

NONQUALIFIED BENEFIT PLANS ~RECRUIT / RETAIN / REWARD~

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What is a Nonqualified Benefit Plan?

Nonqualified Benefit Plan Basics

An agreement between the Bank and executive or director. It's an exchange of promises from which both sides benefit.

Helps the Bank retain and reward those employees who make the most significant contributions to the business.

The employer promises to pay a retirement benefit, life insurance protection or some combination of benefits. In return, the key employee must meet performance criteria or remain with the Bank for a specified period of time.

Advantages to the Bank

- Provides a competitive edge in recruiting and retaining top executive talent
- Promotes the dedication and commitment of most valued people
- Provides the flexibility of who will be participate and the level and types of benefits provided

Advantages to Key Employee

- Provides a rewarding retirement benefit
- Allows for delayed tax treatment of income received
- Provides ability to design life insurance benefits to be income-tax-free

Overview of Qualified Versus Nonqualified Benefit Plans

QUALIFIED PLANS

Minimum coverage / participation requirements

Must not discriminate in favor of highly compensated employees

After a specified duration of employment, a participant's benefits vest and are non-forfeitable (ERISA)

No income tax until benefits are withdrawn

Plan assets are not subject to risk of forfeiture

Plan benefits are limited

NONQUALIFIED PLANS

Can include select group of key employees

Plan design is not subject to qualified plan limits

Plan benefits are based on specific contractual details

No income tax until benefits are paid

Plan benefits are subject to risk of forfeiture

Benefits not limited by the tax code but must be reasonable

Popular Nonqualified Plans

Supplemental Executive Retirement Plan (SERP)

A SERP provides key executives with a cash payment for a period of years after retirement or at a specific point in time. The payment is designed to allow the executive to retire with a targeted amount of his or her final salary amount.

Target Age: Over age 45

Plan Focus: Retention

Payment Commencement: Retirement

Nonqualified Defined Contribution (NQDC) Plan

A NQDC Plan provides key employees with a deferred cash incentive to accomplish personal and corporate goals. It is designed to complement existing annual incentive compensation but be paid on a deferred basis. Plans can also help younger management employees that often have higher current cash needs compared to those employees closer to retirement.

Target Age: Under age 45 or officers within 5 years of retirement

Plan Focus: Performance

Plan Duration: Short-term

Endorsement Method Split-Dollar Plan

A Split-Dollar Plan provides for sharing of life insurance policy death benefit between the Bank and key employee's named beneficiary. The proceeds are income tax-free to the recipient.

Target Age: Any insured officer

Plan Focus: Retention

Plan Duration: In-service or Post-employment

Key Employee Retention

Type of Compensation	Typical Period of Vesting / Retention
Base Salary	1 Year
Bonus	1 Year
Equity	3 - 5 Years
Non-Equity Incentive Compensation	3 Years
Nonqualified Benefits	5 – 20+ Years

EBS Managing Partners



Russell H. Vandavelde, IV

Birmingham, AL

Russell is a nationally known expert in the product design and implementation of Bank Owned Life Insurance (BOLI) programs as well as Corporate Owned Life Insurance (COLI) programs. Russell has worked as a specialist since 1986 covering all 50 states. In addition to BOLI consulting, Russell also assists companies with Nonqualified Deferred Compensation Plans (NQDC). Russell is a past Board Member of Finseca (previously AALU). He is a frequent speaker at industry and company meetings on the topic of BOLI as well as Nonqualified Executive Benefit Plans. Russell was also a founding board member for National Bank of Commerce and served as Chairman of the Board. He is a graduate of Leadership Birmingham and Leadership Alabama, active with United Way and served as Tocqueville Chair, YPO Gold, Rotary and as a board member of Restoration Academy. Russell double majored in Mathematics and Sociology and received a B.A. degree from Vanderbilt University.



Jeffrey P. Peterson, CLU, ChFC

San Francisco, CA

Jeff has spent over 30 years in executive benefit consulting for private and public sector corporations as well as consulting with their top executives. He has worked with several industries but has focused on the banking, technology and service industries, and his practice emphasizes all areas of executive benefit planning and informal funding. As the Managing Partner in the San Francisco office, Jeff oversees client services for the entire western region. He specializes in helping firms to attract, retain and reward their leadership teams. He is a frequent national speaker on the topic of Nonqualified Plans. Jeff is a past president of the National Association of Insurance and Financial Advisors and the Society of Financial Service Professionals in San Francisco. He is a member of the Million Dollar Round Table, Top of the Table, and a multiple recipient of the highly coveted National Quality Award. He is also a member and ambassador of Finseca and Treasurer on the Board of the Tahoe Maritime Foundation. Jeff received his Bachelor of Science in Economics from the University of the Pacific and holds two advanced degrees from the American College.



