

insights from
the experts

2024 NFP US Executive Compensation and Benefits Trend Report

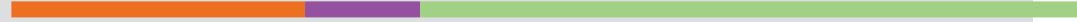


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Dear Valued Partners:



In my new role as president of NFP's Executive Benefits division, I am proud to present our latest Executive Benefits Trend Report. This report showcases our commitment to providing clients with actionable insights to help attract, retain and reward the top executives who are critical to driving organizational success. In this era of unprecedented economic challenges, having a strategic perspective is more valuable than ever.

Given this environment, effective executive compensation and benefits strategies are vital. Our research reveals that 98% of surveyed leaders believe retaining top talent is crucial, with 87% saying they cannot afford to lose these key individuals. While nonqualified deferred compensation plans (NQDCPs) play a vital role in driving plan success, our findings also suggest significant untapped opportunities for executive benefits optimization, with a notable gap between the benefits offered and their perceived impact.

Throughout this report, you will find valuable insights on:

- Tailoring NQDCPs to company objectives
- The importance of plan communication and knowledge-sharing
- Evolving retirement behaviors of executives
- Balancing executive benefits with financial concerns in an uncertain economic climate
- Leveraging executive retention as a hedge against uncertainty

As NFP is committed to staying at the forefront of industry trends and continuously refining our offerings to better serve clients, I invite you to explore the information within this report and reach out to our team with any questions or feedback. Together, we can continue to refine our benchmarking tools and strategies to better serve the evolving needs of your organization and your valued executives.

Thank you for your partnership and trust in NFP. We look forward to working alongside you to drive success in the years to come.

Best regards,

Tony Greene

President, Executive Benefits, NFP

Executive Compensation: An Investment in Leadership



Executive compensation and benefits are vital for attracting and retaining top leadership talent, with the overwhelming majority of companies acknowledging they can't afford to lose their high-level executives.

As a result, organizations must employ sound benefit strategies to keep pace with marketplace expectations and advance their organizational initiatives. Recognizing that a well-designed executive benefits package is part and parcel of this and not merely an expense, mid-sized companies are investing in diverse offerings as a cornerstone of their long-term success and stability.

A striking 86% of business leaders rank executive benefits as important or critical to their company's success. This reality underscores the link between well-designed executive packages and overall organizational performance. However, despite this recognition, over two-thirds of organizations aren't planning to introduce new benefits. This suggests a trend toward refining and optimizing existing compensation packages rather than expanding them as companies seek to balance retention efforts with financial prudence.

In light of these trends, maintaining a keen awareness of executive needs and emerging benefits trends is crucial for companies to ensure their compensation packages remain competitive and effective. This is particularly important in today's dynamic economic landscape, where adaptability and strategic foresight in executive retention can make the difference between organizational resilience and vulnerability.

Figure 2.1:
Among Business Leaders...



Figure 2.2:
Among Business Leaders...

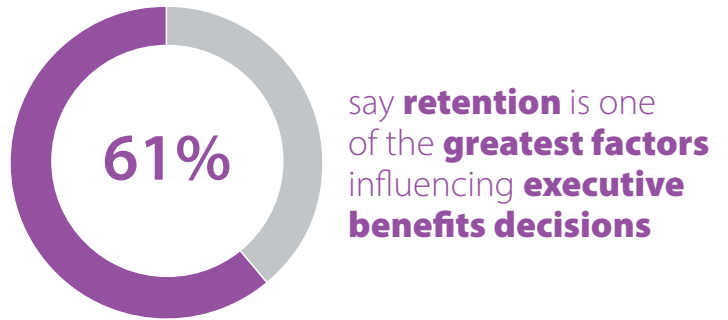


Figure 2.3:
Among Business Leaders...



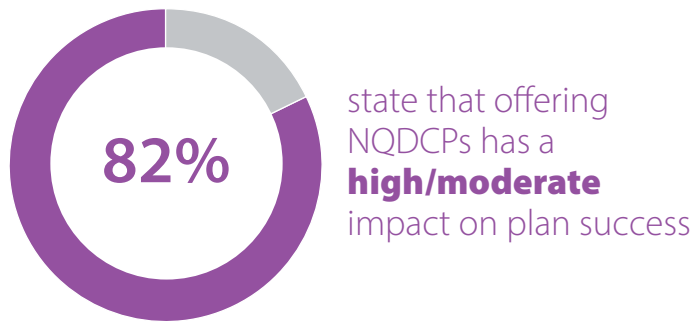
NQDCPs and Performance-Based Incentives: Driving Success in Executive Benefits Packages



Nonqualified deferred compensation plans (NQDCPs) are a cornerstone of successful executive benefits strategies.



