



# We make nonqualified deferred compensation plans *work*

The experience, capabilities, and  
support to help your executives retain  
more of what they earn

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# Committed to the NQDC business and helping to provide an important *advantage* in the competition for key talent

Given the competition for experienced professionals and leaders these days, you may be looking to set your compensation and benefits package apart. A nonqualified deferred compensation (NQDC) plan can be an effective, and surprisingly affordable, solution.

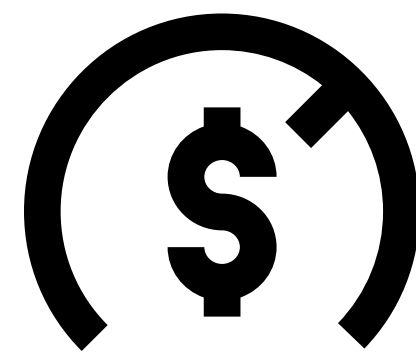
With an NQDC plan, your executives and corporate leaders can set aside a portion of their salary or bonus each year on a tax-deferred basis<sup>1</sup>—and receive payment of these funds at a future date. This can be a valuable benefit for high-wage earners trying to minimize their current tax liability, save for medium- to long-term goals, or put away more for retirement than the IRS' 401(k) and IRA contribution limits will allow.

With five decades of retirement plan experience, we can help you explore and deliver the benefits of a custom-designed, efficiently managed NQDC plan. So, if you'd like to provide a new financial incentive for your most valued talent, **John Hancock can help.**

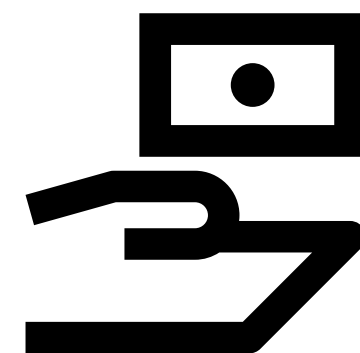
<sup>1</sup> Ordinary income taxes are due at withdrawal.

# Why consider establishing an NQDC plan for your executive employees?

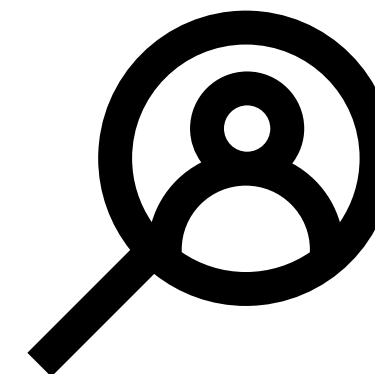
A qualified retirement plan gives employees throughout most of the workforce the chance to pursue retirement readiness; however, a qualified plan may only provide a small fraction of the income replacement needs of an essential employee. By adding an NQDC plan, you can help provide an additional source for retirement income.



With an NQDC plan, participants can defer considerably more compensation on a pretax basis than qualified plan limits allow.



Any earnings participants receive on their savings, or any company contributions that you add, are also tax deferred.



You determine which employees are included in your NQDC plan—there are no nondiscrimination restrictions.<sup>2</sup>



You can set up your plan to distribute money through an employee's working years (in-service payouts), as well as at separation from service (including retirement)—to help with both medium- and long-term goals—with no early withdrawal penalties or use restrictions.

<sup>2</sup> A nonqualified plan subject to Section 409A must restrict participants to “a select group of management or highly compensated employees.”

# How (and why) an NQDC plan works

While the design of qualified retirement plans is strictly regulated by the Employee Retirement Income and Security Act (ERISA) and corresponding IRS regulations, these regulations don't apply to NQDC plans—which is where the term “nonqualified plan” originated.

In many cases, however, NQDC plans are subject to Section 409A of the Internal Revenue Code. In compliance with Section 409A, NQDC plans may be structured as follows.

