NEWS from the Institute for Policy Studies and Jobs With Justice

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Report: S&P 500 Executives Have Stashed Nearly $9 Billion in Special Tax-Deferred Compensation Plans Not Available to Ordinary Workers

At Walmart, Home Depot, and 20 other low-wage employers, executives have accumulated enough funds in these exclusive accounts to generate monthly retirement checks larger than their workers' median annual pay

Washington, D.C. — A new report from the Institute for Policy Studies and Jobs With Justice reveals staggering data on the gaps between CEO and worker retirement benefits.

The report, "**A Tale of Two Retirements**," focuses on one key driver of this divide: a double standard in the tax code that allows unlimited tax-deferred retirement accounts for top corporate executives while ordinary workers face strict limits on 401(k) plan contributions.

Key findings:

"Top hat" plans offer the rich one more way to avoid paying their fair share of taxes.

- The top five executives at each S&P 500 firm held a combined $8.9 billion in special, unlimited deferred compensation accounts, often called "top hat" plans, at the end of 2021. Funds in these accounts can be invested and grow, tax-free, until executives withdraw the money.

- An executive who sets aside $1 million in such an account every year for seven years would wind up with an estimated $1.3 million more in after-tax earnings and $1 million less in tax liabilities than an executive who does not defer compensation.

Low-wage employers have among the largest deferred compensation accounts, while many of their workers can't afford to contribute to 401(k) plans.

- **Walmart** CEO Doug McMillon held more than $169 million in his deferred compensation account at the end of 2022 — enough to generate a monthly retirement check of more than $1 million. Among eligible participants in Walmart's 401(k) plan, nearly half (46 percent) have zero balances saved for retirement. Median pay at Walmart is $27,136.

- **Hyatt Hotels** Board Chair and billionaire Thomas Pritzker is sheltering $91 million from taxes in his deferred pot, while 36 percent of eligible participants in the hotel chain's 401(k) plan have not been able to set aside any funds. Half of Hyatt employees make less than $40,395.

- A majority (53 percent) of eligible participants in **Home Depot**'s 401(k) plan have zero balances. Meanwhile, former CEO and current Board Chair Craig Menear is sitting on $14.8 million in deferred compensation — enough to generate a monthly retirement check three times larger than the company's median worker pay of just $30,100.

As ordinary families struggle with rising housing costs, real estate executives are sitting on massive tax-sheltered funds.

- **NVR Executive Chairman Paul Saville** has the fattest "top hat" account in the S&P 500. The $488 million in his account at the end of 2022 is enough to generate a retirement check worth more than $3 million every month for the rest of his life. That's 1,513 times as much as a typical American retiree could expect to receive in monthly Social Security and 401(k) benefits.

Health care executives have amassed huge deferred compensation accounts, buoyed by taxpayer investments.

- The CEO of **Centene**, the nation's largest Medicaid provider, had the second-largest "top hat" plan in the S&P 500 in 2022, valued at $328 million.

- Fueled by profiting off Covid vaccines, **Pfizer** CEO Albert Bourla enjoyed a 37 percent increase in the value of his deferred compensation account over the past year to $44.4 million.

"There's no rational argument for allowing wealthy executives to shelter unlimited amounts of compensation from taxes while ordinary workers have strict limits on their annual 401(k) contributions," notes report co-author **Sarah Anderson**, IPS Global Economy Director and a veteran executive compensation analyst. "Nothing but the power of corporate leaders to rig rules in their favor can explain this double standard."

"Rather than giving corporate CEOs unfair special retirement tax benefits not available to those they employ, Congress should eliminate the cap on payroll taxes paid by corporate executives so that Social Security benefits can be strengthened, especially for the 40 percent of American workers for whom Social Security is their sole retirement income," said report co-author **Scott Klinger**, JWJ Senior Equitable Development Specialist.

The full report is available at: https://ips-dc.org/report-a-tale-of-two-retirements-2023

About the co-authors:

Sarah Anderson directs the Global Economy Project at the Institute for Policy Studies and co-edits the IPS web site Inequality.org. She has been the lead author on 29 of the Institute's widely publicized annual *Executive Excess* reports and has testified twice before the Senate Budget Committee on this issue, most recently in 2021.

Scott Klinger is the Senior Equitable Development Specialist at Jobs With Justice. He crafted the first shareholder proposals on executive pay while working as a social investment portfolio manager and is a CFA charterholder.

This is Anderson and Klinger's third "A Tale of Two Retirements" joint report. The 2016 edition received coverage in USA Today, Bloomberg, Fortune, Vox, and Marketplace. The 2015 edition received coverage in Bloomberg, USA TODAY, Reuters, CNN Money, The Guardian, CBS Moneywatch, and Fortune, among other outlets.

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*The **Institute for Policy Studies** is a multi-issue research center that has conducted path-breaking research on executive compensation for more than 20 years. IPS also provides a constant stream of inequality analysis and solutions through our Inequality.org* web site and weekly newsletter.

***Jobs With Justice** brings together labor, community, student, and faith voices at the national and local levels to win improvements in people's lives and shape the public discourse on workers' rights and the economy.*

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