

Economics: Payouts Must Be Simulated To Establish Incentive Compensation Budget

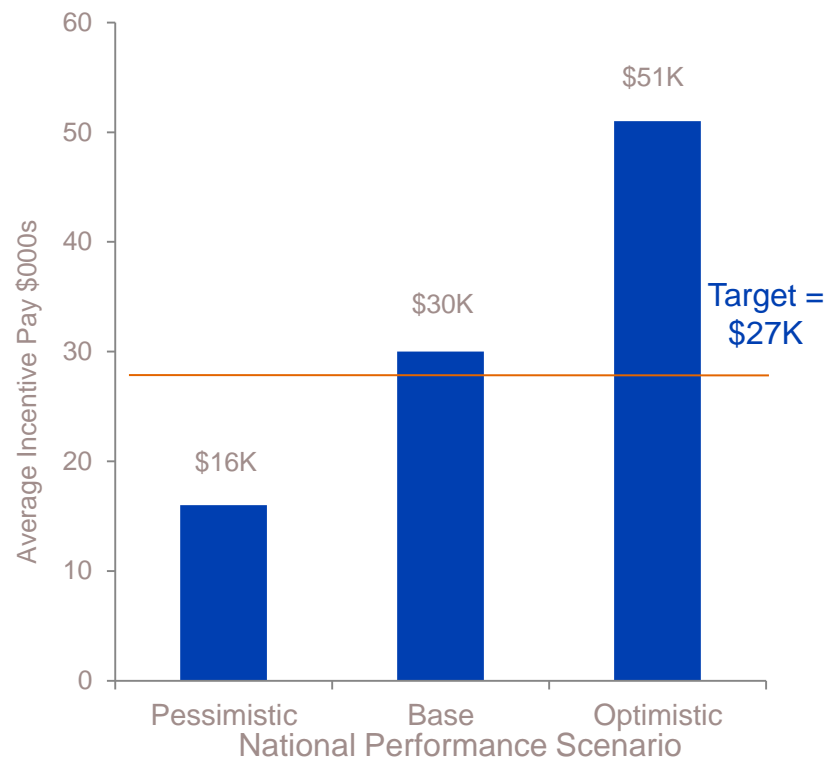
Why?

- Even if the business achieves 100% attainment, there can be wide variation in individual sales person performance
- Most plans contain some degree of acceleration
- This means that the above target amount paid to over-performing sales people is only partially offset by below target amounts paid to others



Budget > Target Incentive * N incumbents*

Simulation Results

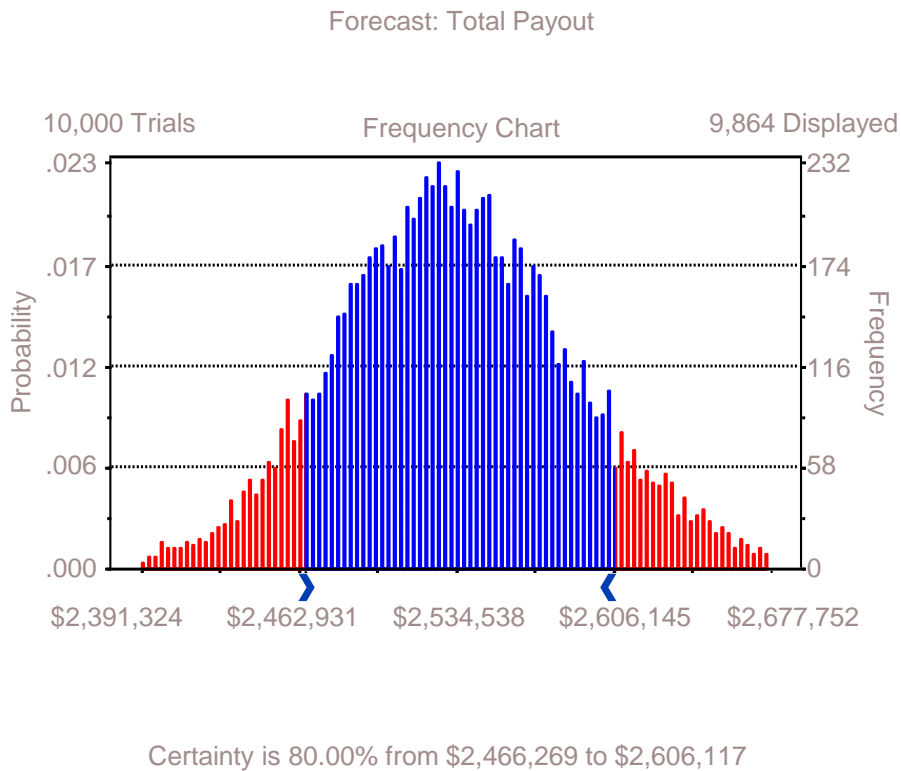


	Pessimistic	Base	Optimistic
Sales, % Base Case	90%	100%	110%
Incentive Pay, % Base Case	53%	100%	170%

* Excluding impact of vacancies

Monte Carlo Simulation Specifies Range Of Payouts At Different National Sales Performance Levels To Confirm Plan Calibration And Enable Budgeting

Plan Cost Distribution: 100% Attainment



Plan Cost Distribution and Aggregate Attainment

