Executive Talent as Competitive Capital

Nonqualified Deferred Compensation Plans—

Strategic Accelerators for Corporate Competitiveness

An Educational White Paper for C-Suite Executives Concerned with Competitiveness

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Fall 2015

EBS Executive Benefit Solutions

At a time when talent is scarce, and global competition is fierce, there is little question that corporate America needs to do everything in its power to offer attractive compensation and benefits packages. Yet most companies do little to make their benefit plans do the heavy lifting of performance improvement for growth and profitability, despite the fact that a properly designed executive benefit plan holds the potential to transform executive performance.

This paper will first focus on how your organization can implement a well-designed nonqualified deferred compensation (NQDC) plan for strategic and competitive advantage in a world where attracting, retaining, rewarding and motivating key employees has risen exponentially in difficulty.

While most large companies, and many mid-to-small companies, sponsor some form of a NQDC plan, those plans are generally designed to simply offer executives a supplemental savings opportunity for compensation in excess of the 401(k) plan limits. They are ineffective in attracting and retaining key executives and professionals.

Second, if your company plan has little value as a recruitment tool, or if your company does not currently sponsor a NQDC plan, we intend to show you how to transform a basic savings plan into a dynamic incentive compensation component of the total rewards package.

Third, we also wish to offer an educational approach on how a properly designed performance-based NQDC plan can be self-funded; that is, the additional expense associated with the performance incentives incorporated into the plan can be funded out of the incremental P&L gains generated.

This white paper is your clarion call to rise above status quo to your full NQDC potential.

Human Capital Strategy

Organizations can gain a powerful competitive advantage by tapping into their executive talent, learning how to organize effectively and lead it. However, according to Professor Edward Lawler in ***TALENT: Making People Your Competitive Advantage**,* many organizations acknowledge the importance of their people, but most do little or nothing to make talent a source of competitive advantage.

According to Professor Lawler, companies which truly compete on executive or employee performance must adopt a human capital strategy or HC-centric approach to organizing the culture. Simply doing better talent management is insufficient.

Rather, special attention needs to be given to implementing organizational structures, processes and systems that will help manage and support the performance of an organization's human capital. While the right benefits plan is a link in the chain of performance factors, it is an overlooked link with enormous potential to carry its weight in growth and profitability.

Once a company has identified its most suitable HC-centric approach, Professor Lawler discusses how to implement it effectively. Drawing upon decades of research, ***TALENT*** touches on many actions that will make this transition easier, including the ability to:

- Create a corporate brand to attract the right talent;
- Motivate corporate talent;
- Establish a shared leadership approach;
- Develop an information system to analyze talent effectiveness.

We’re not talking about basic strategic workforce planning which deals with resources and operational goals; we’re talking about a fresh way to look at **talent as competitive capital to create corporate value.**

Assets on the balance sheet have always included equipment, land, building, cash reserves. It is remarkable that human capital has yet to find its own line item on the balance sheet. Perhaps, in some companies, human resources is still viewed as overhead and not necessarily a business contributor.

Talent as competitive capital requires more than an HR hand-off; it requires active involvement by the board, shareholders, and the C-suite to construct the type of incentive plans that ignite the imagination and initiative of executives, managers and key employees.

Of all the factors within the control of top management and the board of directors, the one with the greatest impact on the success or failure of the corporation is the strategy for rewards and motivators that shape employee behavior. You can’t create the enthusiasm, creativity and determination of the people who show up to work each day without rewards and motivators.

Whatever value a corporation creates stems directly from employee productivity, the way its people apply their energy, ideas and talent to the work at hand. And that’s a direct reflection on how we treat and pay our human capital.

What if, however, one could use the proper benefits strategy to motivate better performance, and do it while reducing the costs of benefits and elevating the value created on the balance sheet?

You can. And it’s time. Let us explore one aspect of a compensation and benefits strategy that is ripe with potential to turn talent into competitive capital—the NQDC plan.

