Executive Benefits, BOLI, & How Survey Data Informs Us About Retention

John Gagnon, SVP Executive Benefits

Dave Gagnon, VP Executive Benefits

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Today’s Moderators

John Gagnon
SVP, Executive Benefits Consulting

Dave Gagnon
VP, Executive Benefits Consulting

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Today's Agenda

Executive Benefits at OneDigital

$10 Billion+ assets under care

$20 Billion+ death benefits in force

200+ institutional clients

14,000+ executives

Increasingly, banks are using executive and director benefit programs to attract, reward, and retain key executives and directors

- Work as a **team** to provide a single source for nonqualified executive benefits
- Construct customized solutions to address the specific needs of the executives and board
- Implement and provide ongoing plan administration that meets the highest standard of service
- Provide a benefit which can be easily understood by executives, directors, and their families

OneDigital calculations as of 7/30/2025

Current Environment

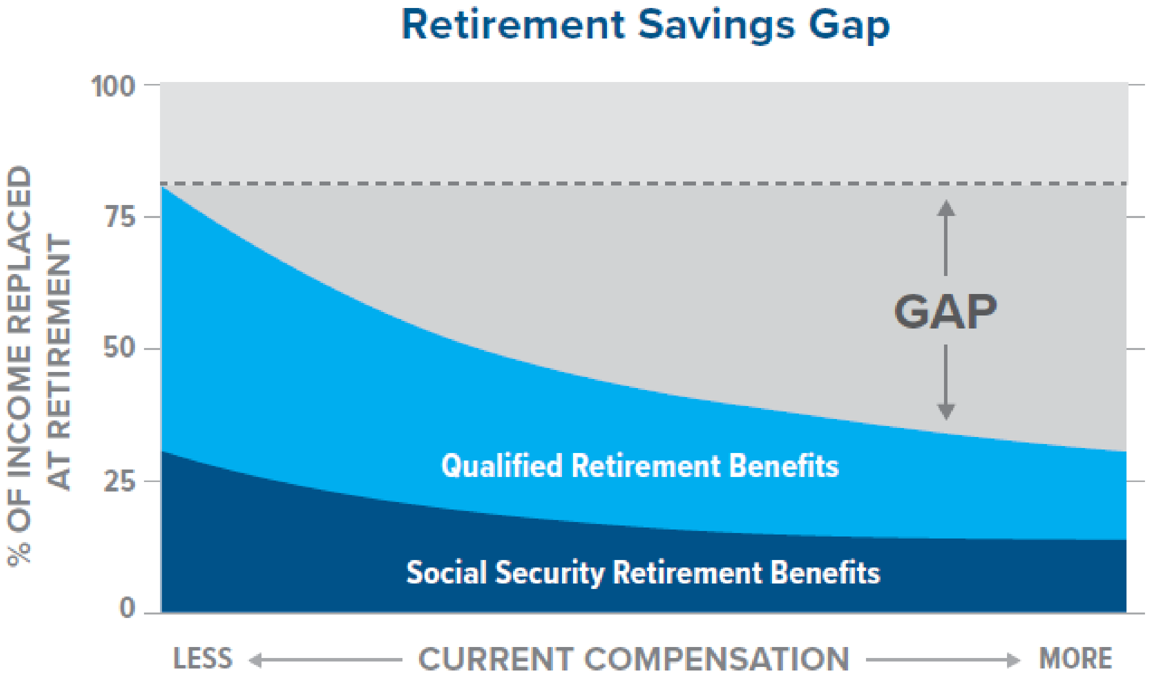
Challenges for Bank Leadership

- Managing the interest rate environment
- Attracting executive talent
- Succession Planning
- Providing competitive benefits
- Adapting to remote/hybrid work and executives' access to a larger job pool
- Consolidation Pressure

Current Environment

Challenges for Executives

- Qualified plan caps restrict contributions and benefits
- Decline of traditional pensions reduces guaranteed retirement income
- Lower Social Security replacement rates provide less supplemental income
- According to recent AON study, a 45-year-old earning $150,000 and maximizing 401(k) until age 67 would only accumulate half the savings needed to produce the same income during retirement. If compensation were $350,000, their 401(k) would produce just **25%** of income needed



For illustrative purposes only. Graphic is not intended to reflect any specific person's circumstances. Legislation changing limitations on contributions or social security benefits could cause these outcomes to vary widely

Executive Benefits and Survey Insights

Supplemental Executive Retirement Plans (SERP)

What is a SERP?

