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THE PANGBURN GROUP®

THE PANGBURN COMPANY
Third Party Administration of Nonqualified Executive Benefit Plans

TPC CONSULTING
BOLI Compliance and Reporting

PANGBURN TECHNOLOGY
Technology Solutions & Custom Software

TPC ACTUARIAL
Actuarial Consulting for COLI & BOLI

IN THIS ISSUE

TARP RESTRICTIONS ON EXECUTIVE COMPENSATION

On February 17th, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009, which contained expanded restrictions on executive compensation for recipients of TARP funds. The Recovery Act affects all TARP recipients, including those that have previously received TARP funds. The following is an outline of three key provisions that directly affect executive compensation:

Restrictions on Bonus, Retention, and Incentive Compensation - A TARP recipient may not pay these types of compensation to certain highly compensated executives. The covered executives that are subject to the restriction depend upon the amount of TARP funds received:

Amount of TARP Funds Received	*Covered Executives*
Less than $25 million	Most highly paid Executive
$25 million but less than $250 million	5 highest paid Executives
$250 million but less than $500 million	Top 5 Senior Executive Officers plus 10 next highest paid
$500 million or more	Top 5 Senior Executive Officers plus 20 next highest paid

Notwithstanding the above, these types of compensation may be paid in the form of restricted stock as long as (i) the stock does not fully vest until the TARP funds are repaid, and (ii) the stock value does not exceed 1/3 of the executive's total compensation. In addition, the restriction does not apply to bonus payments if paid under a written contract on or before February 11th, 2009.

Limits on Severance Pay – Golden parachute payments (except for services performed or benefits accrued) due to separation from service for any reason are prohibited from being made to the top 5 senior executive officers and the next 5 most highly compensated employees. Apparently, there is no exception for pre-existing employment contracts. Also, a golden parachute appears to be any amount of compensation paid over the amount of accrued salary.

Compensation Deduction Limit – All TARP recipients are subject to the new IRS Section 162(m)(5), which limits the deduction for compensation paid to a "named executive officer" (CEO, CFO, and the 3 most highly paid officers) to $500,000 per executive.

FASB Relaxes Rules on Mark-to-Market Accounting

The Financial Accounting Standards Board (FASB) has relaxed the mark-to-market rule (i.e., "fair value" accounting) in order to give more flexibility in assigning a market value to an asset for which no actual market exists. Mark-to-Market accounting requires that institutions periodically revise the value of their balance sheet assets based upon the current market price of the asset. This rule is particularly troublesome for banks that hold "distressed" mortgages and securities. Since there is no market for these securities (an "inactive market"), the banks are forced to severely reduce the value of these assets on their balance sheets. A "write down" of assets results in less capital on the bank's balance sheet, which affects bank statutory capital and reserve requirements. Statutory capital (Tier 1 capital) limitations and changes directly affect the ability of a bank to own BOLI. FASB has loosened the mark-to-market restraints by permitting companies to look at factors and use judgment to ascertain if a formerly active market has become inactive. Once that determination is made, the FASB directive will permit banks to use internal models instead of market prices for determining the appropriate price of a security and will also allow them to take into account the cash flow of securities.

Planning Briefs

RETIREMENT HEALTH CARE:

According to Fidelity's annual estimate, an average couple retiring in 2009 would need $240,000 set aside by age 65 to pay for health care expenses in retirement – up $15,000 from 2008.

AVERAGE COMP COSTS UP:

Employer costs for employee compensation for civilian workers averaged $29.18 per hour for December 2008. The Bureau of Labor Statistics reported that wages and salaries averaged $20.37/hr (69.8%) while benefits averaged $8.81 (30.2%).

CEO PAY:

According to the executive compensation consulting firm Equilar, median CEO pay fell by 6.8% from 2007 to 2008 principally driven by a steep decline in median cash bonuses, which fell by 20.6% over the same period. S&P 500 CEO's received a median pay package of $8,446,935 in 2008, down from $9,061,057 the year before. 2009 results should be interesting!

IRS AMPLIFIES REV. PROC. 2008-3:

The Service will continue not to issue rulings concerning the income tax consequences of establishing, operating, or participating in a nonqualified deferred compensation plan described in Section 409A, but generally will rule on the application of certain other tax law provisions (such as FICA and estate and gift taxes) to taxpayers who participate in those plans.