Figure 3.1:
Among Business Leaders...



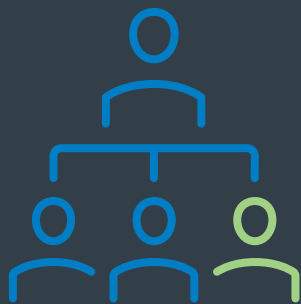
These plans offer a powerful mechanism for attracting and retaining top talent while aligning executive interests with long-term company goals. Complementing NQDCPs are performance-based incentives, which serve as another crucial component in the executive benefits toolkit. As organizations increasingly seek to link compensation to measurable outcomes, these incentives are poised to gain even greater prominence in the coming year.

Figure 3.2:
High/Moderate Impact on Plan Success

Benefits Offered		High/Moderate Impact on Plan Success
Performance-based incentive (short or long-term)	60%	90%
Supplemental executive life insurance	40%	59%
Fringe benefits	36%	51%
Employment/severance agreement	35%	72%
Split dollar life insurance	32%	72%
Signing bonus	28%	60%
Stock/equity	19%	74%
Supplemental executive disability coverage	19%	48%
Tax gross ups for taxable benefits	13%	58%
Supplemental executive medical insurance	9%	83%
Guaranteed minimum annual incentive	8%	53%
Loans	7%	40%
College tuition for children	2%	60%

This data underscores the significant impact of both NQDCPs and performance-based incentives on plan success. As we delve deeper into NQDCPs, we'll explore how these plans extend beyond the C-suite to benefit a broader range of value creators within organizations.

Retaining Top Talent with NQDCPs: Beyond the C-Suite



NQDCPs value extends far beyond the C-suite, reaching key contributors at various levels of the organization. These plans often target employees earning \$150,000 and above, recognizing that value creation isn't limited to the highest echelons of leadership.

Figure 4.1:
Top Reasons for Offering NQDCPs

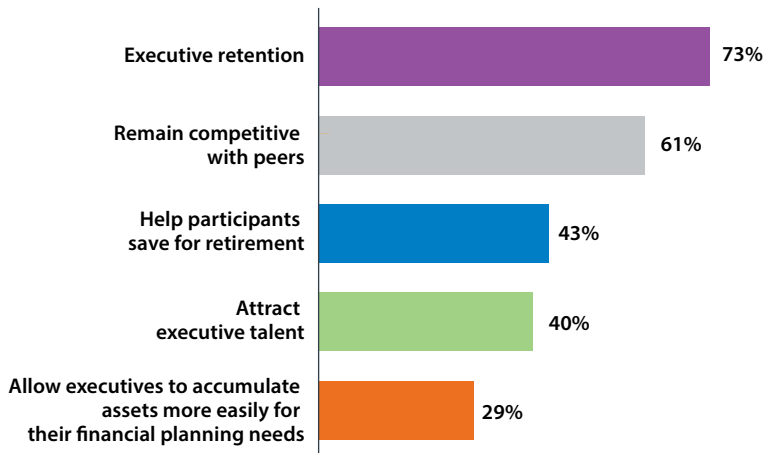
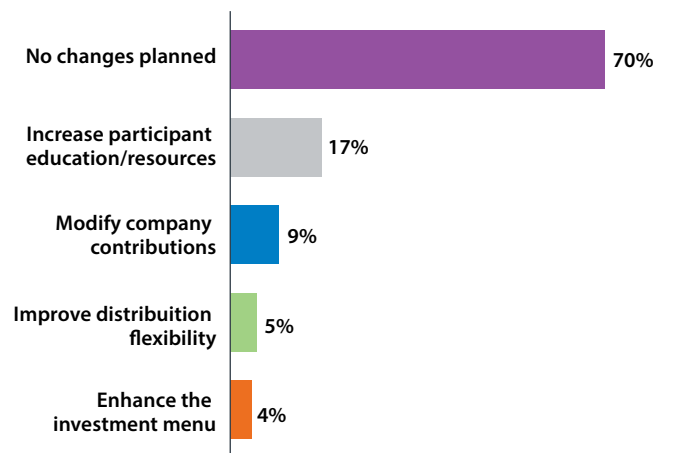


