantage. These programs form a critical component of a highly evolved EVP, essential to attracting, retaining and engaging top talent.

Make it relevant!

To improve the effectiveness of your pay-for-performance program: 1) determine the performance dimensions (e.g., results, potential, behaviors, culture) to be rewarded by talent segment; 2) choose the right combination of reward vehicles (this may involve broadening the scope of reward programs to include components such as career management and paid time off); and 3) ensure all leaders and managers engage in an ongoing dialogue with employees on performance.

While employees who **partially met** expectations saw their **bonus award cut in half** relative to target, the very **best performers** (the roughly top 10% who far exceeded expectations) received bonuses that only **exceeded target by 20%.**

Performance management

Over two-thirds (67%) of employers say that the performance management process in their organization is effective at driving high performance across the workforce.

But employees disagree and give employers mediocre ratings on key aspects of performance management.

- **Program effectiveness**
  In many cases, performance management reviews have become simply a compliance exercise with little impact on future results, prompting employees to question the purpose of performance management.

  Fewer than half (48%) of employees report that performance reviews have helped improve their performance. And barely one-half (52%) think their performance was accurately evaluated in their most recent review. As noted above, pay-for-performance elements fall short, with only 45% of employees saying there is a clear link between their work performance and pay. And fewer than half (46%) indicate that high performers are rewarded for their performance.

  As already indicated, fairness is an issue for many employees. Only 55% of employers report that their organization has a formal process to ensure there is no bias or inconsistency in performance reviews. In the new world of work, where fairness and transparency are high priorities, this figure should be much closer to 100%.
- **Communication**
  For performance management to be effective, employees must understand the process. Yet only half (50%) say their organization does a good job of explaining the performance management process. Effective performance management relies on a continuous discussion-based process that involves providing feedback in a nonjudgmental way and having focused conversations on the type of performance – including fulfillment of accountabilities, possession of necessary skills and demonstration of desired behaviors – required to increase business impact.

Employees who find the performance management process effective are more likely to be highly engaged.

- **Manager's role**
  For many employees, their poor perception of performance management is due to a lack of manager capacity and capability. Among employees not reporting that their performance reviews helped improve their performance, over a fifth say that their managers do not have the time (20%) or skills (23%) to do performance management well. And employees who did find their performance reviews helpful indicate that their manager having the necessary skills is the leading facilitator of performance management.

  Poorly equipped, time-pressed managers are less likely to provide helpful feedback to their direct reports. Among employees who did not indicate that their performance reviews were effective in helping improve performance, over a third (34%) cite a lack of effective feedback as a barrier to their performance management experience. It's not surprising then that only 44% of employees report that their manager coaches them to improve their performance.

The value at stake

Employees who find the performance management process effective are more likely to be highly engaged. Over half of those (58%) who say that their performance review has helped them improve their performance are highly engaged versus 9% who are disengaged. Moreover, 55% of employees who indicate that their performance was accurately evaluated in their last review are highly engaged.

Employers take action to improve performance management

Only 51% of employers say that performance management is effective at creating a positive employee experience. But rather than scrapping the performance management process altogether, most employers are taking actions to improve their existing process.

Some of these actions target areas where employers perceive their managers to be ineffective:

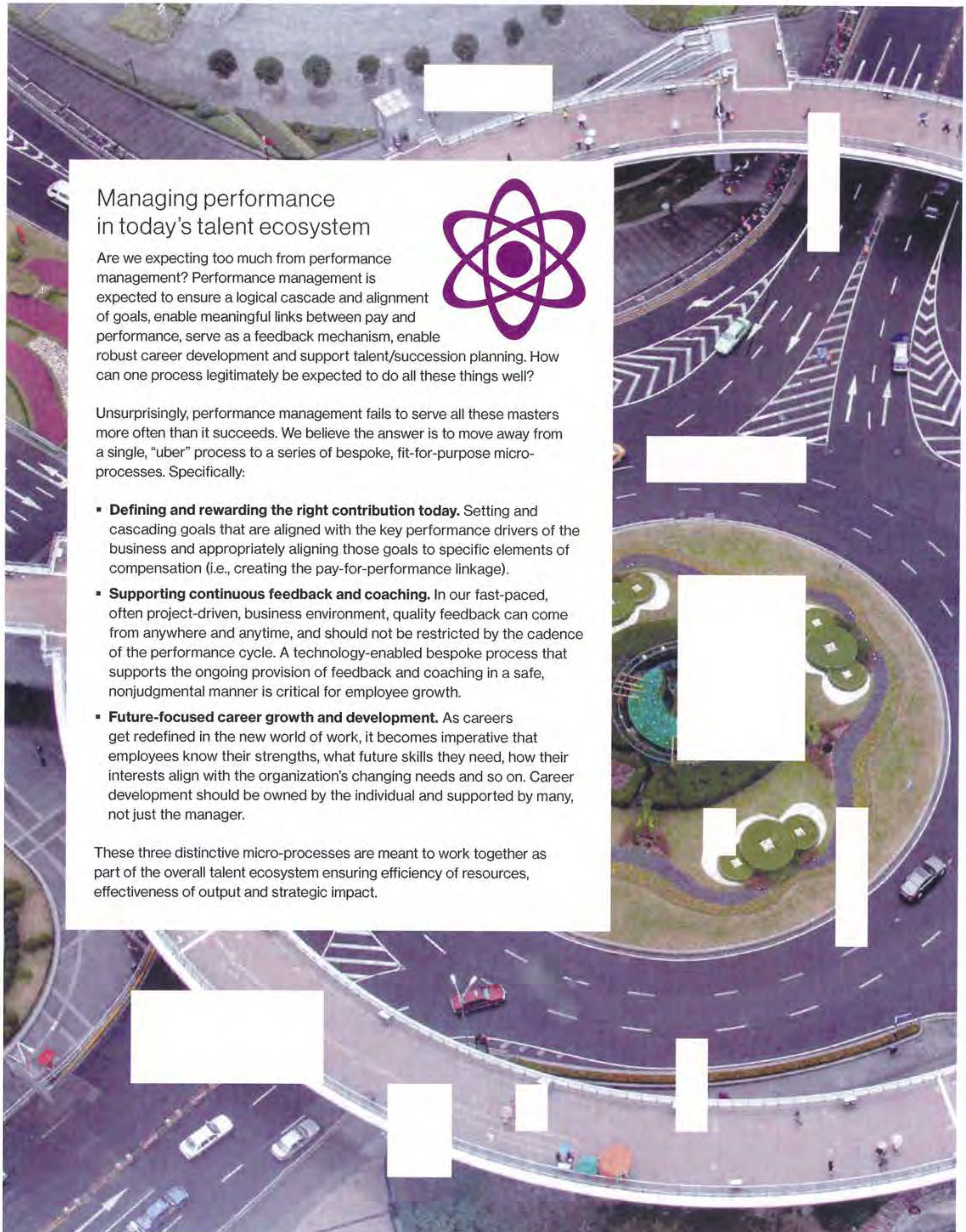
- **Coaching and feedback.** Only 35% of employers say their managers are effective at giving employees regular coaching and feedback on their performance. To improve this situation, a majority of employers have already taken action (33%), or are planning (23%) or considering taking action (24%) to increase frequency and improve the quality of performance conversations/dialogues between manager and employee.
- **Use of software.** Employers give managers low scores on the use of software in the performance management process. For example, only 38% say managers are effective at utilizing software to facilitate continuous feedback. This may have contributed to employers' decision to implement new enabling technology such as mobile platforms that facilitate continuous feedback. Over half of employers have either taken action (15%), or are planning (16%) or considering taking action (21%) to implement new technology in this area.

Employers are also taking action to align themselves with managers' more forward-looking perspectives on performance management. Twenty-eight percent have already taken action, and 45% are planning (20%) or considering taking action (25%) to use performance management to evaluate future potential.

Ensure managers focus on high-value activities

To make the most of these efforts, employers need to ensure that managers spend their time on the activities that will most help improve performance.

Our findings reveal that in a typical year, 53% of managers report spending four hours or less per employee on performance management. Twenty-two percent spend five or six hours per employee. Among employees who did not agree that their performance reviews helped them improve their performance, 20% think their managers lack the time to devote to effective performance management. In many cases, managers are spending too much time on administrative activities. To improve performance management, organizations need to find ways to reduce the amount of time managers spend completing forms. Even among managers who spend less than two hours per direct report on performance management, managers are still more likely to report spending too much time on forms.



Managing performance in today's talent ecosystem

Are we expecting too much from performance management? Performance management is expected to ensure a logical cascade and alignment of goals, enable meaningful links between pay and performance, serve as a feedback mechanism, enable robust career development and support talent/succession planning. How can one process legitimately be expected to do all these things well?

Unsurprisingly, performance management fails to serve all these masters more often than it succeeds. We believe the answer is to move away from a single, "uber" process to a series of bespoke, fit-for-purpose micro-processes. Specifically:

- **Defining and rewarding the right contribution today.** Setting and cascading goals that are aligned with the key performance drivers of the business and appropriately aligning those goals to specific elements of compensation (i.e., creating the pay-for-performance linkage).
- **Supporting continuous feedback and coaching.** In our fast-paced, often project-driven, business environment, quality feedback can come from anywhere and anytime, and should not be restricted by the cadence of the performance cycle. A technology-enabled bespoke process that supports the ongoing provision of feedback and coaching in a safe, nonjudgmental manner is critical for employee growth.
- **Future-focused career growth and development.** As careers get redefined in the new world of work, it becomes imperative that employees know their strengths, what future skills they need, how their interests align with the organization's changing needs and so on. Career development should be owned by the individual and supported by many, not just the manager.

These three distinctive micro-processes are meant to work together as part of the overall talent ecosystem ensuring efficiency of resources, effectiveness of output and strategic impact.

Figure 10. **Managers say they spend too much time filling in forms and participating in calibration sessions and not enough time on collecting feedback, setting goals and discussing individual performance**

		Time spent per employee				
		2 hours or less	3 or 4 hours	5 or 6 hours	7 or 8 hours	9 or more hours
The amount of time spent completing forms	Too little time	12%	4%	6%	6%	4%
	About right	67%	72%	69%	68%	64%
	Too much time	21%	23%	24%	26%	32%
	Net	9%	19%	18%	19%	27%
The amount of time spent in ongoing conversations with employees about their individual performance, helping employees set performance goals or objectives and collecting feedback from colleagues	Too little time	38%	34%	30%	27%	27%

In regard to higher-value activities such as collecting feedback, having ongoing conversations with employees or helping employees set goals, the percentage of managers who say they spend too little time on these activities drops by 11 percentage points for those who spend seven or eight hours per direct report on performance management compared with those who spend fewer than two hours *(Figure 10).*

Make it relevant!

To develop a performance management program that will deliver business impact: 1) establish cascading goals aligned with key business performance drivers and link goals to pay-for-performance programs; 2) consider future potential as well as past performance in your reviews – taking a longer-term, more holistic view of performance; 3) use a continuous discussion-based process instead of a static year-end assessment (make certain that your managers' efforts are focused on coaching employees to achieve their fullest potential); 4) ensure that your managers have adequate training on how to effectively execute their performance management accountabilities, e.g., providing feedback and coaching; and 5) provide training for managers on the use of performance management software to help minimize time spent on completing forms.

[redacted]

Figure 11. **Close to one-half of high-potential employees think they need to leave their organizations in order to advance their careers**

Career management

Employees give career management a thumbs down

Career advancement opportunities are among the top three drivers of attraction and retention globally. Yet over half of employees (54%) say that career advancement opportunities have remained the same over the past 12 months.

Only 43% of employees think that their organization does a good job of providing advancement opportunities. In fact, over 40% of employees think they need to leave their organization to advance their careers *(Figure 11)*.

Employees cite two key barriers in this area: ineffective supervisors and poor use of technology.

- **Supervisors.** Eleven percent of employees report that they did not have a career development discussion with their immediate supervisor in the past year. And only 38% report that their immediate supervisor helps with career planning and decisions.
- **Technology.** Only 47% of employees indicate that their company makes effective use of technology to help them advance their careers.

The value at stake

Effective career management is a key driver of attraction, retention and engagement. Of employees who say that their organization does a good job of providing opportunities for advancement, 61% are highly engaged, while only 9% are disengaged. Of the employees who indicate that their organization provides career planning tools and resources that are helpful, three in five are highly engaged and a mere 9% are disengaged.

Employers understand issues but investment falls short

Overall, almost 70% of employers say their career development processes are effective at providing traditional career advancement opportunities to employees (e.g., vertical moves/promotions, lateral moves). But meaningful career management in the new world of work requires a focus on the employee experience and skills development versus jobs and levels.

Employers recognize their shortcomings in key areas:

- **Technology.** Only 37% indicate their organization is effective at using technology to provide employees access to career management tools and resources. Less than half (49%) report that their organization is effective at using technology to provide employees access to employee learning and development programs.
- **Managers.** Only 39% of employers say their managers are effective at identifying development opportunities. And a mere 30% report that their managers are effective at conducting career development discussions.
- **Nontraditional advancement opportunities.** Only half say their organization's career development processes are effective at positioning career growth and movement opportunities to enhance skills and gain new experiences (e.g., special assignments, across or outside the organization).

Moreover, employers are not adequately investing in essential areas. Few say that their components of career planning and growth include the following: 1) defined lateral career paths (37%), 2) emphasis on dual career paths for people managers (33%), and 3) integration with technology systems such as HRIS (human resource information systems) and employee portals (35%) and employee self-service tools (29%).

By increasing requirements for some jobs and lowering requirements for others, organizations are eliminating opportunities in the middle and reducing the possibilities for traditional career advancement within the organization.

In addition, going forward, technology will have a greater impact on how employers design jobs. Seventeen percent of employers say they are changing the way they design jobs so jobs can be done by employees with lower skills, and 33% expect to do so in the next three years. Twenty percent say they are changing the way they design jobs so jobs can be done by employees with more skills, and 30% expect to do so within three years. It is critical for organizations to monitor this trend to better understand how this might impact career advancement opportunities – for example, a greater focus on career experiences and job expansion over promotion through a series of levels. By increasing requirements for some jobs and lowering requirements for others, organizations are eliminating opportunities in the middle and reducing the possibilities for traditional career advancement within the organization.

Finally, it's important for employers to ensure that career management is integrated in other aspects of talent management and reward programs – for example, career discussions should be a key part of performance management, and training opportunities and mentoring programs should be an integral part of Total Rewards.

Make it relevant!

To modernize your approach to career management: 1) audit your baseline job architecture for relevance to the organization and alignment with your talent strategy; 2) ensure that your managers are trained to have effective career planning discussions (even in low-growth environments where it may be difficult to provide career opportunities for all, it's essential for managers to help employees understand and appreciate all of the opportunities that do exist); 3) invest in technology to provide managers and employees with career management tools and career development programs; 4) offer employees lateral career paths, dual career paths and nontraditional advancement opportunities such as special assignments, skill-building experiences and secondments; and 5) look for ways to design jobs that not only capture the changing nature of work but also can facilitate skill growth and career development for employees.

Modernization starts with a more relevant value exchange

Success in the new world of work requires a rethinking of the employer-employee relationship and the value exchange at the heart of the EVP.

While base pay may be the leading driver of attraction and retention, our findings show that a broader set of factors influences employees' decision to join and stay with a company. Employees are looking for more than a job – they expect a personalized work experience aligned with their values and preferences. The scope of the work experience encompasses all employee interactions with customers, nonemployee talent, other employees, and managers and leaders, and also includes the physical work environment and Total Rewards as well as supporting tools and resources.

By creating more relevant employee experiences, companies will be able to connect with employees on a deeper level. This requires adopting a mindset that prioritizes the following elements.

- **Senior leaders and managers.** Senior leaders are ultimately accountable for delivering the EVP and accompanying employee experience. To achieve this objective, they must prioritize building trust-based relationships with their employees and developing the next generation of leaders by focusing on the leadership competencies that both support business objectives and drive sustainable engagement within their organizations.

  In addition, senior leaders must ensure that managers have the aptitude as well as the training, resources and time necessary to fulfill their critical role in the organization. The manager is also a leader but affects employees in different ways than senior leaders or executives (see sidebar, page 23).

Employees are looking for more than a job — they expect a personalized work experience aligned with their values and preferences.

- **Transparency.** Transparency in all aspects of the work experience from base pay policies to performance reviews to career advancement opportunities promotes a sense of fairness and openness that is a growing employee expectation. Moreover, a lack of clear information about the organization and its policies may prompt some employees to turn to less reliable external sources of information.
- **Flexibility.** In an environment where employees have a wider range of work options, it's essential to offer alternative career paths (e.g., lateral or dual career paths) and nontraditional opportunities for skill development such as special assignments. Flexibility also involves providing employees with online training and development resources they can access as their schedule permits. In addition, it's critical for employers to be open to flexible work arrangements in terms of where and how work gets done.
- **Performance management.** Employers need to adopt a more holistic view of performance. It's essential for companies to define the type of performance (e.g., individual versus team) they are measuring and rewarding, and to determine how this might differ by employee segment. Individual performance goals should support strategic business priorities and link to specific elements of compensation, thus creating a pay-for-performance connection. Finally, to ensure the right performance is always top of mind, employers should engage in an ongoing performance dialogue with employees.
- **Pay for performance.** As the world of work, job definitions and expectations continues to evolve, companies need to leverage improved performance management processes to deliver on their pay-for-performance promise. It's time to rethink the basis for determining increases to base salaries and to improve the differentiation in bonus awards to reflect actual performance outcomes.

What makes an effective leader?

Three key aspects contribute to overall leadership effectiveness:

Professional
The expertise and technical knowledge critical to service and product delivery

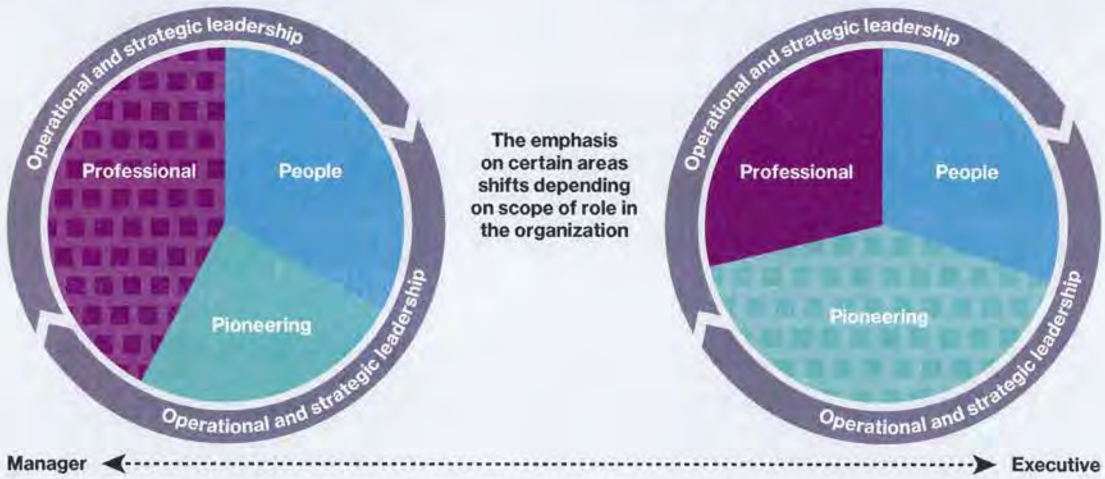
People
The people-related skills needed to engage, promote collaboration and manage a wide range of teams

Pioneering
Enterprising and out-of-the-box thinking necessary to implement change and grow the business

Our research indicates that the emphasis on performance factors changes, depending on leadership level.

Managers tend to focus more on the **professional** side than on other levels of leadership. And the impacts they create are related more to operational activities.

Successful **executives** focus more on the **pioneering** factor – but they don't lose focus on professional or people; they are still bringing their domain expertise to bear, and industry leadership. Additionally, the people side of their role is still a key area of focus.



- **Technology enablement.** Technology enables organizations to transform how work gets done and, by extension, the employee experience. The increased use of digital media is changing employees' expectations about how they can connect and collaborate at work.* Smart companies are also investing in HR software in areas ranging from onboarding to talent and compensation management in order to improve the employee experience.

Employers stand to realize significant business value by creating work experiences enabling them to connect with employees in both traditional and alternative work arrangements in a more relevant way. Not only will companies be better equipped to attract new employees, but also they will be better able to keep employees highly engaged and drive behaviors critical to achieving their desired business outcomes. This approach will reduce the value at risk as fewer employees will have one foot out the door.

In the new world of work, employers face a stark choice: modernize the value exchange that serves as the basis for their EVP or risk irrelevance. A strong EVP, including a meaningful employee experience, will go a long way toward reducing turnover, improving engagement levels and increasing productivity as well as financial performance.

*"Digital Media and Society: Implications in a Hyperconnected Era," World Economic Forum in Collaboration with Willis Towers Watson, January 2016. http://www3.weforum.org/docs/WEFUSA_DigitalMediaAndSociety_Report2016.pdf

About the studies

The **Willis Towers Watson Global Talent Management and Rewards Study** was fielded from April to June 2016 in 29 countries. It includes responses from over 2,000 participating organizations representing a workforce population of almost 21 million employees worldwide. The participants represent a wide range of industries and geographic regions.

The **Willis Towers Watson Global Workforce Study** covers more than 31,000 employees selected from research panels that represent the populations of full-time employees working in large and midsize organizations across a range of industries in 29 countries around the world. It was fielded during April and May 2016.

For more information, please visit https://www.willistowerswatson.com/en/insights/2016/09/employers-look-to-modernize-the-employee-value-proposition.

