

# GROUP FIVE

## STOCK PLAN ADMINISTRATION BENCHMARKING STUDY 2016

The 2016 Group Five Stock Plan Administration Benchmark Study includes 1,336 study participants resulting in valid responses from 1,142 U.S. public companies. The Group Five study, which is in its 18th year and continues to have the highest participation of any study in the stock plan industry, by far, measures plan sponsors' satisfaction with and loyalty to stock plan industry service providers.

Plan sponsor loyalty to full administration service providers improved slightly over last year to an NPS\* of 38. Plan sponsor loyalty to brokerage service providers is essentially unchanged from last year at an NPS of 43, and plan sponsor loyalty to commercial systems providers increased to 27. Loyalty of plan sponsors to accounting and financial reporting service providers improved to an NPS of 43. The chart on this page shows the industry average and range of Net Promoter Scores for each service for the last two years.

### *Plan sponsor loyalty and satisfaction improves for systems and financial reporting*

The increase in full administration plan sponsor loyalty is driven by improvements in plan sponsor satisfaction with executive services and support for mobile participant tax compliance. Plan sponsor satisfaction with executive services increased by eleven points over last year to 92% favorable\*\* and plan sponsor satisfaction with support for mobile participant tax compliance increased five points over last year to 81% favorable.

NPS®, Net Promoter® & Net Promoter® Score are a registered trademark of Fred Reichheld, Satmetrix, and Bain & Company. Net Promoter Scores range from -100 to +100 based upon the difference between the percent of promoter and detractor scores.

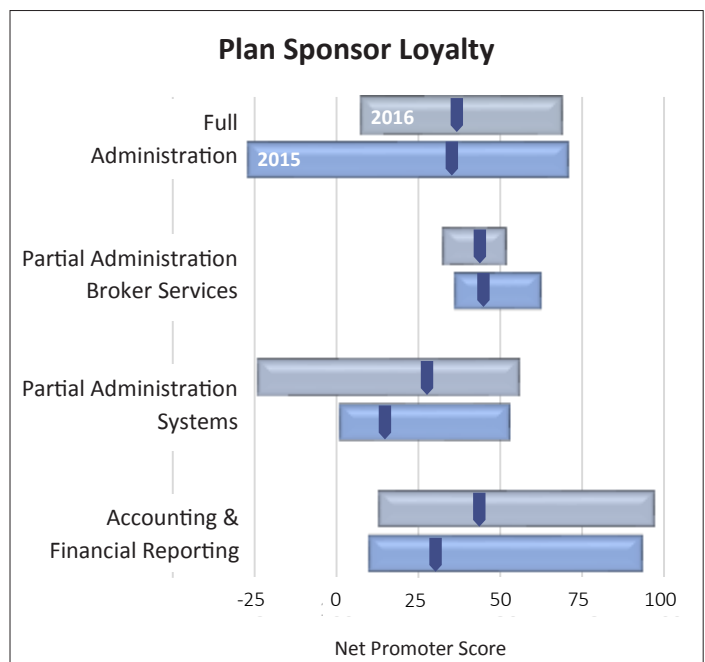
\*\* A favorable rating is a rating of 7 to 10 on an eleven point scale with 10 being *completely satisfied* and 0 being *not at all satisfied*.

Plan sponsor loyalty ratings for broker services declined one point from 2015 to an NPS of 43. Client satisfaction with participant transaction execution, a key element of brokerage services, remained unchanged at 94% favorable.

For commercial systems providers, plan sponsor loyalty increased 12 points from 2015 to an industry NPS of 27, the lowest of all plan administration services. Client satisfaction with nearly all service elements of commercial systems improved over last year.

### *Plan sponsors raise expectations on participant education and support services*

Plan sponsor loyalty to financial reporting service providers improved by six points to an NPS of 43. This year's study shows increases in plan sponsor satisfaction with all elements of financial reporting services, particularly account support.