Used as a tool to recruit, reward and retain key executives

- A form of nonqualified deferred compensation designed to provide additional retirement income
- Supplements benefits already offered by the bank such as 401(k) and employer provided social security
- Contractual agreement between the bank and the executive
- As a non-qualified plan, must follow IRC 409A rules

Executive Benefits Survey

Background

- Launched in 2017 to support community banks in managing and implementing executive benefit programs
- Offers data on trends and utilization of nonqualified Plans (SERP, NQDC, Director Fee Continuation Plans)
- Covers key plan provisions: SERP design type, target benefits, vesting schedules, retirement age, and more

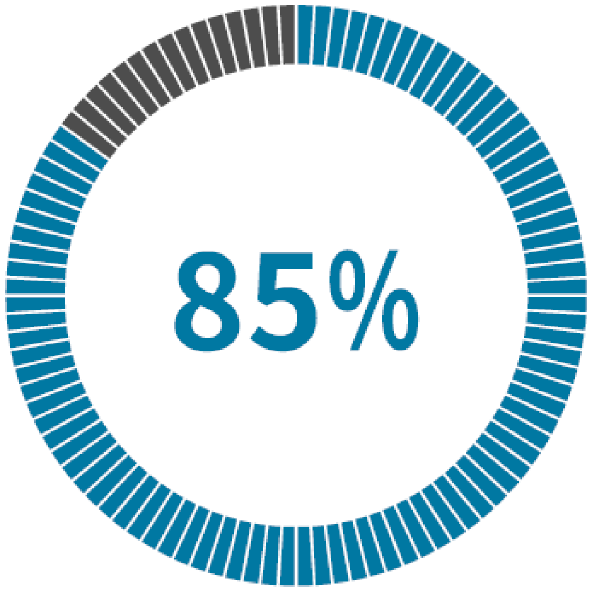
2025 Results

- Analyzed responses from 55 banks, primarily concentrated in New England, revealing diverse executive benefit strategies
- Structured questionnaires provide a reliable snapshot of current practices
- Participating banks ranged in size from $<200m to $7bn in assets
  - Median asset range of $1 – $1.9 billion

It is important to acknowledge potential limitations. In this case, BoliColi provides executive benefit solutions that are utilized by 60% of survey respondents. While this client representation reflects our established presence in the marketplace, it may also influence survey results. Findings should therefore be interpreted with this context in mind.

Survey Insights

Prevalence of nonqualified plans



85% of banks offer nonqualified retirement benefit plans, including Deferred Compensation, Supplemental Executive Retirement Plans (SERPs), and Long-Term Incentive Plans (LTIPs)

7% of banks are considering implementing nonqualified retirement benefit plans

Survey Insights

Reasons for Implementation

- To provide a **retention strategy** for key executives
- To **reward executives** for individual and company performance
- To provide competitive incentive programs to **recruit new talent**
- To **replace benefits lost** by qualified plan limitations

SERP Design Types

Defined Benefit

- Pension-like
- Formula driven to provide specific benefit at a later date
- Examples:
  - Retirement benefit of 60% of final average compensation at age 65 with offsets by employer paid 401(k) and social security
  - Lump sum retirement benefit payment at age 65 of $3mm
- Considerations:
  - Because this is formula driven the expense for this approach self adjusts each year based on salary changes, offsets, and discount rates
  - Discount rate can lead to expense fluctuations

Defined Contribution

- 401k-like
- Annual contribution that accumulates over time with interest (Account Balance Plan)
- Examples:
  - Annual deposit of $100,000 earning 3%
  - Annual deposit of 30% of base compensation earning 4%
- Considerations:
  - Annual contributions
  - The expense is the payment made plus any interest credited on the balance
- Staying on Target
  - Contribution is often determined by "targeting" a replacement level, like a defined benefit approach

