



insights from
the experts

Executive Compensation

and Benefits

Highlights from NFP's Inaugural Executive Benefits Trends Study



Establishing a Best-in-Class Industry Benchmarking Tool

Benchmarking data is instrumental – to both brokers and employers – in building comprehensive executive benefits strategies.

Ultimately, all strategies are products of cascading legislation that gets memorialized in the Internal Revenue Code. Executive benefits are the migratory solutions to adverse legislation. However, few resources exist today that provide actionable, timely updates on the current landscape.

With this in mind, **NFP set out to explore associated trends in the market**, including:

- Approaches to choosing, prioritizing and leveraging executive benefits.
- Current and anticipated needs.
- The impact of current social and economic forces on related decisions.

With your support, **we are making strides in building a best-in-class benchmarking tool** to equip organizations like yours with critical insight around how to effectively meet the needs of today's executives.

We look forward to sharing greater depth of information in the future and welcome your feedback around benchmarking data that would further benefit your organization.



Joe Carpenter

President, Executive Benefits, NFP

OUR AUDIENCE

This report represents tenured c-suite decision-makers of executive compensation strategies, from a mix of industries that include financial services, manufacturing and real estate.



Executive Compensation Packages: A Business Imperative

Tumultuous economic conditions have heightened focus on operational costs and ROI — and made retention critically important.

With staff turnover being both costly and disruptive, especially at senior levels, **businesses are increasingly looking at executive compensation packages as a means of driving retention.** Nonqualified deferred compensation plans (NQDCPs) are an important component of effective executive compensation packages, but they are largely underutilized.

Partnering with the right consultant can go a long way in ensuring your business stays in tune with market trends and maximizes ROI for your executive compensation packages.

Executive Benefits and Retention

The success of NQDCPs in retaining top talent is high — 97% of those offering an NQDCP report that they have been impactful.

Executive benefits typically have at least one NQDCP as the core component but are rounded out with other offerings intended to drive retention. Aside from NQDCPs, business leaders most often leverage performance incentives (64%) and supplemental life insurance (51%) in their executive benefits plans, but there are opportunities to expand benefits beyond these common products.

Economic Downturn

Overall, the slowing economy is expected to have minor impacts on executive benefits design and participation as executive retention becomes even more important. Despite (or perhaps because of) economic headwinds and rising costs, 93% of business leaders rank executive benefits as important or critical to their company's success.

Changing Retirement Trends

Retirement trends are shifting in two different directions with 31% of businesses seeing their executives work longer, while 25% are seeing executives retire earlier. This underscores the need for expertise in developing benefits plans that fit the varying needs of executives.

83%

cannot afford to lose top executives



93%

feel executive benefits have helped to **retain top talent**



The cost to replace a highly compensated executive is estimated to be

200% -
400%

of the annual salary associated with that position*

* Based on findings from the Society of Human Resource Management (SHRM) & Center for American Progress

Contents

Areas of focus:

Retention and Recruiting 7

The Executive Benefits Landscape
and NQDCP Usage 9

Strategic Initiatives and Mindsets..... 12

Economic Outlook 15

A Best-in-Class Approach to Redefining Executive Benefits..... 16



Retention and Recruiting

Businesses Are Squarely Focused on Retention

Retaining top talent is a key issue in this competitive staffing environment. Businesses understand the value of executive benefits and acknowledge their impact in driving retention. Still, there is a constant need to balance offerings with the bottom line.

Keeping a pulse on the needs of executives and trends in the benefits space is vital in ensuring your executive compensation packages are effectively comprised, **especially in an unstable economy.**

Among Business Leaders ...

98%
believe **it's important to retain** top talent

93%
feel executive benefits **have been successful** in retaining top talent

82%
offer **NQDCPs** to retain top talent



Retention Is the Name of the Game

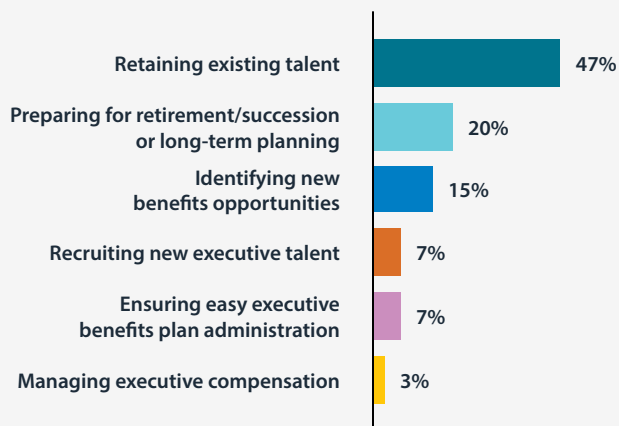
Retaining top talent is a driving force shaping executive benefits packages today.