At the Core of NQDC Plans

While NQDC plans are common in the Fortune 1000, there are still many small to mid-size businesses that could benefit from these plans but have yet to implement them. For those companies, the following serves as a quick bullet list on the whys of NQDC Implementation:

- Recruit, retain, reward and motivate key talent;
- Reward employees without direct equity interest. NQDC can replace equity-based compensation packages like company stock or stock options often at much lower cost;
- Compete with a publicly-held companies and protect your talent pool, even though you have no publicly traded stock;
- Create tax-leveraged financial security for key talent;
- Provide supplementary benefits to an individual already receiving the maximum benefits or contributions allowable under § 415 and blocked from entitlement under the company's qualified plan. NQDC plans make up the difference and minimize or eliminate tax law discrimination against higher-paid individuals.

At this moment, many millions of dollars are accumulating and growing in NQDC plans, held by both the Fortune 1000 and small to mid-size companies. These plans offer an essential tool to enable highly compensated executives and key employees to reach retirement goals and overcome restrictions on what can be contributed to qualified plans such as 401(k)s. [2015: $18,000 limit and an additional $6,000 if over 50 years of age]. For more details on NQDC education download guide entitled, *"Designing Nonqualifed Deferred Compensations Plans to Competitive Advantage."*

Not Your Father's Savings Plan

Some companies set up NQDC plans as simply savings plans for highly compensated employees to defer compensation over and above their 401(k) plan limits. More progressive companies see NQDC plans as strategic accelerators designed to attract, retain, reward and motivate key employees to improve performance.

According to the 2014 Mullin/TBG Executive Benefits Survey, 85 percent of respondents said their plans were established as retirement savings vehicles; 79 percent to restore deferral opportunity limited by qualified plan restrictions; and 72 percent said it was to attract and retain executive talent. **That means roughly a quarter of all companies fail to use NQDCs as a strategic weapon in the talent wars and a strategic tool to growth and profitability.**
What are the consequences?

Expect Turnover

Employees around the world are already beginning to seek out new job opportunities as growth returns and labor markets improve, finds The Hay Group, a global management consulting firm. Thus, a spike in turnover activity is expected. And in North America, due to recovery in housing, energy, and business services, Hay forecasts a 23 percent average turnover between 2013 and 2018. *What if you lost a quarter of your executive bench?*

Turnover Costs Burn

What if you can't hold on to employees because the cost of benefits keeps you from making the investment? Typically, turnover costs involve recruitment, training and the expense of lost productivity while the position is vacant.

The National Business Research Institute cites the performance cost between those employees who leave and their replacements add up to a substantial part of an organization's operating budget. *"One study in the health care industry, published in Health Care Management Review, found that the minimum cost of turnover represented a loss of greater than five percent of the total annual operating budget."*

Aharon Tziner and Assa Birata published an article titled *"Assessing Employee Turnover Costs: A Revised Approach"* in the ***Human Resource Management Review***. According to their formula, it can easily cost six figures to replace an employee. Nationally the average employee turnover rate for all organizations is approximately 15 percent. Ouch!

For those employees earning less than $50,000 per year, or more than 40 percent of U.S. jobs, the average cost of replacing an employee amounts to 20 percent of the person's annual salary, according to the Center for America Progress (CAP).

While the costs of losing a "normal" employee are high enough, **CAP found that "the cost of losing an executive is astronomical -- up to 213 percent of the executive's salary."**

But the costs are far greater than a percentage of salary alone. In an article in the Center for American Progress newsletter, this detailed breakdown of employee replacement costs was offered.