Survey Insights

Defined Benefit vs Defined Contribution

- Most newly implemented plans use defined contribution approach
- **62%** of banks offer **defined benefit** plans, which are more common with legacy plans
- **48%** of banks offer **defined contribution** plans, which are more popular with new plans
- **18%** of banks offer **neither**, but do use another form of long-term incentive

Determining SERP Benefit Levels

Income Replacement Study

- Used to identify current employer provided retirement benefits
- SERP Benefits are typically designed to be offset by all employer provided retirement benefits including social security and qualifier plans
- Defined Benefit SERPs promise to pay an income
- Defined Contribution SERPs may target an income replacement but should be reviewed regularly for accuracy

Sample Income Replacement Study

Current Income Replacement	Jane Doe	John Doe
Three Year Final Comp. (includes bonus)	400,000	300,000
Current Age	55	50
Retirement Age	65	65
Years of Service at Retirement Age	15	20
Filfillment % of 20 Years of Service (YOS)	75%	100%
Employer Offsets		
Qualified Plan (401k)	25,000	20,000
Employer Soc. Sec @ 65	15,000	17,000
Total Employer Offsets	**40,000**	**37,000**
Employer Offsets as a % of Final Average Compensation	**10%**	**12%**

Projected SERP Benefits	Jane Doe	John Doe
SERP 50% Plan		
Full Benefit	200,000	150,000
Adjusted Benefit (less than 20 YOS)	150,000	150,000
Total Employer Offsets	40,000	37,000
SERP Benefit	**110,000**	**113,000**
SERP 60% Plan		
Full Benefit	240,000	180,000
Adjusted Benefit (less than 20 YOS)	180,000	180,000
Total Employer Offsets	40,000	37,000
SERP Benefit	**140,000**	**143,000**

Survey Insights

Target Income Replacement Percentages

Chief Executive Officer
60-75%

Chief Financial Officer
60-65%

Other Positions*
50-60%

*Other positions include Chief Operating Officer, Chief Lending Officer, Chief Human Resources Officer, and Chief Information Officer

Vesting

Vesting is a crucial component of SERP designs

- As a compromise for the bank to pay a generous benefit, the executive must satisfy vesting and their long-term commitment to the organization to receive the full amount
- Vesting is the percentage of plan ownership that an executive is entitled to
- Common vesting schedules:

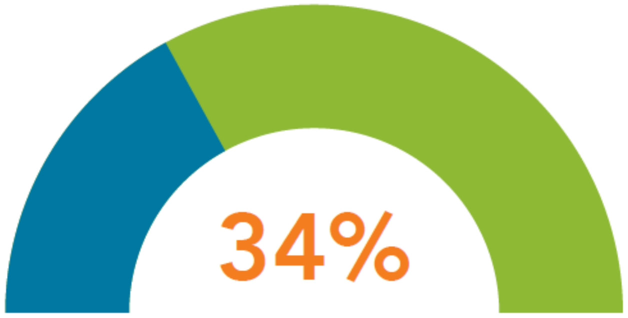
	Vesting Schedule
Years 1 - 5	0%
Years 6 - 10	20%/ yr

	Vesting Schedule
Years 1 - 5	0%
Years 6 - 15	10%/yr

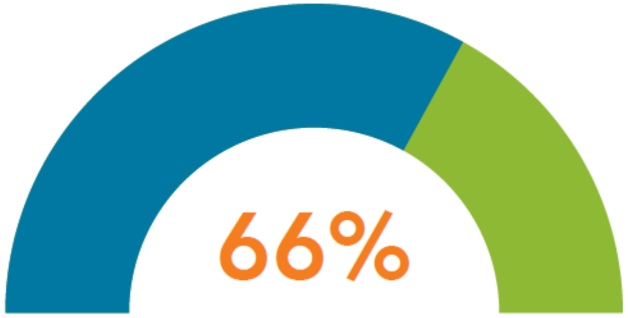
	Vesting Schedule
Years 1 - 10	10%/yr

Survey Insights

- For executives *under* age 55, a **10-15 year** vesting schedule is common
- For those *over* age 55, a **10-year** schedule is typical
- Most new plans are structured with an initial **3-5 year** period where benefits are **0% vested**



