

## **Floor Offset Plans – Advantages and Disadvantages**

## Advantages

1. Limit downside DC risks
2. Greater benefit for older EEs than pure DC plan

## Disadvantages

1. ER pays termination insurance premium
2. Complex administration
3. ER assumes DC investment loss
4. EE forgoes DC investment gains

Cash Balance & Other Hybrid Retirement Plans, Chapter 21, *Retirement Plans*

## **Desirable Characteristics of Global Companies Benefits Plan**

- Cost effective
- Reflect 3-legged stool: social plans, company plans and personal plans
- Flexible
- Reflect trend to increase importance of company and personal plans
- Easy to administer
- Easy to understand
- Benefits transferable
- Inflation protection
- Provide suitable sources for asset accumulation and estate protection

The Trend to a Global TCN Benefits Program for US Companies R-D136-10

## **US Expatriates Plan Design**

1. If employed in foreign branch, covered by US qualified plan unless specifically excluded
2. If employed in foreign subsidiary, not legal US qualified plan participant unless specific steps are taken

Globalization of Employee Benefits, R-D104-07

**Difference Between Total Return Strategies  
and Liability Benchmark**

Strategy	Total Return	Liability-Driven
Objective	Max. return for given risk level	Max. return while reducing interest rate risk
Limitation	May not co-ordinate with liabilities	Limited ability to speculate on future interest rate

Plan Sponsor Guide to Liability Driven Investment R-D131-09

## **Deferred Compensation Plans**

Section 457(b) Plans – Government vs. Tax Exempt NGO

	<b>Government ER</b>	<b>Tax Exempt NGO</b>
Loan provisions	Yes	No
Investment options	EE choose among investment options offered	Informal funding EE can direct investments but no secured interest in the purchased assets
Taxation of deferred income and earnings	Tax free until distributed	Tax free until distributed or made available
Amendment to meet eligible plan requirements	Has Grace period	No grace period

*Retirement Plans*, Chapter 10, Section 457 Deferred compensation plans