Figure 4.2:
Future NQDCP Changes



They also serve as a powerful tool to compensate and retain those individuals who keep the company running and drive its success. These are the moneymakers and value creators — from mid-level managers to top sales performers and critical technical experts. By offering NQDCPs across this cohort, companies acknowledge the outsized impact these employees have on organizational success.

The data underscores this strategic approach:

- 73% of companies prioritize executive retention through NQDCPs
- 50% determine eligibility based on being a key contributor or part of a select group

This focus on value creators is reflected in how companies structure NQDCP eligibility:

- 69% base eligibility on position or title
- 22% consider compensation level

In casting such a wide net, organizations can use NQDCPs to nurture and retain the talent that drives day-to-day operations and long-term growth. Because these plans offer a way to reward high performers based on the value they bring, their financial interests are directly aligned with the company's success.

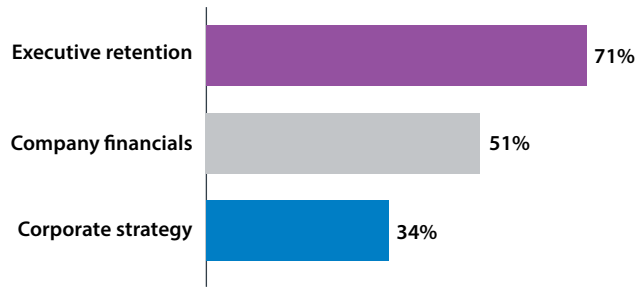
Despite this connection, 70% of companies are planning no changes to their NQDCPs. As such, there may be missed opportunities for plan optimization across this broader group of value creators. As talent competition intensifies at all levels, refining NQDCP strategies could provide a crucial edge in attracting, motivating and retaining the individuals who truly keep the company running and growing.

Shaping Executive Benefits: NQDCP Structures, Key Influencers and Compensation Outlook



The landscape of executive benefits is continually evolving, shaped by a complex interplay of factors. Understanding these influences and current trends is crucial for organizations aiming to optimize their NQDCP offerings for value creators at all levels.

Figure 5.1:
Key Influencer in Executive Benefits Decisions



Surprisingly, while the state of the economy is often discussed across every media channel in the United States, it ranks lower (24%) in directly influencing executive benefits decisions. This suggests that companies view these benefits as a long-term strategy, less swayed by short-term economic fluctuations.

Figure 5.2:
Key Influencer in Executive Benefits Decisions
(Continued)

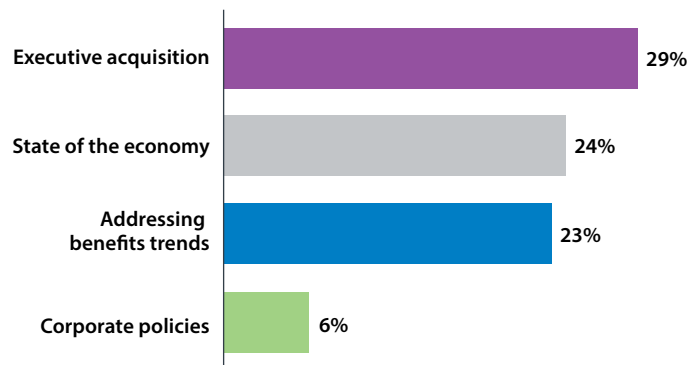
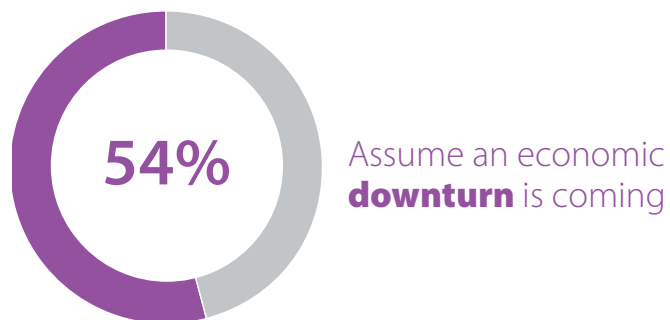


