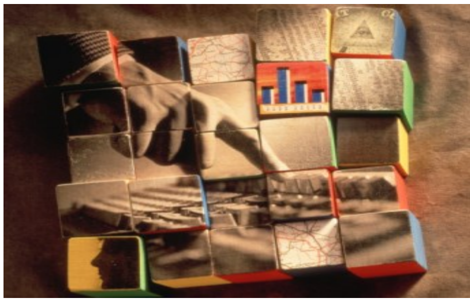
BOLI Strategic Partners
Practical Solutions for Community Banks



# Strengthen Your Organization with Executive Benefits

*Customized Executive Benefit Plans*

Attracting and keeping productive executive talent is more important than ever as companies strive to succeed in today's challenging business environment. By offering executives a comprehensive and well-structured compensation and benefits program, your company can differentiate itself in the competition for leaders who can make a difference. At the same time, executives are looking to their employers for help in dealing with qualified retirement plan limitations.

Supplemental executive programs may be the solution you and your executives are seeking. These nonqualified benefit programs are consistently viewed as effective vehicles to help drive long-term business success by providing incentives to your most talented people. In fact, a 2009 industry survey[1] of executive benefits trends found that 85% of responding companies had implemented nonqualified deferred compensation (NQDC) plans and 67% reported having supplemental executive retirement plans (SERPs).

## A WELL DESIGNED SUPPLEMENTAL BENEFIT PLAN USING LIFE INSURANCE CAN...

- Provide additional post-retirement income for selected executives
- Establish performance benchmarks that must be attained before supplemental retirement benefits are awarded
- Can protect executive's benefits from change-of-control risk
- Provide performance-based incentives for executives
- Replace benefits lost when an executive leaves a previous employer to work for your company

## POTENTIAL PAYOFF

**For the Company** – Remain competitive in the market for executives who have the talent to make a difference for shareholders.

**For the Executive** – Seek to achieve greater retirement security as a reward for superior performance

## DEFERRED COMPENSATION PLANS

Deferred compensation plans allow executives to save for retirement and defer paying taxes on these amounts until payments are actually received. Generally elective, the executive decides how much compensation to defer and often can choose how these deferred amounts will grow.

Many plans include an employer match, with employer contributions geared to employees' deferrals. These employer matches are a powerful incentive to the executives to save for retirement.

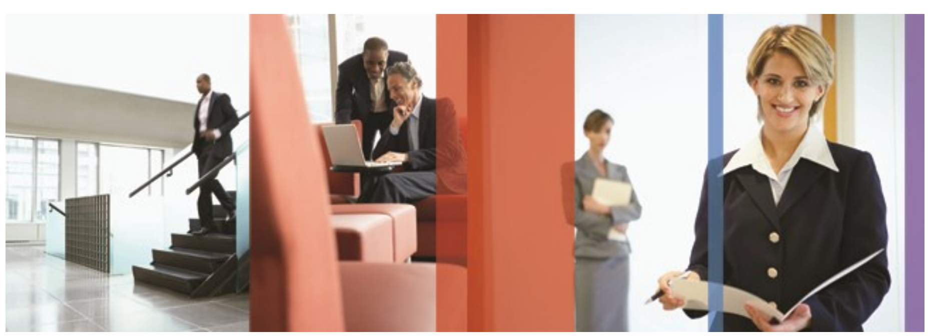
Some deferred compensation plans are wholly funded by employer contributions, with deferred bonuses or other compensation credited to the employees' accounts for distribution at a later date.

Although deferred compensation plans generally provide for distribution at retirement or other separation from service, some plans permit "in service" distributions, with executives electing to receive distributions at specific dates. When structured correctly, these distributions can be timed to coincide with events such as children beginning college or the desire to purchase a second or vacation home.

## SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS ("SERPs")

SERPs provide retirement income to supplement benefits executives will receive from other sources, such as qualified plans, social security and personal savings. SERPs are usually designed as defined benefit plans and often times use life insurance as a way to offset the cost. Retirement payments often are based on the executive's compensation and years of service with the company.

Retirement payments in a defined contribution plan reflect the accumulated value of contributions made to the plan while the employee is actively



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at work. These contributions often are tied to annual compensation and company performance. In a defined contribution plan an executive's retirement benefit is based on the balance in that individual's account

## SURVIVOR BENEFIT PLANS

These plans provide for the payment of a survivor benefit to the executive's beneficiary in the event of the executive's death while employed by the company. These payments, which often continue for three to five years, generally are based on the executive's compensation at the time of his or her death.

Unlike excess group insurance coverage, the covered executive has no taxable income to recognize each year. If the executive dies while employed, his or her beneficiary will receive salary continuation payments from the employer.

## FINANCING NONQUALIFIED BENEFIT PROGRAMS

Companies often seek to provide informal financing for nonqualified benefit programs, such as SERPs, deferred compensation, survivor benefit and post-retirement long-term care insurance arrangements. Many of these companies choose company-owned life insurance (COLI) as the financing vehicle, because COLI cash accumulation value is tax deferred and cash proceeds, when received by the company either as borrowings from the policies or as death benefits upon the death of the insured, generally are free from federal income tax. In addition, companies can recognize in their financial statements the increase in COLI's cash surrender value each year.

The advantages of COLI can be seen by the fact that 65% of companies funding their supplemental executive programs choose to fund these programs with COLI[1].

## ABOUT BOLI STRATEGIC PARTNERS

In early 2013, the BOLI business of NYLEX Benefits was transitioned to BOLI Strategic Partners. We focus on developing cost-effective practical solutions for community banks throughout the country.

Our services are designed to assist clients at all stages in the adoption and operation of their Bank-Owned Life Insurance programs and include:

- Initial assessment
- Plan design
- Funding
- Plan implementation
- Ongoing administration coordination with the Pangburn Group

BOLI Strategic Partners utilizes internal resources of New York Life through the Nautilus Group and Advanced Markets Network and also works closely with independent third parties in the following professional disciplines: all dedicated to supporting our clients' programs, processes, systems and services:

- Accountants
- Actuaries
- Attorneys
- Benefit specialists
- Insurance specialists

We take great care to assure that client programs are practical and that they are designed to achieve our clients' strategic and operational goals.

[1] Executive Benefits—A Survey of Current Trends, Clark Consulting, 2009. [2] Loans and withdrawals reduce the cash value and death benefit. Accessing the cash value through loans or partial surrenders will reduce the available cash surrender value and the death benefit. Loans involve interest payments.