2024 Newport/ PLANSPONSOR NQDC Trends Survey Report

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Executive Summary

Nonqualified deferred compensation (NQDC) plans are considered a great tool for employers and employees to accomplish their unique goals and objectives. Employers want to recruit, retain, and reward their highly valued employees while helping them to meet their financial planning goals as efficiently and effectively as possible.

Newport, an Ascensus company (Newport), the largest independent nonqualified plan provider in the country, teamed up with PLANSPONSOR, the premier retirement plan industry resource, to survey employers about various facets of their NQDC plans, including design, participant experience, financing strategies, and more. Additionally, we inquired about their worries and the plan modifications they foresee due to current economic and job market conditions.

The Evolution of the Workplace and Our Industry

A significant change facing employers is the incorporation of artificial intelligence (AI) into the workplace. AI will dramatically affect individual jobs and productivity, as well as employees' relationships with their employer and workplace benefits. AI is transforming numerous industries and sectors, creating new opportunities and challenges for employers and employees alike. According to Goldman Sachs Research, global GDP could rise by $7 trillion over a 10-year period due to breakthroughs in AI and it could affect as many as two-thirds of U.S. occupations.

We are witnesses to new trends and remarkable advancements in technology every day—and NQDC plans are no exception to changes and enhancements. The **2024 Newport/PLANSPONSOR NQDC Trends Survey Report** highlights many of the changes and developments that employers, financial advisors, and plan administrators have been experiencing over the last 12-24 months and expect to see in the next year or so. This survey is conducted every other year by Newport, and in collaboration with PLANSPONSOR since 2020. It is widely viewed as the most thorough analysis of NQDC plans available in our industry.

Nonqualified deferred compensation (NQDC) plans continue to be one the best tools for employers and employees to accomplish their unique goals and objectives.

Opportunities, Challenges, and the Role of NQDC Plans

How can employers leverage technology to enhance their NQDC plans and attract, retain, and reward their key talent in this rapidly changing environment? What are the latest plan design features that are of interest to plan sponsors? What new developments are occurring in plan financing and benefit security? These are some of the questions that Newport and PLANSPONSOR explored in this year's survey, which revealed many interesting insights and key market trends.

As companies navigate emerging opportunities and challenges, NQDC plans can play a vital role in enabling employers to offer competitive and valuable benefits packages to their key employees—and in helping top talent to achieve their financial goals and objectives.

Executive Summary

Employers' Top Goals Lead with Top Talent

The **2024 Newport/PLANSPONSOR NQDC Trends Survey Report** reveals one familiar theme: Attracting and retaining executives and key employees remains plan sponsors' primary objective for their NQDC plans, ranking number one with 34% of survey respondents and within the top three goals for the remaining 76%.

This year saw a new entry into the top five factors of NQDC plan effectiveness. Using in-service accounts to help executives achieve their pre-retirement financial goals ranked fourth among other efficacy factors. This feature is an essential part of numerous NQDC plans and is a growing priority for plan sponsors that provide these plans.

Alan Kay is a visionary computer scientist and entrepreneur and as his quote suggests, employers and their advisors need to be proactive and innovative in designing and managing their NQDC plans. In a fast-paced world that is experiencing the rapid rise of artificial intelligence, we can no longer rely on the status quo or past practices to meet the needs and expectations of key employees. Knowing the latest NQDC trends can help employers and their advisors create, modify, or update these plans to more effectively adapt and respond to the challenges of recruiting, rewarding, and retaining these employees.

"The best way to predict the future is to invent it."

– Alan Kay

The good news is that this year's **Newport/PLANSPONSOR NQDC Trends Survey Report** shows that employers and their advisors are collaborating and implementing new strategies that evolve their plans to address the demands of today's key talent.

Actionable Insights from Two Industry Thought Leaders

As the NQDC landscape continues to evolve, Newport and PLANSPONSOR are committed to staying ahead of the curve and providing relevant insights and thought-provoking ideas for the entire benefits and retirement community—including subscribers, advisors, and employers.

The **2024 Newport/PLANSPONSOR NQDC Trends Survey Report** validates our mutual thought leadership and dedication to enhancing contributions to the retirement plan sector. We intend for this report to provide employers, committees, and advisors with relevant data and innovative strategies that assist them in maximizing NQDC plans' effectiveness in addressing the issues that plan sponsors and participants encounter.

We extend our gratitude and appreciation to all the plan sponsors who dedicated their valuable time to share detailed company and NQDC plan data, which was instrumental in the success of this year's survey.

To learn more about Newport's comprehensive NQDC capabilities and services, please visit ascensus.com.

To learn more about PLANSPONSOR or to start receiving any of its publications, please visit plansponsor.com.

Executive Summary

Key Survey Findings

The 2024 Newport/PLANSPONSOR NQDC Trends Survey Report is a comprehensive study of the current state and future direction of nonqualified deferred compensation plans. Based on the responses from 268 retirement plan sponsors across various industries and sizes, the survey provides valuable insights and benchmarks for advisors and employers who offer or are considering offering NQDC plans to their key executives. The survey covers topics such as plan design, participation rates, funding strategies, communication methods, and administrative challenges. In the full report, Newport's NQDC experts provide detailed analysis and commentary, as well as best practices and recommendations for enhancing NQDC plans.

Following are highlights from the survey, accompanied by Newport's market insights.

Recruiting and Retaining Talent

- From 2022 to 2024, plan sponsors' primary motivations for introducing deferred compensation plans remained consistent.
- Attracting and retaining critical senior-level employees continues to be a main objective in the current labor market. Providing a competitive benefit package is essential to meeting this aim.
- Recruiting, retaining, and rewarding key employees remains the primary objective for plan sponsors when considering their NQDC plans. This goal was identified by 34% of survey participants as their utmost priority, with 76% placing it among their top three objectives.
- Remaining competitive with peers fell slightly in priority in the latest survey, with 59% of plan sponsors considering it one of their top three goals. This goal aligns closely with attracting and retaining key management, underscoring the value of NQDC programs within a company's benefits package.

2024 NQDC TREND WATCH

This goal of hiring and keeping the right senior leadership talent is increasingly driving small and mid-sized companies to consider adding NQDC plans to their overall benefits programs.

Prevalence, Plan Design, and Investment Options

- In the past three years, 15% of businesses saw contributions from 401(k) (or equivalent plans) returned to executives. Companies can employ multiple strategies to manage the reimbursement of qualified plan contributions.
- While it's not required by regulations, a significant number of employers use the Highly Compensated Employee (HCE) criteria of IRC 414(q) ($155,000 for 2024). Conversely, a growing percentage of employers set their eligibility to groups earning over $250,000.
- There has been a rise in flexible, discretionary company contributions (23% of plan sponsor respondents) for executive retention, highlighting the fierce battle for skilled workers and the adaptability of NQDC plans in today's job market. Employer contributions have long been a key factor in encouraging employees to take part in deferred compensation plans. To attract and retain top talent, companies are using employer contributions as a valuable incentive, offering "golden handcuffs" to keep important employees.
- According to the 2024 survey, plan sponsors perceive that participant satisfaction is highest regarding the NQDC plan's investment choices, which ranked first among the seven aspects of satisfaction measured.
- Sponsors noted that participants appreciate the capacity to diversify their investments and select from various options aligning with their desired risk and return levels. The trend is moving towards providing fewer investment options, as having more than 20 choices can lead to confusion and hinder decision-making.

Executive Summary

Plan Financing and Benefit Security

- The 2024 survey results show a concerted effort by plan sponsors to improve NQDC participant benefit security through trust financing.
- The usage of rabbi trusts is at an all-time high and the funding level of the large majority of those trusts is at 100%.
- A trend that continues to grow is that companies are using a combination of COLI and mutual funds to finance their NQDC plans. This trend has developed as plan sponsors have become aware that top-tier recordkeepers specializing in the NQDC market can oversee and manage multiple trust funding types.

2024 NQDC TREND WATCH

Businesses are increasingly combining COLI with mutual funds as they learn that specialized NQDC market recordkeepers can handle multiple funding types.

Plan Administration

- IRC §409A heightened concerns around the complexities in NQDC plans associated with deferrals and distributions, causing sponsors to assess their administrative risks. Companies risk incurring tax and interest penalties due to any infractions with IRC §409A. According to the survey, 94% of sponsors outsource the administration of their NQDC plan. Employing a specialized NQDC administrator can reduce these dangers and offers access to advanced communication tools and digital resources.
- One new benefit that showed up in this year's NQDC survey is participant financial wellness. This service can complement the NQDC plan to help simplify retirement planning and aid employees in evaluating and addressing their overall financial health (including budgeting, debt management, college savings, and other financial priorities).

Participant Communication

- A well-executed communication plan helps drive NQDC participants' understanding of the plan—which in turn creates increased satisfaction and engagement. However, the 2024 survey results show that current communication and education materials are still missing the mark.
- According to plan sponsors, participants are not satisfied with their understanding of their NQDC plan, ranking it last among seven satisfaction categories measured in this year's survey. In addition, only 20% of respondents were "very satisfied" with communications and education materials currently being provided to participants.
- Not surprisingly, in response to these poor ratings, nearly three-quarters of all plan sponsors anticipate taking significant steps over the next 12-18 months to try to improve participant communication and education about the NQDC plan.
- Newer short-form communication methods have developed over the past few years for NQDC plans. Additionally, generative AI is expected to help in the future with targeting messages to participants, but it will take a combined effort from plan sponsors, advisors, and administrators to get participants properly educated about the opportunities inherent in NQDC plans.

Executive Summary

Summary

The past two years have been challenging and transformative for many as we navigate the uncertainties and disruptions caused by the COVID-19 pandemic. Employers are now faced with managing the employer/employee relationship in a new paradigm—keeping the best talent in an increasingly fluid work environment.

That's why offering competitive and flexible compensation packages that can retain and attract talent is more crucial than ever. NQDC plans are a key component of such packages, as they enable key employees to save above and beyond the annual contribution limits for 401(k) and 403(b) plans and defer taxes on income and earnings.

The results of the **2024 Newport/PLANSPONSOR NQDC Trends Survey** reveals how NQDC plan sponsors, advisors, and administrators have responded to the changing needs and preferences of their participants. The survey results highlight the latest trends and best practices in NQDC plan design, investment options, participant communication, and funding. The survey also shows how important it is for employers and their plan partners to be diligent in their efforts to communicate to the plan participants through multiple channels. The use of AI will grow exponentially over the coming few years as a powerful tool for NQDC plan sponsors, advisors and administrators in the efforts to communicate and respond to the needs of companies and their employees.

With the support of expert NQDC advisors and specialized NQDC plan administrators, these plans can continue to deliver value and satisfaction to both employers and participants. By offering NQDC plans that are tailored to the specific needs and goals of their participants, employers can enhance their reputation as an employer of choice and foster loyalty and engagement among their talent.

Methodology

Newport and PLANSPONSOR collaborated for the third time in 2024 to collect and analyze data from a variety of organizations that sponsor NQDC plans. This year's NQDC survey was once again jointly developed and conducted by Newport and PLANSPONSOR and it was further refined based on feedback from previous participants to reflect the latest issues facing plan sponsors and the current best practices in plan design, investment options, communication strategies, and funding methods.

The survey aims to capture the current state and emerging developments of NQDC plans across different industries and sectors. The PLANSPONSOR Research team distributed the survey to a diverse group of organizations, including PLANSPONSOR subscribers, Fortune 1000 companies, and other large, for-profit and tax-exempt employers that provide NQDC plans to their key employees.

Data collection was performed by PLANSPONSOR and included answers from 268 unique companies and organizations. The data was analyzed for consistency by Newport and PLANSPONSOR. The report was prepared by Newport's professional nonqualified plan experts. All company-submitted data is kept strictly confidential and only aggregate results are reported so as not to disclose any individually reported information.

Interested in seeing more of Newport's NQDC resources? Click here.

Trends and Objectives

NQDC Objectives, Satisfaction, and Trends

Plan Goals and Priorities

Rank how important each of the following goals are for your deferred compensation program.

		Absolute Rankings						
	Weighted Ranking	1	2	3	4	5	6	7
Retain / Attract executives	1	34%	25%	17%	15%	6%	2%	1%
Allow executives to accumulate assets for retirement	2	35%	18%	19%	17%	8%	3%	1%
Be competitive with peers	3	11%	23%	25%	15%	19%	5%	2%
Compensate executives in a more tax-efficient manner	4	12%	18%	16%	22%	19%	10%	3%
Allow executives to accumulate assets for payment during employment (e.g., in-service accounts)	5	3%	8%	13%	18%	22%	23%	14%
Allow the company to make discretionary contributions to specific participants	6	4%	6%	7%	9%	18%	35%	22%
Increase stock / equity ownership	7	1%	2%	3%	5%	9%	23%	57%

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NQDC Objectives, Satisfaction, and Trends

Plan Goals and Priorities

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Survey Findings

Goal #1 - Attracting and retaining executives and other key personnel continues to be the number one goal for plan sponsors as they reflect on their NQDC programs. This category was ranked by 34% of respondents as their top goal and 76% ranked it as one of their top three goals.

Goal #2 - Allowing participants to effectively accumulate assets for retirement moved up one position to plan sponsors' number two most important goal (ranked in the top three by 72% of plan sponsors).

Goal # 3 - Staying competitive with peers dropped a spot in this year's survey, with 59% of plan sponsors ranking it in their top three most important goals. This category has some similarities to attracting and retaining key management, which shows the importance that NQDC programs have in companies' overall benefit offering.

Newport Insights

There was little change from 2022 to 2024 in plan sponsors' top three reasons for implementing deferred compensation plans. Not surprisingly, given the competitiveness of today's labor market, the plan sponsors said their number one goal remains attracting and retaining key senior talent. Offering competitive benefit programs is paramount to achieving this goal.

2024 NQDC TREND WATCH

This goal of hiring and keeping the right senior leadership talent is increasingly driving smaller and mid-sized companies to consider adding NQ plans to their overall benefits programs.

NQDC Objectives, Satisfaction, and Trends

Plan Effectiveness in Achieving Goals

Based on the plan goals listed in the prior question, how effectively has your deferred compensation plan accomplished these goals? Please rate each based on overall effectiveness of your plan.

Plan Effectiveness – Top 5	NQDC Plan Rated “Extremely” or “Very” Effective at Achieving Goal
Allow executives to accumulate assets for retirement	66%
Compensate executives in a more tax-efficient manner	53%
Be competitive with peers	50%
Allow executives to accumulate assets for payment during employment (e.g., in-service accounts)	43%
Retain / Attract executives	41%

Survey Findings

Plan sponsors rated the NQDC plan highest for effectively accumulating assets for retirement (66%) and doing so in a tax-efficient manner (53%).

Staying competitive with peers (50%) dropped from the top spot in the last survey to number three in 2024.

A new category joined the top five concerns this year: helping executives meet their pre-retirement financial needs via in-service accounts came in at fourth place. This is a valuable feature of many NQDC plans and an increasingly important goal of plan sponsors who offer these plans to their key management.

Newport Insights

The effectiveness of NQDC plans in helping plan sponsors meet these top five goals reflects the changing needs and preferences of executives in a dynamic and uncertain economic environment.

One of the main goals and areas of effectiveness of any NQDC plan is to allow executives to accumulate assets for retirement. Highly compensated employees may face contribution limits and discrimination testing in qualified retirement plans such as 401(k) and pension plans. By deferring a portion of their current compensation into an NQDC plan, executives can save more for their future income needs and enjoy the benefits of compound growth on a pre-tax basis. Moreover, NQDC plans offer great flexibility in choosing the timing and form of distributions (in-service or at separation of service), which helps executives optimize their tax planning strategies.

NQDC Objectives, Satisfaction, and Trends

Participant Satisfaction with Key Design Features

How satisfied do you think participants are with the following aspects of your deferred compensation plan?

	Ranking
Investment choices	1
Valuable component of overall benefit package	2
Impact on retirement preparedness	3
Website experience	4
Plan communication and education	5
Impact on tax planning	6
Understanding of the plan	7

Survey Findings

Plan sponsors perceive that participant satisfaction is highest regarding the plan's investment choices, which ranked first among the seven aspects of satisfaction measured. Sponsors indicated that participants value the ability to diversify their portfolio and choose from a range of options that suit their risk and return preferences.

The second most satisfying aspect was the value of the deferred compensation plan as a component of the overall benefit package. This indicates that plan sponsors think participants appreciate the additional income and retirement security provided by the plan.

The third highest ranking aspect was the plan's effect on retirement preparedness. This shows that plan sponsors believe participants are confident that the plan will help them achieve their retirement goals and maintain their lifestyle.

On the other hand, according to plan sponsors, participants are not satisfied with their understanding of the plan. This category ranked last among the seven aspects measured. Participants may not fully understand the rules and features of the plan, such as vesting, distribution, taxation, and election periods. This could affect their ability to participate in the plan and certainly may impact their ability to make informed and optimal decisions about their deferrals and investments.

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NQDC Objectives, Satisfaction, and Trends

Participant Satisfaction with Key Design Features

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Newport Insights

The 2024 survey revealed some interesting differences between plan sponsor impressions and the perception of participant satisfaction with their deferred compensation plans. For instance, plan sponsors rated the impact of the plan on retirement preparedness higher than how they viewed participants would; this may indicate that plan sponsors have a more optimistic or realistic view than participants of how the plan will affect the participants' future income and lifestyle.

Conversely, plan sponsors perceive that participants would rate the value of the plan as a component of the overall benefit package higher than plan sponsors do. This may suggest that participants have a greater appreciation for or higher expectation of the plan's role in attracting and retaining talent.

However, plan sponsors and participants rated the investment choices and the website experience similarly, which may imply that these aspects are relatively well-designed.

Based on these findings, advisors, recordkeepers, and their plan sponsor clients can take steps to improve participant satisfaction and engagement with the deferred compensation plan, including:

- **Conduct a gap analysis** to identify the areas of greatest divergence between plan sponsor and participant perspectives and address the underlying causes of the discrepancies. For example, if plan sponsors overestimate the plan’s impact on retirement preparedness, they may need to adjust the plan design or contribution levels to ensure that participants can meet their retirement goals. If participants underestimate the impact of the plan on tax planning, they may need to receive more guidance or advice on how to optimize their tax situation.
- **Implement a comprehensive and tailored communication and education strategy** that covers all aspects of the plan and targets the specific needs and preferences of each participant group. For example, if participants have a poor understanding of the plan rules and features, they may benefit from more interactive and personalized tools, such as webinars, newsletters, calculators, and meetings with advisors. If participants assign high value to the plan as a component of the overall benefit package, plan sponsors may appreciate more recognition and feedback from the participants, such as testimonials.
- **Enhance the NQ-specific website experience** by improving the website design, functionality, and user-friendliness, such as adding more features and simplifying the interface. For example, if participants encounter issues or challenges when accessing or managing their accounts online, they may benefit from more intuitive and responsive navigation, more detailed and timely information, and more convenient and secure transactions.

NQDC Objectives, Satisfaction, and Trends

Company Satisfaction with Plan Communication

Rate the company’s degree of satisfaction for each of the following forms of plan communication.

- Printed / Online materials
- One-on-one meetings
- Group meetings
- Live enrollment webinars
- On-demand enrollment webinars
- On-demand conceptual videos
- Email campaigns during the year

Survey Findings

The 2024 survey responses indicated a moderate level of satisfaction across all forms of plan communication. Importantly, no single category was highlighted as being particularly outstanding or notably disappointing. The vast majority of ratings fell into the category of “somewhat satisfactory,” suggesting that while the communications were adequate, there remains room for improvement in all areas to enhance overall satisfaction. These results suggest a consistent but unexceptional performance in communication efforts, highlighting the potential for strategic improvements to elevate the quality and impact of plan communications moving forward.

Newport Insights

Effective communication with participants stands as a cornerstone of a successful nonqualified plan. Plan sponsors depend significantly on their plan providers to deliver high-quality, engaging, and informative communication tools, materials, and resources. These are essential to educate and motivate employees to enroll and actively participate in the plan.

This year’s survey revealed a critical insight: plan sponsors exhibit a modest approval of their current plan communications. Specifically, between 90% and 95% of plan sponsors reported being “somewhat satisfied” with every category of plan communication. This tepid response signals a clear gap in perceived and actual effectiveness. It underscores the necessity for providers to elevate their communication strategies to meet and exceed plan sponsors' expectations.

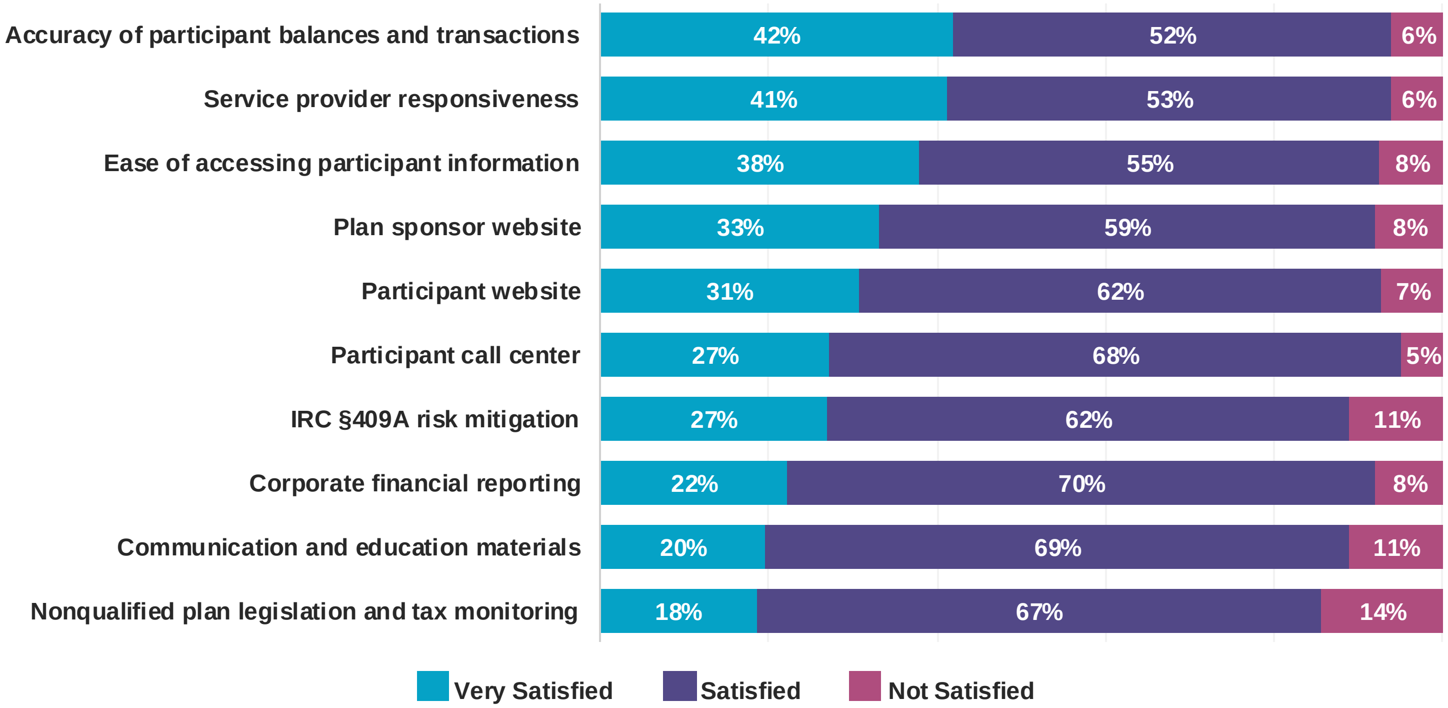
Plan sponsors and their advisors have an important role to play in elevating the quality and effectiveness of plan communications, and are encouraged to take a proactive approach on two key fronts:

- Seek out providers who deliver timely, relevant, and interactive communication solutions. These solutions should be customized to the plan's unique characteristics, thereby enhancing plan awareness, boosting enrollment, and improving retention rates.
- Evaluate the impact and outcomes of plan-related communication efforts. Providing detailed feedback to providers can drive continuous improvement and lead to markedly better results for both the participants and the plan. By fostering an environment of constructive feedback and innovation, plan sponsors can ensure that their communication strategies inform, inspire, and engage their workforce.

