

# Building Incentive Compensation Programs that Work

Alaska State SHRM Conference  
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PRESENTED BY:  
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TERRY ALLARD, CEBS, BUSINESS DEVELOPMENT EXECUTIVE



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## Speaker Profiles





**Terry Allard, CEBS | Business Development Executive**

Terry has extensive knowledge of employee benefits and has been with The Wilson Agency since 1997. She has been working in the employee benefits industry since 1985. Having spent this time in the industry Terry is able to bring valuable insights in offering solutions and developing strategies for the challenges Alaska businesses face. As a key member of the Business Development team, she is responsible for initiating new relationships and specialized in executive compensation strategies and disability plans for highly compensated individuals. She works with both prospects and clients of The Wilson Agency team.

Terry worked at Blue Cross Blue Shield of Alaska for 11 years and gained a thorough understanding of the marketing, administration, and underwriting of fully insured health plans. She attended Anchorage Community College and the University of Alaska.



**Jeff Albers, CFP®, CHFC®, AIF® | Retirement & Financial Services Director**

Jeff heads our Financial Services division. He joined the company in 1995 as Vice President of Financial Services, where he gained years of real-life experience providing both big picture financial strategy as well as individual wealth management guidance.

Jeff is a graduate of the University of Washington in Business and Finance, he has furthered his expertise with series 6, 62, 65 and 7 securities and investment advisory licenses as well as advanced education through Wharton Business School, Certified Financial Planner Board of Standards and The American College. In 2013, Jeff acquired the Accredited Investment Fiduciary (AIF) designation.



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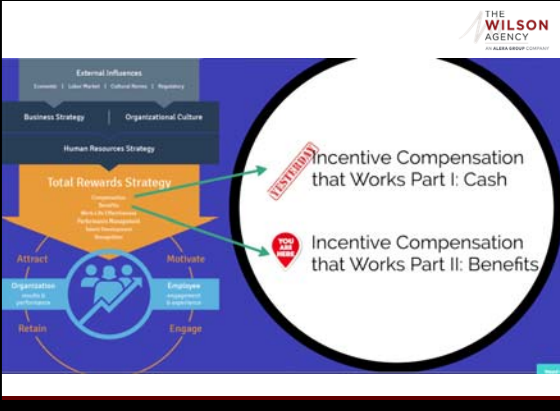

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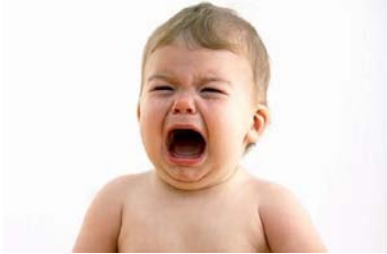
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## Not another boring PowerPoint



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## Today's Discussion

- Qualified retirement plans
- Retirement Plan Protection
- Non-qualified plans
- Corporate owned life insurance
- Additional Disability Benefits AKA IDI
- Fill the Gap for Highly Compensated Employees



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## What's your objective?



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## What's your objective?

- Recruitment
- Retention
- Reward / Incentive



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## Retirement Crisis

- Roughly 50% of American workers participate in employer plans
- The average 50 year old has saved \$42,797
- 45% of Americans have saved nothing, including 40% of Baby Boomers
- 36% of American adults over 65 are completely dependent on S.S.

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## Qualified Retirement Plans

- Defined Benefit Plans – Traditional, Cash Balance
- Defined Contribution Plans - 401(k), 403(b), 457(b)
- HSA – Retirement Plan? Triple Tax Benefit
- QP's Generally Non-Discriminatory, but....



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## Your strategy is your map



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## Qualified Retirement Plans

- Tenure based Profit Sharing Formulas
- Cross-Tested Profit Sharing Plans
- Cash Balance Plans

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### What's Changing with Plan Design?



**82%**  
of sponsors reported making changes to the plan design

Most changes were done to increase employee participation (64%)

Increasing savings rates was reported as the second most frequent response (61%)

For investment professionals and plan sponsors.

Fidelity

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**Plan Design Changes May Help Participants Become More Engaged**

Have you made any of the following plan changes in the past two years?

Added or changed a matching contribution	39%
Enrolled or reenrolled into a target date option	31%
Roth contribution option	30%
Automatic increase	29%
Automatic enrollment	26%
Added a default investment option (DIO)	25%
Increased the auto-enroll deferral rate	23%
No, we have not made any plan design changes	18%

According to Cerulli, **37%** of sponsors said they planned to increase the dollar amount of the match in 2017.\*

\*Source: The Cerulli Report, U.S. Retirement Markets 2017. For investment professionals and plan sponsors.

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**Using Auto-Solutions May Foster Readiness**

**51%** of plans have auto-enrollment

**AE Plans**      **Non-AE plans**

**68%** of employees report being Very Satisfied

**60%** of Finance and HR associates report concern that employees will not respond well to AE (owner 44%)

**84%** participation rate among 20-29 year olds (vs. 31% in non-AE plans)\*

**22%** of advised plans have considered AE but did not implement

\*Based on Fidelity analysis of 22,485 separate DC plans (including advisor and DC) and 15,394 participants as of 10/31/2017. For investment professionals and plan sponsors.

