

TAKE CONTROL OF TOMORROW... TODAY™



EMPLOYEE BENEFITS PRE-FUNDING PROGRAM

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EXECUTIVE BENEFITS SOLUTIONS

"Take Control of Tomorrow . . . Today"™

EMPLOYEE BENEFITS PRE-FUNDING PROGRAM

Pre-determined funds can help offset future benefits costs and potentially impact your ROA.

The ongoing challenge for credit unions is how to continue to pay for employee benefit costs.



The pre-funding of employee benefits could be the way to provide relief against mounting benefits costs. The NCUA (*National Credit Union Administration*) Regulation 701.19 amendment dated April 24, 2003 along with the opinion letter dated November 24, 2004 and the most recent NCUA opinion letter on funding potential employee benefit plan obligations under Regulation 701.19 dated December 15, 2006 states that: “A federal credit union may purchase an otherwise impermissible investment to fund an employee benefit obligation as long as, among other regulatory limits, there is a direct relationship between the investment and the employee benefit obligation it serves to fund.”*

The pre-funding of employee benefit costs helps retain valuable employees in today’s competitive environment. Most importantly, pre-funding helps offset future benefits costs and can potentially impact the credit union’s return on assets (ROA) as well as help toward providing more stability for the financial management of the credit union.

*Source: National Credit Union Association www.ncua.gov (Regulations, Legal Opinions and Laws)

The solution for credit unions is to help pay for employee benefit costs by implementing an Employee Benefits Pre-Funding Program.

Employee Benefits Pre-Funding is a strategy that can help you offset eligible long-term employee benefit expenses as:

- Health Care Expenses
- 401(k) Match
- Pension Contributions
- Long Term Disability Premiums
- Short Term Disability Premiums
- Group Life, AD&D Insurance
- Dental & Vision Premiums
- 457(f) Plans
- Long Term Care Insurance Premiums
- Post Retirement Health Care
- Health Savings Account Contributions



Avoid decreasing your employee benefits coverage, increasing deductibles and raising co-pays by considering an Employee Benefits Pre-Funding Program for your credit union.

Executive Benefits Solutions (EBS) has developed a turnkey platform to help you pre-fund the credit union's employee benefit obligations. We can help you analyze your current benefit situation and develop a pre-funding strategy, working closely with you and your examiners to help make your plan federally and/or state regulatory compliant, while striving to help you make the suitable investment funding choices for your situation.



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For More Information Contact:

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EMPLOYEE BENEFITS PRE-FUNDING PROGRAM

By pre-funding benefits, credit unions can estimate their future benefit obligations based on prior benefit costs and project the costs to help pay for some or all of its employee benefits from potential investment earnings. The following provides a step-by-step outline of the process from identifying the impact to the credit union by pre-funding employee benefits through implementation and management of the program:

1. SUBMISSION OF EMPLOYEE BENEFITS DATA:

Executive Benefits Solutions will provide credit union representative with an electronic data sheet to enter credit union's current employee benefits obligations.

2. PREPARATION OF EMPLOYEE BENEFITS PRE-FUNDING ANALYSIS:

Executive Benefits Solutions will prepare a comprehensive employee benefits pre-funding analysis based on the data submitted and typical annual rate of increase for benefit costs. The analysis will provide detailed calculations and various funding scenarios projecting the credit union's current situation compared to proposed funding strategies. It is important to assess accurate projected costs in order not to excessively exceed the current value of future benefit costs. Impact to the credit union's return on assets (ROA) will be illustrated with implementation of the proposed funding program.

3. EXECUTIVE TEAM & BOARD PRESENTATIONS:

Presentations to the Executive Team and Board Members will be scheduled to deliver an overview of the program and the results of the analysis.

4. BOARD APPROVAL & SELECTION OF FUNDING PROVIDER:

Upon board approval to implement a pre-funding program, Executive Benefits Solutions will meet with the credit union representative to review and select an appropriate funding vehicle based on investment policy, risk tolerance, historical investment model return and overall asset management capabilities.¹

5. ACCOUNTING:

Executive Benefits Solutions will provide a reference for sample accounting and work with the credit union, accountants and auditors to review all employee benefits data to determine the appropriate funding schedule.² The National Credit Union Association Regulation Amendment dictates that investment earnings be directly related to the benefit cost projections and calculations.

6. PLAN IMPLEMENTATION:

Executive Benefits Solutions will coordinate with the credit union and the investment provider to help with the submission of all of the necessary paperwork for plan implementation.

7. ONGOING REVIEWS:

Executive Benefits Solutions will review the program with the credit union on an annual basis to ensure that the funding schedule is appropriate to cover the current benefit obligations. Also, changes and updates to the program can be requested if any benefits and/or employees are added or eliminated from the credit union's employee benefits plan. The projection of future costs can be recalculated at any time based on any revisions to the program. Adjustments will be made by decreasing or increasing the program funds.

¹ It is important to note that different types of investment strategies involve varying degrees of risk and there can be no assurance that any investment strategy will produce positive returns. ² It is our position not to offer legal or tax advice.

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