34% vest from **date of hire**

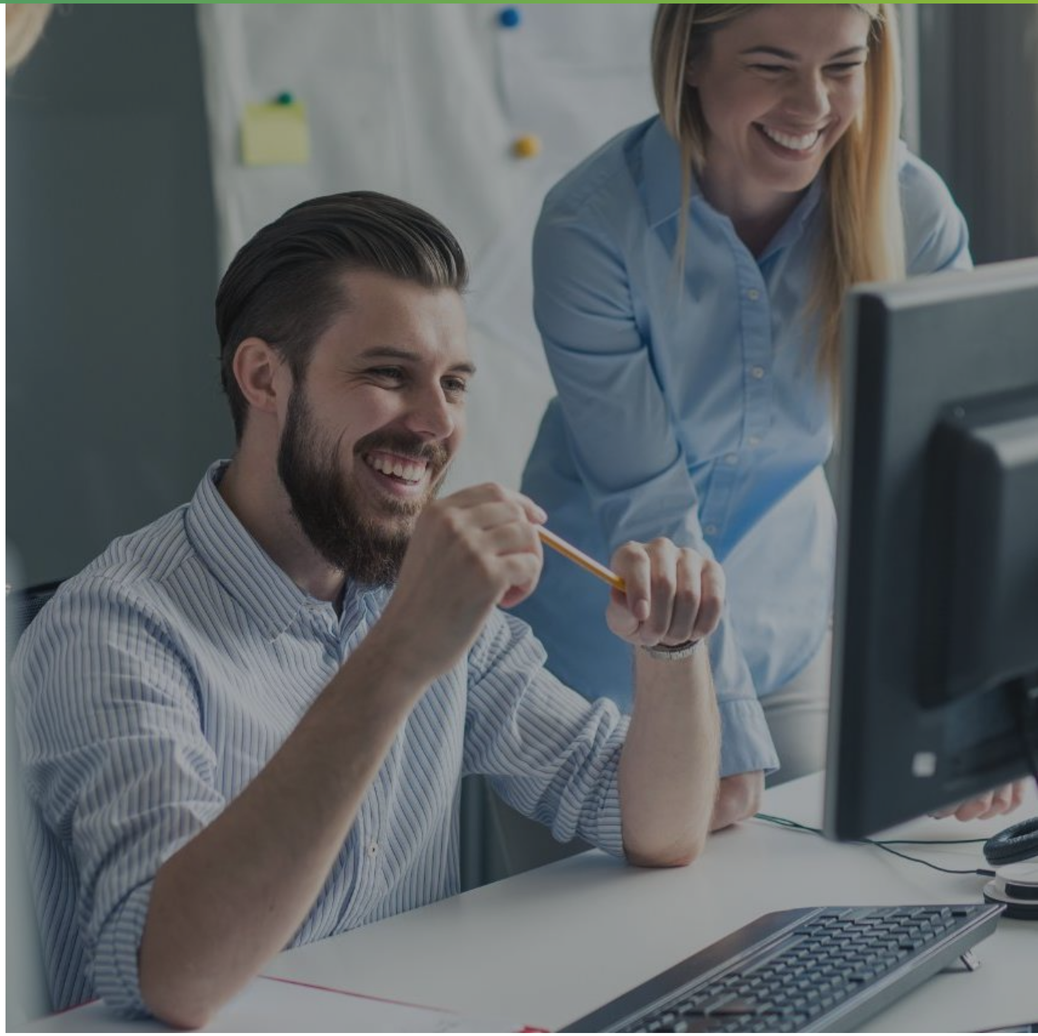


66% vest from **date of participation**

SERP Trends

Review SERP Plan Documents Regularly

- Ensure plans are well understood by all parties
- Common pitfalls – M&A
- Payout Election
- Longer vesting schedules
- Movement from Defined Benefit to Defined Contribution
- CIC provisions to consider prior to merger



