Executive compensation strategies
For academic, medical, research and cultural institutions
TIAA:
A leading provider of retirement plans for nonprofit institutions

About us

Financial security is a national concern. Individuals and institutions can look to TIAA, a Fortune 100 financial services organization and leading provider of retirement benefits for help. We offer the following advantages:

- High ratings of Teachers Insurance and Annuity Association of America, the insurance company, from all four leading independent insurance industry ratings agencies.
- Prudent risk management, diversified investment options, personalized advice, and a variety of income options, including guaranteed lifetime income.

As of December 31, 2016, TIAA manages more than $7 billion in nonqualified deferred compensation plans for over 2,200 client institutions and approximately 135,000 participants. We offer a wide variety of plans designed to meet our clients’ diverse needs, including:

- 457(b) and 457(f) nonqualified deferred compensation arrangements
- 415(m) excess benefit plans
- 403(b) and 401(a) plans created for select employees
- Restricted executive bonus arrangements
- Key employee life and split-dollar insurance strategies

In addition to our executive compensation arrangements, we offer investment products and services, including full service brokerage and wealth management. As of December 31, 2016, we were investing $907 billion in combined assets under management, with the goal of helping investors achieve lifetime financial security.

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1. For its stability, claims-paying ability and overall financial strength, Teachers Insurance and Annuity Association of America (TIAA) is a member of one of only three insurance groups in the United States to currently hold the highest rating available to U.S. insurers from three of the four leading insurance company rating agencies: A.M. Best (A++ as of 8/16), Fitch (AAA as of 2/17) and Standard & Poor’s (AA+ as of 11/16), and the second highest possible rating from Moody’s Investors Service (Aa2 as of 2/17). There is no guarantee that current ratings will be maintained. The financial strength ratings represent a company’s ability to meet policyholders’ obligations and do not apply to variable annuities or any other product or service not fully backed by TIAA’s claims-paying ability. The ratings also do not apply to the safety or the performance of the variable accounts, which will fluctuate in value.

2. Guarantees of fixed annuities are based on the claims-paying ability of TIAA. Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance.

3. Life insurance products are issued TIAA-CREF Life Insurance Company, New York, NY 10017. This product may not be available in all states.

4. May not be available to all employees.

5. Based on assets under management across Nuveen Investments affiliates and TIAA investment management teams as of September 30, 2016.
Solutions for attracting and retaining top talent

To succeed in today’s competitive marketplace and challenging economic environment, you need exceptional leaders who are innovative in managing people, technology, and finance; skilled at setting strategy and managing risk, and committed to your organization.

The caliber of senior executives and other “top-hat” employees can make or break a firm, and demand for them in the marketplace is high. Therefore, competing for and retaining such talent is not easy, particularly considering that:

- Many executives today are looking for more attractive incentives beyond traditional salary, bonus and benefits packages offered to rank-and-file employees.
- Compensation experts believe the price of hiring and retaining presidents will continue to rise as competition for talent heats up with the retirement of baby boomers.\(^1\)
- Executives at for-profit institutions with nonqualified deferred compensation plans may hesitate to move to a not-for-profit, fearing they will lose important benefits. TIAA can help individuals understand the rules as they transition to a not-for-profit employer. (Nonqualified plans are used to supplement qualified plans and allow for the deferral of additional amounts of current compensation).\(^1\)

Given executives’ compensation demands, it’s essential to develop appealing compensation programs to attract and retain top talent. To engage and keep such executives, it’s vital to have a competitive executive compensation program in place.

- A survey of 497 private institutions (and 558 chief executives) found that 32 private college presidents earned more than $1 million in total compensation.
- A survey of 220 public colleges (and 238 chief executives) found that the typical leader earned just over $428,000, with two surpassing the $1 million mark.\(^2\)

A creative way to win over and reward talent

A well-conceived executive compensation arrangement can be an integral part of your competitive total rewards program to achieve important goals:

- Empower key employees to save on current taxes by deferring more compensation now—substantially more than they could under a qualified 403(b) or 401(k) plan.
- Enable eligible participants to save on taxes.
- Attract innovative leaders to your organization.
- Motivate management to drive superior performance.

There is no “one size fits all” executive compensation solution, and selecting the most appropriate arrangement to fit your needs can be challenging. TIAA offers experience and a full range of potential solutions to help you easily implement executive compensation and benefit programs to enhance your ability to recruit, retain and reward valued executives and other high-caliber employees.

