

## Compensation

Your ability to retain employees in the simulation is driven primarily by the amount of compensation you provide. At SimStart, the average

Compensation	Employee Retention Rate	Customer Retention Rates	New Customers	Expenses
↗	↗	↗	↗	↗
As your increase your Compensation...	...your employee retention rate will improve...	...leading to improved customer service...	...and more new customers...	...but your operating expenses will go up

compensation for corporate banking employees is \$66,000. You then decide the amount of increase (if any) to this average compensation. In other words, if you enter 3% in Round 1, your average employee compensation will be \$67,980 in Year 1 (3% more than \$66,000). If you enter 4% in Round 2, your average employee compensation will increase to \$70,699 (4% more than \$67,890).

If your average compensation is higher than your competitors, your employee retention rate will increase. Conversely, if your average compensation is lower than your competitors, your employee retention rate will fall, requiring you to recruit more new employees.

More specifically:

- If your average compensation is within +/- 10% of the market average, there is no impact on your employee retention rate
- If your average compensation is outside this +/- 10% range, your employee retention rate will be adjusted by 50% of the difference between your rate and the market average

*See Sample Calculation C-8 for an example.*

Remember, as with any financial institution, employee compensation and benefits are your largest source of expense.