



# Retention: How to Retain and Maintain Key Executives.

# The Dream...

Maintaining  
employees to keep  
continuity in your  
client's business.

# The Reality...

Many organizations overlook strategic approaches designed to increase retention and limit turnover.



# NFA's Purpose

Introduce problems that make companies susceptible to high employee turnover, and provide **solutions** that will better enable businesses to retain key employees.

# Presentation Overview



The  
Problem



The  
Solution



The  
Implementation



The  
Execution





# The Problem

Retaining key talent is an ever-increasing problem in the marketplace. 87% of employers noted that employee retention is a critical priority for their organization.

# Factors Contributing to Retention Problem:



Influx of job availability



Failing to understand  
factors that retain talent



Lack of well-  
implemented retention  
plans

# Influx of job availability

The economic boom has shifted the way business leaders are retaining talent.

More job opportunities means companies are providing additional compensation and expanding benefits (Schawbel).

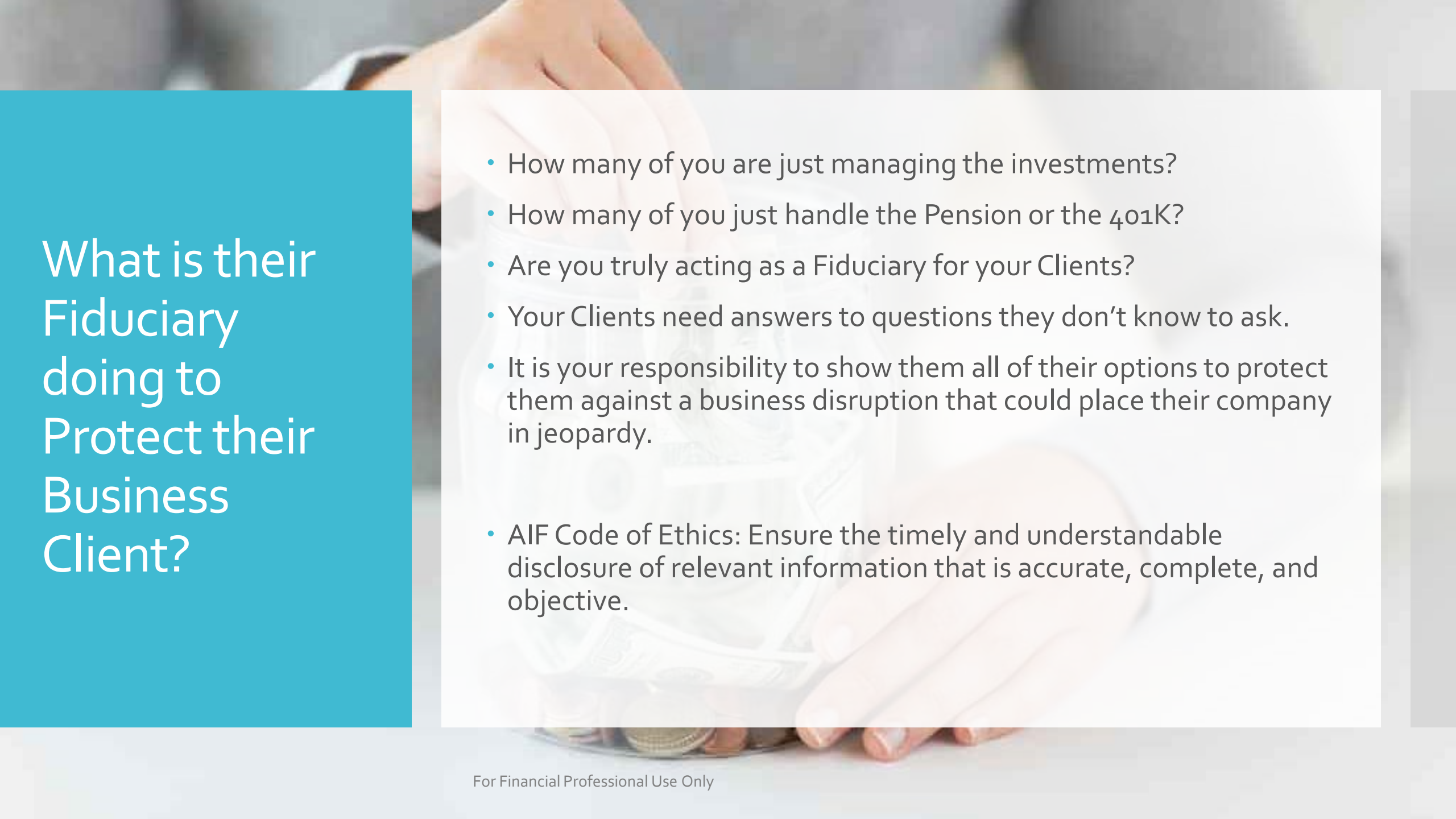




# Failure to Understand Factors that Retain Talent

- 45% of hiring decision makers note that *salary* is the top reason for employees changing jobs (Glassdoor).
- 42% of businesses report that *pension provision* has a positive impact on employee retention (CBI).
- 75% of executives believe over the next decade, *compensation alone* will not be enough to recruit and retain talent (Covestro).

*Employee Engagement & Loyalty statistics pulled from Access Perks*

A background image showing a pair of hands holding a clear glass bowl filled with various coins. The hands are positioned at the top and bottom of the bowl, with fingers visible. The bowl is transparent, and the coins inside are of different denominations and colors. The overall scene is softly lit, with a focus on the hands and the bowl.

