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MullinTBG/PLANSPONSOR

2012

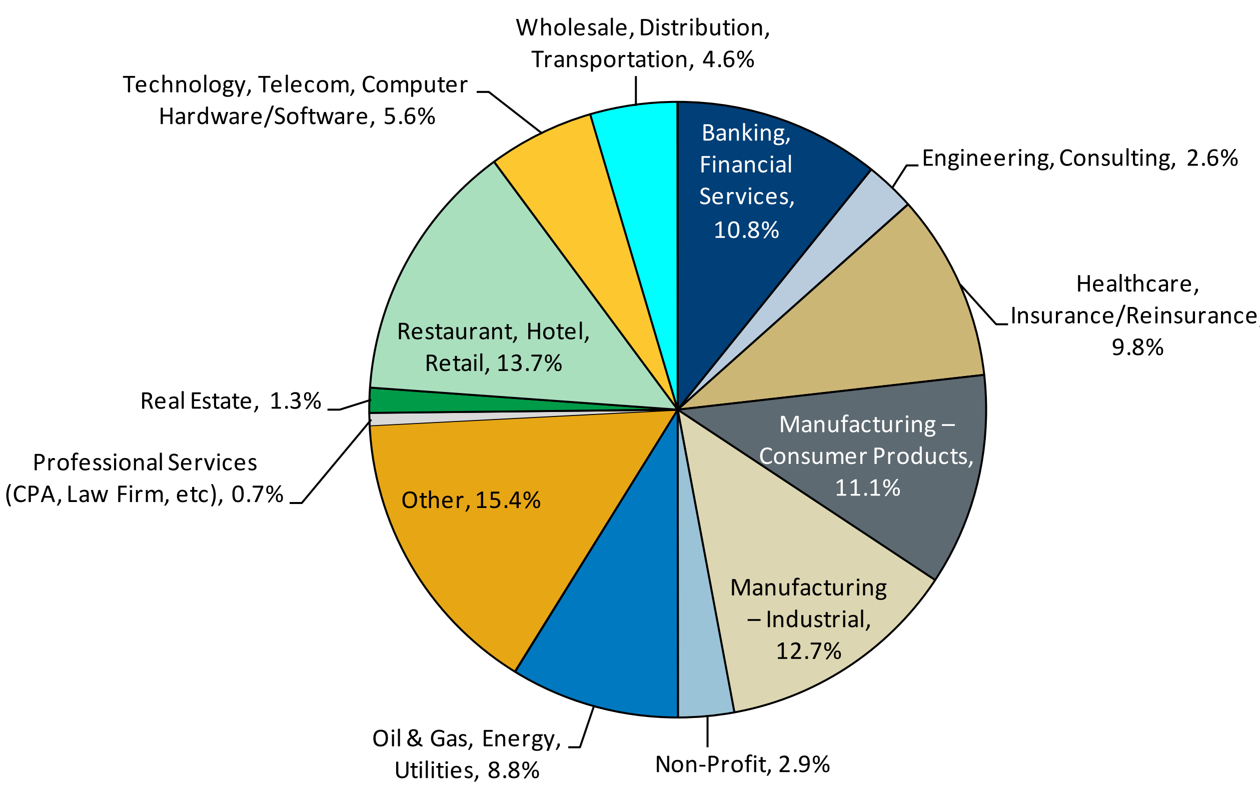
EXECUTIVE BENEFIT SURVEY

Summary of Results

*Our Specialty – Your Success*SM

The American Taxpayer Relief Act of 2012 signed into law on January 2nd, 2013 increases federal income tax rates on higher-income Americans, and implements a wide range of other tax and spending measures that means reduced take-home pay this year for most American workers. The various tax rate increases combined with historically low interest rates present potentially greater challenges for highly compensated employees trying to save for retirement and meet other financial goals, making deferring compensation into a nonqualified plan even more attractive for those looking to reduce their current taxable income. And while the tax increases were an uncertainty at the end of 2012 – by which time any employee eligible for their company's nonqualified deferred compensation plan (NQDCP) would have had to decide whether or not to participate, elect how much to defer and decide at what future dates to take distributions – did the anticipated hit of tax hikes to employees' bottom line affect plan participation and deferral rates? We won't likely know the full impact until later this year, however we do know this for certain based on the results for the 7th annual MullinTBG and PLANSPONSOR Magazine Executive Benefits survey: NQDCPs continue to be an appealing pre-tax savings vehicle for a company's valued employees.

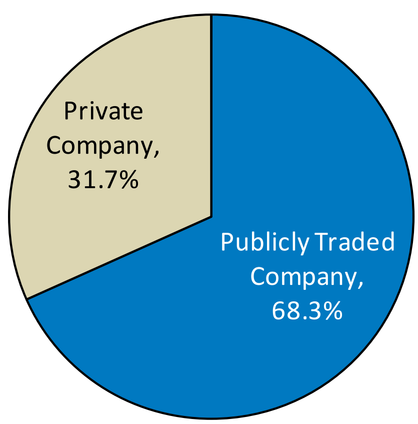
Industry Ranking



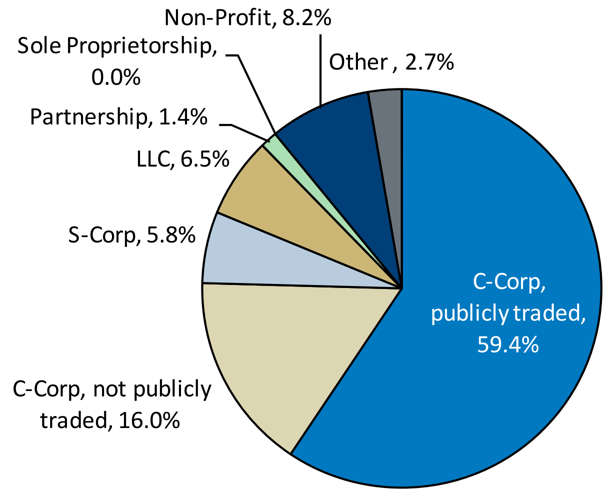
RESPONDENT DEMOGRAPHICS

The number of usable responses to the MullinTBG-PLANSPONSOR survey was the same as last year – 306. There was an uptick in responses from large companies (revenues greater than $1 billion), to 62.7% this year, compared to 51.3% last year, which we would expect to impact trends. The ratio of publicly traded to private companies shifted slightly, with an increase in public-firm responses (68.3% vs. 56.9% in 2011). Overall, respondents continue to represent a wide range of industries, and most are publicly traded, tax-paying C-Corps.

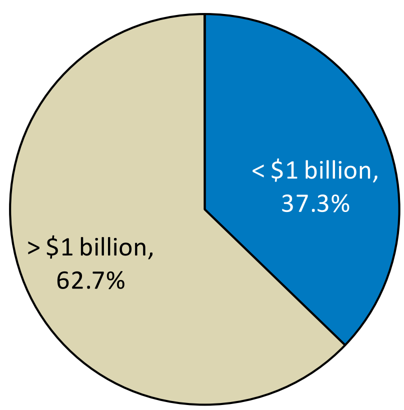
Respondents by Ownership Classification



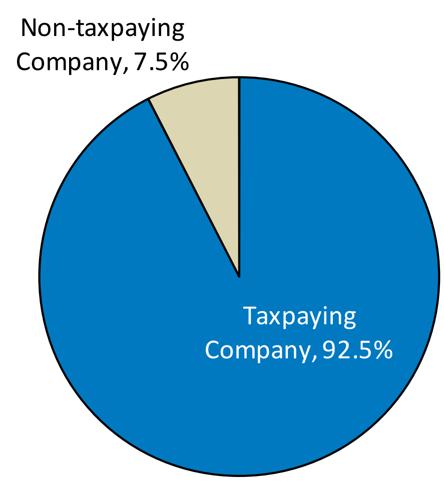
Respondents by Legal Structure



Respondents by Sales Revenue



Respondents by Tax Status



NONQUALIFIED EXECUTIVE BENEFIT TRENDS – PAGE 4

- NQDCPs remain the most common executive benefit, offered by nearly 91% of responding companies.
- Stock options offerings at large companies (revenues greater than $1 billion) increased by almost 9% (52.8% vs. 43.9% in 2011).
- Cash balance plans and active defined benefit pensions both saw a slight uptick in prevalence in 2012 as compared to past years, with nonqualified defined benefit (aka SERP) offerings increasing 2.1% from 2011 levels.
- There was a slight increase in incentive programs in 2012 (30.9% vs. 28.2% last year), which could be indicatative of returning confidence in the overall economy and jobs outlook.