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1. Non-qualified plans are exempt from non-discrimination testing and other reporting requirements applicable to qualified plans.
3. Based on results from CUPA-HR’s 2015-2016 Administrators in Higher Education Salary Survey. The overall median base salary increase in 2015 was 2.1%. For private institutions, the median increase was 2.0%. These findings reflect the salaries for 53,981 administrators in public and private institutions nationwide. Salaries were reported by 1,180 institutions for 190 selected positions. Compensation figures are not adjusted to account for the effects of inflation.
A full suite of competitive executive compensation plans

TIAA offers a wide array of cost-effective, easy-to-administer executive compensation programs. The following are merely a few examples. Your TIAA consultant can work with you to determine the type of arrangement most appropriate for you and your employees.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Eligibility</th>
<th>Key Features</th>
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<tbody>
<tr>
<td>457(b) Tax-Exempt Plans for Private Employers</td>
<td>Reward key executives or highly compensated employees by allowing them to set aside compensation on a pretax basis.</td>
<td>Limited to a select group of management or highly compensated employees</td>
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<td></td>
<td>Is primarily intended as a supplemental plan for employees.</td>
<td>Contribution limits are set by the IRS.</td>
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<td></td>
<td>Generally may be offered to anyone performing services for the employer, even if a small portion of employees contribute, since nondiscrimination rules do not apply to 457(b) governmental plans.*</td>
<td>Limited to a select group of management or highly compensated employees</td>
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<td></td>
<td>Is generally set up with voluntary employee elective deferrals.</td>
<td>Is generally set up with voluntary employee elective deferrals.</td>
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<tr>
<td>457(b) Governmental Plans for Public Employers</td>
<td>Is often used to attract and retain select employees with supplemental retirement benefits.</td>
<td>Employer determines who qualifies.</td>
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<tr>
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<td>Any employee.</td>
<td>Assets are institutionally owned and must be subject to substantial risk of forfeiture.</td>
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<tr>
<td></td>
<td>Any employee whose benefit or contribution exceeds the Section 415(c) limit.</td>
<td>Generally employer contributions</td>
</tr>
<tr>
<td>415(m) Excess Benefit Plans</td>
<td>Reward certain employees with benefits above and beyond the limitations on contributions and benefits placed on qualified plans under the Internal Revenue Code.</td>
<td>Any employee whose benefit or contribution exceeds the Section 415(c) limit.</td>
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<td>Offer competitive compensation for coaches, particularly with performance bonuses.</td>
<td>Employer retains ownership of assets until distributed.</td>
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<td>Help attract and retain leading professors, scientists and physicians.</td>
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<td></td>
<td>Help take advantage of additional contributions not otherwise available due to qualified plan limitations.</td>
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<tr>
<td></td>
<td>Reward outstanding performance.</td>
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</table>

* Nondiscrimination rules are designed to ensure that highly compensated employees do not receive a disproportionate share of benefits under qualified plans. (Section 457 plans are not subject to nondiscrimination rules with which funded, qualified plans must comply.)
### Executive Compensation Strategies

**Executive Bonus Arrangements (Section 162)**

Under an executive bonus arrangement, an employer may provide an executive with permanent life insurance.

- A way to reward employees with life insurance to help meet their individual needs while supplementing their retirement assets.
- Any employee the employer chooses to select.
- Employer pays premiums for the life insurance policy via an employee bonus in an amount equal to the policy's cost. (The employee may be taxed on the premiums).
- Key benefits to employer:
  - Can choose employees to receive coverage and coverage amounts
  - Income tax deduction
  - Easy to implement

**Key Employee Life Insurance/Corporate Owned Life Insurance (COLI) Arrangements**

Key Employee Life Insurance is designed to protect an employer from financial loss if a key employee dies.

- Allows an employer to offset business risks, such as covering the cost of replacing an employee, and finance its obligation under one or more employee benefit plans.
- Any employee.
- Policy proceeds may be used to cover the cost of replacing the employee.
- Employer pays premiums for life insurance policy on employee.
- Employer is the beneficiary of the policy.
- Cash and loan values are available to the employer for other uses, or for payment of deferred compensation or retirement income for the employee. (Unpaid loans and withdrawals will reduce the death benefit).

**Split Dollar Life Insurance**

Split dollar life insurance is an executive compensation arrangement that enables an employer to provide permanent life insurance coverage for an employee, based on the employer’s payment of policy premiums.

- A flexible way to offer employees life insurance while supplementing their retirement assets; premiums and benefits are shared by the employer and employee.
- Any employee but generally reserved for key executives, a select group of management or highly compensated employees.
- Two types of arrangements are available:
  - Endorsement— the employer owns the policy and pays the premiums and, through an endorsement of the policy, the employee is given the right to name the recipient of the death benefit.
  - Collateral Assignment—the employer owns the policy and premiums are paid by the employer, who assigns the policy as collateral security for the premium advances made by the employer.

**Supplemental Executive Retirement Plans for Public Employers**

A Supplemental Executive Retirement Plan (SERP) describes a variety of nonqualified arrangements that enables employers to contribute in excess of annual retirement plan contribution limits on behalf of employees.

