

June 2024

**Amtrak**

# **Pay for Performance Rewards**

Improve Performance, Reduce Costs, Retain Talent



# Amtrak Non-Agreement Rewards Overview

Amtrak offers a market competitive total rewards package including:



- Medical
- Dental
- Vision
- ~~Retiree Healthcare~~



- Vacation
- 401k Retirement
- **Short-Term Incentive**
- Long-Term Incentive



- Life Insurance
- Disability
- Railroad Benefits
- ~~Pension~~

**Amtrak employees are not federal employees with access to rich health insurance, pensions, or retiree healthcare like other federal or governmental employees**

- The Government Accountability Office (GAO) and Congress encouraged Amtrak to develop a pay for performance incentive program for Amtrak management employees (Passenger Railroad Investment and Improvement Act (PRIIA) of 2008, Sec. 223) to develop meaningful solutions to address competitive barriers to executive and management talent.
- Amtrak closed guaranteed (i.e. not “at-risk”) rewards unrelated to performance (pension and retiree healthcare plans) in exchange for at-risk, performance-based incentive rewards for management employees to improve performance, reduce costs, and retain talent with more market competitive rewards.
- If the pension and retiree healthcare plans were ongoing, future benefits costs would be nearly 250% higher than the incentive awards earned since program inception.

Note: While agreement employees do not participate in the STI program recommending their addition to the program has been a part of ongoing negotiations, but the union has leaned towards other forms of rewards as compensation agreements are negotiated with the individual unions representing that workforce. The agreement population received meaningful wage increases above what non-agreement employees can merit through annual end-of-year salary increases in addition to 2x-3x richer healthcare coverage and pre-medicare retiree healthcare.





# Philosophy

Amtrak utilizes a compensation approach for its Executive Leadership Team (ELT) that supports attracting and retaining the highest-caliber talent available in our industry.

To do so, Amtrak compares compensation levels and program structures against a group of publicly-traded, private sector peer companies (based on industry, revenue, employee size) and relevant Government Sponsored Enterprises (GSEs). Amtrak uses this data to set and adjust compensation levels, which are generally materially lower than our comparators in recognition of Amtrak's public-ownership unique status, but sufficiently competitive to allow us to attract the best and brightest.

Amtrak utilizes both short and long-term at-risk awards to promote proper alignment between performance and compensation and attract and retain the staff and leaders needed to deliver on Amtrak's mission, 5-year blueprint, and strategic long-term goals.







# Practices

## We Do

- Select and use a compensation peer group of similarly sized companies and industries that reflect the marketplace for talent in which we compete.
- Our target total compensation is generally significantly lower than peer group (approximating the balance of for-profit and not-for-profit objectives as seen in other industries such as hospitals and universities as well as GSEs).
- Base our at-risk incentive plans on multiple performance measurements, including financial and operational metrics and strategic goals set by Amtrak's Board of Directors.
- Utilize independent compensation consultant to advise the Amtrak Board of Directors Personnel and Compensation Committee, which is comprised solely of independent directors and set's Amtrak's compensation program and executive leader compensation.

## We Do Not

- Encourage unnecessary or excessive risk taking because of our compensation policies and practices.
- Provide ongoing pension or retiree healthcare options in addition to at-risk incentives to any new employees.



# Reward for Performance Overview

## WHAT WE'LL ACHIEVE

- ★ **DOUBLE** ridership to **66M** by 2040
- ★ **PERFORM** safely and efficiently
- ★ Be a **GREAT PLACE** to work
- ★ **NET-ZERO** emissions
- ★ Strong **PARTNERSHIPS**
- ★ More **TRAINS, TUNNELS, BRIDGES, SERVICES, ROUTES**

### Aligns with Best Practice, Stakeholder Interest

- In the *Passenger Railroad Investment and Improvement Act (PRIIA)* of 2008, Congress encouraged Amtrak to develop a pay for performance incentive program for Amtrak management employees (Sec. 223)
- Additionally, the *Government Accountability Office (GAO)* recommended that Amtrak explore and develop meaningful solutions to address competitive barriers to executive talent
- Amtrak's at-risk incentive programs are governed by congressionally appointed Board of Directors\* and support from Independent Consultants similar to market practice for other for-profit companies and GSEs

### Improve Performance

- Amtrak's Short-Term Incentive (STI) and Long-Term Incentive (LTI) program is based on performance metrics that are tied to the company's overall performance goals. If the company does not meet or exceed these rigorous goals, our employees are not rewarded with majority of awards since program inception awarding at below target levels
- Delivering more trains to more places safely and with improved customer satisfaction are at the core of the programs design as well as doing so with increasing financial and operational efficiency (lowering operating losses and doing so with fewer delays)

### Reduce Costs

- Reward for performance programs were first established in 2013 as part of a transition away from non-performance based, guaranteed benefits unrelated to company performance and towards a performance-based, market-driven program to attract and retain new talent
- Closing pension and retiree health benefits saved nearly \$470 million in debt and \$1.305 billion in future benefit payments.