Direct Costs:

- Separation costs such as exit interviews, severance pay, and higher unemployment taxes
- The cost to temporarily cover an employee's duties (overtime for other staff or temporary staffing)
- Advertising, search and agency fees, screening applicants, including physicals or drug testing, interviewing and selecting candidates, background verification, employment testing, hiring bonuses, and applicant travel and relocation costs
- Training costs such as orientation, classroom training, certifications, on-the-job training, uniforms, and informational literature

Indirect Costs:

- Lost productivity for the departing employee
- Lost productivity due to the need to hire temporary employees
- Coping with a vacancy or giving additional work to other employees
- Costs incurred as the new employee learns his or her job, including reduced quality, errors, and waste
- Reduced company morale
- Lost clients and lost corporate knowledge

While there are many reasons an executive stays with a company beyond compensation and benefits—confidence in the company leadership; room for growth; an environment for success; authority and influence—cites The Hay Group, **why not ensure your benefits package is not a reason to leave.**

If the goal of compensation packages is to ensure that the best people are enticed to devote themselves to competitive advantage and financial strength, then the goal of NQDC plans is to motivate and reward those who contribute to the achievement of corporate objectives.

In this competitive environment for top talent, NQDC plans can be one of the most valuable assets in a company's benefits package. As mentioned earlier, the unique features of these plans help participants manage their tax liability, close the retirement savings gaps caused by contribution limits on 401(k)s and other qualified retirement plans, and save for financial goals other than retirement. This chart offers a useful summary.

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Attract, Retain, Reward, Motivate

All nonqualified compensation plans can help a company attract, retain, reward, and motivate key employees.

However, the plan can be structured to emphasize one of these areas over another.

Attract	Retain	Reward	Motivate
• Deferral of signing bonus • High deferral limits • Flexibility	• Company contribution with vesting schedule • Retirement incentives	• High deferral limits • Flexibility	• Performance-based company match on contribution • Company stock

NQDC Plan Design

NQDC plans help a company attract, retain, reward, and motivate key employees, but which is the priority? Again, most companies use these plans to attract and retain talent, not to reward and motivate higher performance. A properly designed, performance-based NQDC plan offers the flexibility and capability to motivate and reward key talent to stay the course.

Invest the time, do your homework, and select the precise design features to meet your company objectives. Here are some guidelines on the design or redesign of an NQDC plan to protect your talent as competitive capital.

NQDC plans, while ultimately a savings vehicle, can be designed to incorporate certain features specific to the strategic direction of the company and aligned with the company's overall performance-based compensation philosophy, as our chart indicates above.

For companies looking to acquire talent—perhaps from a major competitor—a plan that offers a high degree of flexibility would make it highly attractive to potential hires. Elements of the plan with appealing upfront features that enable participants to manage their account balances to meet both short-term and long-term needs would be another competitive advantage.

As an example, you have zeroed in on a top performer from your competitor. Your senior executive has a current NQDC account balance of $400,000 that will be paid out upon termination (most plans pay out within 60 days of termination), as well as $100,000 of restricted stock that vested in this calendar year.

Your offer includes a signing bonus of $100,000 that she will have to include in income this year, too. On top of all of this, your generous grant of restricted stock and salary of $400,000 and bonuses that could equal 50 percent of her salary will bring additional tax implications.

With a well-designed NQDC plan, you can allow her to defer 100 percent of her salary and bonus to offset the $400,000 of cash she will get when she terminates from your competitor's NQDC plan. You could also have her defer her signing bonus and take a payout when she elects to in the future. Note the tax advantages from the chart below.

	With New Employer's Flexible NQDC		
	Dollar Amount	Deferred in New NQDC	Taxable This Year
Payouts - Former Employer			
Deferred Comp Balance	400,000	0	400,000
Restricted Stock	100,000	0	100,000
Comp - Former ER	**500,000**	**0**	**500,000**
New Employer			
Signing Bonus	100,000	100,000	0
Salary	400,000	400,000	0
Target Bonus	200,000	200,000	0
Comp - New ER	**700,000**	**700,000**	**0**
Total Comp - Transition Year	**1,200,000**	**700,000**	**500,000**

As you can see, by having design features in your plan that allowed high amounts of deferral (100% of compensation) and the ability to defer the signing bonus, she mitigated the tax impact of moving from one employer to another, making it possible for the new company to attract talent. If your NQDC doesn't have these features, they could be added with little or no cost to the company.

