Newport / PLANSPONSOR Executive Benefits Survey

2022 Edition

NEWPORT™
an ASCENSUS company

Contents

Interested in seeing more of Newport's nonqualified deferred compensation (NQDC) resources? Click here.

Executive Summary: *Newport Insights*

TikTok, Tesla, and NQDC Plans

In the worlds of technology, music, and fashion, change comes faster than an EV and captures the public's attention like the latest viral video. Shifts in workplace benefits, while more subtle, are no less important because they directly impact the nation's workforce.

New trends and exciting innovations are happening all around us—from entertainment to electric vehicles, as well as employee benefits. Nonqualified deferred compensation (NQDC) plans have also seen several interesting, new developments, according to key findings from the **2022 Newport / PLANSPONSOR Executive Benefits Survey**, one of the industry's most comprehensive reports about this important type of employee benefit plan.

Newport, the nation's largest independent nonqualified provider, and PLANSPONSOR magazine, the retirement industry's leading publication, partnered to ask employers about all aspects of their NQDC plans—from design and the participant experience to financing strategies and more. We also asked them what changes they were making or anticipating due to today's economic, social, and employee concerns.

Is the Grass Really Greener?

A little over two years ago, the number one concern facing employers who sponsor an NQDC plan was how to better communicate with and educate employees who are eligible to participate in the plan. While still a major concern, a more urgent and pressing need has arisen: *How do we keep key people from seeking greener pastures for what appear to be better compensation and benefits packages?*

In the past 18-24 months, the workforce community has seen several new developments that impact the employer/employee dynamic, including:

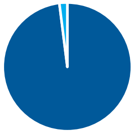
- An abundance of easily attainable compensation data
- The proliferation of remote working
- Advancements in interpersonal communication technology (Zoom, Microsoft Teams, etc.)

As a result, the job negotiating scales have tipped in favor of the employee.

Employers now need more creative ways to attract key talent and motivate them to stay in their positions. Many employers are realizing that their existing NQDC plans may be the answer to some of their recruiting and retention questions. While 98% of companies surveyed indicated that they offer an NQDC plan, many have not historically used it for much more than traditional voluntary employee deferrals and standard 401(k)-type matching contributions.

98%

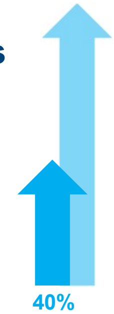
of surveyed companies currently offer an NQDC plan



This year's NQDC Survey shows a fundamental shift, with **42% of employers using their nonqualified plan to help them with the challenging task of attracting senior managers away from competitors and keeping key talent**. These companies are offering a discretionary or incentive company contribution for a select number of their plan's participants. This percentage is up significantly from prior surveys and demonstrates a real interest and effort on the part of employers and their financial advisors to address recruiting and retention issues.

42%

of companies have (or plan to add) a discretionary company contribution to their NQDC plan



In addition, during these evolving workplace conditions, many companies have decided to take a harder look at plan design features, with a particular emphasis on making their NQDC plans more participant friendly. Of the companies that are contemplating changes to their plans over the next 24 months, 29% responded that they would like to **improve the distribution choices that are available to participants,** including in-service and retirement payout options and **review and enhance the investment menu**.

"Change, Before You Have To" – Jack Welch

Former CEO of GE Jack Welch knew the importance of actively and constantly evolving a business to stay competitive. The same philosophy applies to nonqualified plans. Knowing the latest trends can help employers and their financial advisors modify and update these plans to better react and adapt to the challenges facing employers today.

The good news is that this year's **Newport / PLANSPONSOR Executive Benefits Survey** results show that employers and their advisors are accepting this challenge by collaborating and implementing new strategies to evolve their plans and address the demands of the current workplace environment.

Newport is also working with its clients and advisor partners to develop new, creative ways to address these needs and improve the plan experience for the employer and its employees alike. Newport completed its merger with Ascensus earlier this year, making us the largest independent provider of tax-advantaged plans for our nation's savers. We are committed to continue being a leading voice and resource for our clients and advisor partners—particularly in the nonqualified marketplace.

The **2022 Newport / PLANSPONSOR Executive Benefits Survey** is a confirmation of our leadership and ongoing efforts to improve what we collectively deliver to the retirement plan community. Our hope is that these findings continue to support employers, committees, and their advisors with meaningful information and new approaches to making NQDC plans as useful as possible—helping solve the many challenges facing plan sponsors and their participants.

Most importantly, we wish to sincerely thank all the plan sponsors who took their valuable time to provide company-specific and NQDC plan information to make this year's survey possible.

Key Survey Findings

Through the NQDC survey responses, Newport and PLANSPONSOR uncovered trends and themes for employers and their advisors within the different components of NQDC plans, including plan prevalence, eligibility determination, company contributions, distribution payment options, financing vehicles, participant communication, and plan administration. Their responses and our analysis are included in the full report.

The following are a few of the key findings of and Newport's insights into this year's survey.

Retaining and Recruiting Talent

- In a switch from previous years' survey results, but consistent with this year's theme, the number one ranked goal in 2022 for employers for their NQDC plans is retaining and attracting senior manager / executive talent. This is the first time for this survey that we have seen this objective ranked this high by plan sponsors.

- NQDC plans continue to be effective at allowing employers to be competitive with their peers.

Prevalence, Plan Design, and Investment Options

- Newport has seen a substantial increase over prior years in the number of new nonqualified plans being implemented for small and mid-sized companies ($100 million of revenue). This trend of offering an NQDC plan has continued among plan sponsors in order for them to stay competitive and ahead of the compensation and benefits curve.

- Eligible compensation levels have changed slightly from previous years' surveys. As we anticipated for the near term, the minimum compensation level for NQDC eligibility has slowly increased this year. Only 20% of plan sponsors reported a minimum of less than $150,000 (as opposed to 29% reporting a $150,000 minimum in 2020).

- An important employee deferral feature of many NQDC plans is the 401(k)-refund deferral. 20% of companies are reporting nondiscrimination testing issues for their highly compensated employees (HCEs) in the past three years (up from 16% in 2020). Many nonqualified plans allow for a deferral of any 401(k) deferral refunds to offset the lost pre-tax deferral.

- Company contributions are highly effective at involving participants in the plan and increasing the rate of active participation. Discretionary contributions are used by 26% of companies and are being considered this year by another 16% of companies.

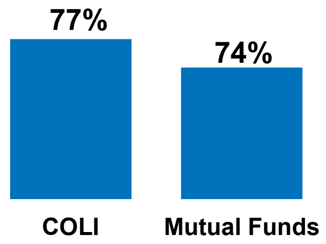
- An "auto-enrollment" feature is another interesting plan design/education twist whereby dollars are contributed to a participant's account in an effort to introduce and engage the participant in the deferral plan. This approach is possibly best used by companies with younger NQDC populations and firms that are having nondiscrimination testing issues.

- Over the past 10-15 years, new NQDC plans have steadily moved toward daily valued variable rate plans with a diversified lineup of investment choices. In this year's survey, more than two-thirds of companies responded that their NQDC plan had a 401(k)-type investment menu. Similarly, the number of funds offered to participants is roughly what is expected in a well-constructed menu, with most plan sponsors offering between 10-19 investment funds.

Plan Financing

- A vital component of all NQDC plans is the financing strategy. Use a rabbi trust? Tax-manage the assets with corporate-owned life insurance (COLI)? These decisions impact both participants (benefit security) and the company (earnings and tax impact). The available financing strategies have not changed from previous years, but there are new trends emerging in this year's survey results.

- The most important trend and survey result is that plan sponsors are more often using COLI at a higher rate than in year's past. They are also using a combination of COLI and mutual funds as they become aware that TPAs that specialize in the NQDC market with ALM services can handle and manage multiple funding types.



Plan Administration

- Virtually all plan sponsors now outsource their plan management to a third-party administrator (TPA). There is such a high degree of customization, flexibility, and IRC §409A risk mitigation needed for NQDC plan recordkeeping and administration that self-administered NQDC plans are not a viable option any longer.

Participant Communication

- Participant communication and plan education remain one of the most discussed and greatest focus areas for plans. Customized communications (including email campaigns, one-on-one meetings, and on-demand videos) are more prevalent now as plan sponsors and advisors look for ways to better meet participants' needs.

- Over the past few years, plan sponsors, advisors, and their administrators have emphasized better and more robust communication. Participants' general understanding of NQDC plans has been a chronic shortcoming and a source of frustration for many plan sponsors and participants. We see a positive, albeit modest, development in the 2022 survey results with "communication and education" and "plan understanding" moving up the ranks for general participant satisfaction. The number one plan change or enhancement currently being considered by sponsors is improving participant education.

- As a follow up to the plan education issue, for the first time this year we asked plan sponsors to rate their satisfaction with various methods of participant communication. High marks were given to online materials, on-demand videos, email campaigns, and personal one-on-one meetings. Lower satisfaction grades were given to group meetings.

91%

of companies use a third-party administrator for NQDC plan administration and participant communication

Summary

While change is a constant, the events of the past several years have pushed us to look at several aspects of our lives very differently and rethink many of our norms—including how we work. If employers ignore shifting employee needs, they will soon see key senior managers and others leaving in large numbers and attracting new talent will grow increasingly harder. Thankfully, we are seeing that employers who sponsor NQDC plans, and their advisors, are ahead of this curve. They have already started to implement plan design and communication changes to make their NQDC plans an attractive component of their overall compensation package.

The results of the **2022 Newport / PLANSPONSOR Executive Benefits Survey** show how diligent and responsive this community has been in reacting to the new work environment. The survey results show the current standards and new trends of contemporary NQDC plans in the areas of plan design, investment options, participant communication, and funding. With focus from employers and support from advisors and nonqualified plan administrators, NQDC plans should continue to be of great value to the plan participants.

Methodology

Newport partnered with PLANSPONSOR magazine for the second time in 2022 on the NQDC survey. The survey was streamlined slightly from previous years and employers had the additional benefit of pre-populated responses for certain questions if they had participated in the 2020 survey.

The questions and response format were jointly developed by PLANSPONSOR magazine and Newport and were distributed by the PLANSPONSOR Research & Surveys team. The survey was sent to a broad cross-section of organizations including PLANSPONSOR subscribers, Fortune 1000 companies, and other large, for-profit and tax-exempt companies.

Data collection was performed by PLANSPONSOR magazine and included answers from 350 unique companies and organizations. The data was analyzed for consistency and prepared for presentation 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.

NQDC Objectives, Satisfaction, and Trends

NQDC Objectives, Satisfaction, and Trends

Plan Goals and Priorities

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

1. To have a compensation program that is competitive with peer companies
2. To retain executives
3. To allow executives to accumulate assets for their financial planning needs
4. To attract executives
5. To compensate executives in a more tax-efficient manner
6. To increase stock/equity/phantom stock ownership of the firm by eligible executives

	1	2	3	4	5	6	Ranking
Retain/attract executives	40%	24%	18%	14%	3%	1%	**1**
Compensation program that is competitive with peers	20%	31%	21%	17%	9%	1%	**2**
Allow executives to accumulate assets more easily for their financial planning need	23%	21%	23%	19%	12%	1%	**3**
Compensate executives in a more tax-efficient manner	13%	17%	22%	32%	12%	4%	**4**
Allow the company to make discretionary contributions to certain participants	3%	5%	12%	11%	45%	25%	**5**
Increase stock/equity ownership	1%	2%	3%	7%	18%	69%	**6**

N=299

Survey Findings

“Retain/attract executives” was the most important goal in this year’s survey, with a weighted score 12% greater than the next highest category “Compensation program that is competitive with peers.” The top two categories are both very focused on competing for talent.

Marketplace Insights

“Retain/attract executives” has been **the** important theme in the corporate marketplace over the past 12 months, and we continue to see that play out here. When we look at effectiveness of the NQDC, we suspect that some of the ways these plans can be used to attract and retain executives are being underutilized.

NQDC Objectives, Satisfaction, and Trends

Effectiveness of Goals

Based on the plan goals listed in the prior question, how effective has your deferred compensation plan been in accomplishing these goals?

	Ranking
Compensation program that is competitive with peers	**1**
Allow executives to accumulate assets more easily for their financial planning needs	**2**
Compensate executives in a more tax-efficient manner	**3**
Retain/attract executives	**4**
Increase stock/equity ownership	**5**

N=299

Survey Findings

This year, “Compensation program that is competitive with peers” moved up from number two in 2020 to clearly take over the top spot ahead of “Allow executives to accumulate assets more easily … .”

Marketplace Insights

Plan sponsors view NQDC as important in order to have a competitive compensation program, yet they see NQDC’s effectiveness at attracting and retaining executives as slightly lower than its competitive importance. This leads us to speculate that many plan sponsors might not be aware of the effective means through which NQDC can attract and retain executives. The following are examples of effective uses of NQDC plans that plan sponsors have recently implemented:

- Signing bonuses can be more competitive and cost-efficient by including a portion in the deferred compensation plan with a vesting provision. The participant can elect a date-specific, scheduled distribution if they do not wish to receive the bonus at the time of vesting and would like to continue to defer it. In the meantime, the account balance generates tax-deferred earnings and involves the executive in the NQDC plan for more savings opportunities.
- Other discretionary bonuses or contributions to the deferral plan for select employees can be used either as a golden handcuff or a golden handshake. Manual rollovers assist mid-career hires who may receive large distributions from their former employer by allowing them to defer a large percentage of their salary and bonus for several years, while they live off their distribution from their former employer/plan.
- Auto-enrollment company contributions can involve participants in the plan immediately as it allows them to have a “stake” in the plan.
- Restricted stock works very well in a deferral plan, eliminating the need to sell shares at vesting and paying ordinary income tax as well as capital gains tax.

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?

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

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

N=296

Survey Findings

Sponsors reported participant satisfaction for each of these key design features within only an 8% range of satisfaction between the highest and the lowest categories—with the top three items within 2% of each other. This may reflect the increased importance for the deferral plan overall in this time of a heighted need to attract and retain executives.

Marketplace Insights

Historically, companies have recognized that despite having more resources, many employees still do not adequately plan for retirement and/or are unable to save enough due to qualified plan limits. Typically, just offering an NQDC plan available to participants is not enough. Plan education, enrollment materials, and general understanding of the plan could be improved, given the lower scores for these areas.

One could speculate that in the current career-competitive marketplace, and with more flexible schedules, employees may be more focused on these benefits than they have been in the past—giving the perception of heightened attention on all these features. Additionally, remote working may have impacted communication efforts and either 1) changed the perception of the deferral plan or 2) changed human resources teams' perception that participants are noticing and appreciating features more equally.

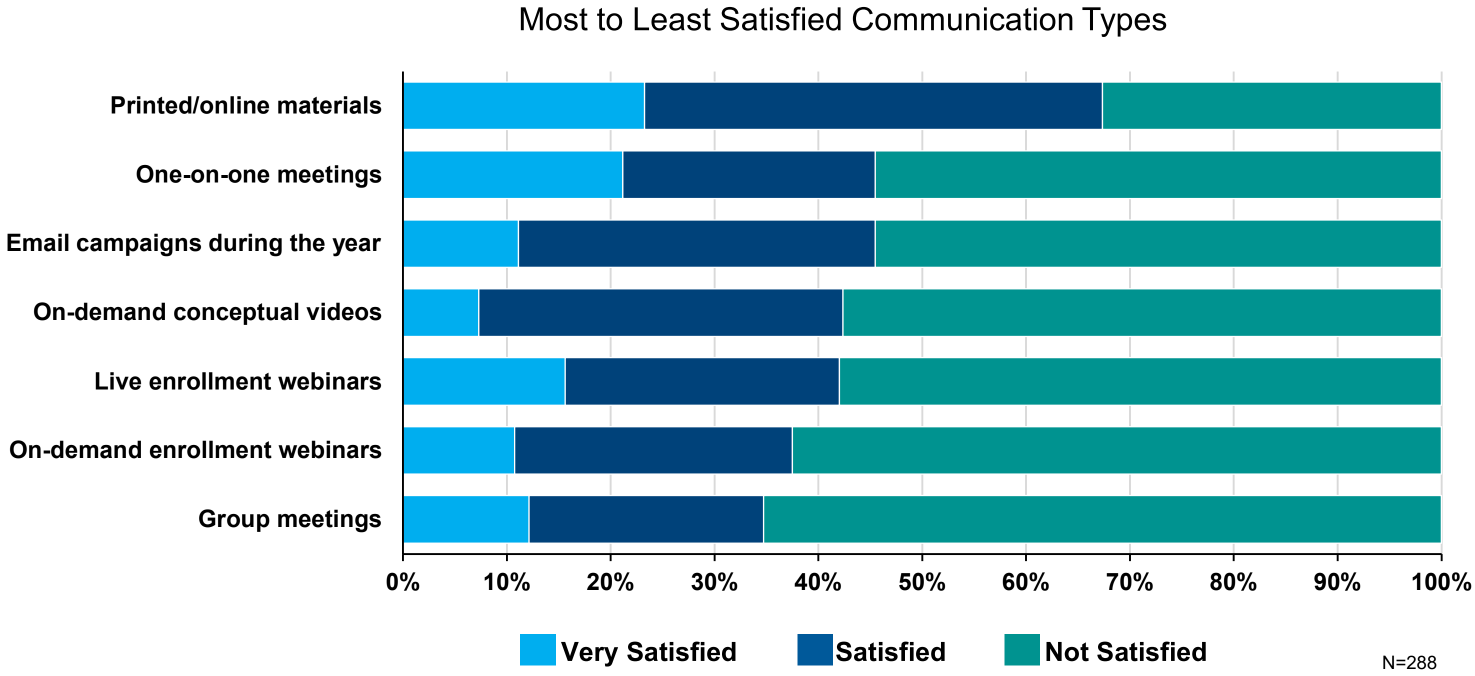
Irrespective of what the reason may be, we can conclude that NQDC plans have seen an increased awareness for plan sponsors and participants compared to in years past.

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.

1. Printed/online materials
2. One-on-one meetings
3. Group meetings
4. Live enrollment webinars
5. On-demand enrollment webinars
6. On-demand conceptual videos
7. Email campaigns during the year



Survey Findings

Sponsors are most satisfied with "printed/online materials" by a sizeable margin (more than 20%). In a virtual tie for second were "one-on-one meetings" and "email campaigns during the year," followed closely by "on-demand conceptual videos." "Group meetings" was noticeably last.

Marketplace Insights

The top methods of communication are generally the ones most personal to the employee, either in the way the employee experiences the communication or in the way the communication may be customized for the employee. While printed materials may not seem highly personal, when they are provided online, an employee may interact with materials on their own schedule and may drill down for additional information—whatever is needed.

Not surprisingly then, "one-on-one meetings" ranked highly. Working remotely has made these virtual meetings much easier, and tools like whiteboards and automatic transcription make it very easy for the participant to understand and save information. We anticipate seeing virtual meetings grow rapidly since it is a much more cost-effective form of face-to-face meetings.

Drip email campaigns and conceptual or "explainer" videos are still highly utilized and cover single topics, allowing the employee to fully understand key points of the NQDC plan. In this way, these methods of communication feel more personal.