### Retain Talent

- STI is available to all non-agreement employees (~4,200 individuals as of May 2024) in lieu of non-performance based, guaranteed benefits unrelated to company performance (pensions, retiree healthcare)
- 98% of FY23 STI awards are available to non-executive management employees, the majority of whom report to Operations and Capital Delivery departments involved in the day-to-day running and expansion of the railroad
- Long-Term Incentive (LTI) awards are available only to senior leadership employees (~300 individuals as of May 2024) who generally remain at the company for the full 3-year performance period and deliver on Amtrak's strategic long-term goals ) in lieu of non-performance based, guaranteed benefits unrelated to company performance (pensions, retiree healthcare) and ensure leadership is not sacrificing short-term gain for long-term enterprise value creation
- ~85% of recent senior leaders were hired from for-profit public and private companies where nearly all had incentive compensation and most did not have pension, retiree healthcare

\*Per 49 USC Sec 24302, an individual nominated by the U.S. President and confirmed by the Senate to serve on the Amtrak Board shall be appointed for a term of five years and that such term may be extended until the individual's successor is appointed and qualified.

Note: While frontline union employees do not participate in the STI program, compensation agreements are negotiated with the individual unions; frontline union employees received meaningful wage increases above what non-agreement employees can merit through annual end-of-year salary increases in addition to 2x-3x richer healthcare coverage and pre-Medicare retiree healthcare.



# FY 2023 Company Performance Highlights

## Ridership

~25% increase over FY22 to 28.6M with Q4 NEC ridership above pre-pandemic levels

## Service

Resumed service on all routes suspended during the pandemic + more trains on Northeast Regional, Piedmont, Cascades

## Major Infrastructure Investment

~\$3B, largest annual capital investment ever

## Jobs Created

4,800 new hires to support service, growth

## Total Operating Revenue

~20% increase over FY22, \$3.4B across all service lines (state, NEC, long-distance)

## Adjusted Operating Earnings

~\$130M improvement over FY22, driven by strong revenue and cost containment



# Reward for Performance Alignment – FY23 STI Award

To earn a performance award the company must meet goals showing improvement given business conditions approved by the Board of Directors supported by an independent consultant:






Measured by Customer Satisfaction Index (inline with expectations given business conditions, but 0.4 points lower than aggressive threshold; no award)



Measured by minimizing Amtrak Caused Delays eliminating ~50K minutes of FY23 delay (14 minutes per 10K miles better than target)



Measured by lowering Adjusted Operating loss (~\$90M better than target and ~\$120M better than FY22)

Key Action		Metric	Threshold (75% Award)	Target (100% Award)	Superior (130% Award)	Results (FY23)	Award % (FY23)
	Delight Our Customers	Customer Satisfaction Index (CSI; ~30% Weight)	80.0	81.0	82.0	79.6	0.0% = 0% x 30%
	Drive Transformation	Amtrak Caused Delays (Minutes per 10,000 miles; ~20% Weight)	463 Minutes	445 Minutes	418 Minutes	431 Minutes	23.1% = 115.6% x 20%
	Grow the Business	Adjusted Operating Income (# Passengers; 50% Weight)	(\$885 M)	(\$859 M)	(\$773 M)	(\$772 M)	65.0% = 130% x 50%
							Total of 88.1% = 0.0% + 23.1% + 65.0%



Note: In the Passenger Railroad Investment and Improvement Act (PRIIA) of 2008, Congress encouraged Amtrak to develop a pay for performance incentive program for Amtrak management employees (Sec. 223); Additionally, the Government Accountability Office (GAO) recommended that Amtrak explore and develop meaningful solutions to address competitive barriers to executive talent



# STI Background, FY23 Award, & ELT and Officer Awards

## Amtrak’s STI Award Background

Amtrak made the decision to redirect our total rewards spend from non-performance, non-market-based benefit payments to *former* employees no longer with the company (pension, retiree healthcare) to performance, market-based incentive compensation to retain our *current* employees and attract the *future* employees needed to increase company performance.

Closing pension and retiree healthcare saved nearly \$790 million in debt and closer to \$2.2 billion in future benefit payment as of 2023, almost 7x higher than the cost of incentive awards since program inception, if the program were ongoing.

Congress expects Amtrak to improve service, increase productivity and maximize resources. Our incentive program like other Government Sponsored Enterprises supports these outcomes and is at risk if the company or individual underperforms. For FY22 & FY23 Amtrak improved financial performance by nearly \$150M and \$90M versus our annual operating plan.

## FY23 Award for all Management Employees

3,799 management employees and ~\$67M in at-risk awards (if non-performance-based pension and retiree healthcare plan would’ve been maintained annual future benefits costs could be nearly ~\$100M higher, exceeding paid at-risk, performance-based incentive awards).

## FY20-FY23 STI Awards for ELT and Officers

As well, Amtrak’s Executive Leadership Team (ELT) Compensation is lower across nearly all dimensions of compensation (pay progression, pay mix, pay level) vs. its comparator group made up of similarly size for-profit companies as well as government sponsored enterprises. Below represent the earned at-risk awards in FY20-FY23 (note: the deferred and at-risk salary for one employee, CEO, for comparators is nearly the same or more than all of Amtrak’s Executive Leadership awards combined).