Performance-Based Company Contributions

In industries where executives or highly compensated employees possess skills that take years to develop and are difficult to replace, companies design NQDC plans to impose a "golden handcuffs" effect. Company contributions and penalties may include:

- Signing bonuses structured as a deferral with vesting period and payout schedule around company objectives.
- Company contributions designed with a strategic vesting schedule.
- Penalties for voluntary termination. This could mean losing part or all of a company contribution, or an enhanced crediting rate; that is, high fixed rate if executive stays to retirement and T-bill rate if they terminate before retirement.
- Another penalty to use in retention-driven designs is only to allow a lump sum payout upon termination. As we see with the example above, it may cause some pain to the terminating executive if they have to pay tax upon termination.

Plan Features to Retain and Motivate

When we look at the cost of replacing key employees as discussed above, why not consider taking a fraction of that cost and use it for retention? If the company is currently funding its NQDC plan with corporate-owned life insurance (COLI), the cost of the match could be zero.

Let's look at an example:

A large regional bank provided its executive team with a competitive salary, annual bonus, stock options and restricted shares. Concerned with the performance of its stock price (flat over last three years) and dilution issues, the bank offered its executive team a match to its NQDC plan, based on the bank's return on assets (ROA).

The ROA targets were set against peer banks. The plan made a contribution based on where the bank ranked against its peers. The following was the contribution table that matched up to 10 percent of pay.

Return on Assets Comparison	Matching Contributions
Top-Tier	**$1 for $1 up to 10% of total comp**
Mid-Tier	**50 cents on each $1 up to 10% of total comp**
Low-Tier	**No match**

So an executive with total cash compensation of $500,000 would be matched $1 for $1 of the contribution up to 10 percent of pay (he defers $50,000 and bank matches $50,000) if the bank was in the top tier for this year. To ensure executives stay put, each contribution made by the bank had a class year vesting schedule of four years.

In other words, this year's contribution would vest in four years, next years would be five years (four years from contribution) and so on. The plan was funded which allowed the bank to recover 100 percent of its contributions, plus the time value of its money.

