# T-Mail

Navigating the Executive Benefits Landscape
with The Todd Organization

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## SERPs: New Approaches to Meet New Needs

SUPPLEMENTAL EXECUTIVE RETIREMENT PLANS – or SERPs – are a widely used executive benefit. Today, these plans have been retooled and are undergoing a renaissance, taking on new forms.

Companies are looking for proven and innovative ways to retain and incent important executives, and even attract new ones. This trend is likely to accelerate: many experts and business publications point out that recruiting and retaining key personnel will be a key challenge as the recession subsides.

SERPs provide a stable, usually pre-determined and fixed benefit to executives. They typically function like a defined benefit plan and can even be designed as an extension of a company's pension plan. SERPs can be provided to a broad or select group of individuals.

While SERPs are paid for directly by the employer, plans can be structured so that they are paid only when certain corporate goals are met. Plans can provide a standalone amount or other amounts after taking into account offsets from Social Security and qualified pension plans.

At some companies, SERPs are gaining increased importance because of the elimination or reduction in 401(k) matches and pension plans. Furthermore, the accounting treatment for SERPs is no longer a disadvantage when compared to equity awards.

SERPs are used by companies in nearly all major industries, including high technology. With the stock market at stagnant or lower levels than it was a decade or so ago, and equity compensation not perceived as favorably as it was previously, the stability and predictability of SERP benefits is appreciated by employers and executives alike.

In some cases, especially for top management, SERPs continue to be important because of legislative limits on qualified retirement plans. For example, companies cannot consider compensation above $245,000 when applying qualified retirement benefit formulas. There is also an annual limit of $195,000 regarding what an executive can receive from a defined benefit, or pension plan.

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# SERPs: New Approaches to Meet New Needs {cont'd}

Today, many executives earning more than $110,000 (the government's defined limit of a highly compensated employee) are participating in SERP plans. While plans are typically made at retirement, they can also be used as disability payments or as survivor benefits in the event of an untimely death. Like other non-qualified plans, companies often have provisions in place that the benefits will be paid in the event that there is an acquisition of the company.

As with all non-qualified retirement plans, companies should carefully evaluate financing alternatives and take steps to ensure thorough and proper administration. Regular and clear communication with executives about the plan is also important.

As they have for decades, SERPs are continuing to meet executives' retirement needs and to help companies retain and attract key professionals. The stability and security of these benefits has stood the test of time.

The Todd Organization has numerous experts available to help companies address non-qualified retirement financing matters. For more information about these programs, please contact your Todd consultant.

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