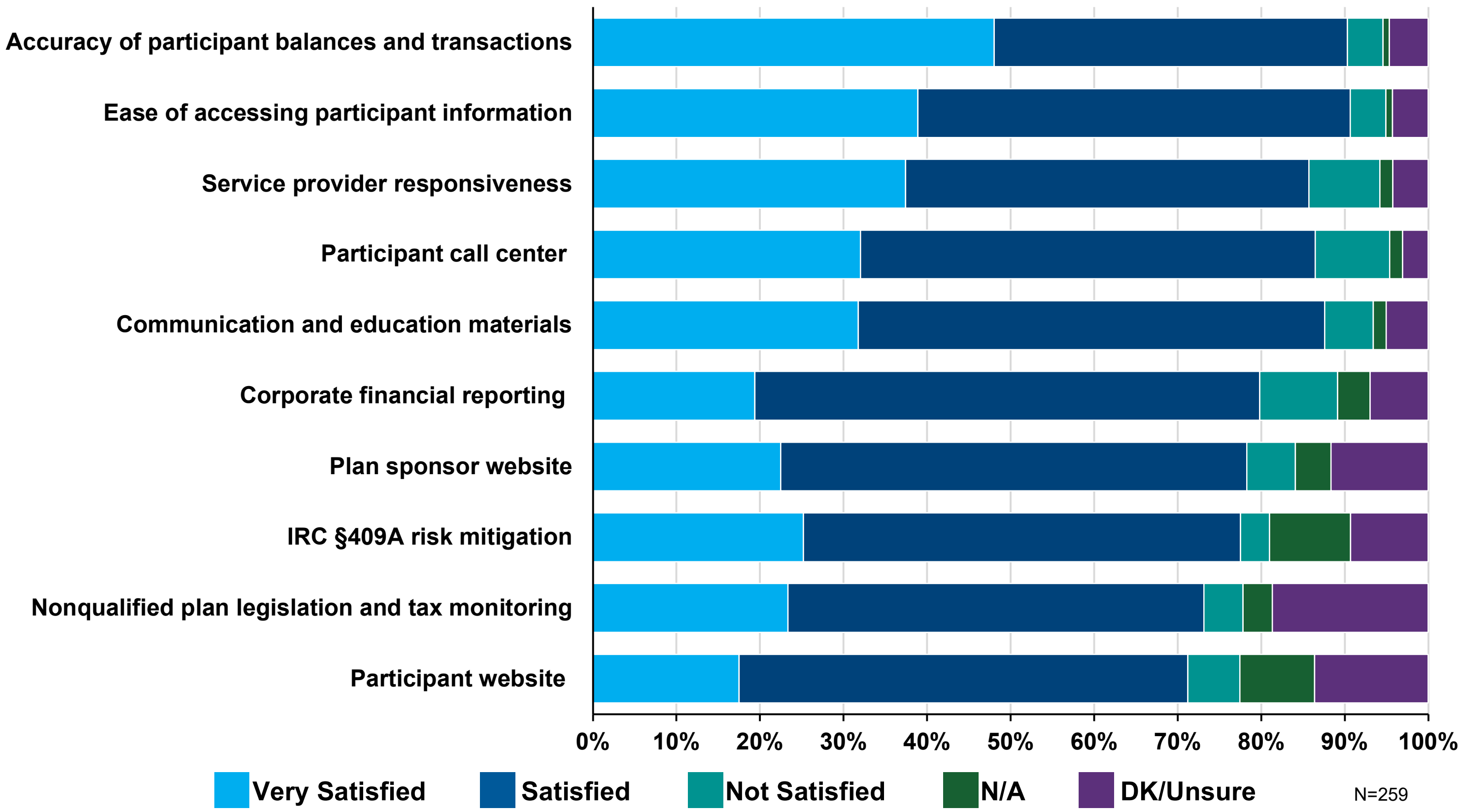
Due to increased remote and hybrid work arrangements, the importance of personalizing electronic communications has significantly increased. TPAs and plan sponsors must be proactive regarding the increase in these needs.

NQDC Objectives, Satisfaction, and Trends

Company Satisfaction with Plan Operations and Experiences

Rate the following plan sponsor and participant experience components.

1. Accuracy of participant balances and transactions
2. Service provider responsiveness
3. Ease of accessing participant information
4. Nonqualified plan legislation and tax monitoring
5. Plan sponsor website
6. Participant website
7. Participant call center
8. Communication and education materials
9. IRC §409A risk mitigation
10. Corporate financial reporting



Survey Findings

Plan sponsors report a relatively high degree of satisfaction with plan operations. However, there are concerns with IRC §409A risk mitigation. Corporate financial reporting, nonqualified legislation/tax monitoring, and participant and sponsor website experiences all have room for improvement in the “Very Satisfied” category.

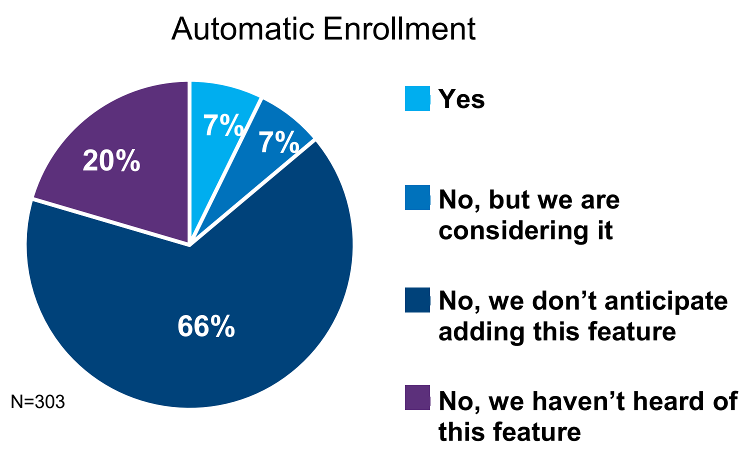
Marketplace Insights

Some areas of plan operation, like IRC §409A risk mitigation, have not changed since our last survey, but plan sponsors’ perceptions of them have. As is the case with participant communication where plan sponsors have expressed a desire for support, the administration and operations of the NQDC plan requires more proactive communication by TPAs. Many of these issues can be addressed by using a plan administrator with dedicated NQDC tools and resources that provide on-demand plan data and plan management.

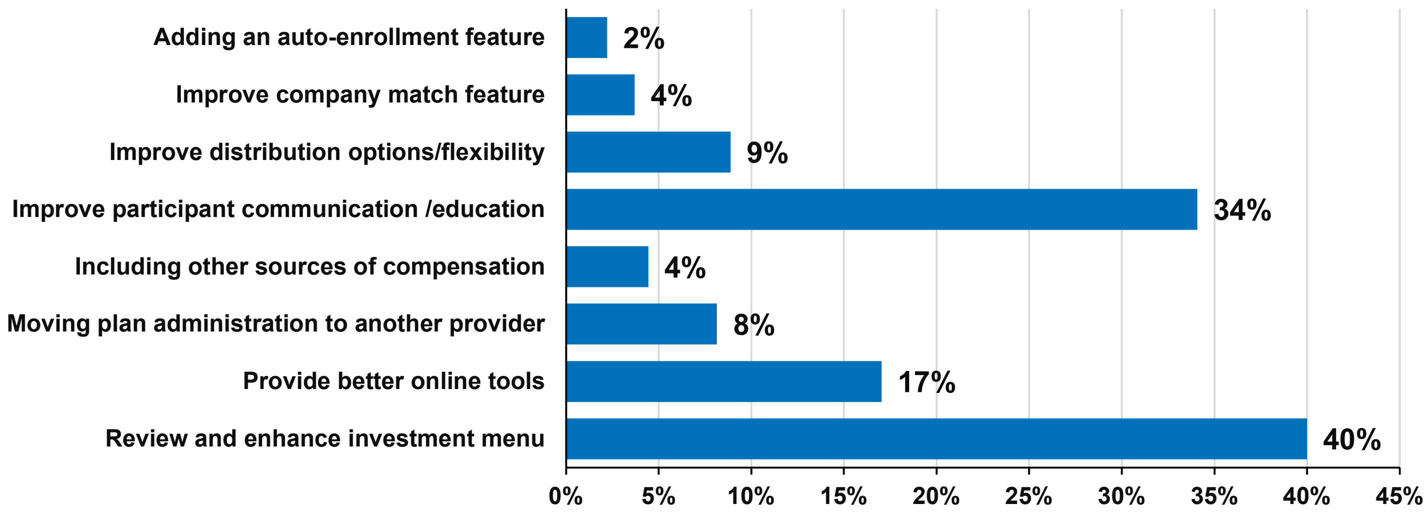
NQDC Objectives, Satisfaction, and Trends

Plan Updates

Has your company recently added an auto-enrollment feature to the deferred compensation plan for newly eligibles that had not participated in the past?



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



Survey Findings

Companies consider its NQDC participants to be very satisfied with the ability for the plan to meet their individual needs for retirement/financial planning and with the investment choices offered. The areas where the NQDC plans fall a little short of expectations (according to plan sponsors) are in the plan delivery and participant experience (website, plan communications, and education).

To that end, the top three enhancements or changes that plan sponsors intend to undertake in the coming year are 1) enhancing the investment menu, 2) improving plan communication, and 3) offering better online tools.

Marketplace Insights

The primary NQDC challenge facing plan sponsors, advisors, and TPAs continues to be educating and communicating effectively to senior management and key employees. There is an increasing demand on senior management's time, so these critical messages need to be rethought, repackaged, and delivered in better and more creative ways.

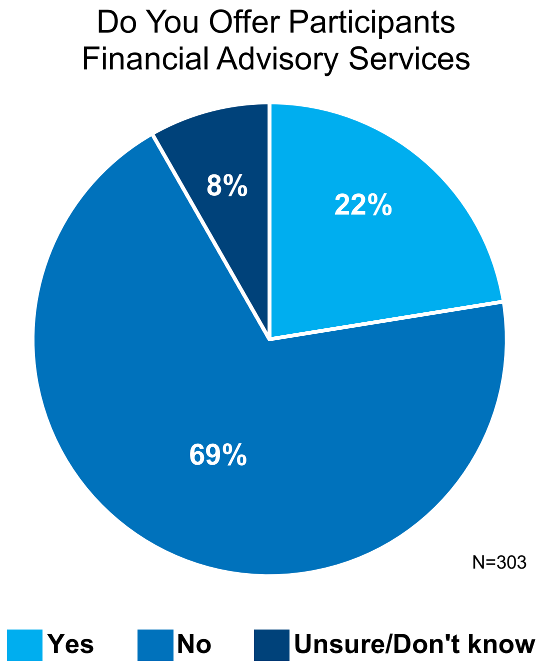
Finally, although auto-enrollment features have not yet gained wide acceptance, we do see interest and growth in this area. We anticipate that the next few years will see this relatively new feature continue to expand.

NQDC Objectives, Satisfaction, and Trends

Other Benefits

Do you offer any financial advisory services to your participants after they receive a benefit payment from the NQDC plan?

- Yes
- No
- Unsure/Don't know



Survey Findings

In our last study, only 6% of companies reported providing any financial advisory services for participants. This year shows a significant uptick to 22% of companies providing this service.

Marketplace Insights

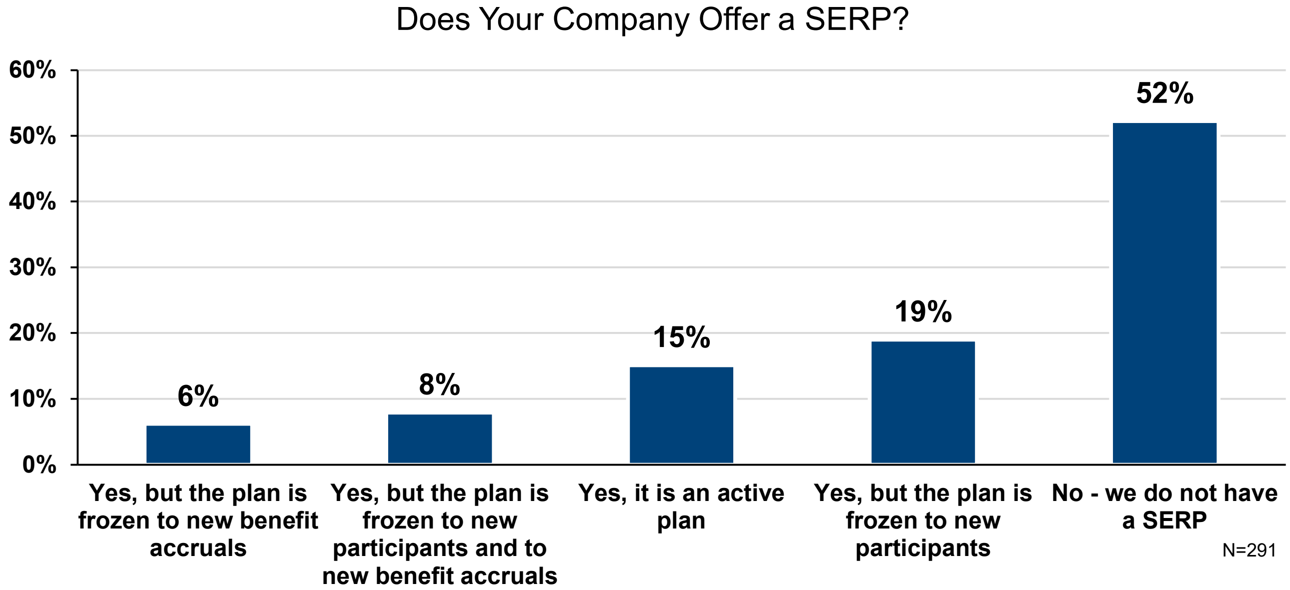
As financial wellness becomes more standard within companies, we've seen increases in providing financial advisory services to senior management employees. Perhaps this additional benefit is also viewed as a cost-effective way to attract and retain executives so that they can better use company-provided programs, like NQDC plans.

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 frozen to new participants? (Check all that apply)

- Yes, it is an active plan
- Yes, but the plan is frozen to new participants
- Yes, but the plan is frozen to new participants and to new benefit accruals
- Yes, but the plan is frozen to new benefit accruals
- No – we do not have a SERP



Survey Findings

As has been the general trend with defined benefit qualified plans, the prevalence of defined benefit SERPs has been on a slight decline over the last several years. While 48% of companies have a SERP, only 15% of those plans are reported as active—the same as in our last survey.

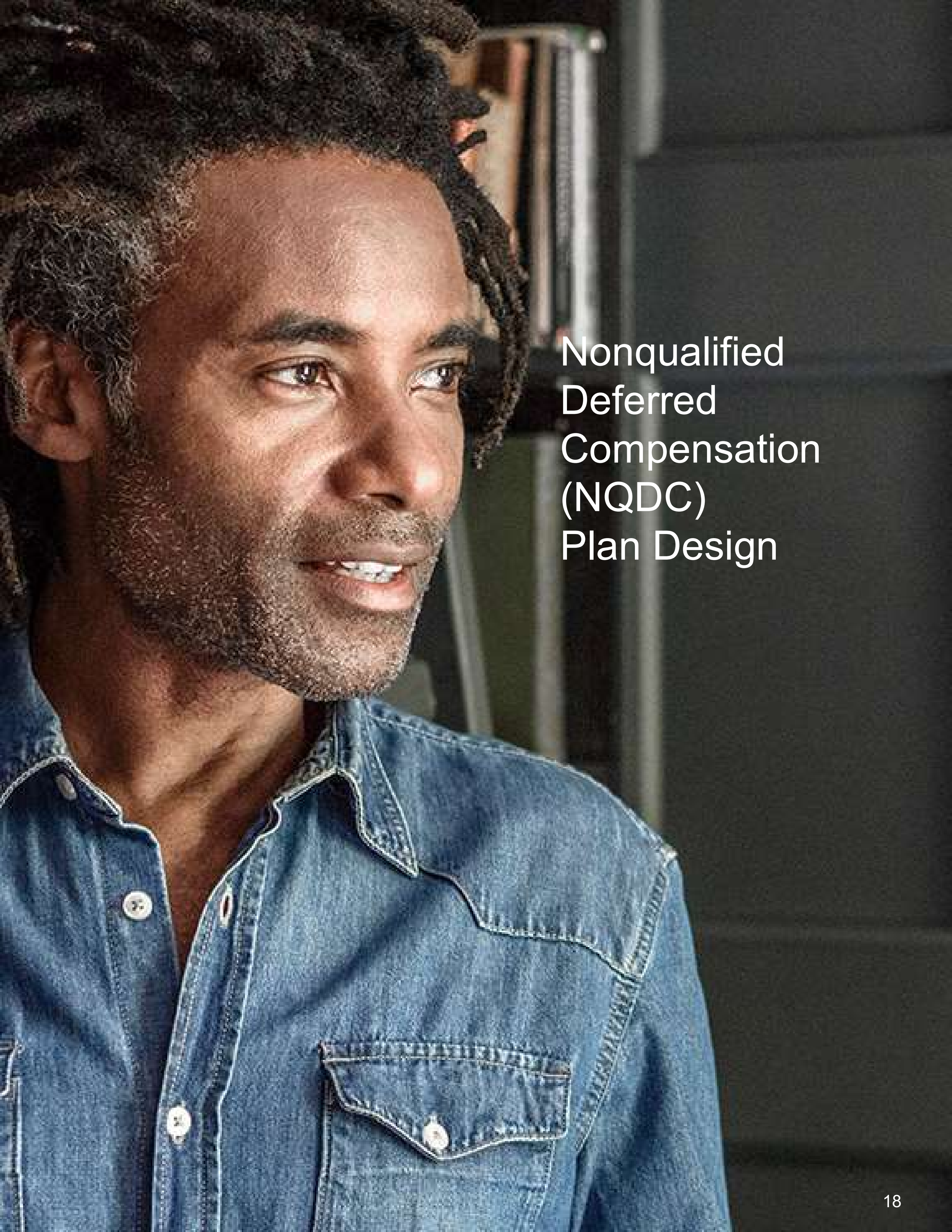
Marketplace Insights

One of the earliest forms of deferred compensation were SERPs. For many years the primary form was a defined benefit SERP, which was often used to restore pension benefits lost due to regulatory limits. Additionally, SERPs were important for a later-in-life hire, where the participant's qualified (defined benefit or DB) plan would not have enough years of service to accrue a full benefit. However, due to the shift toward defined contribution plans, SERPs have become less prevalent, although their ability to provide a fixed and defined benefit can be essential.

SERPs are still a very attractive way to provide either "golden handcuffs" or a "golden handshake" to an executive. In the first situation, vesting the benefit or designing it to be "back-end loaded" encourages the executive to stay on board. In the second case, adding years of service enhancements or another "kicker" to the formula can encourage an executive to retire.

And of course, a SERP can be a key feature for a company that cannot offer wealth accumulation through equity awards, either due to the nature of the company, or the "flat" nature of its industry.

SERPs are an attractive way to achieve all of these objectives because the benefit is in the company's control. Sometimes defined benefit SERPS are designed as a cash balance arrangement, where a benefit is targeted and a plan's interest rate and employer contributions are used to build the benefit over time.

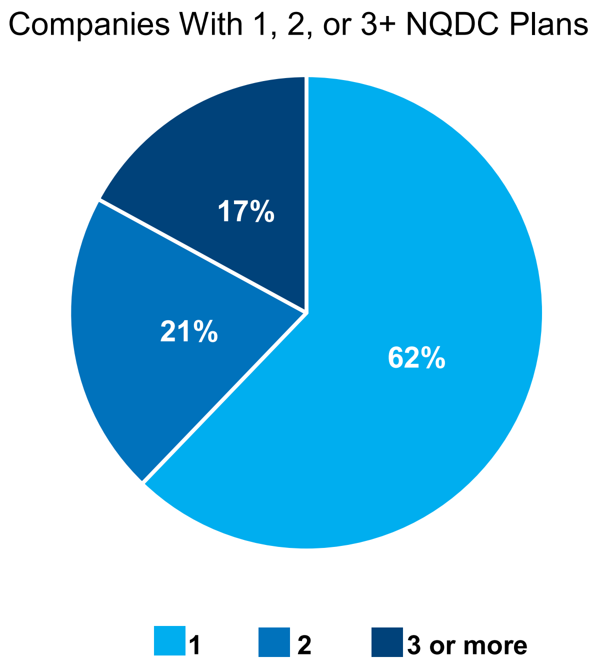


Nonqualified Deferred Compensation (NQDC) Plan Design

NQDC Plan Design

Prevalence

How many nonqualified deferred compensation (NQDC) plans do you offer?



