



For Immediate Release

Contact: Candice Wartier  
[cwartier@communication-strategies.com](mailto:cwartier@communication-strategies.com)  
312-587-3105

## **Study: BCBS Health Insurance Companies continue to use SERPs as a Core Element of Executive Compensation Packages**

**Reading, Pennsylvania (September 24, 2014)** – SERPs (Supplemental Executive Retirement Benefits) remain a core element of the executive compensation package at most Blue Cross and/or Blue Shield Plans (BCBS), according to a recent study by HR+Survey Solutions ([www.hrsslc.com](http://www.hrsslc.com)), a compensation consulting and research firm.

Based on a review of 24 Plans that participated in the study over the last nine years, nearly 80 percent (19 of 24 plans) indicated that SERPs are provided to executives; however, three plans indicated that they have eliminated the use of SERPs and none of the plans instituted a new SERP. Eligibility has remained flat, with seven organizations adding additional executives to the SERP and seven organizations reducing participation.

SERPs can cover just a few of the top executives or extend down into the organization to cover all whose qualified retirement plan is capped by ERISA (about 85 percent of the organizations offering a SERP indicated that it is a Defined Benefit ERISA Make-Up plan); based on the survey sample, the median number of SERP participants is 30.

SERP benefits can be either a lump sum payout at retirement or an annual annuity. The participant can elect how they want the money dispersed. For the CEO, the value of the lump sum can approach \$5 to \$10 million. These payments continue to garner national media coverage and spur public debate over executive compensation.

The findings are based on the annual Executive Total Potential Remuneration (TPR) Compensation, Benefits and Perquisites Survey, which assesses pay and other benefits for executive positions at a majority of BCBS organizations.

“SERPs are often used to fill in the gap between the qualified plan limits and what top executives would accumulate in their pension if there were no IRS limits. The issue is that the lump sum payments can catch people’s attention, especially if the organization is going through other financial challenges,” says Judy Canavan, managing partner, HR+Survey Solutions.

“In most cases, SERPs are part of the pay package and it would be difficult for Boards to attract top talent if the plans were abolished. However, companies are beginning to rethink these plans due to the risk of having to pay a significant lump sum to a retiring executive irrespective of the financial situation of the company at the time.”

-more-

## Other study highlights

- Over the last nine years the CEO's median target annual incentive has increased from 60 percent to 85 percent of salary, representing a 40 percent increase in target incentives.
- Median salary rates for the CEO have only increased by 13 percent over that same time period.
- The use of long-term incentives has stayed consistent with about 85 percent of the organizations providing.
- LTI levels for the CEO have increased by only 20 percent over the nine year period.
- CEO target annual incentives are higher for the larger companies (100 percent versus 60 percent at smaller companies).
- LTI targets for CEOs of larger companies are more than 2.5x the target size at smaller companies.

## About the methodology

The 9<sup>th</sup> annual Executive Total Potential Remuneration Survey<sup>i</sup> was published by HR+Survey Solutions in August, 2014. A total of 17 BlueCross and/or BlueShield organizations participated, with 38 positions represented. The Executive TPR Survey assesses compensation packages including salary, benefits, executive perks, long and short-term incentives, SERPs, and severance agreements, among other values. If you are interested in participating in the 2015 Executive Total Potential Remuneration Survey, contact Judy Canavan at 866-252-6788 x902 [[jcanavan@hrssl.com](mailto:jcanavan@hrssl.com)].

## About HR+Survey Solutions

HR+Survey Solutions conducts annual industry and custom client surveys and provides organizations with expert advisory services focused on compensation plan design and assessment of appropriate compensation levels. Please visit [www.hrssl.com](http://www.hrssl.com) for more information.

###

---

<sup>i</sup> This study was conducted by HR+Survey Solutions, with no affiliation or sponsorship by the Blue Cross and Blue Shield Association or other Blue companies.