

Executive Compensation:

→ Don't Forget the Fringe Benefits

By David T. Harmon and Rachel A. Wingerter

For an IT executive, negotiating the right employment compensation package should entail more than scrutinizing the term sheet for the dollars offered to the individual in the form of salary, bonus and equity participation. Executives often place the salary and options figures at the forefront of their analysis and lose sight of other valuable compensation components. While salary considerations should have prime consideration, employees should not overlook the value of fringe benefits or perquisites (or the more familiar term "perks") to supplement their overall compensation package.

As corporate employers demand more of their employees, employees are demanding more of their employers. Fringe benefits are a way to meet the mutual employment demands. Fringe benefits offer an employer another way, aside from just salary, to recognize an employee's market value, duties and responsibilities and corporate contribution. For the employee, employment perks, in a variety of forms, can sweeten a compensation package financially and provide the employee with the motivation to achieve the employer's long-term and short-term corporate goals.

An area where the inclusion of fringe benefits is particularly apparent is in the compensation packages of IT executives. In 2007, based on some of the latest proxy statements filed with the Securities and Exchange Commission, some of the nation's top IT executives received, in some cases, an additional \$100,000.00 in fringe benefits. These top earners negotiated, as part of their overall million dollar compensation, employer payment of retirement savings contributions, financial planning advice, life insurance premiums, and personal use of the corporate aircraft. Some IT executives' perk packages included transportation allowances, club dues, home security systems and executive physicals. In the case of a sought-after foreign executive, the employer assumed responsibility for the executive's immigration fees.

IT employment candidates should be mindful of current trends and happenings in the executive compensation arena when negotiating an employment package. According to CIO Magazine's November 16, 2007 article entitled "CIO Compensation Includes Lots of Perks" by Kim S. Nash, of the thirty-nine identified millionaire CIOs in 2007, twenty-three received retirement/savings contributions as part of their overall employment compensation package. Fifteen members of the 2007 class of millionaire CIOs received perks in the form of life

insurance premiums. Much less common as part of the millionaire CIOs' employment packages were employer-provided payments for health screenings or physical exams with only six members of the 2007 class of millionaire CIOs reporting such contributions in the latest proxy statements. The perks paid to the millionaire CIOs reflect the flexibility of the executive compensation negotiation process. What is an important component in the employment compensation package to one IT executive might be of little interest to another executive. However, current trends suggest a willingness on the part of employers to make generous retirement contributions.

While we recognize that not every employer has the resources to offer its employees compensation that includes such rich perks, the recent payment of generous fringe benefits to America's highest-paid IT executives underscores for all executives that fringe benefits provide the employer with another way to bring new executive talent into their fold. Prospective employees should not overlook this trend.

When an employer identifies an employee as a good match for the company, there can be a great deal of flexibility, outside of just salary and bonus. The payment of fringe benefits can allow the employer to fashion a compensation package that provides the employee with compensation and benefits that are commensurate with the employee's skills and responsibilities while protecting the assets of the employer and its shareholders. From the employee's perspective, perks are a valuable tool to tap to achieve the financial goals other than through salary and bonus. That means that with fringe benefits there is a greater likelihood of meeting the goals of both the employer and the employee.

The IT executive employment package should also address, where applicable, IRS rules on deferred compensation, change of control and related tax indemnities.

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