## Participation

Must be limited to a select group of highly compensated employees or management personnel, as determined by the employer

## Participant deferrals

- Voluntary for employees
- Deferral elections must be made in the year prior to the year in which services are to be performed
- Special rules apply for newly eligible employees
- The election is irrevocable for the balance of the year



## Employer contributions

- Matching and other employer contributions are allowed
- Employer determines vesting schedule

## Tax treatment for the employer

- Employers only deduct the benefit if the employee includes the benefit in taxable income
- The deduction amount is the total amount included in the employee's taxable compensation, which includes any earnings on the employer contributions

## Tax treatment for participants

- In general, contributions (and applicable earnings) accumulate on a tax-deferred basis
- Participant deferrals are subject to FICA and FUTA taxes when they're made. Employer contributions are subject to FICA and FUTA taxes when they vest: later of when services were performed or when the contribution is no longer subject to a risk of forfeiture

- Participants owe federal income tax and state income tax, if applicable, on amounts distributed from the plan

## Ownership of assets

- All money in the plan is considered general corporate assets
- Accumulated funds are subject to creditors
- Rabbi trust only provides protection against employer misuse of funds

## Accessibility of payout

- Plan rules determine the availability and timing of in-service, emergency, and separation from service distributions





# A team of NQDC plan *professionals* committed to your success

## Your strategic relationship manager

- Manages all aspects of your plan implementation
- Helps ensure key business and participant objectives are met
- Coordinates all plan communication education—including launch campaigns, required annual outreach, and executive training sessions
- Oversees your plan on an ongoing basis, driving monitoring and continual improvement

## Plan design and compliance consultants from John Hancock's Benefits Consulting Group

- Conduct initial analysis for plan structure and fit
- Ensure consistency with staffing, financials, competing, and other business objectives
- Integrate your NQDC plan within your larger retirement benefit structure
- Create and update plan documents
- Stay continually engaged as your NQDC plan needs and objectives change





## **Your financing and investment consultants**

- Help set up a funding strategy for your business and an investment lineup for your participants
- Coordinate the establishment of rabbi trusts for employers desiring to separate plan assets
- Help ensure that cash flow, reserve, and other financial requirements are understood and accounted for

## **Your customer service manager**

- Provides convenient, one-call answers and support year-round
- Builds strong relationships with your staff to help ensure smooth administration



# Highlights of John Hancock's NQDC approach

## *A spectrum* of NQDC plan solutions

NQDC plans are designed to help you attract and retain your essential performers by helping them keep more of what they earn and give them more resources to build for the future. Nuances in plan design can help you align your NQDC plan with your broader objectives.

## Consultative and administrative support that make offering NQDC benefits an *easy* decision

Our combination of in-depth guidance, scalable solutions, and award-winning service<sup>3</sup> is designed to help keep your plan running smoothly and in compliance.

- Plan design consulting
- Plan financing strategy and support
- Plan document preparation and maintenance
- Executive training for new plan participants
- Online enrollment and re-enrollment
- Enrollment guide and plan highlights
- Contribution planning, submission, and changes
- Business-level and participant reporting

<sup>3</sup> “2020 Best in Class DC Providers,” *PLANSponsor*, January 2021.



## *End-to-end* support for financing your plan

Unlike a 401(k) plan, there are no actual participant accounts or formal funding requirements with an NQDC plan. That said, you do need a strategy for financing your plan—a place to keep your assets, adequate investment choices for your participants, and a standard payout process. John Hancock offers the following options.



### **Informal funding with corporate-owned mutual funds**

John Hancock's open-architecture platform accommodates various investment choices.



### **Informal funding with other vehicles you select**

These can include corporate- or trust-owned life insurance, as well as other types of investments that you earmark for your plan.