Voluntary Deferred Compensation

401(k) Mirror Plans

- Like an extension of 401(k) plan, for executives who are reaching contribution limits
- Deferrals are pre-tax and grow tax-deferred
- Allows executives to defer high tax income to a later date (lower eff. tax rate)
- Also allows for employer contributions
  - Bonus or matching
- Flexible design allows for in-service distributions
- Plan balance is unsecured and may be subject to general creditors

Long Term Incentive Plans

LTIPs

- Bonus paid out 3-5 years from grant date
- Must stay with organization to receive
- Can elect to defer LTIP into deferred comp plan for future savings or retirement income.
- LTIP awards are typically tied to:
  - Retirement income study
  - Return on Equity
  - Return on Assets
  - Clearly defined bank goal

Bank Owned Life Insurance (BOLI)

BOLI Basics

What is BOLI?

- Bank-Owned Life Insurance (BOLI) is used by banks as an effective tool for offsetting expenses associated with employee benefit plans

BOLI generally has the following characteristics:

- Bank purchases life insurance policy on key executive(s) via single premium
- Bank is the owner and beneficiary of policies
- Cash Surrender Value is immediately accretive to earnings and produces bookable monthly income
- Tax favored investment vehicle
- Cash-value grows tax-deferred (tax-free if held until death
- Death benefits are tax-free
- Designed and priced specifically for financial institutions
- Yields can be attractive compared to traditional bank investments
- Guidance on permissible usage by regulatory authorities is well-defined

Current BOLI Market

- 78% of banks with greater than $250mm in assets hold BOLI
- $209 Billion of BOLI is held across all U.S. Banks (Q2 2025 S&P Global)

		Banks with BOLI		Averages for Banks with BOLI				
Asset Size	**Total Banks**	**#**	**%**	**Assets $0**	**Capital ($000)**	**BOLI CSV $0**	**% BOLI to Capital**	**BOLI Capacity ($000)**
$50+ Billion	51	42	82%	410,205,028	37,767,994	3,445,653	9.10%	5,996,345
$10-50 Billion	103	81	79%	22,269,243	2,318,136	282,230	12.20%	297,496
$5-10 Billion	133	107	80%	7,070,242	762,316	98,421	12.90%	93,727
$1-5 Billion	757	628	83%	2,055,152	228,171	29,668	13.00%	27,949
$750-999 Million	271	209	77%	867,776	98,372	13,370	13.60%	11,292
$500-749 Million	481	365	76%	612,268	68,704	9,774	14.20%	7,472
$250-499 Million	945	683	72%	361,862	42,010	6,291	15.00%	4,293
$100-249 Million	1,052	633	60%	171,923	20,768	3,113	15.00%	2,200
<$100 Million	664	239	36%	66,387	8,811	1,518	17.20%	810
TOTALS	**4,457**	**2,987**	**67%**	**7,317,127**	**699,185**	**70,215**	**10.00%**	**104,831**

BOLI Product Type Holdings

BOLI Holdings by Product Type (Q2 2025)				
Asset Size	**General Account**	**Separate Account**	**Hybrid**	**Total**
<500m	5,957,334	108,862	562,102	6,628,298
500m-2B	12,536,068	873,021	1,256,205	14,665,294
2-10B	16,641,026	2,183,015	1,999,699	20,823,740
10-50B	17,133,948	3,766,269	1,960,399	22,860,616
50B+	57,303,354	74,108,516	13,305,566	144,717,436
Total	**109,571,730**	**81,039,683**	**19,083,971**	**209,695,384**