Survey Findings

Over several years of these NQDC surveys, the number of companies and organizations that reported sponsoring at least one NQDC plan has ranged from the 85% to 98%. This year, 98% of the survey respondents indicated they sponsor an NQDC plan with 38% offering 2 or more plans.

Marketplace Insights

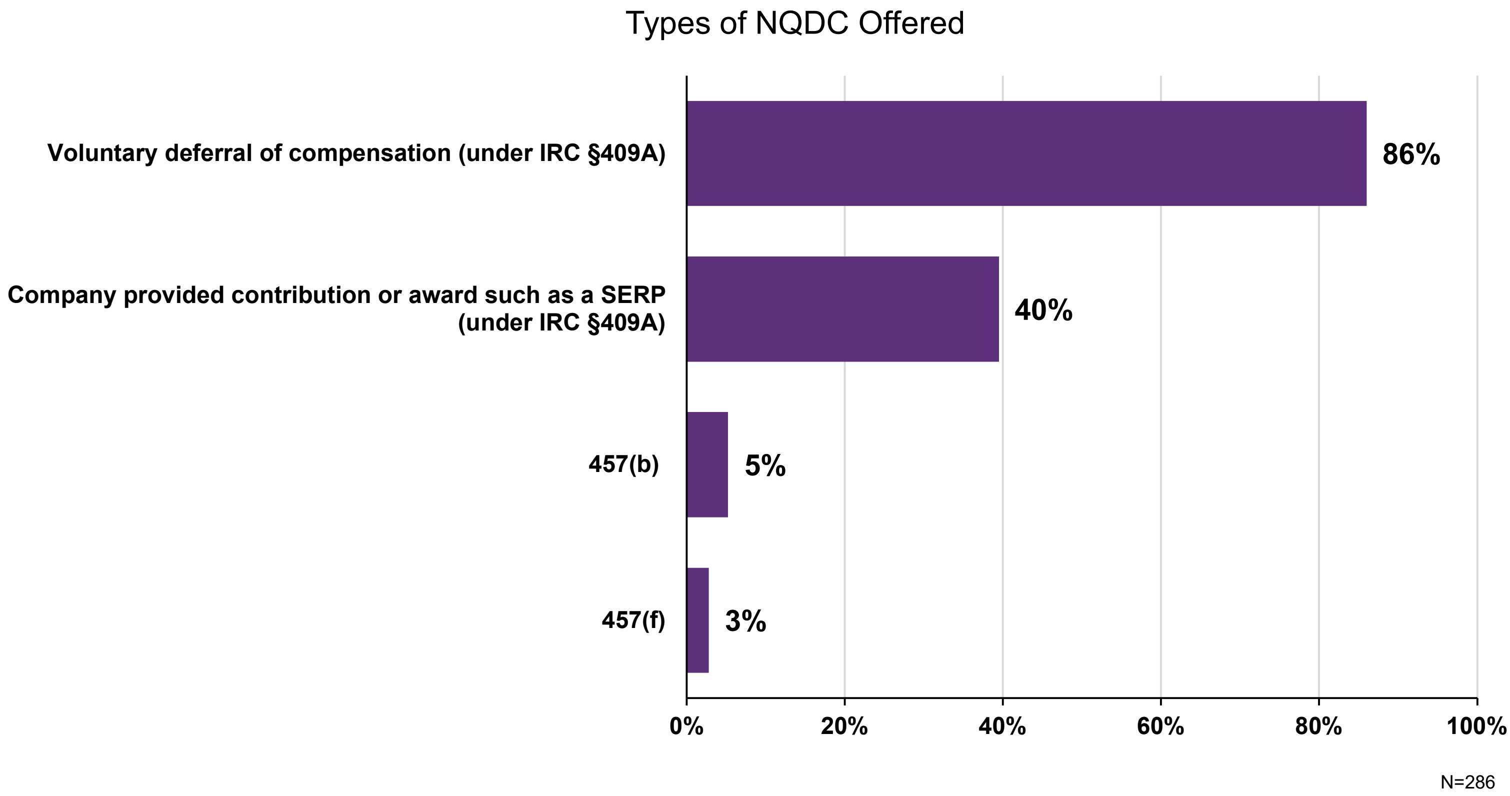
There are strong indications of late that companies are even more concerned about attracting and retaining talent. As a result, over the last 12-18 months Newport has seen a significant increase in the number of companies implementing an NQDC plan for the very first-time.

NQDC Plan Design

Prevalence

What types of nonqualified deferred compensation plans do you offer?

- Voluntary deferral of compensation (under IRC §409A)
- Company provided deferred compensation, such as a SERP (under IRC §409A)
- 457(b)
- 457(f)



Survey Findings

Most respondents are from for-profit companies, so we have a heavy weighting toward plans that fall under §409A.

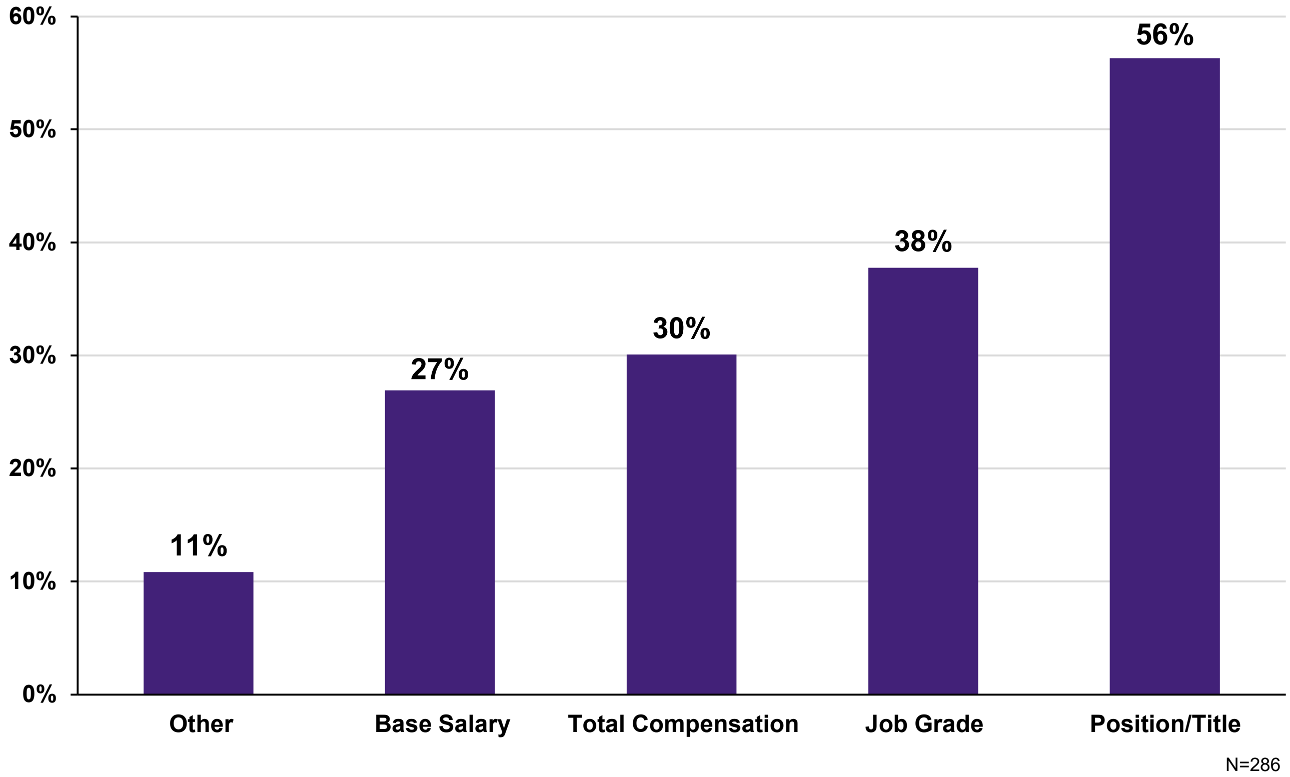
Marketplace Insights

Although it is important to compare to peers in for-profit or tax-exempt spaces, when competing at the executive level, we believe it is also important to survey across spaces so that employers one can adequately compete for talent.

NQDC Plan Design

Participant Eligibility

How do you determine who is eligible to participate in your NQDC plan?



Survey Findings

“Total Compensation” and “Position/Title” continue to be the most common criteria that companies use to determine plan eligibility. Compensation (base salary and total compensation) accounts for 57% of responses. This result is up from 37% in Newport’s previous survey. “Position/Title” accounts for 56% of the responses—up from 36% in the last survey.

Marketplace Insights

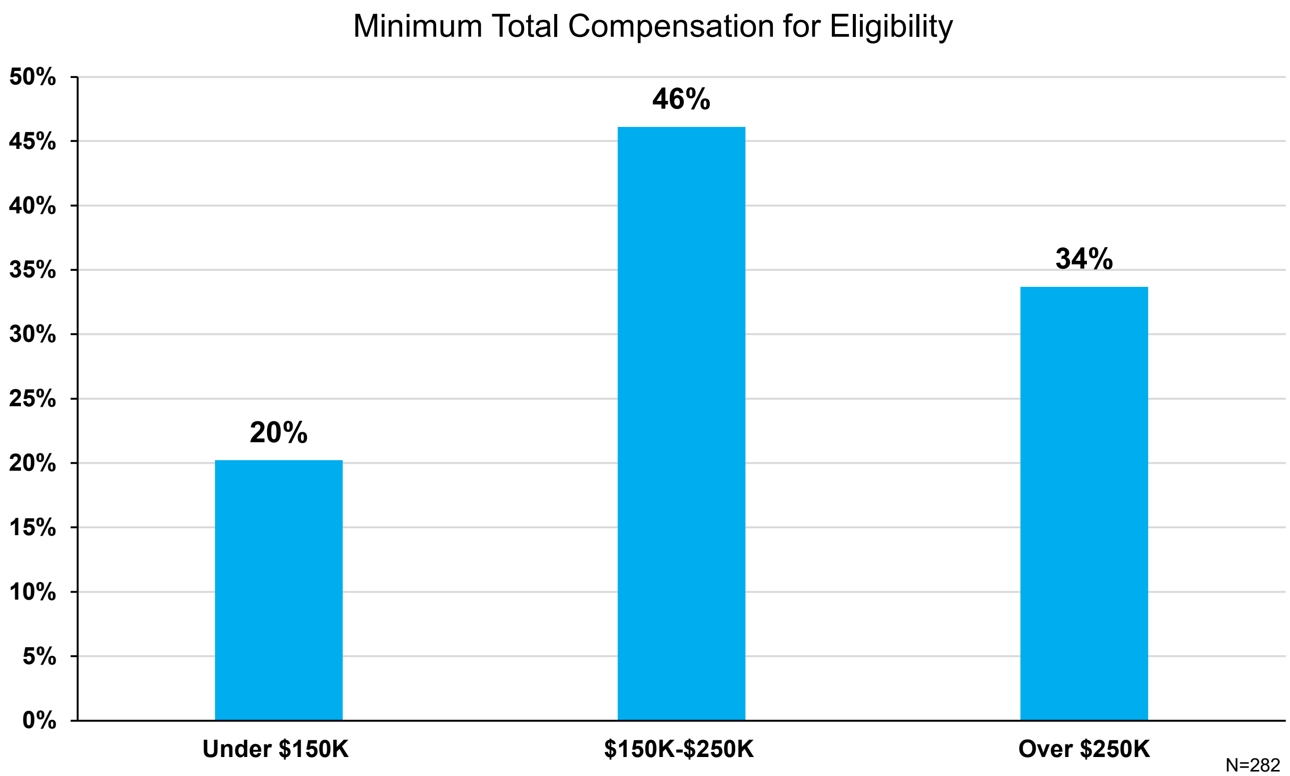
Compensation will always be an important benchmark used to gauge who and to what degree employees may participate in an NQDC plan. However, using position, title, or job grade for eligibility purposes continues to increase over the past few surveys. Many plan sponsors feel that using a transparent criteria, such as job title, may avoid privacy concerns around compensation.

In addition, contemporary nonqualified plan design and plan documents do not pre-define eligibility. Rather, the definition will be subject to an annual decision by the plan committee. This flexibility allows the plan sponsor to modify or add participants at its discretion year-to-year without having to make frequent plan amendments.

NQDC Plan Design

Participant Eligibility

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



Survey Findings

While total compensation is only one of the several eligibility tests that are used, it is one of the most common. Only 80% of respondents report using compensation above $150,000 as the minimum compensation level for plan eligibility.

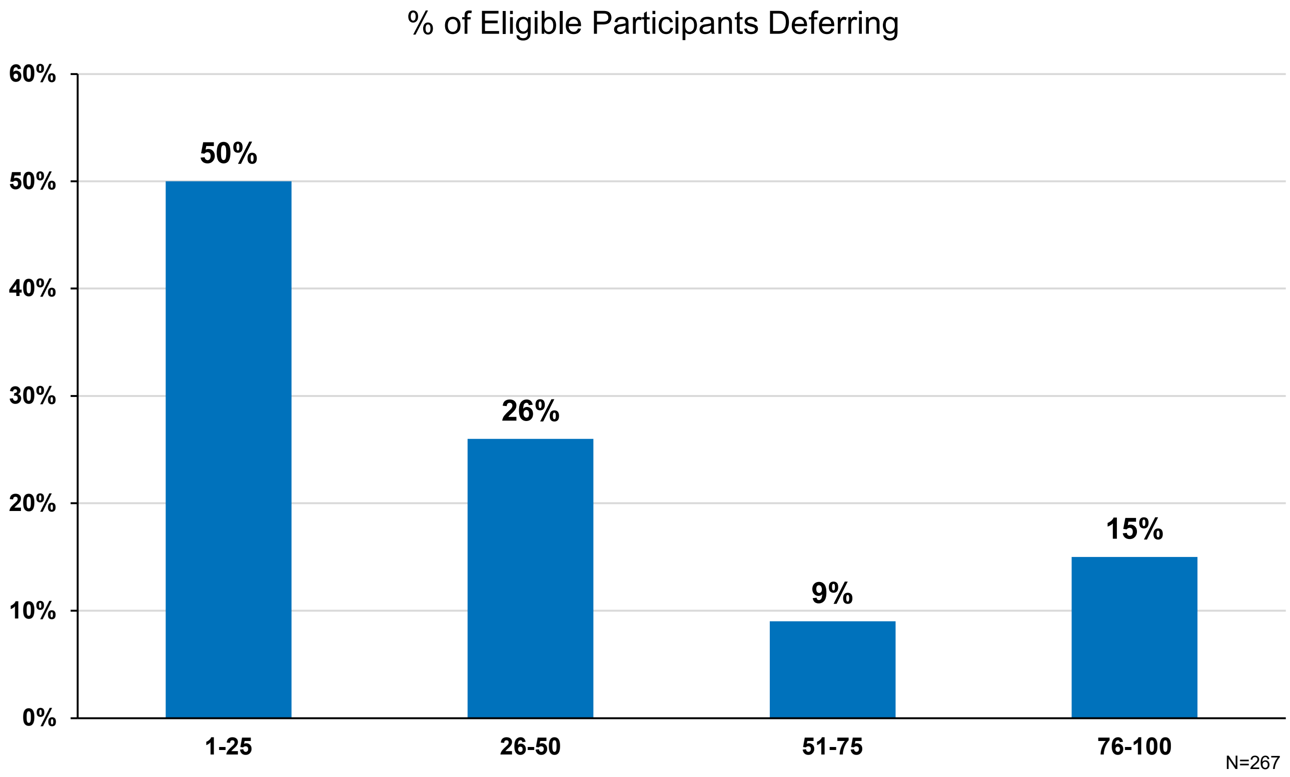
Marketplace Insights

Recently, there has been a trend towards raising the minimum compensation levels. Plan sponsors have found that participation and utilization rates have been low for those eligible participants falling beneath certain compensation thresholds. There are exceptions for certain geographical areas, but generally $150,000 is considered by many as the minimum compensation level where participants can significantly take advantage of voluntary deferrals.

NQDC Plan Design

Participant Eligibility

What percentage of eligible participants are deferring their compensation?



Survey Findings

50% of companies indicated that participation rates were below 25%, while only 15% responded that their participation rates were above 75%.

Marketplace Insights

These range of participation rates are consistent with Newport's broad, nonqualified client base, and is also consistent with what has been reported in previous surveys. We have spoken with hundreds of clients on this subject and, as a result, have identified the key drivers to participation rates.

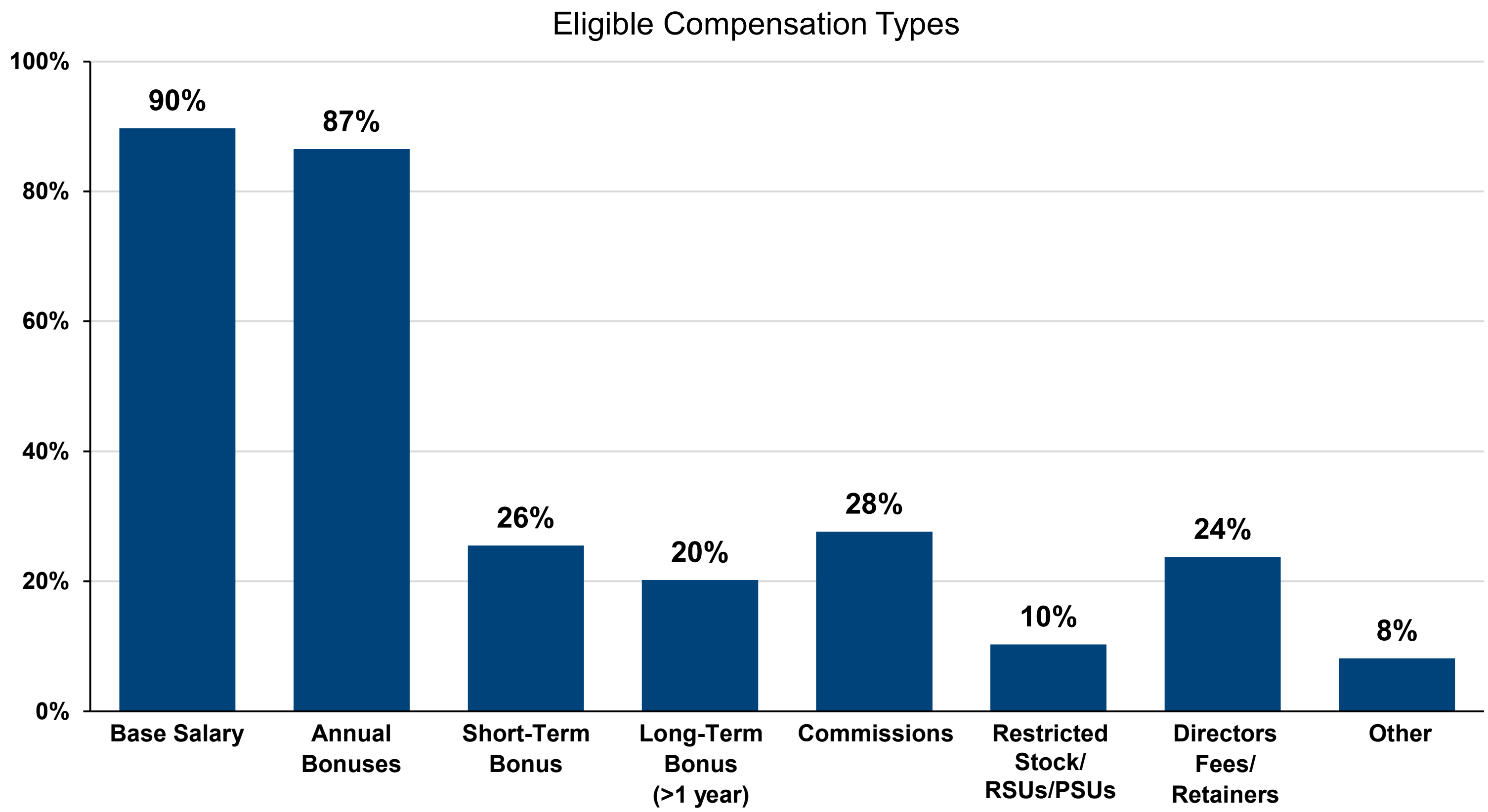
Economic or financial considerations are the primary factors that can drive participation rates higher. These considerations include high personal income tax rates, good economic conditions, and matching company contributions.