Title*	FY20 STI Award	FY21 STI Award	FY22 STI Award	FY23 STI Award
Amtrak Award % vs. Target (Actual)	0%	106%	111%	88%
Market Award % vs. Target (Average)	100%	99%	126%	110%
Amtrak Award % (Below)/Above Market	(100%)	7%	(15%)	(22%)
CEO	\$0	\$302,984	\$388,740	\$320,537
President	\$0	\$293,416	\$287,023	\$232,108
EVP Chief Financial Officer	\$0	\$261,523	\$287,023	\$236,867
EVP General Counsel & Corp Secretary	\$0	\$257,840	\$277,592	\$226,821
EVP Chief Information Officer	\$0	\$241,288	\$267,688	\$216,775
EVP Capital Delivery	N/A	\$60,711	\$263,688	\$215,189
EVP Service Delivery & Operations	\$0	\$247,674	\$263,688	\$213,074
EVP Chief Safety Officer	\$0	\$242,387	\$260,954	\$213,074
EVP Strategy & Planning	\$0	\$233,234	\$251,100	\$205,143
EVP Chief Human Resources Officer	\$0	\$229,630	\$247,220	\$201,971
EVP Marketing & Revenue	\$0	\$233,234	N/A	\$0
VP Controller	\$0	\$186,569	\$200,663	\$171,759
VP Sr Managing Deputy General Counsel	\$0	\$178,650	\$199,204	\$166,066
VP Govt Affairs & Corp Communications	\$0	\$177,936	\$187,733	\$160,692
VP Treasurer	\$0	\$148,682	\$156,867	\$134,272

Source: Market Award % estimated based on data from WTW – 2023 US Annual Incentive Plan Design Survey  
\*Awards listed are associated with the title of the individual at the end of the fiscal year in which the award took place (i.e. CEO William Flynn FY20-FY21, Stephen Gardner FY22-FY23)

Note: In FY20 Amtrak suspended STI program during covid as well as impacting 3 fiscal years of LTI program and implemented benefit reductions and mandatory pay cuts for management of up to 22%. Demonstrating a commitment to fiscal stewardship and protecting jobs, we thought it was critical that the highest percentages be taken for a longer period of time by our ELT. These actions saved the company \$100 million; employees covered by labor agreements continued to receive overtime and increases to base wages of 3.75%, totaling more than \$50M.





# Reward for Performance Alignment – FY23 LTI Award



To earn a performance award the company must meet goals showing improvement given business conditions over the 3-year performance period (FY21-FY23) approved by the Board of Directors supported by an independent consultant:



Measured by delivering more trains to more places (3.2M more riders than target and 17M more riders than FY21) and efficiently deploying more capital with internal workforce which excludes large purchases (within 5% of target over the 3-year period and more than \$1.5B more capital than the prior 3 fiscal years)



Measured by returning the NEC to profitability since Covid (~\$165M higher than target and \$475M in more income than FY21)

Key Action	Metric	Threshold (75% Award)	Target (100% Award)	Superior (125% Award)	Results (FY23)	Award % (FY23)
 <b>Drive Transformation</b>	Internal Capital Spend (\$Ms FY21)	\$1,390 M	\$1,590 M	\$1,765 M	\$1,023 M	0.0% = 0% x ~11.1%
	Internal Capital Spend (\$Ms FY22)	\$850 M	\$900 M	\$1,000 M	\$990 M	~13.6% = ~122% x ~11.1%
	Internal Capital Spend (\$Ms FY23)	\$1,190 M	\$1,270 M	\$1,390 M	\$1,551 M	~13.9% = 125% x ~11.1%
 <b>Grow the Business</b>	Ridership (# Passengers FY23)	22.5 M	25.3 M	28.1 M	28.5 M	~41.7% = 125% x ~33%
	NEC Adjusted Operating Income (\$Ms FY23)	(\$150) M	\$ 0 M	\$ 50 M	\$163.5 M	~41.7% = 125% x ~33%
						<b>Total of 110.8%</b> = 0% + ~13.6% + ~13.9% + ~41.7% + ~41.7%



Note: In the Passenger Railroad Investment and Improvement Act (PRIIA) of 2008, Congress encouraged Amtrak to develop a pay for performance incentive program for Amtrak management employees (Sec. 223); Additionally, the Government Accountability Office (GAO) recommended that Amtrak explore and develop meaningful solutions to address competitive barriers to executive talent

# LTI Background, FY23 Award, & ELT and Officer Awards

## Amtrak’s LTI Award Background

Amtrak made the decision to redirect our total rewards spend from non-performance, non-market-based benefit payments to *former* employees no longer with the company (pension, retiree healthcare) to performance, market-based incentive compensation to retain our *current* employees and attract the *future* employees needed to increase company performance.

Closing pension and retiree healthcare saved nearly \$790 million in debt and closer to \$2.2 billion in future benefit payment as of 2023, almost 7x higher than the cost of incentive awards since program inception, if the program were ongoing.

Congress expects Amtrak to improve service, increase productivity and maximize resources. Our incentive program like other Government Sponsored Enterprises supports these outcomes and is at risk if the company or individual underperforms. For 2021 LTI plan (FY21-FY23) Amtrak improved company performance by 17M more riders than 2021, nearly \$475M in improved profitability along the northeast corridor than 2021, and nearly ~\$1.5B more internal capital deployed in FY21-FY23 than the prior three FYs.

## FY23 Award for Amtrak Senior Leaders

63 senior leaders and ~\$7M in at-risk awards (if non-performance-based pension and retiree healthcare plan would’ve been maintained annual future benefits costs could be nearly ~\$100M higher, exceeding paid at-risk, performance-based incentive awards).