NQDC Objectives, Satisfaction, and Trends

Satisfaction with Plan Sponsor and Participant Experience

Please rate the plan sponsor and participant experience for the following components.



Survey Findings

Plan sponsors were most satisfied with participant call center, accuracy of participant account balances and transactions, and service provider responsiveness—all of which received ”very satisfied” or “satisfied” scores from 94% or more of respondents.

Newport Insights

The core areas of service for plans scored well. However, communications and education materials rated poorly by comparison, with a ”very satisfied” score of only 20%. Perennially, this is an area where plan sponsors look for improvement.

Communication is crucial for participant understanding, satisfaction, and engagement. In the past several years, other methods to assist in these areas have started to emerge, including “explainer videos" that are used during the year to improve participant awareness and understanding of the plan.

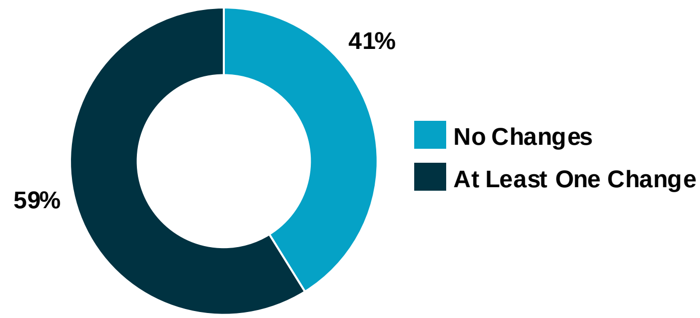
Also, scoring lower was IRC §409A risk mitigation and nonqualified plan legislation and tax monitoring, indicating a shortcoming in some service providers’ quality control and breadth of services, where NQDC plan administration might not be a core service offering.

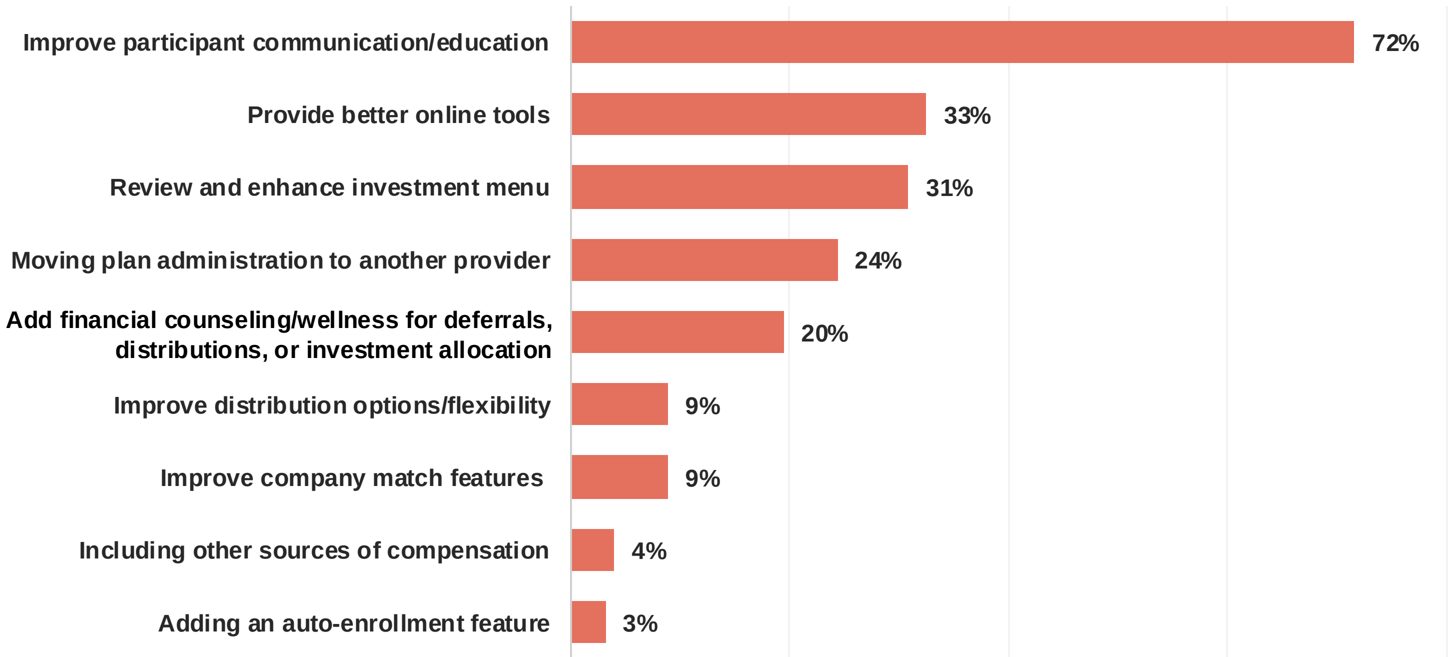
Overall, companies seem satisfied with most of the components of their NQDC plans. Understanding these areas of satisfaction can better assist plan sponsors and their advisors in evaluating their plan providers moving forward.

NQDC Objectives, Satisfaction, and Trends

Plan Updates

Are you considering any of the following changes to your NQDC plan in the next 12-18 months?





Survey Findings

A main finding of the 2024 survey is that plan sponsors are not complacent and are actively looking for ways to improve their current plans in the near future. The survey reveals that 59% of plan sponsors anticipate making at least one change to their NQDC plan in the next 12-18 months, and of those that are currently making changes, 55% anticipate making at least two changes.

One of the most striking findings is that almost three-quarters of plan sponsors (72%) plan to improve their participant communication and education in the next 12-18 months. Plan sponsors likely recognize that NQDC plans are complex and require clear and effective communication to help participants make informed decisions.

The second most common change (33%) that plan sponsors anticipate making is providing better online tools for their participants.

Following close behind, 31% of plan sponsors intend to review and enhance the plan's investment menu. A key component of plan design and performance, the investment menu determines the range and quality of options available for participants to invest in.

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NQDC Objectives, Satisfaction, and Trends

Plan Updates

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Newport Insights

The NQDC market is expected to grow in the next few years, as more high-income earners seek to defer taxes and optimize their retirement income. This year's survey shows that a high percentage of plan sponsors are considering making changes to their NQDC plans in the next 12-18 months, reflecting their awareness of the competitive landscape and employees' evolving needs.

The most common types of changes that plan sponsors intend to make are related to plan communications, online tools, and the investment menu. Not surprisingly, these three focus areas correspond to the aspects of the plan for which plans sponsors perceive participants to have less satisfaction. The planned changes seem to indicate that sponsors are listening to the feedback of their participants and trying to address their needs and expectations.

To make these NQDC plan improvements, plan sponsors, advisors and providers can take the following steps.

Participant communication

- Review the current communication strategy and assess its effectiveness, reach, and impact
- Solicit feedback from participants about their satisfaction, understanding, and engagement with the plan messages
- Explore ways to provide more frequent, targeted, or personalized communication that addresses participants' goals, challenges, and preferences
- Use multiple channels, such as email, webinars, and newsletters to deliver relevant and timely information
- Apply behavioral finance principles such as framing, nudging, or social proof to motivate participants to take action and improve their outcomes

Online tools

- Evaluate the current online tools available to participants for usability, functionality, and security
- Determine participants' needs and expectations for accessing and managing their accounts online. Identify areas for improvement, such as website design, navigation, speed, and/or providing more calculators, simulators, or educational materials
- Enable more features and/or flexibility for participants' transactions such as enrolling, changing deferrals, or requesting distributions
- Ensure that the online tools are secure, reliable, and compliant with regulatory requirements

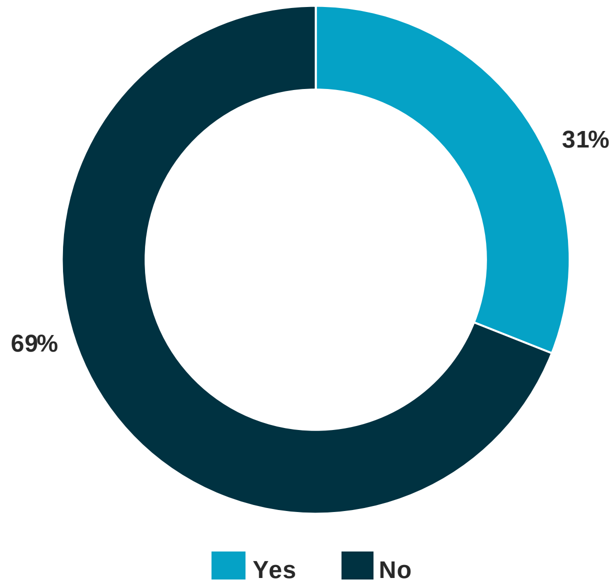
Investment menu

- Conduct a thorough analysis of the current investment menu and identify any gaps, overlaps, or underperforming funds
- Compare the menu with the industry benchmarks and best practices and consider participants' needs and preferences
- Evaluate the potential benefits and costs of adding more options, diversifying the asset classes, updating the fund lineup, or offering custom or model portfolios

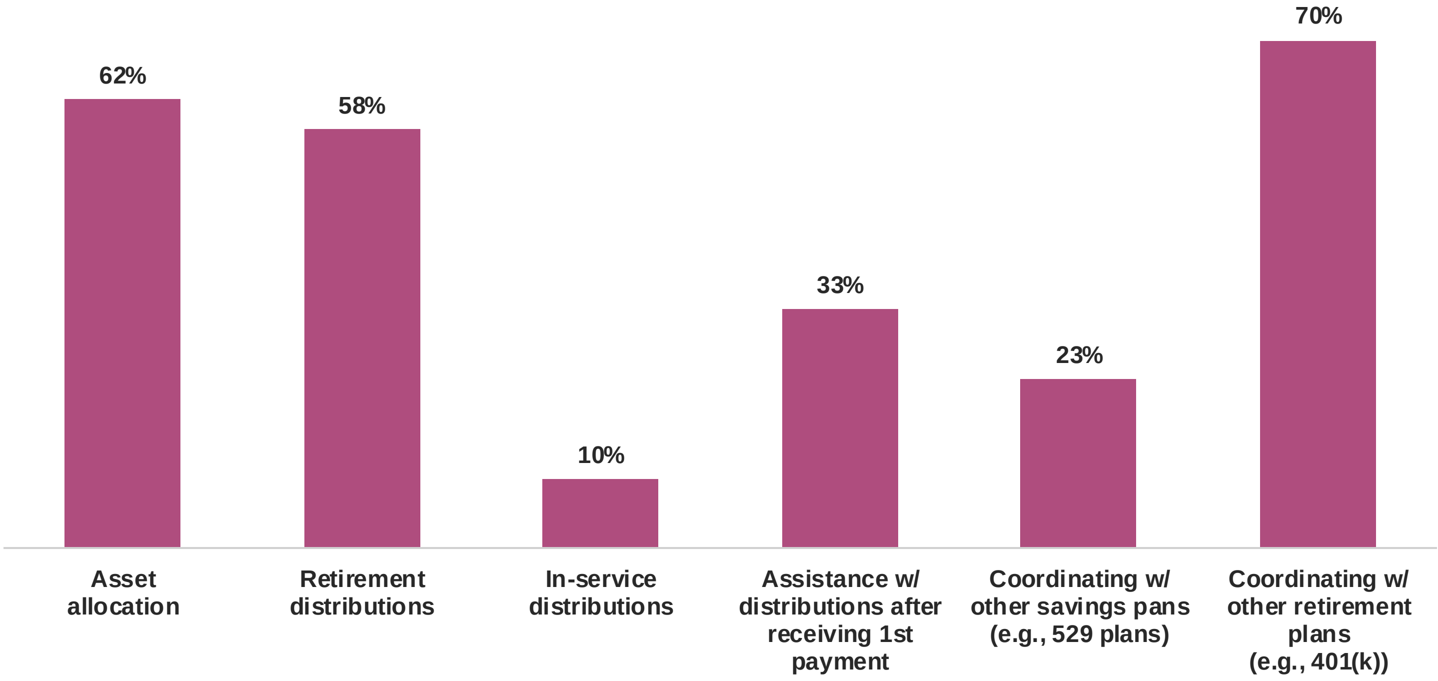
NQDC Objectives, Satisfaction, and Trends

Other Benefits

Do you offer participants any financial advisory or wellness services in connection with the NQDC plan?



Indicate all planning services that apply.



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NQDC Objectives, Satisfaction, and Trends

Other Benefits

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Survey Findings

Financial advisory or financial wellness services can help participants make informed decisions about their deferral elections, distributions, and tax implications, as well as improve their overall financial well-being. However, this year's survey results show that only 31% of NQDC plan sponsors offer these services to their participants.

Plan sponsors most commonly offer advisory and financial wellness services to their participants for purposes of:

- coordination with other retirement plans (70% of plans)
- asset allocation (62% of plans)
- retirement distributions (58% of plans)

Coordination of the NQDC with other retirement plans—such as 401(k) plans—enables participants to develop an integrated retirement strategy that can maximize their tax efficiency and income security. Furthermore, asset allocation services can help participants optimize their risk-return profile and diversify their portfolio across different asset classes and investment funds. Finally, retirement distribution services can help participants plan for their income needs in retirement and choose the best timing and mode of receiving their NQDC benefits.

Newport Insights

One way plan sponsors can add value to their NQDC plans is to offer their participants access to financial advisory and financial wellness services. By enabling participants to make more informed decisions, these services can build financial confidence—and result in a more effective, integrated retirement planning strategy. They can also increase the participants' satisfaction and engagement with the NQDC plan and the company. These services can be provided by the plan administrator, a third-party vendor, or the company's own internal resources.

By not offering these services, plan sponsors could be missing an opportunity to enhance the plan's value proposition. Adding or expanding these services may prove beneficial, especially in light of the constant changes in the financial and tax environment faced by executives.

2024 NQDC TREND WATCH

An emerging trend is offering financial wellness as a value-added service to NQDC plan participants. Financial wellness is a holistic approach to financial health that may include financial coaching, guidance, and education—and can help participants improve their financial literacy, confidence, and behavior. It may also increase employees' perceived value and appreciation of the NQDC plan.

NQDC Objectives, Satisfaction, and Trends

Other Benefits

Do you have a defined benefit SERP, including any plan(s) that may have frozen benefit levels or is/are frozen to new participants?

If “yes”, check all that apply.

- Active plan
- Frozen to new participants
- Frozen to new benefit accruals

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NQDC Objectives, Satisfaction, and Trends

Other Benefits

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Survey Findings

One of the key findings of the 2024 Newport/PLANSPONSOR NQDC Survey is the continued decline in the number of companies that offer a supplemental executive retirement plan (SERP) to their senior management. A SERP is a nonqualified deferred compensation plan that provides retirement income to executives above and beyond what they can receive from their qualified plans, such as 401(k)s or pensions. SERPs are often designed to restore the benefits that executives lose due to the IRS limits on qualified plan contributions and benefits.

According to the survey, only 36% of the participating companies currently offer a SERP to their senior management, which is down from 48% in 2022. This trend reflects the general shift away from defined benefit pension plans in the corporate sector, which has been driven by several factors including accounting rules, regulatory changes, market volatility, and employee preferences. As fewer companies sponsor pension plans for their broader workforce, there is less need for SERPs to restore the lost pension benefits for executives.

The 2024 survey also reveals that the vitality of SERPs has declined. Only 37% of companies that offer a SERP indicated that the plan is active, meaning that it is open to new participants and accruals. The majority of the SERP sponsors reported that their plans are frozen, either to new entrants (52%) or to new benefits (32%). This indicates that many companies have decided to limit or terminate their SERP commitments and reduce their future liabilities.

Newport Insights

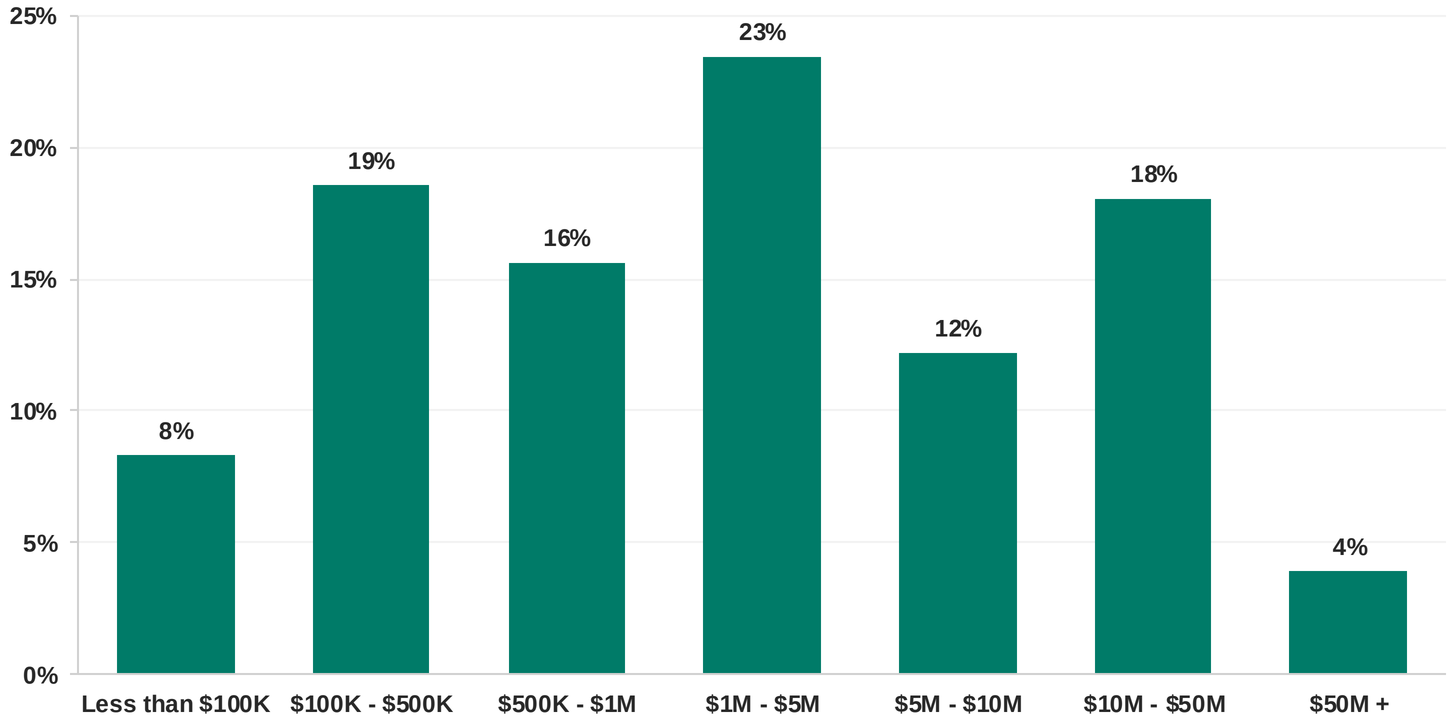
While declining in prevalence, SERPs still play an important role in providing a secure and predictable retirement income for executives who are not eligible for or have insufficient benefits from their qualified plans. SERPs can also help attract and retain senior talent, especially those who join the company later in their careers and have less time to accumulate retirement savings.

There are several possible reasons for the reduced interest and availability of SERPs among employers. One is the shift from defined benefit to defined contribution plans as the primary source of retirement income for most employees. As fewer workers participate in or rely on pension plans, there is less demand and justification for SERPs to supplement or restore their benefits. Another reason is the increased complexity and regulatory burden of operating and maintaining SERPs, which can create administrative challenges and compliance risks for both employers and employees. A third reason is the emergence and popularity of other forms of nonqualified deferred compensation, such as elective deferral plans, which can offer more flexibility and choice for executives to defer and invest their income. Often, an NQDC plan can also be the vehicle for a discretionary company contribution or match which, in essence, is the same as a SERP.

Plan Design

Plan Design

What are the approximate annual deferrals and company contributions? ($ in millions)



Survey Findings

This year's respondents show NQDC plans evenly dispersed over the size spectrum as measured by annual deposits. The largest single percentage (23%) is plans with $1 million to $5 million of annual contributions, but 43% of plans have under $1 million and 34% have over $5 million.

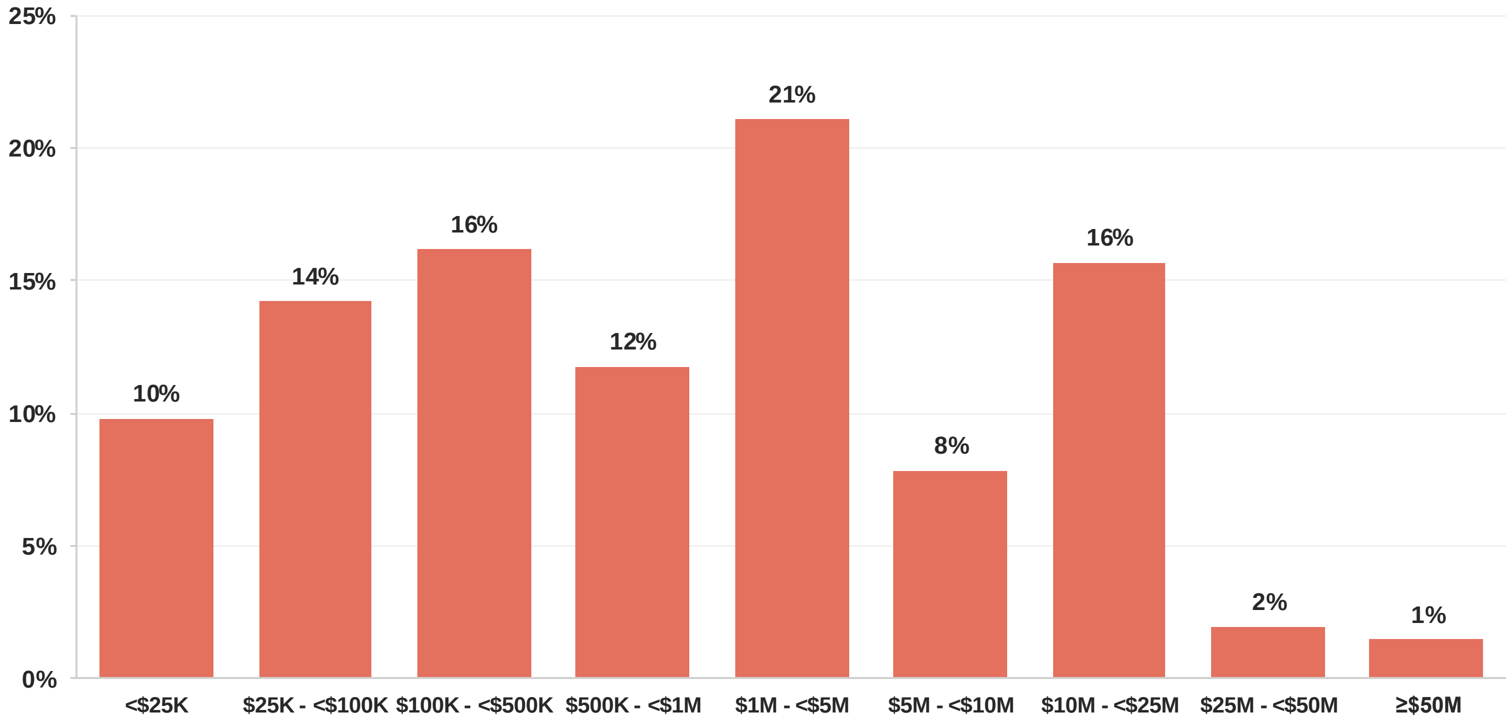
Newport Insights

The amount of annual contributions is essential to designing and administrating nonqualified plans. The large number of respondents (43%) with annual contributions under $1 million indicate that most plans have relatively low numbers of participants, low company contributions, or both.