NQDCP LANDSCAPE – PAGE 5

- Criteria used for determining NQDCP eligibility varied amongst categories, with job grade cited most often (28%), and salary + title coming in second (16.5%).
- The vast majority of companies (83.9%) do not plan to make changes to their NQDCP, however, for those that are, additions or enhancements to distribution options, investment options and education and communications efforts were most often reported.
- While general plan participation rates have hovered just below 50% most years, 2012 marked the first decline – relatively speaking – to 43.9%.
- Participation was lowest in plans that didn't offer a company match (35.2%), and, in striking contrast (as in previous years), highest for firms that offered both a company match and informally funded the plan liabilities (54.2%).

NQDCP DESIGN OPTIONS – PAGE 7

- In terms of deferral sources, base salary and bonuses continue to be the primary options for participants.
- In 2012, 47% of companies provided a NQDCP company match, up from 44.7% last year. As in previous years, most firms calculated the match according to a fixed percent, or to replace a lost 401(k) match.
- There was an increase in company match being tied to company performance (8.3% in 2012, up significantly from 1.8% in 2011).
- Companies using investment or crediting options tied to an outside index or fixed rate increased nearly 5% in 2012 (from 17.7% in 2012 vs. 12.8% in 2011).

NQDCP FUNDING AND SECURITY – PAGE 11

- Informal funding continues to be a popular strategy for managing NQDCP assets to liabilities, and its prevalence held steady in 2012 at 58.9% (58.7% in 2011).
- Generally speaking, in 2012 larger companies informally funded their plans in order to manage assets to liabilities, while smaller companies informally funded in order to improve employee security. This marked a shift from 2011, when both large and small companies funded in order to manage assets to liabilities.
- Companies continue to manage NQDCP asset-to-liability ratios primarily with corporate-owned life insurance (COLI) and mutual funds. The prevalence of COLI funding remained relatively flat (44.3% in 2012 vs. 42.1% in 2011), however, funding with mutual funds decreased over 12% (40.5% in 2012 vs. 52.6% last year).
- Rabbi trusts maintain their position as the top choice for a security vehicle, employed by 79.1% of all respondents.

NQDCP RECORDKEEPING – PAGE 15

- The vast majority of companies prefer to hire a third-party recordkeeper to administer their NQDCPs, and in 2012 there was a slight increase in this figure (73.4% this year vs. 69.2% in 2011).
- Respondents rank quality of service as the most important criteria when selecting a provider.
- This year, online user experience was added as a new criterion to the survey and ranked second most important, emphasizing the significance of access to user-friendly, convenient technology for both plan sponsors and their participants.

PLANNING AND ADVICE – PAGE 16

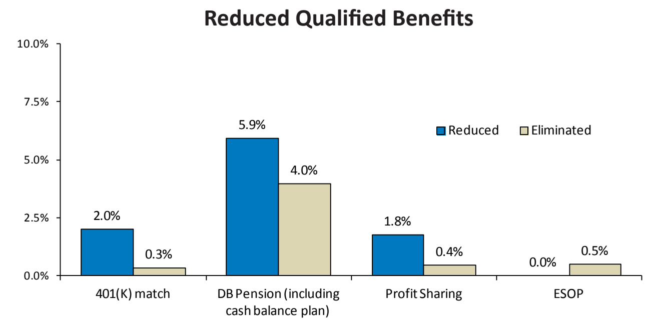
- Executive financial planning benefits continued to grow in popularity in 2012, and were offered by nearly 53% of companies surveyed. This indicates a steady and increasing interest in providing executives with additional tools needed to manage their finances in times of economic uncertainty and in the midst of looming tax rate increases.
- The majority of respondents that offered access to financial planning specialists utilized external advisors and provided them at no cost to executives.

OTHER BENEFITS – PAGE 17

- Nearly all respondents offered group life and long-term disability benefits for their pre-retirement general employee population.
- Fewer firms offered employer-paid individual executive disability insurance this year, however, there was a slight uptick in the offering of long-term care benefits in 2012 (33% this year vs. 31% in 2011).

CHANGES IN QUALIFIED BENEFITS

The overall trend of reducing or eliminating defined benefit pensions and cash balance plans continued this year, and the pace of decline understandably continued to slow in 2012. Just 9.9% of respondents trimmed or eliminated such plans, compared to 10.8% in 2011, 13.7% in 2010, and down significantly from the high of 26% recorded at the peak of the financial crisis in 2008.



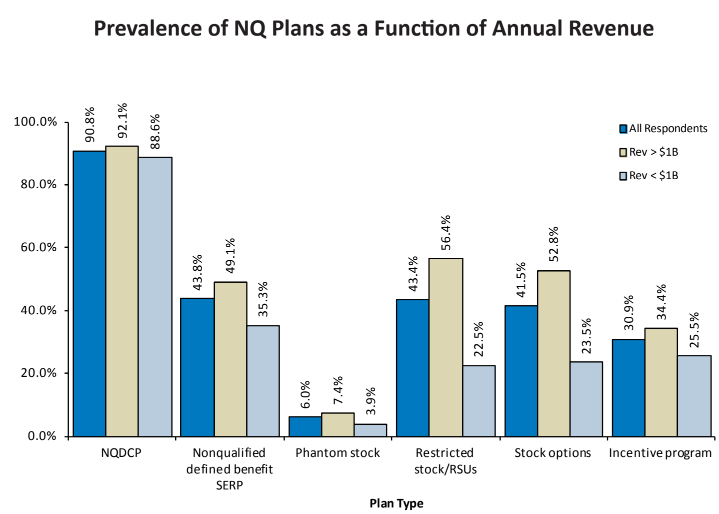
Similarly, reductions or eliminations of 401(k) matches and profit sharing plans slowed in 2012 to 2.3% and 2.2% respectively, as most companies making benefit cuts in response to the economic downturn already took action in 2009 and 2010.

PREVALENCE OF NONQUALIFIED BENEFITS

Offered by 90.8% of survey respondents, voluntary NQDCPs remain a relevant and integral component of the modern executive benefits package. Consistent with years past, larger companies (92.1%) are more likely to offer NQDCPs than firms with revenues of less than $1 billion (88.6%), although the gap continues to close. Because NQDCPs have become a staple in the overall benefits package of highly valued executive talent, they continue to be relevant and well-regarded. The higher tax rate environment of 2013 and beyond will be particularly pertinent to driving renewed interest in NQDCPs, as they are an efficient and valuable way to provide executives with the opportunity to defer additional pre-tax savings for retirement and lower their taxable income.