## FY20-FY23 LTI Awards for ELT and Officers

Amtrak’s Executive Leadership Team (ELT) Compensation is lower across nearly all dimensions of compensation (pay progression, pay mix, pay level; see market positioning – general considerations) vs. its comparator group made up of similarly size companies as well as government sponsored enterprises. Below represent the at-risk awards for FY20-FY23 LTI plans. Due to impacts Amtrak’s business during the Covid-19 Pandemic, no compensation was earned from the LTI program through FY2020 to FY2022.

Title*	FY20 LTI Award	FY21 LTI Award	FY22 LTI Award	FY23 LTI Award
Amtrak Award % vs. Target (Actual)	0%	0%	0%	111%
Market Award % vs. Target (Average)	110%	104%	112%	112%
Amtrak Award % (Below) Market	(110%)	(104%)	(112%)	(1%)
CEO	\$0	\$0	\$0	\$305,808
President	\$0	\$0	\$0	\$243,084
EVP Chief Financial Officer	\$0	\$0	\$0	\$272,568
EVP General Counsel & Corp Secretary	\$0	\$0	\$0	\$268,730
EVP Chief Information Officer	\$0	\$0	\$0	\$251,479
EVP Capital Delivery	N/A	\$0	\$0	\$243,084
EVP Service Delivery & Operations	\$0	\$0	\$0	\$175,265
EVP Chief Safety Officer	\$0	\$0	\$0	\$252,624
EVP Strategy & Planning	\$0	\$0	\$0	\$243,084
EVP Chief Human Resources Officer	\$0	\$0	\$0	\$0
EVP Marketing & Revenue	\$0	\$0	N/A	\$0
VP Controller	\$0	\$0	\$0	\$194,448
VP Sr Managing Deputy General Counsel	\$0	\$0	\$0	\$186,196
VP Govt Affairs & Corp Communications	\$0	\$0	\$0	\$185,452
VP Treasurer	\$0	\$0	\$0	\$154,962

Source: Market Award % WTW – 2017-2023 US Long-Term Incentive Practices  
\*Awards listed are associated with the title of the individual at the end of the fiscal year in which the award took place (i.e. CEO William Flynn FY20-FY21, Stephen Gardner FY22-FY23)