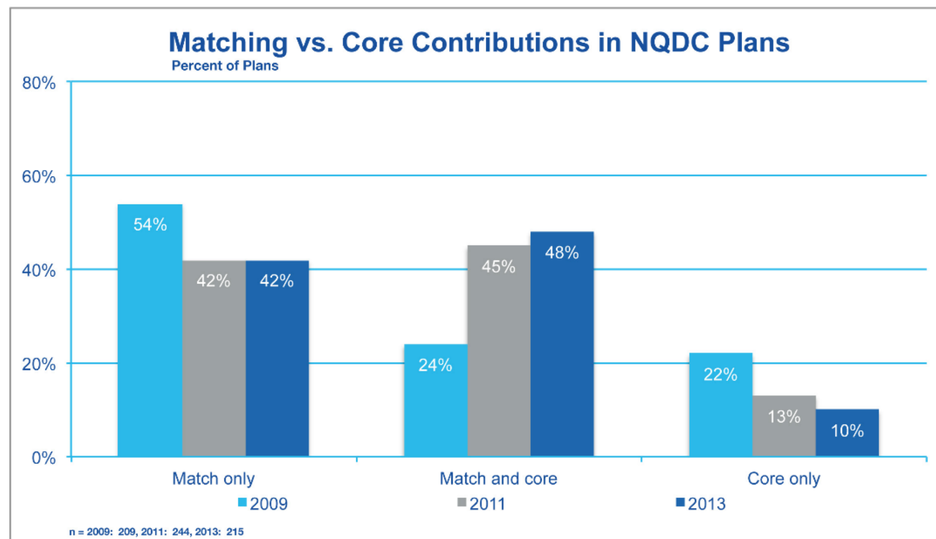
Reward/Motivate Key Employees

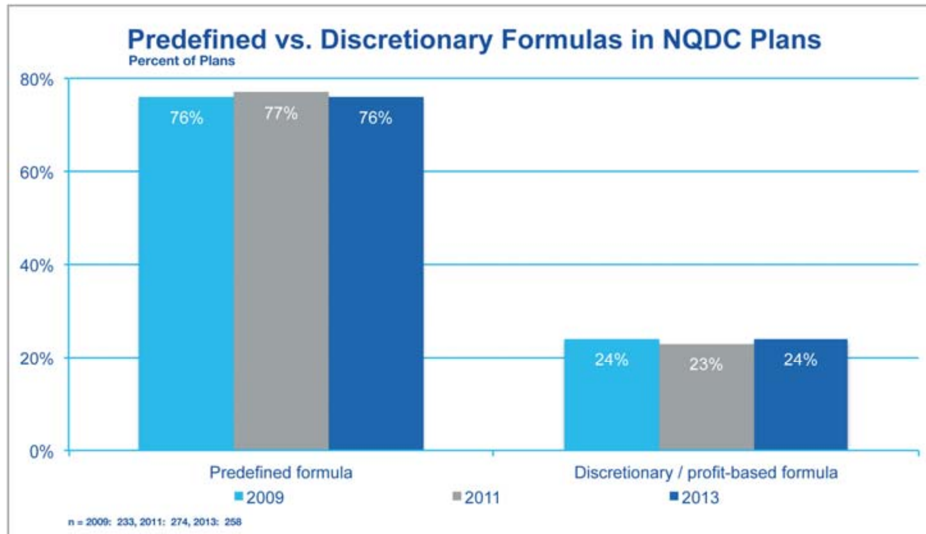
Today, employers implement design features from broad-based defined contribution plans like 401(k) plans and apply them to their NQDC plans. Towers Watson's 2013 Executive Retirement Benefits Study shows that 90 percent of NQDC plans provide matching contributions.

The matching formulas tend to mirror the matching formula under the broad-based 401(k) plan. So if the 401(k) matches 50 cents on each $1 the employee contributes up to six percent of compensation, the employer follows the same formula and contributes into the NQDC over the IRS 401(k) limits.

The prevalence of employer non-elective contributions, typically referred to as "core" contributions in a qualified plan, has increased since 2009, with 58 percent of organizations now providing this type of contribution (similar to the number in 2011).

Forty-eight percent of these organizations provide both a matching contribution and a core contribution, exactly double the number from 2009. The majority of plans continue to determine contribution amounts based on a predefined formula. Study the following two charts below from Towers and Watson's 2013 *Survey of Executive Retirement Benefits Practices:*





We see with the above data from Towers Watson that discretionary/profit-based formula contributions are becoming more prevalent.

Matching contributions continue to be more popular than non-elective (core) contributions. Many organizations believe that, as with the broad-based population, executives must own some of the responsibility of saving for retirement. However, performance based and discretionary contributions are on the rise as more and more companies see NQDC arrangements as efficient vehicles to help attract, retain, motivate and reward their executive teams.

Requiring executive deferrals also aligns management's interests with those of the organization's long-term business objectives. **When organizations use their NQDC plans as a strategic part of their compensation strategy, they match contributions.**

Deferral of Restricted Stock

To help balance off the total rewards strategy, many plans allow executives to not only defer cash compensation, but also grants of restricted stock. This option allows executives the opportunity to maximize their company stock holdings and plan the taxation according to their financial objectives.

With the issuance of restricted stock, the executive is not taxed, however, he or she is taxed upon vesting. As an example, 100 shares are granted that vest, 1/3rd in year two, 1/3rd in year

three and 1/3 in year four. By deferring the restricted stock units, the executive will not pay tax until he has taken his elected distribution which could be retirement or a specific year designated.