Figure 5.3:

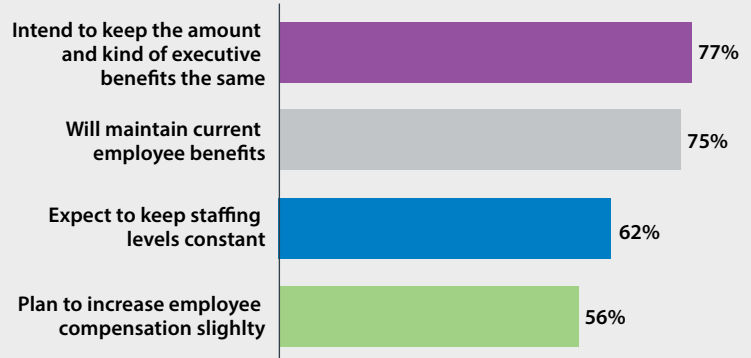


Compensation and Benefits Outlook

This cautious optimism reflects a balanced approach to talent management and fiscal responsibility.

Figure 5.4:

Despite economic uncertainties, many companies are maintaining a steady course



NQDCP Structures: Flexibility for Value Creators

NQDCPs offer various structures to cater to the diverse needs of key contributors.

Figure 5.5:

Fixed Rate Options (48% offer)

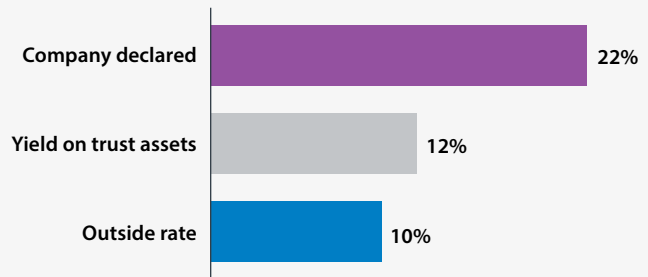


Figure 5.6:

Deferring Compensation (67% allow)

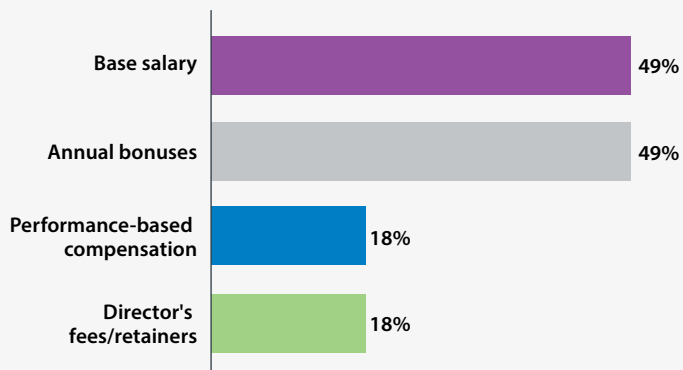
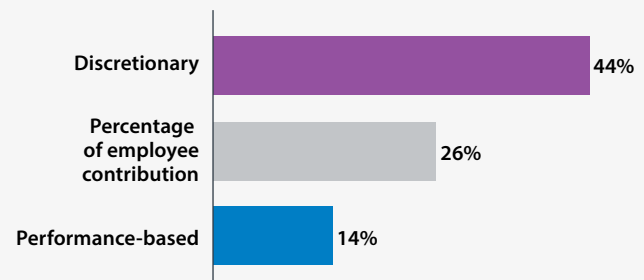


