



Staying Ahead: Key Insights from Banking Advisory Services to Strengthen Strategy and Oversight

Presenters



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Learning objectives



- ▲ Gain an understanding of best practices from selective advisory services engagements
- ▲ Learn how institutions leverage these insights to enhance strategies, strengthen oversight, and evaluate new opportunities

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Section 1

Executive compensation
services



Executive compensation

Nonqualified deferred compensation

- ▶ Designed to attract, retain and reward a select group of management or highly compensated employees
- ▶ Group is generally limited to no more than 10% of employee population
- ▶ Benefits are generally “unfunded”
- ▶ Defined benefit or defined contribution

Executive compensation

Nonqualified deferred compensation



- ▲ Balance sheet – liability and, generally, an asset
- ▲ Income statement – expensed over vesting period
- ▲ Tax impact to participant:
 - Generally, subject to FICA tax upon vesting
 - Subject to income tax when paid
- ▲ Tax impact to company:
 - Tax deduction when included in participants taxable income

Executive compensation

Types of benefits



Cash-based

- Salary deferral contributions
- 415 Excess Plan
- Employer contributions
 - Supplemental Executive Retirement Plan (SERP)
 - Fixed annual contributions
 - Discretionary annual contributions



Stock-based

- Incentive stock options
- Nonqualified stock options
- Restricted stock
- Phantom stock
- Stock Appreciation Rights

Polling question #1

Does your organization offer any of the following nonqualified deferred compensation plans:

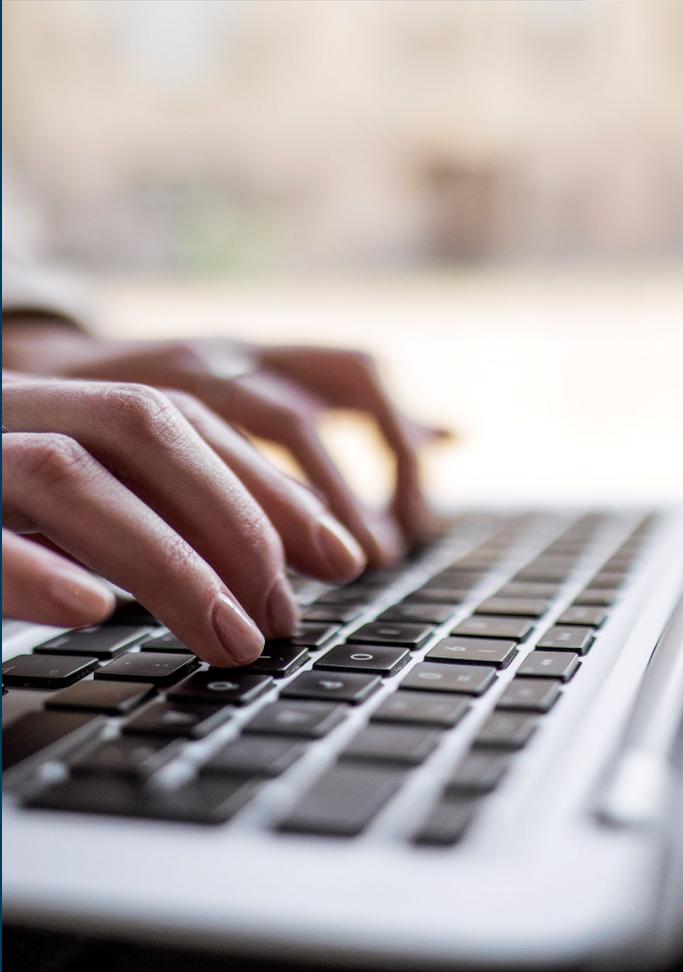
- Employee Salary deferrals
- SERP
- Defined contribution plan
- 415 Excess Plan



Executive compensation

Nonqualified deferred compensation –
Plan design considerations

- ▲ Internal Revenue Code Section 409A
- ▲ Eligibility
- ▲ Types of contributions – Employer and/or employee
- ▲ Vesting
- ▲ Distributions
 - Time of payment
 - Form of payment





Executive compensation

Nonqualified deferred compensation

Examples:

▲ Salary deferrals

- Annual elections – based salary and performance-based compensation
- Form of benefit payments
 - Lump sum or installments
 - Fixed time – e.g., college tuition timing
 - Termination of employment

Note: Time and form of payment must be determined at time of vesting



Executive compensation

Nonqualified deferred compensation

Examples:

▲ Employer contributions

- Defined benefit SERP for President
 - 70% final salary reduced by other employer funded retirement benefits
- Form of benefit payments
 - Installments over 5 – 10 years
 - Payable upon retirement

Note: Time and form of payment must be determined at time of vesting

Executive compensation

Nonqualified deferred compensation

Funding nonqualified deferred compensation



Setting funds aside
as benefits accrue



Out of cash flow at
time of payment



Life insurance



Annuities

Polling question #2

What type of retirement plan do you offer to employees:

- Traditional defined benefit plan
- Cash balance defined benefit plan
- Safe Harbor 401(k) plan
- 401(k) Plan – Class allocations
- 401(k) plan – equal percentage of compensation





Executive compensation

Qualified retirement plans

Nonelective employer contributions within a 401(k) plan

▲ Class allocations

- Generally must provide a base contribution of 3% – 5% of compensation to non-highly compensated employees
- Safe Harbor Nonelective Contributions can be used toward the base contribution requirements
- Example:
 - Class 1: President
 - Class 2: Senior Management
 - Class 3: Management
 - Class 4: All other employees

Employee benefits in mergers and acquisitions

Items to consider

1

Form 5500 filing requirements

2

Welfare benefits

3

Paid time off

4

Retirement plans

- Defined benefit – continue or freeze
- 401(k) plan – merge
- Type of employer contributions
- Employer contribution formulas



401(k) plan due diligence

Fiduciary responsibility to review plan investments

- ▲ Investment Policy Statement
- ▲ Review investment performance
- ▲ Is your investment advisor acting as a 3(21) or 3(38) fiduciary

Fiduciary responsibility to monitor plan service providers

- ▲ Plan assets pay no more than reasonable fees
- ▲ Fee benchmarking – generally annually
- ▲ Request for Proposal (RFP) or Request for Information (RFI)



401(k) plan request for proposal process



- ▲ Determine service providers to receive the RFP
 - Plan recordkeeper
 - Third-party administrator
 - Investment advisor
- ▲ Issue RFP
 - 5 – 6 vendors
- ▲ Evaluate responses
- ▲ Interview finalists
- ▲ Select vendor

Questions?