Plans with annual deferrals and contributions ranging from $100,000 to $10 million are prevalent. There are only a few NQDC plan administrators that can meet the needs of companies with annual deferrals of more than $5 million. Plan size typically relates to company size and the type and timeliness of plan reporting that is required of the plan sponsor.

Plan Design

What are the approximate annual distributions from the plan(s)? ($ in millions)



Survey Findings

Fifty-two percent of companies have annual distributions under $1 million, while 21% distribute between $1 million and $10 million per year, and 27% distribute more than $5 million annually.

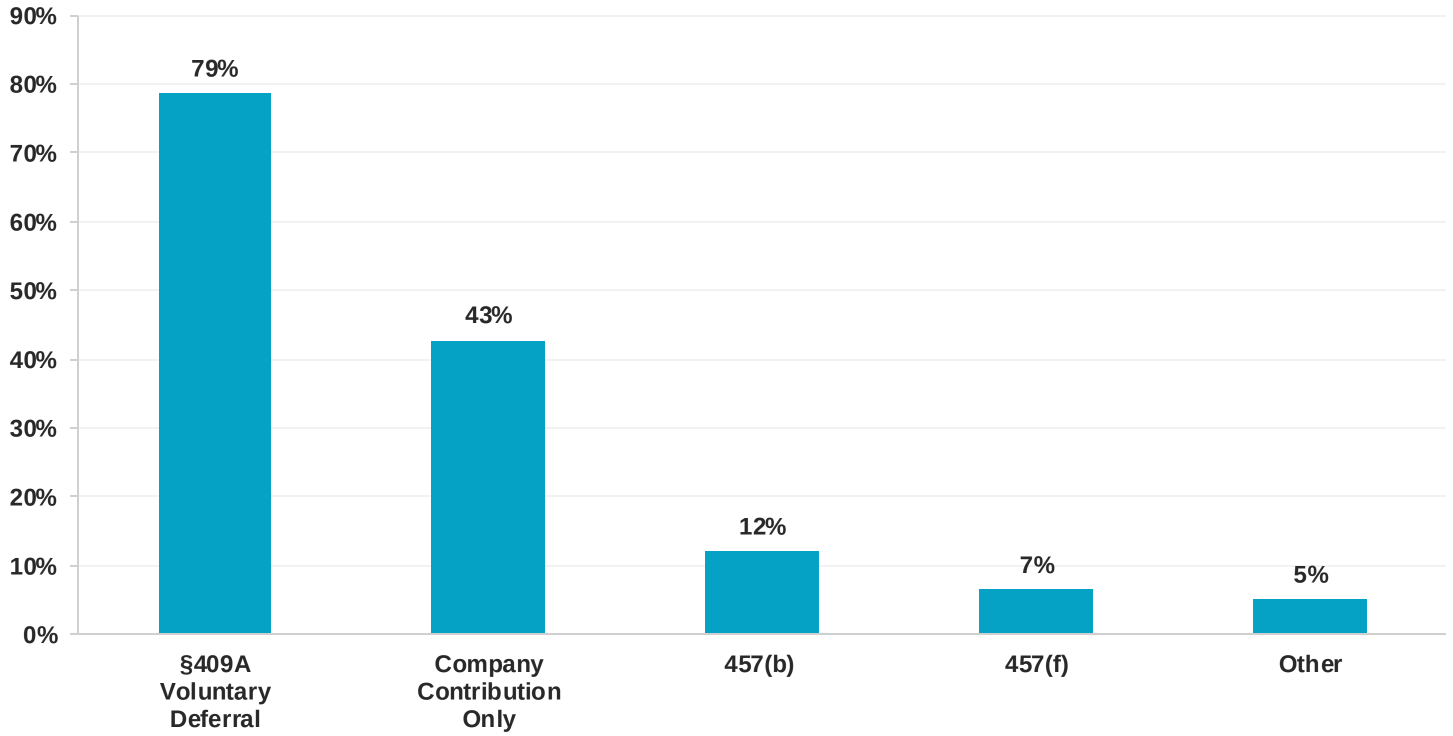
Newport Insights

Distributions vary based on several factors, including annual amounts deferred, growth rate of participant account balances, duration of deferrals, and duration of payments. It is useful for plan sponsors to understand the size of company distributions; particularly as the plan matures, awareness of the distribution trends can give sponsors a sense of what distributions (and liabilities) to consider when it comes to plan financing.

It is critical for companies to manage plan distributions, as they must ensure that sufficient cash is available (often in a rabbi trust) to meet the distribution needs. Top-tier plan administrators and recordkeepers provide cash flow and distribution analysis annually to assist in plan management.

Plan Design

What types of nonqualified deferred compensation plans do you offer (not including any defined benefit SERPs)? (Check all that apply)



Adds to more than 100% since companies may have multiple plan types.

Survey Findings

Seventy-nine percent of respondents stated they have a voluntary deferred compensation plan.

Newport Insights

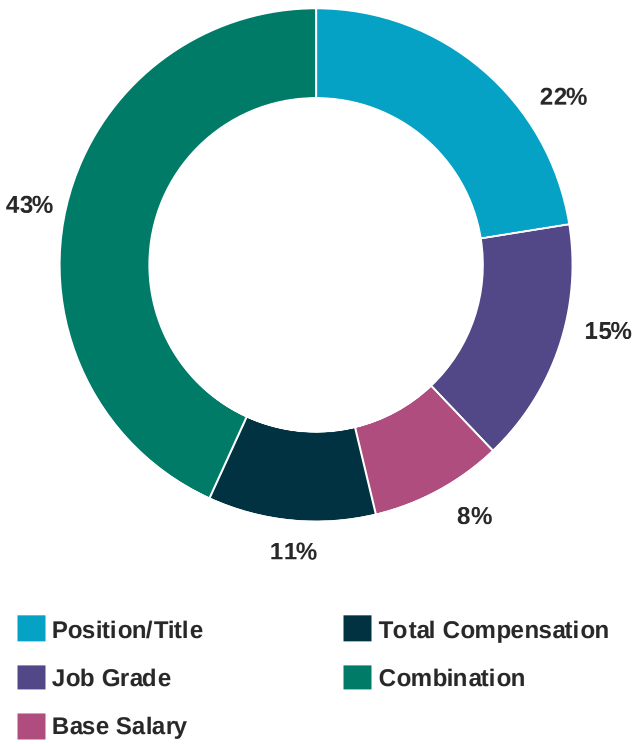
Today's deferred compensation plans involve a participant’s voluntary reduction of current compensation to receive a future amount, which typically grows at an earnings rate based on investments, an index, or a cost of debt.

Sometimes, innovative plan designs replace a SERP or other defined benefit plan. These plans often include only company contributions and typically grow at a nonvolatile rate, such as the cost of debt or an outside index.

Another plan that has a similar form is found in the tax-exempt space under 457(f) arrangements. Current tax regulations make it challenging to have this type of plan with voluntary deferrals. However, in practice, a few employers have included employee deferrals in a 457(f) arrangement.

Plan Design

How do you determine who is eligible to participate in your NQDC plan? (Check all that apply)



Survey Findings

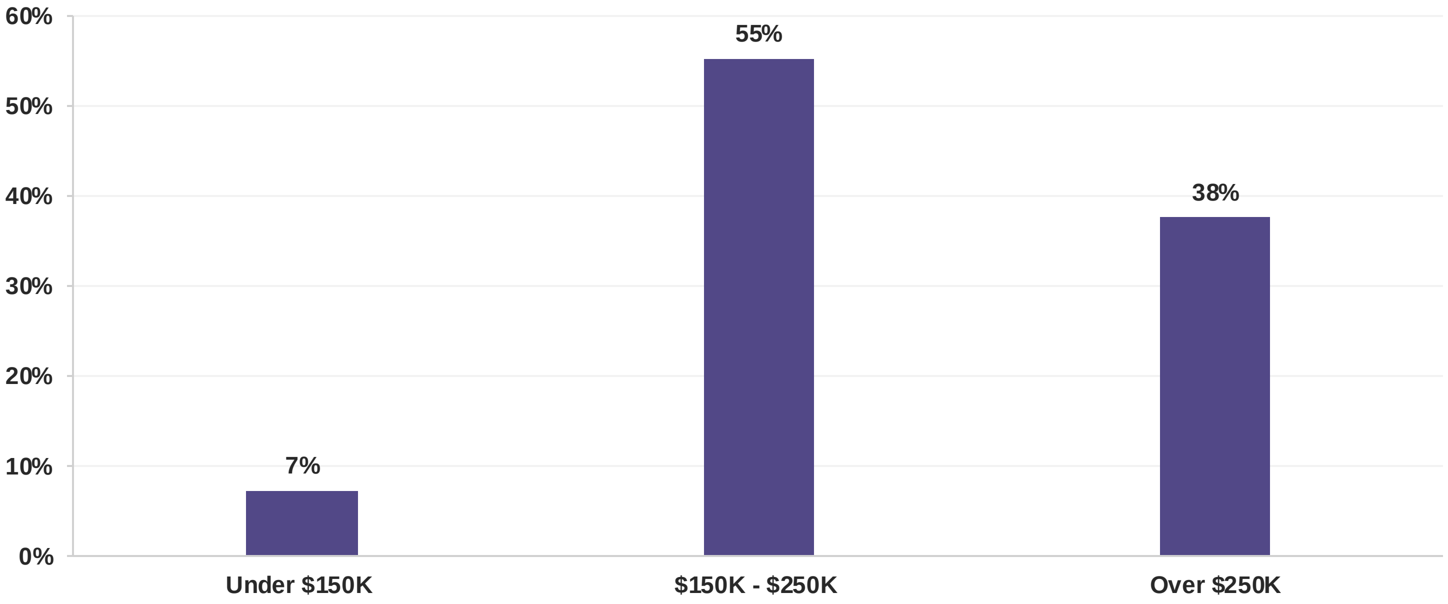
Forty-three percent of plan sponsors use a combination of factors to determine plan eligibility, while 22% of sponsors said an employee's position/title is the primary factor they consider.

Newport Insights

Determining who qualifies to join the NQDC must align with the organization's approach to recruiting and keeping essential personnel. For instance, one consideration of using the position/title criterion is its potential to overlook important staff members. A good example of this is top sales professionals, who are often overlooked and left out of these plans.

Plan Design

What is the approximate minimum total compensation (salary and bonus) for those eligible for the NQDC plan?



Survey Findings

Very few companies (7%) use an included compensation range below $150,000 annually for determining plan eligibility. Although there is no specific regulatory reason for doing so, many employees track the Highly Compensated Employee (HCE) definition under the IRC 414(q) limit, which is $155,000 in 2024. Hence, this middle range tends to be the most common (55%).

Some employers target eligible groups with higher compensation levels; for example, we see this at the $250,000+ compensation level.

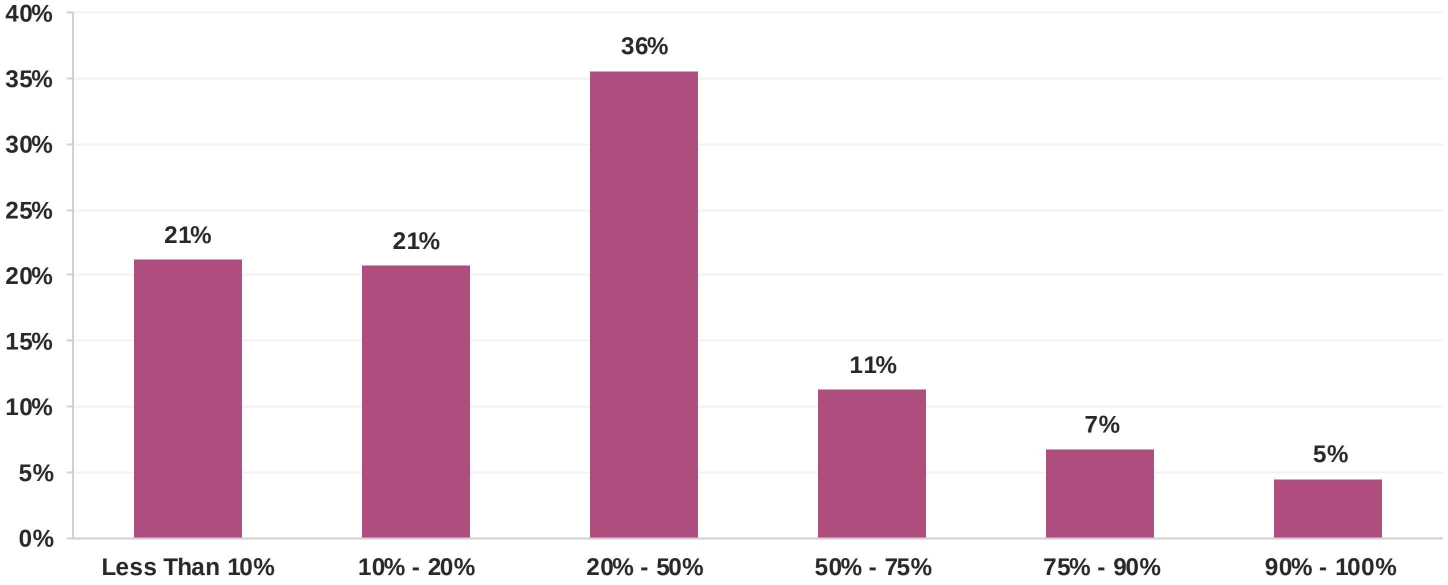
Newport Insights

Firms often align with the definition of Highly Compensated Employees (HCE) to assert that their plan qualifies as a Top-Hat plan. Yet there is not a direct connection between the Internal Revenue Service's HCE criteria and the Department of Labor's Top-Hat classification. In terms of correlation, it's less likely for employees earning below $150,000 to fall into the Top Hat category of being part of a select group of management or highly compensated.

Plan eligibility generally mirrors the firm's approach to recruiting and retaining key employees. It is often suggested that companies periodically reassess their eligibility guidelines to ensure their policy encompasses all employees who would i) likely participate and ii) benefit from participating in these plans.

Plan Design

Approximately what percentage of eligible participants actively defer compensation into the NQDC plan?



Survey Findings

When it comes to eligible participants who are actively deferring into the plan:

- 36% of companies report 20% to 50% of eligible participants are doing so.
- 10% of companies report 50% to 75% of eligible participants are doing so.
- 8% of companies report 75% to 100% of participants are doing so

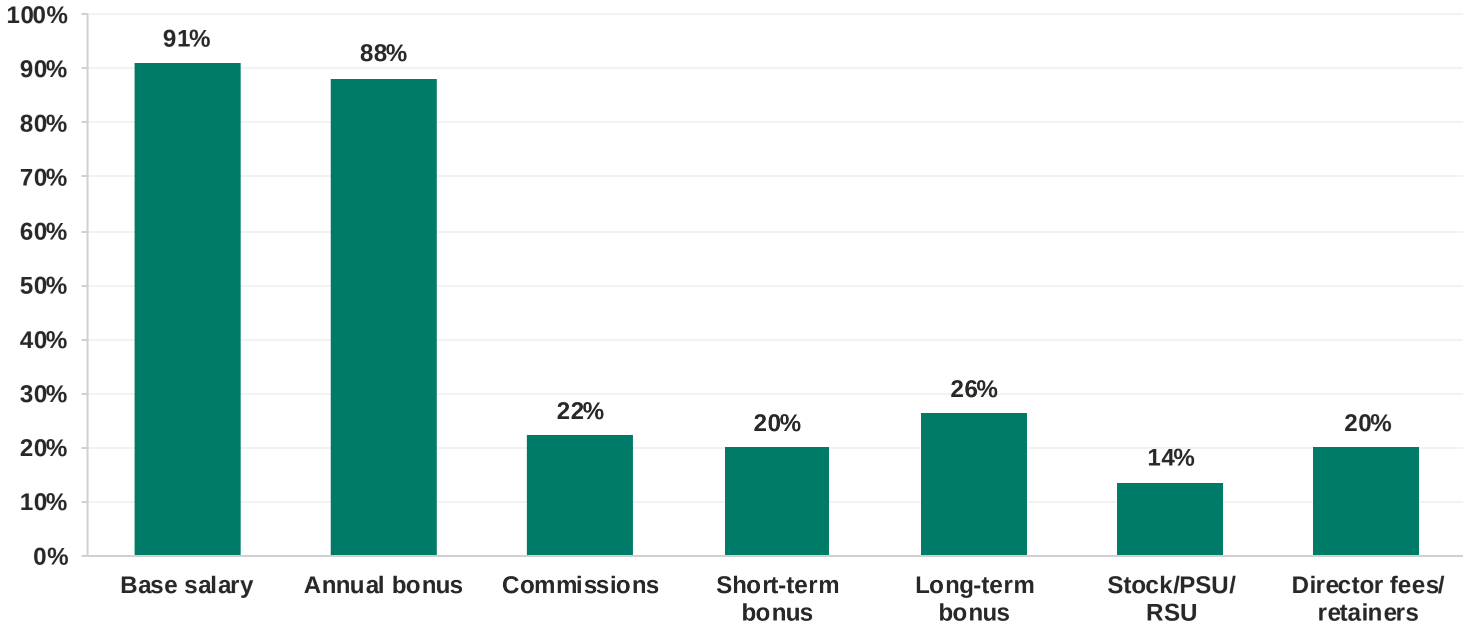
Newport Insights

Many factors can affect employee participation, some of which are outlined below.

- **Plan design** – Does the plan include important features like in-service (scheduled) distributions that employees may use for children's education, purchasing a second home, etc.? This option is particularly meaningful to younger employees.
- **Company match** – Does the plan include a match, or extend the qualified plan match (or lost matches) into the NQDC plan?
- **Tax rates** – Are the current personal federal and state tax rates favorable to deferring income?
- **Plan eligibility** – How narrowly or broadly is the plan eligibility defined? Does the eligible employee pool extend to a compensation level that may be too low—so that employees at the lower earnings levels have challenges saving in the NDQC in addition to the 401(k)?
- **Communication and education** – Are eligible employees receiving effective communications about the plan?
- **Equity compensation** – Do employees have a high-level of stock compensation, which can affect their decision to place more compensation with the company?
- **Benefit security** – Does the company have a rabbi trust and is it fully funded?

Plan Design

What types of compensation may participants elect to defer? (Check all that apply)



Survey Findings

Base salary (91%) and annual bonus (88%) continue to be eligible compensation sources offered by virtually all NQDC plans with voluntary deferrals.

Other types of compensation are typically offered less than 25% of the time.

Newport Insights

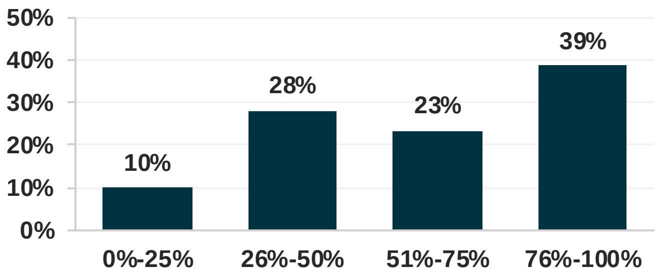
Companies and their NQDC plan participants mainly utilize deferred compensation by focusing on salary and bonuses. However, some of the best opportunities for deferred compensation can come from longer-term compensation. Employees typically do not factor this compensation into their living expenses, so it is sometimes seen as "extra" compensation that can help to build retirement savings and wealth.

Long-term bonus and equity awards (Stock/PSUs/RSUs, etc.) are types of compensation that are well suited to deferral, precisely because they best fit the goal of building wealth, which is a key purpose of the deferred compensation plan. Employers and their NQDC plan advisors should consider expanding their plans to include these forms of compensation.

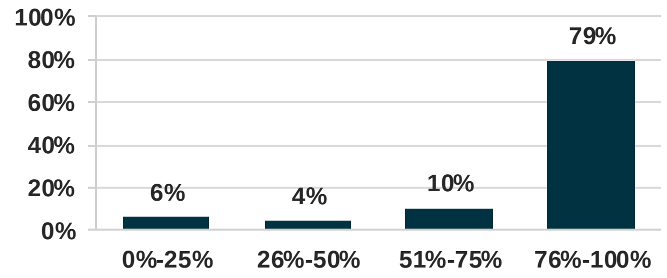
Plan Design

What is the maximum deferral percentage allowed by NQDC participants for each form of compensation?

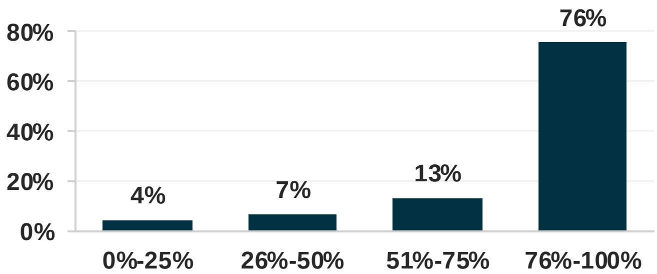
Salary Deferral Maximums



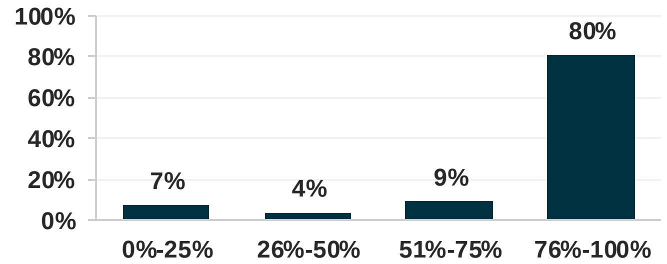
Bonus Deferral Maximums



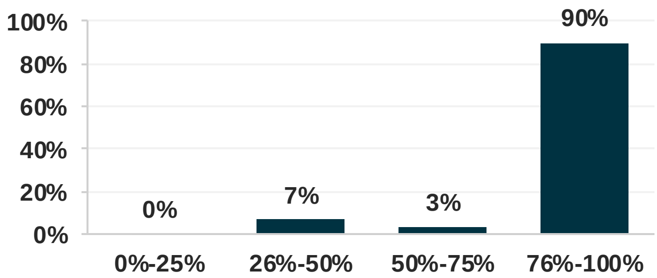
Short-Term Bonus Deferral Maximums



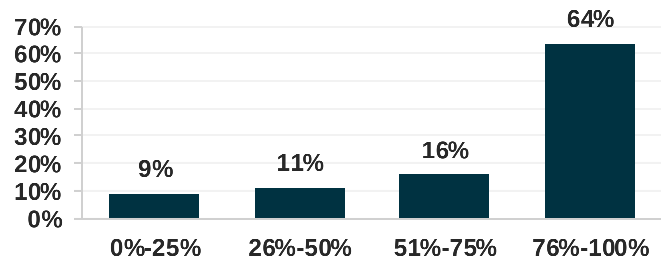
Long-Term Bonus Deferral Maximums



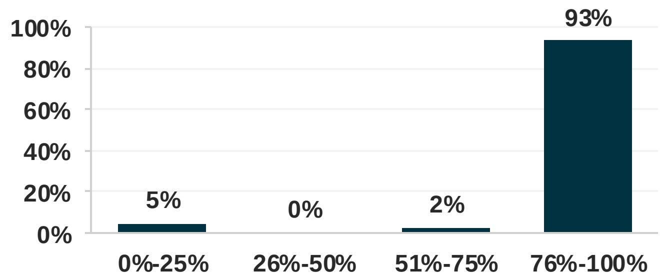
Stock Award Deferral Maximums



Commission Deferral Maximums



Directors Fee Deferral Maximums



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Plan Design

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Survey Findings

Plan sponsors have historically given their participants the most flexibility when it comes to how much of their salary or bonus they are allowed to contribute to the NQDC plan. The ranges have typically been 75%-90% for salary and 90%-100% for bonus.