COMPENSATION EXPENDITURES:

According to the Employee Benefit Research Institute, employers spent nearly $8 trillion on total compensation for workers in 2007. Wages and salaries accounted for $6.4 trillion (81.4%) while benefits made up the remainder, $1.5 trillion (18.6%). (Health benefits were over $623 billion compared to just over $399 billion in 2000.)

Technology Tips

DESKTOP VIRTUALIZATION

Most workstations in a networked office environment can be described as either "fat" or "thin" clients. "Fat-clients" are workstations that have their own copies of applications installed and do much of their own processing. "Thin-clients" are workstations that run applications from a server and do minimal processing.

The business world is seeing a resurgence in the "thin-client" model of computing that was once the de-facto standard for large businesses worldwide. With the availability of multicore processors, configurable desktop virtualization software, and broadband Internet connectivity, CTO's are beginning to understand that they can now have the best of both worlds using desktop virtualization: a full desktop experience on client machines along with the central manageability of a thin client setup.

There are many different ways to approach desktop virtualization, but all are designed to help technical support staff avoid the pitfalls inherit to the "fat-client" model of computing that became the business standard in the 90's. Some methods of virtualization rely on the client hardware to run the application, while others simply use the client hardware for user input and display. In this second scenario, the applications are processed by servers in a data center and the results are simply displayed on the client machine. This allows for the usage of very low powered machines on the desktop, which can save the employer significant money on utility costs. Replacing a desktop machine that uses 150 watts of power with one that uses 50 watts of power can lead to dramatic utility savings over the course of a year, especially for a large employer. This method does, however, require much more powerful machines in the data center, which should be factored into any calculation of energy savings.

There are a number of players currently in the virtualization market, including VMware, which has been a leader for quite a while, as well as computing giant Sun, which offers a competing product called Virtualbox. Other software venders such as NoMachine offer products that allow clients to login to a corporate network remotely, even over slower network connections such as the Internet. Finally, companies such as MokaFive and 2X offer a complete solution for managing and distributing operating systems and software over a network.

With broadband Internet so prevalent worldwide, and the increasing availability of multi-core processors, the usage of the "thin-client" model of computing will only continue to rise over the coming years. As virtualization software becomes more powerful every day, our very notion of "desktop computing" could be set to change in the near future.

Company News

Please join us in welcoming three new associates to The Pangburn Group:

BROOKE BENOIT is an Account Manager in our Web Services Division. Brooke is a 2003 graduate of Louisiana State University with a BS degree in Information Systems & Decision Sciences.

RAQUEL FUSILIER is our newest BOLI Coordinator. Raquel graduated from Louisiana State University in 1998 and earned a Masters in Elementary Education from Louisiana State University in 2001.

BHARATH KESIREDDY is working as a Systems Analyst. Bharath received his BS in Electronics and Communications from Kakatiya University, Andhra Pradesh, India in 2006 and a Masters in Systems Science from Louisiana State University in 2008.

INTERESTING RATES	2008									2009		
Index	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Short-Term AFR	1.85	1.64	2.08	2.42	2.54	2.38	2.19	1.63	1.36	0.00	0.00	0.00
Mid-Term AFR	2.87	2.74	3.20	3.45	3.55	3.46	3.16	2.97	2.85	0.00	0.00	0.00
Long-Term AFR	4.40	4.21	4.46	4.60	4.58	4.58	4.32	4.24	4.45	0.00	0.00	0.00
Section 7520	2.38	2.16	2.06	2.11	2.04	1.96	1.15	0.23	0.52	0.00	0.00	0.00
Federal Funds	1.62	1.94	2.17	2.38	2.25	2.12	1.72	1.31	0.81	0.00	0.00	0.00
T-Bill (One Year)	3.57	3.78	3.98	4.01	3.97	3.74	3.77	3.96	2.72	0.00	0.00	0.00
T-Bill (Ten Year)	4.40	4.49	4.68	4.55	4.57	4.36	4.22	4.33	3.22	0.00	0.00	0.00
Moody's Aaa	5.57	5.50	5.64	5.62	5.70	5.54	6.02	6.45	5.35	0.00	0.00	0.00

(Rates which fluctuate daily are shown on or about the 1st day of the month)

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