Hrm total compensation plan

The purpose of a company??™s benefits program is vital to ensure the plans fit the structure of the company and the needs of its employees.

Being a new company starting with 150 employees it will be very important to plan a varied and comprehensive retirement program that will not only address the needs of the company??™s current employees, but will also attract potential employees, and be affordable for the company. Qualified plans ??? entitle employers and employees to substantial tax benefits??? (Martocchio, 2009), because neither has to pay taxes on contributions within a dollar limit outside of defined contribution plans. As an additional benefit, investment earnings are tax-free and participants and their beneficiaries do not pay taxes on retirement benefits until the funds are received.

There are two types of qualified retirement plans: defined benefit plan and defined compensation plan. The challenge of the defined benefit plan is that it may prove to be more expensive for employers as employer contribution rates fluctuate yearly and requirements may be difficult for employers to ensure all the funds are available for participants or beneficiaries to receive. In this case, the best retirement benefit design option is the defined contribution plan. Under the defined contribution plans ??? employers and employees make annual contributions to separate accounts established for each participating employee, based on a formula contained in the plan document??? (Martocchio, 2009).

The defined contribution plan usually calls for the employer to contribute a set percentage of each participating employee??™s compensation annually. Based on the benefit and contribution limits, employers are limited to the percentage amount contributed to the defined contribution plan. Employers invest funds on behalf of the employee from an array of investment options, such as stocks, bonds, and market funds (Martocchio, 2009). Being a newly operational and small company, investment options should be limited to employer choice based on fiduciaries reports. A popular type of defined contribution plan is a 401K, which allows employees to ??? defer part of their compensation to the trust of a qualified defined contribution plan??? (Martocchio, 2009).

401K plans popular because of the several benefits offered to employers and employees. First, income tax is not paid on contributions until the employee withdraws the fund; second employers contributions are deducted from taxable income, and finally, gained investments are not taxed until a participant??™s funds are received. Profit sharing is used to distribute money to employees through a pool that is funded by gross company sales or another basis (Martocchio, 2009). One of three formulas can be used to establish employer contribution percentage. A ??? fixed first- dollar-of-profits formula uses a specific percentage of either pretax or after-tax annual profits contingent upon the success of a company??™s goals??? (Martocchio, 2009), a graduated first-dollar-profit formula shares a specified percentage of the company??™s profits, and finally the profitability threshold formulas fund profit sharing pools only if a profits go above a set minimum level, but below a maximum amount. Allocation of profit-sharing funds can be equally paid out regardless of employee contribution or level in the company, based on employee??™s annual salary, or based on employee contribution.

Being a new company with a small number of employees, the best allocation method may be to equally pay out employees to promote employee motivation to reach the company goals, thereby assisting in increase sales and profits. Both benefit plans meet requirements of the ERISA by allowing all employees to contribute after a year of service and completed work hours. In addition, information regarding these plans, such as requirements, plan information, etc.

will be communicated thoroughly to every employee. When good benefit plans are in place, communicating the information to the employee is important to ensure their understanding of investment and contribution options from the employer and the employee, employer and employee requirements, plan options, and to comply with Employee Retirement Income Security Act of 1974 (ERISA) requirements. Several types of communication methods can be used to distribute, inform, and educate employees on company benefit and retirement plans. The first method of communication is mailing information packets to each employee??™s home. Information packets should include plan options available, investment options and information, employee and employer contribution amounts, eligibility requirements, important dates, and necessary contact information. Mailing information packets to employees at home gives employees additional time at home to read over, identify questions, and discuss options with family members.

Another communication method is to hold question and answer sessions around benefits enrollment time to allow employees to speak one-on-one and get answers to questions with a professional fiduciary. Finally, benefits fair will be held during the first two weeks of open benefits enrollment. The benefit??™s fair will include tables of information, free give-a-ways to attract attention, and plenty of assistance from professionals from specific areas to assist employees with questions.

Some employees may not consider investment, retirement, or other benefit options until benefit enrollment season, therefore holding a benefits fair will give employees the opportunity to gather as much information as needed, see and discuss options, and make an informed decision. Investment information regarding changes in contributions, interest, or investment options should be communicated as the information is available to the company. Per ERISA requirements, employees are required to be notified of any changes in retirement and investment benefits. Communication on investment changes can be sent via e-mail, U. S. mail to employee??™s homes, or both. Question and answer sessions should be offered one time per quarter and sign up information communicated via e-mail. Quarterly question answer sessions will allow employees the opportunity to inquire about any change in investments or benefits that recently occurred, or may have general questions about retirement options employees want to modify.

Other than economic factors like a growing employee lay-off rate and a rise in part time employment, employees may not participate in retirement and investment options because it can be overwhelming and confusing, especially for younger employees. The best way to increase employee participation in benefit options is to ensure employees have a clear understanding. Although a benefits fair is a great way to promote employee benefits and share information, there may not be ample one-on-one time for every employee.

Quarterly information sessions will be the best way to paint a clearer picture for employees on the benefits and how the benefits will help them individually in the future and their families. Information sessions can be tailored to be less formal and upbeat to help encourage employee participation. Information sessions are also a good opportunity to help employees sign up for retirement plans and other investment options. Having the right employee benefit options in place creates a win-win environment within the company, and allows for a shared sense of investment in the company between the employee and the employer. By allowing an employee to have options of creating the retirement package that will meet their needs, but also the needs of their family fosters a sense of loyalty and community amongst their staff.