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Navigating the Executive Benefits Landscape
with The Todd Organization

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Integrating Another Company's Executive Benefits

WHEN ACQUIRING A COMPANY, it is important to assess and integrate that company's executive benefits programs, particularly its non-qualified retirement plans. It is best to address this issue during the negotiations as well as during the subsequent transition. The finance, HR, and the legal departments all have respective roles to play.

Here are some important steps many companies take when assessing another company's plans and integrating them following an acquisition.

- *Review existing agreements.* Many rabbi trust agreements and related documents have clear language that the non-qualified retirement plans are formalized, contractual obligations that need to be paid or kept in place in the event of a merger, acquisition, or change-in-control. In other cases, the language is more arcane and less clear. Whatever the case, a thorough and prompt review of the agreements is important.

- *Assess the rabbi trust assets.* Some companies have financed executive benefit plans and in turn a rabbi trust, as part of a general asset/liability strategy. Others have not. There is wide variance. Current funding levels and historical patterns, as well as trust provisions, should be promptly analyzed, in fact before the acquisition.

- *Have a timeline.* Whatever the situation, there should be a time frame and a game plan for assessing and addressing various matters. This will keep the respective parties on track, while also reducing uncertainty and stress.

- *Provide a point person.* The affected executives at the acquired company should be able to deal with a point person to address concerns on executive benefits. In some cases, this may be the same person who is helping to roll over qualified plan benefits. The point person should also be able to ensure that the executives will be able to get thorough advice and guidance for organizing and managing their executive benefits going forward.

- *Interview the trustee.* There is wide variance and experience levels among trustees with respect to the complex administrative, financial, and legal issues involving rabbi trusts and executive benefits. The trustee's expertise and overall performance are important to gauge. In addition, the acquiring company may want to, or as a practical matter need to, change the trustee.

continued on next page

- *Keep executives from the acquired company motivated.* For those high quality executives from the acquired company who will have a new role at your company, several things should be done as non-qualified plans are one of the most valuable assets many executives have. Companies should demonstrate that the executive will at least remain whole on future executive benefits. This may involve an immediate payout, continuance of an old plan, attractive provisions in a new plan or a combination of these approaches. These issues need to be addressed on a group and individual basis.

- *Assess whether executives have other needs.* Often executives have new and different needs that have arisen since they began participating in a non-qualified retirement plan at what is or soon will be their former company. There may be opportunities to transfer the non-qualified plan assets into life, disability, or long-term care insurance coverage.

- *Determine how to best manage cash flow of terminated executives' plans.* Companies need to be strategic in how they manage these assets or have them managed. Sometimes it is best to dissolve a former executive's plan. In other cases, it is best to keep the plan so that participants' assets can continue to grow on a tax-advantaged basis. In addition to financial considerations, companies need to think through the ramifications on morale for the remaining executives and the potential costs of legal challenges when handling terminated executives' plans.

- *Educate management and the board.* There should also be a designated point person who will report on developments on these matters to company management and the Board of Directors.

The Todd Organization has numerous experts available to help companies address how executive benefits are impacted by a merger, acquisition, or other change-in-control. For more information about these programs, please contact your Todd consultant, or visit our website at www.toddorg.com.

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