

2016 / 2017 Executive Benefits and Perquisites Survey for Tax-Exempt Organizations

The role of executive benefits and perquisites in total compensation

Executive benefits continue to be a strategic component of total rewards programs. Organizations provide executive benefits for a multitude of reasons:

- Allow executives to receive the **same level of benefits** as all other employees
- Utilize benefits as a tool to **attract the best talent** and retain them once hired
- Provide additional benefits to **help prepare executives for retirement** or other, more unexpected, life events

However, organizations must carefully consider the impact of benefits on the level and mix of total compensation. This is especially critical for those organizations that are subject to Intermediate Sanctions.

Organizations need to continually assess the elements of their programs to ensure they achieve an appropriate balance that is responsible and does not create undue risk. In order to help employers better understand how benefits fit in the overall total rewards picture, Mercer has conducted its sixth biennial survey of executive benefits practices in the tax-exempt sector.

The findings from the survey – in combination with Mercer’s consulting expertise – can help organizations be more informed in their decision making. Results from the survey can be utilized to:

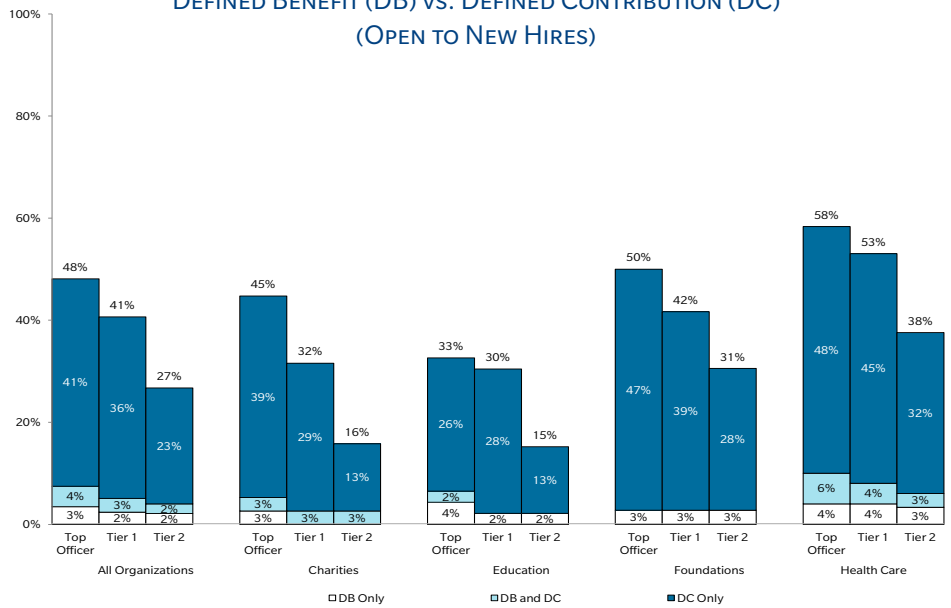
- **Benchmark** benefits against competitive practice
- **Assess** reasonableness under Intermediate Sanctions regulations
- **Understand** the value of benefits programs
- **Identify** features/designs of benefits that are not aligned with market practice or business objectives

SAMPLE FINDINGS

Nonqualified retirement plans, as well as other executive benefits, remain prevalent among tax-exempt organizations. Approximately 50% of all organizations surveyed provide supplemental employer-paid retirement plans for executives (see Exhibit below). However, prevalence varies significantly by industry and executive level.

The vast majority of executive retirement plans are 457(f) nonqualified plans. However, some organizations provide employer contributions to 457(b) plans or provide supplemental contributions annually as additional cash compensation, in addition to or in lieu of a 457(f) plan.

PREVALENCE OF EMPLOYER-PAID EXECUTIVE RETIREMENT PLANS
DEFINED BENEFIT (DB) VS. DEFINED CONTRIBUTION (DC)
(OPEN TO NEW HIRES)

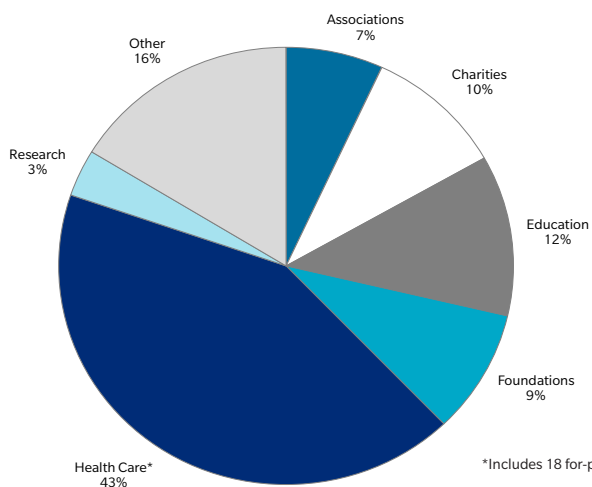


Top Officer = CEO/President/Executive Director; Tier 1 = Direct Reports to Top Officer; Tier 2 = Direct Reports to Tier 1 Executives

ABOUT THE SURVEY

Mercer's proprietary 2016/2017 *Executive Benefits and Perquisites Survey for Tax-Exempt Organizations* contains information about the executive benefits and perquisites provided by over 400 tax-exempt and health plan/managed care organizations across the US.

TYPE OF ORGANIZATIONS



*Includes 18 for-profit health care organizations

“Continued public and media scrutiny combined with the change in presidential administration make understanding executive benefit market practice within tax-exempt organizations more important than ever.”

Micah McNatt, Principal, Mercer

WHAT'S INCLUDED

Participants in the survey receive a complimentary copy of the standard report which provides data across the survey population (over 400 organizations) and comparisons by organization type. Our standard report includes valuable information on a variety of executive benefits topics, including prevalence and benefit levels (see sidebar on previous page for a listing of topics). Custom reports are available by request.

MERCER CAN HELP

Mercer can help you understand how total compensation at your organization stacks up against similar organizations. Once you participate, you have access to reliable information for designing a total remuneration program to attract and retain key talent. What's more, you can more effectively explain your plans to various constituents, including regulators, the IRS, and the community.

ABOUT EBG

Mercer's Executive Benefits Group (EBG) is a national practice with over 20 consultants. For more than 30 years, EBG has provided consulting services focused on the benchmarking, design, financing, administration, and regulatory compliance of executive benefit plans. EBG consults with more than 600 clients annually, enabling them to see emerging trends in all areas of executive benefits.

HOW TO PARTICIPATE

If you would like to participate in the survey and receive a complimentary copy of the standard report, please go to www.imercer.com/taxemptexecutivebenefitssurvey or click [here](#). For more information about Mercer's solution to understanding and valuing executive benefit and perquisite practices within the context of total compensation, or to request a custom report, please contact one of our Executive Benefits consultants.

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SURVEY TOPICS

Retirement plans

- Qualified retirement plans
- Nonqualified retirement plans
 - Restoration plans vs. SERPs
 - Voluntary deferrals
- Substantial risk-of-forfeiture provisions
- Handling of taxation upon vesting

Severance benefits

Health and welfare benefits

- Broad-based and executive life insurance (pre- and post-retirement)
- Broad-based and executive short- and long-term disability
- Broad-based and executive medical and long-term care

Perquisite practices