



Compensation & Benefits Advisory Services, LLC

# 2016 CBAS Services Playbook

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# Project Summary

## Sections 280G and 4999 (“Golden Parachute”) Analysis and Planning

### Impacted Companies

- Companies actively in acquisition or divestiture mode or in industries undergoing consolidation
- Companies with exit strategies that include being acquired
- Companies subject to the SEC’s executive compensation disclosure rules and that provide tax gross-ups

### Services

- Review the Company’s determination of disqualified individuals
- Review all relevant documents including employment agreements; change in control agreements; plan documents and award agreements; board of directors and compensation committee meeting notes and resolutions; and payroll data
- Create a customized Golden Parachute model to analyze the impact of Section 280G and 4999 and to compute any required gross-up payments and/or cutback amounts
- Review shareholder disclosures
- Assist Company with planning to minimize the impact of Sections 280G and 4999
- Perform reasonable compensation analysis
- Prepare materials for and facilitate group communication sessions and meet with disqualified individuals on a one-on-one basis
- Draft opinion letters for the Company and disqualified individuals
- Prepare payroll withholding schedules

### Key Stakeholders

- Tax
- Legal
- HR/Payroll
- Finance

### Deliverables

- Golden parachute analysis and report of findings and recommendations
- Valuation reports
- Opinion letters
- Payroll withholding schedules
- Employee communications materials



# Project Summary

## Section 162(m) Document and Operational Compliance Review

### Impacted Companies

- Companies undergoing IRS audit
- Companies performing FIN 48 (uncertain tax position) assessments
- New public companies that were previously not subject to Section 162(m)
- Companies reviewing policies, procedures and controls

### Services

- Review Company's determination of named executive officers
- Review all relevant documents including plan documents and award agreements; board of directors and compensation committee meeting notes and resolutions; and shareholder approval documentation
- Reconcile book expense, tax deductions and W-2 income
- Recompute deductible and non-deductible amounts
- Prepare workpapers in support of deductible amounts claimed
- Consult on and provide recommendations for maximizing deductions

### Key Stakeholders

- Tax
- Legal
- HR

### Deliverables

- Report of findings and recommendations
- Gap analysis
- Auditable workpapers, including all relevant documentation, in support of the Company's officers' compensation deduction
- Opinion letters



# Project Summary

## Section 409A Document and Operational Compliance Review

### Impacted Companies

- Companies with recently implemented deferred compensation plans
- Companies with a significant number of plans (due to acquisitions or implementation of new plans on a frequent basis or over a longer period of time)
- Companies with turnover in administrative personnel
- Companies that have switched payroll/HRIS systems
- Companies undergoing IRS audit
- Companies reviewing policies, procedures and controls

### Services

- Review all relevant documents including plan documents; employee elections; payroll schedules, and W-2s
- Review administrative policies and procedures
- Reconcile computations of pre-tax deferrals, company matching contributions, earnings credits, and distributed amount
- Consult on and provide recommendations for enhancing controls and complying with Section 409A requirements

### Key Stakeholders

- Tax
- Legal
- HR

### Deliverables

- Report of findings and recommendations
- Gap analysis



# Project Summary

## Benefit Plan Funding Review

### Impacted Companies

- Companies with recurring deficiencies in accounts used for funding payments to providers (e.g., medical, dental, and vision insurance carrier)
- Companies with turnover in administrative personnel
- Companies that have switched payroll/HRIS systems or benefit providers
- Companies that have had changes made to administrative processes (e.g., deadlines for notifying provider of employee status changes)
- Companies with significant turnover or seasonal employees
- Companies processing payroll outside of normal payroll system (e.g. manual checks)
- Companies reviewing policies, procedures and controls

### Services

- Review all relevant documents including plan documents; vendor service agreements; benefit cost schedules, and payroll schedules
- Review administrative policies and procedures
- Interview administrative personnel
- Reconcile computations of employee contributions, employer contributions, payments made to vendors, vendor invoices and general ledger account balances
- Consult on and provide recommendations for enhancing policies, procedures and controls
- Create new administrative procedures/tools
- Train administrative personnel

### Key Stakeholders

- HR/Payroll
- Finance/Accounting

### Deliverables

- Report of findings and recommendations
- Updated/revised administrative procedures manual
- New administration tools



# Project Summary

## ASC 740 (Accounting for Income Taxes) / FIN 48 (Uncertain Tax Positions) Analysis

### Impacted Companies

- Companies reporting under US GAAP
- Companies with subsidiaries required to file separate financial statements (especially companies with significant personnel movement between subsidiaries)
- Companies that have had a recurring history of immaterial passed adjustments impacting deferred tax asset balances

### Services

- Review all relevant compensation and benefits related documents including plan documents; accounting memos, and tax memos
- Review administrative policies and procedures
- Assess methodologies for claiming deductions (amount and timing)
- Review journal entries and financial statement balances
- Review consistency of methodology between subsidiaries
- Assess reasonableness of account balances
- Assess need for FIN 48 reserves

### Key Stakeholders

- Accounting
- Tax

### Deliverables

- Report of findings and recommendations (e.g., correcting journal entries, computation of required reserve amounts, plan design changes)
- Opinion letters



# Project Summary

## General Consulting

### Impacted Companies

- All Companies

### Services

- Tax consulting
  - IRC Sections 162(m), 409A, 280G, 4999, 83, 421 - 423
  - ASC 740 Accounting for Income Taxes
  - FIN 48 Uncertain Tax Positions
  - Employer deductibility and timing of deductions
  - Employee taxation
  - Income and employment tax reporting and withholding
- ASC 718 Accounting for Stock Based Compensation (including valuations)
- Compensation plan design for executives, outside directors, and broad groups of employees (cash and equity-based compensation)
- Mergers and acquisitions due diligence
- Reasonable compensation analysis
- Employee communications
- Litigation support

### Key Stakeholders

- Tax
- Legal
- HR
- Finance/Accounting

### Deliverables

- Oral/e-mail correspondence
- Formal memorandum of advice
- Opinion letters
- Valuation reports
- Employee communications materials



## CONTACT

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