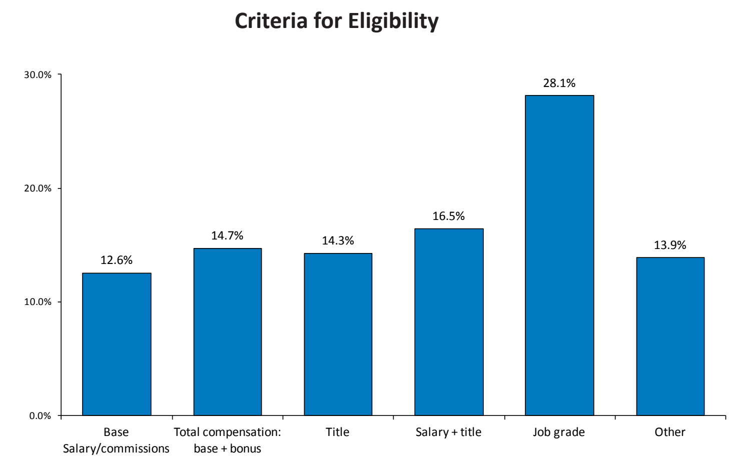
Although the popularity of supplemental employee retirement plans (SERPs) has generally experienced a downward trend, 2012 saw a slight increase. We would still expect SERPs to continue to decrease in prevalence year-over-year, and believe the anomaly is likely due to the fact that many larger companies responded to the survey in 2012 as compared to prior years, and SERPs tend to be more common in larger companies that have greater resources to fund the benefit liability. These plans were offered by 43.8% of respondents in 2012, compared to 41.7% in 2011.

There was a significant uptick in the use of stock options, to 41.5% in 2012 from 36.3% in 2011 and 35.1% in 2010. And though typically favored by larger, public and taxpaying companies, restricted stock also appears to have rebounded in 2012 to 43.4%, as compared to 41.7% in 2011 and 43.8% in 2010. Again, these increases in the use of stock options and restricted stock units could be attributed to the higher number of larger company respondents this year, where offering various stock options is more commonplace. Additionally, phantom stock continued to experience a slight decline in 2012 to 6.0%, compared to 6.6% in 2011 and 6.9% in 2010. “Other incentive programs” increased slightly to 30.9% in 2012, from 28.2% in 2011, but still lower than 35.5% recorded in 2010.



CRITERIA FOR ELIGIBILITY

As in 2011, there were no clear cut eligibility criteria across all respondents. Results varied among the categories, with job grade (28.1%) and salary + title (16.5%) being the most prevalent. There was a noticeable decline in "title" being the main criteria (down from 24.6% in 2011 to 14.3% in 2012), however, given the newness of the question to the survey, no specific conclusions can be drawn from these results as yet.

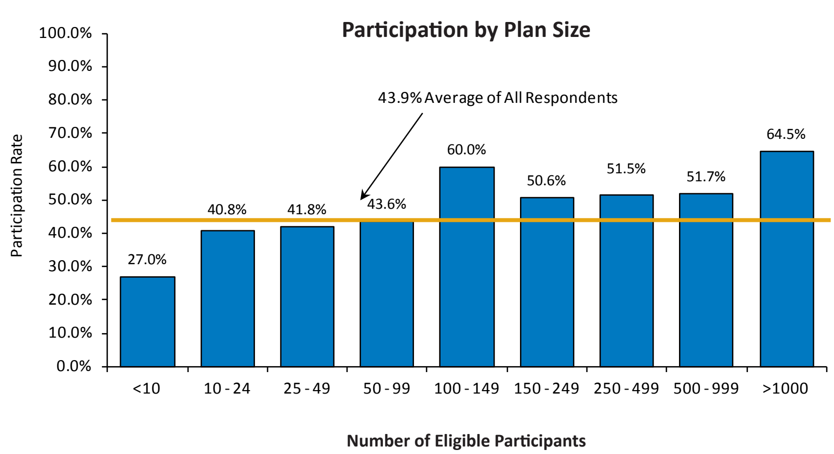


Within those categories, non-taxpaying entities (35.3%) were most likely to attribute eligibility to title, while job grade was the most important criteria at larger (33.3%) and public companies (34.2%).

A new question was added in the 2012 survey in an effort to define the minimum base salary level companies used to determine eligibility for employee participation in the NQDCP. Nearly half of all respondents cited that some minimum annual base salary under $125,000 qualified them for participation in the company's plan. Over 21% of survey respondents cited a minimum salary in the range of $150,000 to $174,999 as their requirement. 12.8% required a minimum base salary of $200,000 per year to participate in the NQDCP.

PARTICIPATION

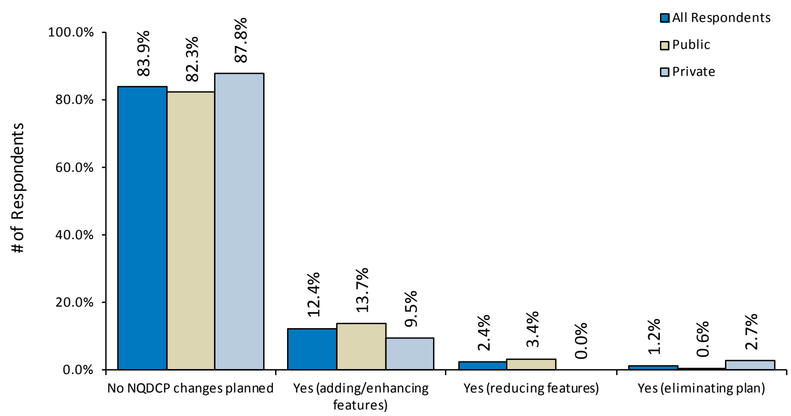
Average participation rates experienced a slight decrease (from 46.4% 2011 to 43.9% in 2012); however, in previous years, participation has hovered closer to 50% of the eligible population. There were significant gains in plans with 100-149 participants (60.0% this year vs. 51.6% in 2011), yet there were declines in every other category. As expected, participation rates were significantly higher in plans offering matching contributions (53.1%) versus those that didn't (35.2%). Informal funding appeared to have less of an impact on participation in 2012 as compared to last year – participation rates in funded plans stood at 44.8%, compared to 43% in plans without informal funding. Finally, at 54.2%, participation levels were highest in plans that both offered a match and were informally funded, a result that was consistent across companies of all sizes and ownership classifications.



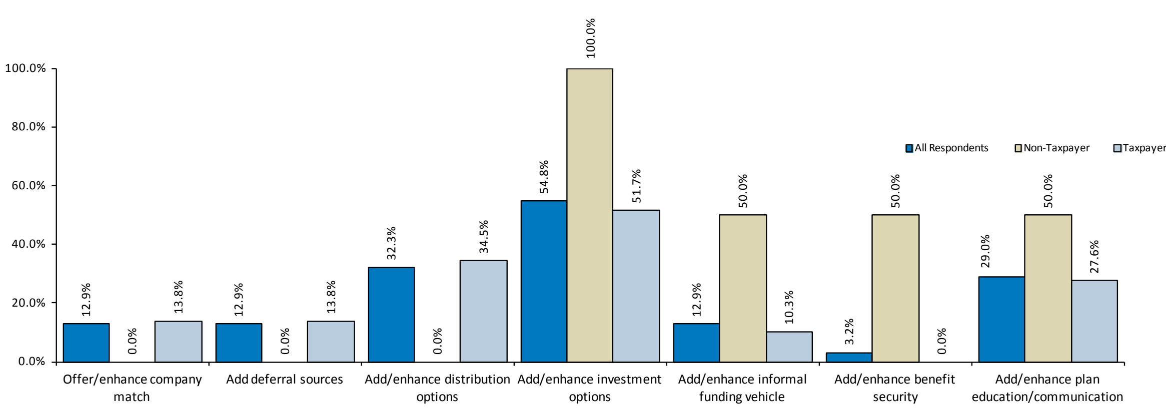
IMPROVEMENTS FOR NQDCP

Although 84% of respondents don't plan on making any changes to their NQDCPs, among those that are, the majority cited additions or enhancements to investment options (54.8%), followed by distribution options (32.3%), and plan education and communication programs (29.0%). As back in 2011, the vast majority of changes were positive in their intent and/or taking advantage of the flexible nature of nonqualified plans. Notable write-in's for additional benefits included "retirement income product," "restoration plan," and "executive life insurance," which would indicate that companies continue to explore ways to improve their offerings to top executive talent in order to retain valued employees and remain competitive amongst their peers.