The following table shows the three most common maximum allowable deferrals for each type of compensation.

	Maximum Deferral Allowed		
Compensation Type	**1st**	**2nd**	**3rd**
Salary	50%	100%	75%
Bonus	100%	80%	90%
Short-term bonus	100%	80%	90%
Long-term bonus	100%	80%	90%
Stock awards	100%	80%	50%
Commissions	100%	75%	50%
Directors fee	100%	90%	59%

Newport Insights

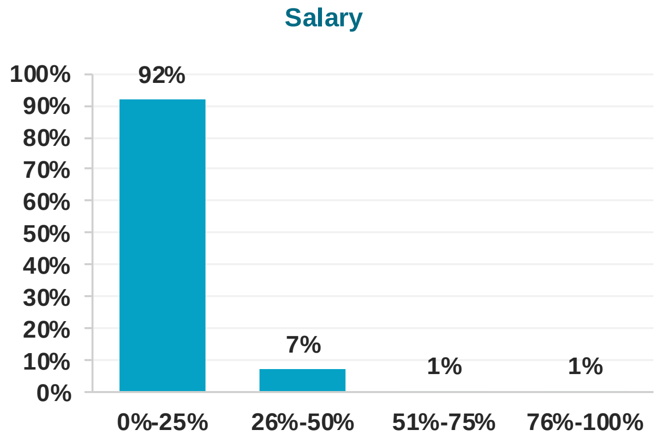
Designing NQDC plans with flexibility that lets plan sponsors modify the maximum deferral percentages for different types of compensation can be very important as compensation structures change.

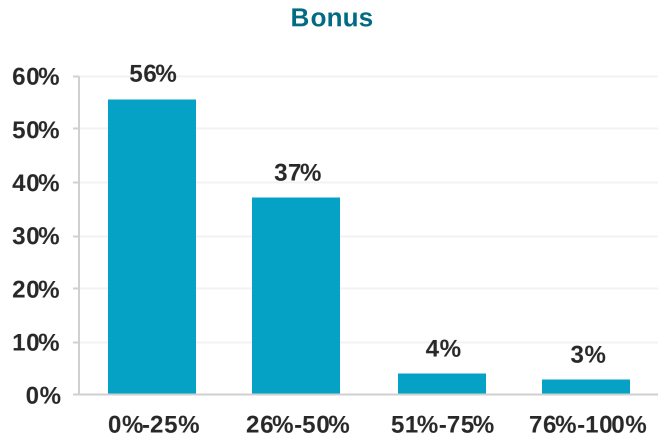
Some underutilize deferred compensation by focusing almost solely on salary and bonuses. Short-term and long-term bonuses, and various types of equity compensation, can also be significant forms of deferred compensation for saving and building wealth.

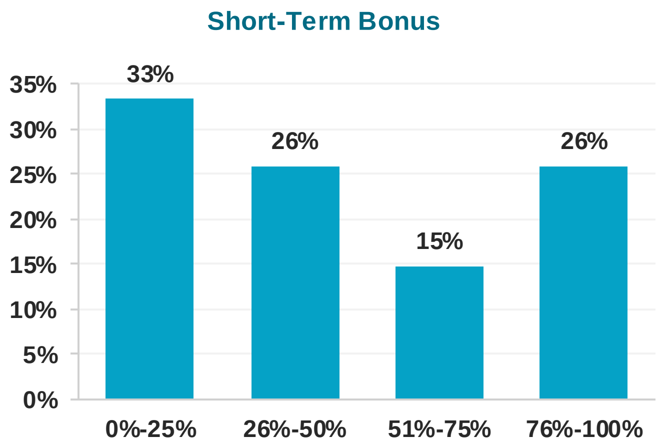
The ability to defer these types of compensation is relatively uncommon. This is not necessarily a result of not having that type of compensation. Low utilization may reflect plan sponsor concerns about recordkeeping for equity awards. However, firms specializing in NQDC recordkeeping can easily administer these deferrals and allay/alleviate any of these concerns.

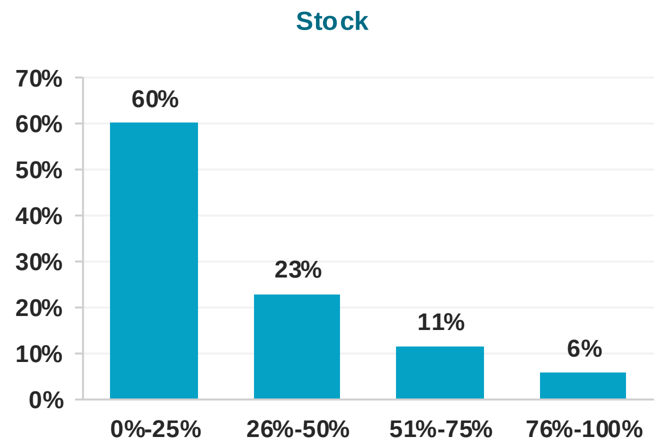
Plan Design

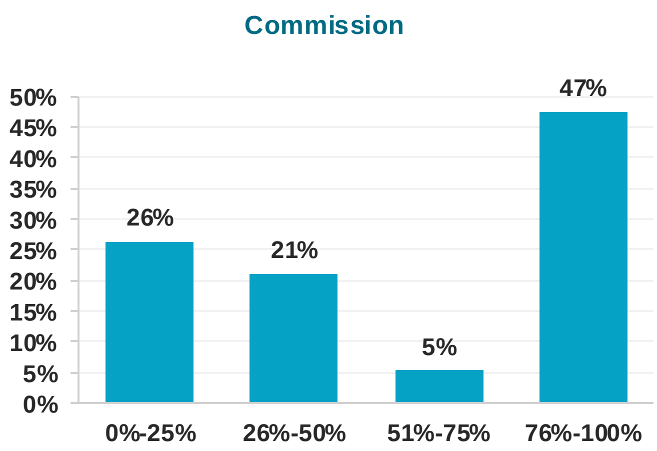
What is the average percentage deferred for each form of compensation that participants can elect to defer?

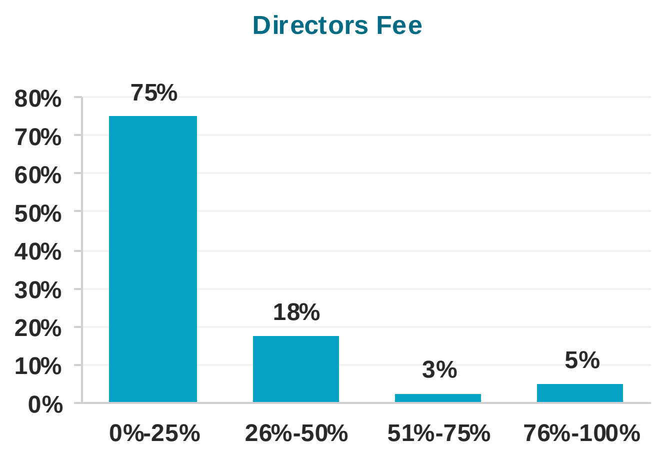












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Plan Design

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Survey Findings

Consistent with previous survey findings, periodic compensation such as bonuses and equity awards have the highest average deferral amounts. The following table shows common average deferrals for different types of compensation.

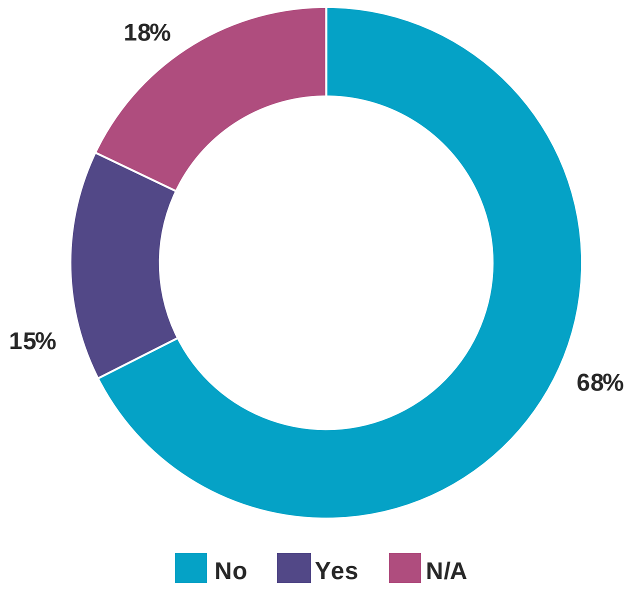
	Average Percentage Deferred		
Compensation Type	**1st**	**2nd**	**3rd**
Salary	10%	8%	5%
Bonus	50%	20%	10%
Short-term bonus	50%	35%	20%
Long-term bonus	25%	100%	71%
Stock awards	100%	80%	50%
Commissions	10%	20%	30%
Directors fee	100%	50%	20%

Newport Insights

Average deferrals from the "secondary" compensation types support the idea that companies may be underestimating the appetite from participants to defer these forms of compensation. It is important for participants to be aware of and understand the power of pre-tax deferred compensation and that these other compensation types can be a great way to meet their retirement savings and wealth accumulation needs.

Plan Design

Has your qualified plan discrimination testing resulted in any refunds to HCEs over the past three years?



Survey Findings

Within the last three years, 15% of companies have had executives receive refunds from 401(k) or other plans. More than two-thirds of employers report no refunds to their HCEs.

Newport Insights

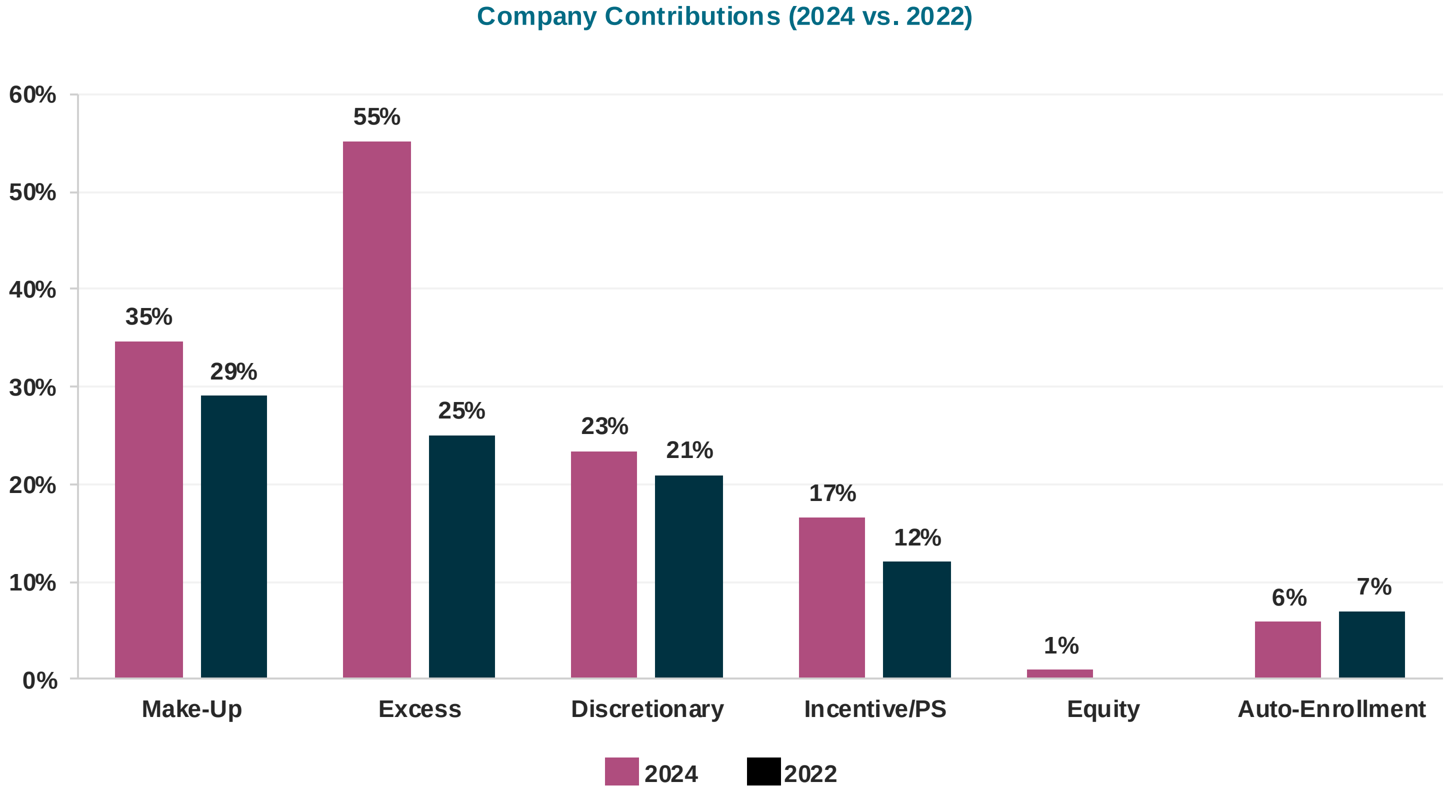
Companies have many ways to address refunds of qualified plan contributions. A number of strategies are listed below.

- Increase the employer matching or non-elective contribution to encourage more participation and savings from the non-highly compensated employees (NHCEs)
- Implement automatic enrollment and auto-escalation features to boost the deferral rates of NHCEs and improve the plan's average deferral percentage (ADP) test results
- Offer a safe harbor plan design that eliminates the need for ADP and ACP testing but requires the employer to make a minimum contribution to all eligible employees
- Educate the HCEs about the benefits of diversifying their retirement savings and the risks of relying too much on one source of income
- Provide financial wellness programs and guidance to help all employees plan for their retirement goals and optimize their savings strategies
- Remove their top executives from qualified plans and provide only a nonqualified plan alternative

With this last strategy, while the refund itself cannot be deferred into the deferred compensation plan, the company can have a standing deferral election for participants that would defer an additional salary or bonus amount equal to the amount refunded due to the nondiscrimination testing.

Plan Design

What types of company contributions do you provide? (Check all that apply)



2024 141 respondents with 1 or more contribution types - comparable preference rates

Survey Findings

Company contributions to NQDC plans have seen a shift in the last several years. One of the main findings of the survey is that more companies are using company contributions to NQDC plans as a strategic tool to recruit, retain, and reward their key executives. Company contributions can enhance the value proposition of NQDC plans, create company loyalty among participants, and align their interests with the company's goals.

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Plan Design

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Newport Insights

Company contributions have been among the most influential drivers of deferred compensation participation for decades. Companies that are competing for talent see that company contributions to deferred compensation plans can increase participation and provide a golden handcuff (possibly including vesting) as a retention tool, with limited current cash flow.

In addition to the significant growth in traditional forms of contributions, other forms are emerging. More companies are using discretionary contributions to attract and retain their key executives. There has also been an increase in the use of automatic enrollment (i.e., "seeding" contributions) to jumpstart plan participation.

Auto-enrollment into the plan with a small company contribution can also be a very effective way to increase awareness of an NQDC plan. A small one-time plan contribution today—payable years down the road—may be more effective at getting the attention of busy senior executives than some forms of plan communication. Additionally, once participants are in an NQDC plan, they are more likely learn more about it and increase active deferrals.

This increase in the use of company dollars in NQDC plans reflects the increased competition for key employee talent in the current labor market and the flexibility of NQDC plans to help employers win that competition.

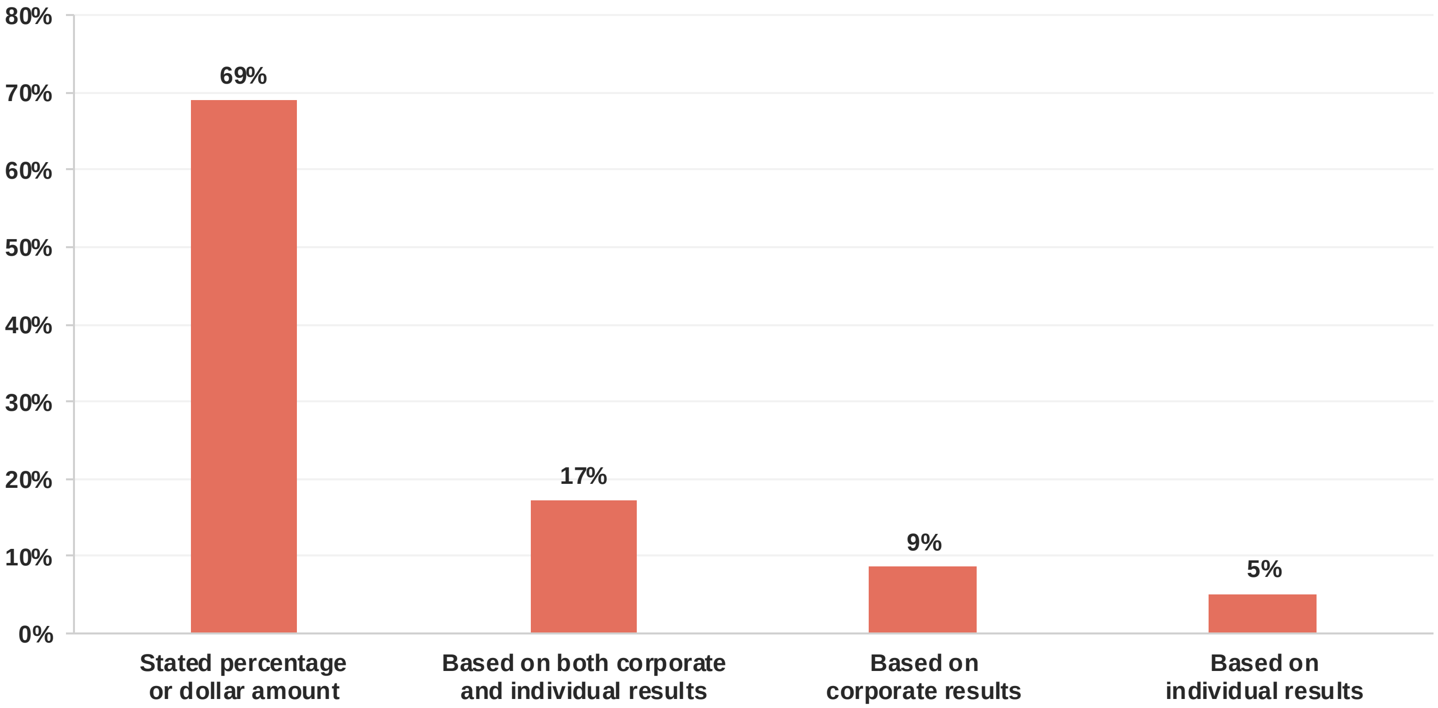
Types of Company Contributions

- **“Make-up” match:** Some plans base 401(k) or other benefits on W-2 compensation. Voluntary deferrals can reduce that amount before the other plans kick in. This contribution restores other retirement benefits or contributions lost due to making a voluntary deferral.
- **Excess match:** Regulatory limits can affect how much an employee can contribute to a 401(k), or how much they receive in a match from the 401(k). This contribution restores retirement benefits lost due to regulatory limits.
- **Discretionary awards:** This can include any type of special bonus such as a hiring bonus, retention bonus, spot bonus, etc., and can include vesting to provide a golden handcuff.
- **Incentive / Profit sharing award:** This is typically a formula-based award, perhaps a percentage of compensation or a bonus pool, and is normally based on company performance.
- **Equity match:** Some companies either do not have equity, or their equity is flat. This method credits a restricted stock award (RSU) or a performance unit to the NQDC plan to help promote alignment of executive and company interests.
- **Automatic enrollment:** This is most often used for first-time plan participants. Typically, between $500 and $5,000 is credited to the participant's account. Thus, the employee is driven to the plan to understand more about it and make necessary elections (investments, payout, etc.). The contribution can have a vesting schedule amount and can be allocated to either a retirement account or an in-service payout account.

Plan Design

If you have any of the below, how do you determine the company contribution / matching award?

- Incentive / Profit sharing award
- Automatic enrollment
- Equity award
- Discretionary award



Survey Findings

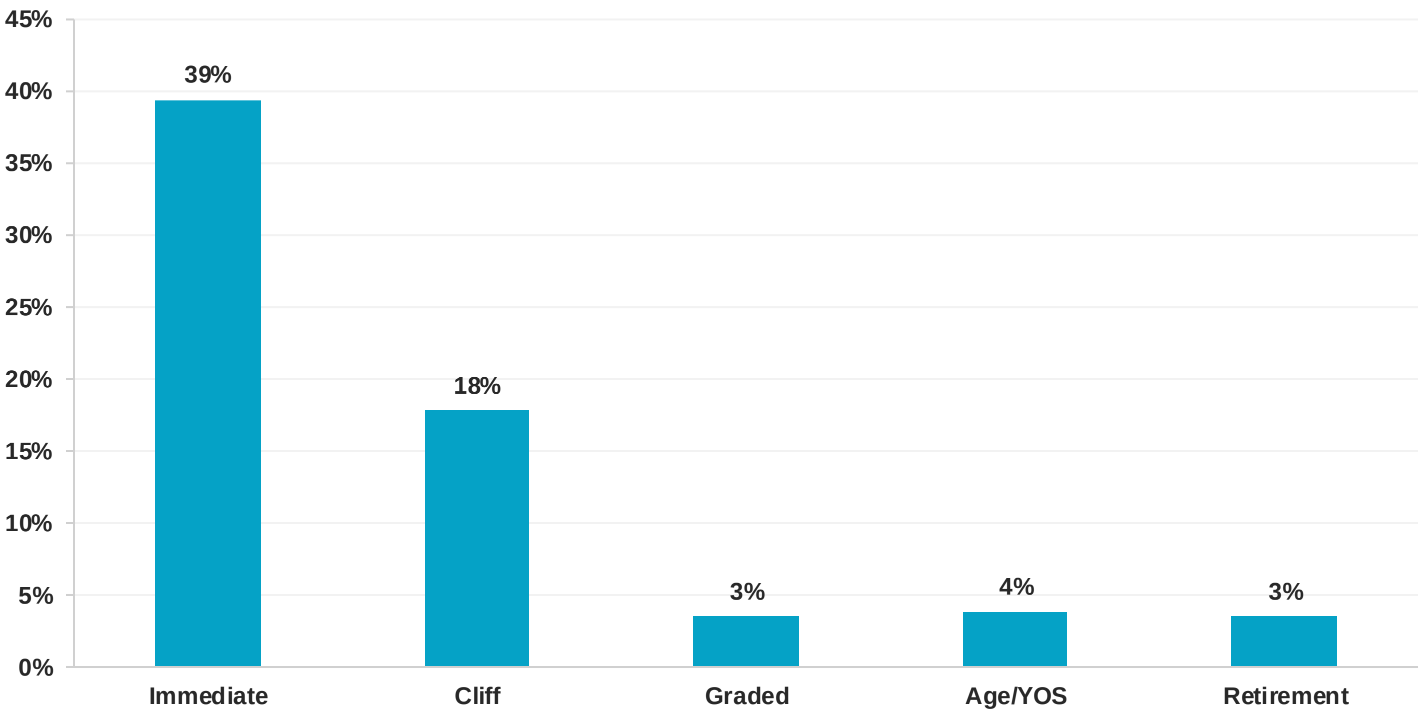
The typical method to determine the special contribution(s) is by using a stated percentage or specific dollar amount.

Newport Insights

These contribution types have increased in prominence over the past several years. The primary objectives of these awards are employee retention and benefit plan awareness.

