

# T-Mail

Navigating the Executive Benefits Landscape  
with The Todd Organization



## The Importance of Annual Plan Reviews for Executive Benefits

The same care and attention that companies provide to qualified retirement plans and other significant employee benefits programs should be given to executive benefits programs. By fine tuning and maximizing the effectiveness and value of executive benefits programs, companies can better serve shareholders and executives, and better attract talented executives. This is the time of year when many companies conduct annual reviews of their executive benefits plans to make sure the plans are designed and functioning as effectively as possible.

Whether through the leadership of a senior finance or human resources executive, or both, the issues that companies typically examine in this process include the following.

**Peer benchmarking.** It is a good practice to review what other companies are doing relative to executive benefits. Many companies are diligent regarding the benchmarking of their cash and equity compensation but may fail to regularly review the competitive landscape regarding executive benefits including deferred compensation plans.

**Scope of eligible population.** Many companies can very cost effectively expand the scope of their executive benefits programs to include other important executives below the top-tier who face large gaps in retirement planning and who will place great value on the executive benefits programs. Recent surveys suggest that a common employee eligibility threshold is total compensation above \$150,000.



**Plan design.** Contemporary administrative systems allow for significant flexibilities not before seen. As an example, consider providing participants 5 accounts that can be set up for different life events. Retirement is the most popular savings goal but providing additional accounts leaves room for additional savings objectives like college funding. Participants appreciate the added flexibility.

**Asset/liability matching.** Most companies want to establish plan financing policies that align with their corporate objectives. Whatever the financing policy the company chooses, it is important to know how it is impacting cash flow, P&L, and the likely future impact on these areas.

## The Importance of Annual Plan Reviews for Executive Benefits...cont'd

**Administrative relationships.** It is always important to make sure that your executive benefits administrative providers are on top of 409A regulations and the important and often complex changes taking place in this realm. It is always worth the extra effort to make sure the administrator has the systems and practices to stay within the confines of 409A.

**Plan investments.** A regular review of a plan's investment options is time well spent. While no fiduciary obligation to do so exists, it is a best practice to review the performance of the plans investment options to determine that participants are offered a competitive menu.

**Financing.** Companies should periodically review the costs of capital and alternatives for financing executive benefit plans. It is important to look at the most likely scenarios for what these after-tax costs will be.



**Assess other important benefits besides retirement.** While executive benefits programs tend to focus on supplemental retirement plans to help executives have adequate income for retirement, other provisions can be just as important for retaining executives. Group supplemental disability insurance, for example, can often be implemented at little or no cost to the company as executives' are willing to make the purchase at the group price. Executive Life Insurance is also a very popular option.

The Todd Organization has numerous experts available to help companies conduct executive benefit plan reviews. For more information, please contact your Todd consultant or visit us at [www.toddorg.com](http://www.toddorg.com).

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