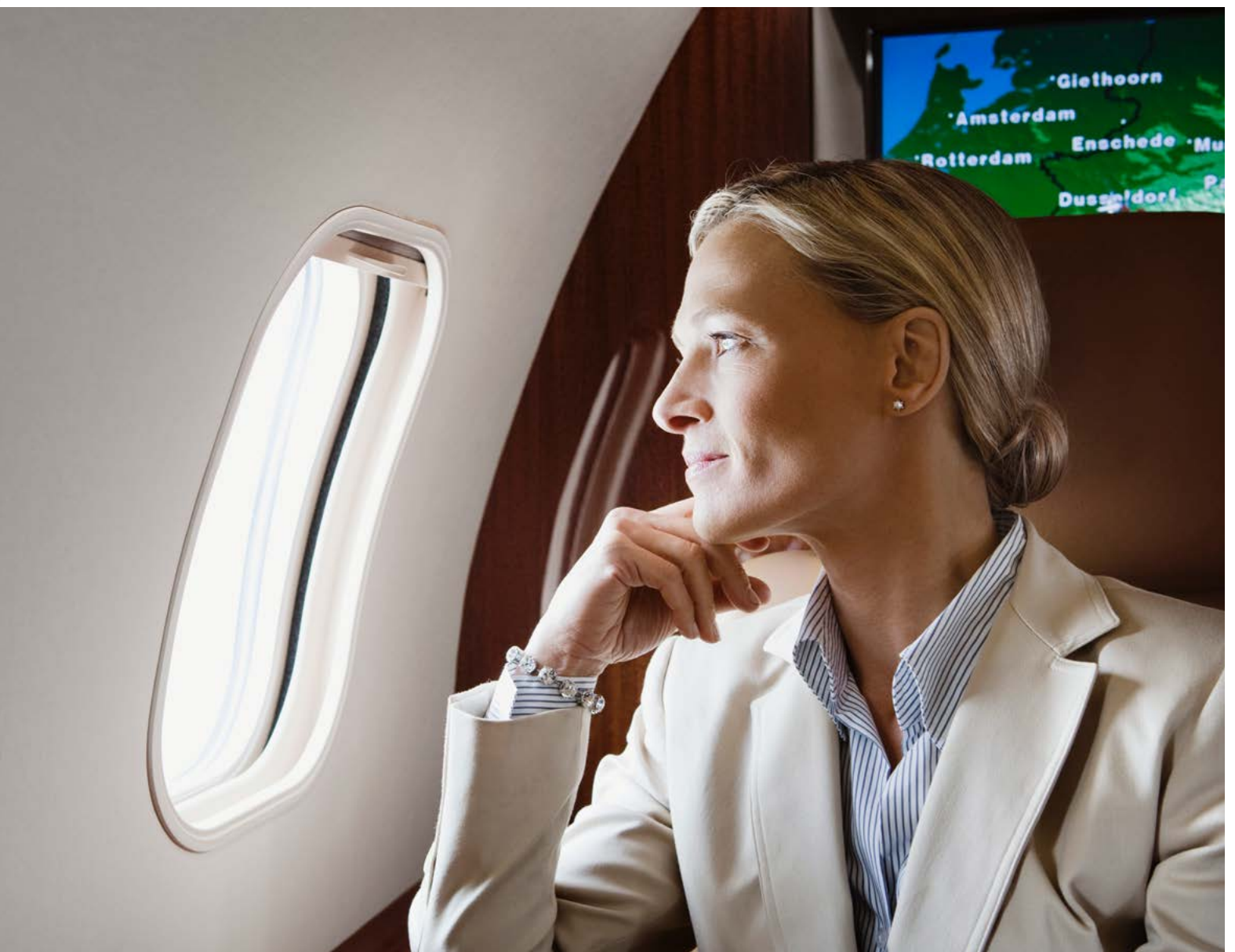
Figure 5.7:

Employer Contributions (72% make)



This variety in NQDCP structures allows companies to tailor their offerings to best suit their value creators' needs and align with organizational goals. Furthermore, the emphasis on performance-based elements in both deferrals and employer contributions underscores the focus on rewarding those who drive the company's success.

These flexible structures support the overall strategy of using NQDCPs to attract, retain and motivate key contributors across various levels of the organization. By offering options such as fixed rates, diverse deferral opportunities and performance-linked employer contributions, companies can create compelling packages that resonate with their most valuable employees.



Supporting Executive Demand: Better Benefits Comprehension



As the landscape of executive compensation evolves, companies are facing increased demand and scrutiny from their key contributors regarding benefits packages. This shift underscores the need for clear communication and a comprehensive understanding of the benefits offered, particularly when it comes to complex instruments like NQDCPs.

