

## What is a supplemental executive retirement plan (SERP)?

A SERP is a non-qualified plan designed to provide benefits to a select group of executives or highly compensated employees. The objective of a SERP is typically to provide additional retirement income to key employees above what can be offered by qualified plans.

There are 2 different options to consider when implementing a SERP:

### Defined Benefit model

- The Company promises to pay a specified amount(s) at a future point in time, therefore the Company bears the investment risk
  - For example, the Company promises to pay \$100,000 per year for 20 years, or 50% of final average pay annually for 20 years
- The benefit is typically based on a “Replacement Ratio” or “Pension-like” formula

### Defined Contribution model

- The Company promises to contribute a specified dollar amount(s) on behalf of the executive
  - » Contributions can be performance-based
- The executive typically directs how a contribution is allocated, which means they bear the investment risk, and ultimately determine the amount of the future benefit

## What are some advantages of implementing a SERP?

- Provides executives with supplemental retirement income in excess of qualified plan limits
- Are a valuable device for rewarding and retaining key executives
  - » Can also be used as a method of attracting and recruiting mid-career executives by replacing forfeited benefits
- Length of service requirements can be used to focus executives on continued long-term performance
- Enables the Company to avoid a majority of the administrative requirements, costs and limits associated with qualified plans under ERISA
  - » Can be designed to accomplish specific corporate objectives
  - » Flexibility allows the plan to mirror overall Company compensation philosophy
- Informal funding can be acquired by the sponsoring Company to help offset costs

## How can we help?

From consulting on plan design and informal funding to assisting with finding a plan administrator, we offer a comprehensive approach to managing SERP programs.

Additional services include:

- Calculating the income statement and balance sheet impact
- Performing benefit calculations as participants retire
- Providing annual analysis of plan funding versus liabilities and recommending contributions to meet corporate objectives
- Plan restructuring
- Determining SERP benefit amount that is subject FICA and Medicare tax
- Preparing annual benefit statements for active participants

Whether your company is looking to find an administration resource or evaluate informal funding strategies, we have the experience to implement and provide expert oversight of your company's SERP.