To inform their strategies, businesses do their research to drive the right strategies, **highly leveraging consultants/brokers to ensure their compensation packages are optimized.**

Top Sources Used to Learn About New Options:

1. Consultants/Brokers **(71%)**
2. Peers/Competitors **(61%)**
3. Publications **(29%)**
4. Surveys **(27%)**
5. Financial Professionals (CPAs, Accountants, etc.) **(27%)**
6. Individual Research **(25%)**

Concerns Driving Executive Compensation Strategies:



The Executive Benefits Landscape and NQDCP Usage

Even with such a demanding marketplace and focus on retention, businesses continue to rely on standard benefits, and missed opportunities abound.

Businesses generally intend to maintain status quo with their benefits lineup in the near-term, but opportunities exist to optimize compensation packages. Benefits like **supplemental executive medical insurance and college tuition for children are seldom offered now but have the potential to drive greater success** of these types of plans.

Benefits Offered Today:

		High/Moderate Impact on Plan Success
Performance-based annual incentive	64%	98%
Non-qualified deferred compensation plan	60%	83%
Supplemental executive life insurance	51%	63%
Employment/severance agreements	30%	82%
Fringe benefits	28%	73%
Stock/equity	27%	88%
Supplemental executive disability coverage	26%	52%
Signing bonus	24%	87%
Supplemental executive medical insurance	9%	89%
Tax gross ups for taxable benefits	8%	38%
Loans to buy/pay stock a home, loans, etc.	7%	57%
Guaranteed annual minimum annual incentive	7%	57%
College tuition for children	3%	100%

Nonqualified deferred compensation plans

are an important piece of an intricate puzzle when it comes to executive benefits offered to retain leading talent.

81%

of executives do not plan to add new executive benefits

Top Benefits Being Considered, by Those Looking to Add:

7%

Signing Bonus

5%

Stock Equity

5%

Severance Agreement

Retaining Top Talent with NQDCPs

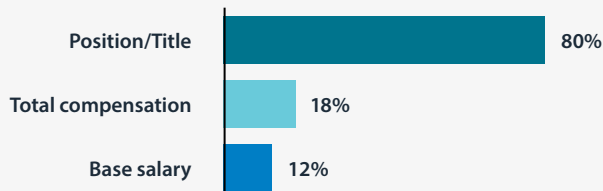
NQDCPs are a major component for executive benefits packages – used to retain top talent, support participants’ retirement goals and remain competitive as a company – for those in an eligible role.

While NQDCPs are appealing to companies of all sizes, **they appear to be underutilized, with eligibility rates outpacing participation**, and few planning to make changes to them in the near-term.

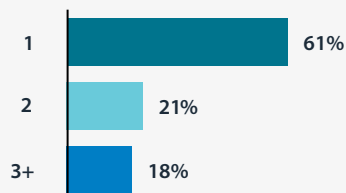
Top Reasons to Offer NQDCPs:



Factors Determining NQDCP Eligibility:



Average # NQDCPs Offered:



Keeping a pulse on NQDCP performance/trends and more effectively communicating their benefits can help to drive higher usage and better outcomes in the long-run.

45% say **eligibility increased** since 2020*

32% say participation **increased***

75% **do not plan** to make any NQDCP changes

Eligibility is increasing at a faster rate than participation. Increased communication can help to close the gap!

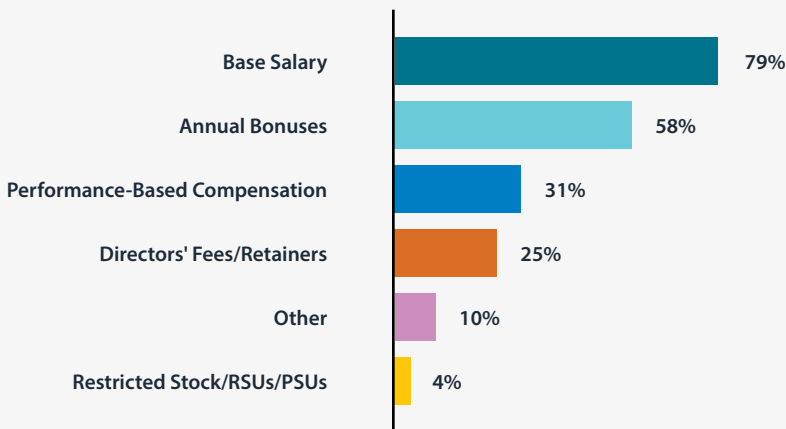
* Data point based on NFP's database of clients