Increasing Expectations and Participation

The data reveals a growing trend of executives becoming more discerning about their benefits:

- 44% of companies report that executives are increasingly demanding of the benefits they receive

This heightened interest is also reflected in NQDCP participation intentions, with some participants planning to increase their involvement:

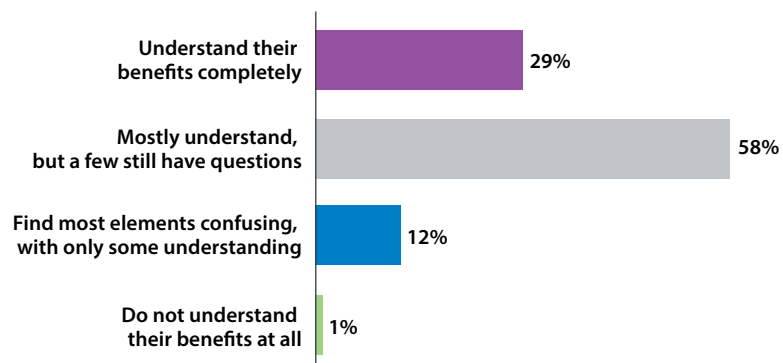
- 21% aim to get ahead of future tax rates
- 13% seek to combat inflation

These statistics highlight the strategic thinking of executives who view their benefits packages not just as compensation but as tools for long-term financial planning and wealth preservation.

The Comprehension Gap

While executive interest in benefits is growing, there's a noticeable disparity in how well these packages are understood:

Figure 6.1:
Benefits Comprehension



This comprehension gap presents both a challenge and an opportunity for organizations. With more than two-thirds of executives not fully grasping their benefits packages, there's significant room for improvement in education and communication strategies.

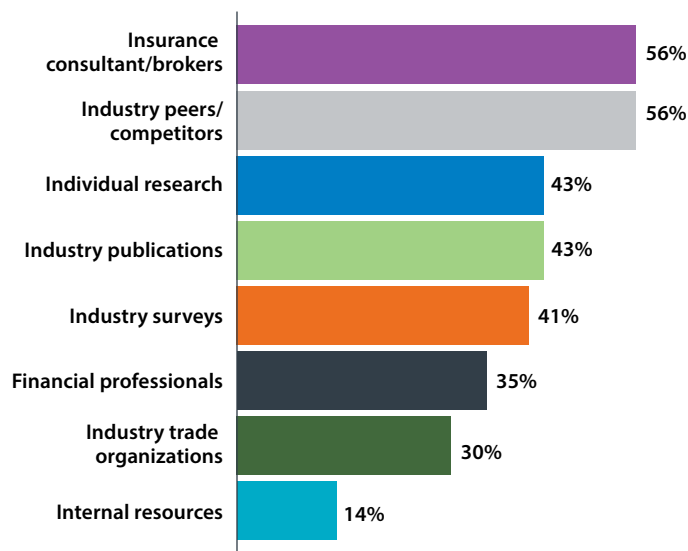
Plan Communication Is Key

Clear and consistent plan communication and knowledge-sharing are crucial in driving both usage and perceived value among executives. Maintaining the status quo with offerings could do a disservice to some firms and their top talent. This is especially true considering the increasing demands and the desire to offset financial headwinds through NQDCPs. Therefore, improving participant comprehension is critical to ensuring executives see full value in, and make full use of, the benefits offered to them.

Leveraging Resources for Better Understanding

Companies and executives rely on various resources to improve their understanding of executive benefits:

Figure 6.2:
Resources Used



Notably, insurance consultants/brokers (56%) and industry peers/competitors (56%) are the most frequently used resources. This highlights an opportunity for organizations to better leverage brokers and consultants to improve comprehension of executive benefits.

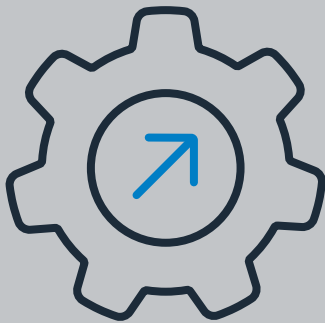
Brokers can play a pivotal role in improving benefits comprehension. Their expertise can help untangle complicated plan details for eligible executives that are considering or already participating in these types of benefits. By partnering more closely with brokers and consultants, companies can:

- Provide clearer, more targeted information about NQDCPs and other executive benefits.
- Offer personalized guidance to executives on how to maximize their benefits.
- Keep executives informed about industry trends and best practices.
- Address specific questions and concerns, reducing confusion and increasing satisfaction.

