



LIFE INSURANCE



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ADVANCED MARKETS

Implementing Non-Qualified Executive Benefit Plans

Don't let the fear of implementing non-qualified executive benefit plans prevent you from selling them.

The Advanced Markets group receives many calls from producers who are apprehensive about implementing non-qualified executive benefit plans, including Section 162 bonus plans, Restrictive Endorsement Bonus Arrangements (REBA), Salary Deferral plans, and Supplemental Executive Retirement Plans (SERP). This piece covers the key components of this important process. Use this document as a resource and adjust any of the components to meet the needs of specific cases.

Lay the Groundwork

During the sales process, be sure to mention the importance of implementation considerations and plan administration to the employer. You want the employer to be actively engaged in these activities, so bringing it to their attention early will help. A well-designed implementation strategy can boost participation levels among the eligible executive group because it will communicate the plan benefits effectively and demonstrate that the employer strongly supports the plan. In essence, it amounts to selling the plan to the eligible executives.

Many companies have a "style" to their communication with executives and you will want to understand how you will need to adapt the plan implementation to that style. For example, many executives work remotely from the main headquarters. Therefore, a combination of written materials mailed or sent electronically along with a webinar-type meeting to introduce the plan to the eligible participants may be needed. Also, you may need to conduct either a group meeting or individual meetings with the eligible plan executives to introduce the plan. You may have ideas to offer the employer to enhance the success of the implementation process, but ultimately the employer will want you to work within their

guidelines. The employer may want certain people, perhaps from Human Resources, to attend all the meetings, or they may want only their staff to conduct the meetings without your involvement.

Keys to Successful Plan Implementation

Knowledge and communication are the keys to implementing a non-qualified benefit plan. Obviously, you need to know and understand the details of the plan and how it works, but what we are referring to here is the knowledge of what the employer's goals are for the plan and how they want it to benefit the participants. Understanding the employer's goals and needs will help you to offer the proper plan options to make it more effective for the company.

Typically, your role will be to serve as the hub for all the activities pertaining to implementing the plan. This requires you to effectively communicate with the employer, his/her accountant, attorney, Human Resources and Benefits departments, and the plan administrator to ensure that the plan is implemented as smoothly as possible. Other vendors may be involved, such as an outside graphics artist hired by the client to design and print enrollment brochures. It will be your job to harness all the various resources and keep them moving in the right direction. To do that, you must stay in regular contact with all parties until they complete their respective task(s). For example, the employer will not sign off on plan documents until the attorney has approved them. This may take several revisions, which can take time. This may delay the preparation of enrollment kits and could delay the plan enrollment if you do not keep the employer and attorney focused on completing that task.

After you have gathered the necessary information, here are the action steps to take in order to implement the plan.

Step 1:

The first step in the implementation process is to develop a schedule of the tasks that need to be done, including listing who is responsible for completing each task and a date for completion. A general rule of thumb is that it takes a minimum of three months to properly complete a plan implementation, and expect that there will be changes to the schedule. A variety of legitimate reasons can delay completion of specific tasks. Sometimes it's the employer who is slow to complete tasks, and there is only so much pressure you can put on them. So don't try to design a schedule with rigid completion dates. Build in some cushion for delays. A sample schedule is shown on the next page.

Step 2:

The next step is to begin designing the enrollment kits and formal presentation for the participants. As documents are completed they can be prepared for the kits. If an outside vendor has been hired to design enrollment kits, then your workload is lighter. However, the vendor will need your help to be sure the plan is appropriately described in the enrollment materials. This will likely require many phone calls and several hardcopy revisions. More than likely you and your staff will produce the enrollment kits. In most cases a simple, professional looking kit will serve very well. Successful enrollment kits often use a neutral-colored (dark blue or green, or white) folder with pockets on the inside. Personalizing the kit is important — the folder should have a label on the front with the participant's name. On the inside left pocket would be another label listing the documents included in the kit in the order they are placed. Typical items found in the kit include:

ENROLLMENT KIT

LEFT SIDE	RIGHT SIDE
Instruction Page	Personalized Illustration
Plan Election Form	Current Portfolio Review of VUL Subaccounts (if applicable)
One or two page Executive Summary of the Plan using bullet points	Glossy VUL Investment Brochure (if applicable)
Detailed Plan Description (not legalese)	VUL Prospectus (if applicable)
Plan Agreement(s) prepared by Attorney	

Step 3:

An equally important step is the enrollment presentation. This is typically a PowerPoint presentation in bullet point format. This piece is used for group enrollment meetings where the plan is explained to the participants and they are invited to participate. Executives often like these presentations because they can get to meet you personally. These presentations are often critical to the initial level of participation in voluntary plans (such as a salary deferral plan).

Step 4:

The last step is the actual enrollment period itself. During this time the participants will review their kits, complete the paperwork, return it, as well as call you for clarification of the plan features. During your discussions with the participants, you will learn firsthand what they liked and didn't like about the enrollment materials. This helps you to modify the materials for next year's enrollment. After the enrollment period is over, we recommend meeting with your client to learn what they liked about the enrollment process and what changes they want to make for next year.

Plan Administration

After the plan is implemented, it will require some level of administration. Also, you will want to maintain your relationship with the employer. At the very least, you should be prepared to meet with the employer annually to get their feedback on how the plan is performing and to determine if any changes are needed or if goals have changed. For example, the employer should be interested in how the life insurance policies are performing compared to how they were illustrated at plan implementation.

If the plan design is simple, such as a Section 162 bonus plan, you will probably acquire and prepare the illustrations and information needed for these meetings. However, if the plan is complicated, like a SERP, you will have to make a decision about your role in ongoing administration. The employer will want regular reporting on the status of the plan and will need specific information that is critical to their accounting and tax departments at the end of the year. Unless you have the specialized knowledge and staff needed for this level of plan administration, you will be well served to recommend the employer hire a Third Party Administrator (TPA) for these services. The employer's cost for these services is tax deductible as a service fee. The employer can use a TPA of their choice for this work. John Hancock has a relationship with a nationally recognized TPA as well.

SAMPLE SCHEDULE

TASK	PRIMARY PARTY RESPONSIBLE (OTHERS INVOLVED)	DUE DATE
Receive Final Census Data	Client (Producer, Attorney)	October 1
Announcement Letter to Participants	Client (Producer, Attorney)	October 15
Legal Document Preparation	Attorney (Client, Producer)	October 1 to November 22
Plan Description Preparation	Producer (Client, Attorney)	October 1 to November 22
Executive Summary Preparation	Producer (Client, Attorney)	October 1 to November 22
Personalized Illustrations	Producer (Client)	October 1 to November 22
Enrollment Kits Finalized	Producer (Client)	November 22
Enrollment Kits Delivered to Client	Producer	November 25
Enrollment Group Presentations	Producer (Client)	December 2 to December 6
Enrollment Period		December 2 to December 23
Published Date to Return Forms		December 23
Unpublished Date to Return Forms		December 31
Underwriting Period (if needed)		December 20 to January 15

For more information on implementing non-qualified executive benefit plans, contact the Advanced Markets Group at 888-266-7498, option 3.

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