The other participation driver headwinds are concerns about benefit security/creditor risk, participants' general lack of knowledge about the plan, and ineffective communication methods. Once again, effective communication and education are critical to achieving a company's desired goals of their executive benefit plans.

NQDC Plan Design

Eligible Compensation

What types of compensation may participants elect to defer?



N=282

Survey Findings

Base salary (90%) and annual bonuses (87%) are by far the two most common forms of deferrable compensation in NQDC plans today and that relationship has not changed significantly from past surveys. In fact, these are exactly the same results as in 2020. Other amounts are generally within 1%-2% of 2020 reporting.

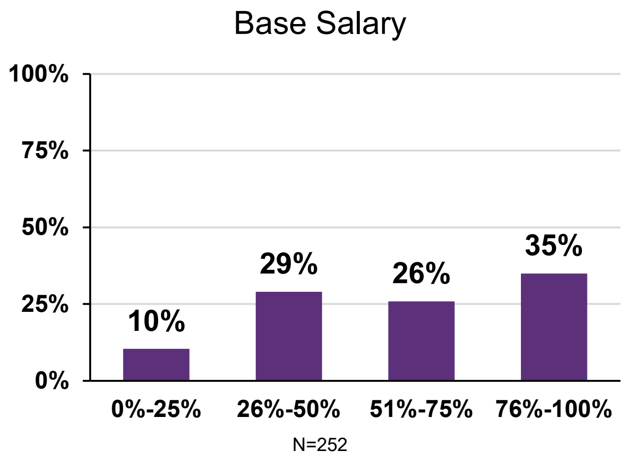
Marketplace Insights

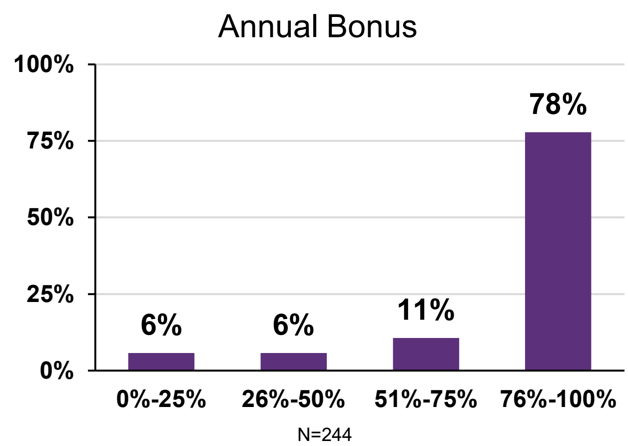
We have seen an increasing number of financial institutions with large teams of advisors and sales personnel offer an NQDC plan to their commissioned team members (advisors, agents, etc.). Occasionally, these plans are standalone from the senior management plan because of unique company match and vesting features that companies provide to their sales force to attract, reward, and retain them.

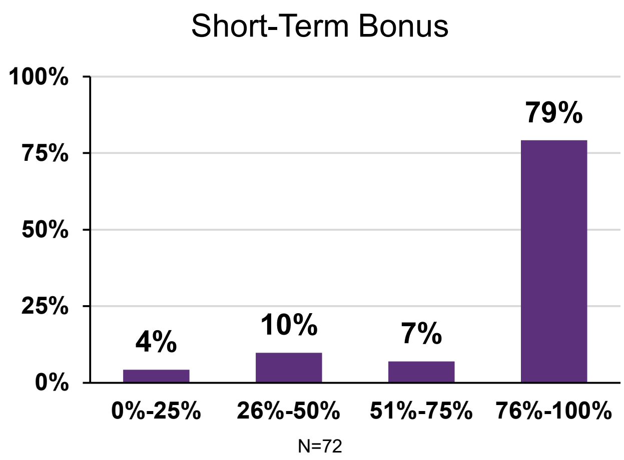
NQDC Plan Design

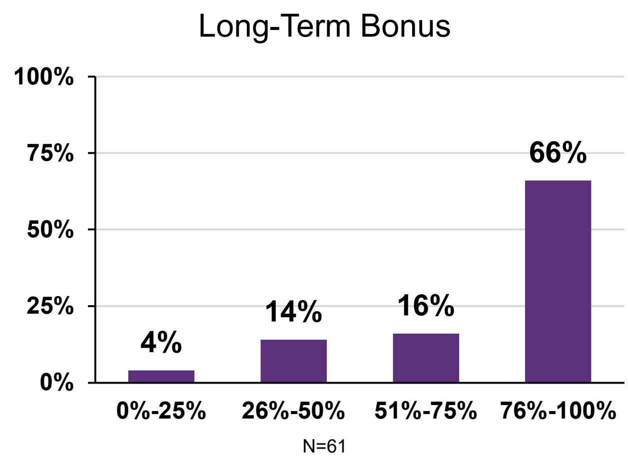
Eligible Compensation

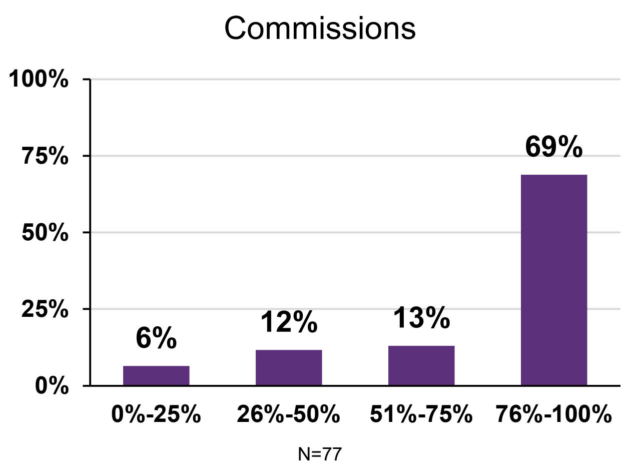
What is the maximum deferral percentage allowed by participants for each form of compensation?

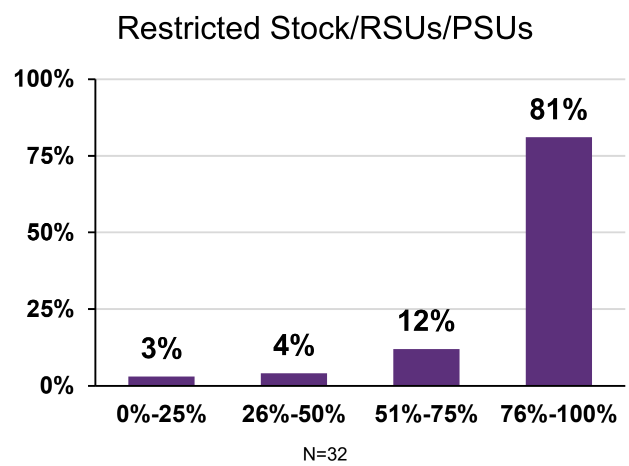






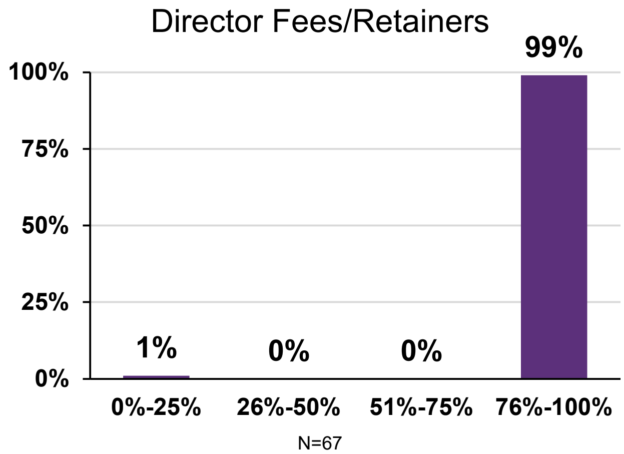


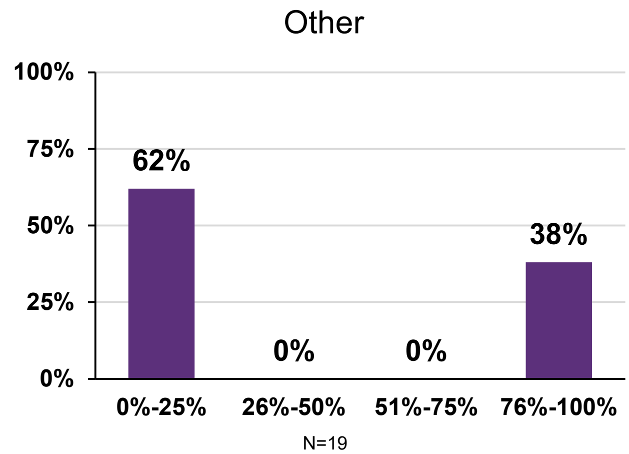




NQDC Plan Design

Eligible Compensation





Survey Findings

Other than for base salary, it has become standard operating procedure to allow participants to defer a large percentage of their incentive compensation. Today, that percentage generally falls between 90% and 100%.

Marketplace Insights

Many companies will limit the salary deferral percentage to 95% or less to allow for payroll taxes and other pre-tax deductions to occur from non-deferred compensation. Stock units particularly benefit from deferrals, as they allow participants to avoid paying both income tax and capital gains tax (a second tax) on the same compensation. We expect to see continued growth in the use of stock unit deferrals.

Within the plan document, plan sponsors may allow practically any level of deferral, but may choose to communicate lower amounts, thereby administratively lowering the amount.

NQDC Plan Design

Eligible Compensation

What is the average percentage deferred for each form of compensation?

Compensation Type	Prevalence		
	Average	Median	Mode
Base Salary	15%	12%	24%
Annual Bonus	30%	10%	25%
Short-Term Bonus	33%	33%	15%
Long-Term Bonus	42%	38%	75%
Commissions	24%	10%	10%
Restricted Stock/RSUs/PSUs	62%	5%	100%
Director Fees	69%	10%	100%

Survey Findings

According to plan sponsors, base salary deferral elections tend towards a 10%-25% rate. Participants make larger deferral elections for amounts that they are not living on paycheck to paycheck – particularly longer-term bonus compensation. Long-term bonus deferrals average 42% across all plan sponsors and frequently companies see a deferral election rate as high as 75% for their eligible associates.

Marketplace Insights

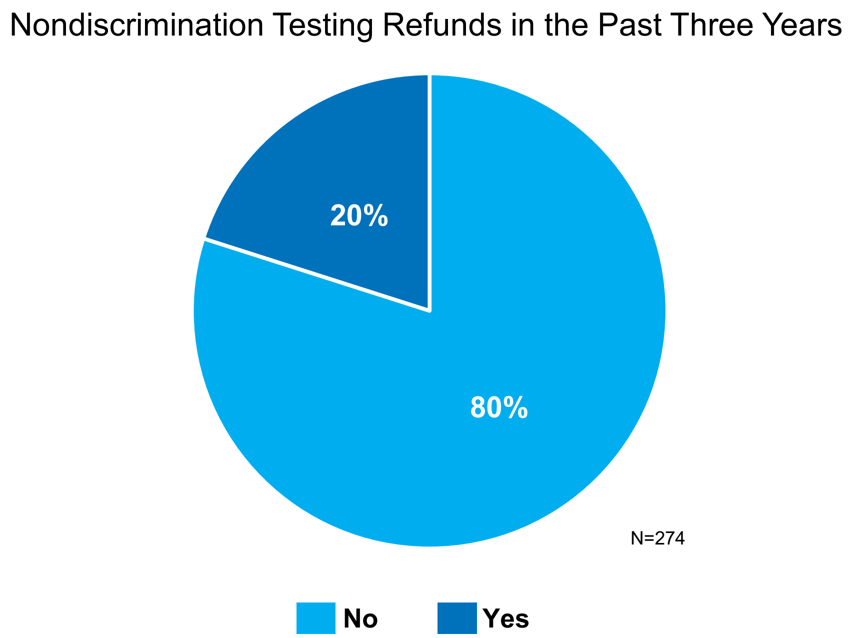
With respect to the average deferral rates, we speculate this follows a "rule-of-thumb" strategy. In other words, under current marginal brackets, and assuming amounts are generally above the wage base, it's not surprising to see the highly paid taking approximately 50% to 60% of their compensation currently. And when we look at the "shorter" compensation forms of short-term bonus, and commissions – we see roughly half of those amounts being deferred.

This consistency paints the picture that key employees are deferring approximately half of their "available" compensation in cash and deferring the remainder. We also see that the two longer-term compensation formats – those compensation sources that are least to be used to meet current living expenses – have the highest average deferral percentages (42% and 62%.)

NQDC Plan Design

401(k) Nondiscrimination Testing Refunds

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



Survey Findings

20% of companies responded that they have experienced 401(k) refunds paid back to highly compensated employees ($130K+) due to nondiscrimination testing in the past few years. This is up from 16% in the last review.

Marketplace Insights

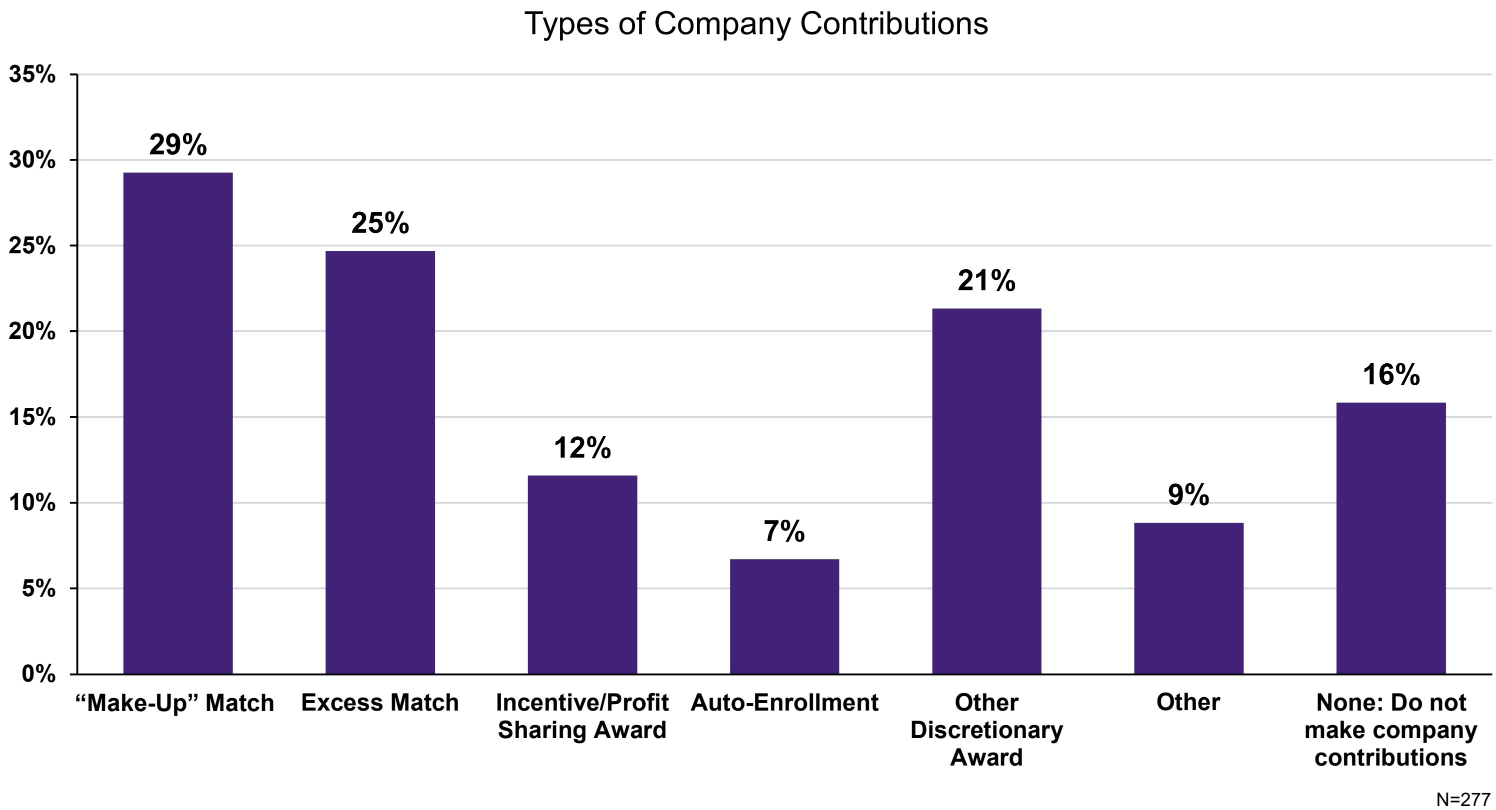
Due to recent economic concerns arising from the pandemic, and the serious impact on all employees (particularly on lower-wage earners), Newport has continued to see an increased level of discussion in the plan sponsor community around qualified plan nondiscrimination testing.

As nondiscrimination testing continues to impact an increasing number of employees, one of the key takeaways is the ability for plan sponsors to implement an NQDC plan that includes a deferral election feature, which allows for an automatic increase in a participant's annual deferral equal to the amount of the qualified plan refund. Note that plan sponsors can also add this feature to an existing NQDC plan.

NQDC Plan Design

Company Contributions

What types of company contributions do you provide?



Survey Findings

84% of companies report contributing matching dollars to the NQDC which is a notable increase from the previous Newport survey (79%). This is also an increase from the 2017 survey (73%.) The trend seems to be a 5% to 6% increase a year.

Marketplace Insights

Company contributions are one of the most effective ways for companies to involve participants in the plan, and to increase the rate of active participation. Two items of particular interest are the discretionary contribution used by 26% of companies and auto-enrollment with company dollars only, a relatively new and exciting feature.

The discretionary contribution means that companies are finding utility for the deferral plan beyond traditional deferrals. We’ve seen that many companies are looking to the deferral plan to assist with hiring or retention bonuses to create new golden handcuffs or golden handshakes.