Reward for Stock Ownership

Many organizations implement stock ownership guidelines that require their executive team to hold certain amounts of shares based on their position. An NQDC plan could reward those who meet the guidelines with a company match, and give them the ability to hold those shares in the NQDC plan.

Let us share with you the example of a company that wanted to incentivize its management team and directors to hold stock by allowing them to defer grants. The company also wanted to reward those who met the guidelines by offering a company match.

Stock ownership guidelines were determined as a multiple of an executive's base salary or a Non-Management Director's annual retainer and are then converted to a fixed number of shares. In calculating the applicable number of shares as of a given date, the stock price would use the average stock price over the twenty trading days prior to such date.

The individual guidelines established for each participant were as follows:

- **Chairman and Chief Executive Officer** **6x annual base salary**
- **Chief Operating Officer and Chief Financial Officer** **4x annual base salary**
- **Executive Vice Presidents and Senior Vice Presidents** **3x annual base salary**
- **Vice Presidents** **1x annual base salary**
- **Non-Management Directors** **5x annual retainer fee**

The first design change the company made to its NQDC plan was to allow the deferral of restricted stock units. Prior to this feature, executives and directors were cashing in a portion of their stock grants to pay tax and only retaining 60 percent of the shares. This action made meeting the guidelines that much more difficult.

Now, the executive can elect to defer 100 percent of the grant and receive credit for the full amount of the grant. According to the 2014 Mullin/TBG Executive Benefits Survey, 57.7 percent of companies use this performance-driven feature.

The second change was to add a company match to the NQDC plan that matched executive deferrals based on their stock ownership guidelines.

% of Stock Ownership Guidelines Met by Exec	Percentage Match
100%	**$1 for $1 up to 10% of pay**
75%	**50 cents on $1 up to 10% of pay**
Below 50%	**No match**

So for those meeting 100 percent of the guidelines, they not only had the ability to get to the guidelines by tax deferring their restricted shares, but they also received a cash match equal to $1 for every dollar they deferred. Like our earlier example, they capped the match at 10 percent of total cash compensation.

Coordinate Existing Incentive Plans with NQDC Plans

In addition to performance-based plan features, it is essential to coordinate existing incentive compensation plans with your NQDC plan. For example, a company could modify the annual bonus plan to require that a portion of the award be deferred into the NQDC plan.

And, once deferred, allocated to restricted stock units (RSUs) or phantom stock units in the participant's account. Or alternatively, the company could make a contribution to the NQDC plan equal to a percentage of the annual bonus payment.

The annual bonus is typically based on the achievement of specific short-term financial goals. If a portion of the award is then linked to the long-term appreciation of the company, the total compensation and benefits package appropriately motivated the key employees and professional to focus on both specific short and mid-term performance goals, as well as the creation of long-term shareholder value. Such coordination of the plans also address the issue

mentioned early in the paper about the problems created by a purely short-term focus on incentive plans.

Voluntary Key Employee Buy-In

To increase the risk/return equation, the company could allow participants to allocate a portion of its voluntary deferrals to restricted stock units and/or phantom stock units. It is an investment option in the plan that could be used by a participant whether or not he/she is granted RSUs.

Key employees of privately held companies always say that they want to be treated as owners; however, they are rarely willing to put any of their own money at risk. Adding a voluntary buy-in feature to the plan that actually puts the key employees at risk would be an interesting way to determine who is actually willing to step up and take the risks necessary to enjoy the rewards of small business.

There are many effective ways to design your NQDC plan to drive executive performance and, in turn, your company's growth, profitability and competitiveness. We urge you not to overlook the opportunities, and offer the suggestions above as a way to get started.

Help Executives in Retirement—Offer an NQDC Rollover

As we've discussed, NQDC plans, properly designed, not only help an organization attract, retain, reward and motivate key employees, but they also represent a great tool for executives to accumulate wealth and assist in planning their retirement income.