Improvements to NQDCP



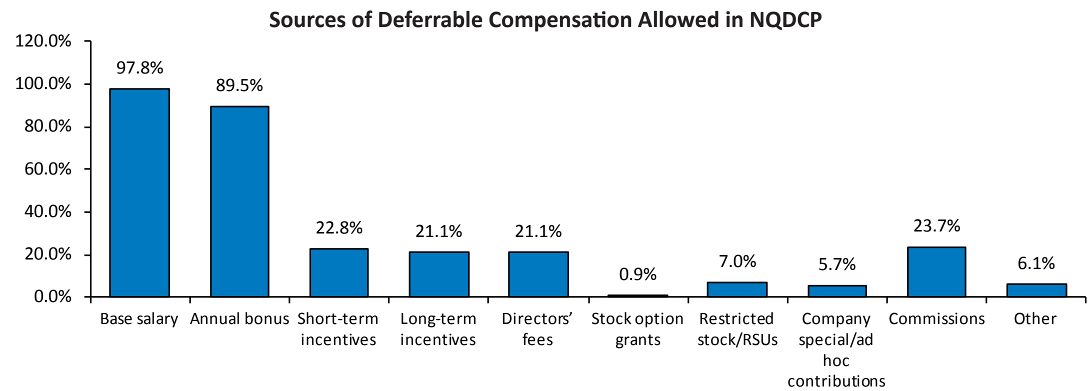
Improvements to NQDCP by Tax Status



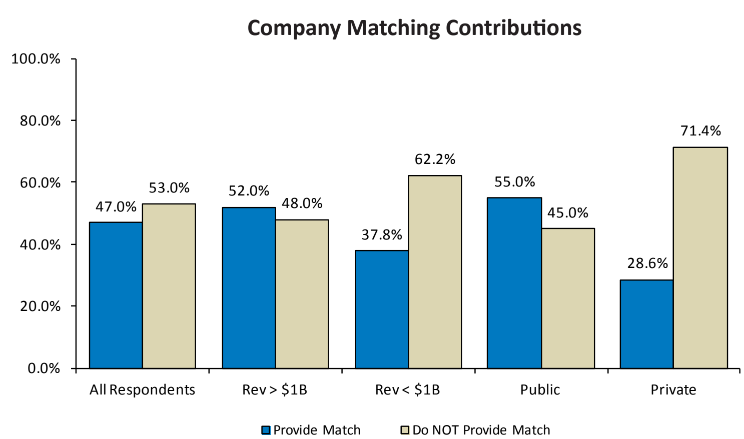
PLAN FEATURES

Deferral Sources and Company Matching Contributions

Base salary was cited by almost all respondents (97.8%) as a deferral source, with annual bonuses (89.5%) not far behind. These results remained consistent across company size and classification. In 2012, slightly more plans allowed deferral of both short- and long-term incentives (an increase of about 2% for each from 2011 to 2012). Larger companies were more inclined than others to allow for long-term incentive deferrals in 2012. As in years past, public and larger companies tended to permit restricted stock/RSU deferrals, although there was a notable uptick overall (7.0% this year vs. 4.1% in 2011).



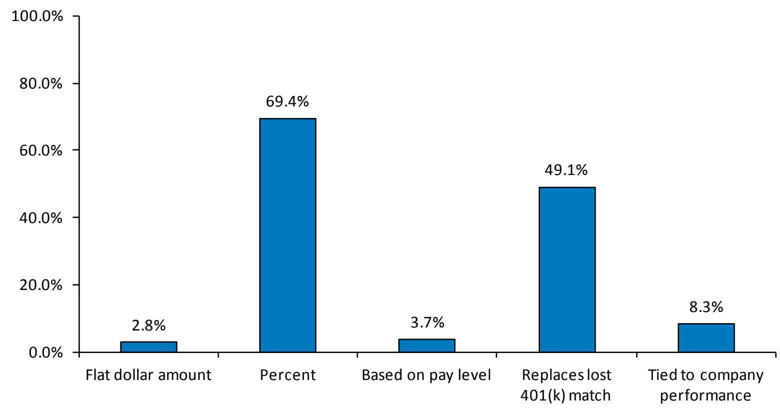
Company matches regained some ground in 2012, up from 44.7% in 2011 to 47% of respondents in 2012. This year, 52% of companies with revenues greater than $1 billion provided a company match, as well as 55% of all public companies. Private companies that provided matching contributions continued to decline significantly in 2012 – from 40% in 2010 to 34% in 2011 to only 28.6% this year, perhaps indicative of cost-cutting measures over the years with these companies, but given results in other categories, not indicative of any overall trend.



Deferral Sources and Company Matching Contributions (cont.)

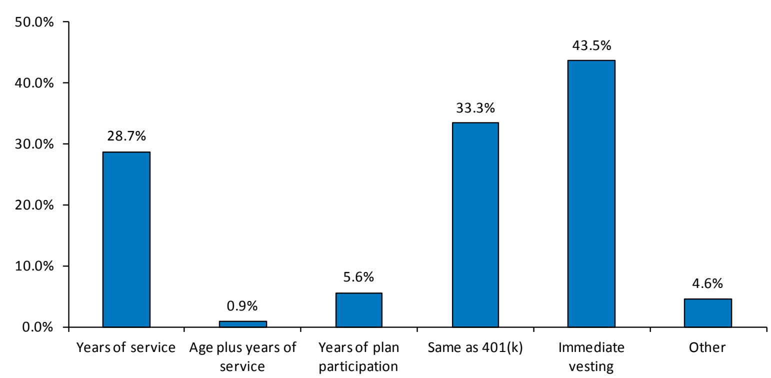
As in previous years, company matching contributions were most commonly calculated according to a fixed percent or replaced a lost 401(k) match. Firms tying contributions to company performance made a significant rebound in 2012 to 8.3%, up from 1.8% in 2011 and 7.8% in 2010 respectively. This shift could indicate that as the economy continues to recover, pay-for-performance strategies are becoming more and more relevant as a method to motivate executives.

Type of Matching Contributions



Vesting requirements were either immediate (43.5%) or most likely to mirror the company's 401(k) (33.3%). Just over half (51.6%) of smaller companies allowed for immediate vesting of funds.

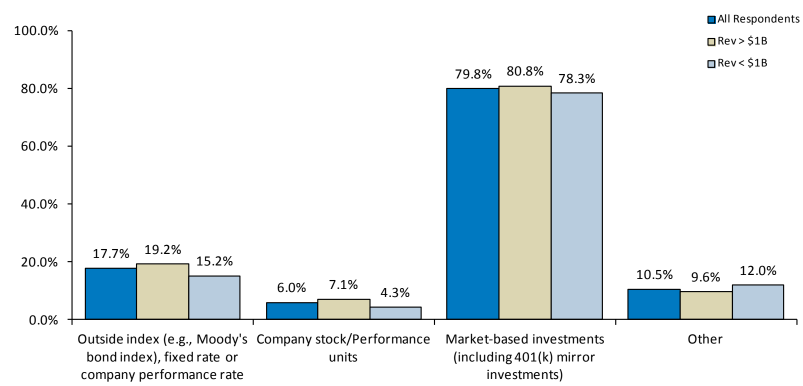
Vesting Requirements on Company Matching Contributions



Participant Investment Options

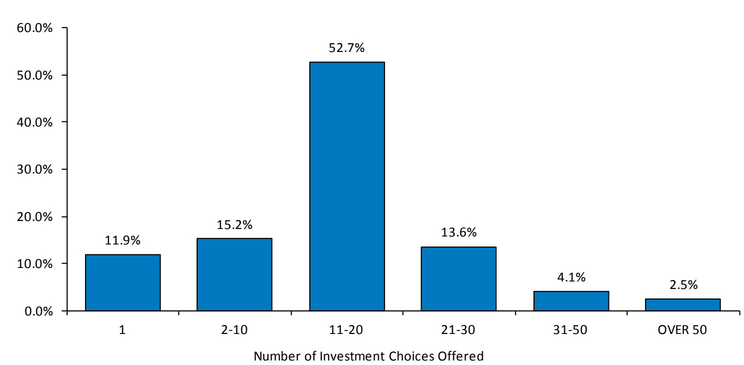
Once again, market-based investments were used by most companies (79.8%) as deemed investment options for NQDCP participants. As in previous surveys, size or ownership classification had no impact on this decision. The number of respondents that tied an investment or crediting rate option to an "outside index (e.g., Moody's bond index), fixed rate, or company performance rate" was 17.7%, which would represent a turn back up to pre-recession levels of 20-26% from a low of 12.8% in 2011, and indicate an increased confidence in the economy and relative stability of the stock market. Fixed rates have long been a viable addition to investment menus to help diversify investment options and risks with a stable alternative.