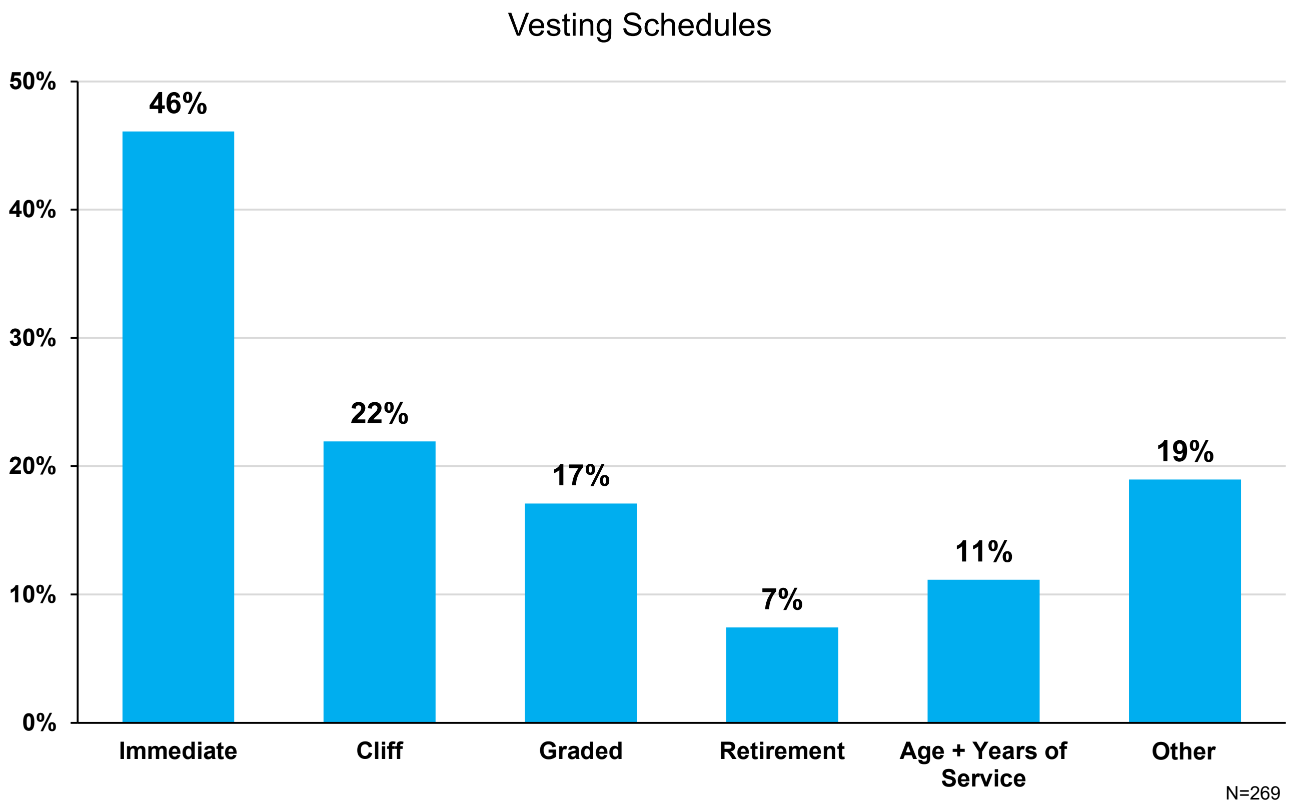
Auto-enrollment contributions are a nominal one-time company contribution only—not an auto-enroll for participant deferrals. This company contribution is an effective means of immediately engaging participants in the plan—increasing plan familiarity and, by doing so, increasing overall plan understanding and participation. When we’ve seen auto-enrollment used, it’s been effective, and we anticipate seeing more companies adopt this approach going forward. The adoption of NQDC auto-enrollment by plan sponsors has doubled in the two years since the last survey.

All of these company contribution features help with the attraction and retention that companies desire by encouraging participation in the plans.

NQDC Plan Design

Vesting Strategies

Which of the following vesting schedules applies to company contributions to your NQDC plan(s)?



Survey Findings

Many employers (46%) vest company contributions to their plans immediately. This vesting approach may, in part, reflect an “offset” to the increased risk associated with these plans.

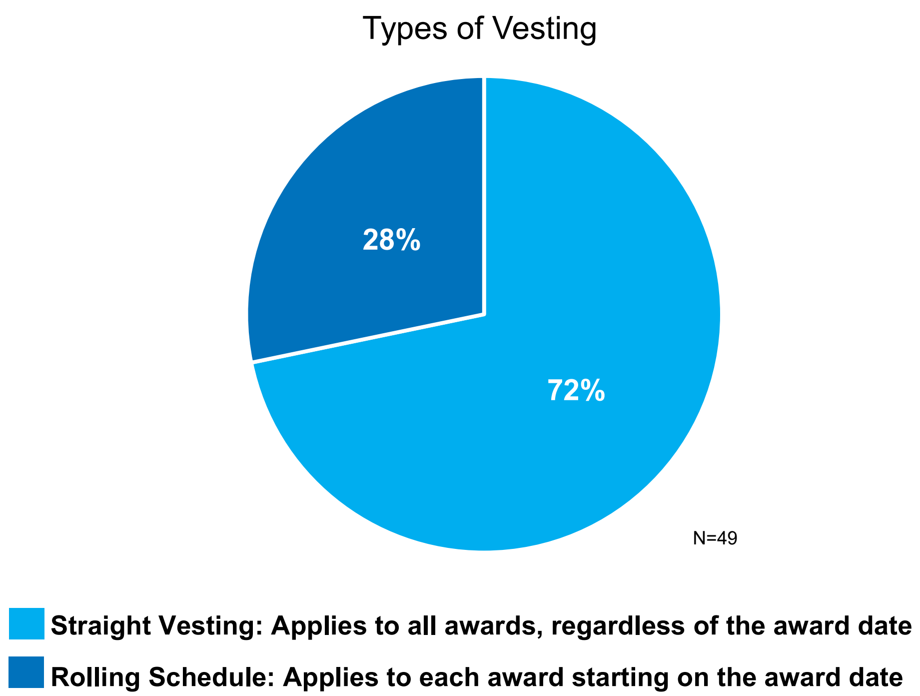
Marketplace Insights

The majority of plans use a typical immediate, cliff, or graded vesting approach. Cliff vesting may be rolling, applied contribution-by-contribution rather than to all contributions at once. Complex vesting occurs more often in the tax-exempt space because of the differences in rules for these plans. However, we have observed that this can unnecessarily increase administrative costs, so we encourage sponsors to simplify vesting wherever possible.

NQDC Plan Design

Vesting Strategies

What types of graded vesting schedules do you offer?



Survey Findings

Although rolling vesting offers a stronger handcuff (since some unvested contribution is always unvested), a large majority of companies adopt a simpler "straight vesting" approach (72%).

Marketplace Insights

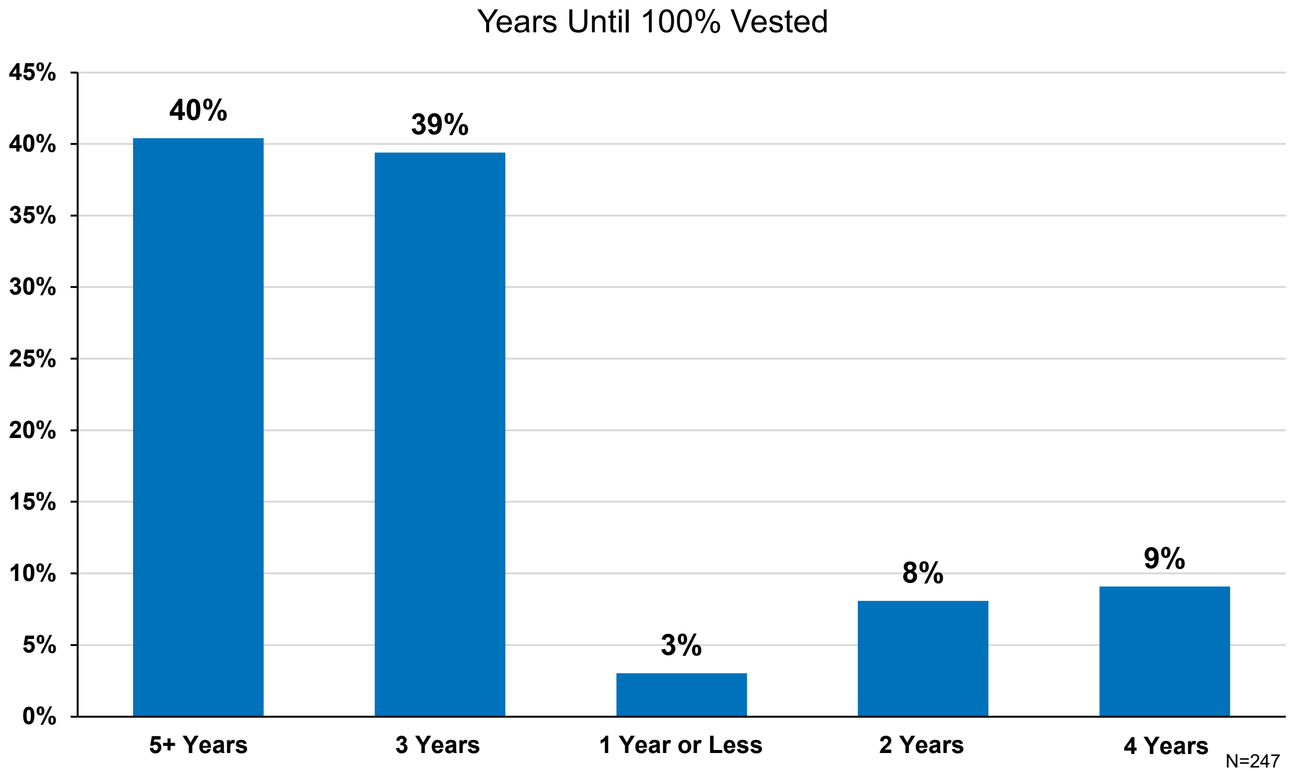
Rolling vesting is more complex—with a vesting schedule applied to each contribution.

Straight vesting is typically used instead due to its simplicity. For example, 25% each year so that after four years all awards are 100% vested. Rolling vesting tends to occur when 1) amounts are larger and 2) the contribution is designed to be a golden handcuff.

NQDC Plan Design

Vesting Strategies

For your cliff or grading vesting schedule, how many years must participants wait before company contributions are 100% vested?



Survey Findings

Vesting periods of three (39%) or five years (40%) are most popular.

Marketplace Insights

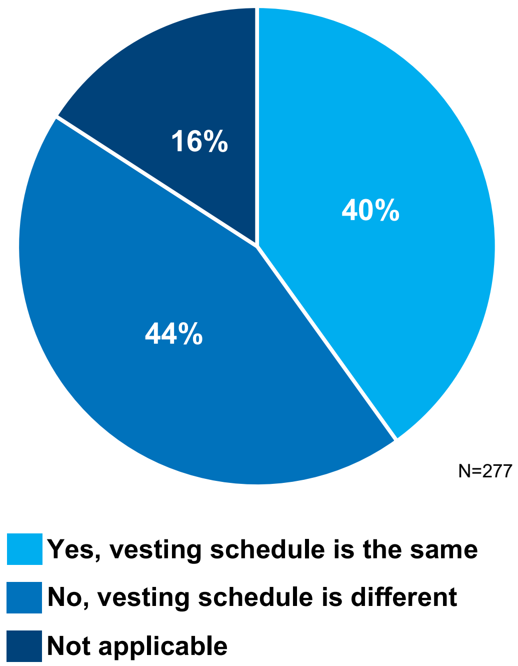
In Newport's experience, vesting periods longer than five years are not common. We occasionally see 10-year schedules for the vesting of larger amounts intended for retirement, particularly for higher-level employees. These might be amounts in addition to contributions that vest over shorter periods of three or five years.

Three-year vesting is common in LTIPs and stock plans and is often structured as rolling vesting. In this structure, the participant always has dollars "left on the table" while simultaneously receiving distributions.

NQDC Plan Design

Vesting Strategies

Is the vesting schedule the same as that for your qualified plan?



Survey Findings

A little less than half the time (40%), companies replicate the qualified plan vesting schedule in the nonqualified plan.

Marketplace Insights

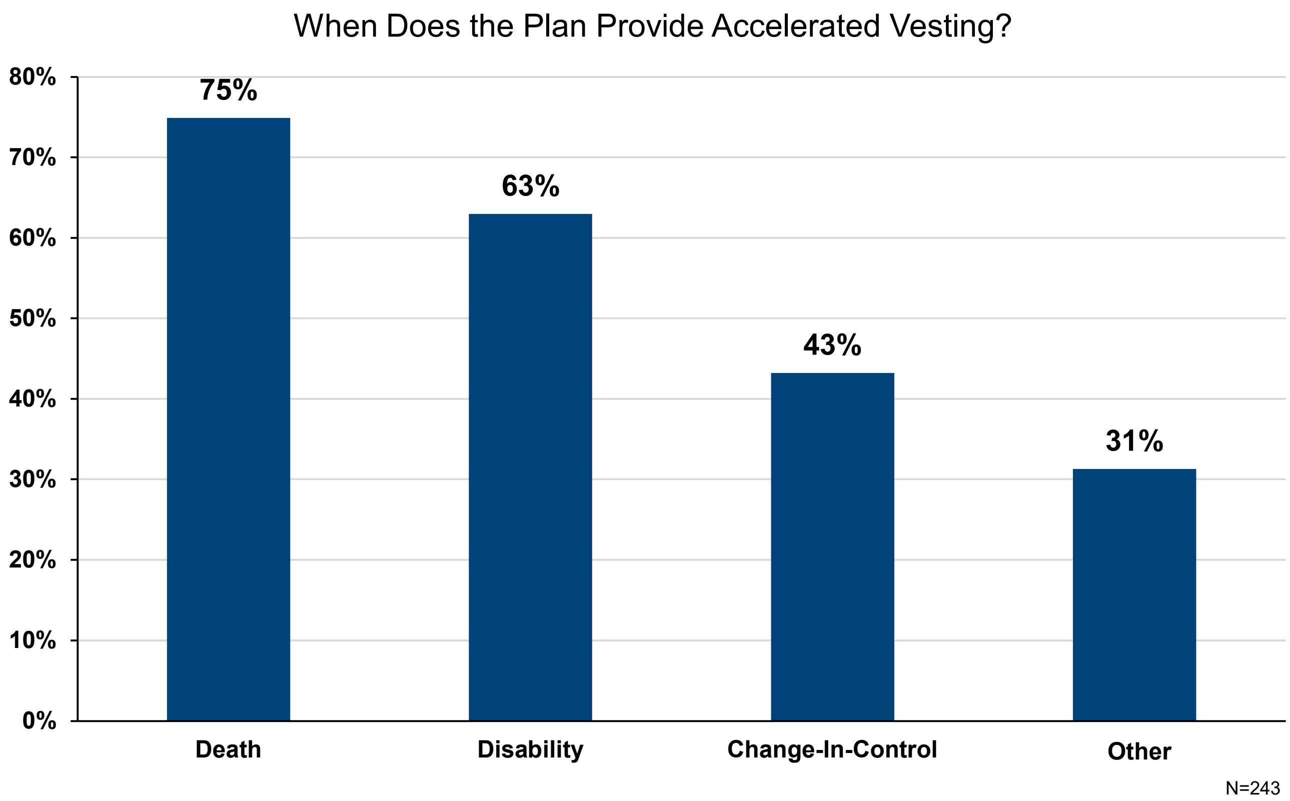
While qualified and nonqualified vesting is often the same, it is just as often different. The concerns about retaining employees are frequently different between “rank and file” and executives and may lead to a different vesting schedule. This can also come into play when using a deferral plan signing bonus for a new hire. Long vesting schedules may not be perceived by the employee as a valuable benefit while short vesting schedules may not serve as the desired golden handcuff.

Generally, the more the situation varies from the qualified plan, the more the vesting is likely to differ. If the vesting is being applied to a matching contribution that was not allowed in the qualified plan, the vesting is likely to be the same. But if the vesting is applying to another type of company bonus, the vesting is much more likely to differ.

NQDC Plan Design

Vesting Strategies

In what instances does the plan provide for accelerated vesting of company contributions?



Survey Findings

Respondents accelerate vesting for several reasons, but primarily the participant's death or disability. Change-in-control came in significantly higher than in 2020.

Marketplace Insights

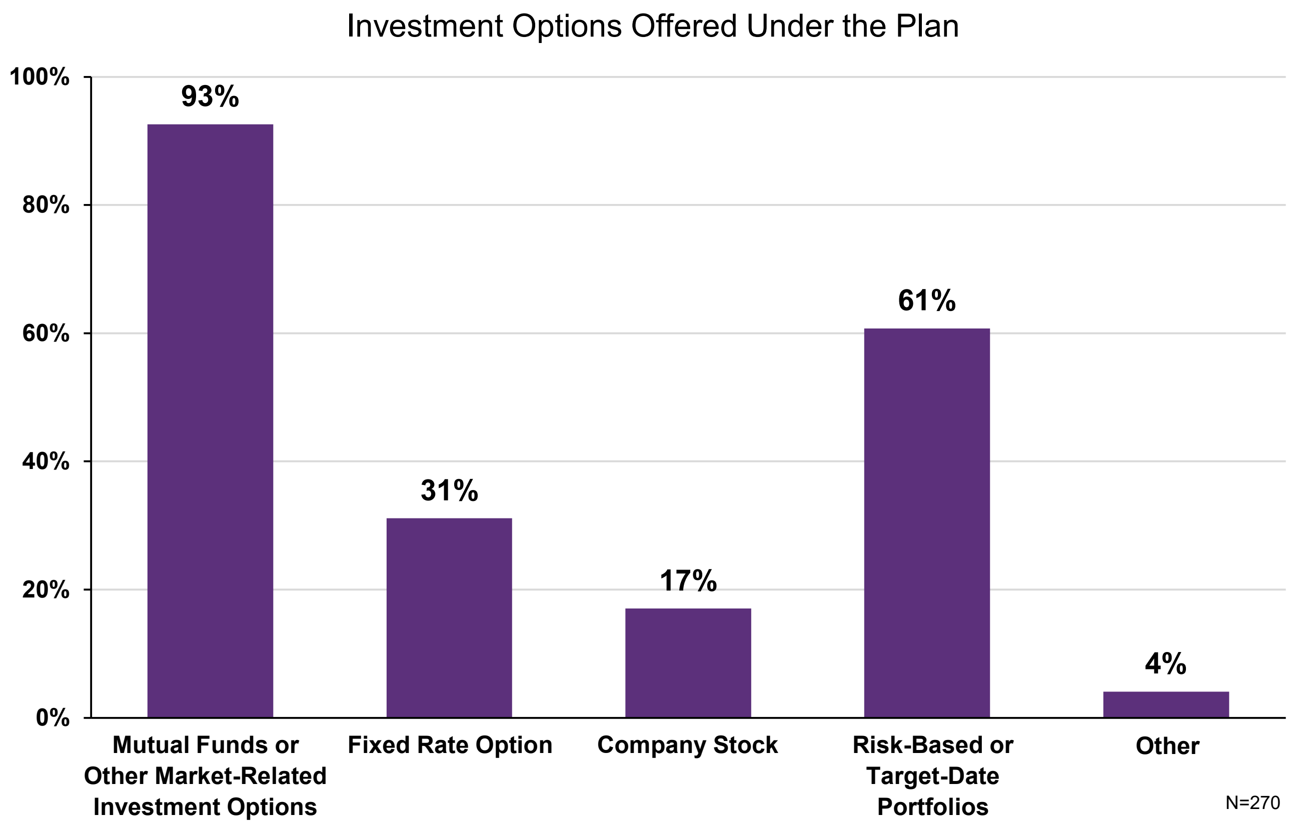
It's common to accelerate vesting in 409A NQDC plans when the participant has unforeseen illness resulting in disability or death.

Although we did not include questions about golden parachutes in this year's survey, we note that respondents reported more accelerated vesting for change-in-control, and we would like to remind companies that they should review their change-in-control provisions and accelerated vesting for possible golden parachute issues.

NQDC Plan Design

Investments

Specify the types of investment options the plan offers.



Survey Findings

Mutual funds or market-related investments are the most common participant investment option (93%). This result is up 1% from Newport's last survey. Model portfolios (risk-based and target-date) are frequently offered as part of the mutual fund menu—61% of NQDC plans according to survey respondents. The next most popular option at 31% is fixed rate or debt-based investments. Company stock continues to be popular at 17%.

