

# Unbundle Your Bundled Plan

## From Bundled to Better: *Rethinking* Plan Administration

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**From a financial management perspective, it is important to unbundle your company's qualified deferred compensation plan 401(k) from its nonqualified deferred compensation (NQDC) plan. These plans have completely different rules, requirements, and plan administration needs. This is why specialized support through a platform like Mezrah Consulting can be critical for plan sponsors, HR professionals, and financial professionals responsible for regulatory updates, fiduciary expectations, and effective plan oversight.**

The fact that NQDC plans are on balance sheets also makes it extremely inefficient and challenging to manage both types of plans on one platform. In addition, the bundled approach can lead to nonqualified plan design limitations and reduced participant functionality, as well as added complexity for NQDC plan administration.

At the core of this discussion is the bifurcation between qualified and nonqualified plans.

Typically, 401(k) plan design and funding are straightforward. On the other hand, nonqualified plan design and funding are much more complex. This complexity requires more thought, due diligence, and the added layer of IRC Section 409A compliance which warrants having your nonqualified plan management handled on a separate plan administration platform from your 401(k) plan.

That distinction is one of the main reasons companies should rethink the assumption that both plans belong on the same platform. This is why NQDC plans require specialized oversight beyond traditional 401(k)-focused infrastructure.

### **The Value of Unbundling the 401(k) Plan from the NQDC Plan**

Unbundling your plans will provide significant advantages for your plan participants, such as more robust plan design with additional optionality for the types of deferrals and payout options, investment diversification, and participant access to customized planning tools. Advantages for your company include the ability to better manage the profit and loss (P&L) impact of the plan by effectively managing assets and liability on one platform. This reduces the P&L slippage that can occur from a variety of plan event triggers. This level of oversight is especially important because NQDC plans are subject to ongoing changes that can affect the relationship between plan assets, liabilities, and company financial outcomes.

## The Hidden Risks of Bundling Plans

NQDC plans are impacted by ongoing changes that can create balance sheet misalignment and P&L impact when they are not managed through a dedicated nonqualified plan administration process. Mezrah Consulting's P&L Impact Reducer (P&LIR) technology uses automated workflows to help manage **30 potential change events** driven by seven trigger variables across four key areas: transactions, assets, participant events, and miscellaneous activity. This process is designed to reduce the P&L slippage that can occur from daily movement in plan assets and liabilities, while accommodating changes initiated by participants, investment managers, and the company.

This is where the misconception around keeping the 401(k) and NQDC plans on the same platform becomes important. While bundling may appear efficient, these plans require different levels of oversight, control, and administration.

## The Misconception Around One Platform

A bundled 401(k) platform may offer single sign-on and access to both 401(k) and NQDC plan information. However, a customized NQDC plan platform offers broader capabilities, including the following:

1. **ability to effectively manage balance sheet assets and liabilities**
2. **minimal to no P&L risk**
3. **automated asset/liability reconciliation**
4. **correlated fund mapping**
5. **no limitations on NQDC plan design**
6. **increased investment manager diversification**
7. **access to NQDC plan subject-matter specialists**
8. **the ability to manage multiple NQDC plans**
9. **customized enrollment materials**
10. **customized enrollment videos and information sessions**
11. **risk and return models**
12. **customized reporting, customized accounting reports**
13. **equity deferrals**
14. **the ability to enroll on a mobile app**
15. **automatic deferral increases (savings escalator)**
16. **payout projection tools, personal planning goals life milestones tools**
17. **real-time enrollment dashboards**
18. **a real-time service calendar coded by task**

So, while the bundled approach may appear efficient on the surface, the value of unbundling becomes clearer when comparing what each platform is built to do.

In addition:

1. Assets are typically managed by a third party outside the administration platform, subjecting the company to a higher probability of asset/liability mismatch and negative P&L impact.
2. One platform has the same funds for both qualified and nonqualified plans. This results in either a) the company investing assets into taxable securities as opposed to nontaxable securities or b) the nontaxable securities are mapped to the qualified funds provided to plan participants. This mapping does not provide seamless correlation between asset and liability and promotes timing issues on all transactions of the nonqualified plan.
3. A different set of funds for the nonqualified plan will increase investment diversification, potentially reduce risk and allow access to alternative investments including private markets.

## **The Mezrah Consulting Advantage**

For plan sponsors looking to add value and differentiate, and for participants seeking to maximize outcomes, unbundling is not just an administrative decision. It is a strategic advantage that can be delivered through Mezrah Consulting. The Mezrah Consulting platform helps companies move from static plan administration to dynamic plan control, supporting NQDC plans with ongoing flexibility, precision in income planning, enhanced investment strategy, greater tax efficiency, and stronger asset-liability alignment.

In addition, Mezrah Consulting is supported by an internal team with 80+ years of accumulated experience specializing in the NQDC industry. That experience matters in a world where financial conditions, tax regulations, plan design needs, and participant expectations continue to evolve. For companies seeking a more thoughtful way to manage executive benefit plans, the Mezrah Consulting advantage is the combination of purpose-built technology, specialized NQDC expertise, and the control needed to turn unbundling from a platform decision into a strategic advantage.

## A More Thoughtful Approach to Plan Management

Nonqualified plan administration is different. It is more complex. It requires more thought, more due diligence, and a platform designed for the sophisticated structure of executive benefit plan administration. For companies evaluating whether to keep a 401(k) plan and deferred compensation plan on the same platform, the issue is not simply convenience. It is whether the structure supports effective management of the plan's design, participant functionality, and the financial management of assets, liabilities, and the P&L impact of the plan.

To better understand where risks can occur, contact Mezrah Consulting to learn how dedicated NQDC administration and P&LIR technology can help improve plan oversight, reduce P&L slippage, and support stronger asset-liability alignment.

*Note: Mezrah Consulting does not provide tax advice, please consult your tax adviser to determine which strategies are appropriate for you and your MSO structure. The ideas shared in this white paper are meant to provide guidance and may not include all applicable rules and regulations.*

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### More Information

For more information, email Mezrah Consulting at [connect@mezrahconsulting.com](mailto:connect@mezrahconsulting.com) or call (813) 367-1111. Visit our website at [mezrahconsulting.com](http://mezrahconsulting.com) to learn more.

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### Who We Are

Mezrah Consulting, based in Tampa, Florida, is a national executive benefits and compensation consulting firm specializing in plans for sizable publicly traded and privately held companies. For more than 30 years, we have focused on the design, funding, implementation, securitization and administration of nonqualified executive benefit programs, and have advised more than 300 companies throughout the U.S.

As a knowledge-based and strategy-driven company, we offer clients highly creative and innovative solutions by uncovering value and recognizing risks that other firms typically do not see. Custom nonqualified benefit plans are administered through our affiliate mapbenefits®, a proprietary cloud-based plan technology platform that provides enterprise plan administration for nonqualified plans, including reporting and functionality for plan participants and plan sponsors.



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