Sources of NQDCP Crediting Rates by Annual Revenue



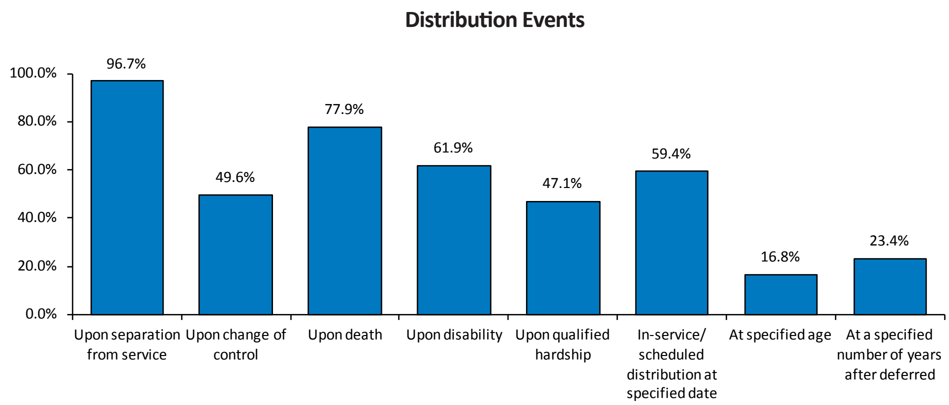
The majority of respondents (79.8%) offered up to 20 investment options in their NQDCPs. As in previous years, more than half of respondents favored providing participants between 11 and 20 choices. Only 6.6% of plan sponsors in 2012 offered 31 to more than 50 options, indicating companies desire to keep the number of investment options at a diverse but reasonable level.

Investment Choices

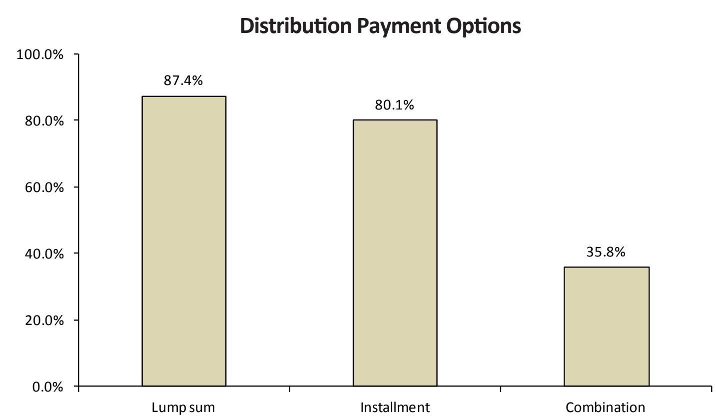


Benefit Distributions and Events

Most plan sponsors continue to provide participants with the flexible options for scheduling and receiving plan payments by offering a range of distribution options that are permitted under 409A. The most prevalent distribution events were separation from service (96.7%) and death (77.9%).



Similar to 2011, more than half of respondents (59.4%) offered an in-service/scheduled distribution option. As in years past, this option was more likely to be offered by public firms (66.7%) than private (43.4%) and by larger companies (64.3%) than smaller ones (51.1%).



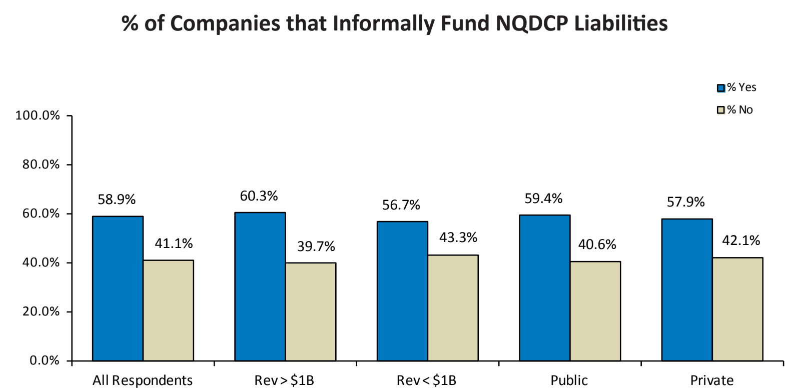
Offering distributions at a specified age dipped slightly in 2012 to 16.8%, as compared to 20.9% in 2011 and 20.2% in 2010.

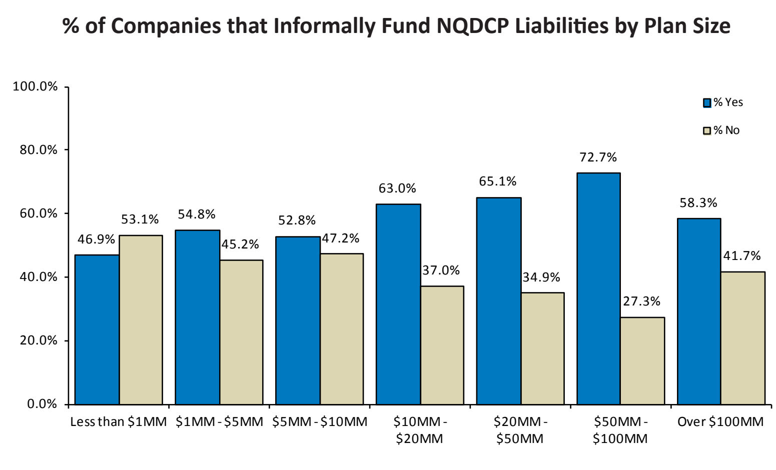
Plans offering lump sum distributions (87.4%) and installment payments (80.1%) rose from 2011 levels. Those featuring a combination of lump sum/installments declined slightly to 35.8% (from 37.4% in 2011).

As the retirement industry continues to focus on providing its participants with a lifetime income option, some employers have chosen to offer annuities as a distribution option in their qualified retirement plans. When asked if they were interested in or actively considering offering a guaranteed lifetime income option as part of their NQDCP in 2012, 16.7% of plan sponsors surveyed responded positively, up slightly from 15.6% last year. This is down from 17.8% in 2010, which could indicate a renewed interest in these options in 2012 and also highlight that efforts to educate plan sponsors and participants about these types of products is making slow but measurable progress.

INFORMAL FUNDING

More than half of companies informally funded their NQDCPs (58.9%) – roundabout the same response received in 2011 (58.7%) – with large companies being the most apt to do so by a slight margin (60.3%). As aggregate account balances grow, so does the propensity to implement a financing strategy to informally fund the benefit liability, topping out at 72.7% for companies with plans in the $50 million to $100 million range. As in 2011, however, plans with liabilities over $100 million were not the most likely to have implemented an informal funding arrangement, perhaps because much larger companies have more available cash on hand to meet benefit obligations.