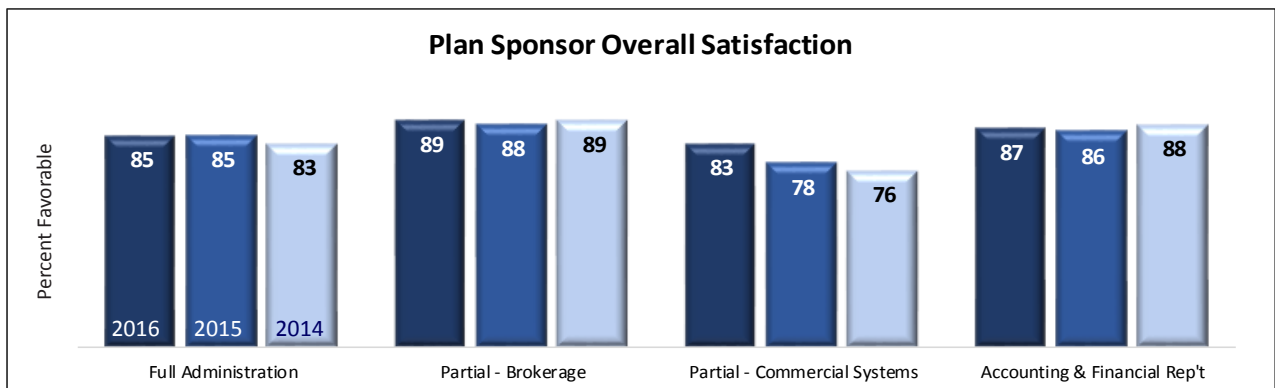


## INDUSTRY OVERVIEW

On average, plan sponsor loyalty and satisfaction with stock plan administration services is essentially unchanged over the last two years. Service providers continue to focus on providing clients with solutions to the constantly changing landscape of incentive compensation awards, with technology enhancements and account support initiatives. This year's study shows significant improvements in client satisfaction with executive services, support for mobile participant tax compliance, and plan reporting, specifically with the ability to customize reports. Plan sponsors have raised expectations on participant education, which saw a decline in satisfaction this year and reflects the increasing importance of these types of services. The chart below shows the industry overall satisfaction ratings for the last three years for all stock plan administration systems and services.

### FULL ADMINISTRATION SERVICES

Fidelity Stock Plan Services received the highest loyalty rating for full administration services with an NPS of 69. Fidelity also received the highest overall satisfaction rating for the sixth consecutive year at 96% favorable. Bank of America Merrill Lynch Equity Compensation Plan Services has the second highest loyalty rating with an NPS of 60 and the second highest overall satisfaction at 92% favorable.



### PARTIAL ADMINISTRATION SERVICES

#### BROKER SERVICES

UBS Equity Plan Advisory Services received the highest loyalty rating for broker services with an NPS of 52 and the highest overall satisfaction rating at 93% favorable. E\*TRADE received the second highest NPS at 50 and the second highest overall satisfaction rating at 91% favorable. Morgan Stanley received the third highest NPS at 33 and the third highest overall satisfaction rating at 89% favorable.

#### SYSTEMS

E\*TRADE's Equity Edge Online, for the fifth year in a row, received the highest loyalty rating for commercial administration systems with an NPS of 56 and the highest overall satisfaction rating of 92% favorable. Solium's Transcitive has the second highest loyalty rating with an NPS of 27 and an overall satisfaction rating of 79%. Solium Shareworks has the third highest loyalty rating with an NPS of 16 and the second highest overall satisfaction rating of 81% favorable.

#### ACCOUNTING & FINANCIAL REPORTING

Accounting and financial reporting is becoming a critical aspect of plan administration services. Equity Methods, for the fourth consecutive year, received the highest ratings with an NPS of 97 and an overall satisfaction rating of 100% favorable. Fidelity has the second highest loyalty rating with an NPS of 72 and an overall satisfaction rating of 93% favorable. Morgan Stanley Global Stock Plan Services has the third highest loyalty rating with an NPS of 44 and the second highest overall satisfaction rating of 94%.

## 2016 Stock Plan Administration Services Ratings\*

Service Offering		Service Provider	Loyalty	Overall Satisfaction	Participant Experience	Plan Sponsor Fees	Study Responses	
<b>Full Administration</b> <i>Administration and Execution Outsourced</i>		AST Equity Plan Solutions	13	77	82	84	39	
		Bank America Merrill Lynch	60	92	94	91	163	
		Charles Schwab	21	81	81	95	63	
		Computershare	8	78	79	80	64	
		E*TRADE	41	82	86	89	56	
		Fidelity	69	96	97	90	186	
		Morgan Stanley	26	81	86	86	100	
		Solium	27	88	83	88	67	
		UBS	37	88	90	88	51	
		Industry Average	38	85	87	86	847	
<b>Partial Admin</b> <i>Internal Admin with Execution Outsourced</i>	<b>Broker Services</b> <i>Transaction Execution</i>	<b>Service Provider</b>	<b>Loyalty</b>	<b>Overall Satisfaction</b>	<b>Participant Experience</b>	<b>Participant Fees</b>	<b>Responses</b>	
			E*TRADE	50	91	92	86	148
			Morgan Stanley	33	89	91	88	64
			UBS	52	93	89	87	27
			Industry Average	43	89	89	85	297
	<b>Systems</b> <i>Admin Internally</i>	<b>Service Provider</b>	<b>Loyalty</b>	<b>Overall Satisfaction</b>	<b>Technology</b>	<b>Plan Sponsor Fees</b>	<b>Responses</b>	
			Certent	-24	69	75	67	75
			E*TRADE Equity Edge Online	56	92	93	83	163
			Solium Shareworks	16	81	81	73	32
			Solium Transcensive	27	79	83	85	78
			Industry Average	27	83	86	79	366
<b>Accounting and Financial Reporting</b>	<b>Service Provider</b>	<b>Loyalty</b>	<b>Overall Satisfaction</b>	<b>Reporting</b>	<b>Account Support</b>	<b>Responses</b>		
		Bank America Merrill Lynch	38	81	83	87	32	
		Certent	13	81	83	88	32	
		Equity Methods	97	100	100	100	37	
		E*TRADE	42	89	90	88	112	
		Fidelity	72	93	93	98	46	
		Morgan Stanley	44	94	94	94	36	
		Solium Shareworks	38	86	88	88	50	
		Solium Transcensive	26	82	91	85	34	
		Industry Average	43	87	89	90	462	

