

Menu of Selected Executive Benefit Plans

Non-qualified, selective benefits designed to reward and retain highly compensated executives and help them address the reverse discrimination of Qualified Retirement Plans and other Employee Benefit.

Executive Compensation:

Components and Trends

Executive compensation generally consists of a mix of four components:

- Annual base salary
- Annual incentive or bonus plan generally tied to short term performance measures
- Long-term incentives consisting of a mix of restricted stock, option and other long-term performance plans tied to total shareholder return or financial performance.
- Benefits plan

Typically, the base salary constitutes 30% of total compensation, the annual incentive another 20%, the benefits about 10% and long-term incentives (wealth creation portion of the compensation) about 40%.

Executive benefit plans combine selective benefits (fringe and insurance) with long term deferred and/or retirement compensation.

Benefit Plans	Definition	Can Provide Tax-Free Death Benefit	Can Provide Tax-Free Supplemental Retirement Income
Executive Group Term Carve-Out	Replaces taxable portion of group term with portable, cash value life insurance designed to last a lifetime.	Yes	Yes
Supplemental Executive Retirement Plan (SERP)	Non-qualified retirement plan that can provide benefits beyond those provided by the qualified plan. It may operation like a salary continuation plan similar to a defined benefit pension plan or provide additional employer contributions toward retirement.	No	No
Non-Qualified Deferred Compensation (NQDC)	Non-qualified deferral plan similar to a defined contribution plan designed to permit selected executives to defer prospective compensation and avoid current taxation.	No	No
Executive Compensation Based on Employer Stock	Various methods of long-term performance plans include; stock options, stock bonus, stock purchase plans, stock appreciation rights, phantom-stock/performance unit plans.	No	No
Death Benefit Only Plan	Pre-retirement death benefit paid by corporation.	No	No
Split Dollar Insurance	Fringe benefit that enables key employees to obtain life insurance at a favorable cost or at no cost. A corporation's outlay for this is eventually recouped from either the policy's cash values or its death benefits.	Yes	Yes
IRC Section 162 Executive Bonus	Premiums on personally owned insurance acquired for executives by the corporation represents bonus compensation.	Yes	Yes
Corporate MoneyGuard (LTC)	New type of fringe benefit that allows selected executives to have a tax qualified long term care benefit from a specially designed life policy with LTC riders. Corporation recoups premium it pays from death benefit and/or tax deductible LTC benefits paid by insurer.	Yes, Usually For Corporation Only	Tax Free LTC Benefit to Participant
LTC insurance and Disability Income—Individually Owned	Long term care and/or disability income insurance designed to be portable and can be carved-out of group benefit plan or in lieu of a group plan for selected executives. Employer paid premiums are not taxable to participants.	N/A	Not retirement income. Benefit is taxable to participant if employer paid plan and non-taxable if participant paid.
Executive Loans	Loans available to executives are usually restricted to loans for specified purposes in non-public companies. Typically such loans are interest-free or made at a favorable interest rate. Also, under Treasury regulations, certain split dollar plans may be treated as loans.	N/A	N/A
Health Plans	Insured plans may cover only selected executives or they may provide better benefits or greater cost subsidies to selected executives.	N/A	N/A
Pre-Paid Legal Services Plans	A legal services plan (sometimes referred to as a "prepaid legal services plan") is an employer-funded plan that makes legal services available to employees when needed. The expenses of the plan are deductible to the employer. Benefits are generally taxable as compensation to the employees.	N/A	N/A
Move Expense Reimbursement Plans	Reimburse moving expenses connected with changes in job location. While the reimbursements are taxable income to the employee, the moving expenses may be deductible from the employee's gross income. Moving expense reimbursement, therefore, not only helps employees bear a major expense but can be a form of tax-free compensation for employees.	N/A	N/A
Wealth Management and Financial Consulting	Taxable fringe benefit providing skilled advisors for executive financial planning.	N/A	N/A
Corporate Aircraft Use	Taxable benefit for personal use of corporate aircraft.	N/A	N/A
De Minimus Fringes	Various minor non taxable fringes; tickets to shows, events, etc., occasional personal use of staff and equipment for typing, copy services, etc., executive dining room and athletic facilities for executives under certain conditions. Plus a few notable taxable ones; season tickets, club membership, company apartment, etc.	N/A	N/A
Qualified Transportation Fringe	Notable example that applies to executives is parking can be provided tax-free for selected executives.	N/A	N/A
Security-Related Transportation	Security-related transportation and other expenses to address bona fide business-oriented security concerns.	N/A	N/A
Company Car or Reimbursement Plan	Company cars or car expense reimbursement plans are not employee benefits as such, since their purpose is not actually to compensate the employee. However, an employer's policy regarding business use of cars is often viewed as part of the employer's fringe benefit package.	N/A	N/A