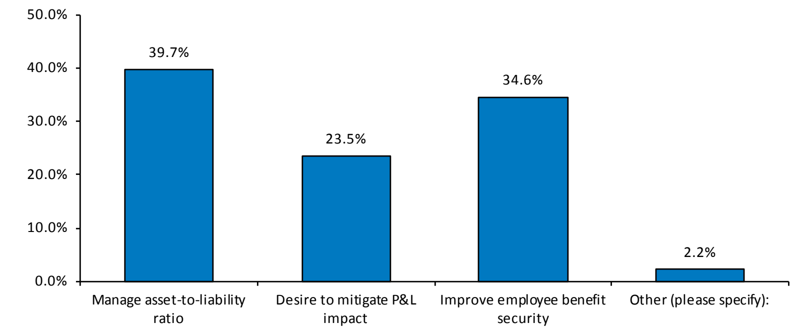




INFORMAL FUNDING

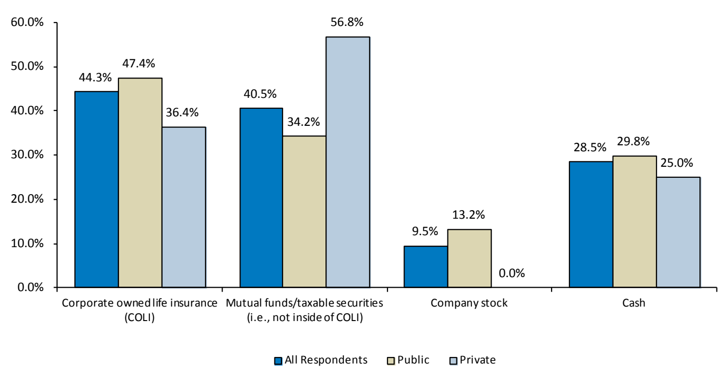
The top two reasons that companies choose to informally fund their NQDCPs continue to manage their plan's asset-to-liability ratio and improve employee benefit security. And while respondents ranked mitigating P&L impact in third place overall for the fourth consecutive year, those companies that informally fund their plan with corporate-owned life insurance (COLI) cited it as their primary motivating factor (65.6%). Companies utilizing mutual funds/ taxable securities reported employee benefit security most often (57.4%).

Primary Reason for Informal Funding

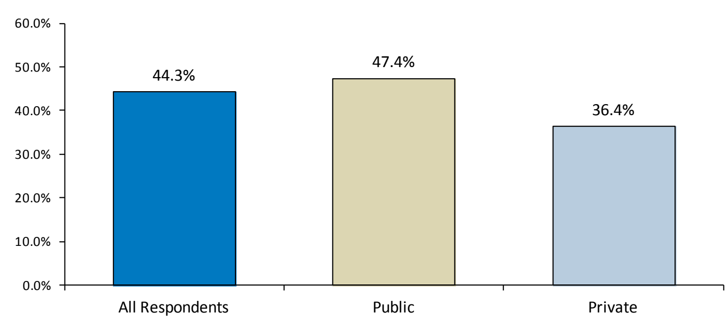


In a shift from previous surveys, 2012 marked the year that COLI (44.3%) edged out mutual funds/taxable securities (40.5%) as the preferred funding vehicle, largely due to mutual funds/taxable securities experiencing a significant decline in prevalence (over 12%, down from 52.6% in 2011). COLI usage did rise slightly – 42.1% of respondents selected it in 2011 as compared to 44.3% this year. As usual, cash ranked a distant third (28.5%).

Prevalence of Informally Funding Asset Types

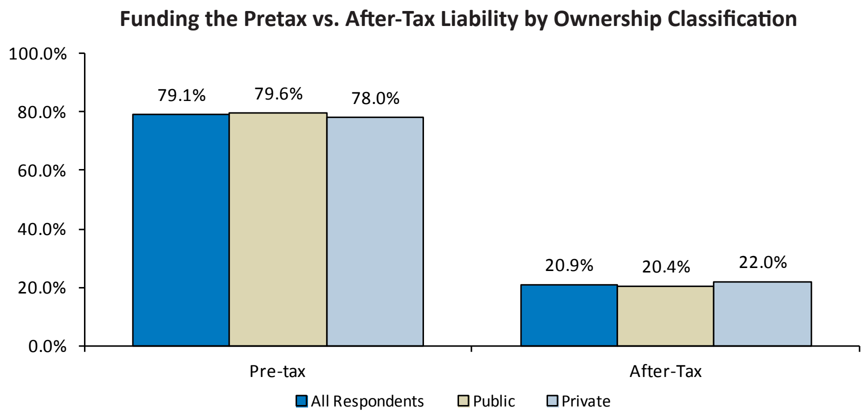


Prevalence of COLI as a Funding Vehicle for Nonqualified Benefit Liabilities

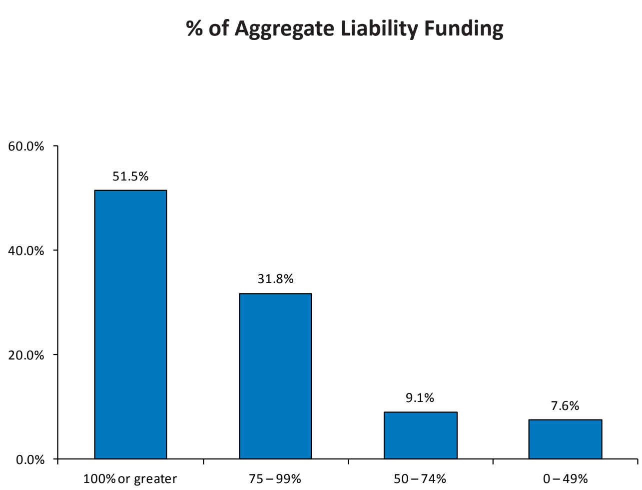


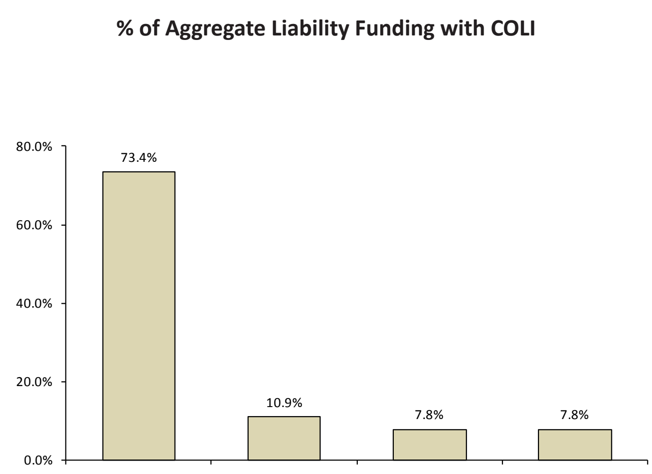
INFORMAL FUNDING AND BENEFIT SECURITY

The majority of companies (79.1%) continued to target funding based on pre-tax liabilities in 2012. This trend was relatively consistent across ownership classifications and company size, with the greatest disparity seen between larger (82.8%) and smaller companies (72.3%).



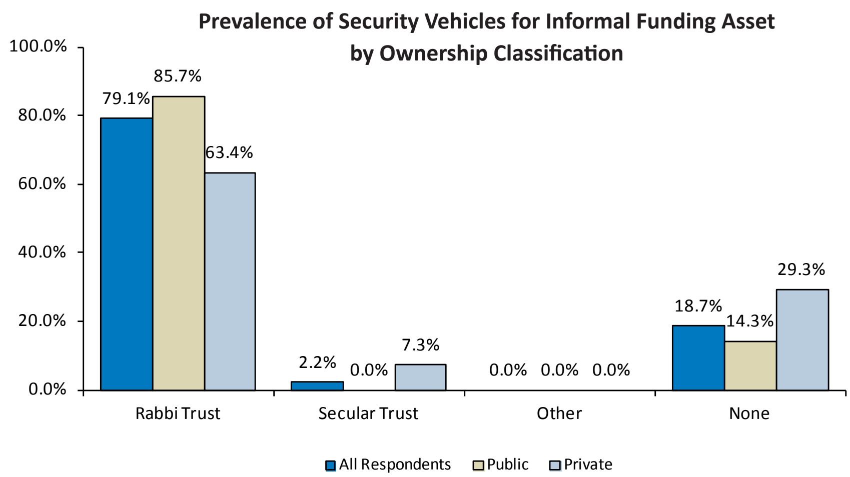
92.4% of respondents informally funded at least 50% of NQDCP liabilities in 2012, and more than half (51.5%) funded 100% or more – trends that have remained strong year-over-year. Of these aggregate liabilities, we were interested to understand how much were informally funded with COLI. Responses to our new question yielded that 73.4% of those companies utilized COLI to fund 75% or more of these liabilities.