Final participation results

Global Workforce Study (GWS): More than 31,000 responses across 29 markets
Global Talent Management and Rewards Study (TM&R): A total of 2,004 organizations across 29 markets

North America	GWS	TM&R
Canada	✓	✓
U.S.	✓	✓

Latin America	GWS	TM&R
Argentina	✓	✓
Brazil	✓	✓
Chile	✓	✓
Mexico	✓	✓

TM&R includes one submission from Ecuador

EMEA	GWS	TM&R
Belgium	✓	✓
France	✓	✓
Germany	✓	✓
Ireland	✓	✓
Italy	✓	✓
Netherlands	✓	✓
Saudia Arabia		
Spain	✓	✓
Sweden*		✓
Switzerland	✓	✓
Turkey	✓	✓
U.A.E.	✓	✓
U.K.	✓	✓

TM&R includes submissions from other EMEA countries, including Saudi Arabia (22)

APAC	GWS	TM&R
Australia	✓	
China	✓	✓
Hong Kong	✓	✓
India	✓	✓
Indonesia	✓	✓
Japan	✓	✓
Korea	✓	✓
Malaysia	✓	✓
Phillipines	✓	✓
Singapore	✓	✓
Taiwan	✓	✓
Thailand*		✓

TM&R includes submissions from Australia (1) and Myanmar (1)

*Did not field GWS; GWS fielded in all other countries listed, plus Australia and Saudia Arabia

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 39,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

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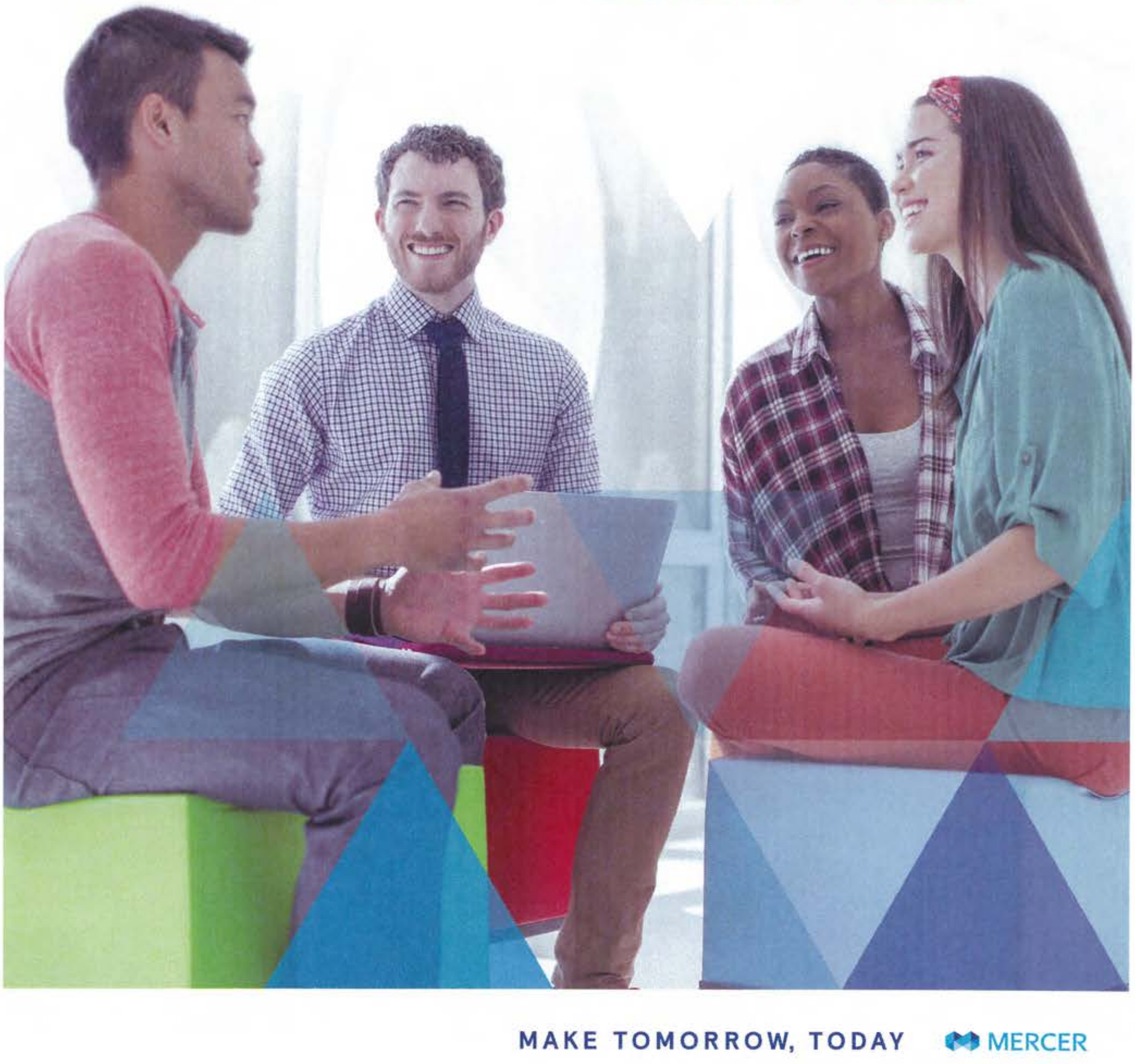
HEALTH WEALTH CAREER

MERCER TALENT TRENDS

2017 GLOBAL STUDY

EMPOWERMENT IN A DISRUPTED WORLD



MAKE TOMORROW, TODAY

MERCER

THREE PERSPECTIVES ON

THE FUTURE OF WORK

400+ business executives
1,700+ HR professionals
5,400+ employees
From **37** countries
and **20** industries

We asked about topics as diverse as:

- The biggest disrupters on the horizon
- What executives are planning in the next few years
- How HR thinks jobs will change
- Which skills are most in-demand and how best to develop them
- What employees want more/less of in the workplace

WHAT'S INSIDE

4 TRENDS TO WATCH IN 2017

- GROWTH BY DESIGN
- A SHIFT IN WHAT WE VALUE
- A WORKPLACE FOR ME
- THE QUEST FOR INSIGHT

LEAP FORWARD: ADVICE TO STAY AHEAD

- ATTRACT & RETAIN TOMORROW'S TALENT
- BUILD FOR AN UNKNOWN FUTURE
- CULTIVATE A THRIVING WORKFORCE

IMPLICATIONS FOR HR

- TOP TIPS TO WIN THE TALENT WAR
- PRIORITIES FOR THE HR FUNCTION OF TOMORROW

SETTING THE CONTEXT

2017 has kicked off with a bang, but the optimism shown in the markets has not appeased the lingering concerns from HR and employees following a year of uncertainty and volatility. Conflict in the Middle East continues unabated, the fate of the European Union is in question, and anti-establishment sentiment is at an all-time high. Across the world, disruptive events at the ballot box and on the streets have provided a wake-up call to political and business leaders.

Rising nationalism is straining global cooperation, and economic problems have resulted in stagnant growth, unemployment, and productivity challenges. Fiscal fragility in many emerging markets and the pressure on social protection systems is compounding the stress on individuals and families.

IN THIS CLIMATE, IT IS MORE IMPORTANT THAN EVER BEFORE FOR COMPANIES TO TAKE A LEADING ROLE IN CARING FOR THE HEALTH, WEALTH, AND CAREERS OF THEIR WORKFORCE.

The fourth industrial revolution is upon us and is fast becoming a workplace reality. Artificial intelligence, robotics, 3-D printing, drones, and wearables are rapidly integrating into the work environment. Technology is enabling us to stay connected and give real-time feedback more than ever before. At the same time, business models are adjusting to take advantage of contract or contingent workers — in part to address the talent scarcity challenge but also in response to what people say they want out of a job. These forces are changing the notion of what it means to be an "employee," which has far-reaching implications and demands a re-think of how we prepare for the future.

The critical trends that are reshaping the world of work are colliding with the changing demographic profile of employees and shifting expectations of the work experience. Despite an uncertain future, there is optimism in the air. The events of 2016 and early 2017 have set a course of change that brings the promise of more equity and transparency and more accountable decision making. An overarching theme of *Empowerment* permeates how business leaders, HR professionals, and employees are viewing the world of work, both today and in the future.

C-SUITE CONCERNS: VIEW FROM THE TOP

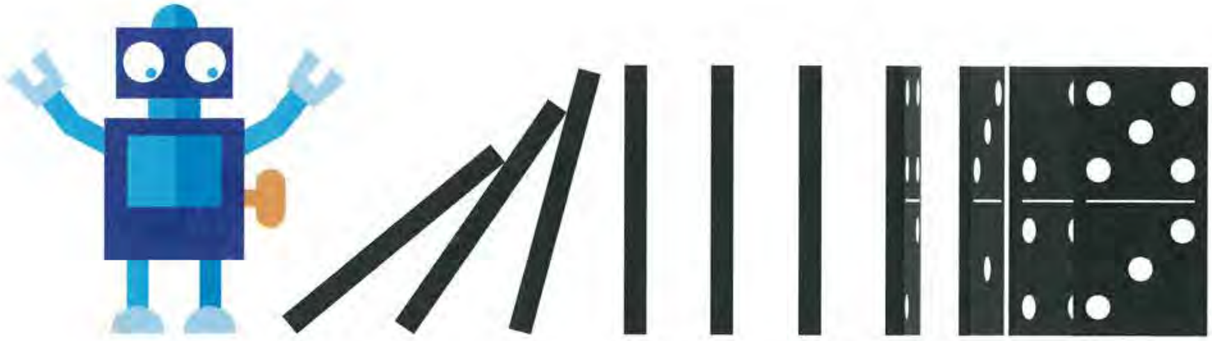
TECHNOLOGY AT WORK

TALENT DRAIN

AGING WORKFORCE

GENERATION Z

92%
of employers expect an increase in competition for talent this year



The talent scarcity challenge is keeping everyone awake at night. The C-suite and HR agree that the competition for talent will continue to increase this year, but executives see this even more acutely – 43% of C-suite respondents expect the competition to be significant, compared to 34% of HR professionals.

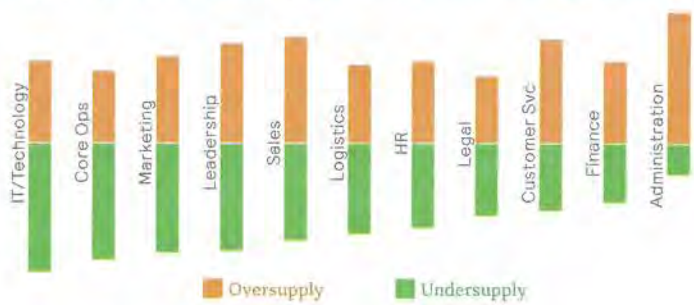
How are companies planning to respond? Just like in 2016, most are focused on a "Build" strategy to grow and promote their own talent from within – but nearly half are also increasing their recruitment from the external labor pool. Both strategies are reflected in the HR priorities for 2017:

The disconnect between supply and demand affects all industries, geographies, and functions, but it is predicted to be especially acute in leadership, core operations, sales & marketing, and IT.

BUILD, BUY, BORROW

PLANNING TO INCREASE IN THE NEXT 12 MONTHS

HR EXPECTS A DEARTH OF QUALITY TALENT DUE TO WORKPLACE DISRUPTION IN THE NEXT TWO YEARS



IN THE SPOTLIGHT (REPORTED OVERSUPPLY)

In areas with oversupply, competition for jobs will increase and there is potential for job displacement. However, for organizations that are able to move people to jobs, or jobs to people, this can be a great world-sourcing opportunity.

1. GROWTH BY DESIGN

DRIVING A BOLD CHANGE AGENDA

It's no longer about evolution - organizations are transforming structures and jobs with an eye towards the future. Ensuring that the People agenda is not lost amid the drive for change will be critical to sustainable growth.

REDESIGNING THE ORGANIZATION

Executives globally recognize that stasis is a formidable enemy of business growth. They acknowledge that existing structures often impede, rather than accelerate, change and that the heavily layered organization of yesteryear has proved a hindrance to the agility needed in today's competitive markets. Thus, they are driving an aggressive change agenda — 93% of business executives plan to make a design change in their company within the next two years. This trend is consistent across all geographies and industries.

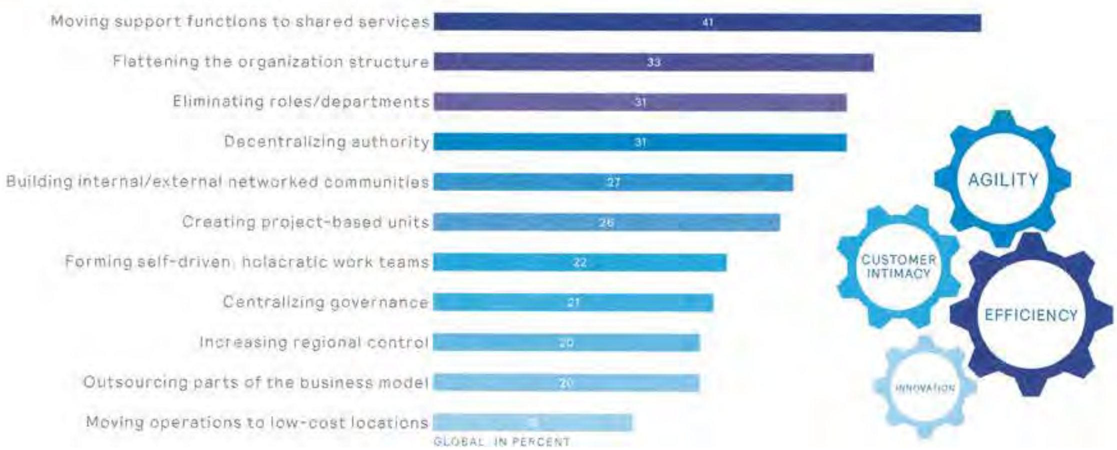
Vertical hierarchies are being replaced by simpler, more horizontal organizational structures. This change reflects a desire for greater efficiency and lower costs, closer relationships with customers, and increased agility and innovation. Companies in different industries are going about this in different ways. Executives in the Auto, Energy, and Healthcare sectors are flattening their organization structures, while those in Financial Services and Logistics are focused more on moving support functions to shared services. Consumer Goods organizations are also creating special units to handle project-based work.

There are interesting differences by geography as well. While greater efficiency is the number one driver of organization design changes in the majority of the countries we studied (including US and UK), it is less of a focus for executives in Japan (who are committed to improving collaboration) and in Hong Kong (for whom innovation is paramount).

The organization in a "world is flat" universe pushes decision-making authority further down the chain, thus employees must be more self-reliant and skilled enough to independently make day-to-day decisions. This requires a shift in how we support employees at different stages of readiness, career, engagement, and work status.

What do employees say they want? When asked in which areas their company should provide more support, simplified approval chains to enable quick decision making ranked third globally. This may reflect their company's current challenges in this area — with only 15% of employees saying that their company excels at this today.

93% WILL MAKE ORGANIZATION DESIGN CHANGES IN THE NEXT 2 YEARS
WHAT CHANGES ARE YOU PLANNING TO MAKE?



Redesign of organizational structures and jobs was among the top three areas of investment executives felt would create the most sizable difference to business performance in the near future. However, only 11% of HR professionals indicated that redesigning jobs, roles, and responsibilities is a priority this year. With structural redesign being driven from the top, lack of definition around what behaviors to leave behind, preserve, or adopt will undermine the impact of these organizational changes.

CHANGING NATURE OF JOBS TOP THREE TRENDS

Management roles will have broader spans of control

A global trend in all countries with the exception of Italy, where less than one-third of HR leaders anticipate that managers will have a broader team remit

High value jobs will focus more on design & innovation

Jobs will focus more on sales & delivery and less on management

Especially in China, where 63% of HR leaders expect an increased focus on design & innovation over the next 3 years

THE VALUE OF JOBS IS SHIFTING — ARE YOU SET UP FOR SUCCESS?

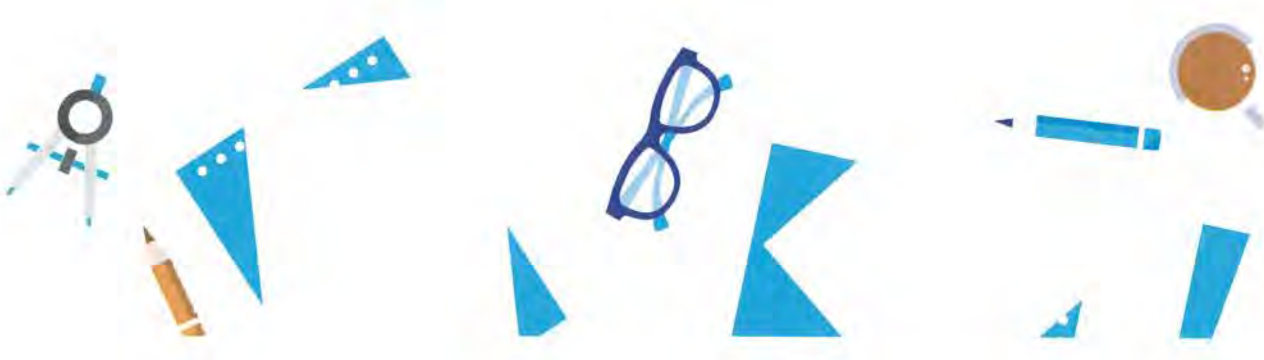
Companies are seeking to eliminate the barriers to productivity growth that have crept into their internal business practices. One way is to redesign roles and reporting lines for simplicity, faster decision making, and team-based working. Today, HR is spending a significant amount of time classifying and cataloguing jobs (often driven by the implementation of a new HR technology system). HR leaders will be the first to agree that documenting current state is not enough. New style work arrangements require new style job frameworks that take into account not only the jobs of today, but also what will be needed in the future. The rapid pace of change and C-suite's focus on organization redesign mean that a very different future is not far off. **Without an underlying framework, the goals of agility, simplicity, and innovation will remain elusive**; the key is developing a strategic framework that can flex and adapt to the evolving needs of an agile workplace.

Having a strong decision science underpinning job design has never been more critical, especially as new jobs are emerging faster than ever before. Job design is where HR can truly add business value:

- How do you define jobs for which no precedents exist?
- How do you evaluate new jobs when you have no reference benchmarks?

The challenge is to consider the job's contribution to the creation of value in the organization. We all know that business leaders do not have the patience for a lengthy job evaluation exercise, so the process must be quick, intuitive, and accessible for all line managers. The good news is that HR realizes the need for change — **50% of HR leaders indicated that they will change their job evaluation methodology this year**. The majority are implementing a more scientific approach to valuing contribution.

In a recent Mercer snapshot survey[1], respondents were asked how job evaluation will contribute to the business agenda in the next 10 years; the most common response was "to enable flexibility."

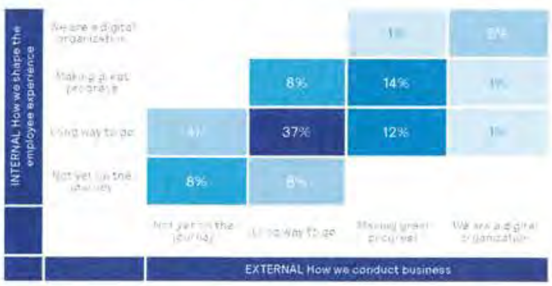


THE DIGITAL JOURNEY

Business executives see technology at work as the workforce trend likely to have the most impact on their organization over the next two years. Yet most are not doing enough to realize the benefits and head off the risks.

> Doing business without digital is like smiling at someone in the dark. You know what you're doing, but nobody else does.
>
> —Adapted from Steuart Henderson Britt—

WHERE ARE YOU ON THE JOURNEY TO BECOMING A DIGITAL ORGANIZATION?



Less than 10% consider themselves a **Digital Organization** today. Companies that have begun their digital journey tend to focus first on external competitive forces, and later turn their attention internally toward the employee experience.

Only 35% of executives believe that HR provides a digital experience for employees.

Only 54% of employees say that they have access to state-of-the-art and innovative tools & technology to support their training and development.

Nearly 1 in 5 companies say that their employees do not have a digital experience when interacting with HR.

TRENDS TO WATCH IN 2017

2. A SHIFT IN WHAT WE VALUE

A NEW REWARDS PARADIGM IS NEEDED

Fair & competitive pay and opportunities for promotion are top priorities for employees this year, which is not surprising given the climate of uncertainty and change.

The rapid rise of smart machines and the exponential increase in the complexity of organizations and roles are just some of the ways in which today's workplace is unrecognizable from 30 years ago. What it means to be an employee — and the value of an employee to an enterprise — must necessarily be adjusted. It's no longer just about output. In fact, **97% of employees want to be recognized and rewarded for a wide range of contributions**, not just financial results or activity metrics — but only 51% say that their company does this well today. How rewards are managed reflects an organization's culture and can send powerful signals about what is valued. The same principle applies to executive rewards.

Responsible and responsive leadership was the lead topic at the 2017 World Economic Forum Annual Meeting. The theme of inequality and income disparity is forcing policy discussions on minimum wage and living wage, the gender pay gap, and the pay ratio between the C-suite and the average employee. As organizations are being challenged to consider their societal impact, performance metrics have been broadened to include sustainability measures such as diversity and social responsibility rankings. The trend towards more effective and relevant disclosure of executive remuneration also shows that companies are responding to the demand for greater transparency — **83% of companies are planning to make changes to increase transparency of executive pay**. Market volatility is also adding pressure on executive pay levels — but at the same time, companies are unsure whether to make adjustments as the economic winds can change rapidly. For example, whether to shift to a currency-neutral approach for incentive plans is a hot topic for debate.

47%

of employees globally say the number one thing that would make a positive impact to their work situation is compensation that is fair & market competitive. Below are the top seven responses globally.

- FAIR & COMPETITIVE COMPENSATION — **#1** for employees in Canada, China, France, Germany, Italy, Singapore, and US
- OPPORTUNITY TO GET PROMOTED — **#1** for employees in Brazil, Mexico, India, and South Africa
- LEADERS WHO SET CLEAR DIRECTION — **#1** for employees in Australia, Canada, Hong Kong, and UK
- WORKING WITH THE BEST & BRIGHTEST
- TRANSPARENCY ON PAY CALCULATIONS — **#1** for employees in Japan
- CAREER PATH INFORMATION
- MORE FLEXIBLE WORK OPTIONS

People spend an average of 13 hours per month worrying about money matters at work[1]. A preoccupation that is translating into greater concern over base pay and benefits than in prior years. Employees are seeking the security of tangible and predictable rewards, which is not a surprise given the perceived uncertainty ahead. However, this is not reflected in HR's plans — only 28% say rewards competitiveness will be an area of focus in 2017. Also not reflected in this year's plans is employees' desire for fair pay, with only 16% of HR leaders putting equitable pay on their list of top five priorities. Part of the disconnect may be due to lack of communication. For example, 51% of companies say that they provide information on pay bands, but only 34% of employees agree. This can also impact employees' perception of their own "promotability" within the organization — lack of clarity around rewards at the next level can lead people to believe there is no path forward.

Even though employees are focused on the *contractual* aspects of the deal, we know that a greater *emotional* connection with the organization leads to less dependence on components such as compensation and benefits.

88% OF COMPANIES MADE CHANGES TO THEIR PERFORMANCE MANAGEMENT APPROACH LAST YEAR… AND THERE'S MORE TO COME

The climate of uncertainty is driving decisions about where employees want to work and what they value in the employment deal. So how are companies planning to respond? Changes to performance management processes lead the way and often have implications for rewards. This year, companies will continue to use performance ratings to drive annual base salary adjustments, but there is also a move towards greater manager discretion in how employees are paid.

CHANGES PLANNED IN 2017

- Strengthen strategic goal cascade
- Calibrate goals across peer roles
- More team-based goals & metrics
- Replace ratings with descriptors
- Eliminate performance ratings altogether
- Add forced rankings
- Remove forced rankings
- Shift performance discussions to career & development
- Introduce continuous feedback technology

There continues to be a focus on goal calibration and cascade, with 83% of companies having made or planning to make a change to their goal setting process. Continuous feedback is also becoming more prevalent, no doubt enabled by technology, with 81% of companies having already put in place an "anytime feedback" tool or planning to do so this year. Managers are also being encouraged to balance backward-looking performance reviews with more future-focused career and development conversations — 81% of companies have made this shift or plan to do so this year. Companies are taking the opportunity to determine whether their performance management processes are "fit for purpose" and inspiring for employees.

Employees are clear on one thing: performance ratings give them clarity on how they are performing and motivate them to do better work. In addition to individual work contributions, they also want to be measured on team goals to promote collaboration. This is a trend set to continue, with 40% of employees expecting that their workplace will become even more team-based over the next two years.

UNIQUE VIEWS FROM AROUND THE WORLD

TO RATE OR NOT TO RATE?

61% of organizations eliminated performance ratings last year or are planning to do so this year.

NUMBERS OR WORDS?

75% replaced numerical ratings with descriptions or are planning to do so this year.

FORCED RANKINGS... OR NOT?

39% of companies that either added or removed forced rankings in 2016 are now planning to reverse their decision in 2017.

Industry sectors making the most changes:
Energy, Life Sciences

Countries satisfied with the status quo:
Japan, China, UK

TRENDS TO WATCH IN 2017

3. A WORKPLACE FOR ME

PERSONALIZATION OF THE EMPLOYEE EXPERIENCE

People expect their employer to "make work work" for their individual circumstances. Companies are starting to respond by taking a "whole person" approach and increasing the flexible work options available to their workforce. Advances in technology are enabling individualized choice without adding an undue administrative burden for HR.

While clarity on job responsibilities, rewards, and promotion criteria are fundamentals, there is another workplace revolution underway. Globalization and technology are making the world smaller and shaping employees' expectations of when and how they want to work. As part of the Era of the Individual and the rise of the free agent, employees are seeking more flexible and personalized work arrangements. Organizations are realizing that developing one employee value proposition that resonates across five generations, men and women, white and blue collar, working at the office or from home... is nearly impossible to achieve.

Personalization is not a new concept, but it's one that in the past has been difficult to address. The good news is that advances in technology (from employee portals to career matching apps to benefit management platforms) are making it much easier to bridge the gap. Responsive and intelligent software can adapt to the needs of each unique employee to provide the right support at exactly the right time. Additionally, the micro-segmentation science of personas commonly used in marketing is starting to be applied to people strategy. These realistic representations of employee "types" can enable HR to better target employee benefits and communications.

More than a list of cool benefits and perks, personalization itself is fast becoming a differentiator.

One way to achieve this is through flexible work options. This year's study showed that the majority of employees want more flexibility, and 40% of HR respondents acknowledge that offering more flexible ways to work would improve their employees' ability to thrive. Sixty-two percent of companies already have pockets of flexibility in place, but only 35% say that it is a core part of their value proposition. An additional 27% offer flexible work options only when requested by individuals and sanctioned by managers.

We also asked employees about their experiences with flexible working in practice. They generally reported support from their managers (61%) and colleagues (64%). However, 1 in 3 employees indicated that they had requested a flexible work arrangement in the past and were turned down, and **1 in 2 expressed concern that working part-time or remotely would negatively impact their promotion opportunities**. Certainly there is more work to be done to create a culture where flexibiltiy is not seen as a benefit, but as an opportunity for workforce optimization and personalization.

Flexibility comes down to finding a way to integrate one's work and personal life. We asked what would make employees choose one company over another — providing an exhaustive list and taking pay out of the equation. Time off was the clear winner — either more of it, or at least the flexibility to spread it out or even work fewer hours for less pay. Perks such as fitness and recreation facilities, well-being services, and financial advice were all present, but ranked lower down the list.

