

Interactive Exercise #1

Course 12: IRS Reasonable Executive Compensation

We begin by opening ERI's **Executive Compensation** tool. Make sure the *Individual Profile* tab is selected. This module reports base salary, incentive, and total cash compensation for more than 2000 executive jobs. Compensation ranges are shown based upon company revenue size, industry, location, and pay strategy.

Make sure "Base Salaries" is selected under *Compensation Type*.

Under *Job Title*, select the **Browse** button.

Economic Research Institute

My Organization ▼ Help ▼

Executive Compensation Assessor **Individual Profile** Benchmark List Survey & Proxy Analyses Peer Analyses Advanced Reports Total Compensation

Organization Name (Optional)
Your Organization Name

Job Title
Third Highest Paid Executive
Browse

Area
United States Average
Browse **Averages**

Industry
All Industries - Diversified

eSIC Code: 0000
NAICS: 000000
usSEC: 0000
Browse

Analysis Based on
Revenue ▼
100,000,000

Salary Planning Date
5/1/2026

Third Highest Paid Executive

ERI: 9003 | eDOT: 189117903 | SOC: 111011

Compensation Type
Base Salaries ▼

Pay Period
Annual ▼

\$ Revenue ☐ Percentiles ☒

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
1,000,000,000	216,304	326,134	455,503	612,481	755,260
500,000,000	186,583	281,322	392,959	528,325	651,486
100,000,000	137,711	207,635	290,114	389,940	480,842
50,000,000	122,445	184,617	257,988	346,712	427,536
10,000,000	96,802	145,954	204,026	274,103	338,000

Survey Description eDOT Description

Job Title: Third Highest Paid Executive

Alternate Titles:
[Executive Third Highest Paid](#)

Overview:
Third highest paid employee in the organization based on total compensation.

The *Browse Jobs* box displays. Begin typing "Chief Executive Officer" in the *Search* field. When it is highlighted in the list, press the **OK** button to return to the *Individual Profile* module.

Note the Job Description that can help you match jobs in your company with ERI's job titles.

Browse Jobs

Search

Chief Executive Off

Q

Search by

Job Title

▼

Filter table by

All Jobs

▼

AI Job Search

Advanced Search

Hybrid Jobs

Suggest a Title

Select Job

Job Title	eDOT Code	SOC Code	ERI Code	Salary By Level
Chief Executive Officer	189117026	111011	1	No
Chief Experience Officer	189117409	111011	8368	No
Chief Financial Officer	189117054	113031	6	No
Chief Government Affairs Executive	189117107	111021	44430	No
Chief Green Officer	189117575	111011	731	No
Chief Growth Officer	189117489	111011	357	No
Chief Human Resources Officer	189117085	113121	5	No
Chief Information Executive	189117096	113021	9238	No
Chief Information Officer	189117096	113021	98767	No
Chief Information Security Officer	317117001	113021	86144	No

1 of 2038 jobs have been selected.

Job Description

Plans, develops, establishes, and oversees interpretation and implementation of policies and objectives of organization in accordance with board directives and corporation charter.

Responsible for the profitability of the entire organization.

Holds position of the top executive and principal organization leader in the organization.

This position is distinguished from others in that it is the top ranking executive and, in most cases, is the highest paid executive in the organization.

Cancel

OK

Select the **Area Browse** button.

Executive Compensation Assessor

Individual Profile

Benchmark List

Survey & Proxy Analyses

Peer Analyses

Advanced Reports

Total Compensation

Da

Organization Name (Optional)

Your Organization Name

Job Title

Chief Executive Officer

Q

Browse

Area

United States Average

Q

Browse

Averages

Industry

All Industries - Diversified

eSIC Code:

0000

NAICS:

000000

usSEC:

0000

Browse

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type

Base Salaries

▼

Pay Period

Annual

▼

\$ Revenue

Percentiles

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
1,000,000,000	321,857	478,869	663,802	888,228	1,092,343
500,000,000	287,627	427,941	593,240	793,764	976,172
100,000,000	229,587	341,587	473,595	633,592	779,192
50,000,000	209,111	311,122	431,385	577,084	709,698
10,000,000	153,454	228,313	316,651	423,486	520,803

Survey Description

eDOT Description

In the **Browse Areas** box, if United States Average is not already selected, begin typing “United States Average” and when it is highlighted, press the **OK** button.

Browse Areas

ERI Areas

Radius Search

User-Defined Averages

Browse By Region

Internal Areas

Area Name

United States

Postal Code ?

Type Postal Code

Filters

All Areas

Suggest an Area

☐

Only show areas in my subscription

Select Area

Area Name

United States Average

Unity, Saskatchewan

Universal City, California

Universal City, Texas

University City, Missouri

University Heights, Ohio

University Park, Florida

University Park, Illinois

University Park, Texas

University Place, Washington

Upland, California

Upland, Indiana

Upper Arlington, Ohio

Upper Darby, Pennsylvania

Upper Marlboro, Maryland

1 of 9545 areas have been selected.

Cancel

OK

Back at the *Individual Profile* module, press the *Industry* **Browse** button.