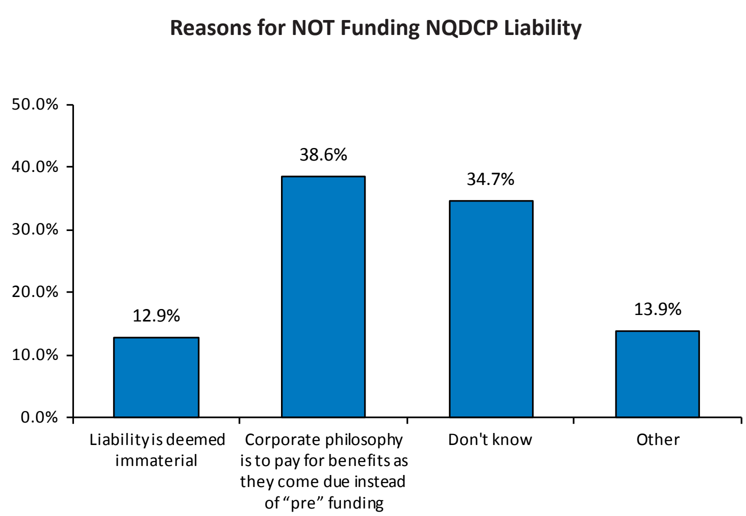


INFORMAL FUNDING AND BENEFIT SECURITY (CONT.)

Similar to previous years, slightly more than 79% of companies reported using a rabbi trust as a security vehicle in 2012. Most of the other respondents employ no security instrument at all.

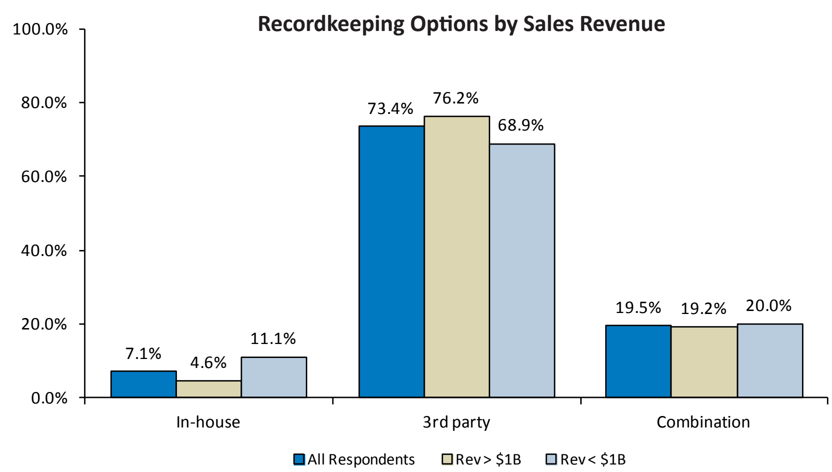


For companies that do not informally fund their NQDCP liabilities, 38.6% cited a corporate philosophy of "pay as you go" instead of pre-funding as the reason why. 12.9% of the survey respondents without an informal funding mechanism for their NQDCPs felt that their plan liability was so small as to be immaterial. 34.7% of the respondents were unsure as to why they did not informally fund their NQDCP liabilities, indicating that there may be room for improvement in terms of communicating the benefits of informal funding to plan sponsors, such as increased participation rates and "peace of mind" for participants. Informally funding executive benefits secures the incentive value of the plan to attract and retain key executives, and preserves the value of the benefit as a savings tool for the participants. Informal funding can also offer advantages to companies. Unfunded plans can cause volatility to the income statement, as well as a negative drag on earnings. Companies set aside assets for future distribution with the intention of having available cash to pay on benefit liabilities when they eventually come due.

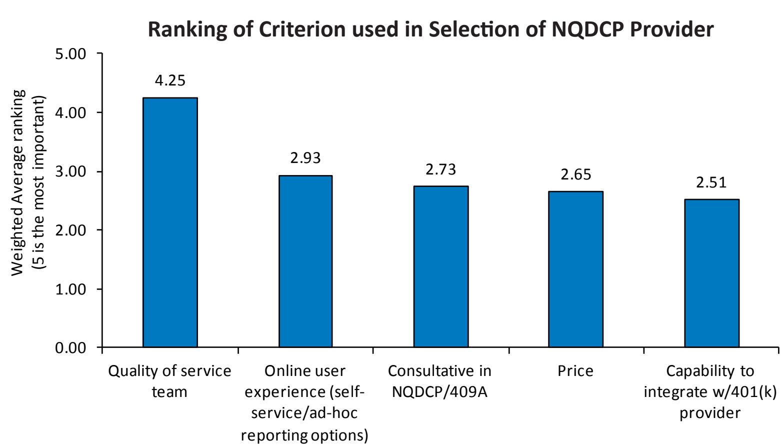


RECORDKEEPING AND SERVICE PROVIDERS

Although a majority of companies (73.4%) continue to rely exclusively on a third-party recordkeeper to administer their NQDCP, this number appears to be leveling off, and has declined over the past few years (69.2% in 2011, 74.3% in 2010 and 87.2% in 2009). Overall, the percentage of companies that utilize a combination of outsourcing and in-house administration has seen both increases and decreases over the same time period — 19.5% in 2012, 21.5% in 2011 and 10.3% in 2009. Companies that administered their NQDCPs entirely on their own decreased slightly from 2011 (from 9.3% to 7.1% in 2012) and remained low overall, likely due to the need to rely on a nonqualified benefit specialist for legislative expertise and compliance support in a post-409A environment.

