



NONQUALIFIED PLANS CAN BE CRITICAL IN KEY EMPLOYEE RECRUITMENT AND RETENTION

As the workforce becomes more mobile, nonqualified deferred compensations plans cited as critical offering

As employers look for ways to attract and retain the most qualified candidates, employee benefits are becoming more critical to securing top talent who play important roles in their organization¹. According to the U.S. Bureau of Labor Statistics, employees change jobs for better pay, improved benefits, opportunities for growth, or a different career altogether. New research conducted by Principal[®] (principal.com/nqresearch) indicates that nonqualified deferred compensation plans - employer-sponsored plans that enable key employees to save more of their earnings for retirement - remain valuable in helping employers recruit and retain key talent, and important in helping participants reach retirement savings goals.

There's no shortage of openings for employees to consider as there are now 1.9 job openings for every unemployed worker². In fact, employers (88%) and employees (91%) agree that most key employees are actively looking for a new job, according to the Principal research. While employers say they're increasing pay to help retain existing key talent, employees state employers could do more.

"Labor has been incredibly mobile this year, as employees have changed jobs or career paths in search of better pay, benefits, and growth opportunities. Our research clearly indicates that a nonqualified deferred compensation plan serves as a valuable benefit to the retention of key employees, and attractive to prospective candidates," said Nate Schelhaas, senior vice

president and head of life protection solutions at Principal[®].

Some of the key takeaways from plan participants include:

- For participants, deferred comp plan availability plays an important role in the decision to stay with an employer (53%) or take a new job (60%)
- Eight in ten participants say a deferred comp plan is important in reaching their retirement goals
- Of the 27% of participants with a deferred comp match from their employer, nearly all (93%) contribute enough to get the maximum match

From a plan sponsor point of view:

- The top two reasons plan sponsors provide deferred comp plans is to provide a competitive benefits package (89%) and to help participants save for retirement (88%)
- 59% of plan sponsors are concerned with attracting key employees, and 55% are concerned about losing key employees to competitors
- The majority say offering a deferred comp plan is valuable for recruiting (59%), and retention (66%)

What does this mean for you?

If you have employer clients, they're likely facing the same difficulties recruiting and retaining top talent as many of their peers. You could help employers meet these challenges by informing them about the benefits of deferred comp for their organization and key employees.

Recruiting and retention



59% view the plan as a valuable **recruiting** tool.



66% view the plan as a valuable **retention** tool.

Top reasons why plan sponsors offer deferred comp plans



89%

Provide a competitive benefits package for key employees



88%

Help participants save for retirement above qualified plan limits



80%

Help key employees manage current taxation



75%

Retention tool for key employees

ABOUT THE RESEARCH

Between June 6-27 and September 6-26, 2022, Principal conducted two online surveys with employers and employees who have nonqualified deferred compensation plans with Principal[®]. A total of 159 completed surveys were received from employers and 758 from key employees. This marks the 15th consecutive year Principal has conducted this research and the results provide statistics and trends to help employers benchmark their key employee benefit offering against their peers.

FOOTNOTES

¹ According to the 2022 Principal Financial Group Business Owner Check-in

² According to the November 1, 2022 jobs report by the U.S. Bureau of Labor Statistics