This focus makes sense when viewed alongside employee priorities. When asked about their biggest concerns in the near future, the themes across geographies and generations were all the same: first Health, then Wealth, and then Career. The findings were clear-cut, with 61% globally choosing Health as their top concern, followed by 23% choosing Wealth, and 16% choosing Career.

Staying healthy is directly tied to minimizing stress.

However, employees are expecting the opposite, at least when it comes to stress on the job — only 19% predict that their workplace will become less stressful over the next two years. Finding ways to seamlessly integrate all areas of one's life (home, family, job, community, etc.) through flexible working and creative time off arrangements can help mitigate this growing trend.

Ultimately, people want to fit work into their unique lives. Personalization, then, becomes the key to creating an employee experience that resonates with each individual.

TRENDS TO WATCH IN 2017

4. THE QUEST FOR INSIGHT

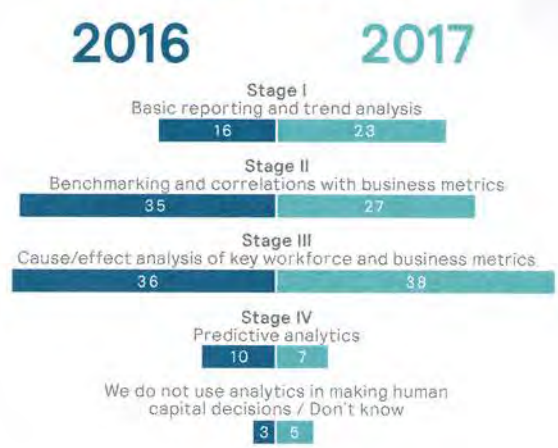
PREDICTIVE ANALYTICS ARE STILL OUT OF REACH

An empowered organization that is agile and responsive is one that listens and learns. The quest to derive actionable insights from talent analytics and big data is a core element of the empowerment agenda.

Just as marketing data and buyer insights are leading business transformation efforts, **talent analytics has the potential to deliver accelerated success on the people agenda** — both to enhance the employee experience and drive better decisions. But do companies have what they need? Certainly companies are collecting more information from both candidates and employees than ever before. As we add feeds from HRIS systems and candidate screening assessments, as well as passive data from social media, email traffic, and even wearables, the sheer volume of talent data we collect will only increase. So the problem is not a lack of data... it's what to do with it!

Companies around the world are making slow progress in using analytics to inform human capital decisions. Very few are able to translate data into predictive insights, and nearly 1 in 4 are still only able to produce basic descriptive reporting and historical trend analysis. Companies in the Life Sciences and Logistics industries are ahead of the curve, but still have a long way to go in delivering actionable insights that impact managers' day-to-day decisions.

SLOW PROGRESS



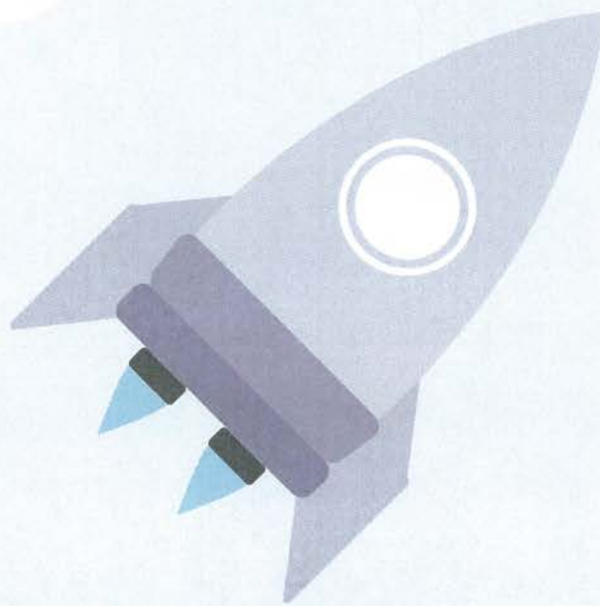
GLOBAL, IN PERCENT

Even with all of the data that is being collected, senior executives are not getting the kind of talent metrics they need to make better business decisions. For example, executives say that understanding the key drivers of engagement would be the insight that is most value adding to their business, but only 35% of HR leaders are able to provide this information. This is especially surprising given that most companies today have at least some form of engagement survey in place. Predictive analytics — such as identifying which employees are likely to leave or what causes one team to out-perform another — are even less common.

MISMATCH IN TALENT ANALYTICS

HR and employees recognize that the disconnect may be due in part to a capability gap — both groups ranked "data analytics & predictive modeling" in the top three in-demand skills for the next 12 months, with HR professionals in Canada, France, and the UK ranking it number one.

The risk of not leveraging talent data is especially acute when there is so much organizational change on the horizon. **When decisions are informed only by financial and marketing data, there can be unintended people consequences.** For example, the World Economic Forum's *Future of Jobs*[1] report found that "women are at risk of losing out on tomorrow's best job opportunities" as disruption and displacement are likely to occur in job families with the largest share of female employees. When HR is able to partner with business operations to facilitate an evidence-based decision making process, they help mitigate these risks and ensure that the talent implications are being considered, especially during organizational redesign.



LEAP FORWARD:
ADVICE TO STAY AHEAD

ATTRACT & RETAIN TOMORROW'S TALENT

BUILD FOR AN UNKNOWN FUTURE

CULTIVATE A THRIVING WORKFORCE

LEAP FORWARD: ADVICE TO STAY AHEAD

ATTRACT & RETAIN TOMORROW'S TALENT

In a talent-led economy, the employee experience has never been more critical to attracting the best and brightest. Getting it right is even more challenging now, in a more diverse workplace that must embrace five generations with different norms and expectations. The interactions that candidates have during the recruitment process, how employees engage with the organization during their tenure, and how they are treated after they leave — these are all vital opportunities to shape the "experience." **Notably, half of all employees rated their application and hiring process as average or below average.** Not to mention the candidates that fell out of the process along the way!

Increasingly, HR is being asked to leverage tools and techniques once reserved for the marketing function to build and sustain a strong employer brand. Anyone who has contact with the organization is a potential ambassador for the brand, and word of a less-than-stellar interaction can spread quickly. An often overlooked group is candidates who apply but are unsuccessful. They are a vocal majority who — if handled with care and provided with career advice — can serve as a source of positive word-of-mouth and a potential candidate pool for future recruitment drives.

DO YOU HAVE A STRATEGY IN PLACE TO MAKE YOUR COMPANY ATTRACTIVE FOR

A strong digital presence is now becoming a corporate imperative, especially when trying to reach the elusive, "great-fit" passive candidate pool. The power of brand attraction is strongest when the interactions that candidates, employees, and alumni have leverage the company's external brand. Technology is shaping this landscape, not only to increase efficiency and decrease time-to-hire, but also to ensure a positive candidate experience. Some examples include:

- **Chatbots** — Create a more scalable and engaging recruitment process by answering candidates' questions and gathering background information without the need for lengthy application forms.
- **Algorithms** — Enable more targeted sourcing by generating a list of qualified candidates in seconds by scraping social data.
- **Online assessments** — Drive more intelligent decisions through games that tap into employee judgment and shorter psychometrics that predict future potential.

In a shifting job landscape, recruiting on future-focused criteria may prove more fruitful than reviewing an applicant's current capabilities or past experience.

Goldman Sachs is leveraging innovative technology and a competency-based interviewing method to reach more candidates while continuing to make informed, data-driven hiring decisions. Undergraduate candidates now submit online, pre-recorded video interviews as their first round evaluation for internship positions. Candidates record answers to a set of pre-defined questions that align to core competencies such as teamwork, analytical thinking, judgment, etc. Interviewers then assess the extent to which the candidate's answer demonstrates that particular competency and can rank and compare candidates against one another, ensuring that objectivity and consistency remain key elements of the hiring process.

COURTING IS ONE THING, MARRIAGE IS ANOTHER

If the Employee Value Proposition (EVP) is not authentic to the company's DNA (i.e., how we do things around here), then this passion of attraction will not be translated into a passion for the job. Business executives, HR leaders, and employees have differing perspectives on what makes their company's EVP unique and compelling. HR and employees agree that compensation and benefits — the contractual aspects of the "deal" — are a core component. Leading on responsible rewards and pay equity can help, as can focusing on health and flexible work options. Companies that want to cut away from the pack should not rely on industry benchmarking, but rather choose one or two areas in which they can truly differentiate themselves. One recent example is companies setting global parental leave standards (regardless of country norms).

WHAT MAKES A UNIQUE AND COMPELLING EVP – THREE PERSPECTIVES

All three groups agree on the importance of organizational culture. The line manager's role in shaping how employees experience the organizational culture is pivotal to delivering the brand promise, as well as translating the EVP into an individual value proposition (IVP). Smart HR platforms can use talent analytics to nudge managers when employees might be an engagement or retention risk. But ultimately, it is managers' ability to have effective "stay" conversations and engage their team in future-focused career planning that will shape employees' perceptions of how they are valued.

COMMUNICATION — THE BASIS OF ALL GOOD RELATIONSHIPS

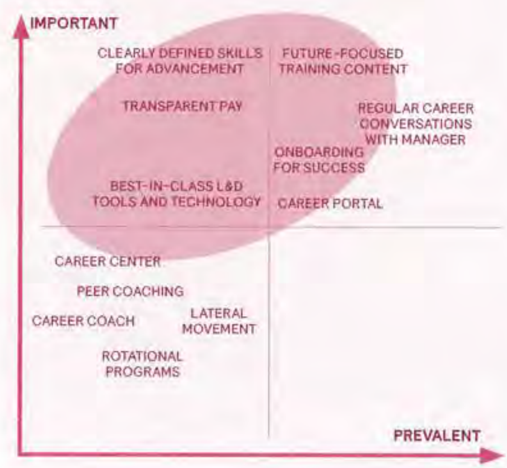
Delivering and sustaining a compelling EVP again draws on HR's "marketing" skills, in particular their ability to define personas and leverage digital channels for a responsive relationship with employees. An integrated communication strategy can bring an EVP to life, and resources that people can access on-demand and on-the-go put key messages at their fingertips. Targeted messaging can be pushed to the most relevant groups at the right times, meeting employees where they are today. **Simplicity is key** — get to the heart of the message quickly or put the content no more than three clicks away. Personal reminders and easy-to-use apps can encourage employees to make healthier choices, invest more wisely, and explore career possibilities. Together, these solutions deliver the consumer-grade work experience that employees today are craving.

HOW TO PREVENT THE SEVEN-YEAR ITCH

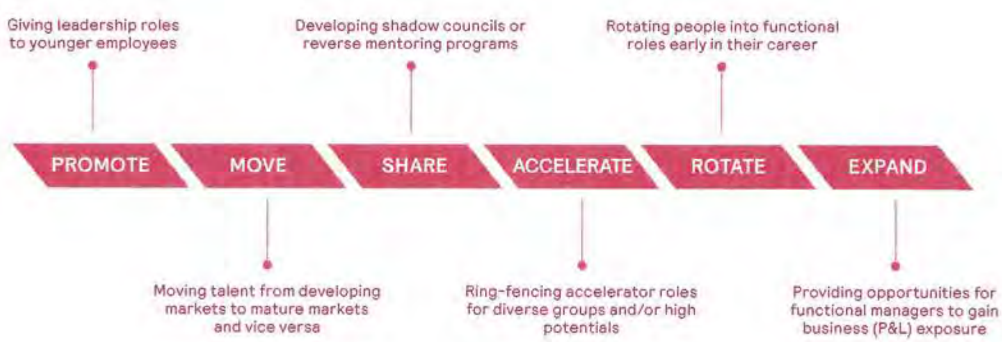
With the contractual aspects of the deal sharply in focus, it's never been more critical to effectively communicate the total reward proposition. Pay disparity and unbalanced promotion rates are often accompanied by retention challenges and serve as early indicators of when the career engine is failing to fire.

Part of this equation is employees' desire for more flexibility. Organizations are now evaluating the type and degree of flexibility inherent in each role and intentionally modeling flexibility into job design. Another part of the equation is that employees want to understand their career options and the criteria for promotion. We asked employees what support is most important in moving their career forward. Setting aside pay, future-focused training, regular manager conversations, and clarity around skills came out on top. Lateral moves and rotation programs seem to be missing the mark, perhaps because they are not as prevalent or are perceived to be less effective career development tools.

CAREER SUPPORT MOST SOUGHT BY EMPLOYEES



One of the hallmarks of a healthy career framework is its ability to facilitate pathways for non-traditional talent. The usual suspects — often those who "look good on paper" — are always considered for new assignments, promotion, or rotation opportunities. But taking a chance on those with less experience or a different background can be beneficial in bringing diversity of thought and increasing retention in under-represented populations.



THE POWER OF DATA

Companies are recognizing that to attract and retain tomorrow's talent HR needs easy access to quality and actionable data to combine what people say with what they are actually likely to do.

General Electric has experienced the power of putting data in the hands of those who can translate it into meaningful predictive insights. This has been pivotal in staying connected with future trends and building a dynamic relationship between insight and action.

> By democratizing access to non-sensitive people data, all of HR can now more easily surface workforce insights and improve planning capacity globally.
>
> *Travis Barton, Workforce Planning, GE International*

ASK YOURSELF

Do candidates who apply to our company have a brand-enhancing experience?

Do our performance metrics reflect the wide range of contributions that employees can make?

Do we take a "whole person" perspective when designing benefits programs, flexible work policies, and training for managers?

Is it easy for individuals to understand the available career paths, compensation for roles of interest, and skills & experiences needed for promotion?

Do we consider non-traditional talent (including younger and older workers) for development assignments, promotion opportunities, and internal mobility?

If you answered "no" to two or more of the above, attracting and retaining tomorrow's talent may be a focus area for your organization this year.

BUILD FOR AN UNKNOWN FUTURE

Everyone agrees – the future of work will look very different, and iterative changes won't be enough to generate sustainable growth and value. In particular, the skills, culture, and work models of today will likely not be relevant three years from now – and the effects will be felt even before that. But how do you prepare for the future if you don't know what it's going to look like? For companies struggling to get started, one way to demystify the unknown is by laying out a few tangible scenarios.

FUTURE THINKING:

Q: How can our strategy be shaped by non-traditional competitors? What can we learn from industry adjacencies and start-ups?

Q: What strategic capabilities are essential to delivering sustainable value to the business?

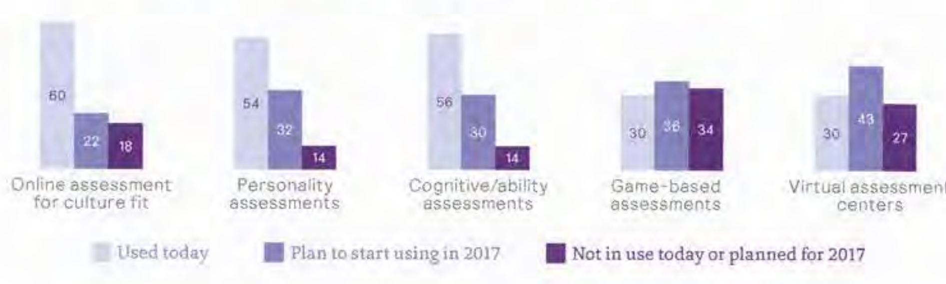
Q: What culture do we need to have in place to facilitate success? How does that translate into leader and colleague behavior?

Q: What is the desired work model – human or machine, full-time or freelance, virtual or on-site? How does the work model affect learning and culture?

PLANNING FOR GROWTH

This kind of integrated people strategy goes beyond capacity planning. It helps to clearly define the gap between today and the future state being modeled. Most organizations are planning to close the gap by building from within. Taking a future-focused approach means it's important to identify the people who will be able to drive the business forward – even if they are not in positions of influence today. The good news is that nearly 3 **in 4 organizations globally have a clear method for identifying high potentials** and they are drawing on the rigor of talent assessments as part of the process. Psychometric measures of personality and cognitive ability are providing insight into the foundational attributes of potential, and Virtual Assessment Centers are answering the question of who is ready to take on a stretch assignment or move to the next level. These same assessment methodologies can also ensure that external candidates are being hired not only because they have the skills for the immediate job but also the underlying qualities to be successful in future roles, including some that may not yet exist.

DO YOU USE THE FOLLOWING TOOLS FOR SELECTING INTERNAL OR EXTERNAL TALENT? GLOBAL, IN PERCENT



PREPARING FOR CHANGE

There is an inherent tension between the C-suite's desire to flatten structures and employees' appetite for promotion.

The skills and knowledge that underlie success are constantly changing; thus, a company's career framework must be both structured and responsive to cope with this constant evolution. Portals and apps can seamlessly deliver updates directly to employees, keeping role profiles relevant and helping to drive forward-looking development efforts. These vehicles can also facilitate two-way conversation; for example, by crowdsourcing new and emerging competencies that can then be incorporated into existing frameworks and learning agendas.

Dynamic career paths are key to embracing the pervasion of digital competence across every organizational function. "Digital" is not a standalone skill but a set of competencies that is needed in every functional area. For example, researchers in the pharmaceutical industry who are trained in biochemistry will now need to acquire skills to operate advanced robotics to stay relevant.

DEVELOPING DIVERSE SKILLSETS

Whether through external hiring or internal development, **assembling talent with a diverse set of skills allows organizations to pivot in response to market demands.** Both HR and employees named design thinking & innovation, as well as a global mindset, as the top in-demand skills for the year ahead.

Competencies to accelerate innovation include an entrepreneurial spirit, a sense of adventure, scanning the market for new ideas, challenging the status quo, calculated risk tasking, and taking a long-range perspective. Tenacity and resilience — the building blocks of "grit" — are not things you learn in the classroom. Instead, they require hands-on experience and trial-and-error, whether through internal mobility or immersion learning. By creating a culture that fosters these traits, organizations can build agility and tolerance for an ambiguous future.

MOST IN-DEMAND SKILLS

EMBRACE THE UNKNOWN

There is an imperative to support stronger accountability and decision making throughout the organization and more quickly cultivate a commercial mindset earlier in people's careers. This imperative requires a shift in how employees are supported at different stages of their skill-readiness, engagement, and work status (full-time, part-time, contingent, etc.). It means being ready to embrace a more fluid workforce and more actively support continuous learning.

Sharing talent across the talent ecosystem, leveraging supplier and customer environments to speed up development, and building a sustainable model for redeployment and reskilling are all part of building an agile workforce capable of renewal. However, executives believe their organizations are lagging in retaining good talent during change.

How many C-suite executives are confident in their organization's ability to:

20% Reskill displaced workers

39% Redeploy talent internally

35% Provide outplacement services

43% Fill newly vacant positions with external talent

Encouraging employees to take control of their own career complements efforts to intentionally build capability. This year's study found that compared to employees who do not feel that they can create their own career success, those who feel "career empowered" describe their work environment differently in two important ways:

8x more likely to give an "A" rating on their manager's ability to **COACH & DEVELOP** them

4x more likely to report that their company supports **INNOVATION** efforts

THE PIVOTAL ROLE OF COACHING

The first aspect of the work environment as perceived by *career empowered* employees underscores once again the importance of the direct manager in creating a positive experience. However, in a world with frequent restructures and supervisory changes, an increase in team- and project-based work, and broader spans of control, placing full responsibility for coaching and mentoring on the manager's shoulders may be an outdated view. In a horizontal world, coaching must be supported by same-level peers, not just from above, in order to be sustainable. Knowledge sharing platforms and digital mentorship arrangements are helping to create a supportive culture, but more needs to be done to actively coach and develop employees.

Titan, the world's fifth largest watch manufacturer and a part of the Tata conglomerate, truly believes in the philosophy that all individuals have potential to succeed and should be empowered to lead at their level. The company has developed a tiered learning program, which utilizes an individualized approach to leadership assessment and development. This program meets high potentials' requirements at every step of their career. The programs instills not only autonomy but also a deep sense of pride in the employees that work for the organization. The results are clearly visible in the various instances of innovations and turnarounds the company has experienced over the course of its journey.

IDEAS, EVEN GOOD ONES, ARE NOT ENOUGH

Nearly 50% of companies say that they gather innovation ideas from their employees. However, crowd-sourced idea generation can fall flat if it fails to meet employee expectations on execution or doesn't deliver commercially-viable solutions. Organizations that are committed to building a culture of innovation need to think about the time, investment, and training required to truly embed this into their DNA.

HOW DOES YOUR COMPANY PROMOTE INNOVATION?

> Experimentation is an effective way to de-risk innovation. Creating a minimum viable product (MVP) — the most basic version of the idea — extends the learning process and allows for the testing of hypotheses, the identification of various iterations and the opportunity to change course.
>
> *Amantha Imber, Chief Innovation Officer, Inventium*

ASK YOURSELF

- Is our current people strategy process future-focused and based on growth scenarios?
- Do we set aside sufficient time and budget for innovation and experimentation?
- Do we embrace a continuous learning approach beyond the traditional content that is delivered through classroom and online training?
- Do we have mechanisms in place to hire diverse talent, build a wide range of skills, and leverage diverse perspectives on project teams?
- Is our Career Framework detailed and dynamic enough to provide guidance on the skills and experiences needed for tomorrow's jobs?

If you answered "no" to two or more of the above, building for an unknown future may be a focus area for your organization this year.

CULTIVATE A THRIVING WORKFORCE

Creating an empowered workforce that responds to the changing work landscape means creating an environment where each individual employee can thrive. This new environment requires fresh styles of leadership, new rules for teaming, and updated thinking on how to develop and inspire.

To cultivate a thriving workforce, three elements must be in place.

Employees who:

1. Are healthy and energized
2. Can grow and contribute
3. Feel a sense of belonging

FOCUS ON HEALTH AND WELL-BEING

Embracing the "whole person" agenda requires attention to all aspects of employees' lives: their physical, social, financial, professional, and psychological well-being. Demonstrating care for employee health can be a significant attraction and retention strategy, but it also makes good business sense. Stress-related absences alone accounted for 11.7 million lost working days in Great Britain last year.[1]

With Health surpassing Wealth and Career as the number one concern for employees, this aspect of the value proposition will continue to grow in importance. Today, only 41% of companies are focusing on the physical well-being of employees, and even fewer have policies for psychological (37%) and financial (35%) well-being.

Johnson & Johnson aspires to have the healthiest workforce by helping its employees live well across their whole lives, providing flexibility and a breadth of whole-life health benefits and wellness resources. It offers innovative programs such as the Energy for Performance® training (which links personal health to an individual's purpose and mission) and unique digital health tools (that conveniently connect users to their everyday health and well-being). Johnson & Johnson is dedicated to providing an environment that fosters healthy choices so employees can achieve their personal best in body, mind, and spirit, igniting full engagement at work, at home, and in their communities.

FEELING ENERGIZED

People who describe themselves as "energized" at work (7+ on a scale of 1 to 10) view their work environment quite differently from those with lower reported energy levels. Below are the top ten differences.

WHAT IS DIFFERENT ABOUT THEIR WORK ENVIRONMENT?

83% feel they can bring their authentic selves to work — can "be themselves in their jobs" (compared to the overall global result of 88%)

CREATE A SENSE OF BELONGING

Employees are working more independently than ever before, while at the same time craving more collaboration. Office workers spend hours locked into one-to-one interaction with business machines, yet technology is bringing us closer together. How can organizations harness these opportunities and carve out a work environment that truly inspires? To help foster a sense of belonging, organizations can create communities of interest and networks that include people inside and outside the organization — experts from suppliers and customers, company alumni, and others in the broader talent ecosystem. Tapping into a broader network can also help employees to blend their social personas with their work personas to create connections without boundaries.

HELPING PEOPLE GROW AND CONTRIBUTE

It is clear that employees want more clarity on career options and more freedom to execute in the way they see fit. This provides each employee with the opportunity to contribute to the company's strategic agenda. A contribution culture does not need to be manager-led; rather, it could mean giving direction and getting out of the way. Setting up the right infrastructure is just the start. Exposing people to different experiences and reskilling individuals displaced by disruption are key to maintaining a thriving workforce. Removing complexity in decision making, implementing efficient knowledge management systems, and constantly realigning around goals and priorities are other ways that companies can ensure their culture supports employee growth and contribution.

> Engagement survey data shows that employees' views on 'opportunity to learn and grow' and 'freedom to use my own judgement' track very consistently with their 'confidence in the future of the company.' These Thrive dimensions show greater levels of movement and sensitivity than standard engagement scores – providing organizations with the ability to see patterns develop before they become business critical.
>
> *Peter Rutigliano, Ph.D., Managing Director of Data Analytics, Mercer | Sirota*

A WORKPLACE THAT ALLOWS ME TO BE ME

Diversity & Inclusion (D&I) falls well beneath HR's top five priorities for the year:

Building a culture of D&I **16%**
Ensuring equitable pay **16%**
Retaining culturally diverse talent **14%**
Retaining female talent **9%**

While 96% of companies have some form of D&I initiative in place, only 14% of executives indicated that D&I investment would make a sizable difference to their company's performance. Given that the C-suite has identified talent scarcity as their number one concern, a culture where D&I is not a top priority risks alienating a substantial percentage of the working population.

