

THE PENTEGRA

ADVANTAGE



Executive and Director Benefit Plans
and Financing Solutions Using BOLI

Build a competitive advantage.

Today, Executive Benefit Plans are a critical component of any corporate benefits strategy. They are essential to positioning your organization competitively.

Benefit from our non-qualified plan expertise and the advantage of working with a single provider to address your total retirement benefits and compensation strategy.

Take advantage of Bank Owned Life Insurance (BOLI) to enhance earnings, restore existing retirement program shortfalls, and offset the costs of qualified retirement programs along with health and welfare and group life benefits.

Let us help you achieve your goals.



Our difference. Your advantage.

A legacy built serving financial institutions

Founded by the Federal Home Loan Bank System in 1943, today, Pentegra is the retirement plan provider of choice for more than 500 financial institutions nationwide.

70+ years of bank insights

We offer the benefit of over seven decades of industry knowledge and insights of community bank retirement plans—both qualified and non-qualified—to help you attract, retain and reward the talent needed to ensure your bank's success.

No conflicts of interests

We are an independent provider—we are not owned or controlled by an investment manager, mutual fund or insurance company. Rather, we partner with firms as a trusted resource to bring an independent perspective and maximum flexibility to every opportunity—to deliver the very best solution for our clients.

Unparalleled governance

We do not answer to our shareholders, we answer to our clients. Our board of directors is made up of our clients, Presidents and CEOs, who use our services and place their own futures in our hands.

Client driven culture

We were founded by our clients and are governed by our clients – simply, we exist for our clients. When we say we are “client driven” it is not an empty marketing tagline, it's in our DNA.

Deep expertise and bench strength

Our dedicated relationship management team is comprised of highly-skilled professionals including ERISA attorneys, actuaries and benefits consultants. The advantage—multiple experts, but a single point of contact that eases the way for you.



difference



Integrity is **more than** just implied in our name.

Essential competitive tools

Executive and Director Benefit, or non-qualified plans provide flexibility in developing benefit compensation strategies, as they can be used to expand the scope of a benefits package beyond a qualified retirement plan solution.

- Provide replacement income at retirement based on total (non-limited) compensation
- Reward, attract and retain key executives and directors
- Replace benefits lost due to IRS limits on qualified plans
- Provide benefits in addition to those under qualified plans
- Defer compensation
- Provide enhanced benefits in the event of an acquisition or other change of control

What's the best way to approach Executive and Director Benefit plan design?

Our consultants work with your team to determine the objectives you want to achieve with a non-qualified program by analyzing which employees are being impacted by IRS limits, and which key employees you might wish to reward with coverage under a non-qualified arrangement. We also help analyze how an organization wishes to position its compensation and benefits programs relative to its competitors and how to best apportion its retirement benefit dollars among various benefit vehicles—pension, savings and non-qualified plans. Based on our analysis, we will work collaboratively with your team to provide a recommendation on the best plan design for your organization.



executive benefit solutions



A critical component of any
compensation strategy.

A look at the different types of plan designs

Executive Incentive Retirement Plan (EIRP)/Director Incentive Retirement Plan (DIRP)

- An annual deferred award is made to participants if the organization exceeds certain pre-determined benchmarks on an annual basis. Example benchmarks include return on equity, return on assets and net income
- Interest is credited on each participant's account (i.e. prime rate)
- The accumulated account balance is paid out to the participant upon retirement over a 5, 10 or 15-year period (with interest), or in a lump sum, at the discretion of each participant
- Amounts deferred are not taxable income to the participant or heirs until actually received
- Full pretax amounts deferred earn interest which is compounded without current taxation
- Each participant has an individual agreement that specifies:
 - Annual award criteria
 - Disability
 - Interest crediting
 - Change of control protection
 - Payout duration
 - Vesting
 - Death benefits

Supplemental Executive Retirement Plan (SERP)/Director Retirement Plan (DRP)

- An income benefit paid at retirement by the bank to the executive or director equal to a flat dollar amount or a percentage of final pay
- The annual benefit payment is paid out over a 5, 10, or 15-year period or in a lump sum, at the discretion of each executive or director
- Each executive/director has an individual agreement with the bank that specifies:
 - Vesting
 - Disability
 - Death benefits
 - Change of control protection
 - Payout duration