Marketplace Insights

A broad range of variable investment funds (similar to a 401(k) menu) is by far the most popular approach to investment menu construction for NQDC plans. Within many variable investment menu structures, we see the use of model portfolios. Model portfolios provide participants with the ability to have their accounts put on "autopilot" and automatically rebalanced to specific weightings or targets.

Fixed rate option (FRO) alternatives continue to be popular, and participants often use them as a type of stable value fund or during periods of high market volatility. Also, an FRO is used by participants as they near retirement to lock into known benefit payment amounts.

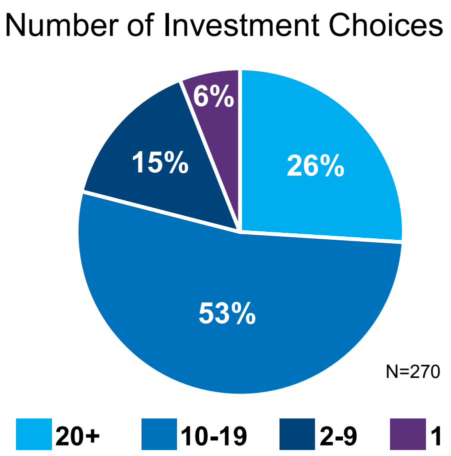
Newport also expects that managed accounts will soon make their way into many nonqualified plan investment menus like we are seeing in the qualified plan space. Managed accounts will allow plan sponsors to offer participants a way to further manage their NQDC accounts with more customization and personalization.

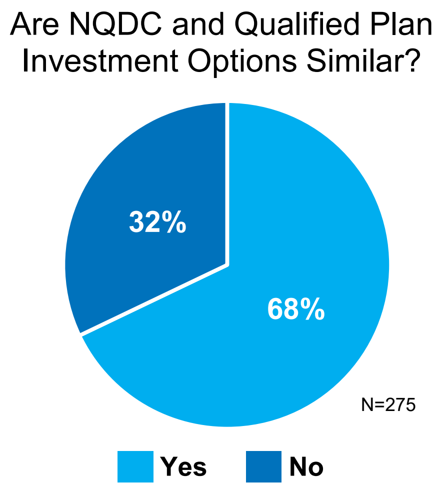
NQDC Plan Design

Investments

How many investment options are included in the NQDC plan?

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





Survey Findings

Over several surveys we have seen an increase in the use of NQ plan investment menus largely made up of market-based investment funds (similar to those found in a 401(k) investment menu. In the 2022 survey, plan sponsors indicated slightly over two-thirds of them use a variable menu similar in structure to their qualified plan. In addition, the number of funds used heavily weighs in favor of the 10-19 range with 53% of companies in that range. This number of funds allows participants the ability to adequate diversify their retirement accounts and is consistent with other qualified retirement plans.

Marketplace Insights

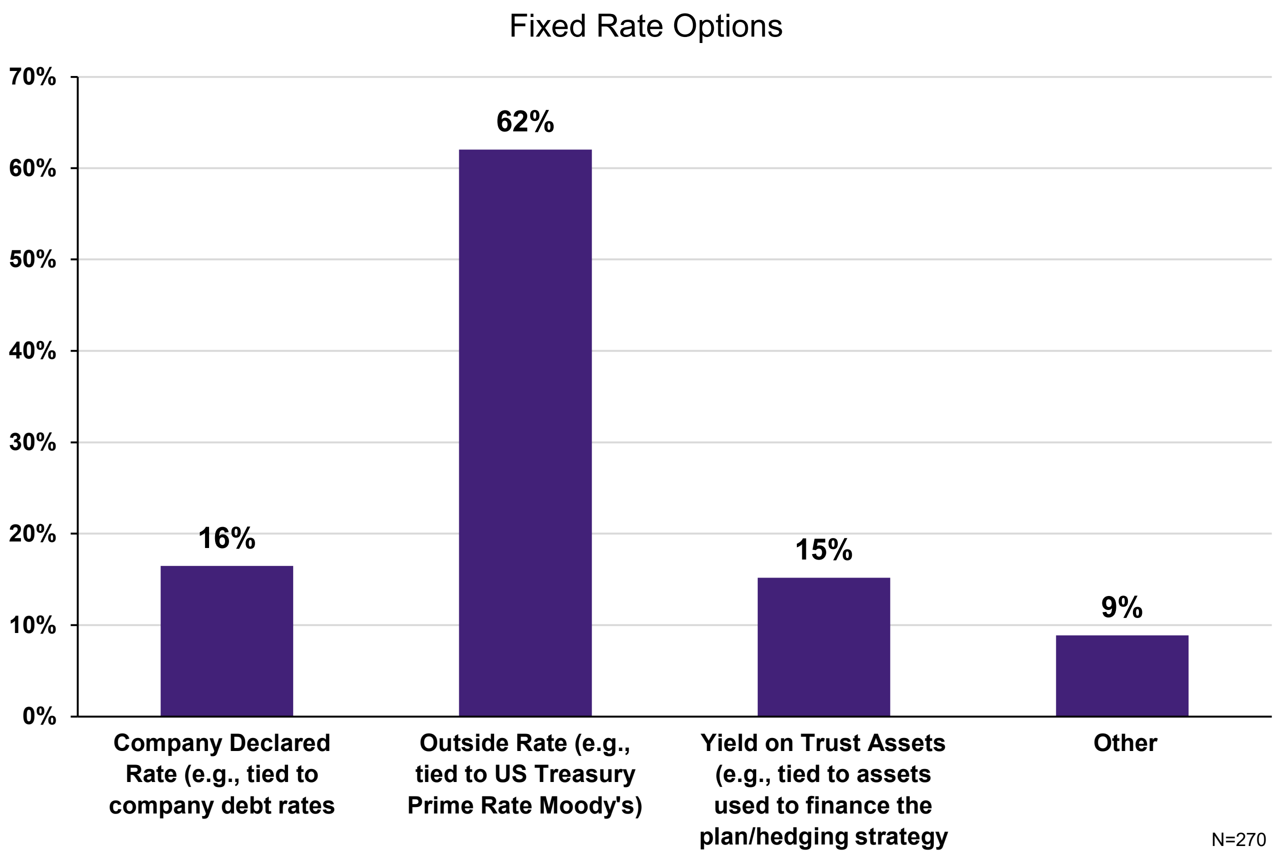
Many companies offer their key employees a different investment menu in their NQDC plan as compared to the qualified plan for any of following reasons:

- Key employees may have a different set of investment planning needs and time horizons than the broader employee base.
- Using different menus allows participants to better diversify their retirement plan investments among a wider range of funds and fund companies.
- Having different fund menus helps to distinguish the plans for participants which can help with plan awareness and understanding.

NQDC Plan Design

Investments

Indicate how the fixed rate option offered in your NQDC plan is determined (if applicable).



Survey Findings

Outside Rates (62%) are currently the most common form of fixed rate option. Often these rates are based on Moody's bond yields or US Treasury rates.

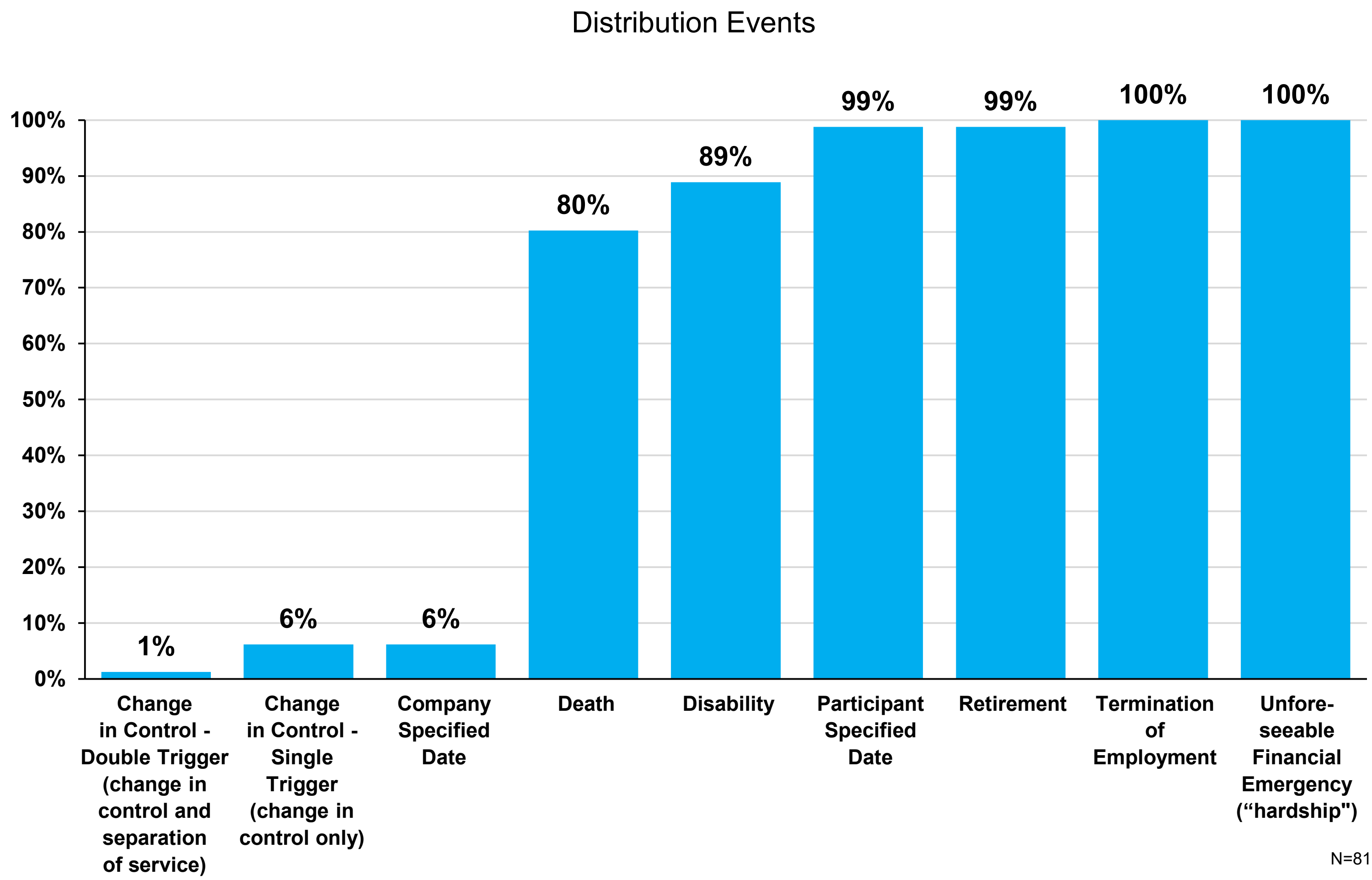
Marketplace Insights

Treasury rates are well understood and easily determined, which contributes to their popularity. As a market-based rate, Treasuries generally avoid any tax for excess interest under the Social Security/FICA rules, and they also typically avoid any additional disclosure under proxy compensation disclosure regulations. While a company declared rate (or fixed rate option, as it is also known) may not be as easily tied to an index, it does have the advantage of giving the company significant control over the cost of the plan, and it can be financed using a tax-managed COLI strategy.

NQDC Plan Design

Distributions

Under what circumstances may participants receive distributions from the NQDC plan?



Survey Findings

Termination (100%), Unforeseeable Financial Emergency (Hardship) (100%), Retirement (99%), and Death (99%) are the top four reasons for distributions. Participant Specified date (89%) and Disability (80%) also remain high, although many plans have removed Disability to avoid ERISA claims procedures or other administrative concerns.

Marketplace Insights

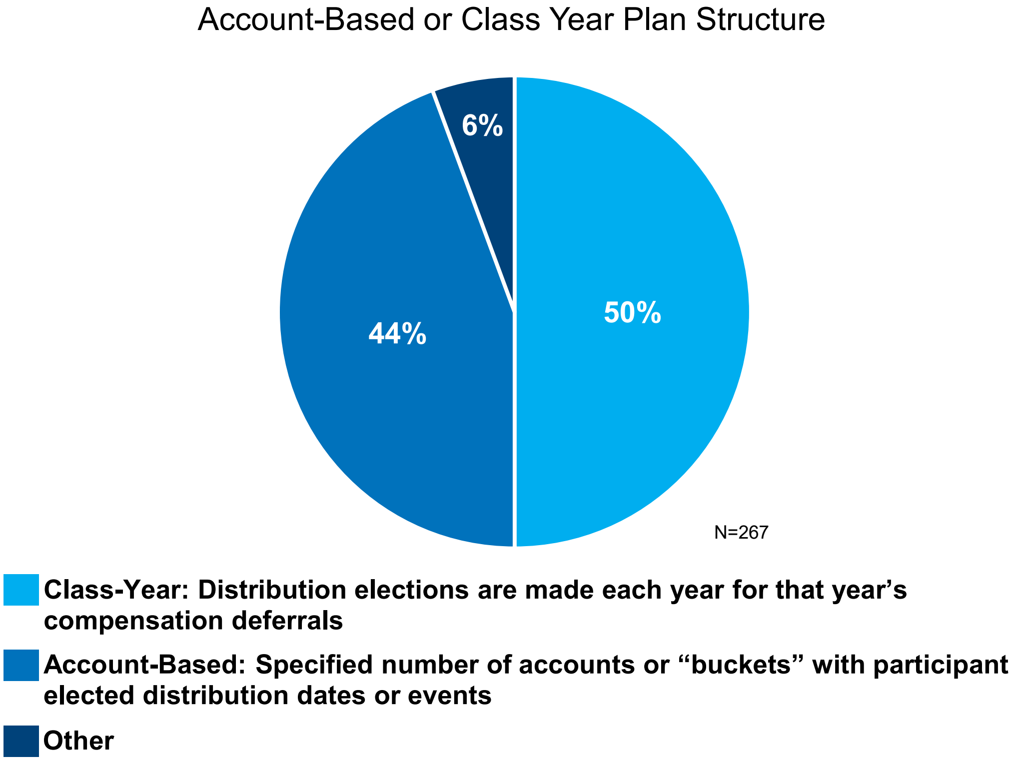
Since the implementation of IRC §409A, the rules for timing and events for NQDC distributions have been formally defined. During the past several years, plan sponsors have worked on which distribution events to allow in their NQDC plans. Death and Termination—including Retirement—continue to be the most prevalent distribution triggers but Specified Date accounts are a very important plan design feature as well. Specified Date (In-Service) distributions can allow participants to highly customize and personalize their accounts to meet their mid-term financial planning objectives such as saving for children’s college tuition, second homes, boats, etc.

Distribution options also provide an opportunity for plan sponsors to coordinate their NQDC plans with other benefit programs in designing a total compensation program.

NQDC Plan Design

Distributions

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



Survey Findings

Account-based structures (44%) and class-year structures (50%) continue to be popular. Account-based plans focus on participant-selected specified distribution dates (including in-service distributions, retirement, death, termination, etc.) Class-year designs have distribution elections for each annual enrollment and sometimes for each source of compensation deferred.

Account-based plans have increased slightly since the 2020 survey (2%).

Marketplace Insights

Account-based plans are generally viewed as simpler for participants to understand and manage. Account-based structures also fit well within the framework of IRC §409A, which focuses on proper administration of distributions. Class-year structures offer flexibility due to the greater number of sub-accounts created. However, this also produces more complexity for distribution management.

Over time, these two approaches have been split roughly 50-50 with no one plan design becoming dominant. The class-year approach is broadly available through adapted 401(k) administrative platforms. The account-based design is a more refined and participant-friendly approach geared toward the management and timing of distributions.

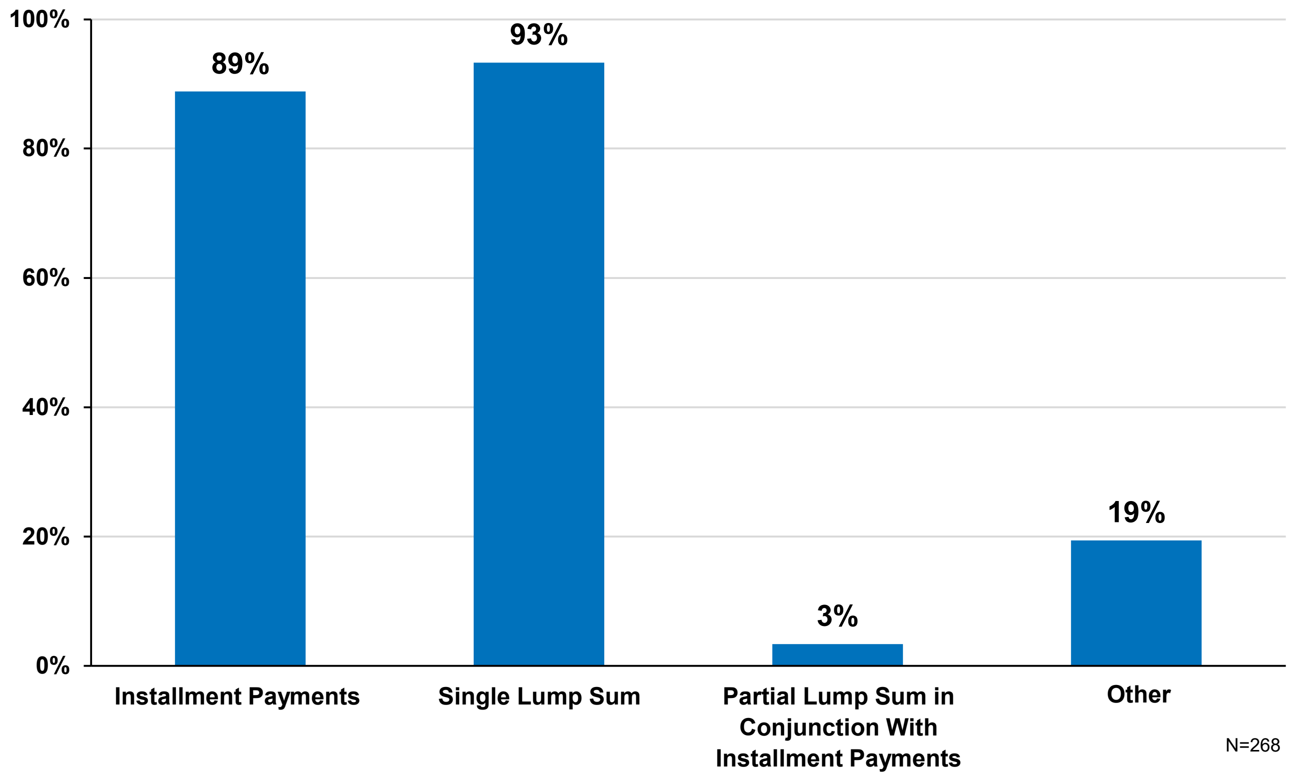
We anticipate that the current focus by employers to increase plan understanding will encourage more companies to use an account-based approach to assist in distribution planning.

NQDC Plan Design

Distributions

How may participants take distributions from the NQDC plan?

Forms of Distribution



Survey Findings

Single lump sum (93%) and installment payments (89%) continue to be the most popular forms of distribution.

