

**Dennis M.
Nally/US/EXEC/PwC**

03/03/2009 01:00 PM

"Reply to All" is Disabled

To Faculty Listing: Schools A-C, Faculty Listing: Schools D-J, Faculty Listing: Schools K-N, Faculty Listing: Schools O-S, Faculty Listing: Schools T-Z

cc

Subj Managing through this economic crisis - continuing the
ect conversation

Dear Faculty Member,

I'm writing as a follow up to my letter of December 23, 2008 outlining our strategy to continue to invest in our people through these difficult economic times. To continue that conversation, I want to share with you PwC's developing views regarding the impact of the recession on our profession, and its cascading effect on employment for professionals entering the job market (including your current and former students).

The economy and the accounting profession

Few businesses have been immune from the devastating impact of this economic crisis. As you read every day in the news, most companies are responding by holding flat or reducing costs wherever possible, including fees for professional services. We realized early in this economic crisis that we couldn't increase our rates during this period and have adjusted our business plans accordingly. In addition to fee pressure, we have seen most companies become increasingly selective in their discretionary spend, choosing only those services they deem as critical, or that will directly impact their cash flow or bottom line. As a result, we anticipate that revenue growth for our profession will flatten (or even contract) during this economic period. To offset this anticipated negative impact on revenue, we have begun to aggressively manage our costs. At the same time, however, recognizing the downward pressure on results, we have communicated to our partners that their earnings will likely decline.

Our expectations for staff compensation

In recent years, we have provided generous overnight salary increases for our staff. Our average overnight increase in Fiscal 2009 (effective September 1, 2008) for our client service staff was approximately 9%. Clearly, in the current economic environment, it's not realistic to expect that we or others in our profession can continue to provide such increases. While we will defer our final decision until later in this quarter, we have already begun communicating to our employees that, based on what we know today, we will likely be holding salaries flat for the coming compensation cycle (although those promoted to a new level will receive increases). Even though the decisions have not been finalized, we believe it's important to share our early thinking on compensation to help manage staff expectations. We recognize that many life decisions are made based on future salary assumptions, and we felt we owed it to our people to give them a sense of what to expect even before the decisions were ultimately made.

Our people will continue to be eligible to receive annual bonuses for exceptional performance, which is in line with our focus on high performance. In addition, we are considering a supplemental profit sharing plan, also tied to Firm performance that would allow all employees to participate in the Firm's success, should we exceed designated performance targets. We believe that, considered in its entirety, our compensation plan is fair, competitive and in line with the realities of the current market. Our intended message to our people is that "we are all in this together."

Our commitment to new hires in 2009

We believe that the market for starting salaries for new hires in 2009 has declined with the drop in the economy. Those salary levels were set many months prior in anticipation of an environment of rate increases and volume growth, which have clearly not materialized. While we are still

studying how best to manage this issue with respect to our new hires in 2009, we are considering a plan to modify their compensation mix while still paying the total compensation amount contained in their offer.

Starting salary expectations for new hires in 2010

As you can imagine, it's difficult to manage future hiring decisions in this volatile economy and we believe that the market for starting salaries for this group is also down (possibly by as much as 10% -12%). With that said, we are extending firm offers of employment to interns who have demonstrated the attributes we desire in our full-time employees. Given the uncertain economy, those offers will not specify a compensation amount, but instead will communicate the following:

"The current economic downturn requires us to carefully consider our market compensation position in these times, so we are currently undertaking a thorough review of our compensation position in each market and will be able to finalize your offer details when this review is complete. The complete terms and conditions of our offer will be set forth in a separate communication to be sent at a later date. Please be assured, however, that this letter is an offer for full-time employment with the Firm."

Our commitment to your students is steadfast. As we have in the past, we will offer compensation that is fully competitive with other Big Four and industry opportunities.

Our ongoing partnership with you

These are extremely challenging times for all of us, but we recognize that doing the right thing for our people, including our interns and future hires, is ultimately good for our Firm. My position hasn't changed since my last note to you. I continue to share with you our thinking on people matters because we regard you, the institutions and faculty who educate and develop our future leaders, as strategic partners. We also know that both current and former students will seek your advice regarding their careers, and we want you to be fully informed on our business and strategies.

I remain very interested in hearing your thoughts on the economy and these related topics....what's on your mind, your students' minds. Feel free to send me a note at the email address below. In addition, I encourage you to visit our faculty website www.pwc.com/faculty, where you can download useful tools and the most recent thought leadership from PwC.

Best regards,



Dennis M. Nally
US Chairman and Senior Partner
PricewaterhouseCoopers
Email: dennis.m.nally.inbox@us.pwc.com