Michael Pounds

Birmingham, AL

Michael works closely with corporations and financial institutions across the country on the design, implementation and administration of Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) programs. He also works with high net worth individuals providing consultation and analysis in estate planning services. Michael is member of the Monday Morning Quarterback Club and The Tocqueville Society. He serves as board member on the Tocqueville Legacy Cabinet for United Way of Central Alabama. Michael holds his FINRA Series 6 and 63 as well as state Life and Health licenses. He is a member of the National Association of Insurance and Financial Advisors (NAIFA) and is an Ambassador of Finseca (previously AALU). Michael received his B.S. in Human Environmental Sciences from the University of Alabama.



Jim Foyt, CPA (inactive)

Birmingham, AL

Jim is a founding partner and the President and Managing Partner of EBS. Jim is a highly specialized life insurance consultant working closely with businesses across the country on their executive benefit plans, executive compensation planning, Bank and Corporate Owned Life Insurance (BOLI/COLI) consulting, banking regulatory compliance, and ongoing service needs. Jim has implemented hundreds of BOLI and COLI and executive benefit plans and is a frequent speaker at industry meetings on BOLI and COLI related topics. Prior to joining EBS in 1998, Jim worked twelve years in public accounting with Arthur Andersen assisting large public and private companies, including several regional financial institutions. As part of his responsibilities managing the Birmingham tax practice, Jim worked with many clients to implement executive benefit plans. He is a member of the American Institute of Certified Public Accountants (AICPA), Finseca, home of the top financial security professionals, and the United Way Tocqueville Society. He is the current chairman of the Board of Trustees for the Baptist Health System and is a board member of the Brookwood Baptist Health system which includes five hospitals in the Birmingham area. Jim is a past member of the Auburn University Accounting Advisory Board and the Board of Directors of the Georgia Bankers Association. Jim earned a B.S. degree in Accounting from Auburn University.



Phillip A. Pickett, CPA (inactive)

Birmingham, AL

Phil has over 20 years of experience working with companies across the country to develop and optimize their Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) programs. Phil also assists companies with the design and implementation of Nonqualified Executive Benefit Plans and Deferred Compensation Plans to help companies attract, retain, and reward their talent. Phil is a CPA (License Inactive) and a member of the American Institute of Certified Public Accountants (AICPA) and the Million Dollar Round Table (Top of the Table). He is also an Ambassador of Finseca (previously AALU) and a former member of AALU's Nonqualified Plans Committee. Phil was a tax manager for an international accounting firm prior to joining EBS in 2003. During his ten years in public accounting, Phil specialized in tax consulting and implementation services for a variety of corporate clients, executives, and high-wealth individuals. Phil serves on the board of Mitchell's Place, a facility that provides early learning and therapeutic services for children affected by autism. He is also on the Development Committee for the Ronald McDonald House Charities of Alabama (RMHCA). Phil received his M.B.A. from the University of Alabama and his B.S. in Accounting from Florida State University.

EBS Competitive Advantages

- EBS developed an industry-leading service platform, Iron Key Insurance Services (Iron Key), to ensure consistent, reliable reporting and ongoing service
- Iron Key is owned by Northwestern Mutual and provides comprehensive BOLI reporting services
- EBS Partners have selling agreements with top insurance carriers:
 - Guardian Life
 - MassMutual
 - Midland National
 - New York Life
 - Northwestern Mutual
 - Protective Life
 - Securian (Minnesota Life)
- Through Iron Key, EBS clients have access to a secure private client information portal
- EBS upholds a commitment to meeting client needs which has resulted in outstanding client retention and satisfaction
- Endorsed vendor with multiple banking associations
 - Alabama Bankers Association (ABA)
 - Georgia Bankers Association (GBA)
 - Community Bankers Association of Ohio (CBAO)
 - Community Bankers of Michigan (CBM)
 - California Community Banking Network (CCB)



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