Homestead
Advisers

Using the Executive Benefit Restoration Plan: Frequently Asked Questions

Homestead Advisers Deferred Compensation team members often receive questions on the Executive Benefit Restoration (EBR) Plan via email or during meetings with cooperatives exploring the establishment of a plan. What follows is a summary of the frequently asked questions they receive. If you need further clarification or have any additional questions, please contact the team by phone at 703.907.6375 or email at deferredcomp@homesteadadvisers.com.

Q1. If a co-op is looking at designing and implementing an EBR Plan, how long does it typically take?

A1: Each co-op's business objectives are unique. The EBR Plan design and adoption process can be completed in as quickly as a month, but more typically it takes between two and three months. Initially, we spend time understanding your co-op's needs, budget and goals before helping you design a plan. That plan may be an EBR Plan or another type of nonqualified deferred compensation plan. Often, we need to run actuarial projections to aid your decision-making process. Homestead Advisers has a library of sample templates for plan documents, adoption resolutions and other key materials ready to customize. Once your plan design is finalized, we can help you adapt these documents to fit your co-op's plan. They should then be reviewed by your co-op's attorney prior to submitting them to your co-op's board of directors for approval. Once your co-op's plan is adopted, the implementation and enrollment processes can move forward.

Q2. Suppose a co-op does not offer the NRECA-sponsored 401(k) Pension Plan or Retirement Security Plan. Could it still set up an EBR Plan?

A2. Your co-op must be a current NRECA member to use our nonqualified deferred compensation consulting services; however, it is not a requirement that you offer either of our qualified retirement benefit plans. The team is still available to help you design and administer a plan that meets your co-op's executive compensation needs.

Q3. If a co-op offers a participant a fixed benefit and chooses the defined contribution approach with funds set aside in a Homestead Funds investment account, how is the over/under dollar amount addressed when it comes time to pay the benefit?

A3. This is an issue that is decided during the plan design process. Your co-op will decide whether the participant will receive a fixed benefit or the actual Homestead Funds account balance at distribution. For example, if the co-op decided the amount of the benefit would be $200,000, that amount is payable to the participant at distribution. The co-op would be required to make up any difference if the account balance were lower and would keep any excess if higher. An alternative benefit design could be to target a benefit amount of $200,000. The actual account balance (whether over or under) would be the amount paid to the participant at distribution.

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Q4. For a tax-exempt co-op offering an EBR Plan, vesting date(s) are required. Must the vesting date(s) coincide with the normal retirement date as defined by the co-op's Retirement Security (RS) Plan?

A4. No. While it is most common for the vesting date to be on the participant's normal retirement date as defined by the co-op's RS Plan, it is not required. Some EBR plans have a vesting date before or after the normal retirement date and/or more than one vesting date. The date that a co-op's board chooses for vesting typically depends on the goal of the EBR Plan (e.g., replace restricted RS Plan benefits, incentivize a participant to remain at the co-op or spread payments to mitigate excise tax). Consult with the Homestead Advisers Deferred Compensation team for the pros and cons of setting a vesting date earlier or later than the normal retirement date.