CATAPULT

Strategic Compensation Planning Starts Now

Eight phases to review before you set next year's pay

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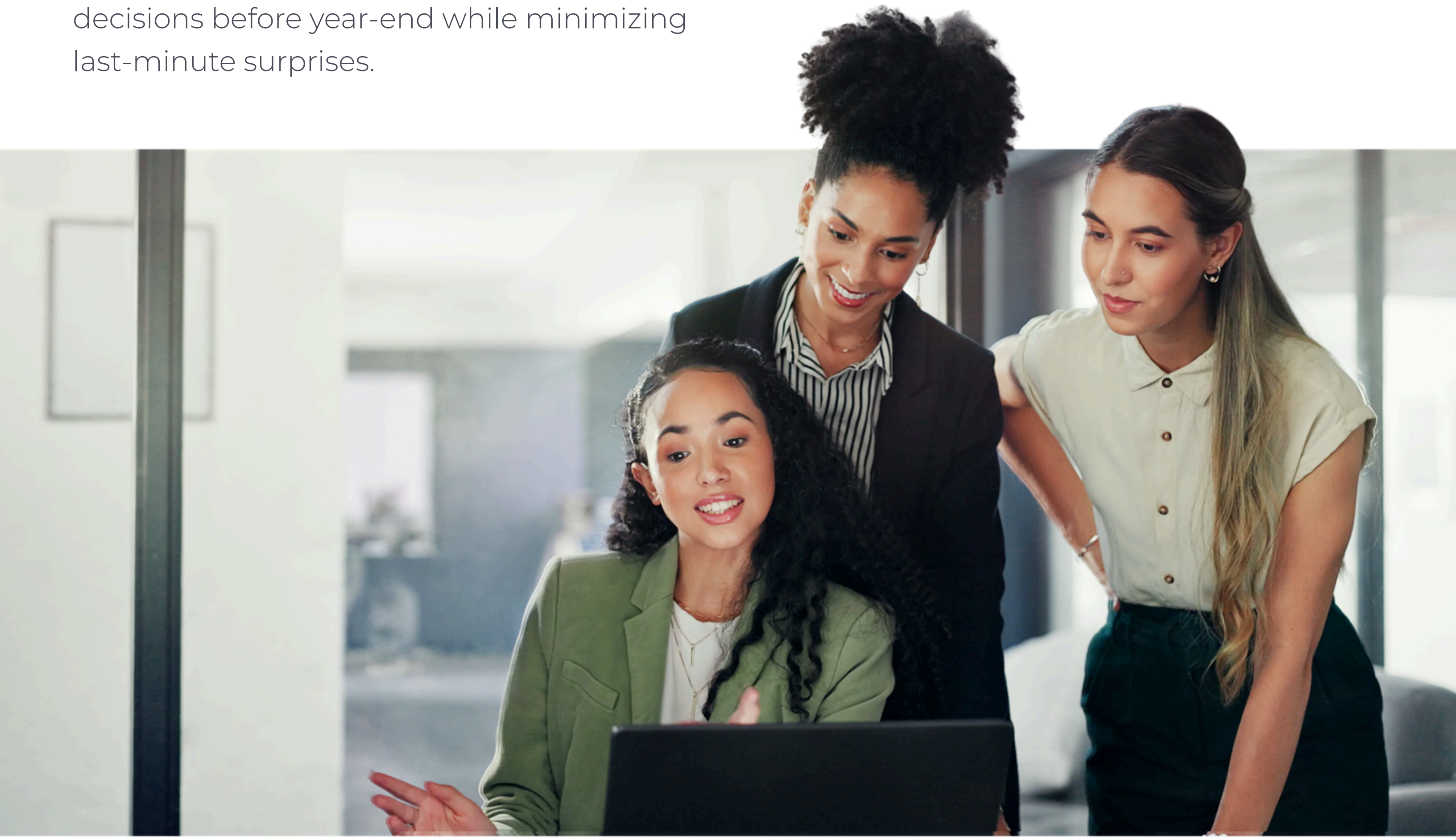
Effective compensation planning doesn't happen overnight. It requires thoughtful analysis, reliable data, and a clear understanding of your organization's goals, talent needs, and budget realities.

Starting your planning process now gives you the runway needed to make informed decisions before year-end while minimizing last-minute surprises.

A proactive approach helps ensure your compensation programs remain competitive, equitable, financially sustainable, and aligned with both employee expectations and business objectives.

Use this comprehensive eight-phase checklist to build a compensation strategy that attracts and retains talent, supports performance, and positions your organization for success in the year ahead.

> Compensation done right takes effort. You don't have to do it alone.



