## Overview of Nonqualified Benefit Plans

Description **Employer Benefits Employee Benefits** Least Most **Deferred Compensation Plan/Voluntary Deferral Plan**  Determines plan parameters Employee defers income Enhances retirement income by typically until retirement in Deducts benefits when paid deferring current compensation lieu of current compensation • Avoids most qualified plan •Incurs no current cost for the discrimination rules and funding Requires Department of benefit Labor notification Pays income tax on benefit when received Supplemental Executive Retirement Plan (SERP) Determines plan parameters Employer provides a Provides additional retirement Generally deducts benefits deferred compensation benefit "in addition to" when paid Incurs no current cost for the Ε Avoids most qualified plan current compensation benefit М Requires Department of discrimination rules and Pays income tax on benefit funding limits **Labor notification** when received P П **Defined Contribution/Short-Term Deferred Cash Incentive Plan** O Ε Similar to a cash incentive Distributions provide a payout Provides greatest "pay for Υ plan - rewards key М performance" planning flexibility while employed Ε employees for their • Each contribution has its own Percentage of base pay Р Ε contribution contributed on a pre-tax basis vesting schedule Vesting reduces cost on Plan costs are offset indirectly Contributions grow on a tax-0 short-term participation and deferred basis tied to a fixed or through increasing profitability В provides retention strategy variable rate index Y Ε Е **Defined Contribution/Long-Term Incentive Plan** N R Ε Pre-tax cost equals reward ·Similar to a profit sharing contributions F C plan - rewards key Vesting reduces costs on Employer provided personal employees for their short-term participation and 0 Т contribution wealth accumulation compliments compensation and Ν Provides greatest pay for retention strategies Т performance Plan costs are offset indirectly S R through increased profitability Ε 0 **Executive Bonus Plan** C U Employer will "bonus" the employee some or all of the Rewards key employees R Supplemental retirement premium for a life Tax deductible benefit nsurance policy owned by income No IRS approval the employee Portable benefit Т No accounting liability ·Can provide this "in lieu of" Υ group term coverage **Split Dollar Plan**  Employer provides life Employer owns the policy, insurance protection to retains policy cash values and Received death benefit employee and gives the determines eligibility protection for a term cost ·No IRS approval, but other employee the right to Income tax free death reporting requirements designate a portion of the

Accounting liability if post-

retirement benefit plan

Least

death proceeds to the

beneficiary

Most

benefit to beneficiary