Regardless, as organizations refine their executive benefits strategies, they need to devote some time and effort to crafting clear, comprehensive communications about NQDCPs and other offerings. This approach not only addresses the growing demand from executives but also maximizes the return on investment in these valuable retention and motivation tools.



Retirement Preparedness: NQDCPs as a Strategic Tool



Retirement preparedness remains an important focus for both executives and the companies that employ them. NQDCPs play a crucial role in this landscape, serving as a strategic tool to help key contributors secure their financial futures.

Shifting Executive Retirement Behaviors

The data reveals a range of responses to current economic conditions:

Figure 7.1:

Executive Retirement Behaviors

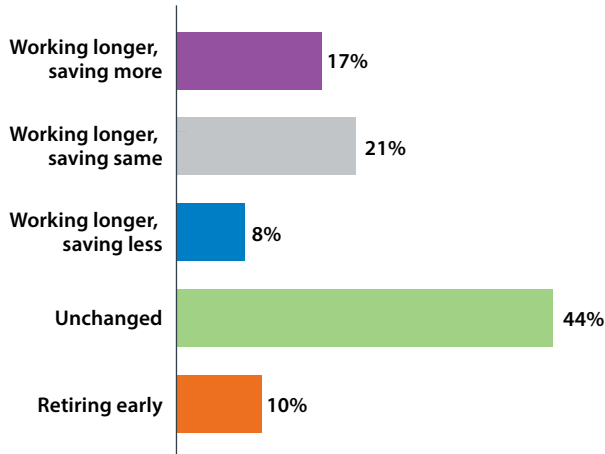
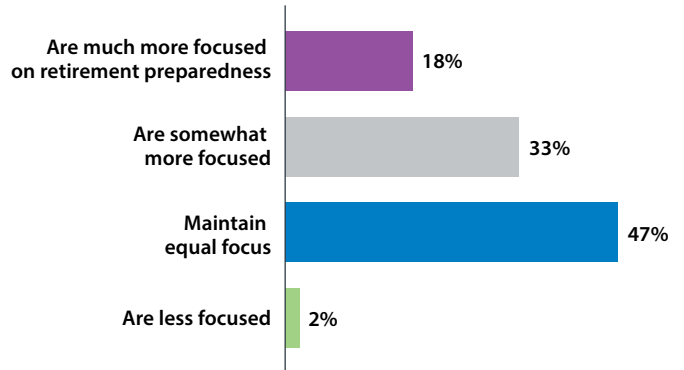


Figure 7.2:

Focus on Retirement Preparedness (v. Pre-Pandemic)



This diversity of executive behaviors underscores the need for flexible retirement savings options that can accommodate various strategies and timelines. Furthermore, post-pandemic mindsets have led to a noticeable increase in awareness of retirement preparedness.

This increased attention aligns well with the 43% of employers who primarily offer NQDCPs to help participants save for retirement.

NQDCPs: A Key Component of Retirement Strategy

The effectiveness of NQDCPs in supporting retirement goals is evident:

- 83% of executives are satisfied with the impact of deferred compensation plans on their retirement preparedness

In the past year, NQDCP usage for retirement preparedness has remained stable or increased for most participants:

- 19% increased their usage
- 76% maintained the same level of usage
- 5% decreased their usage

This data suggests that executives continue to view NQDCPs as a valuable tool in their retirement planning toolkit.

Opportunities for Enhancement

Despite the high satisfaction rates, there's room for improvement in supporting executives' retirement goals:

- Only 20% of employers offer participants financial advisory services following payment from NQDCPs.

This represents an underutilized but potentially differentiating benefit for executives. By providing ongoing financial guidance, companies can help ensure that the benefits of NQDCPs extend well into retirement, potentially enhancing the perceived value of these plans.