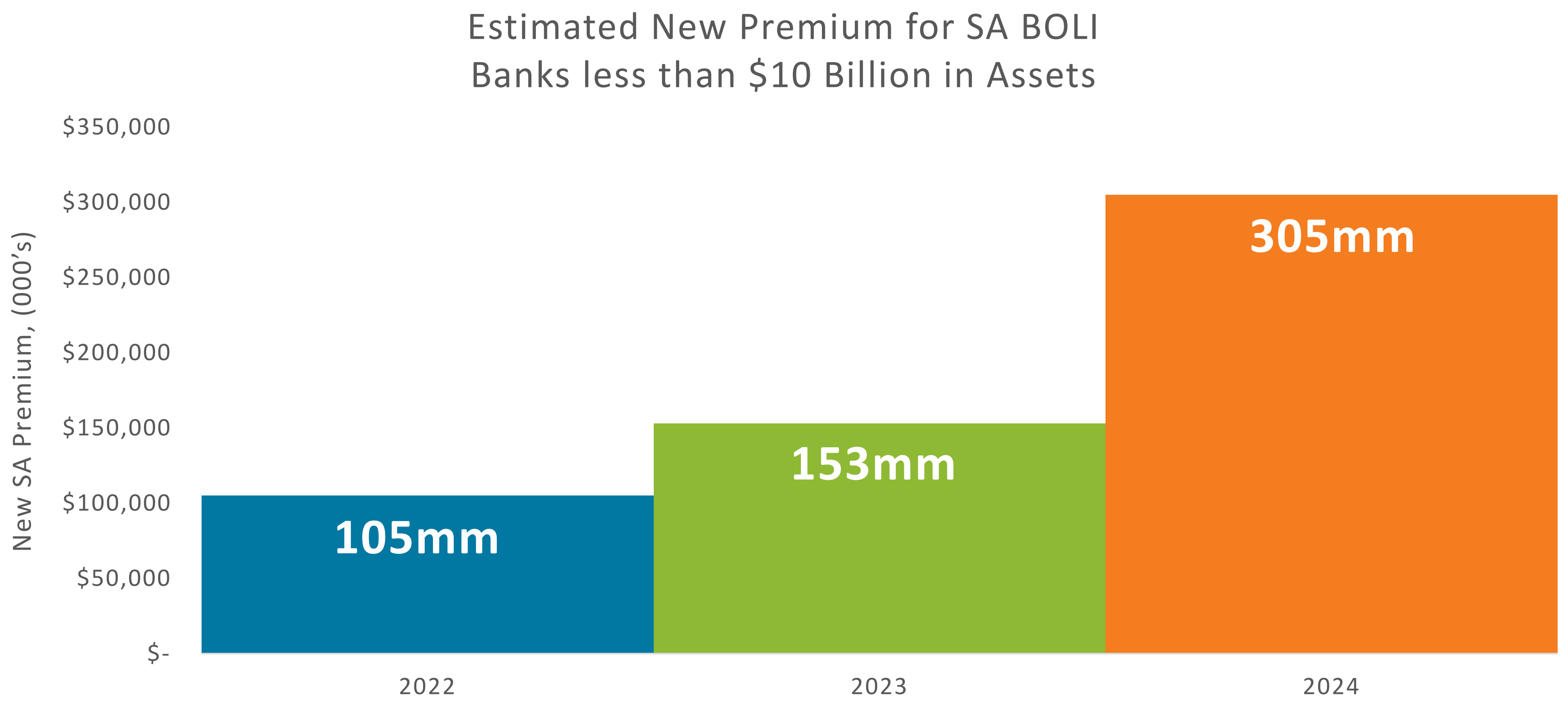
BOLI Purchases by Product Type				
Year	**General Account**	**Hybrid**	**Separate Account**	**Total**
2023	$1.66bn	$0	$1.36bn	$3.02bn
2024	$1.78bn	$11.5mm	$4.69bn	$6.49bn

BOLI Product Types

Product Characteristic	General Account	Separate Account
Portfolio composition	• Primarily high-quality corporate bonds and collateralized mortgages as selected by the insurer.	• Depends on portfolio selected • Portfolios may be comprised of any bank permissible investment following diversification rules
Investment returns	• Derived from the insurer's declared rate • Guaranteed minimum yield typically ranges from 1%–2%	• Based on yields of underlying assets in the portfolio and accounted for at fair value, or mark-to-market • Volatility can be mitigated with the use of stable value protection
Investment control	• Carrier general account • The carrier makes all investment decisions	• The bank chooses the asset managers and investment strategies, subject to bank investment eligibility • The bank cedes investment control to the asset managers
Credit risk	• Full exposure to general account of carrier • Credit risk of underlying asset default borne by the carrier	• Underlying fund assets are protected from general creditors of the insurance company • Credit risk of underlying portfolio is borne by the policyholder
Risk Weighting	• 100%	• Risk weighting based on the underlying assets in the funds selected • Can be as low as 20%

BOLI Market Observations

New purchases of separate account BOLI have been increasing at the Community Bank level



Where Are We Today?