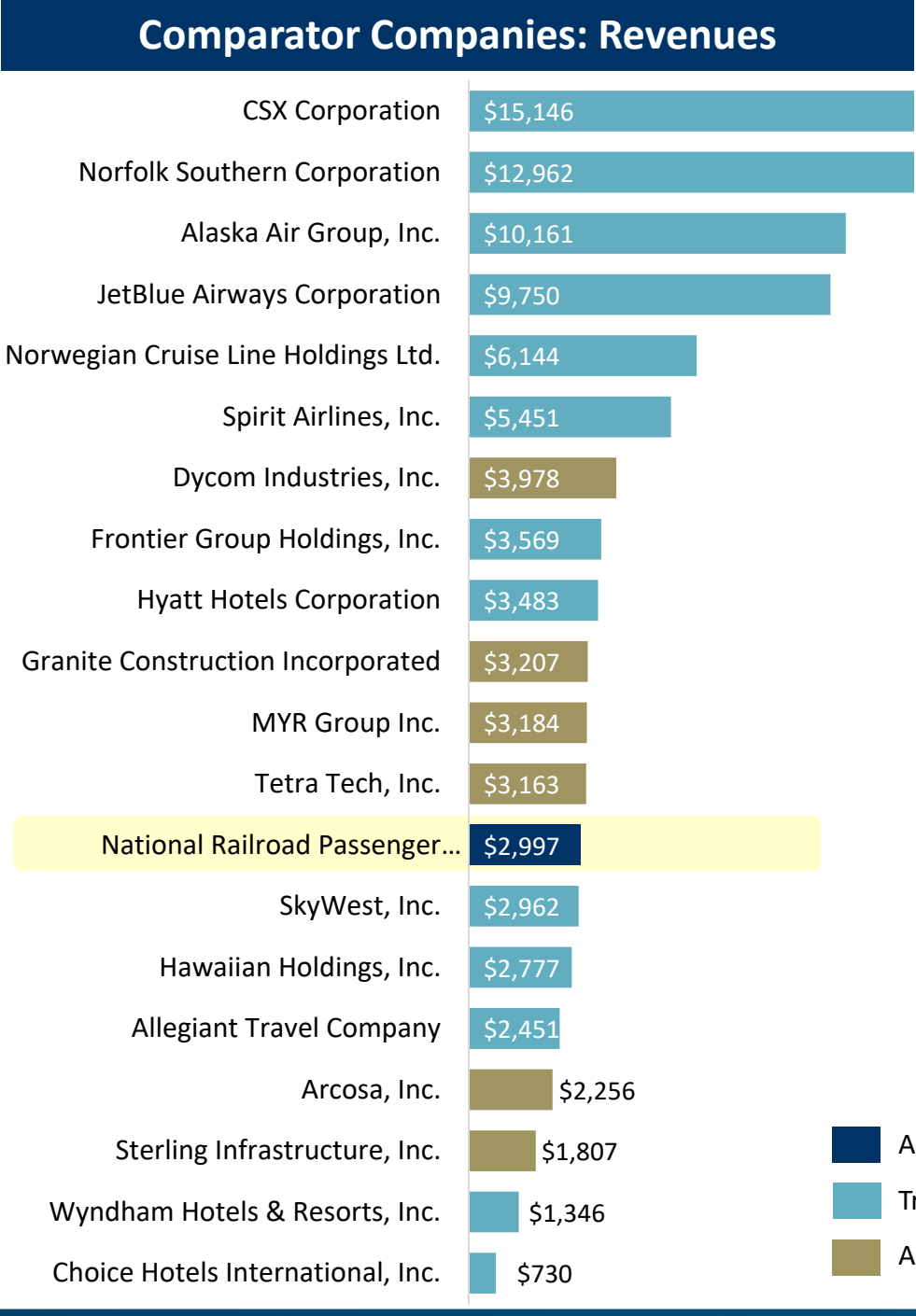
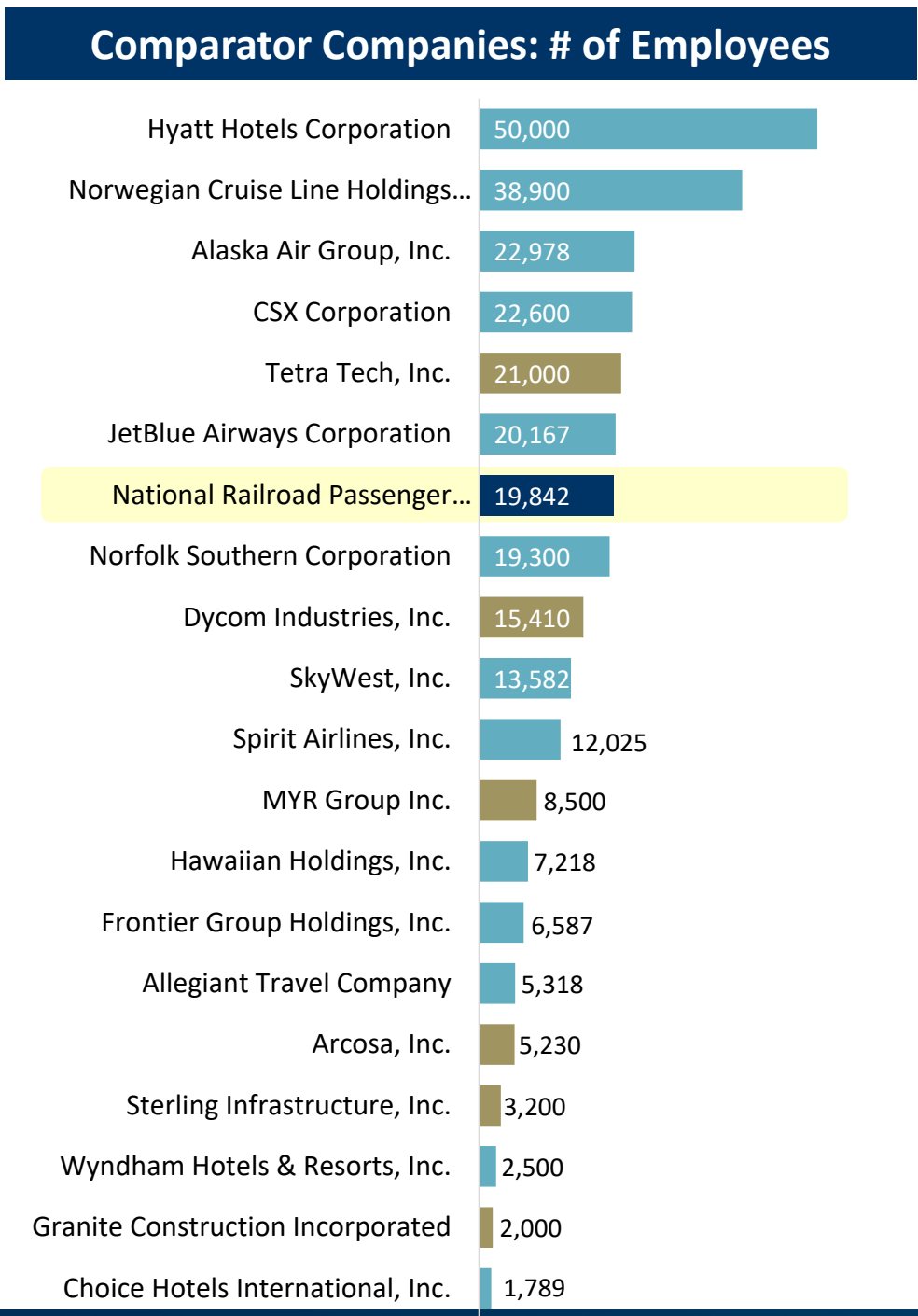
Note: In FY20 Amtrak suspended STI program during covid as well as impacting 3 fiscal years of LTI program and implemented benefit reductions and mandatory pay cuts for management of up to 22%. Demonstrating a commitment to fiscal stewardship and protecting jobs, we thought it was critical that the highest percentages be taken for a longer period of time by our ELT. These actions saved the company \$100 million; employees covered by labor agreements continued to receive overtime and increases to base wages of 3.75%, totaling more than \$50M.





# FY23 Amtrak Comparator Group – Publicly Traded

Recognizing Amtrak is unique as America’s sole national passenger transportation company and recipient of once in generation capital projects, Amtrak leverages a broad comparator group utilizing annually reported, publicly available data from both publicly-traded private sector peer companies (using market practices for similar industry, revenue, employee size) as well as leveraging government-sponsored enterprises (GSEs) for a point of comparison.