Tailoring NQDCPs to Company Objectives

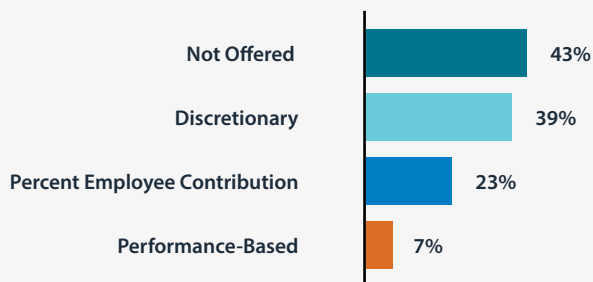
Flexibility, education and the ability to align packages to organizational objectives is a must.

Today, employees can primarily opt to defer their salary and bonuses, and nearly six-in-ten employers contribute a discretionary and/or percentage of the employee contribution on top of that.

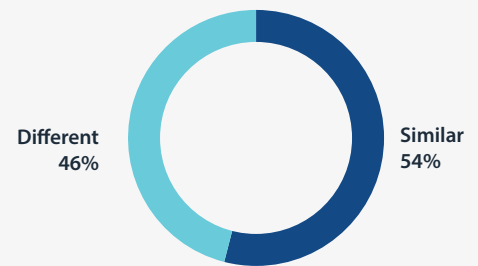
Types of Compensation Participants Can Defer:



How Employer Contribution Is Determined:



Similarity Between Nonqualified and Qualified Plan Investment Options Offered:



38%
Of **NQDCPs** offer a
fixed rate option



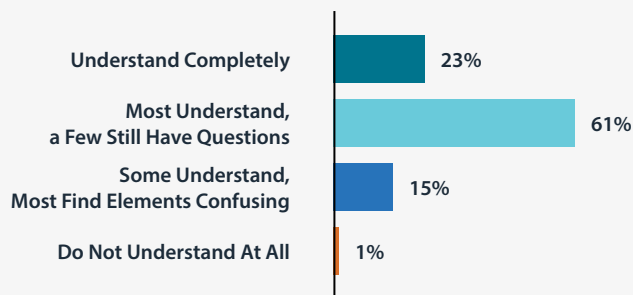
Strategic Initiatives and Mindsets

Plan Communication Is Key

Continuous plan communication and knowledge-sharing matters in driving usage and perceptions of value among executives, and few fully understand what is being offered today.

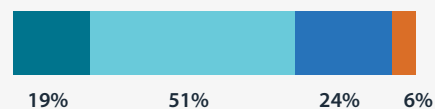
Partnering with consultants can help to untangle complicated plan details for eligible executives who are considering or participating in these types of benefits.

Executive Understanding of Benefits:

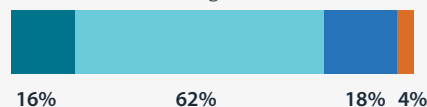


Satisfaction with...

Plan Communication & Education:



Plan Understanding:

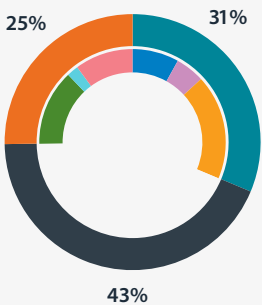


Investing in Employees' Future

Executive retirement behaviors are evolving in a polarized way, with one-third retiring later and one-quarter retiring sooner. But, regardless of where they are in their journey, **most feel behind in preparation.**

Businesses have found deferred compensation plans to be highly effective in preparing their executives for retirement, and many offer NQDCPs primarily for this purpose, but they need to go a step further by tailoring plans to the unique needs of executives.

Executive Retirement Behaviors:



Retiring Earlier...

25%

with more
with less
with same

13%
2%
10%

Working Longer...