Plan Design

Which vesting schedules apply to company contributions to your NQDC plan(s)? (Check all that apply)



Survey Findings

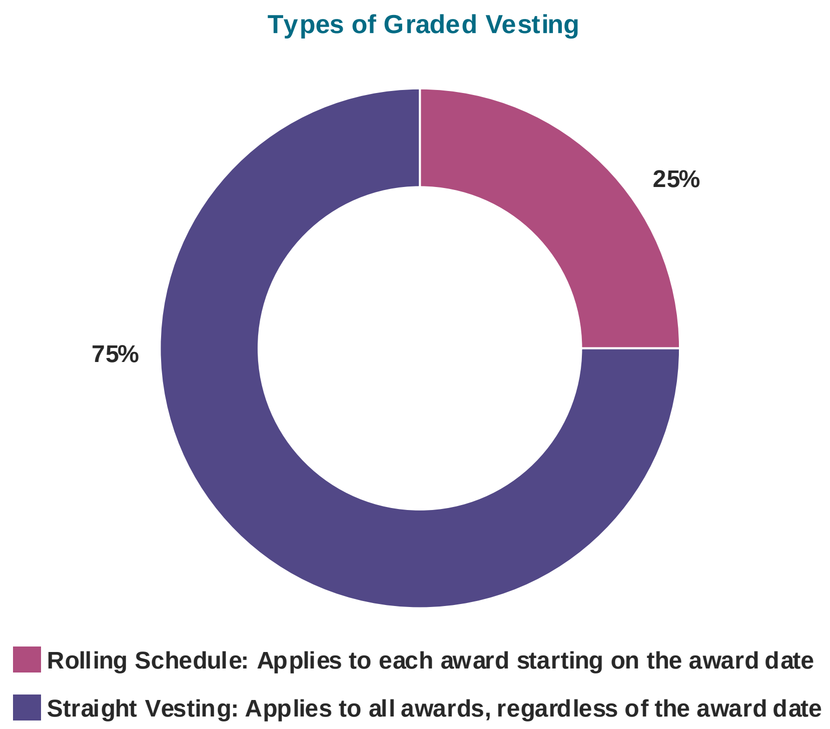
Immediate vesting of company contribution is most used with 401(k) matching awards such as 401(k) make-up or excess match. Other forms of vesting are usually reserved for discretionary awards to help with retention and rewards where additional employment service is desired to fully “earn” the company award.

Newport Insights

Considering the seniority of many executives, immediate vesting makes sense for several types of contributions. For contributions such as "make-up" and "excess" award—which effectively restore value to the employee—immediate vesting is the obvious preference of plan sponsors. Cliff vesting tends to operate on a "rolling" basis, with the vesting schedule being applied to each individual contribution.

Plan Design

What types of graded vesting schedules do you offer? (Check multiple options if different vesting policies apply to different NQDC plans.)



Survey Findings

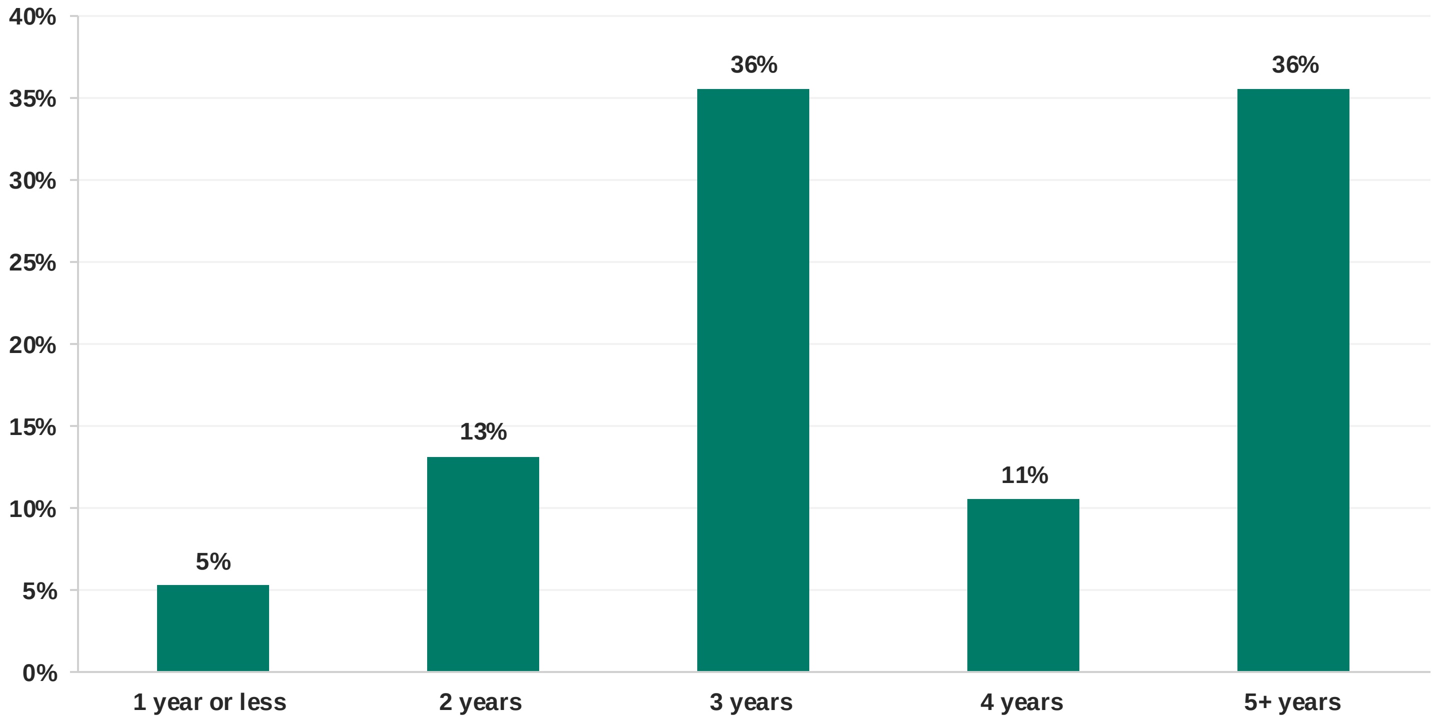
For NQDC plans that include a graded vesting schedule for some form of company contributions, straight vesting is three times more common than rolling vesting.

Newport Insights

Over recent years, there's been a decline in the use of graded vesting. Companies often prefer the straightforward nature of immediate or cliff vesting and the option to vest contributions separately, which tends to make graded vesting less appealing.

Plan Design

How long does it take for company contributions to be 100% vested (cliff or graded)?



Survey Findings

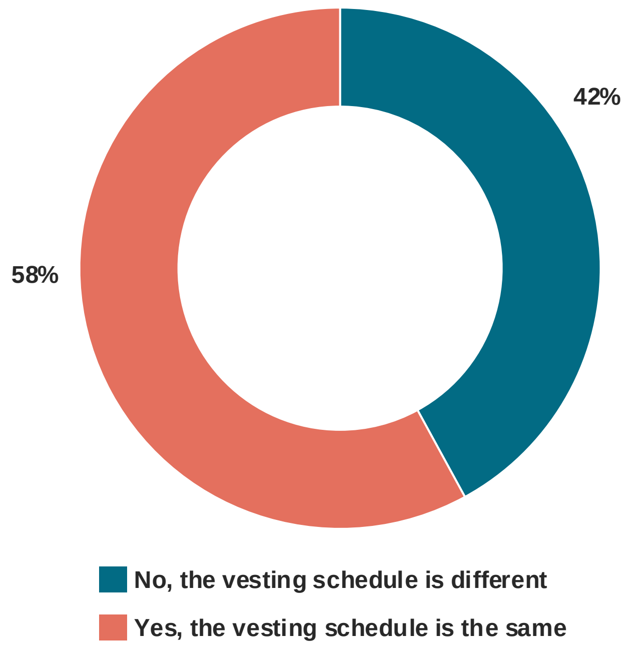
Most companies provide 100% vesting after either three years or five years (both 36%).

Newport Insights

It is common industry practice that vesting for company contributions typically follows either a three-year or five-year schedule. The three-year period is frequently seen in plans such as those involving equity, whereas the five-year period serves as an extended "golden handcuff" for retention awards.

Plan Design

Are the NQDC and qualified plan vesting schedules the same?



Survey Findings

Fifty-eight percent of companies use the same vesting schedule for the NQDC plan and the qualified plan (typically the 401(k) or 403(b) plan). Forty-two percent of companies use vesting unique to the NQDC plan.

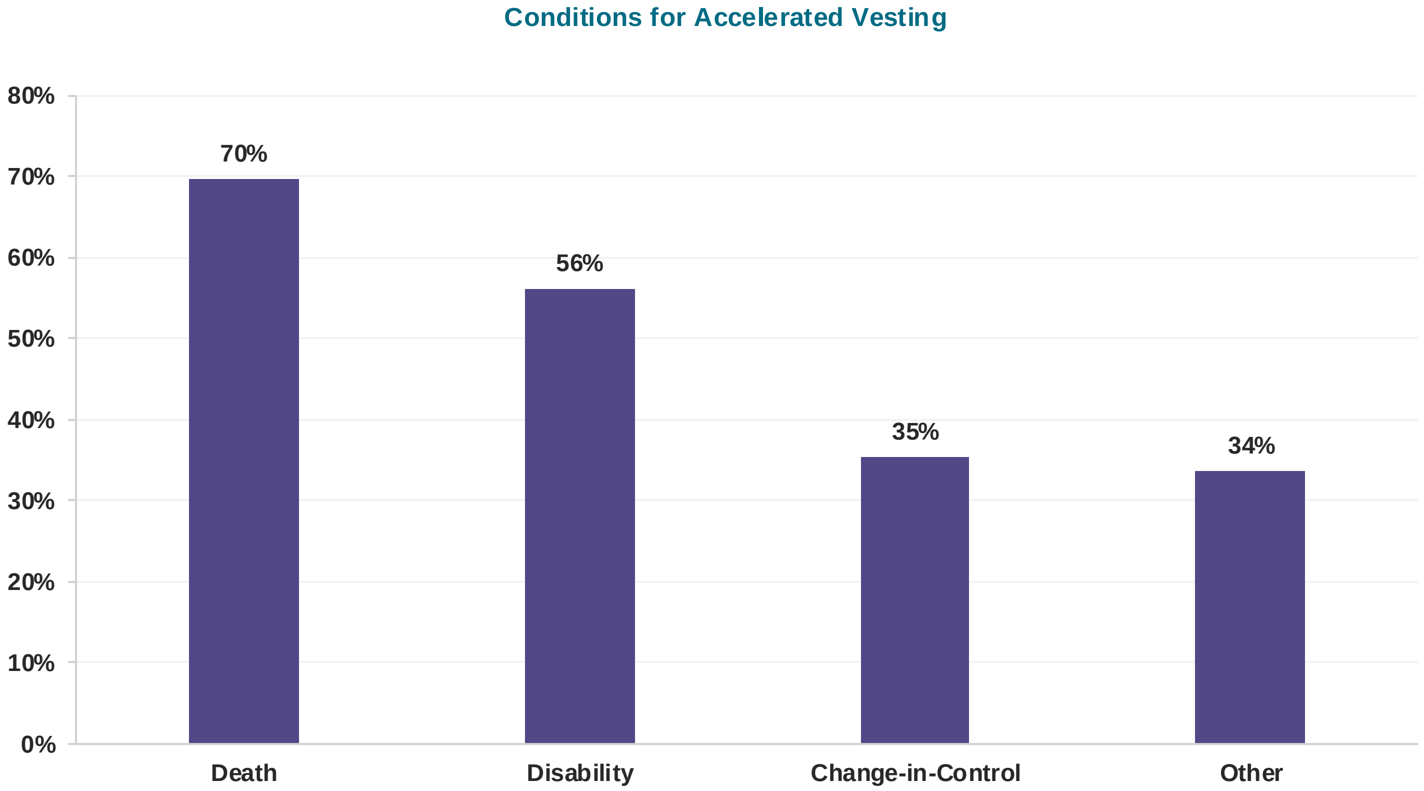
Newport Insights

Adopting identical vesting arrangements is suitable when the contribution pertains directly to the qualified plan, such as a 401(k) make-up or excess match. However, for contributions outside of this scope, many plan sponsors are considering alternative vesting schedules or potentially eliminating vesting entirely for the following three reasons.

1. The NQDC presents a chance to implement an extra award and incentive that is not limited by the regulations of qualified plans.
2. The NQDC offers a means to communicate significance and status to participants within the organization, and bespoke vesting can play a pivotal role in conveying this message.
3. Distinctive characteristics such as investment options, sources of contributions, distribution features, and differing vesting arrangements serve to highlight the value of the NQDC plan.

Plan Design

In what instances does the plan provide for accelerated vesting of company contributions? (Check all that apply)



Survey Findings

Death, disability, and change-in-control are the essential triggers for accelerated vesting. They occur frequently either alone or in tandem with each other as illustrated above.

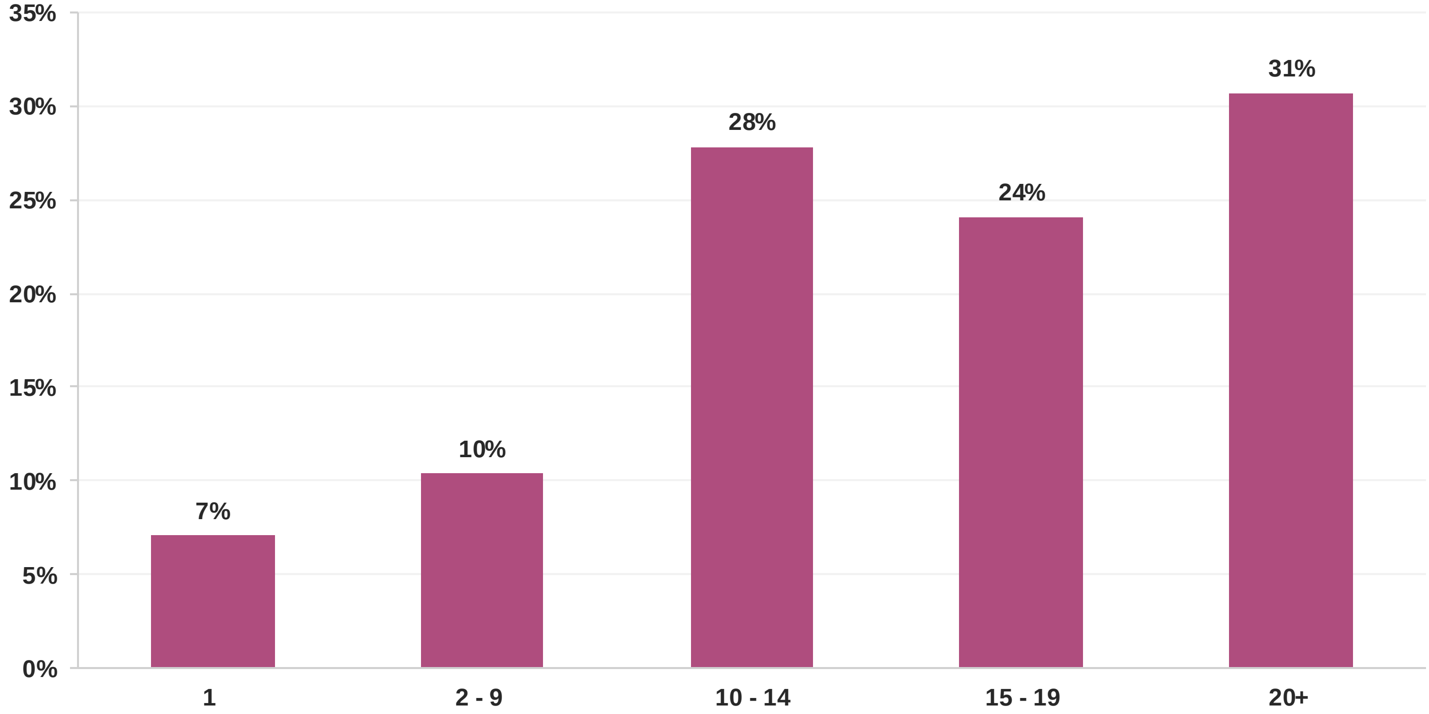
Newport Insights

One of the main benefits of vesting of company match upon death or disability is that it provides financial security and peace of mind for employees and/or their beneficiaries. Employees who receive company contributions to their NQDC plans may need or want to use those awards if they become disabled—or may want their beneficiaries to use them if they die—before reaching the normal vesting period. Accelerated vesting ensures that employees or their beneficiaries can access the full amount of company match in these unfortunate circumstances, regardless of how long they have worked for the company. This can also help them cope with the loss of income, medical expenses, funeral costs, or other financial needs that may arise from death or disability.

Vesting company awards upon a change in control can motivate and reward employees for their contributions to the company's success and growth. It can also protect employees from losing their unvested benefits if they are terminated or replaced after a merger or acquisition. Furthermore, it can align the interests of employees and shareholders, encouraging them to support the change in control transaction and facilitate a smooth transition.

Plan Design

How many investment options are included in the NQDC plan?



Survey Findings

The most popular number of investment options in NQDC plans continues to be 15 or more, with 55% of plan sponsors reporting that they offer at least that many choices to their participants.

NQDC plans that offer only one investment option typically include a fixed rate or index-linked rate.

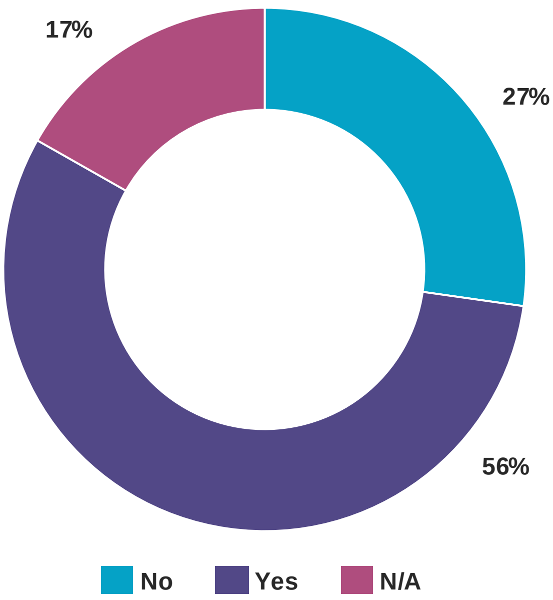
Newport Insights

Offering 15 or more investment options in an NQDC plan can appeal to participants who want to diversify their portfolio and match their risk tolerance and preferences. It can also enable participants to mirror the investment choices in their qualified plans, creating a consistent retirement strategy.

There has been a slight shift away from offering “too many” investment choices. Often, financial advisors and plan sponsors view offering more than 20 investment choices as causing confusion and creating indecisiveness. When plans do offer more than 20 options, it is helpful to categorize them by asset class or list them in a "specialty fund group" to help participants navigate through the extensive selection. Providing a larger number and a broader range of investment options may also necessitate additional resources or expert assistance in asset allocation.

Plan Design

Are your NQDC plan investment options the same (or similar) as those offered in the qualified plan?



Survey Findings

Fifty-six percent of respondents use the same investment options as the qualified plan. Only 27% use different investment options.

Newport Insights

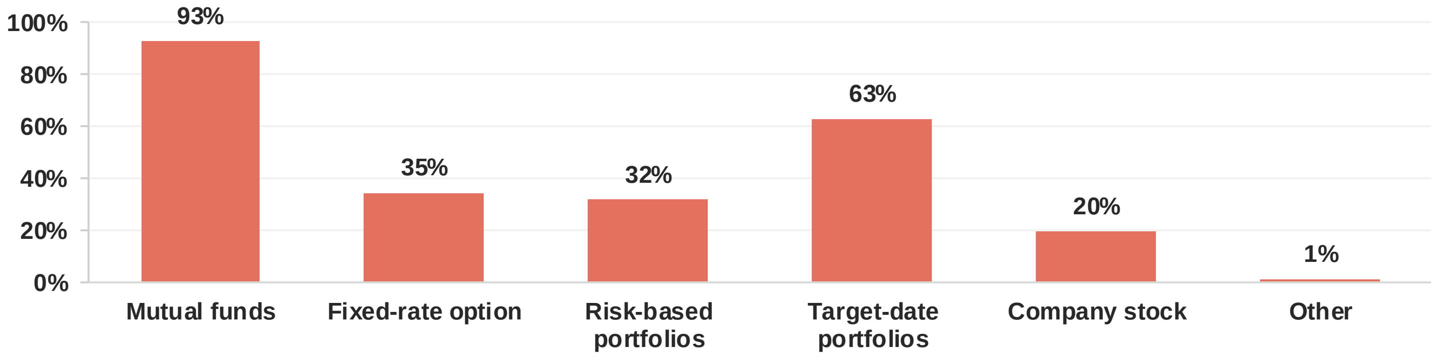
The investment menu significantly influences how participants view the plan.

One advantage of using the same investment menu for an NQDC plan and a 401(k) plan is simplicity. Participants can easily compare their performance and allocation across both plans and avoid confusion or duplication. This may also reduce administrative costs and complexity for plan sponsors.

Alternatively, some plan sponsors may prefer to offer an investment menu for their NQDC plan that is different from their 401(k) plan. This can provide more flexibility and diversity for participants who want to pursue different strategies or risk profiles for their deferred compensation accounts. Key executives also have diverse financial planning goals—both short-term and long-term. These goals sometimes require unique investment strategies, so having a distinctive investment menu for the NQDC plan lets plan sponsors tailor the investment options to their executives' specific needs and preferences. Additionally, creating a unique portfolio of funds can differentiate the NQDC from the 401(k)—which may improve the perceived value of the NQDC plan among employees.

Plan Design

Please specify the types of investment options the plan offers. (Check all that apply)



Survey Findings

Ninety-three percent of plan sponsor respondents use mutual funds as all or a portion of the investment choices offered to participants. This includes either a mutual fund menu or a series of investment funds from a corporate-owned life insurance (COLI) product. A fixed rate option is offered by 35% of respondents and company stock is included by 20%.

Newport Insights

Mutual funds are the predominant investment choice. The most common choice offered to participants is a diverse menu of mutual funds (including series funds from COLI products)—and for good reason: Plan participants can diversify their portfolio and align it with their risk appetite, time horizon, and financial goals. Mutual funds offer exposure to various asset classes, sectors, regions, and styles, as well as to professional management and low-cost access to market performance. By choosing from a wide range of mutual funds, participants can create a personalized investment strategy that suits their needs and preferences.

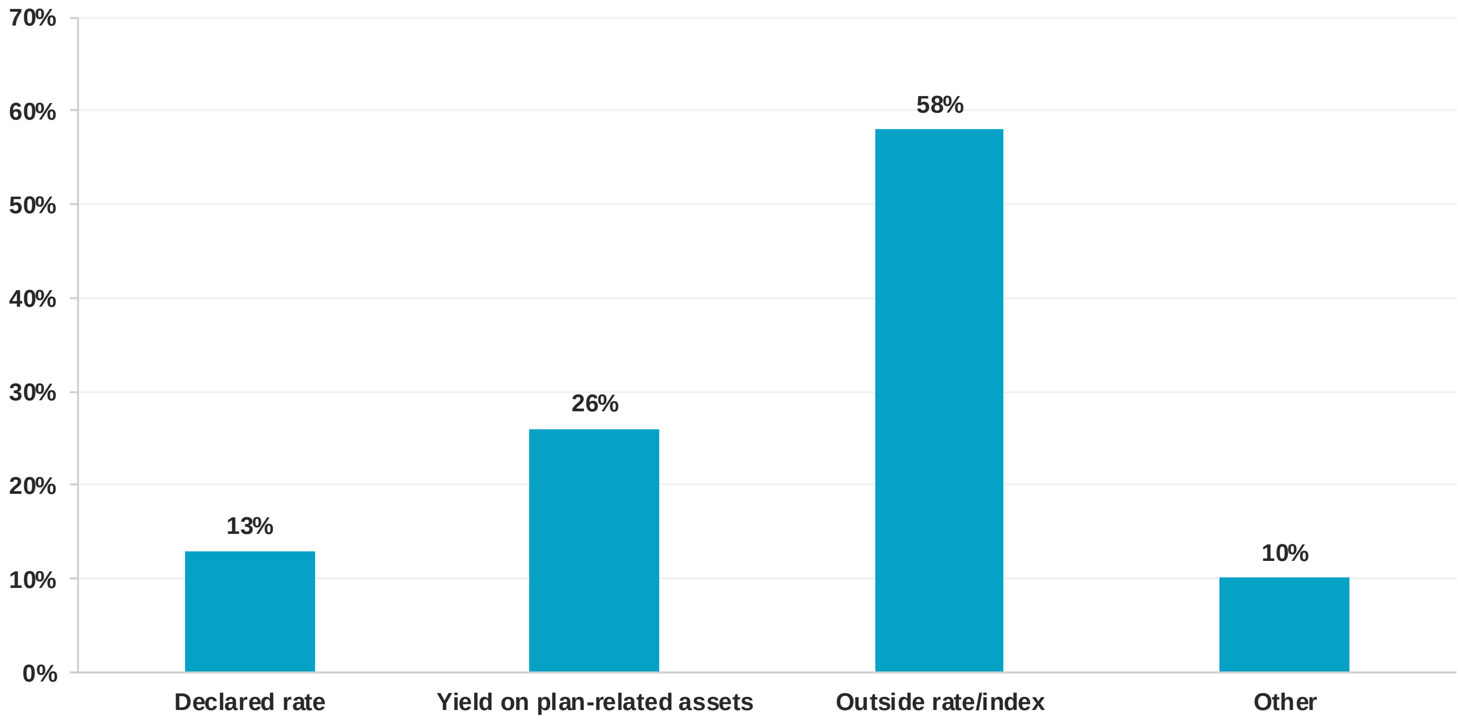
It is likely that a mutual fund menu will remain the number one choice for plan sponsors, but there are other important investment options available that plan investment committees can consider.