Amtrak  
Transportation, Hospitality  
Architecture, Construction, Engineering

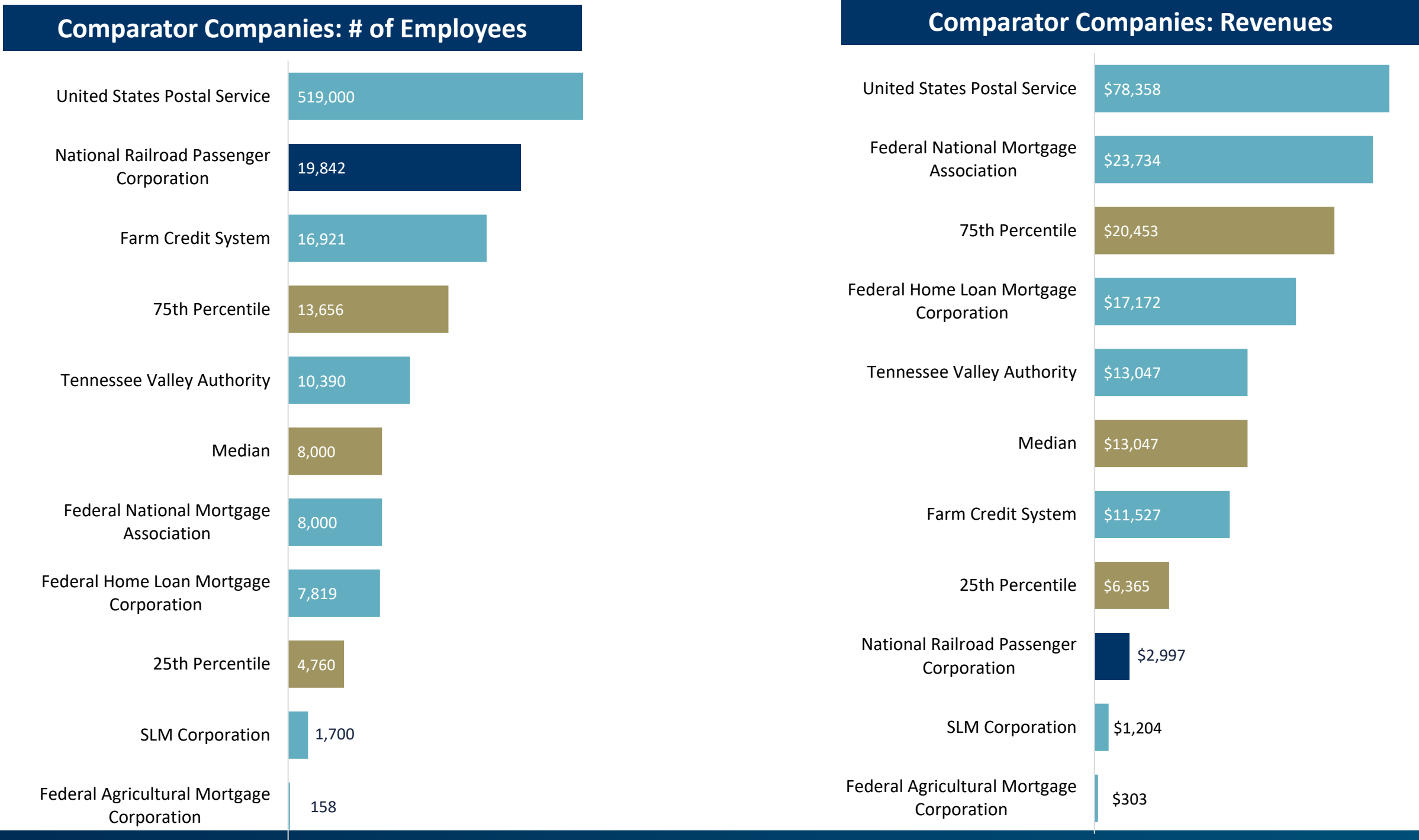
Employee and Revenue size was as of 2022 to mirror that data from comparator companies 2022-2023 annually reported Securities and Exchange Commission (SEC) disclosures available during FY23

Note: Information from regional transportation companies (pension, retiree healthcare) is not broadly available; Amtrak conducted a custom survey led by a third party to solicit such information from the 30 largest US transportation companies but only 5 respondents replied without the complete information (pension, retiree health) to be incorporate into a broader analysis



# FY23 Amtrak Comparator Group – GSEs

Recognizing Amtrak is unique as America’s sole national passenger transportation company and recipient of once in generation capital projects, Amtrak leverages a broad comparator group utilizing annually reported, publicly available data from both publicly-traded private sector peer companies (using market practices for similar industry, revenue, employee size) as well as leveraging government-sponsored enterprises (GSEs) for a point of comparison.



