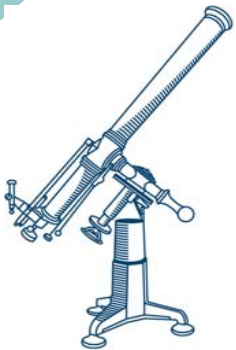


Forward-Thinking Employee Compensation Strategies

Susan St.Amand
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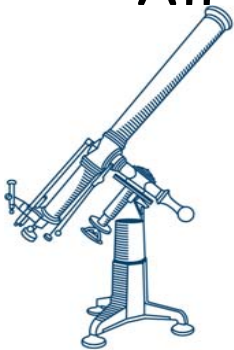


Thinking outside the Box

Alternate Health plans and Retirement Plans

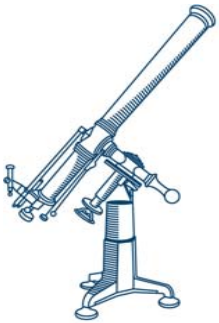
The focus on health care and retirement funding together with the movement away from employee option plans, has challenged the community to create new incentives.

All incentive plans come with a price tag. Our role is to manage the cost with benefit.



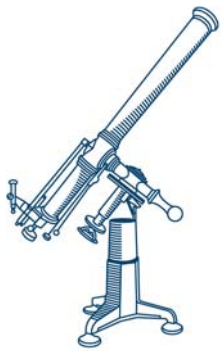
What is a Retirement Compensation Arrangement and how does it work?

- A form of retirement plan to provide pension benefits in lieu or in addition to registered pension plans or registered retirement savings plans.
- A deductible expense to the company, funded on a monthly or annual basis.
- Unlike a bonus, the tax paid on the RCA is refundable.
- Contributions are not included in an executive's income at the time of contribution, but are included when they receive the funds.



Corporate Liability and Governance issues

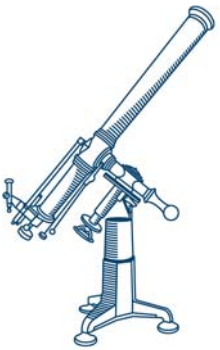
- Assets are held in a trust for the executive and not generally accessible to the creditors of the corporation.
- Funding must be reasonable.
- Annual reporting to CRA is required.
- Trustees act on behalf of the beneficiary/ies.



Corporate Finance

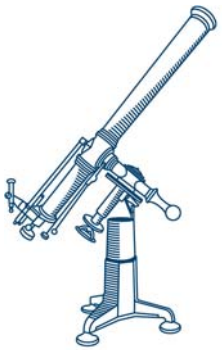
The impact on Working Capital

- An alternative to traditional bonus down and loan back strategies
- Reduces income before taxes
- Using the RTA (Refundable Tax Account) as collateral for a loan.



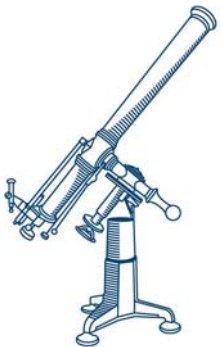
What happens at retirement or departure?

- Refundable tax is refunded when the benefits are paid to the plan beneficiary.
- The combination of the tax refund and the balance in the RCA Trust are used to pay more to the plan beneficiary.
- Loan repayments to the RCA would be due at this time.



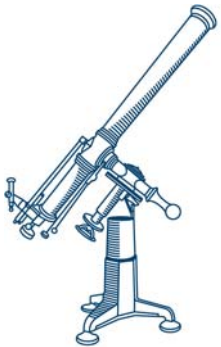
Annual Reporting

- RCA's have a year end report due December 31 to CRA.
- A special statement of Contributions and RCA summary must be filed by February 28th of each year.
- A special tax return for the RCA must be filed within 90 days of the latest year-end and the 50% refundable tax on net accrued income must be paid to the Receiver General for Canada.
- Trustees will generally request an annual report containing investment performance etc.



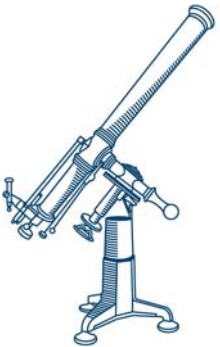
Alternate Health Care Plans

- Executives and employees are of value to the company, as long as their health allows them to contribute.
- Health and health services are on our minds on a more frequent basis than ever before.
- Traditional group benefit plans are taking up more and more of our budget for compensation, but are sometimes limited.



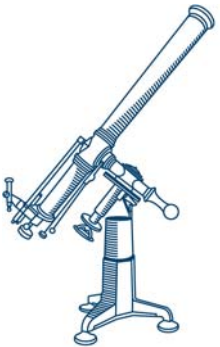
Health Care Spending Accounts

- A health care spending account is a contract to provide administrative services. It is not a policy of insurance, but is a conduit to self insuring benefits provided to employees by employers.
- Contributions are determined by the company.



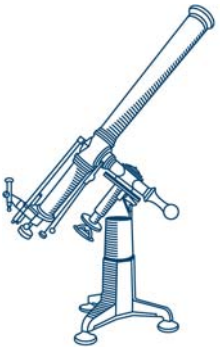
Health Care Spending Accounts

- Funding can be through monthly or annual contributions.
- Eligible benefits are based on provisions of the income tax act, the General Benefit Provisions and Limitations and Exclusions outlined in the contract.



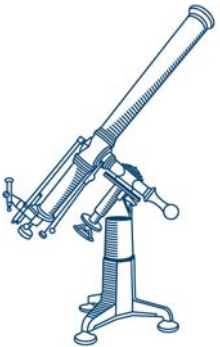
Claims - how do they work?

- Claims are submitted to the trustee for payment from the health care spending account.
- Any remaining balance after year one may be carried forward, but must be spent by the end of year two.



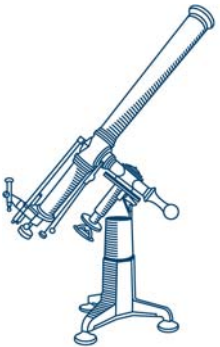
Additional Benefits

- Eligible expenses include expenses not covered under any other benefit plan.
- Plans to provide access to care and diagnostics, concierge service and insurance funding to cover the cost of care anywhere in the world, may be eligible for funding through your health care spending account.



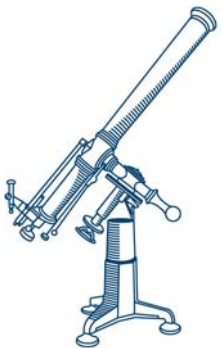
Encouraging Rapid Recovery

- Wellness programs and programs that provide access to a worldwide medical knowledgebase are of value to both the employee and the employer.



Summary

- Your employees are your greatest asset.
- Total Employee Compensation (including options or alternate plans) is one of your biggest expenses.



The Balancing Act

- In developing compensation strategies, it is important to maintain flexibility, limit corporate and shareholder liability, and provide meaningful solutions that retain key employees.
- If you can define the important issues, plans can be designed to provide the solutions.