Fixed-rate options are an essential component. 401(k) plans typically have stable-value funds, but such funds are not available elsewhere. Yet NQDC plans, particularly with their scheduled distributions, need an option that preserves principle with a stable, positive rate of return. Imagine a parent using the plan to assist with a child's college education—only to find that market volatility had significantly curtailed the planned distributions from the NQDC. For situations like this, a fixed-rate option is ideal. In most years, this option will exceed the returns on a money market fund. It is sometimes challenging to hedge a fixed rate option, so plan sponsors often utilize a life insurance carrier's general account fund, accessed through a COLI contract. This insurance product will mirror the fixed rate option and provides an excellent hedging and financing vehicle.

Company stock helps align interests. Including company stock in an NQDC plan can help key employees build significant wealth. At the same time, it helps keep executive and company interests aligned, because participants and plan sponsors can share the same vision and goals for the company and work together to achieve them. Private companies also often use phantom stock in NQDC plans to provide key employees with a share of the company's growth and value, without diluting ownership or giving up control.

Plan Design

Please indicate how the fixed rate option offered in your NQDC plan is determined. (Check all that apply)



Survey Findings

Fifty-eight percent of companies use an outside index to determine the rate for the fixed rate option they offer to participants within the NQDC plan. Approximately one-quarter of respondents indicate they use a rate that ties to the yield on plan-related assets such as general account COLI.

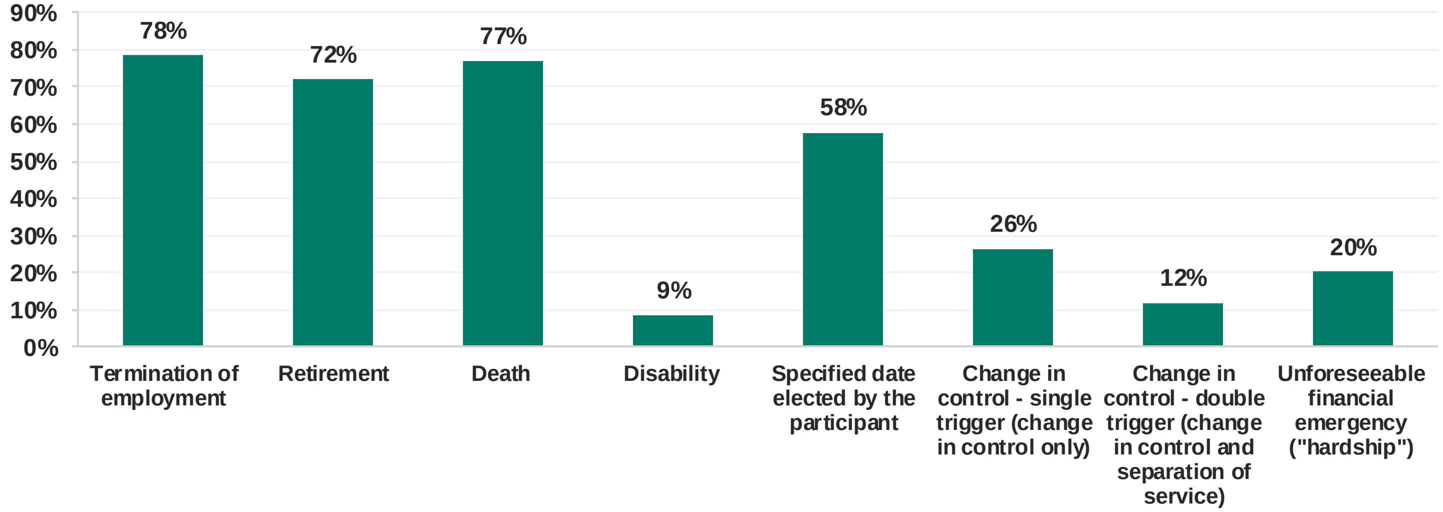
Newport Insights

Using an outside (debt-based) index as the determinant for the NQDC fixed rate option has been common since the inception of NQDC plans. The primary reason this is so popular is that it’s attractive for an "independent outside source" to determine the rate. Life insurance carrier general account products that generate long-term debt-like yields are often used to support the financing of a fixed rate option.

The advantage of determining the rate based on an underlying investment—instead of an index or accompanying declared rate—is that it minimizes any tracking error between the participant's fund performance and the actual underlying performance of an asset.

Plan Design

Under what circumstances may participants receive distributions from the NQDC plan? (Check all that apply)



Survey Findings

The most essential benefit payment triggers are termination, retirement, and death, all of which are in excess of 70% prevalence.

Specified date accounts (58%) are unique to nonqualified plans and are increasingly seen as commonplace and an important plan design feature by most plan sponsors.

Change-in-control triggers are also used regularly (38% combined single and double triggers).

Newport Insights

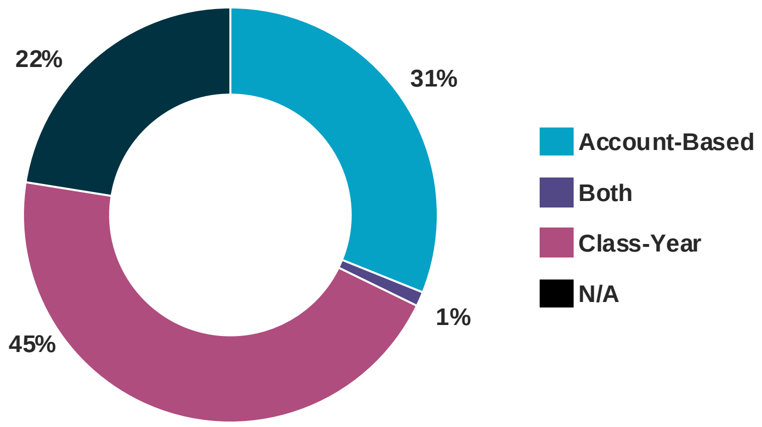
Retirement, death, and termination of employment are the standard and universal options common to most plans. Disability is significantly lower since disability benefits within a deferred compensation plan subject the plan to ERISA claims procedures. Since the point of the plan is to be a Top Hat plan exempted from ERISA, it is counterproductive to have disability benefits that subject the plan to these procedures. If a participant needs benefits from the plan after a disability, the hardship provision is available to meet that need.

The lower prevalence of the remaining four triggers of specified date, change-in-control (single and double trigger), and hardship, suggests that plan sponsors and advisors have an opportunity to enhance the design of their NQDC plans, and ultimately, improve the participant experience. Here are three specific items to note.

1. The specified date occurs much less frequently than death, retirement, or termination. However, it is an essential plan design feature in contemporary plans.
2. A change-in-control (CIC) provision is crucial to modern deferred compensation plans. A double-trigger variation (CIC and termination) is valuable as it provides greater flexibility for the participant. If the change-in-control is a benign event (i.e., not a hostile takeover with low turnover), a double payout trigger allows the participant to maintain the benefits of their tax-deferred accounts.
3. The unforeseeable emergency or "hardship provision" also provides the participant with greater flexibility. It is one additional means of receiving their account balance early but only under extreme financial circumstances.

Plan Design

Does the NQDC plan use a "class-year" or "account-based" structure?



Survey Findings

Forty-five percent of respondents indicated they have a class year plan, with 31% responding that they use account-based.

Newport Insights

One of the advantages of class year accounts is that they enable participants to tailor their investment and payout decisions according to their specific needs and goals for each year. For example, a participant may choose to invest more aggressively in a given year or select a shorter payout period for a particular year's deferrals. Class-year accounts also provide more flexibility for participants, as they can modify each class-year as its own account (as allowed by the plan and by §409A).

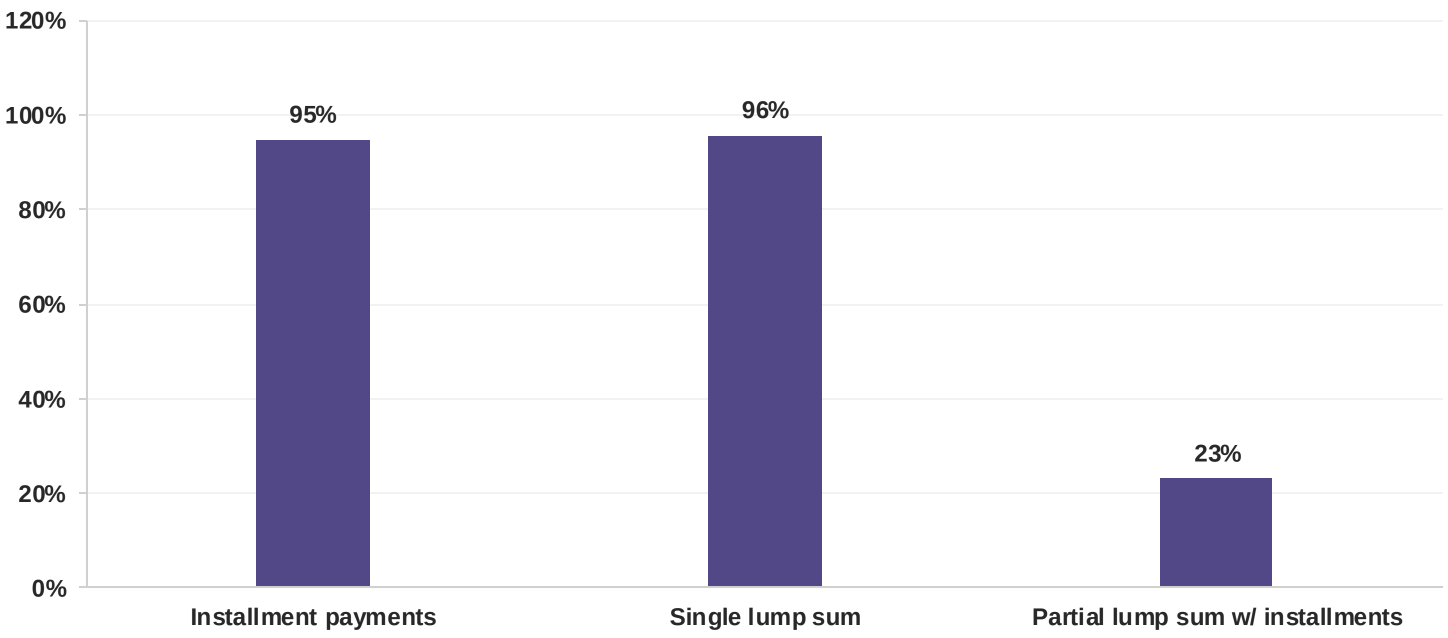
However, class-year accounts also have some disadvantages. One of them is that they require more administrative complexity for both the plan sponsor and the plan administrator, as they must maintain separate accounts for each participant and each year they make a deferral. This usually results in more distributions and possible §409A violations. Class-year accounts also may become cumbersome and overwhelming for participants who have been in the plan for multiple years, as they must manage and monitor account(s) for each year they are in the plan.

An account-based NQDC structure enables participants to create payout buckets that align with their financial goals and objectives. For example, a participant may have one account for retirement income, another for college tuition, a third for a vacation home, and so on. Each account can have its own deferral amount, investment strategy, and distribution schedule, giving the participant more customization and control over their deferred compensation plan. There are numerous benefits to this structure, including:

1. It helps participants to plan ahead and save for specific life events, rather than having a generic lump sum or annuity.
2. It reduces the risk of overspending or underspending their deferred income, as they can adjust their deferral and payout decisions according to their needs and priorities.
3. It simplifies the tax and regulatory compliance issues, as each account follows the same §409A rules and has a clear trigger event.
4. It enhances the participants' satisfaction and engagement, as they can see the progress and value of each account and how it contributes to their financial well-being.

Plan Design

How may participants take distributions from the NQDC plan? (Check all that apply)



Survey Findings

Nearly all respondents allow participants to take installment payments (95%) and single lump sum payments (96%). Only 23% of plan sponsors make a partial lump sum with installments available to their participants.

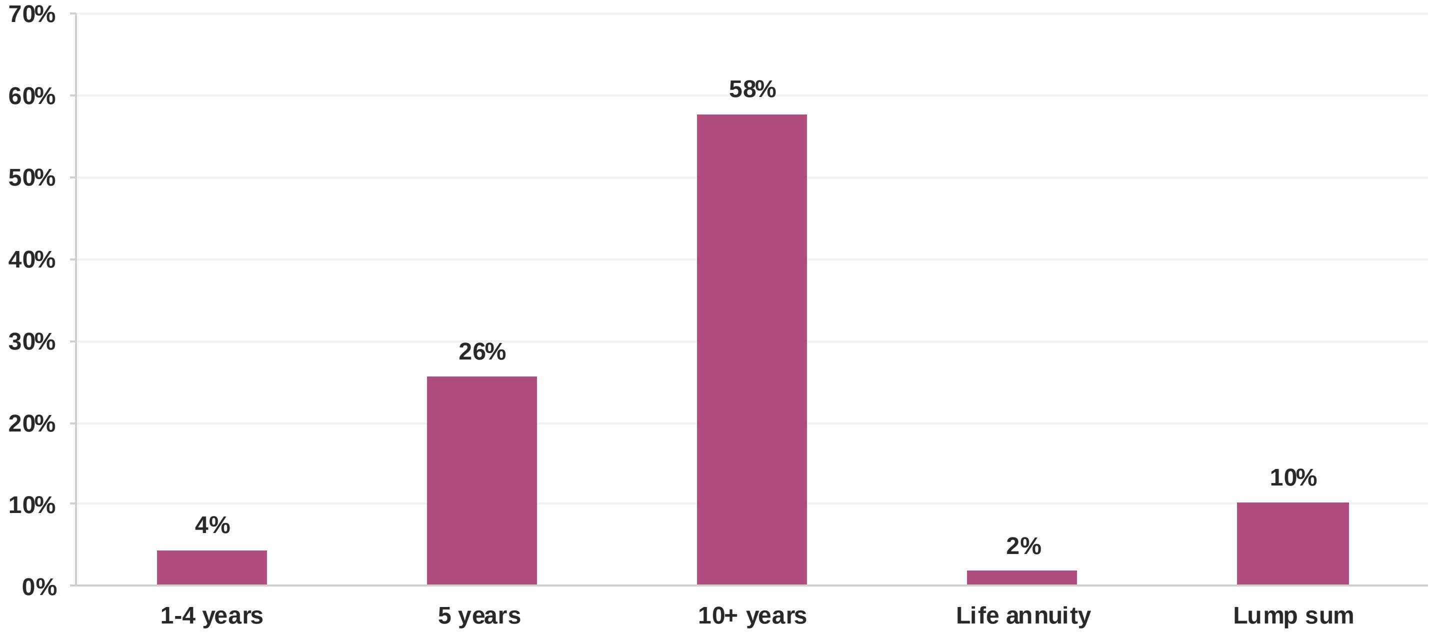
Newport Insights

One advantage of an annual installment payment from an NQDC plan is that it enables participants to receive a steady stream of income over a period of time. This can help them more effectively manage their tax liabilities and plan for their retirement needs. Another benefit is that until participants receive the payments, their NQDC accounts grow tax-deferred, which can increase the real and perceived value of their NQDC plan accounts.

An additional advantage of choosing a lump sum payment from an NQDC plan is that it provides a different kind of benefit to the participants: they gain immediate access to a sum of cash that they can use for various purposes such as paying off debt, investing in other opportunities, or making a major purchase that they have been planning for. A lump sum payment can also make their tax planning easier and less complicated, as they only have to deal with a single taxable event. Importantly, a lump sum payment also eliminates general creditor uncertainty that might jeopardize their assets. As general creditors of the company, NQDC participants are at risk along with other creditors if the company becomes insolvent or unable to pay its obligations.

Plan Design

What is the maximum period over which participants may take their specified date payments from the NQDC plan?



Survey Findings

Forty percent of respondents have a maximum of five years or less and 60% allow ten years or more.

Newport Insights

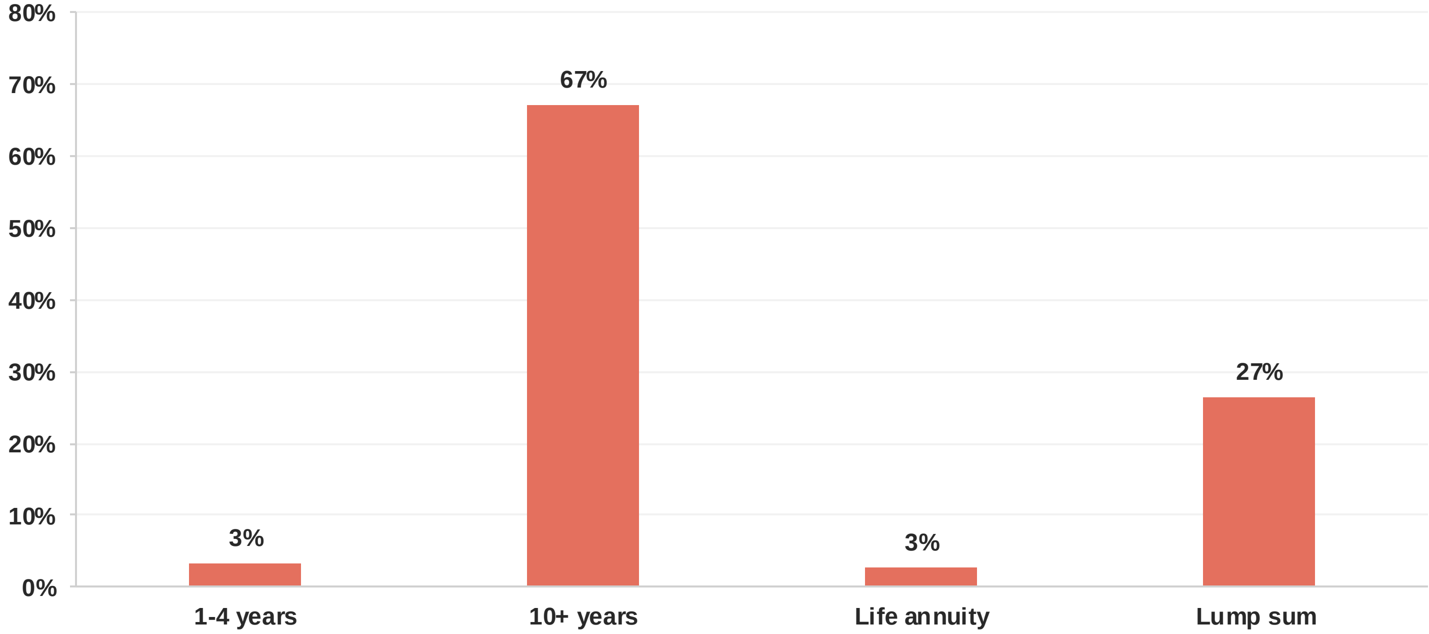
This distribution election element is a cornerstone of an effective NQDC plan strategy. By providing distribution options for specified date accounts (also known as “in-service” or “scheduled distribution” accounts), plan sponsors are providing a valuable tool for their employees to manage their pre-retirement financial planning needs.

One of the financial planning benefits of allowing two to five years of annual installments from an NQDC plan while an employee is still working is that it can help them meet specific goals or needs that arise before retirement, such as paying off debt, saving for college, or buying a house. By choosing a specified date account, participants can defer a portion of their compensation and receive it at a predetermined date in the future and over a period of a few years, regardless of their employment status. This gives them more flexibility and control over their income and taxes than a traditional retirement account.

This benefit is also an important and sometimes underutilized difference between an NQDC plan and most other retirement plans. Under IRC §409A, participants can access their NQDC plan funds before age 59 ½ without incurring the 10% early withdrawal penalty that applies to most qualified plans, such as 401(k) plans. This can be especially useful for employees who have expected pre-retirement needs and goals.

Plan Design

What is the maximum period over which participants may take their termination payments (other than for retirement, death, or disability) from the NQDC plan?



Survey Findings

Sixty-seven percent of respondents have a maximum of 10 years or more over which participants may take termination payments, while 20% have a lump sum. A few allow payments over several years.

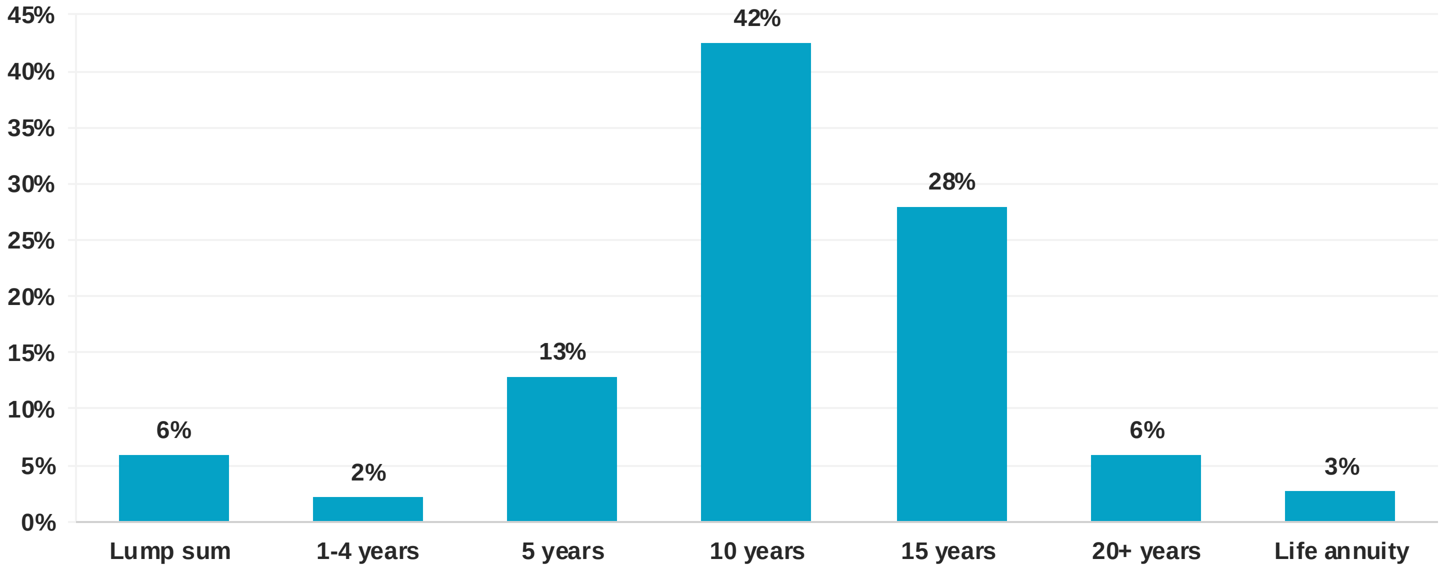
Newport Insights

When a plan includes both termination and retirement events, opting for a distribution over 10-plus years is a strategy to not be subject to source tax. However, if termination is distinct from retirement, plan sponsors tend to lean towards a lump sum payment i) to act as a deterrent to termination (i.e., retention element) due to the taxes due on such a payment and ii) for swift settlement with terminated employees.