### **Plan financing and payout-related services include:**

- Complete trustee and custodial services
- Rabbi trust establishment for clients who want to separate plan assets from general business assets
- Check writing and W-2 services through Bank of New York (fees apply)
- Beneficiary services

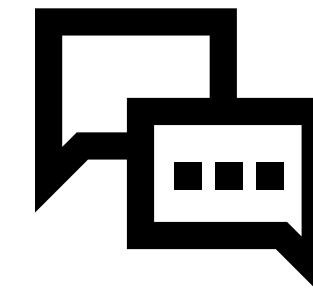




# *A personalized* experience that connects participants to the power of their plan

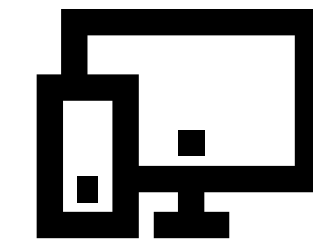
[John Hancock](#) makes it easy for eligible employees to understand and use the power and flexibility of your NQDC plan.





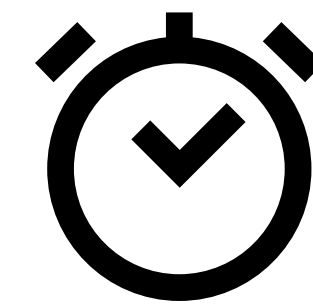
### **Your customized executive NQDC workshop**

To help get your plan off to a solid start, John Hancock can create and deliver an interactive online workshop—targeted specifically to your eligible essential employees and reflecting the design of your plan.



### **The online enrollment and ownership experience**

To help eligible employees get off to a strong start, John Hancock's participant website and retirement app provide an easy, step-by-step enrollment process, in-depth guidance, and convenient and intuitive account information screens.



### **Annual enrollment**

Yearly opt-in periods are crucial to helping keep employees engaged in NQDC use and on track to reach their goals. Our consulting and creative expertise can help maximize the impact of your annual enrollment campaigns.





**A comprehensive plan for retirement income and spending**—Part of our online participant experience, John Hancock’s retirement planner<sup>4</sup> uses predictive analytics to help participants see their projected income from all their retirement plan assets and how it compares to their anticipated spending needs in retirement.

**A plan for financial wellness**—Your participants will also be able to assess their financial wellness online and, in turn, receive a personal action plan and access to tools to help them manage their overall finances.

**94%**

of retirement planner users added information to personalize their spending and income projections.<sup>5</sup>