An inclusive culture has the ability to attract diverse and talented individuals, but more critically this environment enables diverse segments to contribute and thrive. Fewer than 1 in 3 HR professionals say that their D&I strategy is aligned to their company's business goals. Making the link between inclusiveness and metrics around engagement and retention (both areas of focus for business executives), as well as articulating the relationship between inclusiveness and customer intimacy, can help to position D&I goals as both a vital risk mitigation strategy and a prerequisite for innovation and growth.

PROMOTING INCLUSIVENESS IN MEETINGS

- ✓ Send materials ahead of time to help people with different styles feel ready to contribute
- ✓ Make it a norm to encourage less outspoken individuals to contribute
- ✓ Set a "no interruptions" rule to allow each person a chance to fully contribute
- ✓ Rotate the meeting chair, starting with someone who has been quieter in the past
- ✓ Summarize all the points (including the divergent ones)
- ✓ Provide an opportunity for counter-challenges before decisions are finalized

ADAPTED FROM "CREATING AN INCLUSIVE CULTURE" REPORT, CORPORATE RESEARCH FORUM, OCTOBER 2016

> One of the key reasons that management attention and investment in D&I programmes have not yielded better results is that organisations have focused on increasing the proportion of people from underrepresented groups, rather than tackling the underlying culture.
>
> *Wanda Wallace and Gillian Pillans*
> *Authors of "Creating an Inclusive Culture" report*

ASK YOURSELF

- Are managers incentivized to promote a balanced and healthy work environment?
- Do we have thriving communities that foster a sense of belonging?
- Do our values and behaviors promote a climate of collaboration, inclusion, and contribution?
- Is it easy for new hires to join or for existing colleagues to get up-to-speed in a new area?
- Are people empowered to make decisions and take swift action based on what they believe is in the best interests of their customers?

If you answered "no" to two or more of the above, cultivating a thriving workforce may be a focus area for your organization this year.

LEAP FORWARD

A lot has been said about an organization's ability to bounce back when faced with adversity... but disruption brings adversity *and* opportunity, so let's explore three imperatives to enable organizations to bounce *forward*.

ATTRACT & RETAIN TOMORROW'S TALENT

OUR COMPANY HAS A COMPELLING & DIFFERENTIATED EVP

61% HR

57% C-suite

42% Employee

BUILD FOR AN UNKNOWN FUTURE

A CULTURE OF INNOVATION — EASIER SAID THAN DONE

86% of organizations say innovation is a core part of their agenda for this year

42% of employees say their company makes it easy to INNOVATE

CULTIVATE A THRIVING WORKFORCE

WHERE EMPLOYEES FEEL THE GREATEST SENSE OF BELONGING

52% to company, department, manager, coworkers

42% to industry, profession, function

6% to clients

TOP TIPS TO WIN THE TALENT WAR

EMPOWERING YOUR WORKFORCE IN AN AGE OF DISRUPTION

Align your Employee Value Proposition to your company's core DNA

Focus on the "whole person" agenda, including Health and Wealth benefits

Define exciting career paths for a positive impact on retention

Take a chance on non-traditional talent who have potential but not experience

Mitigate risk by building a diverse portfolio of skills and a culture of innovation

Quantify future-focused capability gaps through integrated people planning

Increase agility by simplifying decision making and encouraging talent mobility

Accelerate progress through intentional developmental experiences and lifelong learning

Differentiate on a healthy workplace to address employees' top concerns

Understand talent flows and address choke points for key talent segments

Promote a contribution culture where everyone feels welcome to give input

Create a sense of belonging that resonates with your diverse workforce

IMPLICATIONS FOR HR

The C-suite certainly has People issues on their agenda this year. In fact, they see the increasing competition for talent even more acutely than HR does, and are planning bold changes to stay ahead. This focus on the talent agenda provides HR leaders with an incredible opportunity to align with business priorities and maximize their impact. To secure a seat at the table, HR leaders must continue to represent the needs of employees, while also keeping a finger on the pulse of external trends. Amplifying their voice requires leveraging data in ever more sophisticated ways to tell a story that is both compelling and relevant. Without talent insights from HR, CEOs' dreams and aspirations will struggle to leave the boardroom.

IF DISRUPTION IS THE NEW NORMAL, WHAT CAN WE DO TODAY TO PREPARE FOR TOMORROW?

Start by saying "yes" to flexible ways of working, listening to and trusting in your people, and being inspired by rule breakers from other industries or geographies. Recognize that disruption isn't something that happens *to* you, it's an opportunity to break away from the crowd. Top organizations shape the future through a culture of innovation, contribution, and inclusiveness. They outpace their competitors not by making decisions behind closed doors, but by empowering each and every employee to drive the company forward. These are the "power tools" that help companies not only survive, but thrive.

INDUSTRY REPORTS

Interested in industry-specific findings? This year's Global Talent Trends Study focused on 8 key industry sectors. Individual reports are available for Mercer Select Intelligence members through http://select.mercer.com and for non-members through www.imercer.com.

AUTOMOTIVE

CONSUMER GOODS

FINANCIAL SERVICES

ENERGY/MINING

HEALTHCARE

HIGH TECH

LIFE SCIENCES

LOGISTICS

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Mercer Select Intelligence℠ is a one-stop destination for HR and Talent insights. Through the portal, you can gain access to cutting-edge research, breaking news, and other curated content in the areas of talent management, rewards, benefits, health and wellbeing, retirement, HR technology, and other relevant HR topics. We draw on Mercer's 75 years of experience to provide analysis of local and global marketplace developments and enable on-demand access to HR experts and industry leaders.

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MERCER CAREER

PROFESSIONAL PRACTICE AREAS

Talent Strategy
Forecast your talent needs and develop the strategies and infrastructure to ensure the right flow of talent to meet current and future business objectives. *Ask us about performance management design, virtual assessment centers, and Mercer Match.*

Talent Mobility
Optimize your talent investments by developing and executing on mobility strategies and maximizing the value of international assignments. *Ask us about AssignmentPro, Quality of Living report, Global Leadership Profile, and Mercer Passport.*

Workforce Rewards
Attract, retain, engage, and motivate your workforce through programs that reward the right behaviors and outcomes using globally consistent methodologies, insights, and data. *Ask us about pay equity/fair pay consulting, total rewards optimization, and Benefits Around the World reports.*

Executive Rewards
Align executive rewards with your business objectives to attract, retain, and motivate the best leadership talent to enhance business performance while meeting governance requirements. *Ask us for advice on executive plan design, performance measurement and goal setting, and pay disclosure.*

HR Transformation
Enhance the efficiency and effectiveness of your HR function and better align HR's focus with business needs to add long-term value. *Ask us about the HR function of the future, HR Capability Builder, and Mercer Learning.*

Workday Services
Go beyond the technical deployment with HR domain expertise and proprietary methodologies to quicken the time to value from your Workday Human Capital Management or Financials platform. *Ask us how technology can improve manager decision making and provide predictive analytics for change.*

Communication
Use proven methodologies and digital solutions to create and deliver results-driven communications to support major HR initiatives and M&A-related change. *Ask us about the Mercer Career View app, Belong portal, and award-winning Darwin benefits platform.*

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CONTRIBUTORS

CORE TEAM:

- Kate Bravery, Partner, Career Global Practices Leader
- Joana Silva, Principal, Career Global Practices Group
- Katherine Jones, Partner, Mercer Select Intelligence
- Karen Shellenback, Principal, Mercer Select Intelligence
- Samantha Polovina, Global Product Manager, Mercer Select Intelligence
- Parag Mishra, Assistant Manager, Data Mining & Insights
- Tamar Hudson, Associate, Career Global Practices Group
- Milan Taylor, Partner, Energy Vertical
- Georgina Harley, Partner, Career Global Services Development
- Anca de Malo, Campaign Leader, Career Global Practices Group

KEY CONTRIBUTORS:

- Kim Abildgaard
- Angela Berg
- Ilya Bonic
- Antonis Christidis
- Konrad Deiters
- Betsy Dill
- Lewis Garrad
- Jonathan Gove
- Steve Gross
- Dawid Gutowski
- Steve Guyer
- Susan Haberman
- Susannah Hines
- Lori Holsinger
- Julia Howes
- Patrick Hyland
- Martin Ibañez-Frocham
- Natalie Jacquemin
- Supriya Jha
- Christopher Johnson
- Jackson Kam
- Dieter Kern
- Hans Kothuis
- Denise LaForte
- Brian Levine
- Barbara Marder
- Leslie Mays
- Renee McGowan
- Siddharth Mehta
- Rahul Mudgal
- Haig Nalbantian
- Rhonda Newman
- Gregg Passin
- Dan Rubin
- Mary Ann Sardone
- Ilene Siscovick
- Ephraim Spehrer-Patrick
- Andrew Steels
- Matthew Stevenson
- Puneet Swani
- Pat Tomlinson
- Juliana Van Waveren
- David Wreford
- Daniel Yin

The Mercer Global Talent Trends Study is a global effort with numerous contributors. Many thanks to all who provided input and guidance this year. A special thank you to General Electric, Goldman Sachs, Inventium, Johnson & Johnson, and Titan for sharing their best practices.

ABOUT MERCER

At Mercer, we make a difference in the lives of more than 110 million people every day by advancing their health, wealth, and careers. We're in the business of creating more secure and rewarding futures for our clients and their employees — whether we're designing affordable health plans, assuring income for retirement, or aligning workers with workforce needs. Using analysis and insights as catalysts for change, we anticipate and understand the individual impact of business decisions, now and in the future. We see people's current and future needs through a lens of innovation, and our holistic view, specialized expertise, and deep analytical rigor underpin each and every idea and solution we offer. For more than 70 years, we've turned our insights into actions, helping organizations help their employees live healthier lives, grow their careers, and build more secure futures. At Mercer, we say we *Make Tomorrow, Today.*

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Duke Energy
PayScale MarketPay Survey Library Update for 2018

By signing below, on behalf of Duke Energy ("Customer"), you certify that Customer has purchased the survey data identified herein and that Customer has the right to direct and grant to PayScale, Inc. ("PayScale"), the right to access, transmit, store, display, and otherwise use such survey data to provide services to Customer. If necessary, PayScale may contact the publishers listed herein to verify Customer's survey purchases. If the list provided by Customer is not accurate, (a) PayScale may remove the survey data from Customer's PayScale MarketPay site if a publisher has claimed that Customer has not purchased its survey data, and (b) Customer assumes full responsibility and all liability that may arise from the use of such survey data by Customer or by PayScale on Customer's behalf. Customer releases PayScale from any liability associated with the use of the survey data on Customer's behalf for which Customer does not have appropriate rights. These terms are in addition to any other protections agreed upon by Customer in its applicable agreement with PayScale. The undersigned represents to PayScale that he/she has the authority to bind Customer to these terms.

Signed: Ashlyn Graves

Name (printed): Ashlyn Graves

Date: 07/06/2018

2018 Surveys Purchased

Survey Code	Survey Name
HEW-EMT18	Aon Hewitt Energy Marketing and Trading
HEW-GCS18	Aon Hewitt Global Cyber Security
HEW-IEHRA18	Aon Hewitt IEHRA Energy Industry
HEW-REN18	Aon Hewitt Renewable Energy
HEW-BB-IND-T18	Aon Hewitt TCM Broad-Based Mgmt Total Comp by Industry
HEW-EXE-T18	Aon Hewitt TCM Executive & Senior Mgmt Total Comp by Industry Full Value LTI
DIET-DD18	Dietrich Drafting & Design
EMPS-DIG18	Empsight Digital Marketing / Marketing Results
EMPS-ASST18	Empsight Executive Administrative Support
EMPS-EXE18	Empsight Executive Compensation
EMPS-CA18	Empsight Finance and Compliance
EMPS-GOV18	Empsight Gov't Relations & Corp Communications
EMPS-HR18	Empsight Human Resources
EMPS-SITS18	Empsight IT & Security Large Company Edition
EMPS-LAW18	Empsight Law Large Company Edition
EMPS-OSCL18	Empsight Operations, Supply Chain and Logistics
EAP-DIS18	Energy Technical Craft Clerical

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PayScale MarketPay Survey Library Update for 2018

Survey Code	Survey Name
FOU-ENV18	Foushee Environmental, Health & Safety
FOU-SEC18	Foushee Security & Compliance
GBS-AVI18	Gallagher Aviation
MER-CON18	Mercer Contact Center
MER-ENG18	Mercer Engineering and Design
MER-EXE18	Mercer Executive
MER-FAL18	Mercer Finance, Accounting & Legal
MER-HRM18	Mercer Human Resources
MER-ITS18	Mercer Information Technology
MER-LSC18	Mercer Logistics & Supply Chain
MER-MBC-NC18	Mercer Metro Benchmark - North Central
MER-MBC-NE18	Mercer Metro Benchmark - Northeast
MER-MBC-SC18	Mercer Metro Benchmark - South Central
MER-MBC-SE18	Mercer Metro Benchmark - Southeast
MER-MBC-WC18	Mercer Metro Benchmark - West Coast
MER-SMC18	Mercer Sales, Mktg & Comm
PM-CYB18	Pearl Meyer Cyber Security
PER-PRO18	Perlin IT Professional - National
TW-AGA18	Willis Towers Watson American Gas Association
TW-EMT18	Willis Towers Watson CDB Energy Marketing and Trading
TW-EXE-ES18	Willis Towers Watson CDB Energy Services Executive
TW-MMPS-ES18	Willis Towers Watson CDB Energy Services Mid-Mgmt, Prof & Support
TW-EXE18	Willis Towers Watson CDB General Industry Executive
TW-MMPS18	Willis Towers Watson CDB Mid-Mgmt, Prof & Support

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2018 Survey Additions

Survey Code	Survey Name
TW-AIDT18	WTW Artificial Intelligence and Digital Talent Compensation, 2018

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2018 Surveys Not Purchased

ACR Investor Relations
Equilar Executive Compensation Survey (Duke Energy)
Mercer US Digital Convergence Industry
Southern Gas Association Energy

WorldatWork.
Salary Budget Survey

Top-Level Results

Published June 25, 2018

This is a high-level look at results from the "WorldatWork 2018-2019 Salary Budget Survey," which closed in May 2018. This year, WorldatWork received a total of 5,499 responses. Additional industry and geographic breakout information for the "WorldatWork 2018-2019 Salary Budget Survey" that can be customized in countless ways for the U.S. and Canada is included in the "Online Reporting Tool," which will be available with the full survey results in early August. Participants will receive a complimentary subscription.

United States

Salary Budget Increases, by Type of Increase

	Actual 2017		Projected 2018		Actual 2018		Projected 2019	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
General Increase/COLA	1.4%	1.5%	1.6%	2.0%	1.5%	2.0%	1.8%	2.0%
Merit Increase	2.8%	3.0%	2.9%	3.0%	2.8%	3.0%	2.9%	3.0%
Other Increase	0.9%	0.5%	0.9%	0.5%	0.8%	0.5%	0.9%	0.5%
Total Increase	**3.0%**	**3.0%**	**3.1%**	**3.0%**	**3.1%**	**3.0%**	**3.2%**	**3.0%**

Note: "General Increase/COLA," "Merit Increase" and "Other Increase" do not add to the "Total Increase" because not every organization provides all three types of increase. In addition, each type of increase may include multiple responses if each respondent reports for more than one employee category for that type of increase.

Total Salary Budget Increases, by Employee Category

	Actual 2017		Projected 2018		Actual 2018		Projected 2019	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	3.0%	3.0%	3.1%	3.0%	3.1%	3.0%	3.1%	3.0%
Nonexempt Salaried	3.0%	3.0%	3.1%	3.0%	3.1%	3.0%	3.1%	3.0%
Exempt Salaried	3.0%	3.0%	3.2%	3.0%	3.1%	3.0%	3.2%	3.0%
Officers/Executives	3.0%	3.0%	3.2%	3.0%	3.1%	3.0%	3.2%	3.0%
All	**3.0%**	**3.0%**	**3.1%**	**3.0%**	**3.1%**	**3.0%**	**3.2%**	**3.0%**

Total Salary Budget Increases, by State

	Actual 2018		Projected 2019	
	Mean	Median	Mean	Median
National	**3.1%**	**3.0%**	**3.2%**	**3.0%**
Alabama	3.0%	3.0%	3.0%	3.0%
Alaska	3.0%	3.0%	3.0%	3.0%
Arizona	3.0%	3.0%	3.1%	3.0%
Arkansas	2.9%	3.0%	3.0%	3.0%
California	3.1%	3.0%	3.1%	3.0%
Colorado	3.0%	3.0%	3.1%	3.0%
Connecticut	3.0%	3.0%	3.0%	3.0%
Delaware	3.0%	3.0%	3.0%	3.0%
Florida	3.0%	3.0%	3.1%	3.0%
Georgia	3.0%	3.0%	3.1%	3.0%
Hawaii	2.9%	3.0%	3.0%	3.0%
Idaho	3.0%	3.0%	3.1%	3.0%
Illinois	3.0%	3.0%	3.1%	3.0%
Indiana	3.0%	3.0%	3.0%	3.0%
Iowa	2.9%	3.0%	3.0%	3.0%
Kansas	3.0%	3.0%	3.0%	3.0%
Kentucky	3.0%	3.0%	3.0%	3.0%
Louisiana	3.0%	3.0%	3.0%	3.0%
Maine	3.0%	3.0%	3.0%	3.0%
Maryland	3.0%	3.0%	3.0%	3.0%
Massachusetts	3.0%	3.0%	3.1%	3.0%
Michigan	3.0%	3.0%	3.0%	3.0%
Minnesota	3.0%	3.0%	3.0%	3.0%
Mississippi	3.0%	3.0%	3.0%	3.0%
Missouri	3.0%	3.0%	3.0%	3.0%
Montana	3.0%	3.0%	3.1%	3.0%
Nebraska	3.0%	3.0%	3.0%	3.0%
Nevada	3.0%	3.0%	3.1%	3.0%
New Hampshire	2.9%	3.0%	3.0%	3.0%
New Jersey	3.0%	3.0%	3.0%	3.0%
New Mexico	3.0%	3.0%	3.0%	3.0%
New York	3.0%	3.0%	3.1%	3.0%
North Carolina	3.0%	3.0%	3.1%	3.0%
North Dakota	2.9%	3.0%	3.1%	3.0%

	Actual 2018		Projected 2019	
	Mean	Median	Mean	Median
Ohio	3.0%	3.0%	3.1%	3.0%
Oklahoma	3.0%	3.0%	3.1%	3.0%
Oregon	3.0%	3.0%	3.1%	3.0%
Pennsylvania	3.0%	3.0%	3.1%	3.0%
Rhode Island	3.0%	3.0%	3.0%	3.0%
South Carolina	3.0%	3.0%	3.1%	3.0%
South Dakota	3.0%	3.0%	3.0%	3.0%
Tennessee	3.0%	3.0%	3.0%	3.0%
Texas	3.1%	3.0%	3.1%	3.0%
Utah	3.0%	3.0%	3.1%	3.0%
Vermont	2.9%	3.0%	3.0%	3.0%
Virginia	3.0%	3.0%	3.1%	3.0%
Washington	3.1%	3.0%	3.1%	3.0%
West Virginia	2.9%	3.0%	3.0%	3.0%
Wisconsin	3.0%	3.0%	3.0%	3.0%
Wyoming	3.0%	3.0%	3.0%	3.0%

All data includes 0% responses.

Total Salary Budget Increases, by Major Metropolitan Area

	Actual 2018		Projected 2019	
	Mean	Median	Mean	Median
National	**3.1%**	**3.0%**	**3.2%**	**3.0%**
Atlanta	3.1%	3.0%	3.1%	3.0%
Baltimore	3.0%	3.0%	3.1%	3.0%
Boston	3.0%	3.0%	3.1%	3.0%
Chicago	3.1%	3.0%	3.1%	3.0%
Cincinnati	3.1%	3.0%	3.1%	3.0%
Cleveland	3.1%	3.0%	3.1%	3.0%
Dallas	3.2%	3.0%	3.2%	3.0%
Denver	3.1%	3.0%	3.1%	3.0%
Detroit	2.9%	3.0%	2.9%	3.0%
Houston	3.1%	3.0%	3.1%	3.0%
Los Angeles	3.2%	3.0%	3.2%	3.0%
Miami	3.1%	3.0%	3.1%	3.0%
Minneapolis	3.1%	3.0%	3.0%	3.0%

	Actual 2018		Projected 2019	
	Mean	Median	Mean	Median
New York	3.1%	3.0%	3.2%	3.0%
Philadelphia	3.1%	3.0%	3.0%	3.0%
Phoenix	3.1%	3.0%	3.1%	3.0%
Pittsburgh	3.0%	3.0%	3.1%	3.0%
Portland	3.2%	3.0%	3.3%	3.0%
San Diego	3.2%	3.0%	3.1%	3.0%
San Francisco	3.3%	3.0%	3.3%	3.0%
San Jose	3.3%	3.0%	3.3%	3.0%
Seattle	3.3%	3.0%	3.2%	3.0%
St. Louis	3.1%	3.0%	3.1%	3.0%
Tampa	3.0%	3.0%	3.1%	3.0%
Washington, D.C.	3.0%	3.0%	3.1%	3.0%

Merit Increases Awarded, by Performance Category

	High Performers		Middle Performers		Low Performers	
2017	Mean	Median	Mean	Median	Mean	Median
Percentage of employees rated in this category for 2017	27%	24%	68%	70%	6%	4%
Average merit increase awarded to this 2017 performance category	4.0%	3.9%	2.7%	2.8%	0.7%	0.5%
2018						
Percentage of employees estimated to be rated in this category for 2018	25%	21%	69%	70%	6%	5%
Average merit increase estimated for this 2018 performance category	4.1%	4.0%	2.8%	3.0%	0.6%	0.0%

Note: The mean distribution of the percent of employees in each performance category will total 100% or, as a result of rounding, may be very close. However, by definition, the median value for each category will move depending on the frequency of values in the dataset. Therefore, the median distribution of the percent of employees in each category will not equal 100%.

All data includes 0% responses.

Promotional Increases

	2016		2017		2018	
	Mean	Median	Mean	Median	Mean	Median
Percentage of employees that received promotional increases	7.9%	7.0%	8.6%	8.0%	--	--
Percentage of promoted employees' base salary	8.4%	8.0%	8.7%	8.5%	--	--
Planned spending on promotional increases as a percentage of total base salaries	1.5%	1.0%	1.6%	1.0%	1.5%	1.0%

-- Question was not an option in the survey questionnaire.

Salary Structure Increases, by Employee Category

	Actual 2017		Projected 2018		Actual 2018		Projected 2019	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonexempt Hourly Nonunion	2.0%	2.0%	2.1%	2.0%	2.0%	2.0%	2.1%	2.0%
Nonexempt Salaried	2.0%	2.0%	2.1%	2.0%	2.1%	2.0%	2.1%	2.0%
Exempt Salaried	2.0%	2.0%	2.1%	2.0%	2.1%	2.0%	2.2%	2.0%
Officers/Executives	2.1%	2.0%	2.1%	2.0%	2.0%	2.0%	2.2%	2.0%
All	**2.0%**	**2.0%**	**2.1%**	**2.0%**	**2.0%**	**2.0%**	**2.1%**	**2.0%**

Variable Pay Programs, 2017-2019

National	Nonexempt Hourly Nonunion		Nonexempt Salaried		Exempt Salaried		Officers/Executives	
2017	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Average percent budgeted	5.1%	5.0%	6.0%	5.0%	12.5%	12.0%	38.1%	35.0%
Average percent paid	5.3%	4.8%	6.1%	5.0%	12.6%	12.0%	39.6%	35.0%
Percent of employees eligible in 2017 for variable pay	87%	100%	92%	100%	82%	100%	93%	100%
Percent of eligible employees actually paid variable pay for 2017	82%	98%	88%	99%	82%	98%	91%	100%
2018								
Average percent budgeted	5.2%	5.0%	6.1%	5.0%	12.7%	12.0%	38.5%	35.0%
Projected percent paid	5.4%	5.0%	6.3%	5.0%	13.0%	12.0%	39.8%	35.0%
2019								
Projected percent budgeted	5.2%	5.0%	6.1%	5.0%	12.6%	12.0%	38.2%	35.0%

All data includes 0% responses.

