# In Battle to Retain Key Executives, Supplemental Retirement Benefits Can Be a Winning Strategy

The so-called Great Resignation and the war for talent are real pressures on the banking industry, according to panelists who spoke at the ABA Conference for Community Bankers in February.

2021 was marked by a sharp decline in labor market participation, and it forced many banks to the table to strengthen compensation and benefits, Troy Deupree, senior consultant with NFP Executive Benefits, told bankers and directors.

"The direct cost of a losing a key person is about 200 percent of salary," Deupree said. That reflects expenses such as screening prospects, interviewing them, negotiating with them, and bringing them onboard. It doesn't include spillover effects, such as lost productivity, the cost of covering vacancies, gaps in institutional memory, and reduced morale, which can drive the real cost of replacing a key person to as high as 400 percent of salary, he said.

Mid-level managers have been particularly at risk and banks are making efforts to retain them, Deupree said. Their concerns are often different from senior management. Benefits such as college tuition programs are often attractive to employees with young children, for example.

> **'To succeed today, you really need to think about non-qualified benefits and customize plans to meet your needs.'**

Customized deferred compensation plans financed with bank-owned life insurance, or BOLI, can play an important part in retaining employees, Deupree said. Because they are so-called non-qualified plans under federal law, banks can choose a narrow group of employees to receive them.

"To succeed today, you really need to think about non-qualified benefits and customize plans to meet your needs," Deupree said.

Mel C. Martin, president and chief operating officer of First National Bank of Oklahoma, said a supplemental executive retirement plan, or SERP, has provided to be a valuable retention device for the $747 million-asset bank, which is based in Oklahoma City. "It has been very well received, and the cost of setting it up wasn't even really a factor to us."

Funding the SERP with BOLI is a tax-efficient method of offsetting employee benefit costs, explained Vince Sotelo, executive benefits director in the retirement division of Protective Life, which accounts for 10 to 15 percent of BOLI sales annually.

Establishing non-qualified benefits plans usually requires one to two meetings with the board of directors to review and explain options, Deupree said. Options are also available for directors; fee deferral plans are currently popular, he explained. Instead of receiving cash for their board service, directors can be paid into a deferred compensation account, allowing the income to grow free of taxation. "These are excellent programs for directors," he said, as is supplemental life insurance.