

EXECUTIVE SUMMARY

SERPlusSM Services

Value Proposition

Employers typically establish Supplemental Executive Retirement Plans (SERP) to help replace benefits lost as a result of limits on annual pension benefits and plan compensation or nondiscrimination rules.

Harbridge Consulting Group (Harbridge) has extensive experience with SERPlusSM. The benefit of a SERPlusSM is that it allows an employer to shift all or a significant portion of accrued non-qualified executive retirement benefits into the employer's qualified defined benefit retirement plan, allowing the employer and executives to take advantage of the unique tax and other benefits provided under the Internal Revenue Code and ERISA. Harbridge helps companies assess whether a SERPlusSM is the right pension strategy and then design and implement a SERPlusSM plan for clients that elect this strategy.

Idea Description

Under the Internal Revenue Code, the amount of benefits that can be paid to certain highly compensated employees under tax qualified retirement plans is limited. The traditional response by employers to these limitations has been to establish a non-qualified SERP to provide the lost benefit. Unfortunately, non-qualified plans do not enjoy the tax advantages offered to employers by qualified plans. In addition, in order to avoid taxation to the employee on the value of the vested benefit, the benefit must be subject to the risk of creditors.

Harbridge's retirement benefits consultants have developed techniques that allow SERPs (as well as other non-qualified deferred compensation benefits) to be secured under and paid from qualified plans. The advantages are:

- Security of the benefit to the extent funded, with full ERISA protection
- Tax favored distributions
- For overfunded pension plans, a productive use of surplus assets
- Benefits exemption from state source taxes
- Benefits exemption from golden parachute calculations
- No FICA tax due on the present value of vested benefits
- For nonprofits, an ability to avoid the limitations of Section 457 of the IRC

SERPlusSM services include:

- Review of existing qualified and non-qualified arrangements
- Determination of benefits included in the qualified plan
- Non-discrimination testing necessary to demonstrate compliance with applicable IRS regulations
- Financial analysis
- Plan amendments and board of directors resolution
- IRS approval request assistance

Client Profile

Companies with SERPs or split dollar life insurance arrangements, and qualified defined benefit or defined contribution retirement plans are likely candidates for this service.

Contact

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