Executive and Director Deferred Compensation Plan

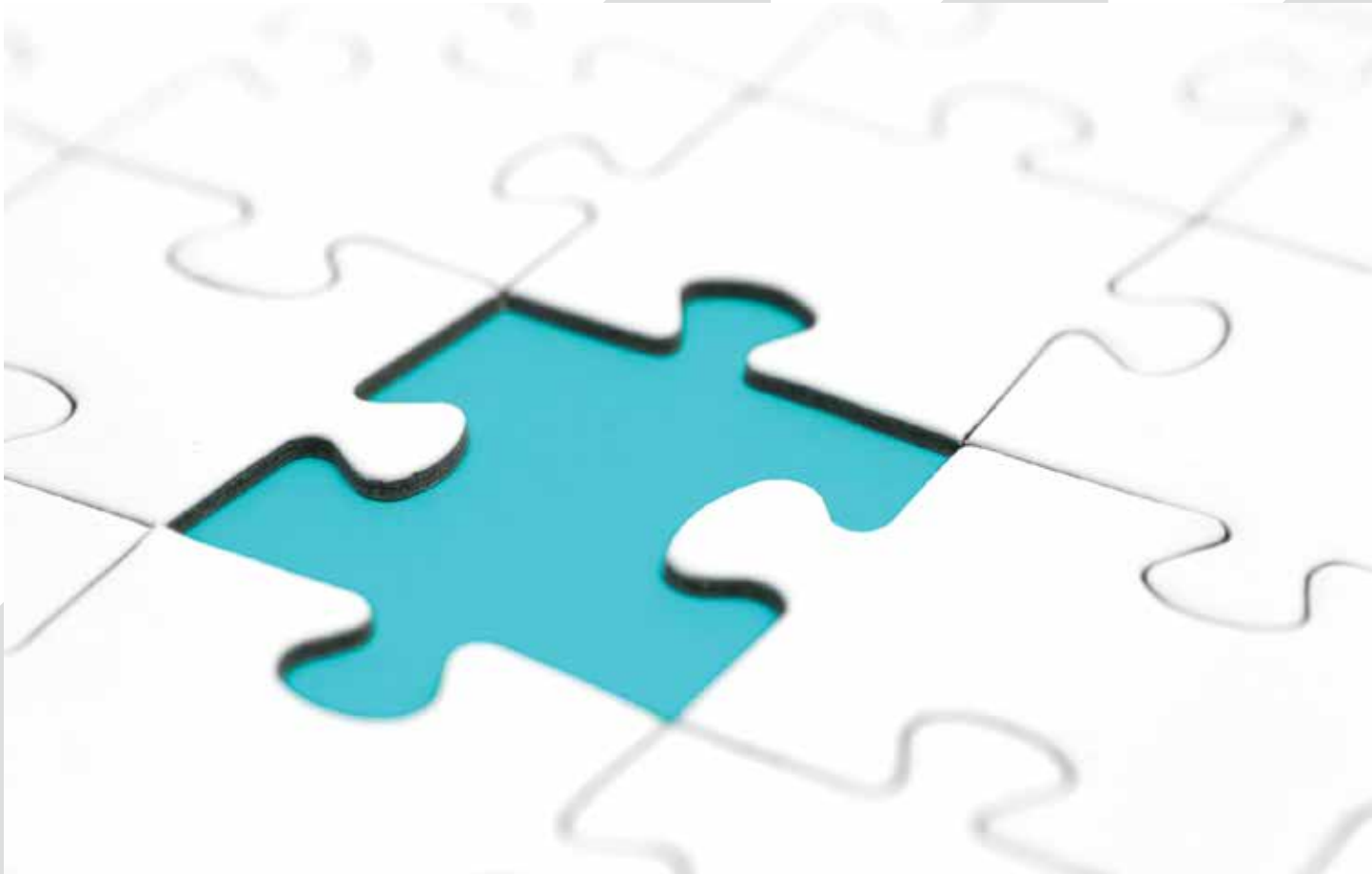
- Each executive has the ability to defer a percentage of their salary or a flat dollar amount annually
- Directors can defer board meeting fees and retainer fees
- Interest credited on each executive and director's deferral account is adjusted annually (i.e. prime rate); crediting rate typically designed with a floor and ceiling rate
- Each executive and director is 100% vested in their account balance
- The accumulated account balance will be paid out to the executive or director upon retirement over a 5, 10, or 15-year period (with interest), or in a lump sum, at the discretion of each participant