USPS not shown to scale to accommodate in graphics  
Employee and Revenue size was as of 2022 to mirror that data from comparator companies 2022-2023 annually reported Securities and Exchange Commission (SEC) disclosures available during FY23

Note: Information from regional transportation companies (pension, retiree healthcare) is not broadly available; Amtrak conducted a custom survey led by a third party to solicit such information from the 30 largest US transportation companies but only 5 respondents replied without the complete information (pension, retiree health) to be incorporate into a broader analysis





# Market Positioning – General Considerations

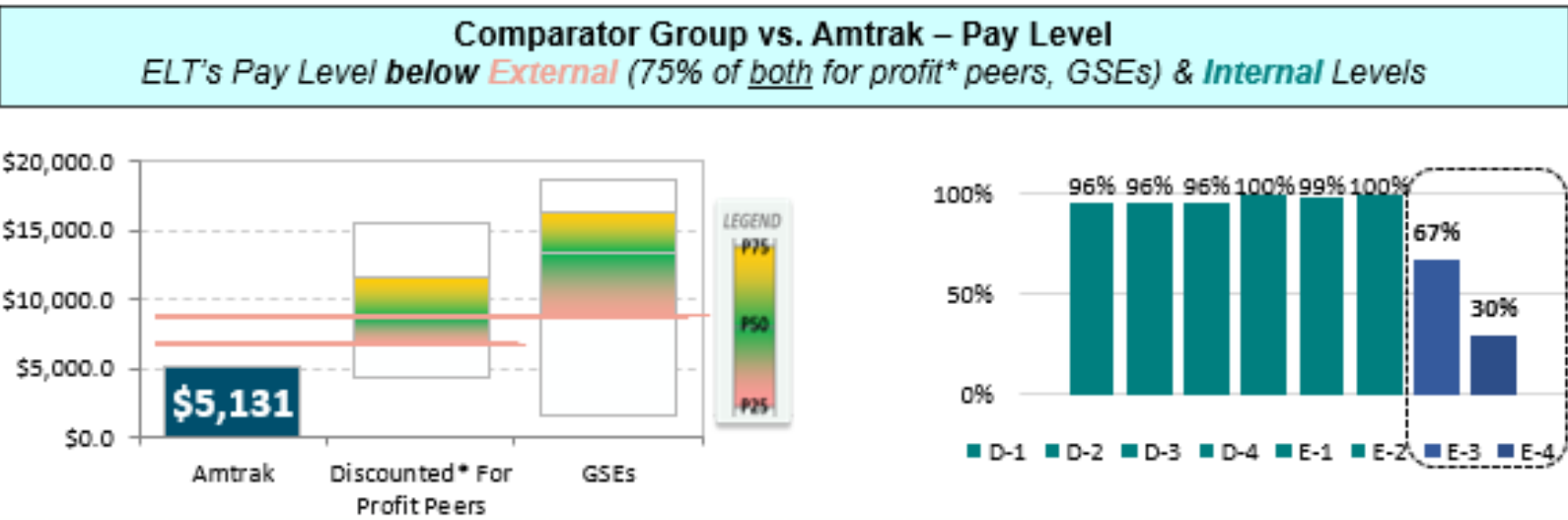
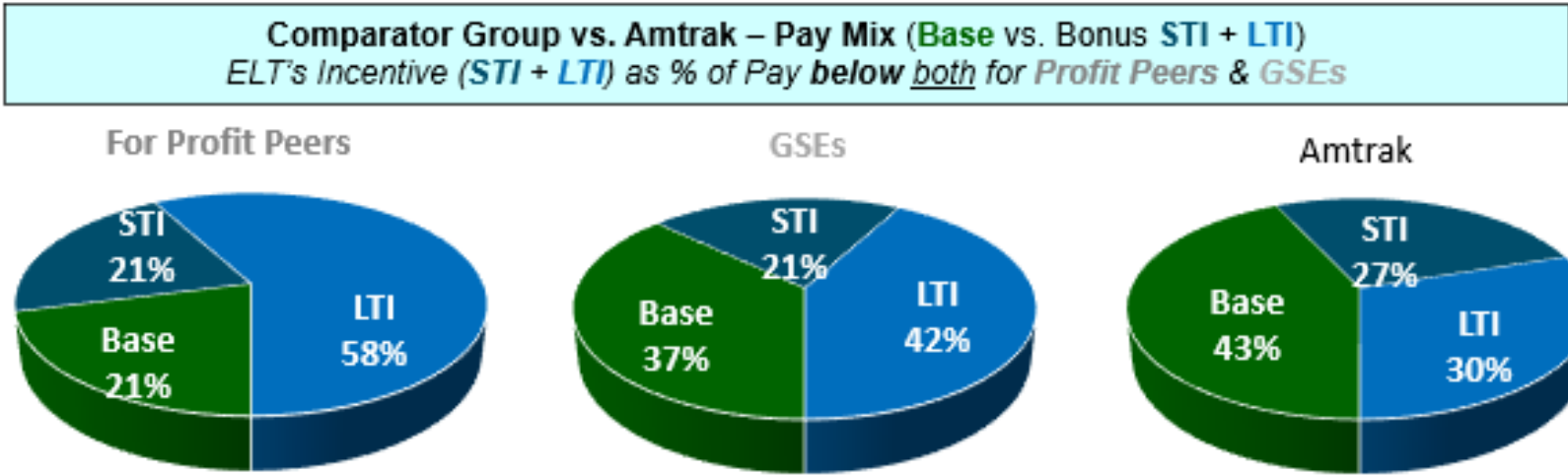
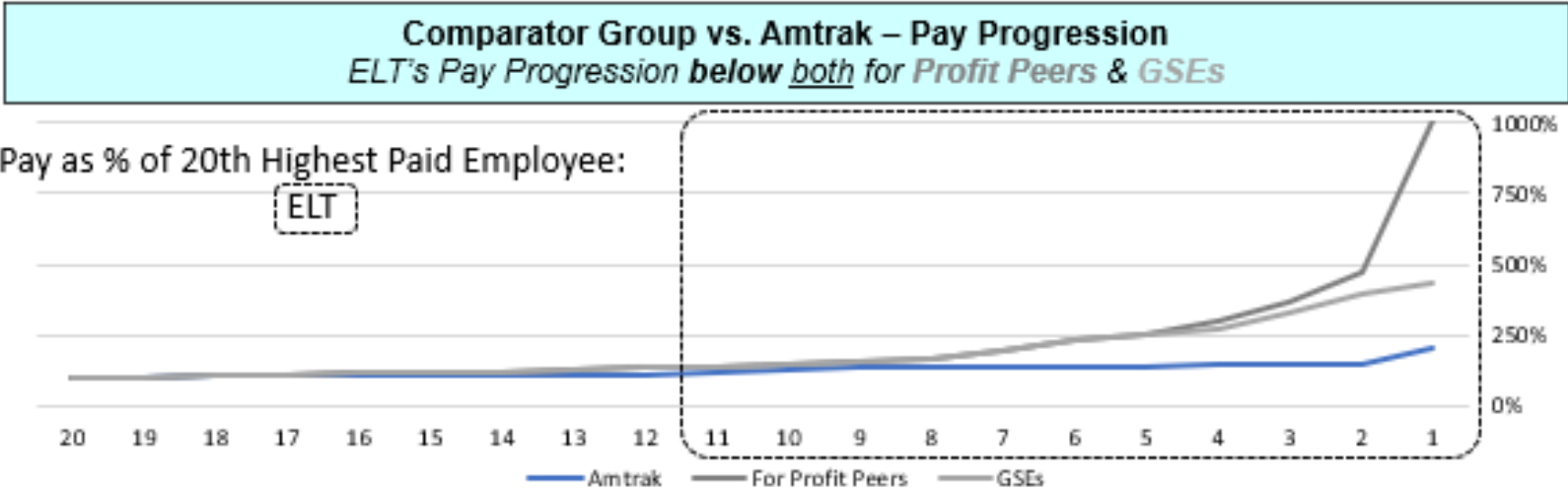
## Comparator Group Considerations