\* Loyalty is the Net Promoter Score which ranges from -100 to 100. Plan sponsor satisfaction is the percent of favorable ratings and ranges from 0 to 100. Some results for Bank of America Merrill Lynch, Global Shares, and Charles Schwab are not shown due to small sample size but are included in industry figures.

## 2016 STOCK PLAN ADMINISTRATION STUDY

The chart below shows the characteristics of the plan sponsors who participated in the study.

### 2016 RESPONDENTS BY SERVICE PROVIDER

SERVICE PROVIDER	PERCENT OF RESPONDENTS BY AWARD TYPE		PERCENT OF RESPONDENTS BY NUMBER OF PARTICIPANTS			
	Equity	ESPP	1-100	101-1,000	1,001-5,000	> 5,000
AST	55	61	26	58	11	5
BAML	99	8	4	61	25	10
Certent	100	17	18	67	11	4
Charles Schwab	100	47	6	40	46	9
Computershare	32	81	10	38	33	19
E*TRADE	99	55	9	48	25	18
Fidelity	94	46	3	41	39	16
Morgan Stanley	93	31	10	51	25	15
Solium	99	14	30	56	11	3
UBS	94	29	4	51	38	8
Average	87	39	12	51	26	11

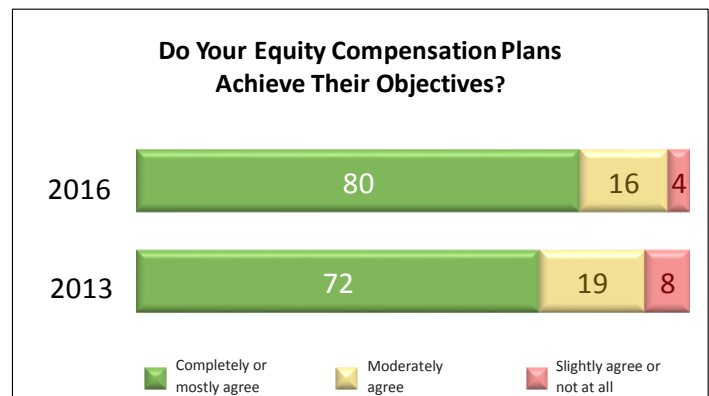
Note that plan sponsors may use more than one service model for plan administration and that plan sponsors who partially outsource may or may not use a broker who also provides the administration system.

To measure the effectiveness of equity compensation plans, the survey asked plan sponsors the following question:

*“The primary objectives of equity compensation plans are to attract, retain, and motivate employees, and to align management goals with shareholder goals. To what extent do you agree that your company's equity compensation plans achieve their stated objectives?”*

### Plan sponsors' view of equity compensation plan effectiveness is improving

As shown in the chart below, 80% of the plan sponsors who participated in the 2016 study *completely or mostly* agree that their plans meet their stated objectives. This is an eight point increase over 2013, the last year this question was asked. Four percent slightly agree or do not agree at all, which is a four point improvement over 2013.



#### About the study . . .

The Group Five study of client satisfaction with stock plan administration services and systems is based on responses from U.S. public companies from May through July 2016.

The sample of companies was taken from Group Five's databases and public sources. Clients of the largest service providers to public companies were targeted for the survey. At each company, the survey was to be completed by the person most familiar with the performance of the service provider. For example, job titles of participants included VP Human Resources, Employee Benefits Manager, Senior Benefits Administrator, and Stock Plan Administration Manager. The study included 1,336 responses from 1,142 public companies. Each company response received equal weighting regardless of the number of plan participants. Multiple responses from the same company were combined.

In theory, in 95 cases out of 100, overall industry results based on such samples will differ by no more than three percentage points in either direction from what would have been obtained by receiving responses from all companies. The potential sampling error for smaller sub-groups is larger. In addition to sampling error, the practical differences of conducting any survey can introduce other sources of error. Differences in wording and ordering of questions, for instance, can lead to somewhat varying results.

The information in this report is not an intended as an endorsement of any company by Group Five. Service models and capabilities vary widely among service providers. Any evaluation of service alternatives requires information beyond the scope of this report. For more information contact Group Five.

For comments, questions, or additional information contact the study director, Kathy Huston, at 415.785.7983 or Kathy@groupfiveinc.com or see the website at [www.groupfiveinc.com](http://www.groupfiveinc.com).