PHASE 01

Foundational Review & Data Integrity

Before you change a single salary range, make sure the information behind that decision holds up.

☐ Review Compensation Philosophy

Ensure your compensation philosophy aligns with your current business strategy. Confirm your target market position (e.g., 50th percentile), desired pay mix (base pay versus incentives), and the message your pay practices communicate to employees.

☐ Review Internal Equity

Analyze employee positioning within salary ranges and pay grades to identify potential compression issues, inconsistencies, or inequities.

☐ Audit Job Architecture

Review and update job descriptions, responsibilities, career levels, and qualifications to accurately reflect current roles and organizational needs.

☐ Review Employee Demographics

Conduct a preliminary pay equity analysis across gender, race/ethnicity, age, and other protected categories to identify potential compensation disparities before planning increases.

☐ Validate Performance Metrics

Ensure goals and KPIs tied to compensation decisions—such as merit increases and incentive plans—are aligned with upcoming business priorities.

☐ Validate Employee Data

Ensure goals and KPIs tied to compensation decisions—such as merit increases and incentive plans—are aligned with upcoming business priorities.

> **Good decisions start with good information. Before you change anything, make sure you can trust the data underneath it.**

PHASE 02

External Market Competitiveness

Internal equity matters. So does external competitiveness. Your employees aren't only comparing their pay to their colleagues. They're comparing it to what they could earn somewhere else.

☐ Conduct Market Benchmarking

Analyze compensation levels by role using a carefully defined peer group based on industry, geography, company size, workforce demographics, and revenue.

☐ Assess Benefits and Total Rewards Competitiveness

Benchmark benefits, retirement plans, paid leave programs, flexible work arrangements, wellness offerings, and other rewards alongside base compensation.

☐ Identify Market Adjustment Needs

Determine which positions need market adjustments to remain externally competitive and support talent retention.

☐ Evaluate Geographic Pay Practices

Review location-based pay approaches, geographic differentials, and remote work compensation strategies to ensure consistency and market alignment.

☐ Evaluate Pay Structure Ranges

Review salary grades and pay ranges to determine whether minimums, midpoints, and maximums need adjustment based on market movement and labor cost trends.

> **Avoid benchmarking against everyone. The right peer group reflects the organizations you're actually competing with for talent.**

PHASE 03

Budget & Compensation Strategy

A compensation budget has to work for your people and your business at the same time. That tension doesn't resolve on its own, so it's worth being deliberate about where the money goes.

- [ ] **Model Multiple Budget Scenarios**

Develop best-case, expected, and constrained-budget scenarios to understand the financial and workforce implications of various compensation strategies.

- [ ] **Plan Promotion and Equity Adjustment Budgets**

Establish separate funding pools for promotions, retention actions, market corrections, and pay equity adjustments beyond the annual merit budget.

- [ ] **Review Pay-for-Performance Outcomes**

Evaluate whether prior-year salary increases effectively differentiated employee performance and reinforced desired behaviors.

- [ ] **Set Compensation Budget**

Establish the overall compensation increase budget, considering turnover, business performance, labor market conditions, and financial capacity.

- [ ] **Review Merit Matrix Effectiveness**

Assess whether performance-based increase guidelines remain effective and determine whether adjustments are needed for inflation, market movement, or organizational priorities.

- [ ] **Assess Cost-of-Living Adjustments (COLA)**

Evaluate whether COLA increases are appropriate or financially feasible in addition to merit-based increases.

- [ ] **Finalize Incentive Plan Targets**

Confirm short-term and long-term incentive plan metrics, funding thresholds, performance measures, and payout opportunities.

> A compensation budget reflects your organization's priorities.
> Every allocation is a choice about where you invest in your people.

PHASE 04

Talent Strategy & Retention

Your compensation strategy should reflect the talent your organization needs, not just the roles it has today.

☐ Identify Retention Risks

Evaluate flight-risk employees, critical role incumbents, high performers, and employees with hard-to-replace skills who may require targeted retention strategies.

☐ Review Critical Skills Premiums

Determine whether emerging, specialized, or difficult-to-source skill sets warrant premium pay opportunities.

☐ Assess Hiring Competitiveness

Review offer acceptance rates, time-to-fill metrics, candidate feedback, and new-hire pay positioning to identify recruiting challenges.

☐ Conduct Strategic Workforce Planning

Identify critical roles, turnover trends, business growth areas, and future workforce requirements to inform compensation investments.

☐ Incorporate AI and Skills-Based Workforce Planning

Assess the impact of AI, automation, and evolving skill requirements on workforce needs. Consider whether compensation programs should increasingly recognize skills, capabilities, and future talent demands rather than traditional job structures alone.

☐ Develop Succession Plans

Ensure continuity for leadership, technical, and business-critical positions to reduce organizational risk.