Canada

Salary Budget Increases, by Type of Increase

	Actual 2017		Projected 2018		Actual 2018		Projected 2019	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
General Increase/COLA	1.4%	1.5%	1.6%	1.9%	1.4%	1.5%	1.6%	2.0%
Merit Increase	2.5%	2.8%	2.7%	3.0%	2.6%	2.8%	2.8%	3.0%
Other Increase	0.9%	0.5%	1.1%	0.5%	0.9%	0.5%	0.9%	0.5%
Total Increase	**2.8%**	**3.0%**	**3.0%**	**3.0%**	**2.9%**	**3.0%**	**3.0%**	**3.0%**

Note: "General Increase/COLA," "Merit Increase" and "Other Increase" do not add to the "Total Increase" because not every organization provides all three types of increase. In addition, each type of increase may include multiple responses if each respondent reports for more than one employee category for that type of increase.

Total Salary Budget Increases, by Employee Category

	Actual 2017		Projected 2018		Actual 2018		Projected 2019	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly Nonunion	2.7%	3.0%	3.0%	3.0%	2.8%	3.0%	2.9%	3.0%
Nonmanagement Salaried	2.8%	3.0%	3.1%	3.0%	2.9%	3.0%	3.0%	3.0%
Management Salaried	2.8%	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%	3.0%
Officers/Executives	2.8%	3.0%	3.0%	3.0%	2.9%	3.0%	3.0%	3.0%
All	**2.8%**	**3.0%**	**3.0%**	**3.0%**	**2.9%**	**3.0%**	**3.0%**	**3.0%**

Salary Budget Increases, by Province

	Actual 2018		Projected 2019	
	Mean	Median	Mean	Median
National	**2.9%**	**3.0%**	**3.0%**	**3.0%**
Alberta	2.8%	2.8%	2.9%	3.0%
British Columbia	2.9%	3.0%	3.0%	3.0%
Manitoba	2.7%	2.7%	2.8%	2.8%
New Brunswick	2.5%	2.7%	2.7%	2.8%
Newfoundland	2.3%	2.5%	2.6%	2.5%
Northwest Territories	2.3%	2.5%	2.6%	2.5%
Nova Scotia	2.5%	2.5%	2.7%	2.7%
Nunavut	2.7%	2.8%	2.8%	3.0%
Ontario	2.9%	3.0%	3.0%	3.0%
Prince Edward Island	2.6%	2.7%	2.7%	2.8%
Quebec	2.8%	2.9%	2.9%	3.0%
Saskatchewan	2.6%	2.7%	2.9%	3.0%
Yukon	2.2%	2.1%	2.5%	2.5%

All data includes 0% responses.

Total Salary Budget Increases, by Major Metropolitan Area

	Actual 2018		Projected 2019	
	Mean	Median	Mean	Median
National	**2.9%**	**3.0%**	**3.0%**	**3.0%**
Calgary	2.7%	2.8%	2.7%	3.0%
Edmonton	2.6%	2.7%	2.7%	3.0%
Hamilton	2.5%	2.5%	2.6%	2.7%
Montreal	2.8%	2.9%	2.8%	3.0%
Ottawa	2.7%	2.7%	2.7%	2.9%
Quebec	2.6%	2.7%	2.7%	3.0%
Toronto	2.8%	3.0%	2.8%	3.0%
Vancouver	2.7%	2.8%	2.8%	3.0%
Winnipeg	2.6%	2.7%	2.7%	3.0%

Salary Structure Increases, by Employee Category

	Actual 2017		Projected 2018		Actual 2018		Projected 2019	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Nonmanagement Hourly Nonunion	1.7%	2.0%	1.9%	2.0%	1.8%	2.0%	2.0%	2.0%
Nonmanagement Salaried	1.7%	2.0%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Management Salaried	1.8%	2.0%	1.9%	2.0%	2.0%	2.0%	2.1%	2.0%
Officers/Executives	1.7%	2.0%	1.8%	2.0%	1.9%	2.0%	2.0%	2.0%
All	**1.7%**	**2.0%**	**1.9%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**

All data includes 0% responses.

Global

Salary Budget Increases, by Type of Increase

		Actual 2018		Projected 2019	
	Type of Increase	Mean	Median	Mean	Median
Australia	General Increase/COLA	1.3%	0.2%	1.3%	0.3%
	Merit Increase	2.9%	3.0%	3.0%	3.0%
	Other Increase	0.7%	0.5%	0.8%	0.5%
	Total Increase	**3.2%**	**3.0%**	**3.3%**	**3.0%**
Belgium	General Increase/COLA	1.8%	1.5%	1.5%	1.7%
	Merit Increase	2.0%	2.3%	2.0%	2.3%
	Other Increase	0.7%	0.5%	0.7%	0.5%
	Total Increase	**2.6%**	**2.5%**	**2.5%**	**2.5%**
Brazil	General Increase/COLA	4.2%	4.0%	4.3%	3.2%
	Merit Increase	4.7%	5.0%	4.6%	4.4%
	Other Increase	2.5%	1.7%	2.4%	1.4%
	Total Increase	**5.9%**	**6.0%**	**6.1%**	**6.0%**
China	General Increase/COLA	3.6%	3.0%	3.4%	3.0%
	Merit Increase	6.2%	6.5%	6.3%	6.6%
	Other Increase	1.1%	0.7%	1.1%	0.8%
	Total Increase	**6.6%**	**6.9%**	**6.7%**	**7.0%**
France	General Increase/COLA	1.1%	1.0%	1.0%	0.5%
	Merit Increase	2.4%	2.5%	2.5%	2.5%
	Other Increase	0.7%	0.5%	0.7%	0.5%
	Total Increase	**2.6%**	**2.5%**	**2.7%**	**2.6%**
Germany	General Increase/COLA	1.4%	1.5%	1.3%	0.0%
	Merit Increase	2.8%	3.0%	2.9%	3.0%
	Other Increase	0.8%	0.5%	0.8%	0.5%
	Total Increase	**3.0%**	**3.0%**	**3.1%**	**3.0%**
India	General Increase/COLA	5.4%	5.5%	4.9%	2.5%
	Merit Increase	9.5%	10.0%	9.6%	10.0%
	Other Increase	1.2%	1.0%	1.2%	1.0%
	Total Increase	**10.0%**	**10.0%**	**10.0%**	**10.0%**
Italy	General Increase/COLA	0.9%	0.8%	0.8%	0.5%
	Merit Increase	2.4%	2.5%	2.5%	2.5%
	Other Increase	0.7%	0.5%	0.6%	0.5%
	Total Increase	**2.7%**	**2.6%**	**2.8%**	**2.6%**
Japan	General Increase/COLA	1.1%	0.8%	1.0%	0.1%
	Merit Increase	2.4%	2.4%	2.5%	2.5%
	Other Increase	0.7%	0.5%	0.6%	0.5%
	Total Increase	**2.6%**	**2.5%**	**2.7%**	**2.5%**
Mexico	General Increase/COLA	2.4%	2.5%	1.9%	0.6%
	Merit Increase	4.6%	4.6%	4.7%	4.8%
	Other Increase	1.1%	0.5%	1.2%	0.8%
	Total Increase	**4.9%**	**4.8%**	**5.0%**	**5.0%**

(Continued on page 8)

All data includes 0% responses.

Salary Budget Increases, by Type of Increase *(continued)*

		Actual 2018		Projected 2019	
	Type of Increase	Mean	Median	Mean	Median
Netherlands	General Increase/COLA	1.5%	1.5%	1.5%	1.5%
	Merit Increase	2.6%	2.7%	2.7%	2.8%
	Other Increase	0.6%	0.5%	0.6%	0.5%
	Total Increase	**2.8%**	**2.9%**	**2.9%**	**3.0%**
Russia	General Increase/COLA	3.5%	3.5%	1.9%	0.0%
	Merit Increase	6.9%	7.4%	6.9%	7.4%
	Other Increase	1.0%	0.5%	1.1%	1.0%
	Total Increase	**7.4%**	**7.5%**	**7.3%**	**7.5%**
Singapore	General Increase/COLA	2.0%	2.5%	1.8%	0.4%
	Merit Increase	3.8%	4.0%	3.9%	4.0%
	Other Increase	0.6%	0.5%	0.7%	0.5%
	Total Increase	**4.0%**	**4.0%**	**4.1%**	**4.0%**
Spain	General Increase/COLA	1.4%	1.8%	1.4%	2.0%
	Merit Increase	2.3%	2.3%	2.4%	2.4%
	Other Increase	0.6%	0.5%	0.6%	0.5%
	Total Increase	**2.6%**	**2.5%**	**2.7%**	**2.5%**
Sweden	General Increase/COLA	1.0%	1.0%	1.2%	1.0%
	Merit Increase	2.5%	2.6%	2.6%	2.7%
	Other Increase	0.8%	0.5%	0.8%	0.5%
	Total Increase	**2.8%**	**2.8%**	**2.9%**	**3.0%**
Switzerland	General Increase/COLA	1.3%	1.6%	1.4%	2.0%
	Merit Increase	2.0%	2.0%	2.2%	2.0%
	Other Increase	0.6%	0.5%	0.6%	0.5%
	Total Increase	**2.2%**	**2.0%**	**2.4%**	**2.2%**
United Kingdom	General Increase/COLA	1.5%	1.8%	1.3%	1.0%
	Merit Increase	2.9%	3.0%	2.9%	3.0%
	Other Increase	0.8%	0.5%	0.8%	0.8%
	Total Increase	**3.1%**	**3.0%**	**3.1%**	**3.0%**

Note: "General Increase/COLA," "Merit Increase" and "Other Increase" do not add to the "Total Increase" because not every organization provides all three types of increase. In addition, each type of increase may include multiple responses if each respondent reports for more than one employee category for that type of increase.

All data includes 0% responses.

Total Salary Budget Increases, by Employee Category

	Employee Category	Actual 2018 Mean	Actual 2018 Median	Projected 2019 Mean	Projected 2019 Median
Australia	NHN	3.2%	3.1%	3.3%	3.0%
	NS	3.2%	3.1%	3.3%	3.0%
	MS	3.2%	3.1%	3.3%	3.0%
	OE	3.0%	3.0%	3.0%	3.0%
	All	**3.2%**	**3.0%**	**3.3%**	**3.0%**
Belgium	NHN	2.5%	2.5%	2.6%	2.5%
	NS	2.7%	2.5%	2.6%	2.5%
	MS	2.5%	2.5%	2.5%	2.5%
	OE	2.6%	2.4%	2.3%	2.4%
	All	**2.6%**	**2.5%**	**2.5%**	**2.5%**
Brazil	NHN	6.1%	6.5%	6.4%	6.3%
	NS	5.8%	6.0%	6.1%	6.0%
	MS	5.8%	6.0%	6.0%	6.0%
	OE	5.6%	6.0%	5.8%	6.0%
	All	**5.9%**	**6.0%**	**6.1%**	**6.0%**
China	NHN	6.7%	7.0%	6.8%	7.0%
	NS	6.7%	7.0%	6.8%	7.0%
	MS	6.7%	6.9%	6.8%	7.0%
	OE	6.2%	6.5%	6.3%	6.6%
	All	**6.6%**	**6.9%**	**6.7%**	**7.0%**
France	NHN	2.7%	2.5%	2.8%	2.5%
	NS	2.6%	2.5%	2.7%	2.6%
	MS	2.6%	2.5%	2.7%	2.6%
	OE	2.7%	2.5%	2.7%	2.7%
	All	**2.6%**	**2.5%**	**2.7%**	**2.6%**
Germany	NHN	3.0%	3.0%	3.1%	3.0%
	NS	3.0%	3.0%	3.1%	3.0%
	MS	3.0%	3.0%	3.1%	3.0%
	OE	3.0%	3.0%	3.0%	3.0%
	All	**3.0%**	**3.0%**	**3.1%**	**3.0%**
India	NHN	10.1%	10.0%	10.3%	10.1%
	NS	10.0%	10.0%	10.0%	10.0%
	MS	10.0%	10.0%	10.1%	10.0%
	OE	9.8%	10.0%	9.7%	10.0%
	All	**10.0%**	**10.0%**	**10.0%**	**10.0%**
Italy	NHN	2.6%	2.6%	3.1%	2.7%
	NS	2.7%	2.6%	2.7%	2.6%
	MS	2.7%	2.6%	2.7%	2.7%
	OE	2.6%	2.5%	2.7%	2.6%
	All	**2.7%**	**2.6%**	**2.8%**	**2.6%**
Japan	NHN	2.6%	2.5%	2.7%	2.5%
	NS	2.6%	2.5%	2.7%	2.5%
	MS	2.7%	2.5%	2.8%	2.5%
	OE	2.7%	2.5%	2.5%	2.5%
	All	**2.6%**	**2.5%**	**2.7%**	**2.5%**

NHN Nonmanagement Hourly Nonunion | **NS** Nonmanagement Salaried | **MS** Management Salaried | **OE** Officers/Executives *(Continued on page 10)*

All data includes 0% responses.

Total Salary Budget Increases, by Employee Category *(continued)*

		Actual 2018		Projected 2019	
	Employee Category	Mean	Median	Mean	Median
Mexico	NHN	4.9%	4.9%	5.0%	5.0%
	NS	4.9%	4.8%	5.0%	5.0%
	MS	4.9%	4.8%	5.0%	5.0%
	OE	4.7%	4.7%	4.7%	4.7%
	All	**4.9%**	**4.8%**	**5.0%**	**5.0%**
Netherlands	NHN	2.9%	2.9%	3.0%	3.0%
	NS	2.8%	2.8%	2.9%	3.0%
	MS	2.8%	2.8%	2.9%	3.0%
	OE	3.0%	3.0%	3.1%	3.0%
	All	**2.8%**	**2.9%**	**2.9%**	**3.0%**
Russia	NHN	7.4%	7.7%	7.4%	7.6%
	NS	7.4%	7.5%	7.3%	7.5%
	MS	7.3%	7.5%	7.4%	7.5%
	OE	7.2%	7.5%	6.7%	7.4%
	All	**7.4%**	**7.5%**	**7.3%**	**7.5%**
Singapore	NHN	4.1%	4.0%	4.2%	4.0%
	NS	4.0%	4.0%	4.1%	4.0%
	MS	4.0%	4.0%	4.1%	4.0%
	OE	3.9%	4.0%	4.0%	4.0%
	All	**4.0%**	**4.0%**	**4.1%**	**4.0%**
Spain	NHN	2.5%	2.5%	2.7%	2.5%
	NS	2.5%	2.5%	2.7%	2.5%
	MS	2.6%	2.5%	2.7%	2.5%
	OE	2.6%	2.4%	2.6%	2.5%
	All	**2.6%**	**2.5%**	**2.7%**	**2.5%**
Sweden	NHN	2.8%	2.9%	3.2%	3.0%
	NS	2.8%	2.8%	2.9%	2.9%
	MS	2.8%	2.8%	2.9%	2.9%
	OE	2.9%	2.8%	2.9%	2.9%
	All	**2.8%**	**2.8%**	**2.9%**	**3.0%**
Switzerland	NHN	2.2%	2.1%	2.4%	2.3%
	NS	2.2%	2.0%	2.4%	2.1%
	MS	2.2%	2.0%	2.4%	2.2%
	OE	2.2%	2.0%	2.5%	2.5%
	All	**2.2%**	**2.0%**	**2.4%**	**2.2%**
United Kingdom	NHN	3.1%	3.0%	3.2%	3.0%
	NS	3.1%	3.0%	3.2%	3.0%
	MS	3.1%	3.0%	3.2%	3.0%
	OE	3.0%	3.0%	3.0%	3.0%
	All	**3.1%**	**3.0%**	**3.1%**	**3.0%**

NHN Nonmanagement Hourly Nonunion | **NS** Nonmanagement Salaried | **MS** Management Salaried | **OE** Officers/Executives

All data includes 0% responses.

Please direct any questions or comments to surveypanel@worldatwork.org.

WorldatWork

WorldatWork | 14040 N. Northsight Blvd. | Scottsdale, AZ 85260 USA
Customer Relationship Services: 877-951-9191 (toll-free); 480-922-2020

THE CONFERENCE BOARD

US Salary Increase Budgets for 2019

US Salary Increase Budgets for 2019

RESEARCH REPORT 1666-18-RR

by Judit Torok

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US Salary Increase Budgets for 2019

Results from The Conference Board annual Salary Increase Budgets Survey indicate that the median 2018 actual total salary increase budget and merit increases across all employee groups are 3.00 percent. This year, 258 organizations completed the survey, which was fielded between April 17 and June 18.[1] Data were requested for four employment categories: nonexempt hourly (non-union), nonexempt salaried, exempt, and executive. Results are reported overall and by industry.

The Conference Board currently projects the 2018 and 2019 inflation rates to be 2.4 percent and 2.4 percent, respectively.

The analysis provided below is based on the results including zero increases.

Salary Increase Budgets

The median 2018 actual total salary increase budgets are 3.00 percent across all employee groups. These increases are the same as the actual increases for the past seven years and are exactly the same as the projected increases for 2018 in last May's report (Table 1).[2]

The 2019 projected total median increase in budgets across all employee categories and industries remains at 3.00 percent overall.

The overall median 2018 actual merit percent increases are 3.00 percent for each employment category. The same is true for the increased budgets projected for 2019, which remain unchanged compared to actual increases. Both increases are universally 3.00 percent across industries, revenues, and employee numbers. (Tables 4, 5, and 6)

Both 2018 actual and 2019 projected median general increases are 0.00 percent for all employee categories and throughout industries, revenues, and employee numbers (Table 7, 8, and 9).

Other increases for 2018 (actual) and 2019 (projected) are 0.00 percent across the board (Table 10, 11 and 12).

Salary Structure Movement

The 2019 median structure movement is projected at 2.00 percent in all employee categories. The actual 2018 median increase in salary structures is 2.00 percent for all employment categories as projected in May of last year (Table 13).

In most industries, the structure movement is projected to be at the overall median level of 2.00 percent (Table 13).

FLSA Exemptions

In May 2016, the US Department of Labor revised the tests that private employers should conduct under the Fair Labor Standards Act (FLSA) to determine which employees are exempt from the FLSA's minimum wage and overtime requirements. Almost all surveyed companies stated that their reported budget increases for nonexempt employees (both the actual increases for 2018 and the projected increases for 2019) had not been affected by the changes to the exemption tests.

Prepared by Judit Torok, Senior Research Analyst, The Conference Board.
Judit.Torok@conference-board.org

1 Twelve organizations indicated that they provided information for their specific business units or did not answer this question; their responses are not included in the analysis.

2 See *TCB-US-Salary-Increase-Budgets-2018.*

Appendix

Table 1 **Salary increase budgets – Total, percent – by industry and overall** (zeros included)

		2018 Actual salary increase budget				2019 Projected salary increase budget			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
All responses	Median	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Mean	3.01	3.04	3.09	3.03	3.09	3.17	3.17	3.10
	25th percentile	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	75th percentile	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
	n=	140	128	159	147	137	125	156	146
By industry*									
Banking	Median	N/A	N/A	3.00%	3.00%	N/A	N/A	3.00%	3.00%
	n=	3	4	5	5	4	4	6	6
Communications	Median	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
	n=	6	7	6	7	5	5	5	6
Consulting services	Median	3.00	3.50	3.50	3.00	3.00	3.00	3.00	3.00
	n=	9	8	10	6	8	7	9	6
Diversified financial services	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	9	8	10	10	9	8	10	10
Diversified services	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	15	13	15	13	16	14	16	14
Energy/agriculture	Median	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50
	n=	8	9	9	9	7	8	8	8
Insurance	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	17	14	22	21	18	16	23	22
Manufacturing	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	32	37	41	40	31	36	39	38
Trade	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	14	8	13	12	12	7	12	12
Transportation	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	7	9	8	9	5	7	6	7
Utilities	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	21	14	21	17	21	14	21	17

*Other industry groups are included in totals but not shown separately due to small sample size.

Source: The Conference Board, 2018

Table 2 **Salary increase budgets – Total, percent – by revenue** (zeros included)*

		2018 Actual salary increase budget				2019 Projected salary increase budget			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
$100 million to under $1 billion	Median	3.00%	3.00%	3.00%	3.00%	3.00%	4.00%	3.00%	3.00%
	n=	23	18	25	23	22	17	24	22
$1 billion to under $3 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	35	26	37	34	33	25	35	34
$3 billion to under $5 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	13	13	15	11	13	13	16	12
$5 billion to under $10 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	20	16	21	19	22	18	23	21
More than $10 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	42	48	54	53	40	45	51	50

* Other revenue groups are included in totals but not shown separately due to small sample size.

Source: The Conference Board, 2017

Table 3 **Salary increase budgets – Total, percent – by number of employees** (zeros included)

		2018 Actual salary increase budget				2019 Projected salary increase budget			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
500-2,499	Median	3.00%	3.50%	3.50%	3.00%	3.00%	4.00%	4.00%	3.00%
	n=	25	18	28	25	24	18	27	25
2,500-9,999	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	56	51	62	57	55	51	61	57
10,000-19,999	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	18	15	18	14	19	15	20	16
20,000+	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	38	42	48	48	36	39	45	45

Source: The Conference Board, 2018

Table 4 **Salary increase budgets – Merit, percent – by industry and overall** (zeros included)

		2018 Actual salary increase budget (Merit)				2019 Projected salary increase budget (Merit)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
All responses	Median	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Mean	2.71	2.80	2.82	2.77	2.81	2.90	2.90	2.85
	25th percentile	2.00	3.00	3.00	2.00	3.00	3.00	3.00	3.00
	75th percentile	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	188	172	224	207	178	165	214	202
By industry*									
Banking	Median	3.00%	3.00%	3.00%	3.00%	2.50%	3.00%	3.00%	3.00%
	n=	6	7	9	9	6	6	9	9
Communications	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	15	14	15	15	12	11	12	13
Consulting services	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	13	11	16	12	12	10	15	11
Diversified financial services	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	11	9	12	12	11	9	12	12
Diversified services	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	19	19	21	18	19	19	21	18
Energy/agriculture	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	8	11	11	10	7	10	10	10
Insurance	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	26	19	30	27	25	18	29	28
Manufacturing	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	42	50	59	57	40	50	57	55
Trade	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	17	10	18	18	17	10	18	18
Transportation	Median	N/A	N/A	3.00	3.00	N/A	N/A	3.00	3.00
	n=	4	4	5	6	4	4	5	6
Utilities	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	24	15	25	20	22	15	23	19

*Other industry groups are included in totals but not shown separately due to small sample size.

N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 5 **Salary increase budgets – Merit, percent – by revenue** (zeros included)

		2018 Actual salary increase budget (Merit)				2019 Projected salary increase budget (Merit)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
$100 million to under $1 billion	Median	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	n=	29	20	31	29	29	20	31	29
$1 billion to under $3 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	40	33	46	45	37	32	43	42
$3 billion to under $5 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	16	18	23	17	15	17	22	17
$5 billion to under $10 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	32	28	36	33	32	28	37	34
More than $10 billion	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	61	62	76	72	56	58	70	69

Source: The Conference Board, 2018

Table 6 **Salary increase budgets – Merit, percent – by number of employees** (zeros included)

		2018 Actual salary increase budget (Merit)				2019 Projected salary increase budget (Merit)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
1-499	Median	3.00%	N/A	3.00%	3.00%	3.00%	N/A	3.00%	3.00%
	n=	5	4	7	7	5	4	7	7
500-2,499	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	30	25	34	31	28	23	32	30
2,500-9,999	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	65	60	80	75	63	60	79	75
10,000-19,999	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	32	25	33	28	30	24	31	27
20,000+	Median	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	n=	56	58	70	66	52	54	65	63

N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 7 **Salary increase budgets – General, percent – by industry and overall** (zeros included)

		2018 Actual salary increase budget (General)				2019 Projected salary increase budget (General)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
All responses	Median	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Mean	1.25	0.55	0.71	0.48	1.17	0.44	0.48	0.38
	25th percentile	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	75th percentile	3.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00
	n=	44	29	34	31	42	27	31	29
By Industry*									
Diversified services	Median	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	n=	5	5	5	5	5	5	5	5
Energy/agriculture	Median	3.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	n=	5	3	3	3	4	2	2	2
Insurance	Median	0.00	N/A	0.00	0.00	0.00	N/A	0.00	0.00
	n=	6	3	6	6	6	3	6	6
Manufacturing	Median	3.00	N/A	N/A	N/A	3.00	N/A	N/A	N/A
	n=	9	4	3	3	9	3	2	2
Utilities	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	7	5	6	5	7	5	6	5

* Other industry groups are included in totals but not shown separately due to small sample size.
N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 8 **Salary increase budgets – General, percent – by revenue** (zeros included)

		2018 Actual salary increase budget (General)				2019 Projected salary increase budget (General)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
$100 million to under $1 billion	Median	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	n=	8	6	8	8	8	6	8	8
$1 billion to under $3 billion	Median	2.00	N/A	0.00	0.00	1.00	N/A	0.00	0.00
	n=	9	3	6	5	8	3	5	5
$3 billion to under $5 billion	Median	3.00	N/A	N/A	N/A	3.00	N/A	N/A	N/A
	n=	7	4	4	2	7	4	4	2
$5 billion to under $10 billion	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	8	7	7	7	8	6	6	6
More than $10 billion	Median	1.00	0.50	0.00	0.00	1.00	0.00	0.00	0.00
	n=	9	6	6	6	8	5	5	5

N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 9 **Salary increase budgets – General, percent – by number of employees** (zeros included)*

		2018 Actual salary increase budget (General)				2019 Projected salary increase budget (General)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
500-2,499	Median	0.00%	N/A	0.00%	0.00%	0.00%	N/A	0.00%	0.00%
	n=	7	4	7	7	7	4	7	7
2,500-9,999	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	25	15	17	15	24	14	15	14
20,000+	Median	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	8	6	6	6	7	5	5	5

* Other employee number groups are included in totals but not shown separately due to small sample size.