# What is their Fiduciary doing to Protect their Business Client?

- How many of you are just managing the investments?
- How many of you just handle the Pension or the 401K?
- Are you truly acting as a Fiduciary for your Clients?
- Your Clients need answers to questions they don't know to ask.
- It is your responsibility to show them all of their options to protect them against a business disruption that could place their company in jeopardy.
- AIF Code of Ethics: Ensure the timely and understandable disclosure of relevant information that is accurate, complete, and objective.

# What is their Fiduciary doing to Protect their Business Client?

- If you are just managing their money, you are doing your client a disservice.
- You must provide them with comprehensive advice.

# Lack of Well-Implemented Retention Plans

Programs like Nonqualified Deferred Compensation Plan's are beneficial solutions often overlooked by companies when designing executive and director retirement programs (Gagnon).



# The Solution

Utilizing programs such as Nonqualified Deferred Comp, SERP, Exec Bonus, Defined Benefit, 401K, ESOP, COLI/BOLI to increase retention and improve employee experience.

# Influx of Job Availability

- **Solution**

- As the economy improves and competition for top talent increases, voluntary and employer-paid contributions into ***Nonqualified Deferred Compensation Plans*** offer valuable savings for top earners and are proven retention devices for employers (Gagnon).



# Failure to Understand Factors that Retain Talent

## • Solution

- Understand financial compensation is not enough. Interweave financial and non-financial incentives to decrease turnover and increase retention (Rogers, Davis)
  - Couple tax-effective savings tools with other reward programs and place a greater emphasis on incentive compensation (Brainworks).
- Have the right mix of salary, bonus and stock options.
  - Salary should be large enough to pique interest, but total compensation should be skewed toward bonus and stock to ensure executives have invested interest in success of organization.

# Lack of Well-Implemented Retention Plans

- **Solution**

- Provide valuable tools for savings by offering voluntary and employer-based contributions into NDCP's.
- Utilize Executive & Employee Benefit Programs
  - Supplemental Executive Retirement Plan
    - Nonqualified retirement plan for key employees
  - Nonqualified Deferred compensation Plan (NDCP)
    - Portion of employee's salary deferred until departure
  - 401K Plan with (K)SOP
  - Executive Bonus Programs





# Implementation

How can you implement these retention programs today?

# SERP

## **Supplemental Executive Retirement Plan**

Provides top employees key benefits that go beyond other retirement plans (such as 401k, IRA or nonqualified deferred compensation plans).

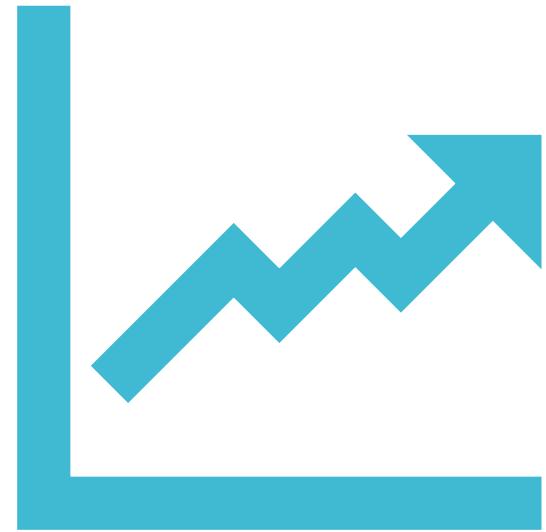
Allows for tax free withdrawals to the owner/insured via loan provisions in the plan, if structured properly.

No RMD's as it is not a 401K or a 457 plan.



# COLI/ BOLI

- **Corporate-Owned Life Insurance**
  - Tax efficient method for offsetting cost of nonqualified executive benefits (Newport Group).
  - Tax favored assets
    - Tax-free withdrawals, loans and death benefits
    - Broad asset class/manager investment options
    - Guarantee issue underwriting
- **Bank-Owned Life Insurance**
  - Tax efficient method used to offset costs of employee benefit programs. Tax favored assets
    - Returns typically exceed after-tax returns of more traditional investments.
    - Death benefits are tax free
    - Ability to efficiently generate gains to offset costs associated with employee benefits programs



# Nonqualified Deferred Compensation Plan

- Allows compensation to be saved pre-tax with tax-deferred earnings growth.
- Deferral of income is an increasing advantage to those in high tax brackets.
- Provides top employees tax-effective savings tool and allows the company to retain those key employees by leaving something at risk for the employees should they considering walking away.
- Flexible
  - Can be structured on voluntary basis (employee voluntarily contributes portion of their pay) or can be employer paid, or both.
  - Establish a Vesting Program for Company Contributions.



## Executive Bonus Plan

## Deferred Benefits Plan

### Executive Bonus Plan

- Provide ways for companies to give additional supplemental benefits to top employees of their choosing (Boli Coli).
- Typically include life insurance policy, cash value accumulations, making it a strategic tool in attracting and retaining employees.

### Defined Benefits Plan

- DB plans are useful tools in employee retention, especially when coupled with health care plans.
- DB plans have been proven to give employees “an important reason” to stay with their employer (Towers Watson).



# Execution

Determine, evaluate and implement strategies to improve retention and reduce risk associated with turnover.

# What Now?

## Determine

- Determine your organization's current vulnerability regarding retention and turnover.

## Evaluate

- Evaluate options that retain talent and benefit your organization.

## Implement

- Implement strategies and track progression.



# Thank you



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