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with an image sized to
1920 px W x 1080 px H, 72dpi:**

1. Right click over the image
2. Select **Format Background**
3. Select **Picture or texture fill**
4. Select **File...**
5. Navigate to your custom image
6. Select **Insert**
7. You can adjust the **offset values** to move the image up or down on the slide



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Section 2

Advisory services for
financial institutions

Administration and regulatory changes

Implications for banking industry



Awareness



Assessment



Strategic Planning



Action

Recommended reading

Mandate for Leadership: The Conservative Promise (Project 2025)

Administration and regulatory changes

Project 2025

1

Section 1: Taking the Reigns of Government

2

Section 2: The Common Defense

3

Section 3: The General Welfare

4

Section 4: The Economy

5

Section 5: Independent Regulatory Agencies



Administration and regulatory changes

Resources

- ▲ Articles – LinkedIn, Facebook
- ▲ Podcasts – *In The Know* (quarterly)
- ▲ Collaborations across industry sectors



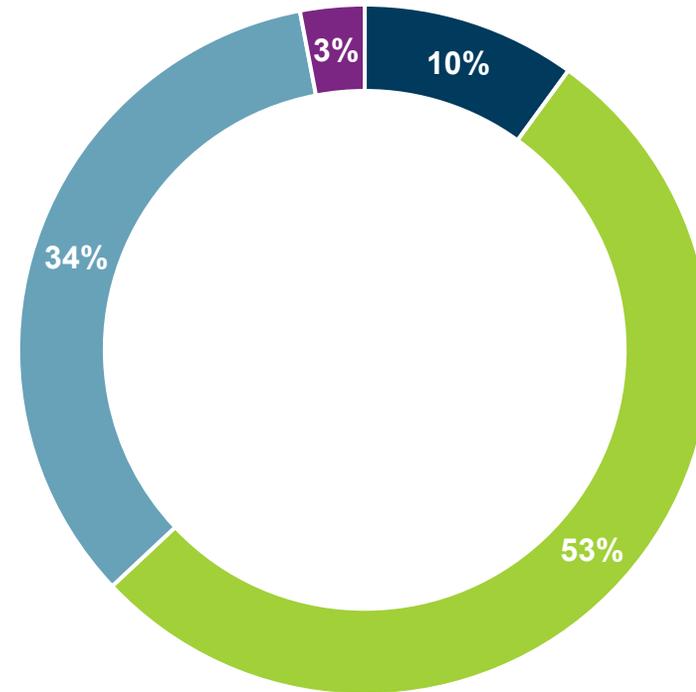
CECL

Top client questions / areas of concern

- ▲ Qualitative adjustment framework and support
- ▲ Model monitoring and testing
- ▲ Implementing post-adoption changes

Resource: [CECL Services | CECL Model Validation | BerryDunn](#)

Qualitative Approach



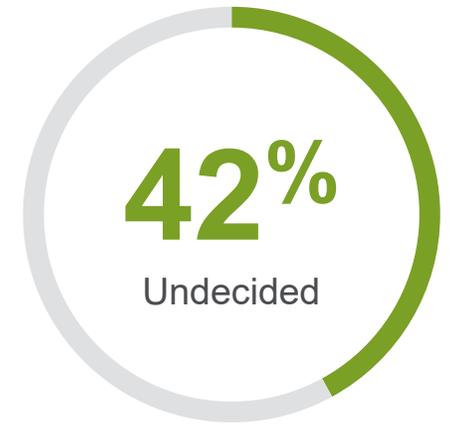
- No Q Factors
- Grid/Matrix/Scorecard
- Specific Calculations



CECL

Trends in validation requests

- ▲ Addressing regulatory exam comments
- ▲ Changing model vendors
- ▲ Validation frequency
 - ▲ 58% every 1 – 3 years
 - ▲ 42% not committed in policy*



*Majority <\$750M or at \$1B assets





FDICIA readiness

Assuring a smooth implementation

- ▲ Start 12 – 24 months in advance
- ▲ Education and buy-in
- ▲ Departmental involvement for ownership
- ▲ Project milestones
- ▲ Annual adjustments

Resource: [FDICIA and SOX 404 Compliance | ICFR | BerryDunn](#)

SOC review training

- ▲ Realizing value beyond a compliance review
- ▲ Vendor due diligence best practices
- ▲ Addressing user entity controls
- ▲ Fostering collaboration

Resource: [Bank Accounting | Tax Planning | BerryDunn](#)



Specialty assessments



- ▲ Third-party risk management
- ▲ Fraud risk and mitigation
- ▲ Loan portfolio risk analysis
- ▲ Loan Workout and OREO accounting, policies, procedures
- ▲ CECL methodology adjustments
- ▲ Training engagements

Resource: [Bank Accounting | Tax Planning | BerryDunn](#) /
Consulting and Advisory Services



Share with us

- ▲ What pain points do you see needing assistance to address?
- ▲ What tools or resources would be of most value to you or those in your network?



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