N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 10 **Salary increase budgets – Other, percent – by industry and overall** (zeros included)

		2018 Actual salary increase budget (Other)				2019 Projected salary increase budget (Other)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
All responses	Median	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Mean	0.37	0.43	0.39	0.40	0.31	0.39	0.37	0.38
	25th percentile	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	75th percentile	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	n=	68	72	84	70	70	71	84	73
By industry*									
Consulting services	Median	1.00%	1.00%	1.00%	N/A	1.00%	1.00%	1.00%	N/A
	n=	5	6	7	3	5	6	7	4
Diversified financial services	Median	0.00	N/A	0.00	0.00	0.00	N/A	0.00	0.00
	n=	5	3	5	5	5	3	5	5
Diversified services	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	8	7	8	6	8	7	8	6
Energy / agriculture	Median	N/A	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	4	6	6	5	5	7	7	7
Insurance	Median	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00
	n=	10	8	12	9	10	7	11	9
Manufacturing	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	11	19	19	18	11	18	18	17
Trade	Median	0.00	N/A	0.00	0.00	0.00	N/A	0.00	0.00
	n=	6	3	6	5	6	3	6	5
Utilities	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	10	9	10	8	11	10	11	9

* Other industry groups are included in totals but not shown separately due to small sample size.
N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 11 **Salary increase budgets – Other, percent – by revenue** (zeros included)

		2018 Actual salary increase budget (Other)				2019 Projected salary increase budget (Other)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
$100 million to under $1 billion	Median	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	n=	12	12	14	12	12	12	14	12
$1 billion to under $3 billion	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	14	14	17	16	14	14	17	17
$3 billion to under $5 billion	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
	n=	6	8	10	5	6	8	10	6
$5 billion to under $10 billion	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	8	8	9	7	10	9	11	9
More than $10 billion	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	24	26	30	27	24	24	28	26

Source: The Conference Board, 2018

Table 12 **Salary increase budgets – Other, percent – by number of employees** (zeros included)*

		2018 Actual salary increase budget (Other)				2019 Projected salary increase budget (Other)			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
500-2,499	Median	0.00%	0.00%	0.00%	0.50%	0.00%	0.00%	0.00%	0.00%
	n=	16	16	19	16	15	15	18	16
2,500-9,999	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	24	26	30	25	26	28	32	28
10,000-19,999	Median	1.00	0.50	1.00	0.00	0.50	0.50	0.50	0.00
	n=	10	10	11	6	12	10	12	8
20,000+	Median	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	n=	17	19	23	22	16	17	21	20

* Other employee number groups are included in totals but not shown separately due to small sample size.

Source: The Conference Board, 2018

Table 13 **Salary structure movement – by industry and overall** (zeros included)

		2018 Actual salary structure movement – percent				2019 Projected salary structure movement – percent			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
All responses	Median	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	Mean	1.93	1.77	1.90	1.82	2.04	1.98	2.01	1.92
	25th percentile	2.00	2.00	2.00	0.50	2.00	2.00	2.00	2.00
	75th percentile	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	178	155	205	168	168	146	192	156
By industry*									
Banking	Median	2.00%	2.00%	2.00%	0.50%	2.00%	2.00%	2.00%	1.00%
	n=	6	7	9	8	5	5	8	7
Communications	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	12	12	12	11	11	11	11	9
Consulting services	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	15	11	16	11	16	11	17	11
Diversified financial services	Median	2.00	1.50	2.00	1.50	2.00	2.00	2.00	1.50
	n=	10	8	10	10	9	7	9	8
Diversified services	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	18	17	19	16	17	16	18	15
Energy/agriculture	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	10	11	11	7	8	9	9	7
Insurance	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	21	15	25	19	21	15	23	19
Manufacturing	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	41	45	55	49	38	43	52	45
Trade	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	15	9	16	13	15	9	15	13
Transportation	Median	N/A	N/A	2.00	N/A	N/A	N/A	2.00	N/A
	n=	3	4	5	4	3	4	5	4
Utilities	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	24	13	24	17	22	13	22	15

* Other industry groups are included in totals but not shown separately due to small sample size.
N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 14 **Salary structure movement – by revenue** (zeros included)

		2018 Actual salary structure movement – percent				2019 Projected salary structure movement – percent			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
$100 million to under $1 billion	Median	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	n=	26	18	28	24	26	18	28	22
$1 billion to under $3 billion	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	40	30	43	38	36	29	40	34
$3 billion to under $5 billion	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	20	18	23	12	18	16	21	11
$5 billion to under $10 billion	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	31	26	34	29	31	25	34	29
More than $10 billion	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	54	55	69	57	49	49	60	51

Source: The Conference Board, 2018

Table 15 **Salary structure movement – by number of employees** (zeros included)

		2018 Actual salary structure movement – percent				2019 Projected salary structure movement – percent			
		Nonexempt hourly	*Nonexempt salaried*	*Exempt*	*Executive*	*Nonexempt hourly*	*Nonexempt salaried*	*Exempt*	*Executive*
1-499	Median	2.00%	N/A	2.00%	2.00%	2.00%	N/A	2.00%	2.00%
	n=	5	4	6	6	5	4	6	5
500-2,499	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	25	20	29	22	25	19	29	22
2,500-9,999	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	67	54	73	65	62	52	69	60
10,000-19,999	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	33	27	34	24	32	25	32	23
20,000+	Median	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	n=	48	50	63	51	44	46	56	46

N/A = Insufficient (less than 5) cases to report.

Source: The Conference Board, 2018

Table 16 **Has your reported 2018 actual salary budget increase for non-exempt employees been affected by such changes?**

	Percent
Yes, and the budget increase is higher than it would have been without those changes to the test.	3.4%
Yes, and the budget increase is lower than it would have been without those changes to the test.	0.0
No	96.6
	n=228

Source: The Conference Board, 2018

Table 17 **Has your reported 2019 projected salary budget increase for exempt employees been affected by such changes?**

	Percent
Yes, and the budget increase is higher than it would have been without those changes to the test.	2.1%
Yes, and the budget increase is lower than it would have been without those changes to the test.	0.4
No	97.5
	n=237

Source: The Conference Board, 2018

Table 18 **Response rate by industry**

Industry	n=	Percent
Banking	10	4.2%
Communications	17	7.1
Consulting services	18	7.5
Diversified financial services	12	5.0
Diversified services	22	9.2
Energy/agriculture	12	5.0
Insurance	31	12.9
Manufacturing	62	25.8
Trade	19	7.9
Transportation	7	2.9
Utilities	27	11.3
Not-for-profit*	3	1.3
Total	240	**100%**

* Included in totals but not shown separately due to small sample size.
Source: The Conference Board, 2018

Table 19 **Response rate by worldwide revenues**

	n=	Percent
Under $100 million	4	1.7%
$100 million to under $1 billion	33	14.2
$1 billion to under $3 billion	47	20.3
$3 billion to under $5 billion	25	10.8
$5 billion to under $10 billion	39	16.8
More than $10 billion	84	36.2
Total	232	**100.0%**

* Included in totals but not shown separately due to small sample size.
Source: The Conference Board, 2018

Table 20 **Response rate by worldwide employees**

	n=	Percent
1-499	7	2.9%
500-2,499	36	15.0
2,500-9,999	83	34.6
10,000-19,999	37	15.4
20,000+	77	32.1
Total	240	**100%**

* Included in totals but not shown separately due to small sample size.
Source: The Conference Board, 2018

About the Author

Judit Torok is a senior research analyst at The Conference Board. She is responsible for data analysis in several annual reports published by The Conference Board, including *The Conference Board CEO Challenge®*. Prior to earning her MBA at Pace University in New York, she worked at several financial services firms in financial advisory services and M&A consulting.

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Publications Team

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AGREEMENT

Between the

Utility Workers Union of America, AFL-CIO, Local 600

and

Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.

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AGREEMENT

Between the

Utility Workers Union of America, AFL-CIO, Local 600

and

Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.

THIS AGREEMENT is entered into between the Utility Workers Union of America, AFL-CIO, Local 600, formerly the Independent Utilities Union, hereinafter referred to as the "Union," and Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., hereinafter referred to as the "Company," through and by their duly authorized representatives.

WITNESSETH: Whereas, the parties to the Agreement as are mentioned above are desirous of maintaining collective bargaining between the Employer and its Employees, as are represented by the Union as bargaining agent, and are desirous of stabilizing employment, eliminating strikes, lockouts, curtailment of employment, and the peaceful settlement of all employer and employee disputes, and of making an honest effort to improve the conditions of both the employer and the employees.

WHEREAS, it is deemed desirable and necessary that definite operations and practices between the Company and the employees of the Company represented by the Union be formally set forth and described, with a desire that uniformity of working conditions exist between the aforementioned Companies and such employees.

WHEREAS, the Company and the Union recognize that in order for the parties to meet the challenge of competition, the need for long term prosperity and growth, and establish employment security, each must be committed to a cooperative labor management relationship that extends from the bargaining unit members to the executive employees. The Company and the Union agree that employees at all levels of the Company must be involved in the decision making process and provide their input, commitment, and cooperation to improving productivity and helping the Company become the lowest cost producer and highest quality provider of energy service.

NOW, THEREFORE, the Company and the Union do hereby agree to the following terms and conditions, to-wit:

ARTICLE I

Section 1. (a) The Company hereby recognizes the Union during the term of this Agreement as the sole and exclusive representative of all regular full-time and part-time employees of the occupational classifications in the units defined as "The Office, Clerical and Technical Unit" and "The Residual Unit," as described in the Order issued by the National Labor Relations Board dated August 12, 1944 and amended by the National Labor Relations Board Order dated February 24, 1967. The units so defined shall retain jurisdiction over such work as was normally performed by them prior to this Agreement but such jurisdiction shall not be expanded except by mutual agreement of the parties hereto or through due processes under the National Labor Relations Act. A-14

(b) The Company recognizes the Union as the sole bargaining agent of the units contained in the preceding paragraph for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, or other conditions of employment, and the Company agrees to attempt to adjust any and all disputes, and any other matters, arising out of or pursuant to this Agreement, with the Union.

(c) This Agreement shall be final and binding upon the successors, assignees or transferees of the Union and the corporate entity of the Company.

Section 2. (a) The Company agrees not to interfere, restrain, coerce, or discriminate against any of the members of the Union, because of their membership in the Union, or because of their activity as a member or officer of the Union. Should reasonable proof of any such interference, restraining, coercion or discrimination by any person in a supervisory capacity against a member of the Union be shown to the Company by the Union, the Company agrees to take immediate corrective action in connection with such complaint. It is further agreed that no member shall be discharged because of his or her service, or lawful activity as a member of the Union, nor will the Company at any time attempt to discourage membership in the Union.

(b) There shall be no discrimination, interference, restraint or coercion by the Company or the Union or their agents against any employee because of race, color, religion, sex, disability, national origin or ancestry or for any other reason. References to the masculine gender are intended to be construed to also include the feminine gender wherever they appear throughout the Agreement.

(c) The Union recognizes that the management of the Company, the direction of the working forces, the determination of the number of people it will employ or retain in each classification, and the right to hire, suspend, discharge, discipline, promote, demote or transfer, and to release employees because of lack of work or for other proper and legitimate reasons are vested in and reserved to the Company. A-9

(d) The above rights of Management are not all-inclusive, but indicate the type of matters or rights which belong to and are inherent to Management. Any of the rights, powers, and authority the Company had prior to entering this Agreement are retained by the Company, except as expressly and specifically abridged, delegated, granted or modified by this Agreement.

(e) The foregoing two paragraphs do not alter the employee's right of adjusting grievances as provided for in Article VII, Section 1 of this Agreement.

Section 3. Respecting the subject of "Union Security," the parties mutually agree as follows:

(a) All regular employees in the bargaining unit represented by the Union shall be required as a condition of their continued employment to maintain their membership in the Union in good standing on and after the thirty-first (31^{st}) day following the employee's date of hire. The Union shall notify the Company's Labor Relations Department of any members who are not in good standing as determined by the Union. For the purposes of this provision, "membership in good standing" shall mean being a full member or a core fee payer of the Union.

(b) The Union agrees that neither it nor any of its officers or members will intimidate or coerce any of the employees of the Company to join or become members of the Union, nor will said Union or any of its officers or members unfairly deprive any employee within the bargaining unit represented by the Union of union membership or of any opportunity to obtain union membership if said employee so desires. In this connection the Company agrees that it will not discriminate against any employee on account of activities or decisions in connection with the Union, except as the same may become necessary on the part of the Company to carry out its obligations to the Union under this Agreement.

(c) If a dispute arises as to the actual union status of any employee, at any time, as to whether or not the employee has been unfairly deprived of or denied union membership, the dispute shall be subject to arbitration, in accordance with the arbitration provisions of Article VII of this Agreement.

(d) The Company shall provide the Union with time to discuss with new employees the Union and the existence of the collective bargaining agreement. The Company will provide new employees with electronic and/or paper access to the collective bargaining agreement, along with the Union's "Membership Application" and the "Payroll Deduction Authorization" cards for Union dues or core fees, so that enrollment will be effective 31 days after being hired.

(e) Except for those employees mentioned in subsection (d) of this section and subject to all state and federal laws, all employees who are not members of the Union shall be required, as a condition of their continued employment, to pay to the Union the applicable core fees representing the percentage of the Union's expenses that are for representational and other legally chargeable activities.

(f) The Union agrees that any present or future employee who is now or may become a member of the Union may withdraw from membership in the Union by giving notice in writing to the Labor Relations Department of the Company and to the Union.

However, the Union will not impose restrictions, which are prohibited by law, on employees who wish to withdraw from Union membership. After such withdrawal, an employee shall not be required to rejoin the Union as a condition of continued employment. Any such employee will remain obliged to pay the applicable core fees.

(g) The Company agrees to dismiss any employee represented by the Union, at the written request of the Union, for nonpayment of union dues or core fees or to discipline employees represented by the Union in the manner herein provided for violation of this Agreement, if requested to do so, in writing, by the Union. Nothing in this clause, however, shall be construed so as to require the Company to dismiss or discipline any employee in violation of any state or federal law.

(h) The Company agrees, after receiving proper individual authorizations by means of written individual assignments in a form mutually agreeable to both parties, to deduct Union dues or core fees and initiation fees from employees' pay. This deduction shall be made a mutually agreed upon number of times each year and shall be forwarded to the Treasurer of the Union.

(i) The Union agrees that in the event of any strike, work stoppage, slowdown, picketing or any other interference to the work or the operations of the Company by any individual employee or group of employees in the bargaining unit represented by the Union this section of the Agreement is then and there and by reason thereof automatically canceled and of no further force and effect; provided, however, that the Company shall upon the presentation of proof satisfactory to the Company, within ten days thereafter, that the Union did not directly or indirectly authorize, permit, endorse, aid or abet said strike, work stoppage, slowdown, picketing or interference referred to, reinstate this section of the Agreement, which section, if reinstated will, from and after the date of reinstatement, be of the same validity, force and effect as if it had not been canceled. In this connection, it is the expressed intention of the parties that for the purpose of making this cancellation provision effective without affecting the other sections of the Agreement, this Agreement is to be considered a severable agreement. Should the automatic cancellation of this section occur, it is the intention and agreement of the parties that all other sections and provisions of the Agreement remain in full force and effect as therein provided. The Company agrees that it will not deliberately arrange or incite such interference to the work or operations of the Company as are referred to in this section.

Section 4. The Company agrees that it will not attempt to hold the Union financially responsible or institute legal proceedings against the Union because of a strike, slowdown or work stoppage not authorized, abetted or condoned by the Union. The Union agrees that, in the event of an unauthorized work stoppage, it will in good faith and without delay exert itself to bring the work stoppage to a quick termination and insist that the employee(s) involved cease their unauthorized activities. To that end, the Union will promptly take whatever affirmative action is necessary. Furthermore, the Union agrees that any employee or employees who agitate, encourage, abet, lead or engage in such a strike, work stoppage, slowdown or other interference with the operations of the Company shall be subject to such disciplinary action as the Company may deem suitable, including discharge, without recourse to any other provision or provisions of the

Agreement now in effect.

ARTICLE II

Section 1. The Company agrees to designate and authorize a representative or representatives to meet with The General Board of the Union. It is agreed that these meetings shall be held quarterly, at a time mutually agreed upon, and at any other time upon the written request of either party to this Agreement. These meetings will be held within seven days after such request is made. A-32

Section 2. The Company agrees to meet and confer with any special committee of the Union, duly appointed by the President to administer any activity relating to the welfare of the members of the Union.

ARTICLE III

Section 1. (a) This Agreement and the provisions thereof, shall become effective April 15, 2015 and shall continue in full force and effect until April 1, 2019, and from year-to-year thereafter unless changed by the parties.

(b) Either of the parties hereto desiring to change any section or sections of this Agreement and/or to terminate this Agreement shall notify the other party in writing of the desired changes at least 60 days prior to April 1, 2019 or any subsequent anniversary date. During this 60-day period, conferences shall be held by and between the parties hereto, with a view to arriving at a further Agreement, and in all events this Agreement shall remain in full force and effect during the period of negotiations. A-32

(c) In the event agreement is reached on or before April 1, the 2015 – 2019 Agreement will be extended for a mutually agreed number of calendar days. The Union shall have one-half of the mutually agreed number of calendar days immediately following the date an agreement is reached in which to submit the Agreement to its membership for ratification and in case of failure to ratify, in order that the Company shall have the remaining one-half of the mutually agreed number of calendar days as notice before a strike or work stoppage commences. Providing the mutually satisfactory Agreement is ratified by the membership within the first one-half of the mutually agreed number of days following the date an agreement is reached, such Agreement will be made retroactive to the 1st day of April and any agreed upon wage adjustments will be made retroactive to the 1st day of April.

Section 2. It is agreed that this Agreement may be amended or added to at any time by the written consent of both parties hereto.

ARTICLE IV

Section 1. The Company agrees to do nothing to encourage an employee to bargain individually.

Section 2. The Company agrees that if a matter rightfully termed a Union activity is referred by an employee to his or her representative or delegate, and this is taken up with the supervisor or any one qualified or authorized to act for the Company, such Company representative shall not initiate, negotiate, or discuss this question with the employee without affording the representative or delegate of the division an opportunity to be present.

Section 3. Departmental supervisory personnel will notify the departmental union delegate when a significant change or condition affecting that department or a work group within that department is contemplated by the management of the particular department. Upon written request by the departmental union delegate or the President of the Union, a meeting shall be arranged between the Company and the Union to discuss such changes. When major organizational changes affecting personnel in various departments are contemplated, the Company agrees to notify the Union President, in writing, at least 14 calendar days in advance of the change, and, upon written request by the President of the Union, a meeting shall be arranged between the Company and the Union to discuss such changes.

Section 4. Copies of bulletins issued by the Company concerning working conditions for any division or department represented by the Union, shall be forwarded to the General Board of the Union.

ARTICLE V

Section 1. The principle of seniority is recognized by the Company. There shall be two types of seniority defined as follows:

1. System service shall be based upon the length of time an employee has been continuously employed by the Company, and shall be the governing factor in establishing vacation dates.

2. Classified seniority shall be the length of time worked by an employee on a specific classified job.

It shall be considered a break in system service and seniority when an employee has been off the Company payroll, except when an employee has:

(1) Been laid off because of lack of work and has not, at any time during the period of layoff or during a period not to exceed three years from the date of layoff, refused to return to work for the Company in a capacity formerly held or comparable to the capacity formerly held, by the employee. However, actual time away will be deducted from the employee's system service.

(2) Been granted a leave of absence for good cause by consent of the Company, without loss of system service and seniority rights, providing the employees are available whenever necessary for the Company's medical examinations during the leave of absence. However, the employees will receive vacation in accordance with the second paragraph of Article IX, Section 5. Requests for leave of absence and consent hereto shall be in writing.

(3) Entered the military service of the United States or has been conscripted by the United States Government. No deductions for time away shall be made from the employee's system service and seniority record.

(4) Resigned voluntarily and subsequently been re-hired. Actual time away will be deducted from the employee's system service and seniority record, and, while previous system service shall be maintained, no classified seniority shall be retained.

Existing system service and seniority records shall not be rearranged to meet the above requirements in exceptions (1), (2) and (3), but they shall be met in all cases beginning March 21, 1983.

Section 2. (a) Job available postings for job classifications covered by this Agreement shall be provided by the Company and posted for a period of seven calendar days on the appropriate bulletin boards and/or on the Duke Energy Job Opportunities Portal page. A-65 A-82

(b) If after the initial posting the job opening has not been filled by a qualified applicant from the department or division, the job available notice will then be reposted for a period of seven calendar days on all bulletin boards throughout the Company where there are employees covered by this Agreement. In certain cases where it is known that there are no qualified applicants within a division or a department, the initial posting may be waived and the job posting will then be initially posted throughout the Company where there are employees covered by this Agreement. However, if applications are received from employees within the department requesting the job opening, these applications will be given consideration before those received from employees in other departments. Furthermore, anytime employees are accepted for a job opening on a lateral or cross bid, they shall not be eligible to laterally or cross bid again for a period of six months from the date of acceptance. The only exception to this six month waiting period is that employees may cross bid to another headquarters within the same bidding area at any time.

(c) In those departments where the multiple posting system is in use, employees are permitted to submit their applications for promotions, lateral bids or cross bids in advance of an opening according to the multiple posting administrative procedures of the applicable department. A-3

(d) It is agreed that classified seniority will be considered within a department, A-20
district or departmental section concerning available advancements, although other A-21
qualifications for the particular position will of necessity be considered. All other factors A-44
being sufficient, the employee oldest in the point of classified seniority shall be given a A-65
reasonable opportunity to qualify for the position.

(e) Should the classified seniority of any two or more employees be equal, the respective seniority position of such employees shall be determined by the Union randomly drawing the names of the affected employees. The Company will be notified of the results, in writing.

In the event no fully qualified individual has bid on a Union wide job opening, the previous experience requirement only will be waived, with the exception of positions within the General Clerical sequence, and an employee will not be disqualified for promotion on the basis of not having passed through a lower job in the promotional sequence if otherwise qualified. Employees who have at least one half of the required previous experience and are in the direct promotional sequence of a job opening, posted Union wide, where previous experience has been waived, will be considered for the job before all other non-qualified employees. Any claim of discrimination in this connection may be taken up by the Union as a grievance.

(f) An employee may waive his right to promotion, providing such waiver is presented to the Company in writing and does not prevent other employees from acquiring experience in the job held by the employee. When an employee waives his right to promotion, the employee next in seniority, other qualifications being sufficient, shall be entitled to such promotion. When it is necessary to fill an open position, and no employees are willing to promote, the Company may assign the junior qualified employee to promote to the job classification.

(g) If no qualified regular full-time employee has been accepted following the posting procedure and consideration of requests for demotion, second consideration for non-technical job openings shall be given to part-time employees within the bargaining unit based on qualifications as determined by the Company. For technical job openings, the Company will give second consideration to part-time employees with a technical degree and/or technical expertise based on qualifications as determined by the Company. As a result of these determinations, if the top two or more part-time applicants have equal assessments, then the non-technical or technical job opening will be offered to the applicant with the greatest system seniority.

(h) Should the job opening not be filled after the posting procedure above, at the discretion of management, consideration may be given to requests for transfer which have been received from employees outside the bargaining unit or may be filled from outside the Company.

(i) If the particular job opening is not filled within 60 days from the expiration date of the bargaining unit-wide posting, the job opening will be reposted in accordance with the job posting procedure outlined above.

