PACIFIC LIFE
Pacific Life Insurance Company

KEAP SUCCESS STORY –
CONSTRUCTION COMPANY CREATES RETENTION STRATEGY WITHOUT DILUTING OWNERSHIP

KEY EXECUTIVE ADVANTAGE PROGRAM (KEAP)

- **Financial Professional:*** Wealth management company providing investments and life insurance
- **Client/Plan Sponsor:** Construction company organized as a closely held S corporation
- **The Challenge:** Client needs an effective executive-retention strategy that will not dilute ownership
- **Client's Goals:** Build an effective recruitment and retention plan for their top management and executive team without sharing ownership
- **Plan Participants:** Thirteen executives, ranging from age 35 to 60

NQDC

WHAT'S A 401(k) MIRROR PLAN?

A 401(k) mirror plan is a type of voluntary nonqualified deferred compensation (NQDC) plan that allows highly compensated executives and employees to save more money towards their retirement than is allowed under a qualified 401(k) plan.

This type of NQDC plan often mirrors as closely as possible the investment options and features of the employer's 401(k) plan. Many companies include discretionary contributions with a vesting schedule to incentivize retention further.

KEAP
A strategy that may include life insurance

* *In order to sell life insurance, a financial professional must be a properly licensed and contracted life insurance producer.*

PLAN DESIGN: 401(k) MIRROR

- **Employer-defined contributions:** $201,000 annually (total for all 13 participants). Each participant receives a specific dollar amount.
- **Vesting schedule:** Employer contributions vest over 10 years: 0% after 4 years, 20% after 5 years, 40% after 6 years, 60% after 7 years, 80% after 8 years, 90% after 9 years, 100% after 10 years
- **Accelerated vesting:** Allows for full vesting after 5 years in the event of retirement, death, disability, or change of control based on date of contribution
- **Investment menu:** Participant directs notional investment choices, which mimic options available in 401(k)
- **Normal retirement age:** 65
- **Retirement distributions:** Choice of lump sum or up to ten annual installments
- **In-service distributions:** Allows for participants to receive in-service distributions of up to 50% of contributions with a minimum deferral of 5 years and subject to vesting schedule. Choice of lump sum or up to five annual installments
- **Funding:** Informal funding of aggregate liability through corporate-owned life insurance (COLI)
- **Supplemental death benefit protection:** Additional $100,000 of death benefit for each participant

RESULT:

The client now has a cost-effective strategy to retain its talented executives without diluting its ownership!

SUMMARY:

NQDC plans have long been recognized as useful tools for recruiting, rewarding and retaining top executives at large firms. But there is a growth opportunity in the NQDC market you may not have considered: midsize companies looking to compete for talent.

Introducing Pacific Life Insurance Company's Key Executive Advantage Program (KEAP), a turnkey NQDC program designed form the ground up to help midsize businesses implement flexible, cost-effective benefit solutions more quickly.

Our team of dedicated executive benefits specialists are here to guide you. To learn more email us at PLKEAPTeam@PacificLife.com.

KEAP Executive Benefits Specialists

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The primary purpose of life insurance is financial protection against the premature death of the insured.

Plan administration provided by independent third-party administrators not affiliated with Pacific Life Insurance Company.

Pacific Life Insurance Company does not provide nonqualified plan administrative services or investment advice and does not act in a fiduciary capacity for any plan.

Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.

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Your broker-dealer or firm can help you determine which optional riders are available and appropriate for your clients.

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