Strategic Implications for Employers

As retirement preparedness remains a key concern for executives, employers should consider:

1. Emphasizing the retirement savings benefits of NQDCPs in their communications and plan designs.
2. Offering more flexibility in NQDCP structures to accommodate varying retirement timelines and strategies.
3. Expanding financial advisory services, particularly post-payout, to differentiate their offerings and provide additional value to executives.
4. Regularly reviewing and adjusting NQDCP offerings to ensure they align with changing retirement trends and executive needs.

By positioning NQDCPs as a strategic tool for retirement preparedness,

companies can continue to enhance the perceived value of these plans and improve their effectiveness in attracting and retaining top talent. The high satisfaction rates and stable usage patterns suggest that NQDCPs are already playing a crucial role in executives' retirement planning. With targeted enhancements and communication, their impact could be even greater.

Seizing Opportunity: A Best-in-Class Approach to Optimizing Executive Benefits

1 | Enhance Communication and Education

With only 29% of executives fully understanding their benefits, there's a clear need for improved communication. Partner with insurance consultants and brokers to develop comprehensive education programs. This will ensure executives fully grasp and appreciate the value of their benefits, particularly complex offerings like NQDCPs.

2 | Leverage NQDCPs for Retirement Preparedness

Given that 83% of executives are satisfied with how NQDCPs impact their retirement readiness, consider expanding and optimizing these plans. Work with your benefits consultant to design NQDCP structures that align with varying executive retirement strategies and timelines.

3 | Expand Post-NQDCP Financial Advisory Services

Only 20% of companies offer financial advisory services after NQDCP payouts. This represents an untapped opportunity to differentiate your benefits package and provide long-term value to executives. Consider implementing these services to support executives in managing their deferred compensation effectively.

4 | Align Benefits with Changing Executive Demands

With 44% of executives increasingly demanding of their benefits, it's crucial to stay attuned to their evolving needs. Regularly survey your executive team and industry trends to ensure your benefits package remains competitive and relevant.

5 | Balance Retention Efforts with Financial Prudence

While 86% of business leaders rank executive benefits as important or critical, 70% aren't planning to add new benefits. Focus on optimizing existing packages for maximum impact. Work with your benefits consultant to find creative ways to enhance value without significantly increasing costs.

6 | Address Economic Concerns Through Benefits Design

Given that some executives are increasing NQDCP participation to combat inflation and prepare for future tax rates, consider adjusting your plans to address these concerns. Offer flexible deferral options and investment choices that can help executives navigate economic uncertainties.

By implementing these strategies, organizations can create a more effective, well-understood and highly valued executive benefits package. This approach not only addresses the current needs and concerns of executives but also positions the company as a caring employer of choice in the competitive market for top talent.

Contact NFP's Executive Benefits team today to transform your executive benefits strategy into a powerful retention tool:

executivebenefits@nfp.com

About the Data*

Position Held

Respondents of this survey held a variety of executive positions. As leaders within their organization, they are involved in making decisions about executive compensation packages.

- 23% are CHROs.
- 21% are CFOs.
- 18% are CEOs.
- 5% are COOs.
- 33% hold other positions.

Tenure in Current Role

The respondents' tenure varied in their current roles, with a range of experience levels within their organizations.

- 7% have been in their current role for less than one year.
- 32% have been in their current role for 1-4 years.
- 37% have been in their current role for 5-14 years.
- 24% have been in their current role for 15+ years.

Level of Decision-Making

Regarding decision-making, the respondents also differed in their level of involvement, which points to the collaborative nature of executive compensation decisions.

- 54% have shared decision-making responsibility.
- 30% are influencers in decision-making processes.
- 15% are involved in primary decision-making.

Industries Represented

The survey respondents encompassed various sectors, with the majority representing the financial services industry.

- 72% Financial Services
- 5% Professional Services
- 4% Manufacturing
- 4% Nonprofit
- 3% Hospitality
- 3% Healthcare
- 9% Other Industries

* N = 209 Executive Benefits Decision-Makers

insights from the experts

NFP is committed to sharing insights that help clients make informed decisions regarding their most significant challenges. By delivering ideas, expertise and perspective on opportunities in the marketplace, NFP is driving improvements to solutions that help clients meet their goals.

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Our global capabilities, specialized expertise and customized solutions span property and casualty insurance, benefits, wealth management and retirement plan advisory. Together, we put people first, prioritize partnerships and continuously advance a culture we're proud of.



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