

The View from Level VII™

STRATEGIC PERFORMANCE MGMT

HALF-WAY POINT

You're halfway through the planning year; how's your progress on your planned goals and objectives? Has anything slipped? Is it time to panic or celebrate?

Go get your plan. Dust it off if necessary. How are you progressing towards your goals? Did you set up metrics and a tracking method to measure your progress?

Here's a short checklist to help you make sense of where you are:

1. Create a measurement and tracking mechanism (Business Dashboard).
2. Record your % of completion next to each of the goals in your plan
3. If you've missed some of the dates record a new deadline next to the old one so you can see where you made changes
4. If you are making progress, **celebrate**, call attention to it and acknowledge it.
5. If you've added goals or change goals make them part of the plan
6. If you have re-prioritized the goals don't erase the old priority order; create another column for the new order so you can keep track of what changed
7. Pick the 3 most important goals and focus on them for the next 90 days.

Stone & Associates stands ready to assist with performance measurement systems, or any of our other Strategic Performance Management, Financial Management Consulting or Business Performance review services.

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In this and/or future issues you will find short, yet meaningful articles regarding:

- Strategic Performance Management
 - Human Resources
 - Risk Management
- Executive Compensation & Benefits
 - Employee Benefits
- Private Wealth Planning

HUMAN RESOURCES

NYS PASSES NEW LAW

Beginning in October 2006, employers of 20 or more employees will be required to "Develop and Implement Programs to Prevent Workplace Violence."

As a result employers will be required to design and implement workplace violence protection programs to prevent and minimize the hazard of workplace violence to public employees.

Every employer will need to evaluate its workplace(s) to determine the presence of factors or situations that might place employees at risk of occupational assault and homicides. Example of such factors shall include, but not be limited to: working in a public setting; working late night or early morning hours; exchanging money with the public; working alone or in small numbers; uncontrolled access to the workplace; and areas of previous security problems.

The program must be a written workplace violence prevention program that includes: Making high-risk areas more visible to more people; installing good external lighting; using drop safes or other methods to minimize cash on hand; posting signs stating that limited cash is on hand; providing training in conflict resolution and nonviolent self defense responses; and establish and implement reporting systems for incidents of aggressive behavior.

HR Professional Consultants, Inc. offers human resource services and outsourcing for businesses of various sizes. For additional information or assistance in developing such a program please contact

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EXECUTIVE COMPENSATION

EXECUTIVE STOCK INCENTIVE

Most private companies are family-owned, with all (or nearly all) shares in the possession of the family members.

Increasingly, to obtain professional caliber, high performance senior executives/ management needed to effectively lead the company, family shareholders are recruiting from public companies, or other private companies. Competition for such executives is fierce.

Family-owned companies tend to be reluctant to award any of their equity (stock) to "outside" hires. While understandable concern over dilution of their shareholding, and loss of 100% control, these superior performing executives will be the key leaders taking action to increase profits, and the value of the company.

Long-term incentive reward from equity interest is probably the number one requirement to recruit, motivate and retain such executives (in addition, of course, to other competitive elements of their compensation and benefit package). This (long-term) incentive can be provided by equity interest by means of:

- Actual stock awards, restrictive stock (over some years) and/or stock options in the company.
- Phantom equity/stock – with achievement of performance targets (often growth in value of the company) being the award trigger.
- Performance plans, where on achievement of the target(s), the reward is payable in cash (usually over time).

Thus awarding actual stock is not essential. Alternative Plans are available which are effective and motivational to the non-family executives.

Harman & Associates with its fortune 500 background and extensive national and international experience in executive compensation planning stands ready to assist in developing a plan that establishes value for all parties involved.

Ray Harman
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EMPLOYEE BENEFITS

"QUALIFIED SICK PAY PLAN"

Does my firm need a Qualified Sick Pay Plan?

If your firm is like most, the answer is **yes!** If one of your key employees could not work due to disability, you might want to continue part or even full pay for this person for some period of time.

While this may seem like a simple procedure, the tax treatment of the payments could result in an unpleasant surprise. Salary continuation during a period of disability can only be deducted as a business expense if your firm has an existing Qualified Sick Pay Plan. This means that a Qualified Sick Pay Plan must be established before someone becomes disabled.

Fortunately, your firm can implement a Qualified Sick Pay Plan without overwhelming documentation, or the purchase of insurance. Your firm would be responsible for developing and executing a Plan Resolution for the Qualified Sick Pay Plan. After the Plan Resolution is complete, employees would need to receive a Plan Letter with a plain language description of the plan. Sample wording is available for both the Plan Resolution and the employee Plan Letter.

Please contact us if you would like more information on this subject, or if you have any Employee Benefits needs.

Benefits Advantage, Inc. provides consulting and insurance brokerage services for all types of employee benefits programs. Emphasizing *personal service, creative ideas, and positive results*; Benefits Advantage Inc. has 30 years of industry experience in working with clients.

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EXECUTIVE BENEFITS

COLI BEST PRACTICES

Let me highlight the **COLI Best Practices** provision of the soon to be ratified Pension Protection Act (PPA) of 2006:

- Restriction of COLI to coverage of a limited class of employees (e.g. highly compensated employees);
- Require employers to provide notice to insured employees' written consent to being insured;
- Establish disclosure and recordkeeping requirements for businesses holding COLI policies.

We are very pleased with this new legislation, as it establishes reforms and systematizes practices of the industry. This helps assure COLIs responsible use and codifies its place in the benefit practice, thus preserving the tremendous benefits COLI provides to businesses, employees and their families

The PPA also adds a new subsection to the recently enacted **Sec. 409A** and its bearing on Nonqualified Deferred Compensation Plans. In short, if a company's qualified defined benefit plan is underfunded or the company is in bankruptcy, any assets in the NQDC would become at risk as taxable for the purpose of satisfying the underfunding or claims of the general creditors.

The language make it very clear that new restrictions would apply to any amount set aside in a Rabbi trust, even if assets are available to satisfy claims of general creditors. The new rules provide any tax "gross-up" payments to executives to ameliorate the adverse consequences would also be subject to the same adverse tax consequences of corporate pension underfunding or bankruptcy (i. e. immediate income inclusion, additional 20% tax plus interest at the underpayment rate of 1%).

We believe this is a positive outcome for the industry and reflects our "best practice" and "prudent man" rule for the continued trust and respect of our loyal clients. We will continue to follow these developments and keep you apprised.

Weir Financial Resources, LLC is a financial advisory firm offering information, ideas and solutions in Executive Benefits, Business Succession and Private Wealth Planning.

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