

Making the Right Choice:

Identifying Key Features of SERP Designs



Nonprofits frequently use Supplemental Executive Retirement Plans (SERPs) to attract, reward and retain key executives. There is no “one size fits all” SERP design, and selecting the right one can be challenging. The differences between the various SERP designs are important to identify as such differences can significantly impact both the organization and the executive.

The following questions are crafted to help you focus on the most important considerations when comparing plan designs so you can make an informed decision about which SERP design is best for your organization and your key people.

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Questions to Ask

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Option 1:

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Option 2:

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Option 3:

Does the organization's administrative burden terminate at the executive's death or retirement?

Can the strategy be changed or terminated without significant cost or loss of value to the organization?

Is there a cost-recovery mechanism for the organization?

How much investment risk is there for the organization and/or the executive?

Is there a self-completing feature for the executive and his/her family?

Are there options for minimizing the executive's income tax liability at retirement?

Is there a principal protection feature against investment loss for the executive post-retirement?

For the investment amount in the SERP, how much will the organization receive back at the life expectancy of the executive?