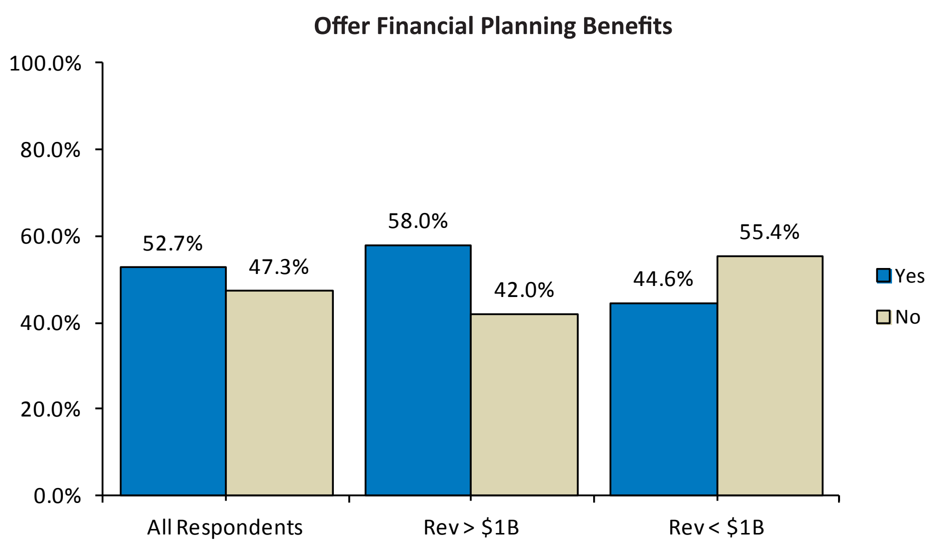


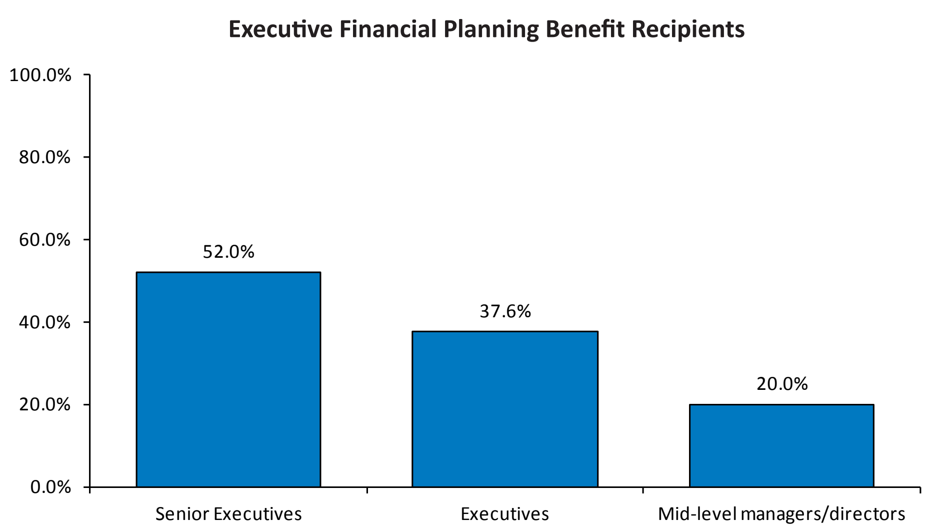
"Quality of service and recordkeeping systems" topped the rankings once again as the main deciding factor companies use for choosing a recordkeeper. This year, "online user experience" was added as a new criterion to the survey and easily claimed the spot for second most important ahead of the usual placeholder "expertise in NQDCP/409A," which indicates that companies recognize the importance of user-friendly technology and ease of account management for participants. Since today's executive receives information from a variety of sources, companies utilizing a full suite of "new media" tools to connect with participants in multiple formats provides a new level of convenience and supports participants' ability to manage their important financial goals on demand, whether on laptops or via smart phones and tablet computers.



FINANCIAL PLANNING AND ADVICE

Companies that offered financial planning benefits to participants continued to rise in 2012, to 52.7% from 44.6% in 2011. This steady increase indicates that plan sponsors recognize the need to support participants and alleviate their concerns about retirement savings by providing access to experts who can offer specific investment advice and guidance. In fact, the prevalence of this benefit has increased more than 15 percentage points since 2009 (34.1%). More than half of large firms offered this benefit (58%). Among those companies offering financial planning services, 94.7% used external advisors and the majority (67.4%) offered them at no cost to the executives. The expense was shared by 15.9% of firms. Recipients of financial planning benefits were more likely to be in the C-suite (52%), followed by executives (37.6%) and mid-level managers/directors (20%).





GROUP AND VOLUNTARY BENEFITS

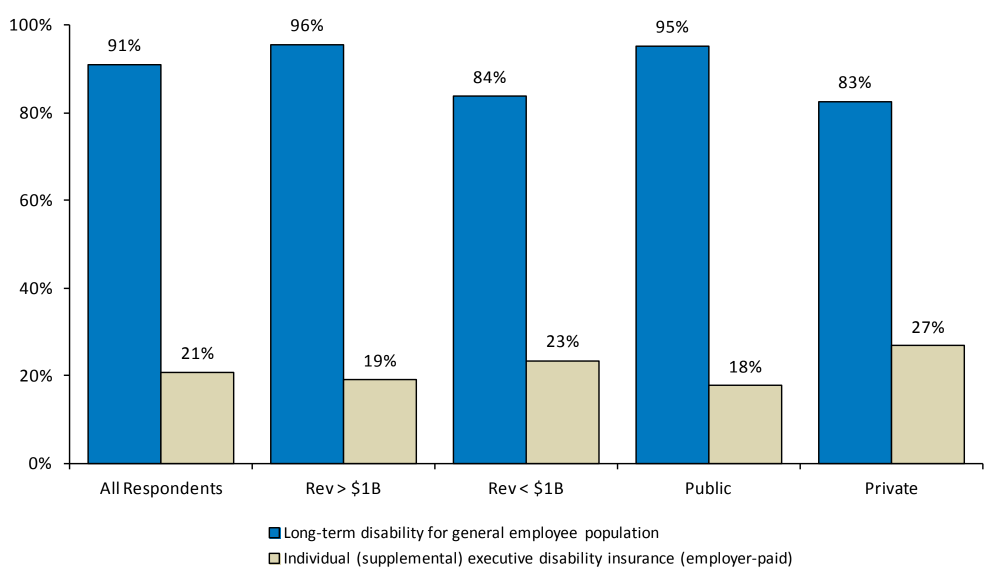
Similar to previous surveys, almost all respondents offered pre-retirement group life (96%) and group disability (91%). Long-term care offerings remained relatively flat in 2012 at 33.3%, compared to 31% in 2011.

OTHER EXECUTIVE BENEFITS

Fewer companies offered supplemental individual life insurance plans – 37.3% in 2012 versus 42% in 2011. Larger (41%) and non-taxpaying firms (48%) were more likely to do so than others surveyed. Post-retirement coverage was not offered by a majority of plans (89%), and the percentage of those that did so remained flat in year-over-year survey results.

Just 21% of respondents offered employer-paid executive disability insurance plans in 2012, down from 26% in 2011, and 34% in 2010. Typically, executive disability plans bridge the income gap under group plans that do not cover bonuses or incentive compensation. Employee-paid offerings – slightly less prevalent overall – also declined year-over-year, which may indicate a trend to save on disability benefit expenses overall.

Offer Long-Term Disability



Although the American Taxpayer Relief Act of 2012 had no direct impact on tax-deferred savings plans, the high tax rate environment it created presents new opportunities for highly compensated employees to utilize NQDCPs to help minimize its effects. Given the consistently high percentage of companies offering this valuable benefit – nearly 91% according to this year's survey results – many plan participants can take advantage of the option to defer the compensation necessary to keep their taxable income below the new tax threshold. Add to that the increased savings power of pre-tax dollars without many of the contribution or distribution restrictions of a 401(k) and the ability control the timing of taxation on future distributions, and the case can be made that NQDCPs are more appealing than ever.

Despite the heated debates in Washington over fears of the "fiscal cliff," 2012 survey results indicate that confidence in the economy, corporate earnings and stock market continued to grow. Supporting data included increases in company matching of contributions and stock options for participants, a significant uptick in fixed rate and company performance investment options, and steady utilization of informal funding mechanisms to cover benefit liabilities. Plan sponsors also maintained an overwhelming sense of satisfaction with their current NQDCP structure and plan design in 2012, and have expressed a strong desire to improve communications and education among their eligible plan participants. Could promoting the benefits of being able to reduce current income tax liability to help avoid top tax rates on ordinary income influence plan-eligible behavior and result in higher participation rates and deferral elections during open enrollment for 2014? Only time will tell.

While respondents answered many of the survey questions consistent with previous years, they were quick to rank the new option of "online user experience" as the second most important factor when selecting a nonqualified recordkeeping provider. More companies are utilizing new media tools to connect with their eligible participants, and understand the value of working with an administrator that offers user-friendly technology. Whether accessed via laptop, smart phone or tablet computer, an NQDCP solution with comprehensive online capabilities for enrollment, account management and report generation as well as a library of important plan information and financial planning tools is advantageous for plan sponsors and participants alike.

Overall, the trend of providing additional resources to help plan participants make the most of their NQDCPs is on the rise. For companies looking to maintain an advantage in benefit offerings, making financial planning and/or advisory services available is a key plan enhancement that has seen annual increases in prevalence. Retirement income-generating options – previously only seen in qualified plan investment menus – are now offered inside NQDCPs and building more awareness and interest amongst plan sponsors. No matter the political or economic circumstances, the executive benefits industry continues to be focused on helping key employees mitigate the effects of taxes on their savings, plan for their and their families' financial futures, and achieve successful retirement outcomes.