Because these plans are subject to the claims of the company's general creditors, many executives elect to take a lump sum distribution at retirement to avoid this risk in retirement, when they are no longer employed by the company.

By taking a lump sum payment, the executives in reality forfeit the benefits of 10, 15 or 20 years of tax-deferred earnings on their NQDC account balance. The following chart illustrates the advantage of tax deferred growth on NQDC account balances. We assume a $1 million account balance at retirement that continues to earn 6 percent pre-tax interest.

Lump Sum	10 Years	15 Years	20 Years
$ 1 million pre-tax	$128,177 paid each year for 10 years; equals $1,281,773	$97,135 paid each year for 15 years: equals $1,457,020	$82,250 paid each year for 20 years: equals $1,644,992
$600,000 After tax	$769,064 Total after tax	$874,212 Total after tax.	$986,995 Total after tax

Assumes 40% combined tax rate.

If the executive takes his $600,000 after-tax lump sum amount and invests it at the same 6% pre-tax, he could have $43,123 after tax income for 20 years ($862,460 total). While less than what he might receive from the NQDC, these dollars would be totally secured from his employer's creditors. In this illustration we assumed his investment tax rate to be 30% due to capital gains, dividends and interest.

However, the company could offer a roll over vehicle that would shelter his earnings and provide him with $48,281 for 20 years of tax-free income ($965,620 total). The roll over vehicle would be owned by the executive and therefore secure from his employer's creditors, and yet, the income compares favorably with what could be generated by staying in the NQDC for 20 years while retired. This vehicle would also provide his family with a tax free death benefit for life. This report does not allow us to go into the details on this concept, however, we can provide details on an individual basis.

Costs to Transform a Basic NQDC Savings Plan

A closing thought to this section. In our experience, the incremental cost of transforming a basic NQDC savings plan into a performance-based plan, if properly designed, should be more than offset by the incremental P&L gains generated. In short, it makes good business sense.

For example, in a large national brokerage firm, turnover was a major issue, with investment advisors being lured to competitors with attractive financial offers. In order to combat the problem, an attractive match was added to the deferred compensation plan. The match had three tiers (25%, 50% and 100%, capped at 10% of compensation) based on the financial advisor's production level, and a rolling 5 year vesting schedule. In designing the new program, one view is that the match was an additional corporate expense. However, an in-depth financial

model was created that projected a reduction in turnover. If the new program was successful, the reduction in turnover would result in the continuation of revenue from financial advisors that would otherwise have left, and in reduced recruiting and training costs associated with replacing them (these costs were identified and included in the model). The financial model demonstrated how the "cost" of the match could be "funded" by increased retention.

Think Global, Act Individual

In an article for *2013 Roadshow for Growth,* writer Mark Joseph Stern said it best: "Americans live to compete. For most of its existence, the United States has been one of the most competitive countries in the world, vying for first place in every possible category. To Americans, settling for "good enough" is simply unacceptable. From science to sports to technology, we don't stop until we're on top.

When it comes to business, America's competitive streak is even more pronounced. No other country so successfully combines a marketplace of labor with a marketplace of ideas. Americans innovate, invent, improve, and *transform.*

But can we protect our storied, competitive perch in the world?

Some data indicates it is already dangerously teetering.

In the latest **competitiveness** survey from the World Economic Forum, the U.S. slipped to seventh place, down two spots, according to the report.

Exhibit 10: Top 10 Competitive Economies in the World

Rank	Country
1	Switzerland
2	Singapore
3	Finland
4	Sweden
5	Netherlands
6	Germany
7	**United States**
8	United Kingdom
9	Hong Kong SAR
10	Japan

Source: World Economic Forum, The Global Competitiveness Report 2012-13.

Data as of May 31, 2013.

The Harvard graphic below indicates that part of our problem is the focus on short-term gains and stock price. We've known this. It seems that reality has shaped an entire generation of senior managers reluctant to invest in long-term research and innovation because they are rewarded on different measurements. Yet, at the same time, the rest of the world, especially emerging economies follow longer-term visions.