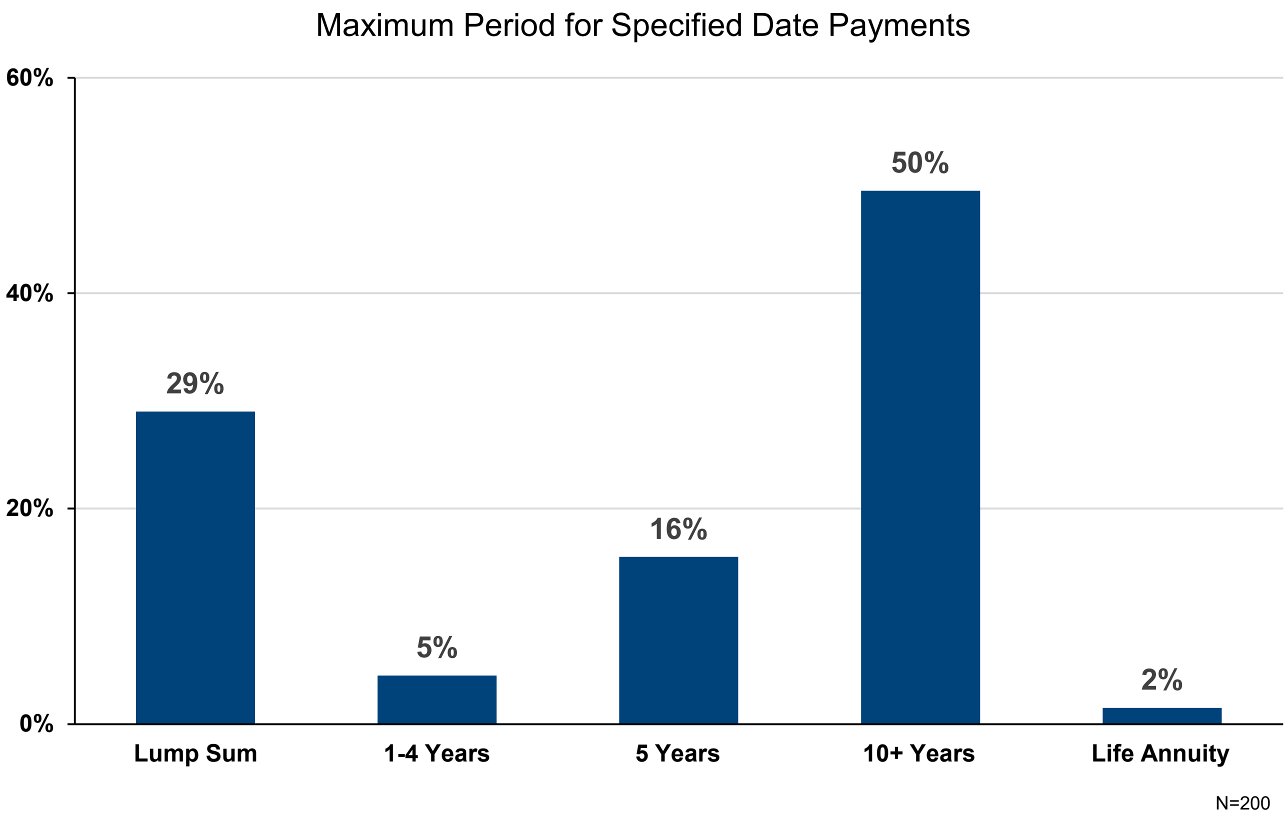
Marketplace Insights

Retirement distribution elections typically provide greater flexibility and allow longer duration installment payments than other events (termination, in-service payment, change in control, etc.) The longer duration afforded to retirement distributions (as opposed to a single lump-sum payment for a termination or shorter-duration scheduled in-service distributions) may also enhance retention and allow key employees to optimize their retirement cash flows.

NQDC Plan Design

Distributions

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



Survey Findings

Roughly 50% of all survey respondents indicated that their NQDC plans allowed maximum specified date (in-service account) distributions of lump sum to five years.

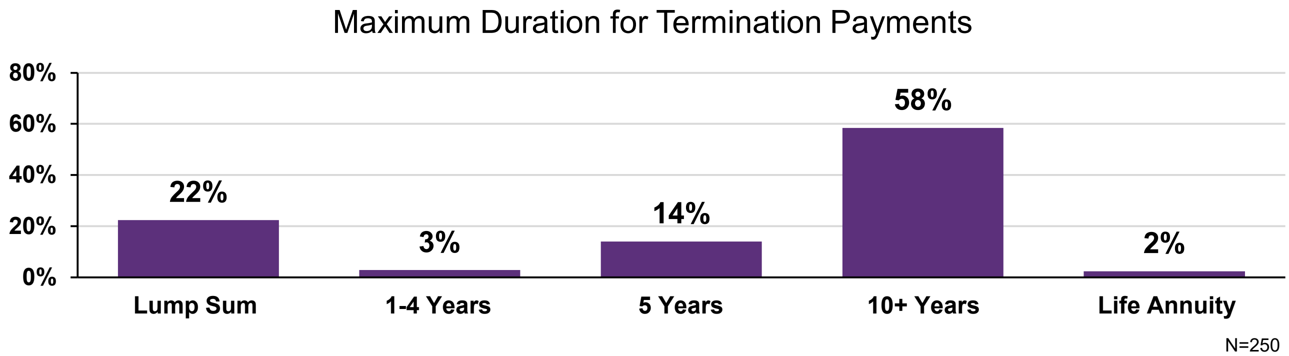
Marketplace Insights

In-service distributions are frequently used to save for early and mid-career financial events (children's education, vacation home, boat, etc.) that have short payment durations. Thus, it is not surprising that 50% of plan sponsors report that in-service distributions are not longer than five years. One to five years of annual payments is usually sufficient time to manage these mid-term financial planning events.

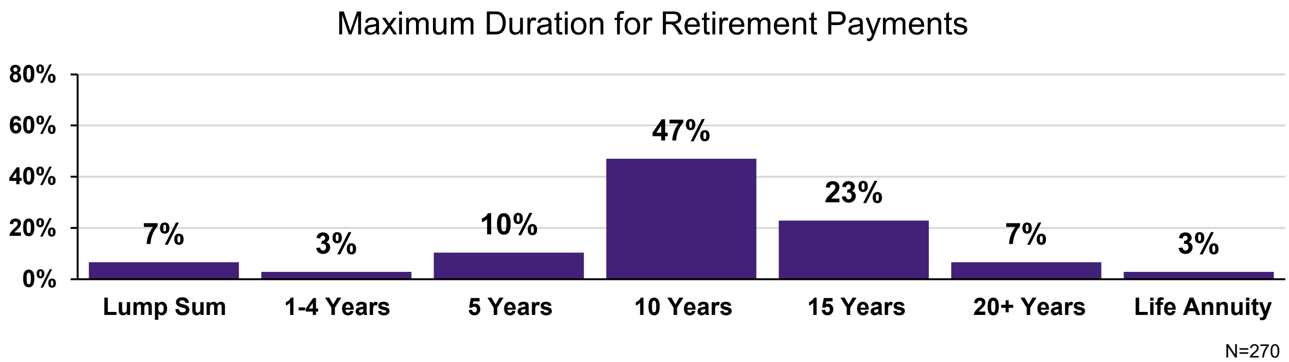
NQDC Plan Design

Distributions

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



What is the maximum period over which participants may take their retirement payments?



Survey Findings

Approximately 60% of plans allow distributions of 10+ years for termination accounts and an overwhelming number (80%) allow 10 or more years for retirement accounts. Only 39% of employers require distributions of fewer than 10 years. Life annuities continue to be rare.

Marketplace Insights

Given that federal rules allow nonqualified plan distributions of at least 10 years to avoid state source taxes, it is still interesting that up to 39% of plans required distributions of less than 10 years. Once again, education and communication about plan benefits could increase the appreciation of these valuable plans. Other than 457 plans in the tax-exempt space, it's not common practice to have plans with a maximum distribution of fewer than 10 years.

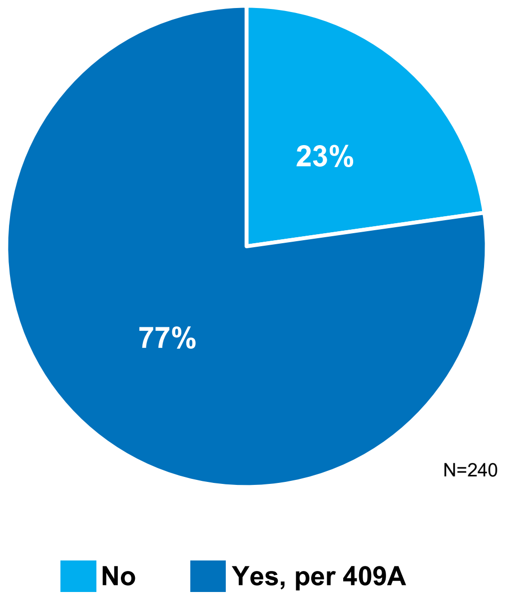
We recognize that many companies do not want the continued expense or ongoing administration for a terminated employee. As a result, a common distribution for a termination event is an immediate lump sum payment.

One tax and financial planning idea to assist recent or prospective hires is for the new employer to allow a significant deferral in the first year of employment to offset a potential lump sum payment from the previous employer. The deferral creates a "virtual rollover." Thus, in a short period of time, the employee can defer an amount equivalent to what he or she received from their previous employer, so they do not pay any more income tax than if they had not received the lump-sum payment. This creative deferral strategy is another way a deferral plan can assist in attracting new hires.

NQDC Plan Design

Distributions

Are participants allowed to change their existing payment schedules?



Survey Findings

77% of companies allow participants to change their payment schedules per the 12-month and five-year rules outlined in IRC §409A.

Marketplace Insights

For-profit companies that are subject IRC §409A typically will allow distribution timing and form of payment changes - so much so that companies that do not allow changes to distribution elections can be considered to have a non-competitive plan. Executives need the ability to make changes to their NQDC payments since their financial situation often changes from the time they make an initial election to the time of the original distribution date. Additionally, changes always cause at least a 5-year pushout in the distribution schedule, so participants need to be able to direct future deferrals to accounts that can be used to fill in that potential gap in their stream of income.

Due to the more onerous distribution requirements under IRC 457(b) and (f) – these same concerns cannot be well-addressed in deferred compensation plans for those executives who instead need an annuity plan, a split-dollar plan or some other form of after-tax, tax-advantaged, savings plan, to obtain tax deferral and distribution flexibility.

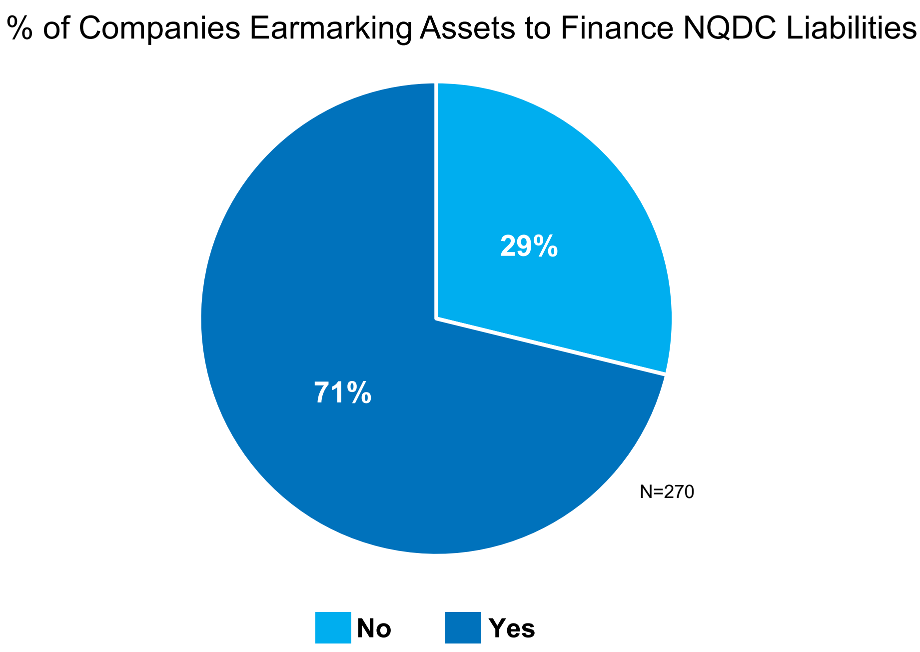
Plan Financing and Benefit Security

Plan Financing and Benefit Security

Informal funding is where assets are earmarked or set aside to finance nonqualified plan liabilities. This financing is not formal ERISA funding since the assets are still available to general creditors and are not exclusively set aside for plan participants.

Informal Funding

Does your company currently set aside participant deferrals or any assets in a trust (or otherwise) to finance its nonqualified plan liabilities?



Survey Findings

71% of NQDC plan sponsors indicated they set aside assets to finance their plan liabilities. Companies set aside assets to informally fund their NQDC plan liabilities in order to 1) better manage and hedge the impact of the plan expense, 2) have assets available for future participant benefit payments, and 3) provide plan participants an enhanced level of benefit security.

Marketplace Insights

We have seen an increase in plan financing levels from previous years due to several factors:

1. A relatively strong economy. Better business conditions generally lead to more frequent and higher levels of financing for benefit plans.

2. Volatile financial markets. Setting aside assets can immunize the company from the financial impact of the plan itself.

3. Participant dollars. Employers are more likely to set aside assets when the dollars are participant deferrals, and a large percentage of NQDC plans are voluntary deferral based.

Plan Financing and Benefit Security

Reasons for Informal Funding

Rank the following reasons your company sets aside assets to finance its NQDC plan.

	1	2	3	Ranking
Improve participant benefit security	39%	38%	42%	**1**
Mitigate earnings impact	20%	50%	30%	**2**
Source of funds for payments to participants	21%	40%	38%	**3**

N=270

Survey Findings

The top three reasons that companies gave to set aside assets is consistent with previous studies. For the first time in several years—and perhaps as a reflection of the global pandemic—the number one reason in this year's survey is to "Improve participant benefit security" followed by "mitigate earnings impact."

Marketplace Insights

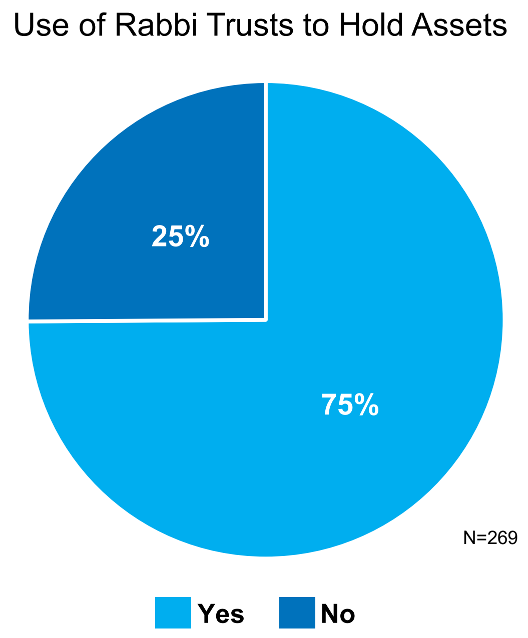
For several years, we've seen that most companies wanted to eliminate or mitigate unnecessary exposure to their financial statements or net worth as their primary financing objective. Additionally, for market-based NQDC plans, a large majority of plan sponsors choose to set aside assets to eliminate the impact to their financial statements. 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 handling its benefit obligations.

We conclude that in the current, more volatile, marketplace—both in terms of investments and in terms of day-to-day risks—that caring about employees and the benefits of attracting and retaining employees, is what elevates participant benefit security to the top ranking.

Plan Financing and Benefit Security

Grantor Trusts

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



Survey Findings

Grantor trusts (including rabbi trusts) are still the most common form of benefit security used by NQDC plans. An extremely high percentage of companies that set aside assets use a trust to hold those assets: 75% in the 2022 NQDC survey.

Marketplace Insights

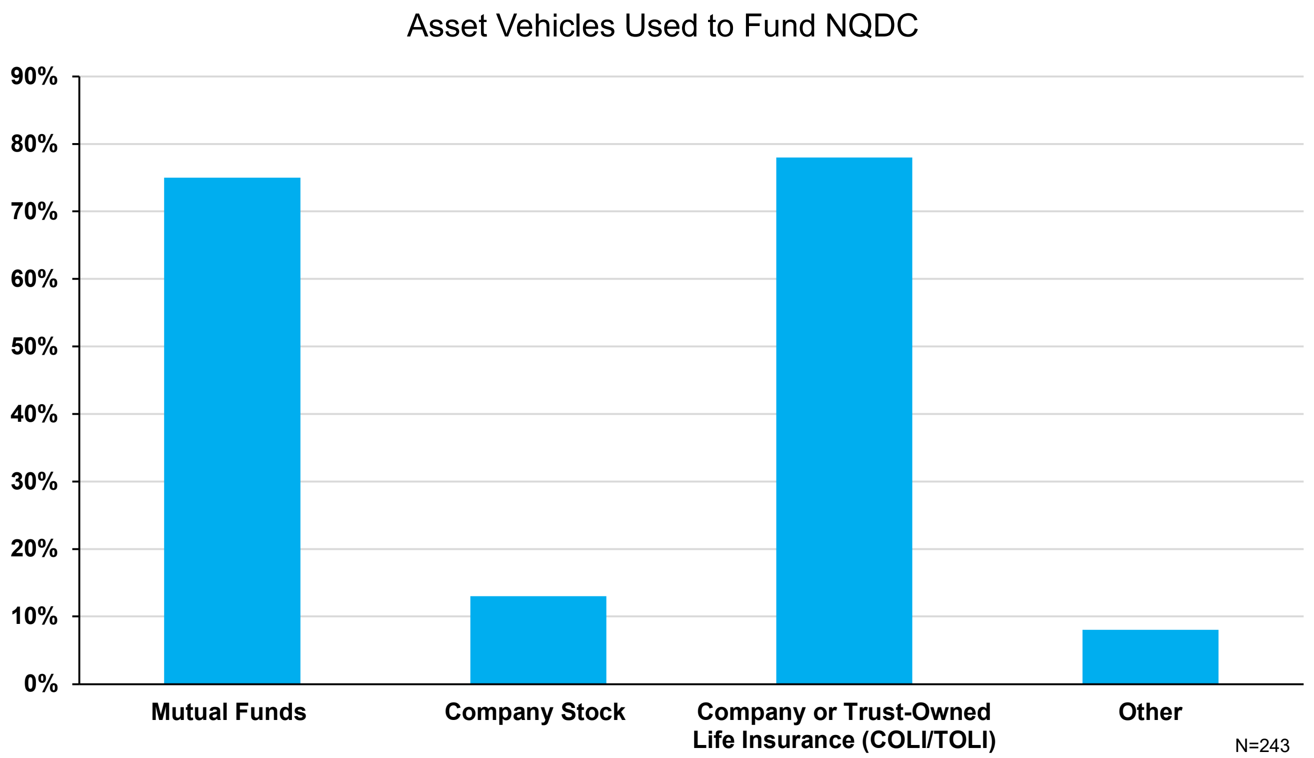
There are two primary reasons for the high prevalence of trusts (rabbi trusts in particular) used for NQDC plan financing: 1) low cost, and 2) well-tested.

Rabbi trusts do not provide protection 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 its rabbi trust guidance including Revenue Procedure 92-64, in which it offered a “model” grantor trust. Additionally, the cost of adding a rabbi trust is relatively modest. Other trust structures such as secular trusts have some benefits, but participants generally lose the critical tax benefits of the NQDC plan as a result of gaining benefit protection.

Plan Financing and Benefit Security

Types of Assets Used

What type of assets has the company set aside?



Survey Findings

For the last 40+ years, there have been two primary funding vehicles used by companies when it comes to financing their NQDC plan liabilities: 1) corporate-owned life insurance (COLI) and 2) mutual funds. COLI is the most prevalent choice for companies that want to optimize their funding results with 77% of firms that allocate assets using this tax-efficient financing vehicle. Mutual funds (74%) are also very prevalent and continue to be used in combination with COLI.

Marketplace Insights

Assets used to finance plan liabilities are always owned by the plan sponsor and taxed as income at the organizational level. As a result, the most widely used strategy is corporate owned life insurance. Variable COLI can be very simply stated as mutual funds inside of a life insurance contract. The economic equation and question for companies is the short and long-term taxable income for any mutual fund (or ETF) versus the net insurance cost associated with COLI. The net income gains in after-tax yield and IRR is always to the advantage of COLI assuming the plan and participants have long-term investment gains, and the company is paying federal income taxes. For tax-exempt or low tax bracket companies, mutual funds are commonly used to finance their NQDC plan liabilities.