(j) The job posting procedure outlined above does not restrict the Company's right to cancel a job posting at any time.

(k) An employee shall not have seniority rights to bid on a demotion but may, in writing by letter or by submitting a bid for a posted job opening, request consideration for a demotion. However, if an employee's request for demotion is granted by the Company, any accumulated classified seniority will be forfeited in job classifications above the job to which he demotes.

(l) The Company and the Union agree that the job posting procedure will be waived for the employment of Co-ops, as probationary employees in job classifications represented by the bargaining unit, providing that the next opening in the same job classification and bidding area is posted and made available to employees within the bargaining unit. If such opening is not filled by a bargaining unit employee, openings in the same job classification and bidding areas will continue to be posted and made available to employees within the bargaining unit until such time that a bargaining unit employee fills one of the openings.

Section 3. (a) In the event of any layoffs or curtailments of employment, the Company will attempt to place the employee in a temporary assignment. Prior to making an assignment, the Company will discuss such assignment with the Union. If a temporary assignment is not available, rollbacks and layoffs shall be made in accordance with system seniority rights. When the Company reduces the number of employees in a job classification, the Company will use the following process to determine rollbacks and layoffs. Employees with the least amount of System Service seniority within the job classification that is targeted for a reduction will be assigned to vacant positions and/or replace full-time employees in the bidding area with the least amount of System Service seniority. Displaced employees must be qualified for the job classification to which they are assigned and the job classification must be within the same bidding area and below their former job classification. Displaced employees will be reclassified into the next lower job classification within their bidding area for which they are qualified, if there are employees in that job classification and they have less system seniority than the displaced employees. Displaced employees will have their wage rates red-circled for a period of 18 months. At the end of 18 months, their wage rates will be reduced to the maximum wage rate of the job classification to which they were reclassified. Displaced employees who are assigned to perform work in lower level job classifications, if qualified, will be reassigned to higher job classifications as they become available within the bidding area, until the displaced employees return to assignments within their former job classification; obtain a job within the bidding area at the same or higher wage level as their former job classification; or, obtain a job in another bidding area. Displaced employees will not be assigned to or be required to perform the duties of job classifications at levels higher than their former job classification. Any employees unable to be assigned to vacant positions and/or replace full-time employees in the bidding area will be subject to layoff. A-49 A-55

Part-time Meter Readers will be laid off before any full-time Meter Readers are rolled back or laid off. The same holds true for part-time and full-time call-takers in the Call Center.

Where multiple part-time employees in a job classification at the same location are scheduled to work a total of 40 or more hours per week, a qualified displaced full-time employee in the same bidding area may replace the part-time employees by accepting a full-time job at that location, if the department can still schedule straight-time coverage for the required hours.

For those full-time displaced employees with at least 15 years of service and subject to layoff, including employees who have been placed in a temporary position in accordance with this subsection, an effort will be made by the Company to find another job at the same or lower wage level for which the employee is qualified. The Company will discuss the employee's reclassification with the Union prior to it going into effect. If there are multiple displaced employees, vacant positions will be offered by system seniority; an employee has the right to turn down one offered position. An employee who turns down a position and who is not currently in a temporary assignment, could be subject to immediate rollback or layoff in accordance with this Section or to rollback or layoff at the end of the temporary assignment if no job is available. If the Company identifies such a vacant position for which the employee is qualified, the Company may reassign and reclassify the employee without posting the position. If no positions are identified by the Company the displaced employee, if qualified, will be allowed to displace the employee with the least amount of system seniority outside of the displaced employee's bidding area. Those employees with 15 or more years of service will have their wage rates red-circled for 18 months. After 18 months, the employee's rate of pay will be reduced to the maximum rate of pay for the classification to which they are assigned.

An employee unable to be reassigned and subject to being rolled back to the Call Center or Meter Reading Departments, will have the option of accepting the assignment in the Call Center or Meter Reading, being laid off, or being offered a severance as outlined in Sidebar Letter A-70. A-70

Displaced employees unable to displace full-time employees and subject to layoff, if qualified, will be allowed to replace employees in part-time positions within their bidding area, by accepting the wage rate, benefits, work hours and other terms and conditions of employment of the part-time employee. The two exceptions are Meter Reading and Call Center, where these employees may retain their full-time status and accept the wage rate applicable to new full-time employees in these departments. Full-time employees within the Customer Relations bidding area, but outside the Call Center and Meter Reading Departments, may displace a maximum of four part-time employees in each department (i.e., Call Center and Meter Reading) within a 12-month period.

Employees who were rolled back prior to April 1, 2012 and whose wage rates are red-circled will continue to have their wage rates red-circled.

An employee will not have the right to recede to a position within his bidding area that he did not pass through before reaching his present position. For purposes of this section, if an employee is unable to exercise system seniority rights in lower job classifications within his department because he did not pass through those job classifications before reaching his present position, he will be credited with system seniority in all job classifications lower than his initial job within the bidding area which are in the same direct promotional sequence. Under no circumstances may an employee exercise seniority rights outside his own bidding area or in the selection of a specific job within a classification.

(b) In a department where there have been layoffs and a subsequent increase in employment exists within three years, the Company agrees to recall those employees in the department who have suffered a layoff because of lack of employment, in the reverse order of the dates of their layoffs. It is further agreed that the Company will notify the employee or employees, in writing by registered or certified mail, to report back to work. The Company agrees to send a copy of these letters to the Union at the time of the mailing of the original. If they do not report back to work within a 15-day period, the Company shall have the right to recall the next employee in line.

(c) It shall be the duty of all employees, including those on layoff status, to have their proper post office address and telephone number on file with their individual departments and the Human Resources Department of the Company.

(d) The Union may designate a witness to tests given in a departmental section, and shall have the right to review the results of these departmental tests upon request. This does not apply to standard tests given by the Staffing Services Division or by outside consultants. A-4

(e) The Company will make an effort to find another job classification for which an employee is qualified if his job is abolished. An employee who, because of this job abolishment, is assigned to a classification having a lower rate of pay, will maintain his existing level of pay until the maximum wage rate of the job classification to which he is assigned is equal to his existing wage rate. This provision does not affect the right of an employee to bid on a future posted job opening for which he may be qualified.

Section 4. (a) Temporary transfers from one department, district, or departmental section to another will not affect an employee's system service or seniority rank and his record will remain posted in the department, district, or departmental section from which he was transferred.

(b) Permanent transfers from one department, district, or departmental section to another will not affect an employee's system service or classified seniority, which will be used to determine his system service and seniority rank in his new department, district, or departmental section. A-2

(c) When an employee has successfully bid on a posted job and his move to the posted job is delayed, consideration shall be given to the proper adjustment of the employee's seniority rank so that the employee will not be penalized with respect to future promotions. The employee will receive a seniority date and the wage rate of the job on which he has been accepted no later than the beginning of the third week after the employee is notified that he has been accepted for the new job.

Section 5. All new employees shall be classed as probationary for a period of one year and shall have no system service or seniority rights. After one year's service as a probationary employee, they shall be reclassified and their system service and seniority record shall include their previous employment as a probationary employee.

Effective January 1, 2016, the probationary period of any employee on an approved leave of absence lasting more than thirty days, will be extended by the duration of the leave of absence.

Section 6. Temporary employees shall be those hired for a specific job of a limited duration, not to exceed six months unless agreed upon by both parties, and shall not acquire system service or classified seniority rights. The Union shall be notified of the hiring of such employees. A-6

Section 7. (a) Part-time employees shall be those hired to perform a continuing specific work requirement that is temporary in nature or less than 40 hours per week. A-48
Part-time employees will only be used for part-time applications in order to supplement A-61
the regular full-time workforce, unless otherwise agreed. While the intention is for part-time employees, who are non-temporary in nature, to be regularly scheduled to work less than 32 hours per week, the actual hours worked may be greater due to temporary operational needs or trading of hours with other employees. The departments utilizing part-time employees will develop schedules to be worked by such personnel. However, schedules for part-time employees may at times vary according to work needs. These employees will work in bargaining unit positions and will be paid the minimum wage rate for the job classification or at a specially negotiated rate. They shall not acquire classified seniority rights. Part-time employees may be laid off for any reason without recall rights. Such layoffs shall not be subject to the grievance procedure. Benefits for part-time employees shall be on a prorated basis as agreed to by the parties.

(b) Part-time employees may request consideration for other part-time openings and may submit applications for openings in regular full-time positions. When part-time employees become full-time employees, they shall be credited with system service for the length of time they were employed by the Company as a part-time employee on or after January 1, 1996. For part-time employees who become full-time employees after April 1, 2008 and who have been employed as part-time for at least 12 consecutive months prior to becoming full-time, the probationary period shall be reduced from one year to nine months.

(c) The overtime provisions of this Agreement, including meal compensation, will only apply to part-time employees when they work in excess of their regular scheduled hours per day or eight hours per day, whichever is greater. Part-time employees will not be called out for overtime assignments unless all full-time available employees have been called. The total number of part-time employees, excluding those in the Call Center and Meter Reading work groups and those hired to perform a continuing specific work requirement that is temporary in nature, will not exceed 5% of the total number of full-time employees performing work represented by the Union.

ARTICLE VI

Section 1. The parties hereto recognizing the importance of safety projects and regulations for the protection of the health, life and limb of all employees, agree to make all reasonable efforts to maintain such rules and regulations conducive to the health and safety of all concerned. The Company will notify the Union leadership of any work related accident resulting in the hospital admission or death of any employee in the bargaining unit.

ARTICLE VII

Section 1. Any dispute or disagreement arising between an employee and the Company or the Union and the Company involving wages, hours or work, conditions of employment, or otherwise of any nature arising out of this Agreement may become the subject of a grievance. However, with respect to any claim or dispute involving the application or interpretation of an employee welfare or pension (includes defined benefit and 401(k) plans) plan, the claim or dispute shall not be resolved under the grievance procedure outlined herein, but instead, shall be resolved in accordance with the terms and procedures set forth in the relevant plan document. Additionally, should the content of any communication relating to employee benefits conflict with the terms of the relevant plan document, the terms of the plan document shall govern. Recognizing the importance of resolving disputes or disagreements in a peaceful and timely manner and at the earliest stage possible, grievances shall be processed in accordance with the following procedure: A-18 A-32

1st Step

An employee must take up any grievance initially with the supervisor involved, within 20 days of its occurrence or 20 days from the time the employee or the Union became aware of the occurrence. The initial meeting shall be held between the supervisor(s), the employee involved and the elected union representative or delegate. Grievances in this step shall be answered verbally at the meeting or within 5 days of the conclusion of the meeting. The supervisor will also inform the Union of the appropriate management person to notify in the event that the Union wishes to pursue the grievance to the second step.

2nd Step

If the parties are unable to resolve the grievance following the first step, within 10 workdays of the first step response, the Union may submit a written grievance to the management of the department designated in the first step. Department management will schedule a meeting with a small committee representing the Union within 20 workdays after receipt of the written grievance. A written decision will be sent by email and/or US Mail to the President of the Local Union within 20 workdays of the Step 2 meeting.

3rd Step

If the parties are unable to resolve the grievance following the second step, within 20 workdays of the second step response, the Union may notify the Labor Relations Department in writing of its desire to advance the grievance to the third step of the grievance procedure. The Labor Relations Department will schedule a meeting with the appropriate management representatives and a small committee representing the Union within 20 workdays after receipt of the written request. The Labor Relations Department will render a written decision within 20 workdays of the date of the third-step meeting. The written response will be sent by email or US Mail to the President of the Local Union.

In the case of a discharge, the Union may bypass the first step of the grievance procedure and submit a written grievance requesting a second step grievance meeting, within 10 days following the date of discharge.

Arbitration

Section 2. (a) If the parties are unable to resolve the grievance following the third-step, the Union, within 30 workdays of receipt of the third step response, may notify the General Manager, Labor Relations in writing of its desire to advance the grievance to arbitration.

(b) Upon receipt of the Union's notification, the parties within ten workdays will petition the Federal Mediation and Conciliation Service (FMCS) for a panel of seven arbitrators and will cooperate to select promptly an arbitrator from that list. In the event that no acceptable arbitrator appears on the panel of arbitrators submitted by FMCS, either party may request an additional panel from FMCS.

(c) The arbitrator so selected shall hold a hearing as promptly as possible on a date satisfactory to the parties. If a stenographic record of the hearing is requested by either party, the initial copy of this record shall be made available for the sole use of the arbitrator. The cost of this initial copy and its own copy shall be borne by the requesting party, unless both parties desire a copy. If both parties desire a copy, they shall equally share the cost of the arbitrator's copy, and shall each bear the cost of any copies of the record they desire.

(d) After completion of the hearing and the submission of the post-hearing briefs, the arbitrator shall render a decision and submit to the parties written findings that will be binding on both parties to the Agreement.

(e) The arbitrators' and other joint expenses mutually agreed upon shall be borne equally by both parties.

(f) Any grievance that is not taken to the next step within the time limits specified will be deemed to have been withdrawn. If at any step in the grievance procedure, the Company does not answer within the designated time frame, the Union may notify the Company of its desire to advance the grievance to the next step of the grievance procedure. Any time limits may be extended by written agreement between the parties.

(g) The arbitrator shall have no authority to add to, detract from, alter, amend, or modify any provision of this Agreement. It is also mutually agreed that there shall be no work stoppage or lockouts pending the decision of the arbitrator or subsequent thereto.

ARTICLE VIII

Section 1. (a) The parties hereto agree that the wage rate schedules in effect immediately prior to the execution of this Agreement shall be amended as follows:

MAXIMUM HOURLY WAGE RATES

		Clerical (Non-Manual) Maximum Wage Rates				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum	NA	1.00%	0.00%	0.00%	0.00%
Wage level	1	$ 13.79	$14.00	$14.28	$14.57	$14.86
	2	$ 15.25	$15.48	$15.79	$16.11	$16.43
	3	$ 17.05	$17.31	$17.66	$18.01	$18.37
	4	$ 17.05	$17.31	$17.66	$18.01	$18.37
	5	$ 18.30	$18.57	$18.94	$19.32	$19.71
	6	$ 19.98	$20.28	$20.69	$21.10	$21.52
	7	$ 19.98	$20.28	$20.69	$21.10	$21.52
	8	$ 22.17	$22.50	$22.95	$23.41	$23.88
	9	$ 23.70	$24.06	$24.54	$25.03	$25.53
	10	$ 25.48	$25.86	$26.38	$26.91	$27.45
	11	$ 25.48	$25.86	$26.38	$26.91	$27.45
	12	$ 26.56	$26.96	$27.50	$28.05	$28.61
	13	$ 27.74	$28.16	$28.72	$29.29	$29.88
	14	$ 28.76	$29.19	$29.77	$30.37	$30.97
	15*	$ 29.39	$29.83	$30.43	$31.04	$31.66
	16*	$ 30.02	$30.47	$31.08	$31.70	$32.33
	17*	$ 31.52	$31.99	$32.63	$33.29	$33.96

* Specially negotiated rates not subject to the Job Evaluation Committee.

		Meter Reading Maximum Wage Rates (Sidebar A48)				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum	NA	1.00%	0.00%	0.00%	0.00%
Wage level	MR1	$ 17.00	$17.26	$17.61	$17.96	$18.32
	MR2	$ 17.19	$17.45	$17.80	$18.16	$18.52
	MR3	$ 20.19	$20.49	$20.90	$21.32	$21.75
	MR4	$ 23.93	$24.29	$24.78	$25.28	$25.79
	MR5	$ 25.74	$26.13	$26.65	$27.18	$27.72
	MR6	$ 18.17	$18.67*	$19.04	$19.42	$19.81

* Maximum wage rate increased by $0.50 in lieu of General Wage Increase.

		Call Center and Revenue Services Maximum Wage Rates (Sidebar A61 and A64)				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase*	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum*	NA	1.00%	0.00%	0.00%	0.00%
Level	C2**	$ 15.08	$ 15.08	$ 15.08	$ 15.08	$ 15.08
	C3**	$ 15.08	$ 15.08	$ 15.08	$ 15.08	$ 15.08
	C4**	$ 12.00	$ 13.00	$ 13.00	$ 13.00	$ 13.00
	C5***	$ 18.50	$ 19.00	$ 19.00	$ 19.00	$ 19.00

*Increase applicable to Clerical employees unless otherwise negotiated.

**Employees hired after 4/1/12 are not eligible for the annual wage increase. Employees at or above the maximum rate of pay will receive the annual wage increase applicable to Clerical employees in the form of a lump sum. Minimum and maximum wage rates do not increase.

***Eligible for the annual wage increase until maximum rate of pay. Employees at the maximum rate of pay will receive the annual wage increase applicable to Clerical employees in the form of a lump sum. Minimum and maximum wage rates do not increase.

		Manual Maximum Wage Rates				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum	NA	1.00%	0.00%	0.00%	0.00%
Wage level	7	$ 27.26	$27.67	$28.22	$28.78	$29.36
	10	$ 25.81	$26.20	$26.72	$27.25	$27.80
	12	$ 29.42	$29.86	$30.46	$31.07	$31.69
	16	$ 29.42	$29.86	$30.46	$31.07	$31.69

		Technical Maximum Wage Rates				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum	NA	1.00%	0.00%	0.00%	0.00%
Wage Level	1	$ 21.74	$22.07	$22.51	$22.96	$23.42
	2	$ 23.75	$24.11	$24.59	$25.08	$25.58
	3	$ 26.34	$26.74	$27.27	$27.82	$28.38
	4	$ 28.22	$28.64	$29.21	$29.79	$30.39
	5	$ 30.32	$30.77	$31.39	$32.02	$32.66
	6	$ 31.65	$32.12	$32.76	$33.42	$34.09
	7	$ 32.96	$33.45	$34.12	$34.80	$35.50
	8	$ 34.20	$34.71	$35.40	$36.11	$36.83
	9	$ 35.18	$35.71	$36.42	$37.15	$37.89
	10*	$ 36.84	$37.39	$38.14	$38.90	$39.68
	11*	$ 37.83	$38.40	$39.17	$39.95	$40.75
	12*	$ 38.82	$39.40	$40.19	$40.99	$41.81

* Specially negotiated rates not subject to the Job Evaluation Committee.

		CPC Maximum Wage Rates				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum	NA	1.00%	0.00%	0.00%	0.00%
Level	CP1	$ 27.00	$27.41	$27.96	$28.52	$29.09
	CP2	$ 31.84	$32.32	$32.97	$33.63	$34.30
	CP3	$ 38.82	$39.40	$40.19	$40.99	$41.81

		Local Information Technology Maximum Wage Rates (Sidebar A73)				
		As Of April 1, 2014	Effective April 15, 2015	Effective April 1, 2016	Effective April 1, 2017	Effective April 1, 2018
	Base Increase	NA	1.50%	2.00%	2.00%	2.00%
	Lump Sum	NA	1.00%	0.00%	0.00%	0.00%
Level	IT1	$ 36.84	$37.39	$38.14	$38.90	$39.68
	IT2	$ 31.67	$32.15	$32.79	$33.45	$34.12
	IT3	$ 26.79	$27.19	$27.73	$28.28	$28.85

(b) These wage rate increases shall not apply to the minimum wage rates of starting job classifications.

(c) The wage increases mentioned above shall not apply to any employee whose present wage rate is on or above the new maximum wage rate of his job classification, except employees who are on physical retrogressions, who shall receive the increase applicable to their individual wage rate as of the indicated dates of increase.

(d) Manual employees shall be provided the higher of a $10.00 promotional increase above the maximum wage rate of the job classification from which they promote, or the minimum wage rate of the job classification to which they promote. Clerical and Technical employees shall be provided the higher of a $10.00 promotional increase or the minimum wage rate of the job classification to which they promote. This provision will not apply when the maximum wage rate of a job classification is not at least $10.00 above the maximum wage rate of the job classification from which it promotes.

(e) Whenever the difference between the minimum and maximum wage rates of a job classification is not divisible by $0.25, the intermediate wage rates will be by $0.25 steps, with the exception of the last step to the maximum wage rate of the job. In such case the increase to the maximum wage rate will include the $0.25 increment plus the odd amount necessary to equal the maximum wage rate, provided, however, that the total amount of this increase is less than $0.50. A-40

(f) Any employee in the Union who was on or below the maximum wage rate of his job classification as of the indicated dates of increase shall receive the increase applicable to the maximum wage rate of his job classification.

(g) The shift differentials and Sunday premium paid to employees on scheduled shifts on classified jobs will be as follows:

Name of Shift	Definition of Shift	Shift Differential Cents Per Hour May 11, 2015 – March 31, 2019
Day Shift	Where the majority of the scheduled hours worked are between 8:00 a.m. and 4:00 p.m.	$0.00
Afternoon Shift	Where the majority of the scheduled hours worked are between 4:00 p.m. and 12:00 Midnight	$1.75
Night Shift	Where the majority of the scheduled hours worked are between 12:00 Midnight and 8:00 a.m.	$1.80

When the majority of the hours in a shift are on a Sunday, a Sunday premium will be paid to an employee for all scheduled straight time hours worked on that shift.

	As of May 11, 2015	As of April 1, 2016	As of April 1, 2017
Sunday Premium	$1.90	$1.95	$2.00

(h) The nature of the work involved under each payroll classification shall be defined, as nearly as possible, by the Company and occupational classifications and job descriptions shall be prepared by the Company and be subject to review by the Union. A-40

(i) The Job Evaluation Committee of the Company will be responsible for evaluating all new or revised job classifications. The evaluation established by this Committee will be used to determine the maximum wage rate for each new or revised job classification. Results of the evaluation will be communicated to the Union at least two weeks before the effective date of the new or revised job classification. A-21 A-38 A-40 A-41

(j) The Union shall appoint a Classification Committee consisting of not more than five members who may review the evaluation and wage rate of any new or revised classification. The Union's Committee may, by request, meet with the Company's Committee as soon as possible at a mutually agreeable time, but within 30 days after the Union has been notified by the Company of the proposed new or revised classification, for the purpose of presenting any information relative to the evaluation of a new or revised classification. The Union will be notified after the Company's Committee has reviewed the information presented by the Union. All wage rates so established shall be final and binding and not subject to the grievance and arbitration procedure. However, if any revised wage rates are reduced as a result of the evaluation(s), they will not be placed into effect until the Company and the Union have had an opportunity to negotiate them during full contract negotiations, even though the revised job classification will be in effect. Employees, presently in, or promoting to, such job classifications will continue to receive wage adjustments in accordance with the other provisions of the Agreement just as if the wage rate had remained at the same level until a new Agreement is reached.

(k) When the Union believes that a new or revised job description does not adequately describe the principal duties and minimum qualifications necessary to provide a sufficient basis for evaluating that job description, a letter outlining the Union's suggested changes may be sent to the management of the appropriate department for consideration. However, there will be no recourse to the grievance and arbitration procedure because of the language of a job description or the evaluation of a job classification.

(l) Where the Union deems an employee to be improperly classified, it will be considered as a grievance and shall be handled under the grievance procedure described elsewhere in this Agreement.

Section 2. (a) With the exception of shift differential premium, and a holiday occurring during an employee's vacation, it is agreed that under no circumstances shall any section of this Agreement be interpreted to provide the pyramiding of a benefit or premium payment to employees covered by this Agreement. For example, no employee may claim sick pay while receiving vacation pay or holiday pay while receiving sick pay.

(b) It is further agreed that there shall be no interruption in the payment of one benefit in order that employees may receive payment for another benefit. For example, employees may not interrupt vacation to begin sick leave or interrupt sick leave to include a holiday. The only exceptions to this provision are that an employee's sick pay may be interrupted to include vacation pay and that vacation pay may be interrupted to include death in family pay as set forth in the Agreement.

ARTICLE IX

Section 1. ABSENCE DUE TO SICKNESS OR ACCIDENT: (a) Regular employees who are actively working on January 1, regular employees who return to work from an authorized extended absence on or after January 1, probationary employees who become regular employees on or after January 1, shall be paid as gross wages, for absent time due to bona fide illness or injury, a maximum annual amount equal to 40 hours at their regular Straight Time Pay. Such payment shall be made by the Company on the nearest practicable regular pay day following the date such employee becomes eligible.

(b) After a part-time employee with 12 months of service or a full-time employee has been continuously disabled, subject to medical determination, and unable to return to work for more than seven consecutive calendar days, the employee will receive Short-Term Disability pay consisting of up to 26 weeks of pay per incident with payment based on the schedule below or until the employee is able to return to work, whichever occurs first.