Executive Compensation Assessor

Individual Profile

Benchmark List

Survey & Proxy Analyses

Peer Analyses

Advanced Reports

Total Compensation

Organization Name (Optional)

Your Organization Name

Job Title

Chief Executive Officer

Browse

Area

United States Average

Browse

Averages

Industry

All Industries - Diversified

eSIC Code: 0000

NAICS: 000000

usSEC: 0000

Browse

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type

Base Salaries

Pay Period

Annual

\$ Revenue

Percentiles

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
1,000,000,000	321,857	478,869	663,802	888,228	1,092,343
500,000,000	287,627	427,941	593,240	793,764	976,172
100,000,000	229,587	341,587	473,595	633,592	779,192
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10,000,000	153,454	228,313	316,651	423,486	520,803

Survey Description

eDOT Description

In the *Industries* box, type “Plastics” in the *Search Industries* field and press the **Search** button. With “Plastics” highlighted in the list, press the **OK** button.

Industries

Search Industries

Plastics

Search By

Industry Name

Search

Hybrid Industries

Browse Industries

Back to industry list

eSIC Name	eSIC	NAICS	usSEC
Plastics	3080	325991	3080
Plastics Material and Resin Manufacturing	2820	325200	2820
Packaging Paper and Plastics Film Paper Production	2671	322220	2670
Industrial and Personal Service Paper Wholesalers	5113	424130	5110
Rubber and Plastic Footwear Manufacturing	3020	316200	3021
Special Paper and Allied Paper Product Manufacturing	2670	322210	2670
Rubber Product Manufacturing	3050	326220	3050
Chemical Merchant Wholesalers	5160	424600	5160

Industry Description

Plastics (eSIC: 3080)

This industry group includes industries involved in: Plastics Bottles, Custom Compounding of Purchased Plastics Resins, Plastics Pipe, Unsupported Plastics Film and Sheet, Unsupported Plastics Profile Shapes, Laminated Plastics Plate, Sheet, and Profile Shapes, Plastics Foam Products, Plastics Plumbing Fixtures, Plastics Products (Not Elsewhere Classified).

Do multiple industries best match your organization's operations?

Click + Add Hybrid Industries to create a Hybrid Industry.

Cancel

OK

In the *Analysis Based on Revenue* field enter “2,200,000” and then select **January 1, 2027**, as the *Salary Planning Date*.

Organization Name (Optional)

Job Title

Area

Industry

eSIC Code:

NAICS:

usSEC:

Analysis Based on

Salary Planning Date

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type

Pay Period

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
22,000,000	193,031	287,197	398,242	532,707	655,123
11,000,000	165,590	246,369	341,674	456,978	561,991
2,200,000	96,932	144,219	200,141	267,503	328,976
1,100,000	73,584	109,480	152,010	203,069	249,734
1,000,000	70,806	105,348	146,284	195,404	240,308

Survey Description

eDOT Description

Job Title: Chief Executive Officer

Alternate Titles:
[Chairman of the Board & CEO](#), [President](#), [Executive Director](#), [CEO](#), [Top Executive](#), [Top Executive Officer](#), [Top Group Executive](#)

Overview:
Plans, develops, establishes, and oversees interpretation and implementation of policies and objectives of organization in accordance with board directives corporation charter.

Responsible for the profitability of the entire organization.

If you would like to adjust the target to lower or upper revenue levels, select **\$ Revenue**.

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type

Pay Period

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
22,000,000	193,031	287,197	398,242	532,707	655,123
11,000,000	165,590	246,369	341,674	456,978	561,991
2,200,000	96,932	144,219	200,141	267,503	328,976
1,100,000	73,584	109,480	152,010	203,069	249,734
1,000,000	70,806	105,348	146,284	195,404	240,308

The *Change Revenue* box displays. You can delete or add revenue levels to create a personalized table. Delete the current revenue amounts except, “2,200,000,” and add “3,000,000,” and “1,500,000.” Press the **OK** button to return to the *Individual Profile* screen.

Change Revenue

Default

Add Revenue

Revenue	
3,000,000	
2,200,000	
1,500,000	

Cancel

OK

If necessary, change the data from “Mean” to “Median,” by selecting **Percentiles**.

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type

Base Salaries

Pay Period

Annual

\$ Revenue

Percentiles

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
3,000,000	109,072	162,280	225,166	301,005	370,176
2,200,000	96,932	144,219	200,141	267,503	328,976
1,500,000	83,351	124,013	172,145	230,025	282,884

In the *Modify Percentiles* menu box, in the *Average* column, select **Median** and press **OK**.

Modify Percentiles

Default

Low Percentile	Low Percentile	Average	High Percentile	High Percentile
10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile

Cancel

OK

Now, the *Individual Profile* module displays a range of median base salaries. If you would like to view the data for total cash compensation (base salary + incentive), use the drop-down menu below *Compensation Type* and select “Total Cash.”

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type Total Cash	Pay Period Annual	\$ Revenue Percentiles			
Revenue	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
3,000,000	133,567	198,726	272,587	368,606	453,311
2,200,000	119,212	177,367	243,289	328,989	404,590
1,500,000	103,349	153,766	210,917	285,213	350,755

We now see that based on the projected planning date, the median total cash compensation for a CEO in this industry and company size is \$243,289. The range from the 10th to 90th percentile is \$119,212 - \$404,590.

Andy’s total compensation of \$106,000 is below total cash compensation at the 10th percentile. He is clearly not overpaying himself so we can conclude that Andy’s compensation is reasonable.

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type

Total Cash ▼

Pay Period

Annual ▼

\$ Revenue

Percentiles

Revenue	10th Percentile	25th Percentile	Median	75th Percentile	90th Percentile
3,000,000	133,567	198,726	272,587	368,606	453,311
2,200,000	119,212	177,367	243,289	328,989	404,590
1,500,000	103,349	153,766	210,917	285,213	350,755

This ends the tutorial portion of this exercise. Please close this PDF. Then press the **Next** button on the *Problem Statement* page to continue.