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Navigating the Executive Benefits Landscape
with The Todd Organization



Executive Benefits Administration: A Primer on Best Practices

Proper executive benefits administration has never been more important. Key reasons for this include the following:

- **Regulatory Requirements.** The Internal Revenue Code's Section 409A contains extensive and periodically changing rules on non-qualified deferred compensation plans, with significant penalties for non-compliance.
- **Executives' Participation.** High-quality executive benefits administration helps plan sponsors to increase executive participation in non-qualified deferred compensation plans, which in turn helps to retain and attract quality executives.
- **Compensation Committees.** At the Board level, when the Compensation Committee or others seek information from the company about its executive benefit programs, it is important to respond quickly and accurately. Board members often want to know how, if at all, the plan may have recently changed, how it is aligned with shareholders' interests, and any exotic plan features.
- **Potential Merger or Acquisition.** With M&A activity heating up, companies should know the change-in-control provisions and related issues in their plans, or the plans of a company they are considering acquiring. This will facilitate optimal financial decisions.

Companies need several key tools and resources to effectively manage and oversee plan administration. These include conversion schedules and transition communications plans when new plans are instituted as well as regular financial and accounting reports and annual plan reviews.

Actions to consistently take with plans include the following:

- **Maintain a Master Calendar.** This is a detailed chronology of key events, activities, and deliverables throughout the year.
- **Perform Enrollment Activity Analysis.** This should include in-depth plan information and analysis to help constantly monitor and address the needs of the plan sponsor and participants. In addition there should be plan participation summaries and projected

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deferrals, asset allocation detail, trend analysis, investment fund utilization, and recommendations to increase overall participation.

- **Ensure Quality Assurance.** Numerous internal and external controls should be in place to monitor and assure the integrity of the data of plan sponsors and participants.
- **Provide Accounting and Financial Reporting.** Standardized and regular reports should include: asset value reports, liability reports, customized corporate accounting and journal entries, and participant account summaries.
- **COLI Asset Administration.** One area requiring specialized administration is corporate owned life insurance, which is commonly used to finance a portion, if not the entire amount, of executive benefit plans. The specialized issues that need to be administered include managing the amount at risk to the minimum regulatory amounts in order to minimize insurance cost, maintaining the tax status of the COLI assets, cost recovery for financing deferred compensation plans, and monitoring cash values and borrowings.

The Todd Organization addresses these and related matters through fully integrated systems supported by a multi-disciplinary team, with a single point of contact. For more information about these programs, please contact your Todd consultant.

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