



Employer DCP Checklist

1 Information to have on hand as you start the process.

| | |
|--|---|
| Target start date | Who is your company's HR contact? |
| Entity's legal name | What is the entity's total number of employees? |
| State of incorporation | Are there affiliate companies whose employees would be eligible to participate in the plan? |
| Company structure | |
| Who is your company's Finance contact? | |

2 Determine the type(s) of nonqualified plan/s you want to offer your key employees.

Deferred Compensation Plan—
This is the traditional long-term deferred compensation plan.

Supplemental Executive Retirement Plan (SERP)—
A SERP is a company-paid benefit (defined contribution) designed to retain your executives until retirement.

Long Term Incentive Plan (LTIP)—
This is an incentive-based plan (employer contributions) that rewards your eligible key employees for reaching specific company goals.

3 Decide how you want to determine your eligible group.

Remember that with 409A Direct, the minimum number of plan participants is 5 (plus the company must have at least 34 total employees). Note: The maximum number of employees that can be on a 409A Direct DCP is 15% of your total number of employees. For example, if you have 100 employees, your plan can have a total of 15 employees in the plan.

Your eligible group can be based on any of the criteria below—

| | |
|--------------------|-------------------------------|
| Total compensation | Key employees |
| Job title | Board of directors |
| Employee class | Highly compensated employees* |

*Highly Compensated Employee (HCE): An employee whose compensation will total or exceed \$150,000 in 2023.

4 What types of compensation can be deferred?

| | |
|--|------------------------|
| Salary | Incentive compensation |
| Bonus | Company contribution |
| Commission | 401(k) spillover |
| 401(k) spillover match (company contribution) | Severance |

5 Determine whether participants can defer all or just a portion of the eligible compensation to offer your key employees.

The company can determine which of the following ways plan participants can defer their compensation—

| | |
|--|-------------------------------------|
| Dollar amount | Whole percentage |
| Percentage in excess of a dollar amount | Percentage up to a dollar amount |

6 Will you offer an evergreen provision?

Individual participant elections remain the same for each new plan year—or will you require them to make a new election for each plan year?

7 Decide when your employees can receive their payouts. Payout options include—

Specified date

Retirement (at separation of service or when participant reaches retirement age)

Separation of service

Delayed separation of service (separation of service, plus an additional number of years)

In-Service Distribution

Alternate Payout Elections

Disability

Change in control in the event the company is acquired

Survivor benefit

If you have any questions as you move through the process, please reach out to us by calling 813-776-6933 and ask for a 409A Direct Ambassador, or email clientservices@409ADirect.com.

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