THE MULTICARE GROUP

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Executive Benefits: Taking Care of your Key Employees

Executive groups tend to put in more hours, are responsible for important decisions, and often have the poorest level of benefits. There is a concept known as “Reverse Discrimination” under which those earning high income cannot obtain as much insurance or maximize retirement savings as those employees at lower income levels. The assumption is that high income earners do not need to protect their income is a myth. High income earners have a universal tendency to “live up” to one’s income and from a personal risk standpoint the ability to earn an income is a person greatest asset that should be protected**.**

“The Concept of Reverse Discrimination”

The concept of ‘reverse discrimination’ relates to the fact that under the typical group benefits plan, executives may receive lower Life insurance, LTD benefits, or Retirement Savings in relation to their total compensation and compared to regular employees on a percentage basis. The resulting reverse discrimination occurs, where coverage may drop as compensation increases thereby reducing the level of protection. Shortfalls in today’s group Life, LTD and retirement savings are not a well understood aspect of some of today’s group plans. Reasons for this include:

- Group Insurance or Group Retirement Savings plans have stated maximums that vary depending on the group size and earnings. These are designed to adequately insure the group as a whole, but may not provide the coverage an executive client needs.
- The income used to determine benefit calculations is defined in the group plan and often does not include the many varieties of executive compensation (such as bonuses, dividends, commission, pensions, profit sharing or stock options).
- Top earners with group coverage are also disadvantaged by limited insurance riders that are not as robust as individual products.

Across the board group insurance and retirement programs frequently need to be supplemented by tailor-made plans that permit the employer to recognize certain key individuals’ financial concerns. We can help you implement executive benefit plans that are designed to reward and retain your top-performing, most valuable employees through the following solutions:

Enhanced Group Life and Group Long Term Disability Benefits :

- Group plans can include higher overall maximums as well as higher non-evidence maximums for employees who are part of an executive group. The enhanced Life and LTD benefits for executives is relatively low cost and reasonable compared to other executive benefit offerings and valuable if a claim is incurred. It should be noted, however, that enhancing Life and LTD maximums for executives may impact premium rates for other employee classes. In addition, there limited riders and the coverages are not portable if an executive leaves the company.

Individual Life, Long Term Disability any other Living Benefits :

- We can offer individual top ups or carve outs on Life coverage, and Living Benefits such as LTD, Long Term Care, and Critical Illness. An Executive group may have different needs that can be tailored. An older Executive may be more concerned with Long Term Care benefits and asset preservation during retirement as opposed a younger executive who has more immediate financial demands and is concerned with protecting his young family in the event of death, sickness or disability.
- Individual Life and LTD benefit offerings can be portable on termination which may help to make them attractive to executives. While portability does not help the employer with attraction and retention issues, offering enhanced insured benefits can serve to boost the level of goodwill between executives and the organization

Health Care Spending Accounts:

- Sometimes just providing richer health and dental benefits is sufficient to meet the executive's needs. This can be accomplished through either an insured plan or a Health Care Spending Account (HCSA). Health Care Spending Accounts are enhance health and dental executive benefit offerings and is a tax-effective method of providing additional non-taxable executive compensation.
- HCSA credits can be provided at the beginning of the year, but they are usually allocated to accounts on an annual or monthly basis. Employees are reimbursed from their individual notional accounts for all qualified medical and dental expenses. HCSA claims are limited to the balance in each executive's account at the time of the claim. Employers pay for the cost of all claims plus administrative services associated with claims payment. There are a number of ways of funding spending accounts which may include trusts or cost-plus arrangements.
- Unused HCSA credits or non-reimbursed expenses may be rolled forward for up to 24 months from the month they are awarded or incurred. Claims under HCSAs must qualify as medical expenses under CRA Please visit http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/330/llwbl-eng.html.
- As such, the administration of an HCSA can be somewhat labor intensive and employers may wish to consider outsourcing administration to insurers or third party administrators. Please note that special rules apply to HCSA arrangements in Québec.

Executive Medicals :

- Many organizations have implemented annual physicals by independent medical organizations for their executive group. These medical examinations offer more comprehensive medical screening (such as stress tests, fitness evaluations and additional diagnostic testing) than is typically included in an annual physical by an executive's family physician. The diagnostic testing associated with Executive medicals is also rigorously scheduled in order to minimize the executive's time off work.
- While not all executives take advantage of this perk, many feel grateful that the organization values them enough to take an interest in their long-term well-being.
- Executives who have medical concerns may also appreciate the opportunity to receive a second opinion regarding ongoing management of their condition. From the perspective of the organization, executive medicals can save employers money by preventing executives from becoming ill. If the cost of an Executive Medical is borne by the organization, a taxable benefit will be accrued by the executive unless the medical is part of a private health services plan. Where the executive has out of pocket costs associated with this benefit, these can be reimbursed through a Health Care Spending Account

Solid Retirement Planning

Ensuring your executives have a solid, rewarding retirement plan is another way to keep your key people motivated and happy. There are a number of alternatives available to help your executives feel confident, secure and well prepared for their retirement years. Our retirement planning solutions include:

- Retirement funding such as enhanced retirement plans
- Retirement Compensation Arrangement (RCA) to accommodate statutory limits on registered pension plans
- Individual Pension Plan (IPP) to compensate for RRSP limitations for high-income earners

In conclusion,

By combining individual coverage with group coverage, we can include more areas of executive compensation, address uninsured pensions, customize disability policies, provide portability of coverage, and create cutting edge benefits solutions. This ultimately provides a greater income replacement level for the key employees and therefore reduces or eliminates reverse discrimination.

Sources: Disability and Other Living Benefits 3rd edition Jacqueline E. Figras and Financial Planning 4th edition, Advocis

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