"New Money" BOLI Portfolios:

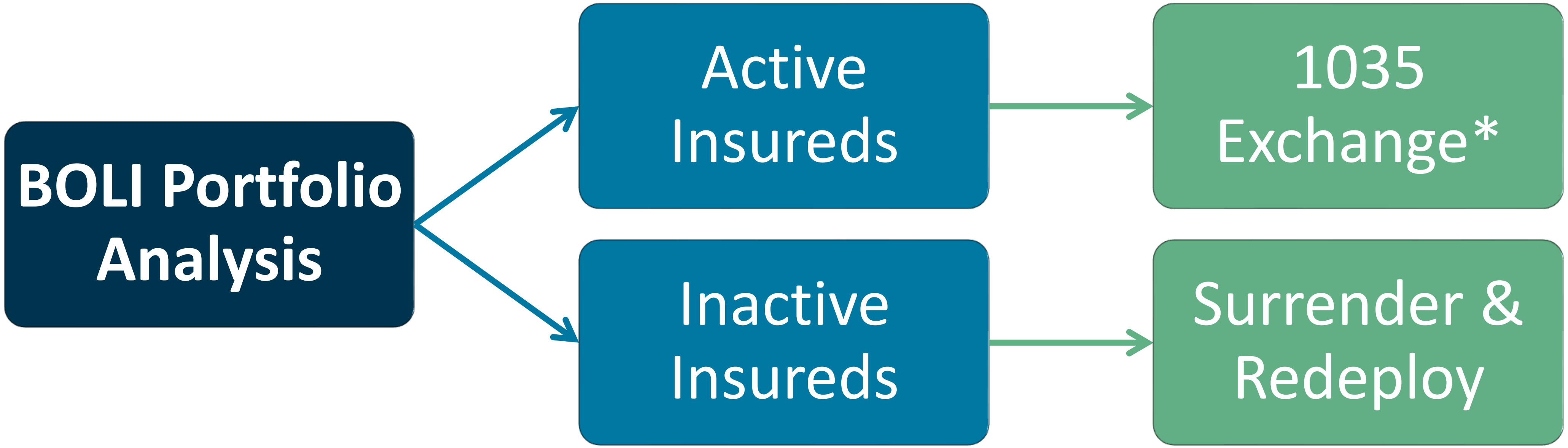
- Developed in response to rate hikes, featuring medium-duration investments
- Designed to align with today's interest rate environment
- Over 8 new BOLI products released since 2023
- Guaranteed Issue Guidelines (5 – 8 lives)
- Product Variations: High NAR, Low Risk Weighted Hybrid (20% Risk Weighting)

Separate Account BOLI Products:

- New separate account products have been released offering a variety of investment choices
- Provide enhanced transparency into BOLI yields but design can incur more fees
- Investment managers can be subject to minimums ($5mm+)
- Variety of investment choices (SBIC, RMBS, CMBS, CLO, etc.) and fund managers (GSAM, JPM, BlackRock, Ellington, Angel Oak, 3A)

BOLI Portfolio Analysis

Analyzing Underperforming BOLI Portfolios



- *1035 exchange fees (if applicable) should be considered. If the exchange fees are substantial, it can be more beneficial to evaluate a surrender and redeploy strategy.
- If insurable interest exists, consider working with legal counsel to determine if 1035 exchange of inactive is possible

Q&A

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Take Aways

Executive Benefits

- Existing Plan Document Reviews
- Board Education of Current Trends
- Explore other types of plans – LTIPs, NQDC, SERPs

BOLI

- Evaluate 1035 and restructure opportunities
- Review new product types (Separate Account and "New Money")
- BOLI administration review

John Gagnon

SVP, Executive Benefits

john.gagnon@onedigital.com

Dave Gagnon

VP, Executive Benefits

dave.gagnon@onedigital.com