31%

and saving more
and saving less
and saving same

8%
5%
18%

No changes

43%

Expected Retirement Age:

65-67 on avg

60% indicated this is the age at which executives are retiring

54%

Offer NQDCPs **primarily** to help participants prepare for retirement

87%

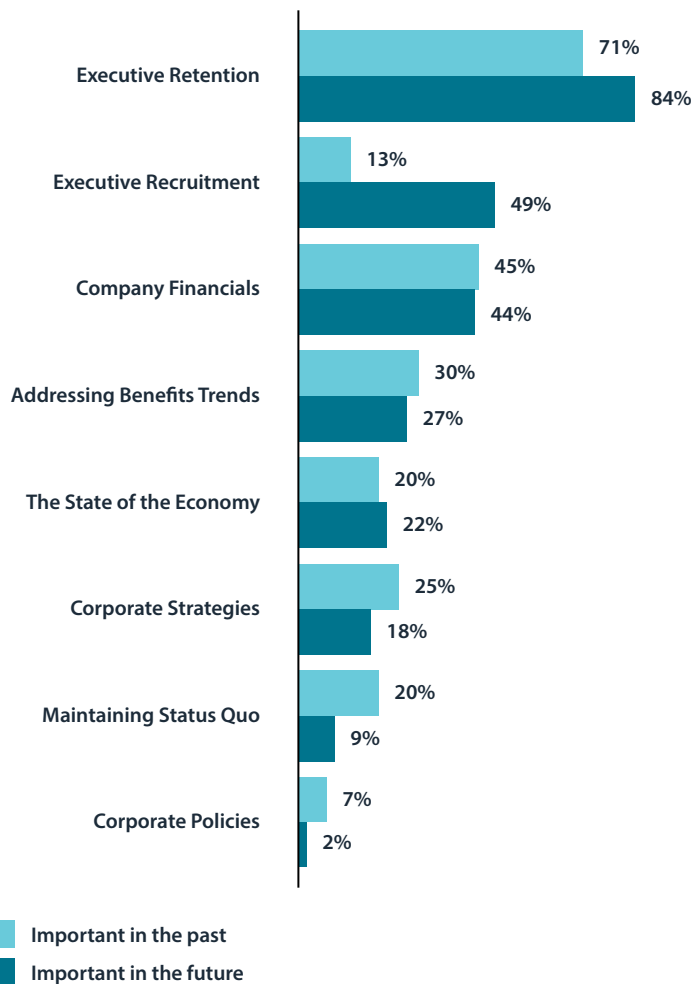
believe participants **are satisfied** with the impact of deferred compensation plans on their retirement preparedness

A Juggling Act, but Worth the Investment

Financial concerns are more pronounced than ever.

While executive benefits are becoming even more important in retaining and recruiting top talent, watching the bottom line is equally critical, especially as executive demand increases. Businesses are resorting to creative offers to keep their execs satisfied at a manageable cost.

Top Factors Influencing Executive Benefits, Today and in the Future:



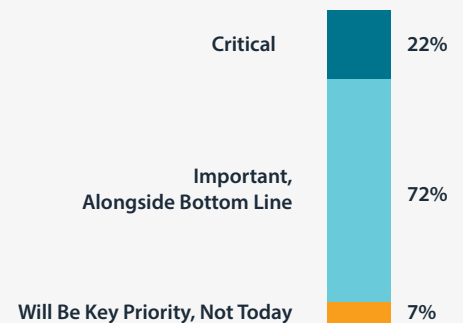
85%

feel remaining competitive in the executive benefits space is **more expensive** than ever

69%

are **always looking** for creative executive benefits offers

Importance of Executive Benefits in Company Initiatives:



*The costs to replace a highly compensated executive is estimated to be 200% – 400% of the annual salary associated with that position – highlighting the financial importance of retention and executive recruitment.**

* Based on findings from the Society of Human Resource Management (SHRM) & Center for American Progress



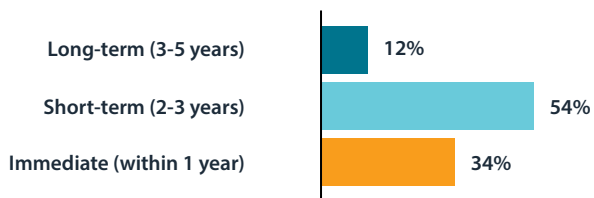
Economic Outlook

While the majority of businesses are concerned about the state of the economy, a minority anticipate it having a substantial impact on their executive benefits mix or NQDCP participation in the short-term.