Graphic by S. Denning based on "Competitiveness At The Crossroads" (Harvard, 2012)

But it gets scarier.

As reported in MarketWatch, December 4, 2014 **"It's Now Official: America is Number Two":** We dropped behind China as the world's largest economy. "The International Monetary Fund recently released the latest numbers for the world economy.

And when you measure national economic output in "real" terms of goods and services, China will this year produce $17.6 trillion — compared with $17.4 trillion for the U.S.A. As recently as 2000, we produced nearly three times as much as the Chinese.

Arguably, American competitiveness will suffer without inspired leaders and executive talent to execute on a new vision of reality. The world has changed. And we must change our thinking.

REGULATION

Motivated talent is only one solution in a veritable witches' brew of pressing challenges that include global trade, American infrastructure, government regulation, taxes and the legal system, social programs, and health care reform. In this paper, we don't mean to imply that any one benefit plan, no matter how well designed, will transform the talent needed to rise above these challenges. There are complicated aspects in this web of competitive significance.

But it's a start. And frankly, there's little time to waste.

In an alarming report from Harvard Business School (by legendary authors Michael Porter, Rosabeth Moss Kanter and Jan Rivkin), and as reported in Steve Denning's article in Forbes, **6,000 MBA alumni** were interviewed on global competitiveness, and concluded that business leaders or "quality of management" was ***not*** the problem. The problems lie in "government-created restraints . . . the tax code, regulations, the legal systems, K-12 education and fiscal policy."

No one took responsibility. Yet the report concludes our competitive challenges, in part, arose from changes in corporate governance and compensation, which impelled managers to "adopt an approach to management that focused attention on the stock price and short-term performance."

If we reward American business for the sustainable performance, not expedient results, we have the chance to rebuild America's greatness and *"to usher in a new era in economic prosperity and extend its benefits to all Americans,"* says Thomas J. Donohue, President and CEO, U.S. Chamber of Commerce.

Despite the "say-on-pay" movement, short-term thinking prevails. In reality, my partners and I can only look through the lens of executive benefits in regards to global competitiveness. That's why we maintain there is an obvious link between what and how you reward and motivate your best people and ultimate performance in the global arena.

Companies seeking to maintain competitive advantage *value* their executive talent and reward them accordingly. Most company stakeholders today understand the strategic implications of the information-based, knowledge-driven, service-intensive economy. They know that the new game requires the speed of response, flexibility in actions, and continuous self-renewal. Better still, they recognize that skilled and motivated people are central to any company that wishes to flourish in the digital age.

To bring this home, now is the time to revisit your nonqualified deferred compensation strategies with an eye to long-term, growth-oriented executive performance. ***Ask yourself: Is my current plan merely helping my executive team save for retirement or is it truly motivating desired performance and helping us to meet corporate objectives?*** These intents are not mutually exclusive.

If you reside in the 28 percent of companies that don't use NQDC plans to attract and retain and perhaps, only as executive savings plans, we encourage you to think or rethink through your purpose. If you represent the large percentage of companies that do use NQDC plans as magnets for talent, we still encourage you to revisit your plan for improvement. There may be any number of performance-driven features you've overlooked. We can help you find every one. And that way, your plan can *serve as a strategic accelerator to corporate growth, profitability, and global competitiveness.*

One's destination is never a place, but rather a new way of looking at things" —Henry Miller

EBS is an independent executive benefits consulting firm which provides total plan management services with respect to programs specifically designed for key employees and professionals. Those services include:

- Consulting with respect to plan design,
- The structuring of related financing and benefit security arrangements,
- The design and management of the participant communication, education and enrollment processes,
- Management of any informal funding assets and,
- On-going plan administration and technical support.

More information about the firm can be found at: www.executivebenefitsolutions.com.

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