Some plan sponsors opt to allow participants to continue to receive up to 10 or more annual installments from an NQDC plan upon a termination that is not a retirement from the company. There are a few possible reasons for this. One is to provide a competitive and attractive benefit package to their key employees, which can help retain and motivate them. Another reason is to align the interests of the company and the participant, regardless of the participant’s employment status (pre- or post-separation). A third reason is to offer some flexibility and choice to the participants, who can opt for a longer or shorter payment period based on their preferences and tax planning strategies. By allowing up to 10 annual installments, companies can sometimes better balance the interests of both the plan sponsor and the plan participants.

Plan Design

What is the maximum period for participants to take their retirement payments from the NQDC plan?



Survey Findings

Seventy-nine percent of respondents have a maximum of 10 years or more for retirement distributions, while 37% have a maximum of 15 years or more.

Newport Insights

Electing 10 or more years of benefit payments enables participants to take advantage of compounded investment income and to defer Federal and state income taxes. Additionally, according to Federal tax law, a participant who has earned deferred compensation from working in one state can avoid paying state income taxes to that state if they meet two conditions:

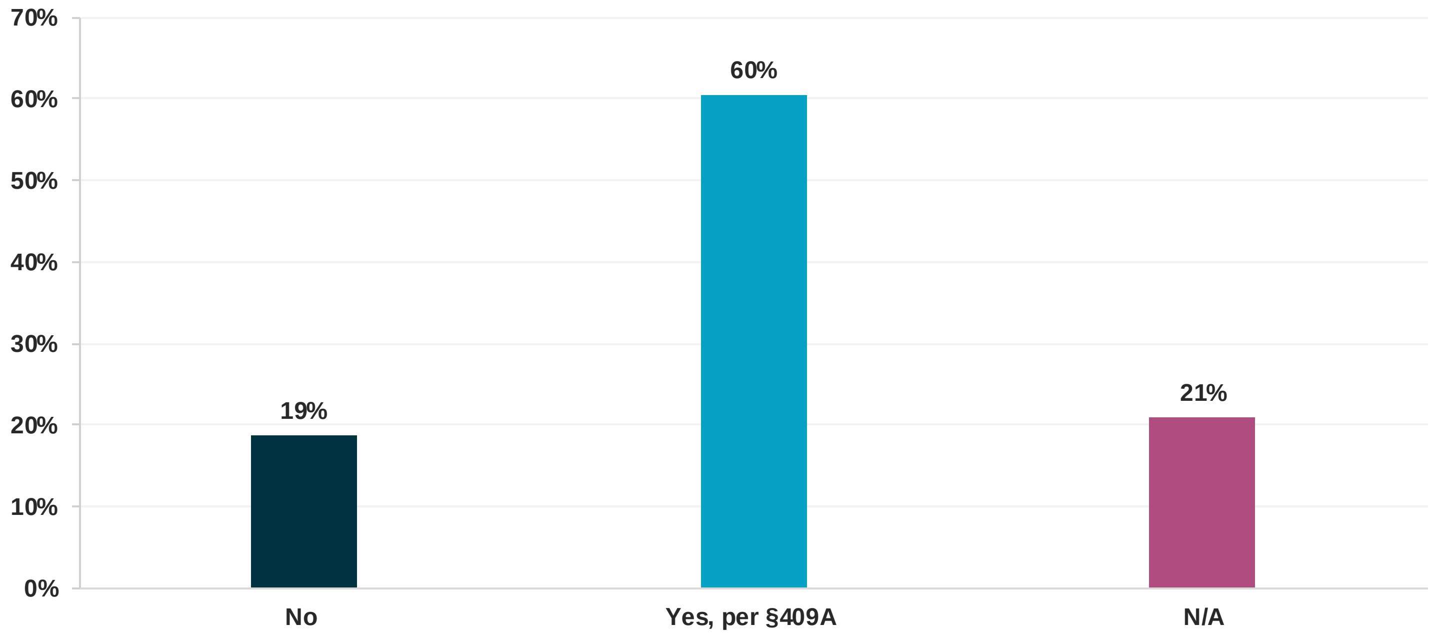
1. They receive their deferred compensation payments over a period of 10 or more years.
2. They receive their payments in substantially equal amounts each year.

If both conditions are met, they will pay state income taxes to the state where they reside during the payments.

On the other hand, one of the advantages of taking a lump sum payout from a nonqualified deferred compensation plan is that it can provide participants with greater control and flexibility over their money. A lump sum payout can enable participants to invest their money in other opportunities, such as starting a business, buying a property, or funding their children's education. A lump sum payout can also enable participants to diversify their portfolio and reduce their exposure to the financial risk of their employer. If the employer goes bankrupt or defaults on its obligations, the participants may lose all or part of their deferred compensation, since they are only unsecured general creditors of the company. This means that they have no priority or legal claim over the company's assets, and they may have to compete with other creditors for a share of the remaining funds. Therefore, taking a lump sum payout can help participants secure their financial future and avoid potential losses.

Plan Design

Are participants allowed to change their existing payment schedules?



Survey Findings

Sixty percent of respondents allow participants to change their distribution schedule per the rules under IRC §409A, while 19% do not.

Newport Insights

Unlike other tax-advantaged savings plans, nonqualified deferred compensation plans do not have rollover capabilities. Therefore, it is becoming increasingly accepted to give participants the ability to modify distribution elections as their financial planning needs change.

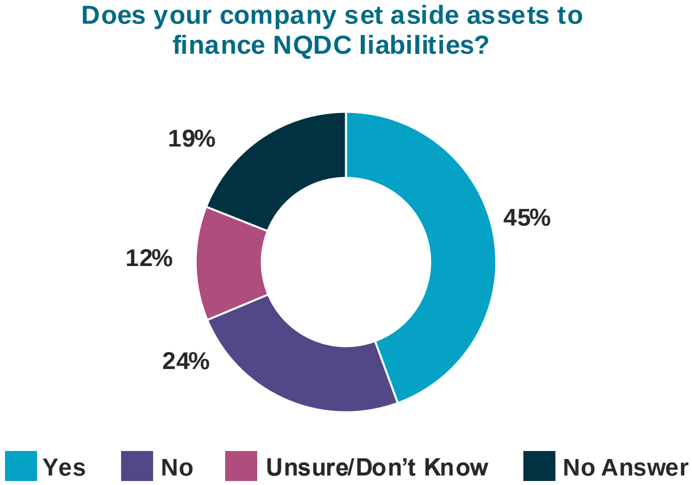
Participants use five-, 10-, and sometimes 15-year distribution periods to optimize the tax and financial advantages of NQDC plans. Contemporary plan designs incorporate distribution modification elements, and the adaptability provided by §409A gives participants more flexibility and control over their deferred income. This means that they can change the timing or form of their payments, such as receiving a lump sum instead of annual installments, or vice versa. Participants can adjust their payment schedules to meet their changing financial needs or goals, such as retirement, education, or health care expenses. However, they must follow the one-year advance notice and five-year push out requirements, which are designed to prevent abuse and manipulation of the tax rules.

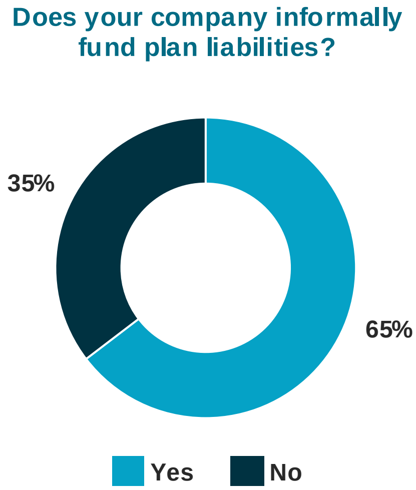
Distribution modification enhances the attractiveness and value of NQDC plans, as it enables participants to tailor their deferred income to their personal circumstances and preferences.

Plan Financing and Benefit Security

Plan Financing and Benefit Security

Does your company currently set aside participant deferrals or assets in a trust (or otherwise) to finance its nonqualified plan liabilities? This is often called informal funding and is not "ERISA funding."





Survey Findings

Among all respondents, 64% of NQDC plan sponsors indicated they set aside assets to finance their plan liabilities. This is down slightly from 71% in the 2022 survey.

However, considering only respondents with annual revenue less than $20 billion, the percentage increases to 70% — about the same as in 2022.

Newport Insights

With the pandemic several years behind us, plan financing is returning to a pre-COVID traditional profile where mega companies may fund less because they are so large, and their deferred compensation liability is relatively small.

Companies set aside assets to fund their NQDC plan liabilities for three reasons:

- Better manage and hedge the impact of the plan expense
- Ensure availability of assets for future participant benefit payments
- Provide an enhanced level of benefit security to plan participants

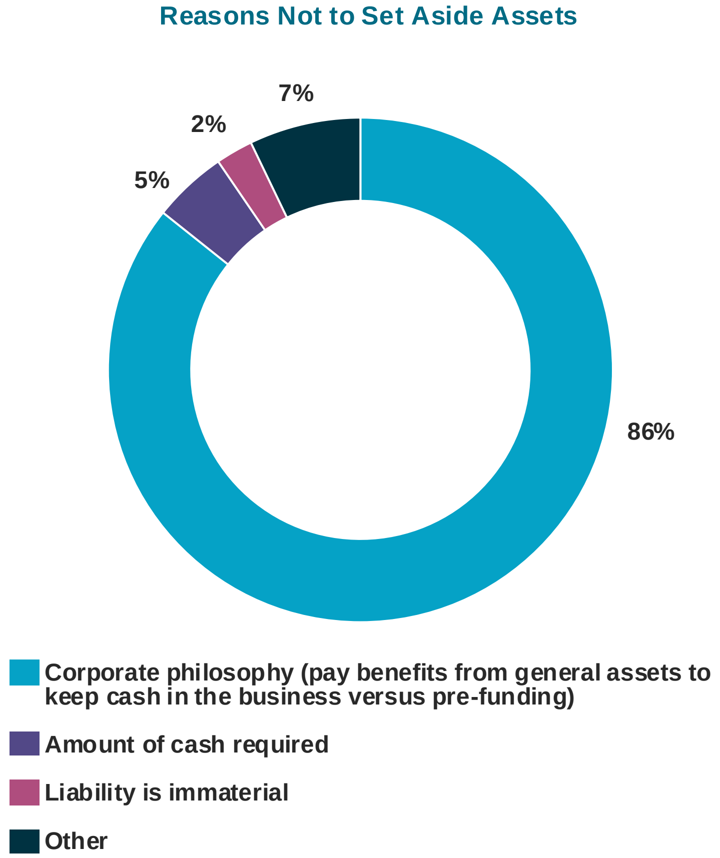
For large, medium, and smaller companies, it is essential to set aside funds to meet these liabilities to i) offset their P&L and balance sheet impacts, ii) give participants a sense of benefit security, and iii) have a funding source for paying future benefits.

The return of plan financing to historical norms reflects:

- Relatively strong business conditions
- Continued growth and volatility of financial markets
- Need to increase participant benefit security

Plan Financing and Benefit Security

What is the primary reason your company does not set aside assets to finance its NQDC? (Answered only by those who did not set aside assets.)



Survey Findings

Among companies that do not informally fund their NQDC plan liabilities, 86% choose not to because of corporate philosophy. Only 5% of respondents cited the amount of cash required as the primary reason for not funding, and 2% cited immateriality as the reason for not setting aside any assets.

Newport Insights

These findings remained steady across all company sizes above $1 billion in revenue.

Among companies with less than $1 billion in revenue, 60% said corporate philosophy was the reason they do not set aside assets to fund the NQDC plan, while 20% named an immaterial liability and another 20% responded “other”—with the latter primarily related to having a frozen plan.

Interestingly, the size of the plan liability did not matter to respondents; they all answered that corporate philosophy was the primary reason they did not informally fund. However, of the few that gave other reasons, none reported knowing the size of the liability.

Plan Financing and Benefit Security

Please rank the following reasons why your company sets aside assets to finance its NQDC plan in order of importance.

	1	2	3
Source of funds	39%	46%	15%
Improve benefit security	38%	29%	33%
Mitigate P&L	23%	25%	52%

Survey Findings

This year, the top three reasons companies set aside assets to fund the NQDC plan differ significantly from the 2022 survey. In 2022, for the first time in several years—and perhaps as a reflection of the global pandemic—the number one reason was to improve participant benefit security, followed by mitigate earnings impact.

Instead, the 2024 responses have turned the 2022 responses entirely on their head:

1. Source of funds for payments to participants is now the primary reason for funding, moving up from the 2022 bottom spot.
2. Improve participant benefit security is in the second position, dropping from the top spot in 2022.
3. Mitigate earnings impact has moved into third place.

2024 NQDC TREND WATCH

We believe this year's results continue a trend to focus on participants.

Newport Insights

Until the 2022 survey, we had noted that most companies' primary financing objective was to eliminate or mitigate unnecessary exposure to their financial statements or net worth. Additionally, for market based NQDC plans, most plan sponsors chose to set aside assets to eliminate the impact to their financial statements.

Typically, a secondary reason was improving participant benefit security. (While setting aside assets does not eliminate the credit exposure that employees have as participants in these plans, segregated assets provide a source of liquidity to make benefit payments and give participants some confidence that management is prudently managing its benefit obligations.)

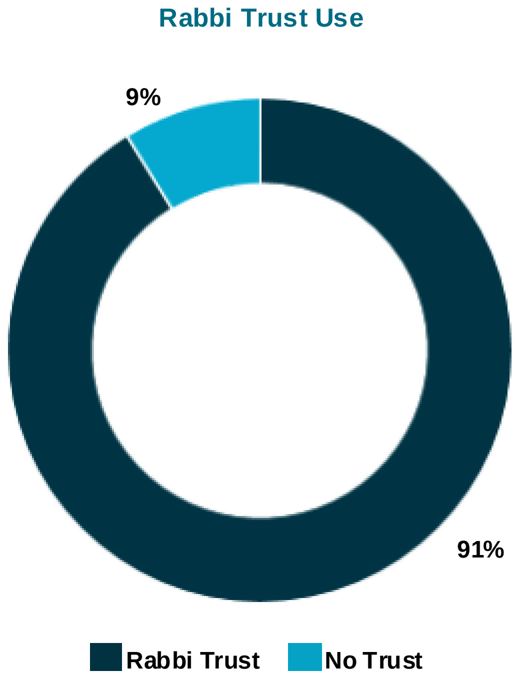
But in the 2022 survey, as the world began to emerge from the pandemic, we saw an increased focus on helping participants feel secure about the state of the plan.

This year, we see a continued focus on participants by improving their benefit security and ensuring there is a funding source from which to make future benefit payments to them.

In light of the current competitive environment for executive talent, we conclude that this strong emphasis on having a funding source and benefit security for participants comes from employers recognizing both the importance of demonstrating that they care about employees and the power of the NQDC plan to help attract and retain key talent.

Plan Financing and Benefit Security

Does your company use a grantor (or rabbi) trust to hold assets?



Survey Findings

Rabbi trusts remain the most common form of benefit security used by NQDC plans. Of companies that set aside assets, an extremely high percentage (91%) of them use a trust to hold those assets in the 2024 survey, up from 71% in the 2022 survey.

Newport Insights

There are three essential reasons for the high prevalence of trusts (rabbi trusts, in particular) used for NQDC plan financing.

1. They are a low-cost option.
2. They are well-tested.
3. There is a lack of feasible alternatives.

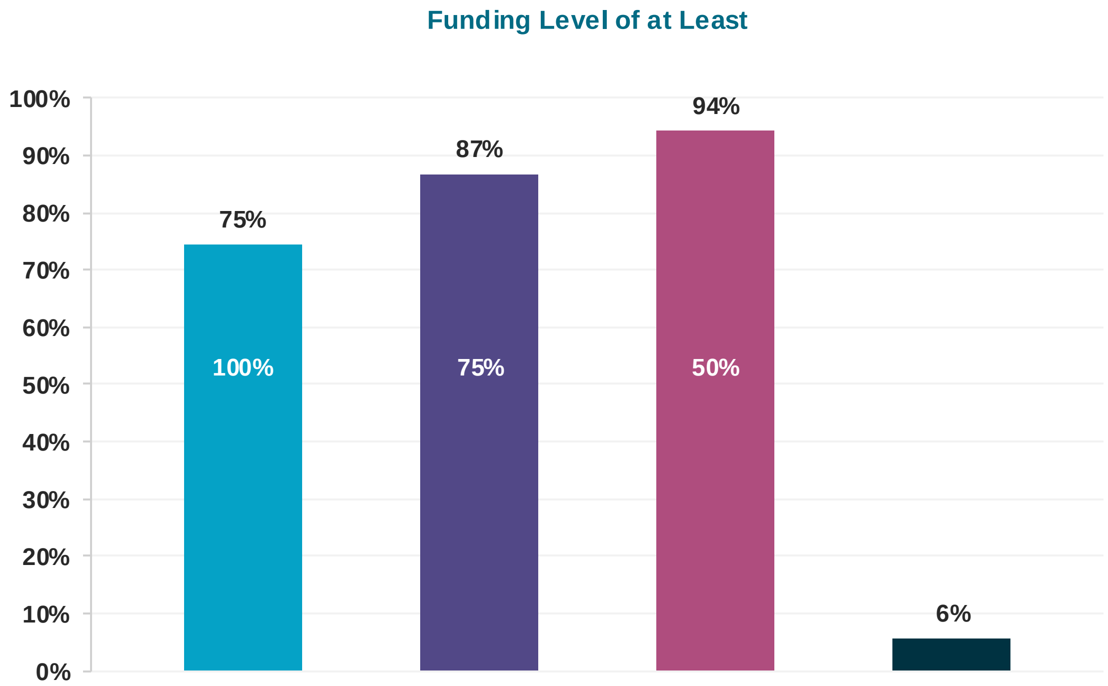
Rabbi trusts do not protect from creditor risk, but they do provide plan participants with benefit protection against a change of heart or change in control. The IRS has provided guidance on rabbi trusts, including Revenue Procedure 92-64, in which it offers a "model" grantor (rabbi) trust. That Revenue Procedure represents 32 years of industry practice with rabbi trusts. Additionally, the cost of adding a rabbi trust is relatively modest.

Other trust structures, such as secular trusts, have some benefits, but while participants may gain comprehensive benefit protection, they generally lose the critical tax benefits of the NQDC plan.

Plan Financing and Benefit Security

Approximately what percentage of the NQDC plan liability is informally funded with company or trust assets?

Fund at Least	100%	75%	50%	Less Than 50%
	75%	87%	94%	6%



Survey Findings

Of the respondents who informally funded their NQDC plans, 87% funded at least 75% of plan liabilities, while 75% of companies informally fund 100% or more of pre-tax liabilities.

Newport Insights

The high funding levels of plans reinforces the idea that companies are very focused on attracting and retaining executive talent. Further, they want executives to know their plans are well-funded and use a rabbi trust to make them as secure as possible.

Plan Financing and Benefit Security

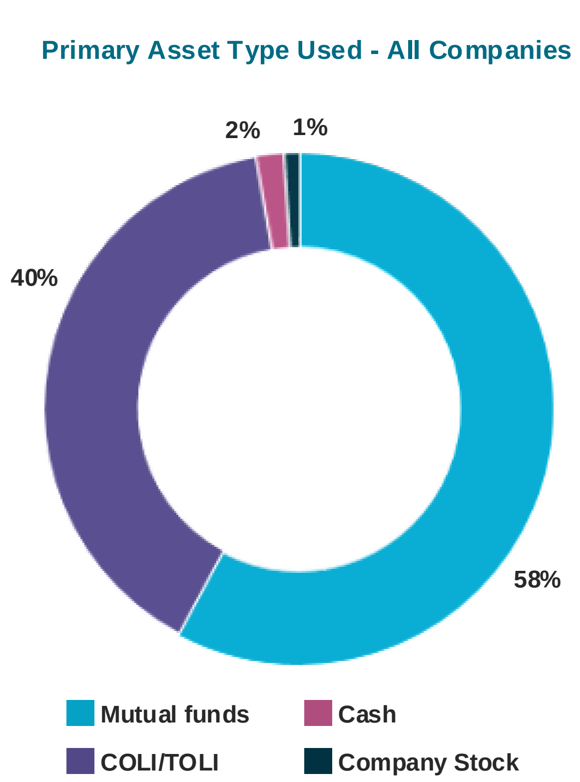
What is the primary asset your company sets aside? (Check only the primary asset type.)

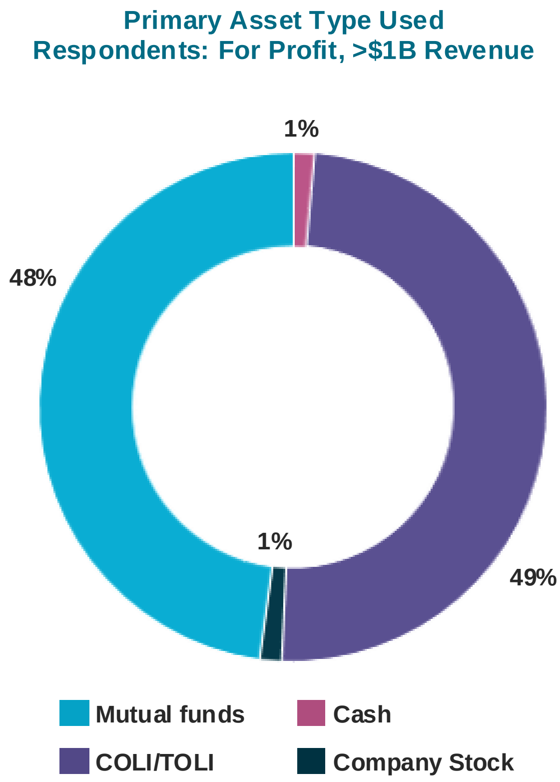
For the last 45+ years, companies have generally used one of two primary funding vehicles to finance their NQDC plan liabilities: company-owned or trust-owned life insurance (COLI/TOLI) or mutual funds.

The selection of an asset type is based on its fit to the company's characteristics and goals. Generally, mutual funds offer a low-cost approach to multiple investment options. COLI provides opportunities for tax-advantaged asset growth, and specialty funds are often not available as mutual funds.

Today, consultants and companies recognize that both mutual funds and COLI/TOLI potentially have a place in financing deferred compensation arrangements--and are increasingly using a combination of the two.

Because companies understand the benefits of this pairing, we consider both the primary and the aggregate assets used in funding in this and the next question.





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Plan Financing and Benefit Security

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Survey Findings

Mutual funds are the asset type chosen most often by respondents and are a simplistic “go-to” for most funding situations. In contrast, COLI may be a better fit for situations that can use a tax advantage, a stable-value type fund, or life insurance coverage for participants.

For that reason, when considering all companies, mutual funds are the more common choice, at nearly 58% prevalence versus COLI’s nearly 48%.

However, when considering for-profit companies with revenues over $1 billion, COLI takes the edge at 49% prevalence versus mutual funds at 48%.

Newport Insights

Assets used to finance plan liabilities are always owned by the plan sponsor and taxed as income at the organizational level. Tax-exempt companies will more often use mutual funds, while tax-paying companies often use COLI.