☐ Review Career Pathing

Evaluate career progression frameworks and development opportunities to ensure employees understand how they can grow within the organization.

> **Your pay strategy should reflect your talent strategy.**
> **Prioritize compensation for the roles and skills that matter most to your organization.**

PHASE 05

Governance & Compliance

Compensation decisions carry risk whether or not anyone names it. Pay transparency requirements, pay equity, incentive design, and employee expectations can all become problems if they go unexamined.

- [ ] **Review Pay Transparency Readiness**

Ensure salary ranges, job postings, manager guidance, and communication materials support current and emerging pay transparency requirements.

- [ ] **Assess Compensation Program Risks**

Review potential risks related to pay equity, compliance, incentive plan design, employee relations, and workforce perceptions.

- [ ] **Audit Legal Compliance**

Confirm all pay practices comply with applicable federal, state, and local regulations, including wage and hour laws, minimum wage requirements, overtime rules, and pay transparency legislation.

- [ ] **Board or Committee Review**

Prepare and present compensation recommendations, budgets, and supporting analyses to executive leadership, the Compensation Committee, or the Board for approval.

- [ ] **Secure Documentation**

Maintain compensation records, market data, pay equity analyses, approvals, and supporting documentation in accordance with regulatory and audit requirements.

> The best time to find a compensation risk is before it becomes a problem. A proactive review gives you more options and fewer surprises.

PHASE 06

Communication & Change Management

Even a well-designed compensation program can fall short if employees don't understand it. Managers need to be ready before the conversations start, not after.

☐ Build a Communication Strategy

Develop targeted messaging for executives, managers, and employees that explains compensation decisions, pay programs, incentive opportunities, and organizational philosophy.

☐ Prepare Total Rewards Statements

Create personalized total rewards statements that highlight the full value of compensation, benefits, retirement programs, and incentive opportunities.

☐ Train People Managers

Equip managers with the tools, resources, and talking points needed to confidently discuss compensation decisions with employees.

☐ Measure Employee Understanding

Gather feedback following compensation communications to evaluate effectiveness and identify areas for improvement.

> **A compensation decision isn't finished when the numbers are approved. People need to understand what changed, why it changed, and what it means for them.**

PHASE 07

HRIS & System Readiness

You've done the analysis. You've made the decisions. Now make sure your systems can actually support them.

- [ ] **Update HRIS and Payroll Systems**

Load, validate, and test new salary structures, pay grades, budgets, and approved compensation changes before implementation.

- [ ] **Verify Incentive Tracking Setup**

Ensure systems accurately support incentive eligibility, performance metrics, funding calculations, and payout rules.

- [ ] **Conduct End-to-End Compensation Cycle Testing**

Test workflows, approvals, payroll processing, and reporting functionality to identify and resolve issues before launch.

> **Don't wait until launch to find the problem. Testing gives your team a chance to catch issues before they affect employees or payroll.**

PHASE 08

Post-Implementation Review

Compensation planning doesn't end when the new cycle goes live. What you learn now is what makes next year's process easier.

- [ ] Measure budget-to-actual compensation spend
- [ ] Analyze turnover, retention, and hiring outcomes
- [ ] Evaluate pay equity results after compensation actions are applied
- [ ] Assess employee and manager feedback regarding the compensation process
- [ ] Review market positioning achieved versus established targets
- [ ] Identify lessons learned and opportunities for improvement
- [ ] Document recommendations for the next compensation planning cycle

> **Every compensation cycle gives you better information for the next one. Use it.**

Partner with Catapult to Build a Compensation Strategy That Works

Pay is only one piece of the equation. An effective compensation program reflects your organization's values, reinforces business priorities, supports talent goals, and helps you attract and retain the people who drive your success.

Whether you're struggling to stay competitive, experiencing retention challenges, preparing for pay transparency requirements, or simply looking to modernize your compensation approach, Catapult can help.

Our compensation consultants partner with your team to develop practical, data-driven solutions that fit your organization today and support your growth tomorrow.

We can help you:

- Develop organization-specific salary structures and pay ranges
- Design a comprehensive total rewards strategy
- Conduct market pricing and compensation benchmarking
- Build customized salary grade structures
- Evaluate and address pay equity concerns
- Support pay transparency readiness
- Create compensation communication strategies
- Design incentive and bonus programs
- Align compensation practices with workforce and business objectives

Whether you need support with a specific project or a strategic partner throughout the entire compensation cycle, Catapult's compensation experts are here to help.

Ready to strengthen your compensation strategy?

Learn how Catapult's Compensation Services can help your organization attract, retain, and reward top talent.

MEET THE EXPERT

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