**86%**

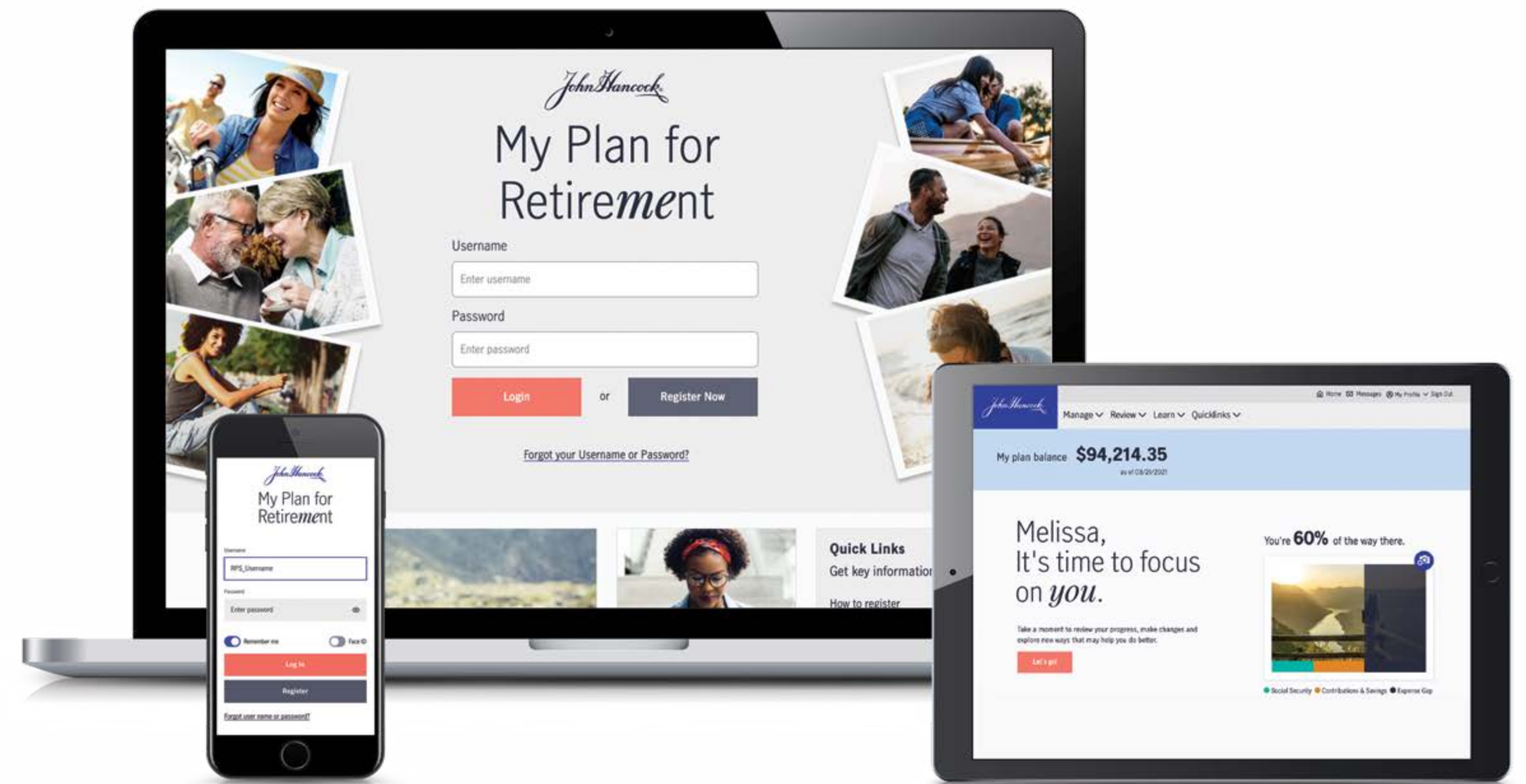
of participants say it’s important for employers to offer financial wellness programs.<sup>6</sup>

<sup>4</sup> The projected retirement income estimates for your current John Hancock accounts, future contributions, employer contributions (if applicable), and other accounts set aside for retirement used in this calculator are hypothetical, and for illustrative purposes only, and do not constitute investment advice. Results are not guaranteed and do not represent the current or future performance of any specific account or investment. All investments carry a degree of risk, and past performance is not a guarantee of future results. Due to market fluctuations and other factors, it is possible that investment objectives may not be met. <sup>5</sup> John Hancock group annuity and open-architecture platforms, May–November 2020. <sup>6</sup> In July 2020, John Hancock commissioned our seventh annual financial stress survey with the respected research firm Greenwald & Associates. An online survey of 589 workers was conducted between 7/28/20 and 8/14/20 to learn more about individual stress levels, their causes and effects, and strategies for relief. John Hancock and Greenwald & Associates are not affiliated, and neither is responsible for the liabilities of the other.





Participants can model the benefits of their nonqualified plan, generate statements, and initiate retirement through the John Hancock website.





# NQDC plans from John Hancock—skilled support for making essential employee benefits *work*

With over 50 years of retirement plan experience, including deferred compensation plans for employers of all sizes, John Hancock is deeply committed to meeting the unique needs of executives, managers, and other highly compensated professionals. And of course, we're just as committed to the success of your organization and your overall retirement program. We can help ensure that your NQDC plan helps in recruiting, rewarding, and retaining top performers; enhancing retirement readiness and financial wellness; and achieving all the other objectives you've established for it.

**For more information on how we can make your NQDC plans work, contact your John Hancock representative or visit [retirement.johnhancock.com](https://retirement.johnhancock.com).**



Consultative.

Easy.

Personal.

Proven.

**We make retirement  
plans *work*.**



For over 50 years, we've helped people plan and invest for retirement; today, we're one of the largest full-service providers in the United States (Source: "2020 Defined Contribution Recordkeeping Survey," *PLANSPONSOR*, 2020).

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