Preserve Amtrak’s ELT pay below both public companies (similar industry & sized companies) and Government Sponsored Enterprises (GSEs) across the following dimensions:

- *Pay Progression*: ELT pay more like lower levels in the organization than comparators
- *Pay Mix*: A smaller portion of total compensation is at-risk incentives (STI, LTI) than comparators
- *Pay Level*: Lower than 75% of public companies even after a ~40% reduction to account for (approximating balance of for profit and not for profit seen in other industries such as hospitals and universities) and lower than 75% GSEs & lower than non-ELT vs. market

## Amtrak Other Considerations

- *Talent*: Considerations given ~85% of executives coming from for profit companies with incentive plans (and without pension, retiree healthcare)
- *Business Mix*: Considerations given ~50% of revenue, ~33% ridership coming from profitable NEC service line



# ELT and Officer Base Salary

## FY20-FY23 Base Salary for ELT and Officers

Amtrak’s Executive Leadership Team (ELT) Compensation is lower across nearly all dimensions of compensation (pay progression, pay mix, pay level; see prior slide market positioning – general considerations) vs. its comparator group made up of similarly size companies as well as government sponsored enterprises. Below represents base salary for ELT and Officers in FY20-FY23 including salary reductions during covid for FY20. Of note, federal employees did not have similar reductions during covid.

Title	<u>FY20 Base Salary</u>	<u>FY21 Base Salary</u>	<u>FY22 Base Salary</u>	<u>FY23 Base Salary</u>
CEO	\$403,750	\$475,000	\$485,000	\$490,000
President	\$391,000	\$473,800	\$439,000	\$479,000
EVP Chief Financial Officer	\$348,500	\$430,500	\$448,000	\$470,000
EVP General Counsel & Corp Secretary	\$343,593	\$416,354	\$429,000	\$442,000
EVP Chief Information Officer	\$321,536	\$389,625	\$410,000	\$428,000
EVP Capital Delivery	N/A	\$376,620	\$407,000	\$432,000
EVP Service Delivery & Operations	\$330,046	\$399,938	\$403,000	\$432,000
EVP Chief Safety Officer	\$323,000	\$391,400	\$403,000	\$415,000
EVP Strategy & Planning	\$310,803	\$376,620	\$388,000	\$400,000
EVP Chief Human Resources Officer	\$306,000	\$370,800	\$398,000	\$413,000
EVP Marketing & Revenue	\$310,803	\$383,933	N/A	\$400,000
VP Controller	\$350,990	\$368,540	\$379,596	\$379,596
VP Sr Managing Deputy General Counsel	\$336,093	\$352,898	\$367,014	\$367,014
VP Govt Affairs & Corp Communications	\$334,750	\$344,793	\$355,137	\$365,791
VP Treasurer	\$279,714	\$288,105	\$296,748	\$305,650

Base Salaries shown for FY20 are as of Dec. 2020, FY21 are as of Dec. 2021, FY22 are as of Dec. 2022, and FY23 are as of Dec. 2023



Note: In FY20 Amtrak suspended STI program during covid as well as impacting 3 fiscal years of LTI program and implemented benefit reductions and mandatory pay cuts for management of up to 22%. Demonstrating a commitment to fiscal stewardship and protecting jobs, we thought it was critical that the highest percentages be taken for a longer period of time by our ELT. These actions saved the company \$100 million; employees covered by labor agreements continued to receive overtime and increases to base wages of 3.75%, totaling more than \$50M.