- Serves as an incentive for attracting, retaining and rewarding senior executives or highly compensated employees of public employers.
- May be offered to any group or single employee.
- The plans may be suitable for public employers because the employers are exempt from ERISA rules and exempt from nondiscrimination requirements. These plans are not suitable for private employers because the employers would likely fail to meet IRS nondiscrimination requirements.
- Many may have only key employees who are eligible, or few rank-and-file employees who participate.
- An employee who participates in both a qualified plan and a 403(b) plan may be eligible for total contributions of up to $108,000 for the two plans in 2017.
  - Section 415 limits on annual additions to defined contribution plans are applied separately to plans that qualify under Section 401(a) or 403(a) of the Internal Revenue Code and to plans that qualify under Section 403(b).
  - An employee eligible for both a 403(b) plan and a 401(k) plan can make elective deferrals to 403(b) plans that do not count against the limit on contributions to 401(k) plans.
  - An employee eligible for both a 403(b) plan and a 401(k) plan can make elective deferrals to 403(b) plans in 2017 (plus an extra $12,000 of catch-up contributions if age 50 or over).
  - Section 415 limits on contributions to 403(b) plans do not apply to 401(k) plans, and elective deferrals to 403(b) plans do not count against the limit on contributions to 401(k) plans.
  - For key employees hired at an older age, a defined benefit plan can allow a much larger retirement benefit to be accrued in a few years of service than would be possible with a defined contribution plan.
  - The limit on benefits from a defined benefit plan is $215,000 in 2017. Since key employees are generally older than rank-and-file employees, a disproportionate amount of employer contributions can go to fund benefits for key employees—even if rank-and-file employees are eligible.
  - An employee eligible for benefits of $215,000 a year from a defined benefit plan may still be entitled to a full Section 415 limit of $54,000 for annual additions to a 403(b) plan.
We can help you design an effective program to help meet specific needs

There are many ways to structure an executive compensation arrangement. A combination of plan designs and concepts are often used to accomplish objectives and maximize deferral opportunities.

TIAA works with you to understand the particular challenges you face and can help you to structure a competitive program to help meet your organization’s needs. Coordinating expertise throughout the organization, TIAA offers you tools and guidance to:

- Analyze existing benefit plans and executive compensation arrangements within the context of your overall goals.
- Establish primary plan objectives and design features.
- Prepare sample plan documents and deferral agreements.
- Work with your legal counsel and management team to address compliance with current federal and state laws and regulations.
- Discuss additional opportunities that may benefit your organization, including investment products, plan administration and recordkeeping services.
- Provide individual wealth management services for your key employees.

Following a detailed review, our executive compensation team will make suggestions appropriate for your organization. Whether you are seeking to compensate one key employee or a group of employees, TIAA can help guide you to the best solution.

Benefit from TIAA’s wide array of services

The opportunity to select from a wide range of products and services is, naturally, important when designing an executive compensation program. Equally important, however, is the company behind the products, and the people who will work with you to help manage your program.

TIAA executive compensation arrangements are backed by personalized service from a team of financial professionals who are dedicated to helping you meet the needs of your institution and employees.

TIAA is committed to providing you and your employees with superior service, diverse investment choices, and comprehensive education and assistance. In addition to executive compensation arrangements, the TIAA group of companies offers a wide range of financial solutions, including:

- Advice and Planning Services
- Private Asset Management
- Estate Planning Considerations
- Planned Giving Considerations
- Wealth Management Advisory Services
- Endowment Management
- Trust Administration
- Mutual Funds
- Tax-Deferred Annuities
- Life Insurance
- Retirement Accounts
- Managed Accounts
- Full-Service Brokerage
- Institutional Separate Account Management

The products and services above are offered by various entities within the TIAA group of companies. These TIAA products may be subject to market and other risk factors. Take some time to review the available product information, or visit TIAA.org for details.

Call your relationship manager for more information and guidance.
To learn more, please contact your relationship manager, or call our Administrator Telephone Center at 888-842-7782, weekdays, 8 a.m. to 8 p.m. (ET).
The federal Sarbanes-Oxley Act made it a criminal offense for publicly traded companies to extend loans to their directors or executive officers. It is unclear whether the Act applies to split dollar arrangements. Please consult with your tax advisors on the most recent developments.

This material is for informational or educational purposes only and does not constitute a recommendation or investment advice in connection with a distribution, transfer or rollover, a purchase or sale of securities or other investment property, or the management of securities or other investments, including the development of an investment strategy or retention of an investment manager or advisor. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made in consultation with an investor's personal advisor based on the investor's own objectives and circumstances.

The TIAA group of companies does not provide legal or tax advice. Please consult your legal or tax advisor.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161 or go to TIAA.org for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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