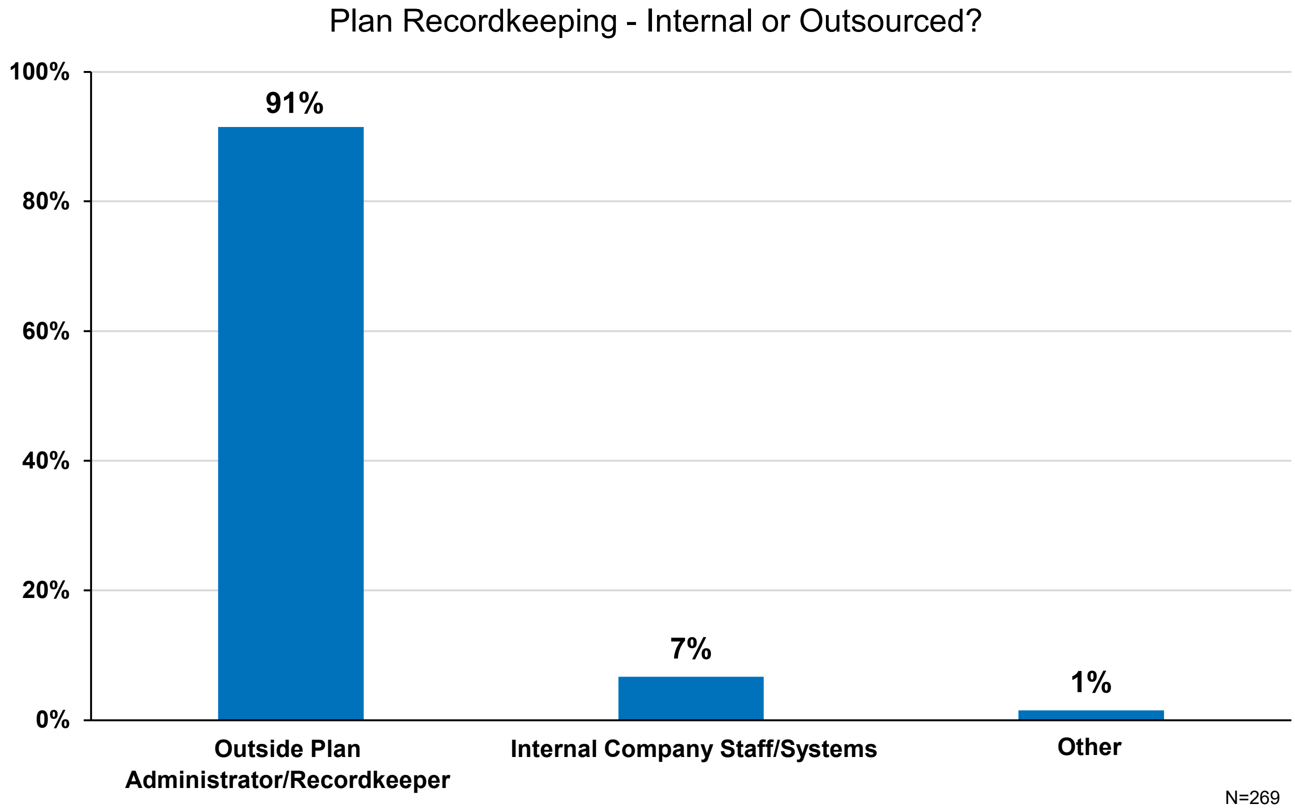
One emerging trend that we are seeing companies use more frequently is a *combination of COLI and mutual funds.* This trend has developed as plan sponsors are becoming aware that the TPAs who specialize in the NQDC market can handle and manage multiple trust funding types. The use of COLI mixed with mutual funds can create a financing strategy with a high degree of tax efficiency coupled with cash flow management.

Administration and Communication

Administration and Communication

Day-to-Day Plan Administration

How is the plan recordkeeping currently being managed?



Survey Findings

An overwhelming majority of companies (91%) outsource their day-to-day NQDC plan administration.

Marketplace Insights

Under IRC §409A, the risks associated with NQDC plan administration clearly concern plan sponsors. 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 also brings online and participant communication features and resources that may be otherwise difficult to create by self-administered plans. Plan outsourcing provides more information access for participants, and it leverages the employers HR and finance teams.

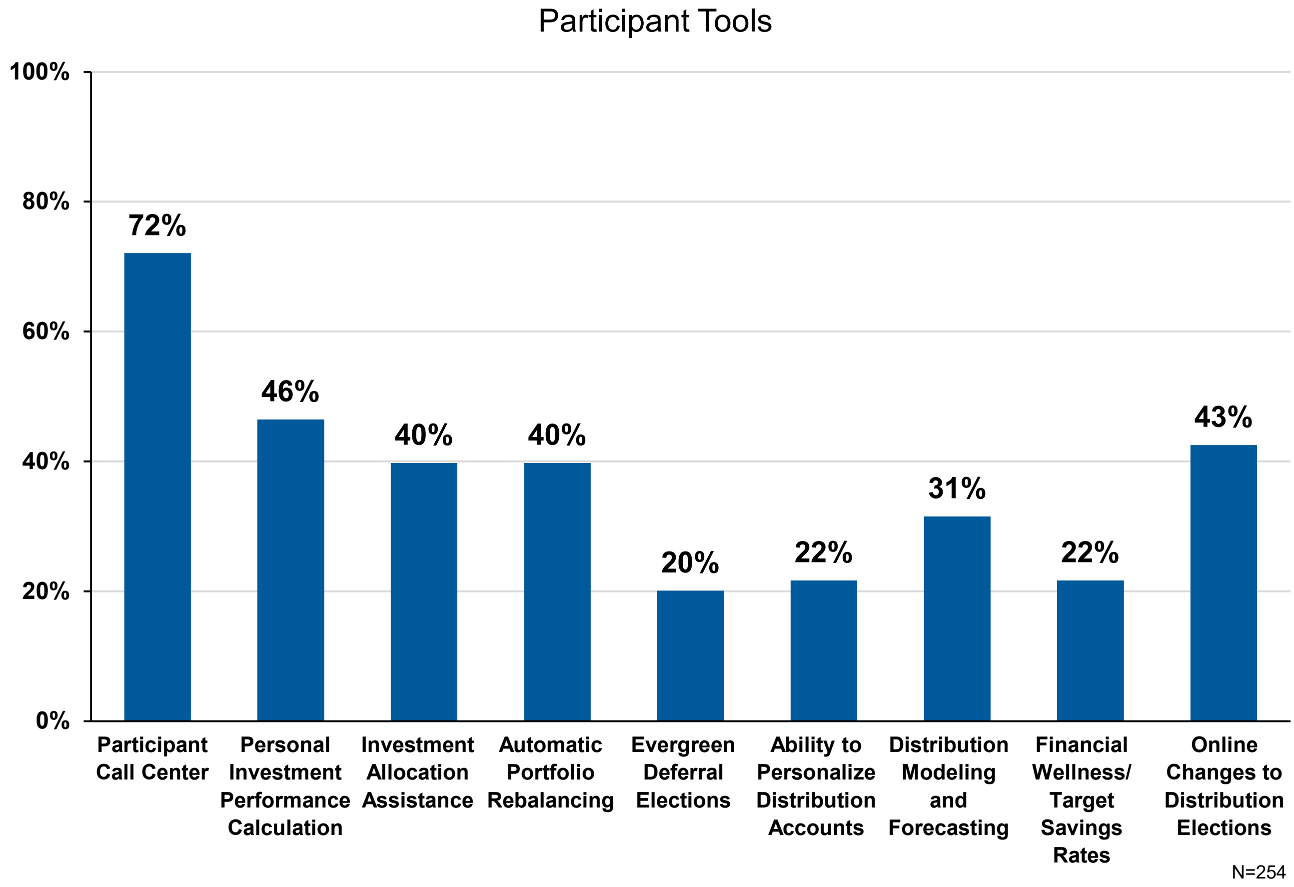
Among the key advantages that are most easily gained through outsourcing are:

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

Administration and Communication

Participant Tools

Which of these participant tools/features does your NQDC plan administration system provide?



Survey Findings

Participant call centers for NQDC plans are commonly provided (72%) by TPAs. However, other valuable participant-facing tools are provided less than 50% of the time.

Marketplace Insights

Given the participant shortfalls expressed (education, planning, deferral and distribution tools), an NQDC-dedicated participant website is an area where companies could look to address many of their plan satisfaction issues.

Financial wellness is a key feature that is underused. For companies above $750MM in revenue, deferral plans are an essential part of executive compensation. They can provide savings opportunities, planning opportunities, and special bonus opportunities, and can enhance, supplement or act in place of equity opportunities. But all this value and flexibility isn't appreciated if the executives don't understand how to use these tools. The ability to personalize deferred compensation accounts fits directly into this strategy by allowing participants to name the implementation of their strategies for their specific purpose. Few other tools make life simpler and clarify to the executive the amount of savings power and flexibility being brought to each of their goals.

Several ideas for plan sponsor and their advisors are to 1) hold one-on-one meetings with participants to show them how deferral plans can provide advantages over after-tax options and 2) provide on-demand education materials for use throughout the year. In other words, do everything possible to ensure the plan is understood and well-used.

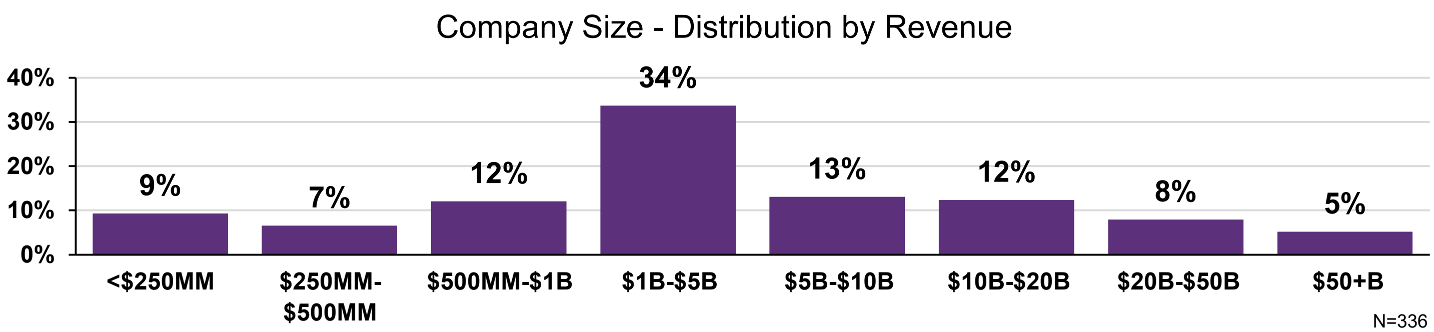
Survey Demographics

Survey Demographics

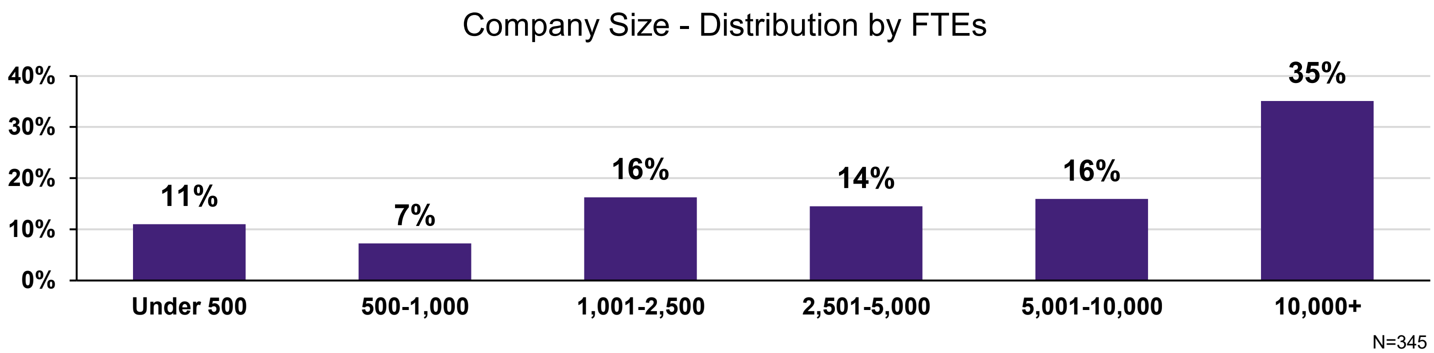
Data for the 2022 Executive Nonqualified Deferred Compensation Plans Survey was collected from March 8 to April 29, 2022, and 350 companies responded to the survey. Not all questions apply to all companies, and not all companies responded to all questions. The number (N=) listed below each result is the response number relevant to that question.

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

What are your company's annual sales/revenues?



How many full-time equivalent employees does your company employ?



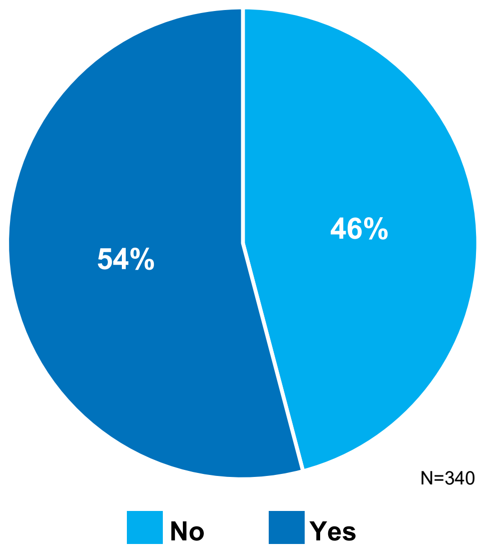
This year’s survey represents a wide range of company sizes—small to very large. On the smaller end, 14% company respondents have under $500 million of annual revenue. A combined 18% have less than 1,000 FTEs and 11% have fewer than 500 FTEs.

There was also a significant number of plan sponsor respondents on the large end of the company-size spectrum, with 22% of companies stating that they had more than $10 billion of annual revenue and more than one-third employing over 10,000 FTEs.

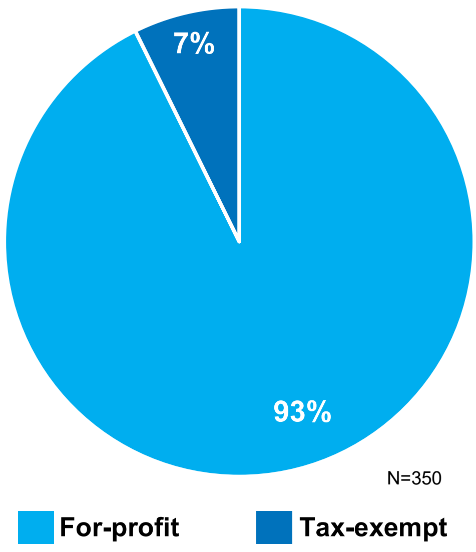
Survey Demographics

Company Structure and Industry

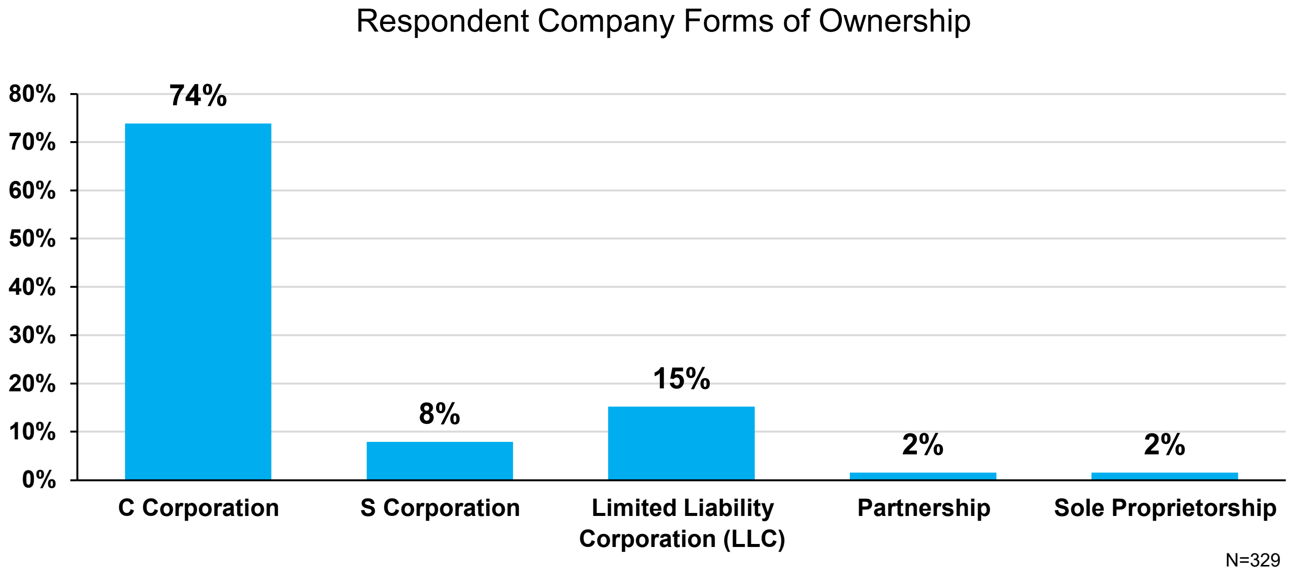
Is your company publicly traded?



Is your company for-profit or tax-exempt under IRC 501(c)?



Which form of ownership best describes your company?



Survey Demographics

Industry

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

Accounting
Advertising and Marketing
Aerospace
Agriculture
Architecture
Auto Supplier
Banking
Beer, Wine, and Spirits
Building/Construction/Contracting
Business Services
Chemicals
Commercial and Residential Security Systems and Monitoring
Commercial Services
Computers and Software
Construction
Consulting
Direct Marketing Catalog
Education
Engineering
Entertainment and Hospitality
Executive Search
Financial Services
Forestry
Government Contracting
Government/Public Works
Health and Wellness
Healthcare
Healthcare Technology
Hotels and Gaming
Industrials
Insurance/Reinsurance
Law Enforcement
Law Firm
Life Sciences
Manufacturing - Consumer Products
Manufacturing - Industrial
Media/Communications/Publishing
Medical Research
Membership Organization
Mining
Non-Profit Organization/Endowment/Foundation
Oil and Gas/Energy
Packaging
Pharmaceuticals
Real Estate
Recycling
Restaurant
Retail
Staffing Services
Technology
Telecommunications
Third-Party Logistics
Transportation
Utilities
Wholesale Distribution

Companies from more than 55 industries were included in the survey results, with the largest representation coming from Financial Services (9%), Insurance/Reinsurance (9%), and Manufacturing - Consumer Products (7%).

For More Information

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

Mike Shannon
SVP, NQ Strategic Development
407-531-5677
mike.shannon@newportgroup.com

Kevin Bachler
Director, NQ Projects and Technical Solutions
312-488-6711
kevin.bachler@newportgroup.com

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

Newport Group, Inc. and its affiliates provide recordkeeping, plan administration, trust and custody, consulting, fiduciary consulting, insurance and brokerage services.

Newport Group Consulting, LLC, Newport Group Securities, Inc., and Newport Trust Company are subsidiaries of Newport Group, Inc., an Ascensus Company.
20220608-2236582

Transparency,
objectivity, and integrity
supported by advanced expertise.
These are the keys
to our success. It's how we
build your trust in us,
and our future with you.

Experience the Newport Difference.

1350 TREAT BOULEVARD, SUITE 300, WALNUT CREEK, CA 94597

VISIT NEWPORTGROUP.COM