flexibility

Group Term Replacement Plan

- Bank provides Group Term life insurance through Bank Owned Life Insurance
- The benefit can mirror the Group Term plan or it can be enhanced (i.e. remove cap, provide post retirement)
- Bank maintains first \$50,000 of coverage with Group Term provider to deter adverse census rates by removing insureds from pool
- Participant reports reduced amount of annual reportable income due to cheaper one-year term rates utilized by insurance carriers than those used of Group Term providers which are based on IRS tables
- The bank will own the cash values of the individual, permanent BOLI policies and show the earnings of the policies (cash value increases) on the financial statements
- The bank will be the beneficiary of the death benefits in excess of each executive's multiple of salary
- The plan design will create significant net income for the bank, rather than the pure expense of the current group term premiums



Expand the scope of your **benefits package.**

Our independent approach puts your best interests first

The Pentegra Benefits Financing Advantage is a benefit financing tool that uses BOLI to enhance earnings, restore existing retirement program shortfalls, and offset the costs of qualified retirement programs along with health and welfare and group life benefits.

Our Benefits Financing Advantage program is designed to help you implement a more cost-effective strategy to offset some or all of the expenses related to your retirement plan and other employee benefit programs and offers the opportunity to maintain a high quality and competitive retirement program without negatively impacting your bottom line.

Bank Owned Life Insurance (BOLI) is often used by financial institutions to informally fund corporate obligations in connection with certain types of employee retirement benefit plans by purchasing life insurance policies for a group of eligible key employees. The bank pays the premium, owns the policy and its cash value, and is the sole or joint beneficiary. The policies become assets of the bank.

Because our products and services are diverse in nature we are not solely dependent upon BOLI revenue to sustain our business. This makes us unique among BOLI providers. As a result, we can offer pricing advantages that result in a better return on investment.

- BOLI products from all of the top carriers
- Full transparency of costs and commissions
- Comprehensive review of benefit and financing objectives, plan analysis, plan design, financing strategies and performance analysis
- Comprehensive pre-purchase analysis provided through a leading independent third party provider
- Annual plan review to evaluate plan results and performance
- Ongoing administration and quarterly reporting to ensure continued compliance



benefits financing solutions



Use BOLI as a plan **financing tool.**

Bank Owned Life Insurance Overview

Our BOLI services begin with a comprehensive review of benefit and financing objectives, and include plan analysis, plan design, financing strategies and performance analysis. Working with a leading independent third party, we provide a comprehensive pre-purchase analysis, post-sale compliance and ongoing administration for your program.

OBJECTIVE

- Bank earns more income by owning a tax-free asset

WHO CAN BE INSURED

- Employees - up to top 35% most highly compensated
- Directors

UNDERWRITING

- Employees - If 10 or more employees, guaranteed issue, no medical exams
- Directors - Can also be guaranteed issue, certain age, size of group and employment considerations

BOLI PURCHASE

- Single premium purchase
- Individual life insurance contracts are the bank's asset
- Regulatory guideline of total BOLI at 25% of Tier 1 capital and 15% with any one carrier

EARNINGS CREDIT (Interest Rate)

- Initial guaranteed rate, 90 days to one year, and then reset by carrier
- Minimum gross crediting rate of 1.0% to 2.5%

LIFE INSURANCE (Net at Risk)

- Included with the BOLI purchase is life insurance, or net at risk, which represents the net death benefit payable upon death



comprehensive approach



A strategy that can **improve your bottom line.**

Let us help you achieve your goals.

Learn more about our Executive Benefit and Director Plans and our Benefits Financing Solutions using BOLI.

Contact our experts at 800•872•3473, or visit us at www.pentegra.com

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