There are multiple types of COLI. Variable COLI can be simply described as mutual funds inside a life insurance contract and combines some of the best features of both arrangements. The COLI used to finance NQDC plans is an institutionally priced insurance contract that uses advantageous key person mortality tables.

To determine asset fit, companies' economic equations are often based on the short-term and long-term taxable income for any mutual fund versus the net insurance cost associated with COLI.

Assuming the plan and participants have long-term investment gains, and the company is paying federal income taxes, gains in after-tax yield and internal rate of return are typically advantageous to COLI when compared with similar investments.

2024 NQDC TREND WATCH

In the last survey, we noted an emerging trend that continues to grow—companies are using a combination of COLI and mutual funds. This trend has developed as plan sponsors have become aware that top-tier recordkeepers specializing in the NQDC market can oversee and manage multiple trust funding types. This enables a company to optimize the use of mutual funds for low-cost, short-term financing and liquidity, while COLI’s tax-advantages fit well with long-term “high-tax” asset growth. The pairing of COLI and mutual funds can create a financing strategy with a high degree of tax efficiency and effective cash flow management.

Plan Financing and Benefit Security

What are all the types of assets your company has set aside? (Check all that apply)*

	All Companies	>$1B, For Profit
COLI/TOLI	43%	54%
Mutual funds	67%	61%
Company stock	5%	5%
Other	5%	6%
COLI and mutual funds	12%	18%

**Responses that did not indicate a type of asset are excluded from this data set.*

Survey Findings

This year's survey results show that mutual funds and COLI remain the assets of choice for financing NQDC plans. Forty-three percent of all companies and 54% of large for-profit companies (annual revenue greater than $1 billion) use COLI as a NQDC financing asset. Mutual fund utilization is slightly higher at 67% of all companies and 61% of larger companies. Increasingly, employers are using a combination of asset types to fund their rabbi trusts. A combination of COLI and mutual funds is used by 12% of all companies and by 18% of large companies.

Many plan sponsors that include company stock in their investment choices for participants often have a rabbi trust provision that triggers the movement of stock to the trust upon a "potential change in control." Placing stock in the trust before the change in control means participants have assurance that shares representing their holdings are properly exchanged or purchased by the potential acquirer, thereby ensuring the trust has the appropriate assets to pay participant benefits when they become due. If an actual change in control does not happen in a specified time (typically two to three years), the stock is moved out of the rabbi trust and back to treasury.

Newport Insights

COLI and mutual funds continue to be the assets of choice by a wide margin. These two choices provide real assets to meet eventual benefit distributions, and they offset P&L and balance sheet costs. Additionally, we see their combined use about 18% of the time, and we anticipate this combined usage will continue to grow—as a way to diversify assets and optimize overall plan-related funding.

While some companies may still have biases against one type of funding or another, as of 2024, both mutual funds and COLI have been used in modern deferral plans—those that have menu and payment options—for three decades.

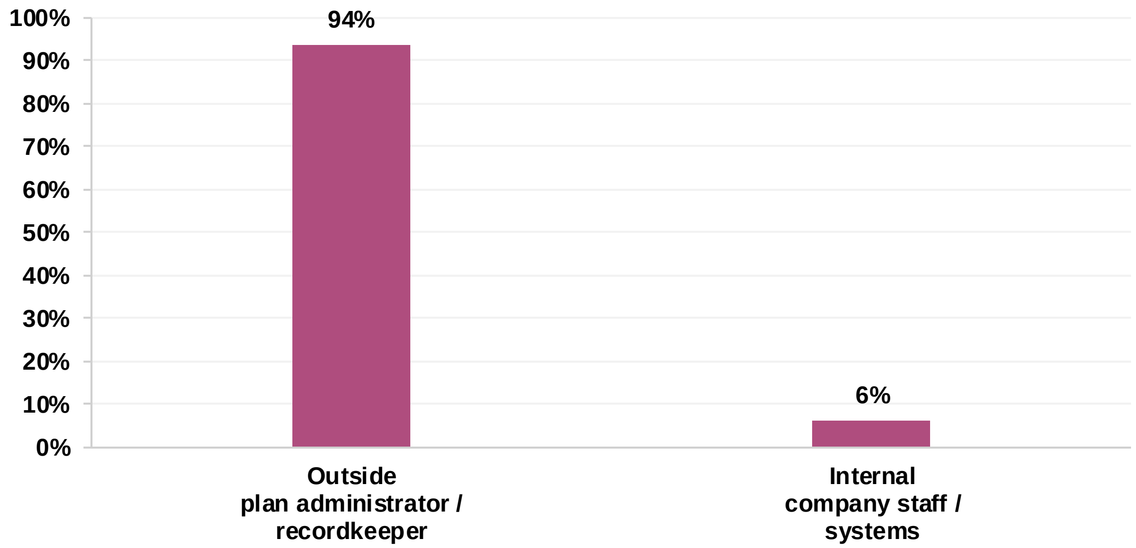
For companies without positive experience optimizing and diversifying plan-related assets, we often find the issue is more related to an inexperienced advisor or recordkeeper than it is to the asset choice.

Administration and Communication

Administration and Communication

Day-to-Day Plan Administration

How is the plan recordkeeping managed?



Survey Findings

As in past years, a vast majority of companies (94%) outsource their day-to-day NQDC plan administration. This percentage has continued to rise over the last several surveys. Today, few companies rely on internal staff to completely manage their plans.

Newport Insights

With the advent of Internal Revenue Code (IRC) §409A and the increasing number of transactions occurring within an NQDC plan (deferrals, distributions, election changes, etc.), plan sponsors are concerned about the risks associated with plan administration. Companies may be liable to their key employees for any tax and interest penalties potentially owed in the event of an IRC §409A violation.

Outsourcing to a dedicated, knowledgeable NQDC administrator can mitigate these risks and provides access to digital and participant communication features and resources that may be difficult for self-administered plans to create. Plan outsourcing increases participants' access to information and tools that can support their retirement readiness and leverages the employer's HR and finance teams.

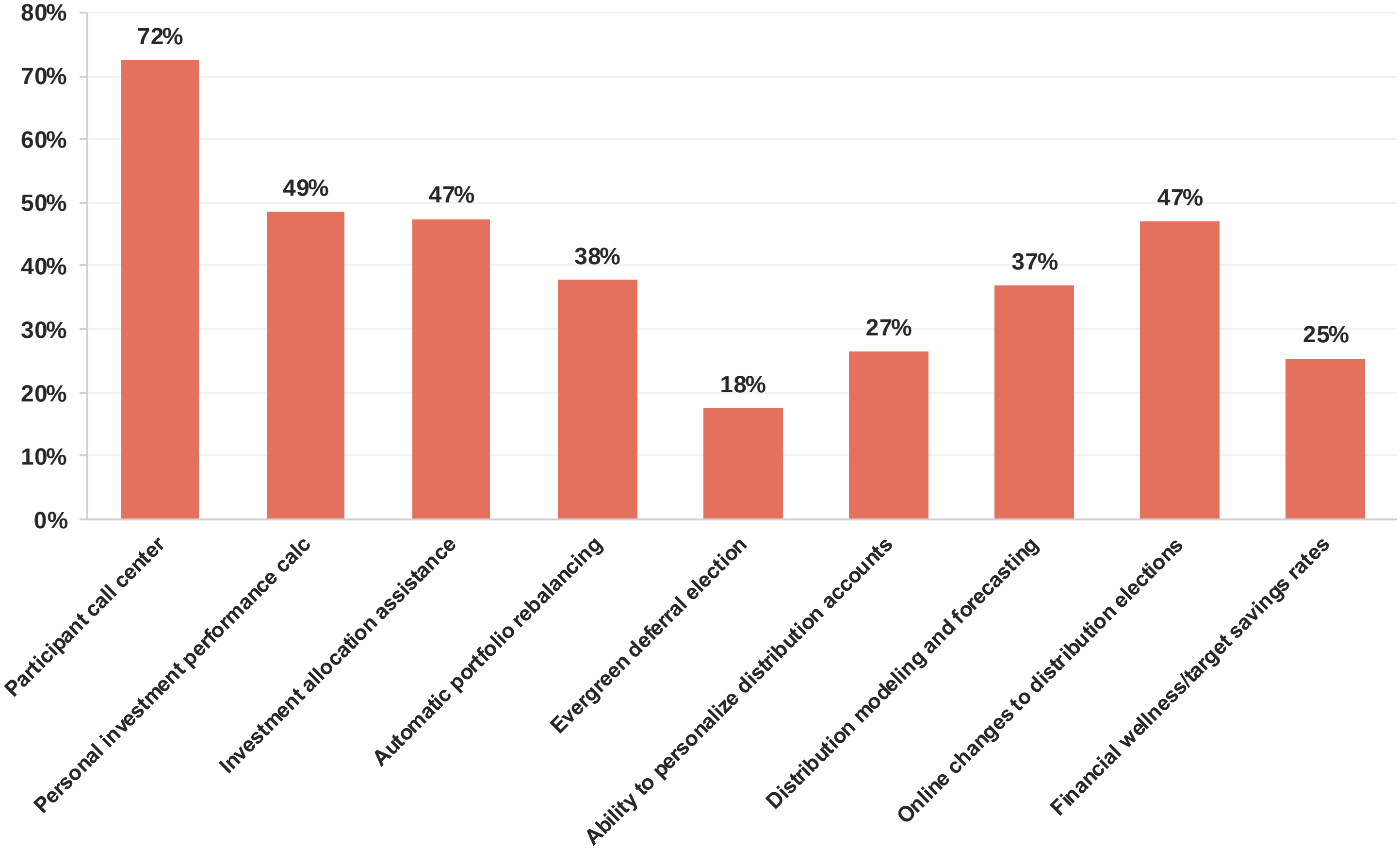
Among the key advantages that are most easily gained through outsourcing are:

- Corporate financial reporting
- Investment consulting
- Customized nonqualified communications and education
- Participant call center—specializing in nonqualified plans
- IRC §409A risk mitigation/support
- NQDC-specific participant website
- NQDC multi-disciplined client service team
- Consulting/legal support

Administration and Communication

Plan Sponsor and Participant: Administrative Features

What tools/features does your NQDC plan administration system provide? (Check all that apply)



Survey Findings

Although 72% of NQDC plans have a participant call center, many features typically associated with qualified plans are underutilized; in fact, none of the other features often seen in qualified plans are used more than 50% of the time.

Newport Insights

In today's highly competitive employee market for talent, a simple strategy to improve recruiting and retention for executives and other key employees is to add certain essential, yet cost-effective, features to increase the appeal and usefulness of the deferred compensation program.

Continued on next page.

Administration and Communication

Plan Sponsor and Participant: Administrative Features

Continued from previous page.

Newport Insights

Plan Administration Features	Examples	Participant and Plan Sponsor Benefits
Improve plan sponsor reporting	• Plan sponsor dashboards	• Provide real-time data on plan balances, investment performance, participation rates, contribution levels, and asset allocation
	• Corporate financial reporting	• Help accounting and finance departments budget and account for their NQDC plans
	• Benchmarking reports	• Compare plan features to industry best practices and identify areas for improvement
Help participants stay on track to meet their retirement goals	• Target savings rate	• Helps participants set goals for how much they need to save to achieve their desired income in retirement and take advantage of the tax benefits offered by the NQDC plan
	• Personal investment performance calculation	• Enables participants to see how their accounts have performed and can help them evaluate their investment strategy, compare their performance with benchmarks, and make informed decisions about their future deferrals
	• Distribution modeling and forecasting	• Enables participants to visualize their cash flow in different scenarios
	• Online changes to distribution elections	• Online elections are faster, easier, and more secure than paper elections and reduce the risk of errors, delays, or lost documents that can occur with paper elections
Simplify retirement planning and make it easy to fine-tune participants' investment strategy	• Investment allocation assistance	• Enables participants to optimize their asset allocation and diversification based on their risk tolerance and time horizon
	• Automatic portfolio rebalancing	• Reduces the risk of drift and deviation from the target asset allocation
	• Financial wellness	• Evaluates participants' overall financial health and well-being, and identifies areas of strength and for improvement
Ensure plan services are specific to nonqualified plans	• Customized plan communication materials	• Participants receive timely, relevant information
	• Knowledgeable NQ service team	• Expert §409A resources are available
	• NQ-specific participant call center	• Participant questions are answered timely and accurately by professionals who are well-versed in NQ plan details and nuances. Reduces burden on HR staff.

Companies and NQDC plans that include these features will help their participants manage their deferred compensation accounts more effectively and efficiently. These tools also enable participants to incorporate deferred compensation into their personal investment strategies more efficiently and to work more seamlessly with their advisors.

The cost of such features is relatively low, but they can improve participants' ease and financial confidence, which may in turn drive higher engagement and satisfaction with the plan.

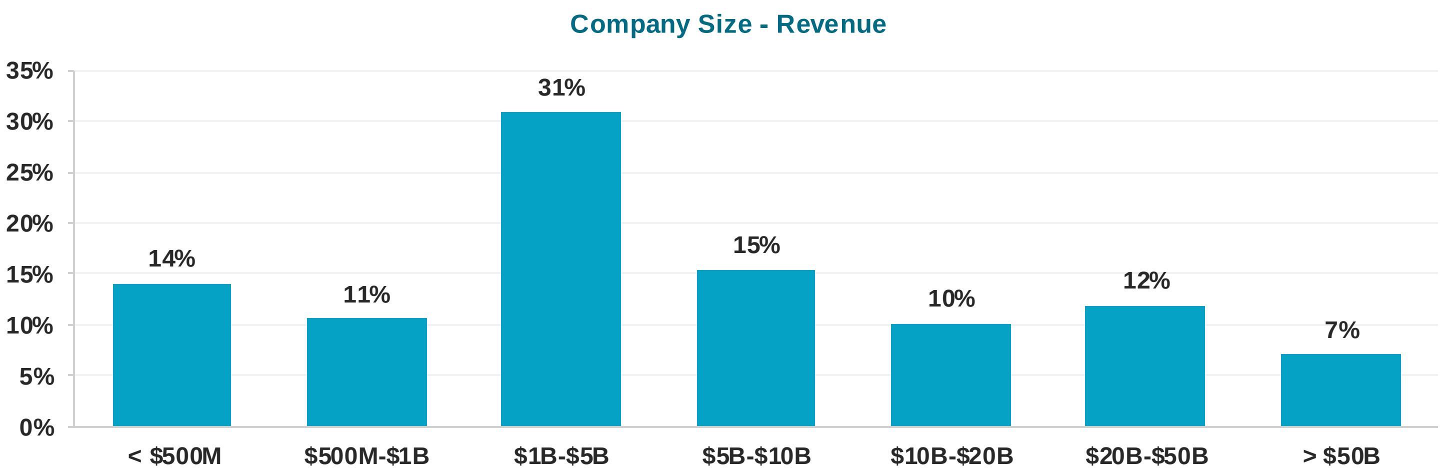
Survey Information and Company Demographics

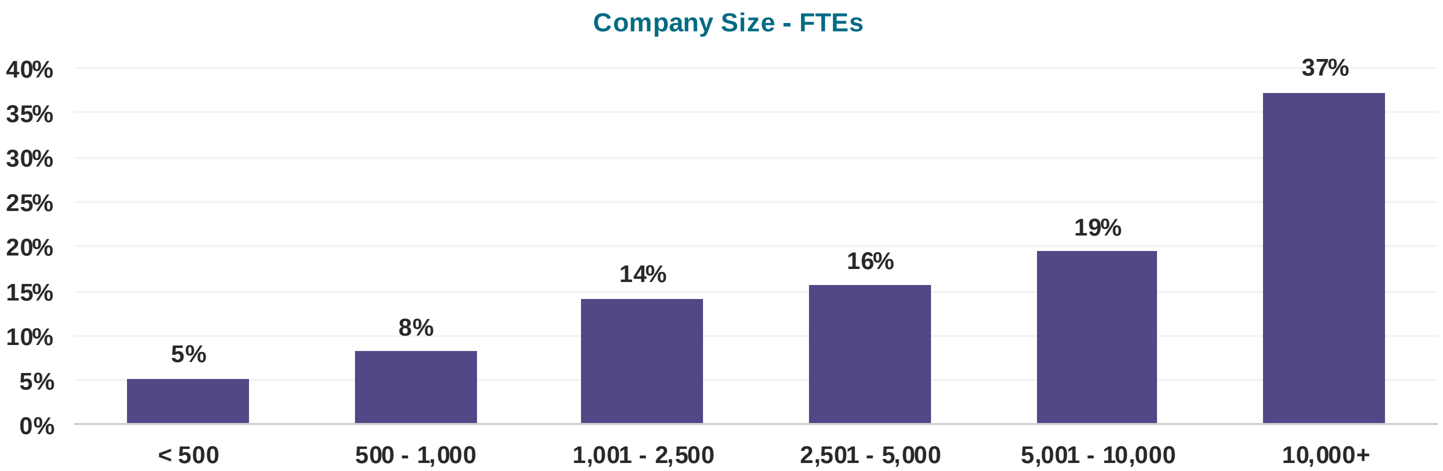
Survey Information and Company Demographics

The 2024 Newport/PLANSPONSOR Nonqualified Deferred Compensation Plan Trends Survey was distributed to plan sponsors by PLANSPONSOR's research team in March 2024.

Data was collected from 268 company respondents in March and April. Following is general company information for this year's survey respondents.

Company Size – Revenue and Full-Time Employees (FTEs)





Survey Findings

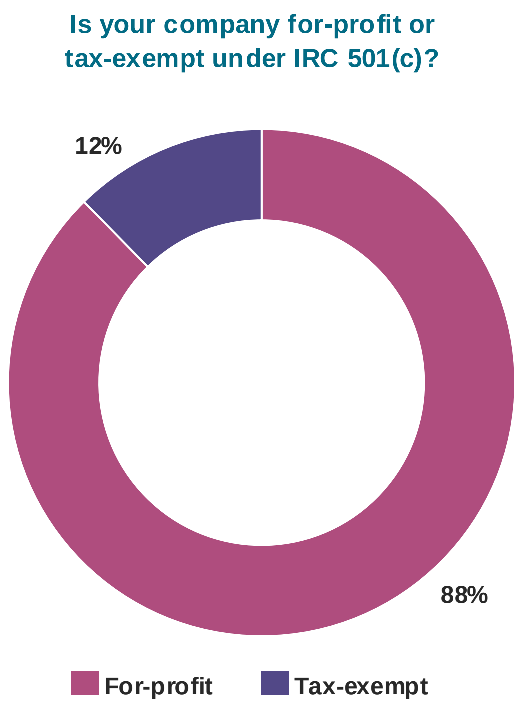
Over the past two years, we have seen a trend toward greater interest in NQDC plans from mid-sized and large companies. In 2024, the company demographics of survey respondents reflect this trend more than in past years."

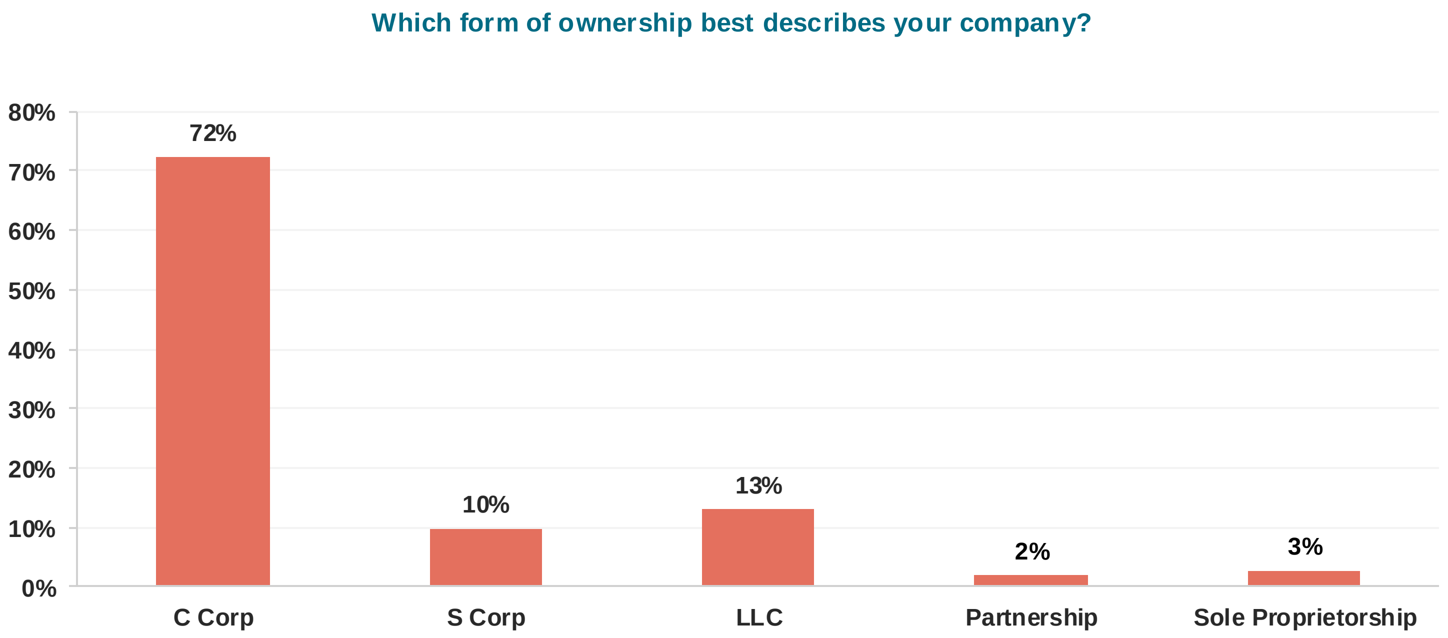
Eighty-five percent of companies reported greater than $1 billion in annual revenue and almost 30% reported annual revenue greater than $10 billion. On the smaller end of the spectrum, 14% of company respondents have less than $500 million of annual revenue.

Among larger companies, 56% of respondents reported more than 5,000 FTEs and 87% have more than 1,000 FTEs.

Company Structure

The survey asked plan sponsors the following questions about company structure and ownership.





Industries

Which industry (or industries) best describes your organization's primary business?

Survey Findings

Companies from 46 different industries responded to the 2024 survey. The greatest concentration of respondents came from these five industries:

1. Manufacturing – Consumer Products (9%)
2. Manufacturing – Industrials (9%)
3. Technology (7%)
4. Computers and Software (7%)
5. Insurance / Reinsurance (7%)

This year, four new industries are represented in the survey responses:

1. Childcare Services
2. Environmental and Waste Services
3. Financial Technology (Fintech)
4. Renewable Energy

Industries

Accounting and Audit Services
Advertising and Marketing
Aerospace and Defense
Architecture
Automotive
Banking
Beer, Wine, and Spirits
Building, Construction, and Contracting
Business Services
Chemicals
Childcare Services
Computers and Software
Consulting
Education
Engineering
Entertainment and Hospitality
Environmental and Waste Services
Financial Services
Financial Technology (Fintech)
Government Public Works
Government Contracting
Health and Wellness
Healthcare Technology
Hospital / Healthcare Organization
Hotels and Gaming
Insurance and Reinsurance
Law Firm
Manufacturing - Consumer Products
Manufacturing - Industrial
Media, Communications, and Publishing
Medical Devices and Research
Nonprofit Organization - Endowments and Foundations
Oil, Gas, and Energy
Pharmaceuticals
Real Estate
Renewable Energy
Restaurant
Retail
Staffing Services and Executive Search
Technology
Telecommunications
Transportation
Travel
Utilities
Wholesale Distribution

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For more than 30 years, we've been educating retirement benefits decisionmakers through accurate and objective reporting, comprehensive research and educational events featuring leading experts.

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Data Source: 2024 Newport/*PLANSPONSOR* NQDC Trends Survey.

Contact Information

For questions about the data and analysis in this survey report, or about Newport's nonqualified plan services and financial solutions, please contact us.

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