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**Qualified Retirement Plans**

Current Trends:

- Auto-Enrollment – Higher starting deferral rates
- Auto-Increase – Higher caps
- Managed Investments and Managed deferrals
- Shorter Eligibility Periods – Recruitment Advantage
- Age Requirement - Why?
- Hardship withdrawal - Optional Changes 1/1/19
- Student Loan Repayment Program - 8/17/18 PLR

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**Retirement Plan Protection**

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Provide Peace of Mind – Protect their Retirement

- Creates unique benefit
- Replace 401k contribution during disability
- Includes employer match
- Not subject to non-discrimination rules
- Flexible & portable
- Insured can direct investments

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Retirement plan with & without interruption

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RPP can close the savings gap caused by a disability – with combined assets of **\$2,862,326**

Age	Fund if Healthy	RPP Trust Assets	Fund if Disabled
35	~\$100,000	~\$100,000	~\$100,000
40	~\$150,000	~\$150,000	~\$150,000
45	~\$250,000	~\$250,000	~\$250,000
50	~\$400,000	~\$400,000	~\$400,000
55	~\$650,000	~\$650,000	~\$650,000
60	~\$1,100,000	~\$1,100,000	~\$1,100,000
65	\$2,980,719	\$2,610,896	\$251,430

Assumptions:  
 • \$2000 monthly contributed to plan beginning at age 35  
 • Annual total return is 8% with no distributions taken prior to age 65  
 • Disability onset age 38  
 • Results only vary

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**Non-Qualified Deferred Compensation Plans**

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Once again,  
Be clear on your objectives?

- Total Rewards Strategy: Recruiting, Retention, Reward
- Support for Operational Goals

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## Goals of a NQDC Plan

How important are each of the following goals for your overall non-qualified benefits program?

Goal	Critical	Very important	Somewhat important	Not important
To have a competitive program that is competitive with peer companies	30%	41%	25%	4%
To retain executives	28%	48%	19%	5%
To allow executives to accumulate wealth for their financial planning needs	17%	34%	34%	15%
To attract executives	22%	36%	31%	11%
To encourage executives to return to an efficient market	10%	22%	32%	34%
To increase stock ownership of the firm by top executives	20%	21%	21%	38%

Restore 401(k) match limits lost due to qualified plan limits and/or discrimination testing: 20%

Motivate key employees to achieve organizational and/or personal performance goals: 19%

Other: 9%

Retain key employees: 44%

Source: PricewaterhouseCoopers, "Executive Compensation 2016", Page 4

- The primary goal of most NQDC plans is to recruit, reward and retain top executive talent.
- NQDC plans are also commonly used to restore benefits lost due to qualified plan limits and discrimination testing.

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## Non-Qualified Deferred Compensation Plans

- Ultimate Flexibility for Incentive/Reward Structure
- SERP – Supplemental Executive Retirement – "Golden Handcuffs"
- 401(k) Mirror or Excess Plans – Employee Deferral
- Combination Plans
- Insurance Benefits (Pre & Post-Retirement)



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## Non-Qualified Deferred Compensation Plans

Non-Qualified Executive/Manager Bonus/Incentive Plan

Create Incentive for the results you seek:

- Financial / Operational Goals
  - Revenue/Sales , Profit
  - Client retention
  - Production or Quality metrics
- Leadership/managerial goals?
  - Employee Turnover
  - Employee Attitude / Engagement Survey
  - Employee 401(k) Participation Rate Increase

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**Non-Qualified Deferred Compensation Plans**

**Plan Design – With Clear Objectives**

- Who shall participate?
- Plan Funding Alternatives
- Who Shall Bear Investment Risk?
  - Defined Contribution
  - Defined Benefit
- Employer or Participant Contributions (or Both)?
- Performance/Incentive-Based

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**Corporate Owned Life Insurance (COLI)**

- Employer Protection
  - Key-Person Coverage
  - Potential Cost Recovery
- Participant Security
  - Family Protection
  - Potential Tax Savings
- Split \$ Plans - IRC Section 409A - Short-term deferral rule

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**Individual Disability Insurance**

**Provide Peace of Mind – Protect their Income**

- Can be layered on top of group plan
- Not subject to non-discrimination rules
- Typically portable
- Some carriers offer options



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## Fill the Gap



Provide Peace of Mind –  
Protect their Income & Retirement

- Traditional Voluntary
- Executive Medical Reimbursement
- Creates unique benefit – Employer can design the plan
- Not subject to non-discrimination rules



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## The Wilson Agency

Full suite of benefit services:

- Plan negotiation, review and placement
- Great customer service
- Compliance support
- AleraHR resource (ThinkHR)
- Nationwide benefits expertise
- Benefits administration system, if desired
- HR Services, if desired

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**WORKFORCE STRATEGY**



**INTEGRATED SERVICES**

**Health & Welfare | Human Resources | Retirement**

Our parent organization, Wilson-Abers & Company focuses on three distinct service areas: Health & Welfare Services, Human Resources Services, and Retirement Plan & Financial Services.

Health & Welfare	Human Resources	Retirement
<ul style="list-style-type: none"> <li>Strategic Benefit &amp; Wellness Planning</li> <li>Compliance for your entire Benefit Package</li> <li>Strategic Renewal Planning with trusted carrier partners</li> <li>Data Analytics &amp; Benchmarking</li> <li>Employee Education</li> <li>Advocacy</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Management Consulting</li> <li>Recruiting</li> <li>HR/Payroll/Benefits Systems</li> <li>Compensation &amp; Market Analysis</li> <li>Employment Compliance &amp; Administration</li> <li>Training &amp; Performance Management</li> </ul>	<ul style="list-style-type: none"> <li>Retirement Plan Design</li> <li>Vendor Search &amp; Oversight</li> <li>Investment Plan Process Management</li> <li>Employee Education</li> <li>Retirement Committee Coordination</li> </ul>

Whether using one or more of our services, our mission is to provide local employers with employment programs and services engineered to support their business goals and to deliver the highest possible value to our clients and their employees. We bring you business-focused solutions that eliminate obstacles and provide you peace-of-mind.

Employee benefits are an important part of your workforce strategy. We are uniquely qualified to be your all-in-one service provider for human resources and employee benefits.

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