Years of Service	Maximum Weeks at 100% Pay	Weeks at 66 2/3% Pay
0-1	None	All
1-5	10	Balance
6-10	15	Balance
11-14	20	Balance
15-20	26	Balance
21 or more	ALL	N/A

(c) After an employee has been continuously disabled, subject to medical determination, and is unable to return to work for more than 27 consecutive weeks, and has exhausted Short-Term Disability benefits, the employee will receive Long-Term Disability benefits as described in the Company's Long-Term Disability Plan Description.

Section 2. Compensation will not be provided for illnesses resulting from such causes as: illegal use of drugs or alcohol, willful intention to injure oneself, the commission of a crime, elective or cosmetic procedures not covered by the medical plan, the employee's refusal to adopt such remedial measures as may be commensurate with the employee's disability or permit reasonable examinations by the Company. A-50

Section 3. It is also mutually understood and agreed that the Company shall have the right to investigate and determine for its own satisfaction the bona fide nature of any illness for which pay is requested as well as the duration thereof. In order to facilitate the scheduling of the work forces, employees who will be absent from work are expected to notify the Company as soon as possible, but not later than one hour after their regular starting times and in the case of shift workers, one hour before the start of their shifts. Unless an employee submits a legitimate excuse for not reporting the cause of absence before the end of the first hour of such absence, the employee's claim for sick leave pay shall not begin until such notice is received.

Section 4. When employees have received all of the disability pay to which they are entitled under this Agreement they shall be granted, upon written request on a form provided by the Company, a "leave of absence" and shall not be eligible for further disability pay benefits until they have returned to steady employment. A-5

Section 5. (a) An employee accrues entitlement of 1/12 of their current year's vacation for each full month the employee is employed during the current calendar year or is on STD, or leave of absence. Any employee leaving the Company's service during any calendar year shall receive payment for any unused portion of accrued vacation for that current year. However, in the event of an employee's death, the estate of the employee will be paid the unused portion of the employee's total vacation allotment for the current year. A-52

Employees returning from military service will receive vacations with pay in the calendar year in which they return as follows:

Month in which Employee Returns to Company's Employment	Amount of Vacation Based on System Service of Employee
Up to and including June	Full
July, August and September	One-Half
After September	None

(b) In order for an employee to qualify for a vacation, the employee must have been ready, willing and able to work as a full-time regular or probationary employee during the calendar year the vacation is taken.

(c) The anniversary of employment shall determine the employee's vacation status. Every effort will be made to grant vacations at a time suitable to the employee, A-1 but should the vacation of an employee handicap the operations of the Company in any A-8 way, the Company reserves the right to require the vacation be taken at another time. Normally, preference shall be granted in the selection of vacation dates on the basis of system service.

(d) Employees with less than one year of service with the Company shall be entitled to one day of vacation for each month worked, with a maximum of 10 total days.

(e) Employees with one year of service with the Company shall be entitled to a vacation of two weeks.

(f) Employees with seven or more years of service with the Company shall be entitled to a vacation of three weeks. Should the amount of work or other working conditions be such that the operations of the Company would be handicapped by granting of the third week of an employee's vacation, the Company reserves the right to require an employee to take his third week of vacation at such time that does not interfere with the operations of the Company.

(g) Employees with 15 or more years of service with the Company shall be entitled to a fourth week of vacation or payment of one week's wages (40 hours) at straight time in lieu thereof. The Company may also require such employees to take the fourth week of their vacation at such time as does not interfere with the operations of the Company.

(h) Employees with 21 or more years of service with the Company shall be entitled to a fifth week of vacation or payment of one week's wages (40 hours) at straight time in lieu thereof. The Company may also require such employees to take the fifth week of their vacation at such time as does not interfere with the operations of the Company.

(i) Employees with 32 or more years of service with the Company shall be entitled to a sixth week of vacation or, if required to work by the Company, payment of one week's wages (40 hours) at straight time in lieu thereof. The Company may also require such employees to take the sixth week of their vacation at such time as does not interfere with the operations of the Company.

ARTICLE X

Section 1. Regular employees entering the armed services of the United States or employees who are conscripted by the United States Government during a period of national emergency shall continue to accumulate full system service and full seniority and may return to their former position or one of equal pay and rank, provided they report for work with a certificate of satisfactory completion of military or governmental service within 90 days after their release from active service.

Section 2. (a) All Company sponsored life and AD&D insurance coverage for employees starting an approved military leave of absence will be continued for a period of at least 90 days after the employee's leave of absence begins with the same cost sharing as before the leave began.

(b) Company Group Life Insurance of employees returning to Company service within 90 days after their release from active service will be reinstated without physical examination or waiting period.

Section 3. None of the foregoing provisions in this Article shall apply to those employees who are not eligible for statutory re-employment rights.

ARTICLE XI

Section 1. (a) The following days are observed as regular holidays which will be recognized on the indicated dates. The Company may change the date for recognizing a holiday if the date indicated is changed by a legislative enactment or if the prevailing community practice is not consistent with the indicated date.

HOLIDAY	DATE RECOGNIZED
New Year's Day	January 1
Memorial Day	Last Monday – May
Independence Day	July 4
Labor Day	First Monday – September
Thanksgiving Day	Fourth Thursday – November
Day after Thanksgiving	Friday after Thanksgiving
Christmas Eve	December 24
Christmas Day	December 25

(b) If the recognized date of a holiday occurs on a Saturday or Sunday, the Company will have the option of either celebrating that holiday on another date which is consistent with community practice or paying eight hours of regular straight time holiday pay in lieu thereof for the holiday.

(c) Regular employees whose duties do not require them to work on holidays will be paid straight time. Regular employees who are scheduled to work on a recognized holiday will be paid at time and one-half for the first eight hours worked in addition to their straight time holiday pay. However, those employees who work less than the eight hours scheduled will have their straight time holiday pay correspondingly reduced.

(d) Regular employees who are called out to work on a recognized holiday for a period of four hours or less not contiguous with hours worked into or out of the holiday will A-11 be paid for four hours at time and one-half in addition to their straight time holiday pay. Employees who are called out to work on a recognized holiday for more than four hours not contiguous with hours worked into or out of the holiday but less than eight hours will be paid for eight hours at time and one-half in addition to their regular straight time holiday pay. Employees who are required to work more than eight hours on a recognized holiday will be paid at the rate of double time for all such work in excess of eight hours. An employee must work either his full scheduled day before, or his full scheduled day after a holiday to be entitled to receive holiday pay. An employee will not be compensated for travel time on a call-out which occurs on a regular holiday.

(e) When a holiday falls within an employee's vacation, the employee shall, at the discretion of the Company, either be allowed an additional vacation day at such time in the same year as shall be mutually agreed upon between the employee and his supervisor or shall receive eight hours additional pay to compensate for the loss of such holiday pay.

(f) An employee beginning a leave of absence will not receive holiday pay for holidays occurring after the last day worked except when the employee works the full calendar day immediately before a recognized holiday which is in the same pay period.

Section 2. (a) An employee who has completed six months of service with the Company shall be entitled to four compensated Personal days off and one compensated Diversity day off each calendar year. Requests for Personal/Diversity days should be made at least seven calendar days prior to the date requested and must be approved by management. However, because of extenuating circumstances, a day off with less than a seven calendar-day notification may be approved by an employee's supervisor; such approval will not be unreasonably denied. The Company reserves the right to limit the number of employees who can be off on a specific day. Individual departments will attempt to accommodate as many requests as possible to take a Personal/Diversity day or vacation day on Martin Luther King, Jr. Day, Presidents' Day, and/or Good Friday.

(b) If a Personal/Diversity day is not used during a year, it shall be lost and no additional compensation shall be granted. Any employee who resigns, retires or is discharged from the Company for any reason shall not receive compensation for any remaining Personal/Diversity days.

(c) Personal/Diversity days must be taken in full day increments. Paid Personal/Diversity days will not be considered as absences for purposes of an individual's attendance record.

ARTICLE XII

Section 1. (a) It is agreed that the present establishment of 40 hours per week of the Company will remain in effect, except in those divisions where longer or shorter hours are now being worked, and the Company guarantees employment of not less than 40 hours per week for 52 weeks of each year to all employees represented by the Union as bargaining agent, who are available and ready to work, and who are regular full-time employees of the Company, except those on a less than 40 hour basis now. No such employees shall be required to work more than 40 hours in any one week, consisting of seven days, nor more than eight hours in any one day except as hereinafter provided.

(b) Nothing in this section will affect in any manner the right of the Company to make temporary or permanent reductions in forces when considered necessary by the Company.

(c) Nothing in this Agreement shall be deemed to require the Company or the Union to commit an unfair labor practice or other act which is forbidden by, or is an offense under, existing or future laws affecting the relations of the Company with the employees bargained for by the Union.

Section 2. (a) The work week of an employee for payroll purposes and for determining off-days shall consist of seven consecutive days with a minimum of two scheduled off days and be from midnight Sunday to midnight the following Sunday. Employees working on a shift beginning two hours or less before midnight will be considered as having worked their hours following midnight. A-12 A-17

(b) Regular scheduled hours of work per day will be at straight time for regular scheduled work days, time and one-half for the employee's first scheduled off-day in the work week, double time for the employee's second scheduled off-day in the work week and time and one-half for any additional scheduled off-days in the work week. Any time in excess of the employee's regular scheduled hours per day will be paid at the rate of time and one-half except the employee's second scheduled off-day worked which will be paid at double time. A-71 A-76

(c) Employees required to work more than 16 consecutive hours will be paid double time for all time worked in excess of, and contiguous with, the 16 consecutive hours.

(d) Schedules for all employees will be based on the time prevailing in the City of Cincinnati.

(e) In no case will an employee be forced to take time off in lieu of overtime pay. The Company shall be the sole judge as to the necessity for overtime work, and the employee shall be obligated to work overtime when requested to do so. When overtime occurs in a group or department, where more employees are qualified and available to work than are necessary at the moment, the Company agrees to establish a system of selecting the employees who are to work, in a sincere effort to equalize overtime work. The employees will be notified in advance, whenever possible, when they are required to work overtime.

Section 3. (a) The Union recognizes the need for shift work and weekend work in order to provide for continuous operation, and overtime rates will apply as set forth in Article XII, Section 2.

(b) An employee who is transferred from his regular shift to another shift shall be notified of said transfer at least 24 hours prior thereto. A-13

Section 4. (a) Employees called out for other than planned overtime shall be paid a minimum of four hours at the appropriate overtime rate. Travel time of one-half hour each way will be allowed on a call-out when such call-out exceeds four hours of continuous work that is not contiguous with a regular scheduled shift. Employees will not be compensated for any travel time for planned overtime; or on a call-out when the employee is not released from work before his regularly scheduled shift; nor will travel time be allowed when overtime is worked continuously at the end of a regularly scheduled shift. A-74 A-78

(b) Planned overtime shall be defined as time worked upon notice to an employee given before leaving his headquarters or place of reporting, or in case of an off-day, during or before what would have been his scheduled hours on that day, that he is to report outside of his regular schedule on any succeeding day. Such time worked shall be paid for at the appropriate overtime rate but not for less than four hours unless such planned overtime extends into or directly follows the employee's regularly scheduled work day, when it shall be paid for at the appropriate overtime rate for the actual hours worked.

Section 5. (a) Employees working two hours or more in excess of their normal work day, shall receive a meal, or compensation in lieu thereof, and an additional meal, or compensation in lieu thereof, after each additional five hours of continuous overtime work over and above the original two hours mentioned above.

(b) Employees called out on either their scheduled off day, or four or more hours before his regularly scheduled starting time, shall be furnished a meal, or compensation in lieu thereof, for each contiguous five hour interval worked even though he works into his regularly scheduled work day.

(c) The meal compensation allowance referred to above shall be as follows:

Effective May 11, 2015 – March 31, 2019
$11.25

Section 6. It is further agreed by the Company that any manual employee temporarily advanced to a higher classification shall receive the minimum rate of pay applicable to that classification if such work is for four hours or more. If such work is for more than four hours the employee shall receive the minimum rate of pay applicable to that classification for the remainder of the normal day worked. In the administration of this section of the Agreement, a temporary assignment shall be construed to mean any job assignment which is not expected to continue for more than 90 consecutive days. A-46

Section 7. (a) Employees in this bargaining unit temporarily assigned to a supervisory position outside the bargaining unit for four hours or more, shall receive $1.50 per hour above the maximum rate of pay of either their job classification, or the highest rated job classification they supervise, whichever is greater. It is expressly understood that employees temporarily assigned to a supervisory position shall direct the flow of work and oversee the assignment and completion of work in accordance with applicable policies and procedures in the department. However, they shall not have any responsibility for making hiring decisions, issuing evaluations or discipline, or moving work currently performed by other bargaining unit members into or out of any department.

(b) Employees promoted to a job outside the bargaining unit and who return to the bargaining unit within six months, shall retain all classified seniority accumulated up to the date of their promotion. If employees who were in a job outside the bargaining unit for more than six months, return to the bargaining unit, they will be placed in a starting job classification and receive a classified seniority date behind all employees. No employee may return to a bargaining unit job classification if, as a result, an employee represented by the Union would be laid off.

ARTICLE XIII

Section 1. (a) The Company agrees that upon his or her return to work from illness or disability, consideration will be given to the employee's physical condition, and, if possible, a less vigorous type of work will be granted at no reduction in the employee's regular pay for a temporary period to be determined by the employee's and the Company's physicians.

(b) If an employee with 15 or more years of service becomes physically unable to satisfactorily and safely perform the regular duties of his classification, an effort will be made by the Company to find work of a less strenuous nature for which he is qualified and to which the employee will be retrogressed. The employee's wage rate will be reduced by an amount equal to the semi-annual merit increase for the employee's job classification at the time of the assignment to a job of a lower classification and at six months' periods will be reduced by an amount equal to the semi-annual merit increase for the employee's job classification until the employee's wage rate is equal to the maximum wage rate of the job classification to which he has been retrogressed.

(c) If an employee with 10 to 14 years of service becomes physically unable to satisfactorily and safely perform the regular duties of his job classification, he may request a demotion to a lower classification requiring work of a less strenuous nature for which he is qualified to perform. If such a demotion is granted by the Company, the employee will be assigned to a lower classification and will have his wage rate red-circled until it is equal to the maximum wage rate of the job classification to which he has been demoted. Employees whose wages have been red-circled and who subsequently achieve 15 years of service will become retrogressed in accordance with paragraph (b) above.

(d) If an employee with less than 10 years of service becomes physically unable to satisfactorily and safely perform the regular duties of his job classification, he may request a demotion to a lower classification requiring work of a less strenuous nature for which he is qualified to perform. If such a demotion is granted by the Company, the employee will be assigned to a lower classification and will have his wage rate established at the maximum wage rate of the job classification to which he has been demoted.

Section 2. Injured employees who are unable to work because of an industrial accident will be paid a supplement in an amount equal to one half of the difference between what he/she would have received at regular work and the amount received as compensation for such injury, for a period not to exceed 26 weeks. This supplemental industrial accident compensation will begin after the initial seven calendar day waiting period and will continue for not more than 26 weeks of continuous disability. If, however, an industrial accident disability continues for two or more weeks, the employee will receive this supplemental industrial accident compensation for the initial seven day waiting period.

Section 3. Upon the death of the designated relatives of an employee, the employee, upon request, may be entitled to the stipulated maximum number of calendar days off for which the employee is entitled to receive regular pay for not more than the indicated number of consecutive working days, including the day of the funeral. No pay will be granted for regular scheduled off days.

Relationship	Maximum Consecutive Calendar Days Off	Maximum Consecutive Working Days Off With Pay
Spouse or Domestic Partner	7	5
Child/Step/Foster	7	5
Mother/Step/Foster	7	5
Father/Step/Foster	7	5
Brother/Step	7	5
Sister/Step	7	5
In-Laws (father, mother, brother, sister, son or daughter)	5	3
Grandchild/Step	5	3
Grandparent/Spouse's Grandparent	4	2

If an employee has reported to work and is notified of a death in the family and leaves the job, the day will not be charged as one of the consecutive working days for which the employee is entitled to receive regular pay.

ARTICLE XIV

Section 1. The Company agrees to erect bulletin boards at locations to be selected by the Union and the Company. The use of these boards is restricted to the following: notices of Union meetings, notices of Union elections, notices of changes within the Union affecting its membership, and any other notices issued on the letterhead of the Union and signed by the President and Secretary of the General Board. There shall be no other general distribution or posting by the members of the Union of pamphlets, or political literature of any kind, except as herein provided.

ARTICLE XV

Section 1. Any member or members not to exceed three members elected or employed by the Union whose duties for the Union require their full time shall be granted a leave of absence by the Company for six months and additional six months' periods thereafter, provided that each member is from a different promotional sequence or that the Company has granted permission for two members to be from the same promotional sequence. On return to the employ of the Company, such employees shall be employed at their previous classification or other higher classification within this unit for which they may be qualified.

ARTICLE XVI

Section 1. (a) The Company agrees to notify the Union of the contemplated hiring of any outside contractors to do work normally performed by regular employees covered by this Agreement. Such notification will be given if it is contemplated that the work will be in excess of 2,000 man-hours.

(b) It is the sense of this provision that the Company will not contract/outsource any work which is ordinarily done by its regular employees if as a result thereof, it would become necessary to lay off any such employees.

Section 2. (a) Each employee shall have a specific headquarters for reporting for work. However, the right of the Company to effect transfers and reassignments to properly run its business is recognized.

(b) When it is necessary to temporarily assign employees to a headquarters A-15 other than their own or to a job site reporting location that is further from their home than their regular headquarters, these employees will be paid mileage at the prevailing rate based on the additional round-trip mileage employees are required to drive. No mileage compensation will be paid for the temporary assignment if the other reporting location is closer to the employee's home. Employees reassigned (non-temporary assignment) to a different headquarters will be paid mileage compensation during the first fourteen calendar days of the reassignment.

(c) When an entire work group is assigned to a new headquarters, paragraph (b) of this Article shall not apply.

(d) Job site reporting and other temporary assignments will be offered on a voluntary basis. If there is an insufficient number of volunteers, assignments will be made on a junior qualified basis. When assigning the junior qualified, unusual or extenuating circumstances will be taken into consideration.

(e) Employees may be assigned to drive Company vehicles from and to the job site from home or sites close to home. If Company vehicles are used in such a manner, the mileage provisions for job site reporting are not applicable. An option to the mileage provision is that employees may, during a job site reporting assignment, pick up and return a Company vehicle to their regular headquarters, provided travel is on their own time.

ARTICLE XVII

Section 1. Witness Fees. Regular pay and reasonable or required expenses will be allowed employees who may be summoned or requested to testify for the Company.

Section 2. (a) Employees required to serve on a jury shall be compensated on the basis of their regular salary. Employees must report to work during the working hours when they do not need to be present for jury duty.

(b) An employee working on either a night or afternoon shift at a time when he is scheduled for jury duty, who is unable to postpone the jury duty until a time when he will be working on a day shift, may request the Company to assign him to a day shift schedule. Such a request must be made at least seven working days before the jury duty service is scheduled to begin. When the term of jury duty for such an employee has ended, he shall return to his normal working schedule.

ARTICLE XVIII

Section 1. RETIREMENT INCOME PLAN: (a) Eligible Union employees hired or rehired before January 1, 2016 will participate, or continue to participate, in the existing Cinergy Corp. Union Employees' Retirement Income Plan (the "Retirement Income Plan"); provided, however, that effective January 1, 2009, the cash balance feature provided under the Retirement Income Plan shall be amended to provide that all future pay and interest credits provided thereunder to eligible Union employees will mirror the pay and interest credits provided as of the date of this Agreement under the Duke Energy Retirement Cash Balance Plan (i.e., 4% - 7% depending on age and years of service), and as further amended under the terms set forth in the April 15, 2015 Letter Agreement titled "Amendment to A58 Retirement Plan Agreement. Employees hired or rehired on or after January 1, 2016 will not be eligible to participate in the Retirement Income Plan.

(b) It is agreed that the Company will not reduce the benefits and the Union will not request any change in the Retirement Income Plan until the expiration of the Agreement on April 1, 2019.

ARTICLE XIX

Section 1. Any insurance benefit plans under the Duke Energy Health & Welfare Benefit Plans not specifically referenced elsewhere in this Contract (i.e. life insurance, supplemental, accidental death and dismemberment and dependent life insurance) that the Company maintains and/or implements for the general non-unionized employee population shall also be provided to the bargaining unit employees at the same benefit levels, costs and plan design structure as for the non-unionized employees. The Company has the right to add, eliminate, and alter or to make any other changes to these insurance benefit plans or the employee costs for the plans, consistent with any changes it makes for the general, non-unionized employee populations.

ARTICLE XX

Section 1. HOSPITAL AND MEDICAL PLANS: (a) Health care coverage shall A-42
consist of the specially negotiated EPO Plan and shall remain in effect for the term of A42b
the 2008 – 2012 Contract. All terms of the specially negotiated EPO Plan, regarding plan design, covered services, premiums and other employee costs, shall be in accordance with the 2008 negotiations letter of agreement entitled "Health Care Benefits."

(b) Any other health care plans (medical or dental) that the Company unilaterally implements at its sole discretion for the general non-represented employee population shall also be provided to the bargaining unit employees at the same costs and plan design structure as for the non-represented employees. It is expressly understood that the right to add, eliminate, and alter or to make any other changes to these health care plans or to employee costs for the plans, is reserved to the Company.

(c) The Company's part of the premium will continue to be paid while an employee is receiving illness or accident compensation provided the employee was covered by such a contract immediately prior to their sickness or industrial accident.

ARTICLE XXI

Section 1. The level of benefit coverage within the medical, dental, flexible spending accounts, basic and additional life, long-term disability, and pension plans will remain substantially equivalent to the coverages mutually agreed upon during negotiations.

ARTICLE XXII

Section 1. (a) Eligible Union employees will participate or continue to participate in A-58
the existing Duke Energy Retirement Savings Plan (the "RSP"); provided, however, that A-58a
(i) for eligible Union employees in the Cinergy Traditional Formula under the Cinergy Corp. Union Employees' Retirement Income Plan (Retirement Income Plan), the matching contribution formula (rate and definition of eligible compensation) under the RSP will continue to be the formula in effect prior to January 1, 2009 (i.e. 100% match on pre-tax and Roth 401(k) contributions up to 3% of the participant's eligible pay, 50% match on the pre-tax and Roth 401(k) on next 2% of the participant's eligible pay, and an incentive match based on the attainment of corporate goals established by Duke Energy), (ii) for all other eligible Union employees, the matching contribution formula rate (rate and definition of eligible compensation) under the RSP will mirror the matching contribution formula provided under the RSP for all eligible union employees other than "Cinergy Traditional Employees" as of the date of this Agreement (i.e. 100% match on pre-tax and Roth 401(k) contributions up to 6% of the participants eligible compensation, with no incentive matching contribution opportunity), and (iii) for eligible Union employees who are not eligible for the Retirement Income Plan on or after January 1, 2016, the RSP shall provide the employer retirement contribution formula (rate and definition of total pay under the RSP that mirrors the employer retirement contribution formula provided for all participants who are not eligible to participate in a defined benefit pension plan (i.e.4% of total pay) as of the date of this Agreement.

(b) The RSP is contained in the existing Duke Energy Retirement Savings Plan as amended and restated effective January 1, 2014 and as amended by an amendment dated December 19, 2014.

(c) The Company hopes and expects to continue the RSP indefinitely, but must reserve the right to alter it or discontinue Company contributions to it for a time. However, under no circumstances shall any part of the corpus or income held by the Trustee of the RSP be recoverable by the Company or be used for or diverted to any purposes other than for the exclusive benefit of the employee participants or their beneficiaries as provided in the RSP.

IN WITNESS WHEREOF, the Utility Workers Union of America, AFL-CIO, Local 600, formerly the Independent Utilities Union, Cincinnati, Ohio and Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., do hereby, by their duly authorized agents, execute and sign this Agreement in duplicate on this 15 day of april, 2015.

DUKE ENERGY OHIO, INC.
DUKE ENERGY KENTUCKY, INC.

Jim P. Henning
Jim Henning
State President – Ohio/Kentucky

Stan Sherrill
Stan Sherrill
Vice President, Employee/Labor Relations

Jay R. Alvaro
Jay R. Alvaro
Director, Labor Relations

Lisa A. Gregory
Lisa A. Gregory
Human Resources Principal

Michael Ciccarella
Michael A. Ciccarella
Senior HR Consultant

UTILITY WORKERS UNION OF AMERICA, AFL-CIO, LOCAL 600

James W. Anderson
President

Lori L. Warren
Lori L. Warren
Vice President

Steve Kowolonek
Steve Kowolonek
Secretary

Shirley Cockrell
Shirley Cockrell
Treasurer

D.L. Wallace
Delegate

Lisa Webster
Lisa Webster
Delegate