



Executive Benefits 101

What, Why, Who, and More

What are Executive Benefits?

Executive benefits enable an organization to selectively reward the key employees and executives of a business. Unlike qualified plans, like 401(k) plans, there are no coverage or participation requirements for an executive benefit program. This allows a company to provide rewards and incentives based on an employee-by-employee approach, offering maximum design flexibility.

Executive benefit plans typically focus on protecting executives and their families against death or disability while employed, and on providing sufficient levels of retirement income.

Why Offer Executive Benefits?

The COVID-19 pandemic made widespread remote work a reality and effectively created a global talent pool. Businesses can now find top talent anywhere. The downside, though, is that top executives have more opportunities for employment.

Executive benefits can help companies compete and attract key executives who will contribute to company growth and profitability. A well-designed executive benefit program can provide incentives that help retain key executives for the longest possible time.

Executive benefit plans provide flexibility:

 <p>Provide replacement income at retirement based on total compensation (not limited compensation)</p>	 <p>Attract, reward, and retain key executives</p>	 <p>Replace benefits lost due to IRS limits on qualified plans</p>
 <p>Provide benefits in addition to those under qualified plans</p>	 <p>Defer compensation to a future date, such as retirement</p>	 <p>Provide enhanced benefits in the event of an acquisition or other change of control</p>

Who is Eligible?

Unlike qualified plans, which must be offered to a non-discriminatory group of employees, a non-qualified plan may be offered to a select group of employees. The Department of Labor (DOL) requires that the plan be designed to cover a select group of management and/or highly-compensated employees.

Other employees may be eligible based on their level of compensation and responsibilities. The select group can even be quite narrow and effectively cover a single individual.

A key objective of plan design is to stay within the DOL requirement and confine the benefit to a select group of employees.

Typical eligible positions include:

- President
- Chief Executive Officer
- Chief Financial Officer
- Senior or Executive Vice President
- General Counsel
- Treasurer

Implementing a Plan

EBS has been helping clients develop executive benefit plans for their top talent for over 30 years. When a client comes to EBS, we use a consultative approach to review your current strategy and company goals and to identify employees that the plan would be offered to.

Once a plan is placed, we strive to provide expert ongoing administration and technical support to help ensure the plan remains compliant and cost-effective.

Examples of Executive Benefit Programs

Deferred Compensation Plan (DCP)

- A deferred compensation plan allows for the deferral of up to 100% of all forms of pay, including base salary, bonus, commissions, and special incentives. Even restricted stock units can be deferred. Modern plans can include payouts before retirement to attract younger executives planning for significant pre-retirement expenses like college tuition and second homes. Employers can also contribute to accounts with vesting requirements to enhance retention.

Supplemental Retirement Plan (SERP)

- Company funded programs that enhance benefits provided under qualified plans, offering more generous formulas, additional service credits, and enhanced early retirement benefits. SERPs can restore 401(k) matches lost due to IRS compensation limits or provide defined contribution incentive plans that reward executives based on performance against specific company benchmarks.

Loan Regime Split Dollar (LRSD)

- A form of life insurance ownership where the company lends premiums to an executive at low rates, providing death benefit protection and potential tax-free retirement income. The only cost to the executive is the loan interest, which can be paid annually or added to the loan for no out-of-pocket cost. LRSD plans are financially attractive to sponsors because funding is ultimately recovered through loan repayment.

Disability Insurance (DI)

- Supplemental disability policies that help cover the difference between group benefits and what executives need to maintain their lifestyle if disabled. Specialty plans can replace both base salary and incentive compensation for highly compensated employees. These plans typically require no medical underwriting and are portable, providing valuable protection beyond standard group coverage limits.

Our Approach

Our approach is what sets us apart. It is highly **analytical**, **collaborative**, and **cost-effective**, and is based on these fundamental principles:

 Partnership with clients	 Detailed fact finding & analysis	 Data-driven design & analysis	 Consideration of a range of alternatives
 Comprehensive financial analysis	 Accuracy and dependability	 Participant education and communications	 Communication with plan sponsors

4-Step Engagement Process

We execute our approach using a four-step engagement process:

1	Fact-Finding/ Brainstorming	2	Plan Design & Analysis
3	Implementation, Documentation, Participant Communication/ Education, & Enrollment, Informal Funding	4	On-Going Plan Administration and Technical Support

Get in Touch

For more information on executive benefits, please contact an EBS principal.

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