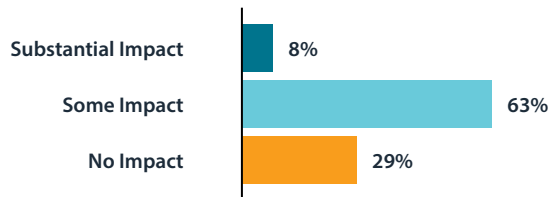
Instead, employee compensation and staffing adjustments will likely be explored in the face of an unsettled economy.

61%
of executives **are concerned** about the economy

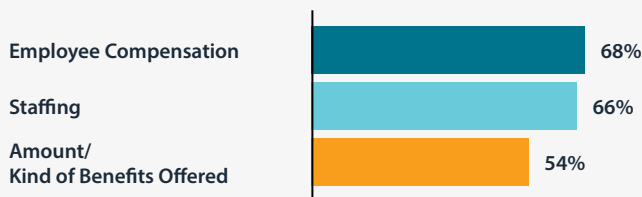
Immediacy of Concern About Economy:



Expected Impact on Executive Benefits Mix:



Expected Impact of Firm Behavior:
(very/somewhat likely)



Expected Impact on NQDC Participation:
(among those offering)



A Best-in-Class Approach to Redefining Executive Benefits

1. Revisit Executive Benefits Packages Early and Often

It is becoming increasingly difficult to find and keep the right talent. Executive benefits can be a powerful tool in retaining top tier talent, but they must effectively speak to the needs of today's executives and be communicated effectively. Partner with your benefits consultant to keep a pulse on those needs, adjust your benefits package to align with them, and better promote the offerings/benefits.

2. Look Beyond Traditional Offerings

The world of benefits can be seemingly homogeneous and unchanged, but there are untapped benefits that could make your organization's executive benefits packages more enticing — college tuition for children is a great example. Speak with your benefits consultant about the latest trends and how they align with the needs of your organization.

3. Optimize Your Executive Benefits Package to Counter Rising Costs

Businesses understand the value of offering top tier executive benefits packages; the challenge is keeping them in budget in the face of rising costs and an unsettled economy. To ensure your executive benefits package both meets the needs of today's executives and creates a high ROI for your organization, work with your benefits consultant.

Reach out to NFP today!

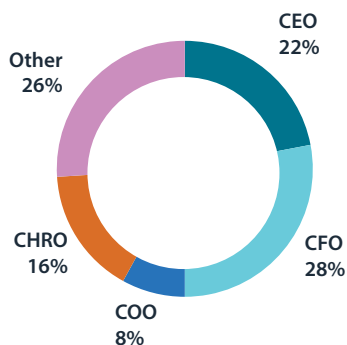
Ready to refine your executive benefits? Reach out to us today on [NFP.com](https://www.nfp.com).



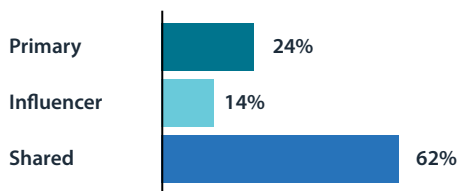
Respondent Profile

Insights cited throughout this report were sourced from NFP’s robust database, as well as an online survey that was conducted from November 14, 2022, to March 8, 2023, among **n=98 executive benefits decision-makers** who partner with NFP for executive compensation packages. A total of n=45-98 answered individual questions cited throughout this report.

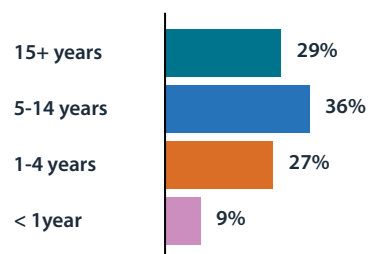
Position Held



Level of Decision-Making



Tenure in Current Role



Industries Represented





insights from
the **experts**

About NFP

NFP is a leading property and casualty broker, executive benefits and employee benefits consultant, wealth manager, and retirement plan advisor that provides solutions enabling client success globally through employee expertise, investments in innovative technologies, and enduring relationships with highly rated insurers, vendors and financial institutions.

Our expansive reach gives us access to highly rated insurers, vendors and financial institutions in the industry, while our locally based employees tailor each solution to meet our clients' needs. We've become one of the largest insurance brokerage, consulting and wealth management firms by building enduring relationships with our clients and helping them realize their goals.





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