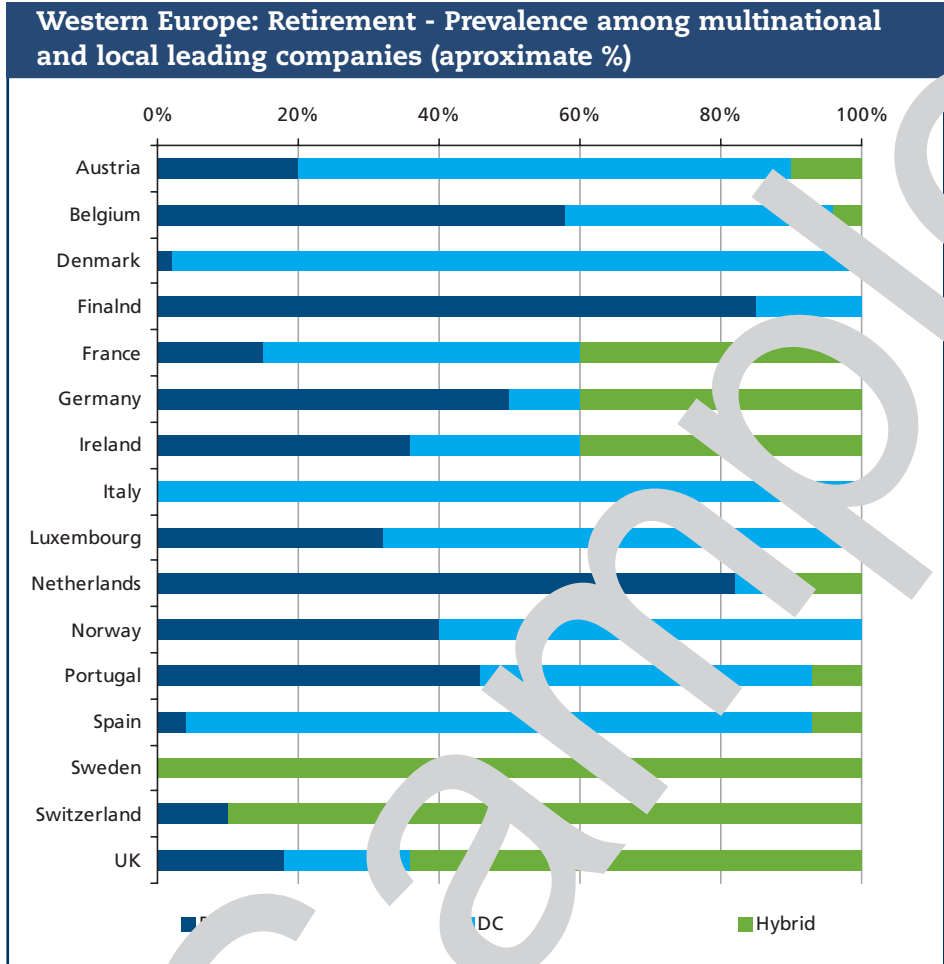


Western Europe: Retirement benefits

Western Europe historically has provided relatively generous social security benefits, so supplementary pension plans have not been prevalent in all countries. But this is changing.



Source: Benefits and Compensation Trends around the World, Mercer (2009)

At the same time, we are seeing a rapid movement from defined benefit to defined contribution across Western Europe, driven by both economic and demographic pressures.

Unique to Western Europe, many employers are closely watching developments and potential opportunities for pan-regional pensions.

Remuneration in Western Europe

- Flat-to-moderate salary increases
- Labor challenges in the technology sales and services sectors
- Broader use of variable pay

Western Europe has the highest old-age dependency ratio of all the regions. For example, Western Europe will have only two workers to support each retiree by 2050 – and Italy and Spain will have fewer than that.

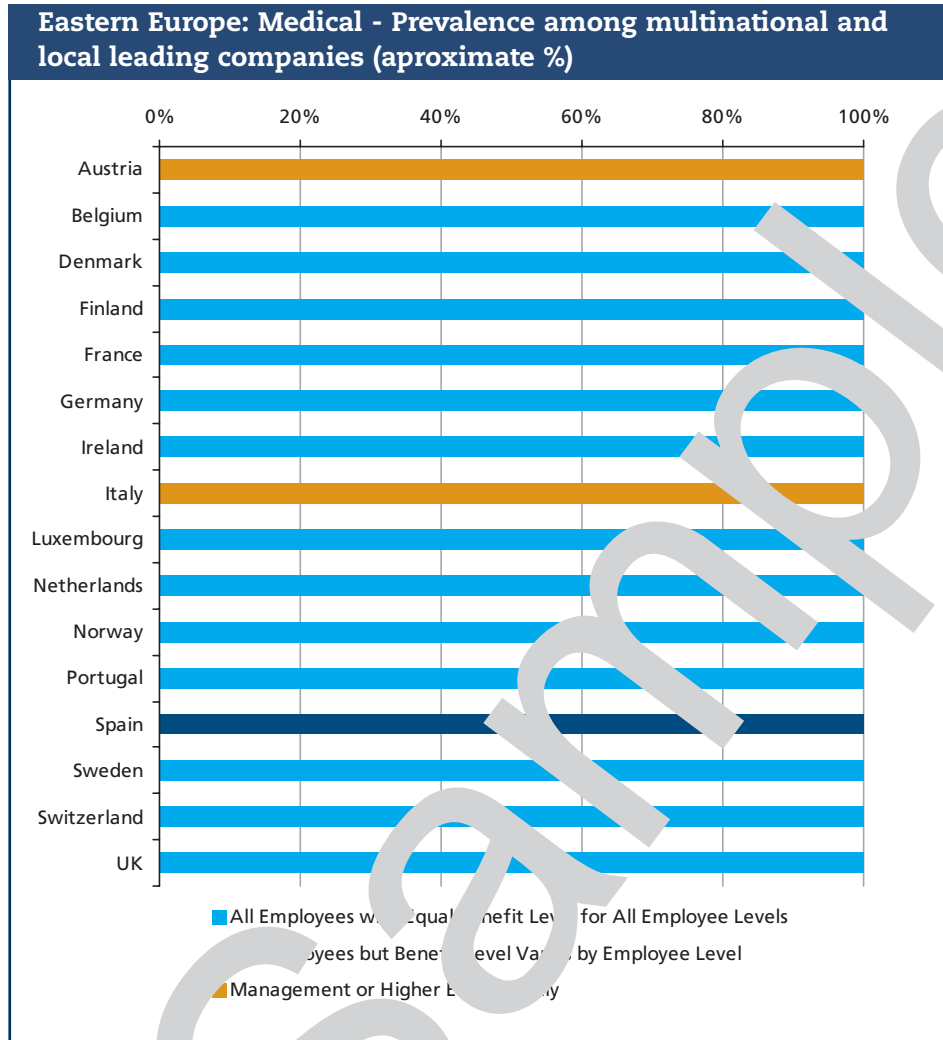
This significant trend will mean more pension benefit reforms in Western Europe, increases in retirement age, declines in levels of social security benefits, and more social pressure on employers from employees and their representatives to supplement pensions.

Retirement in Western Europe

- Social security in decline
- Rapid movement from DB to DC
- Income protection for death/disability common

Western Europe: Medical benefits

Private medical plans have not been majority practice, as Western Europe historically has provided relatively generous public health benefits.



Western Europe is the only region where some countries (Austria, Italy) provide private medical benefits only to their management or high-earning employees, and not to the entire workforce.

Medical benefits in Western Europe

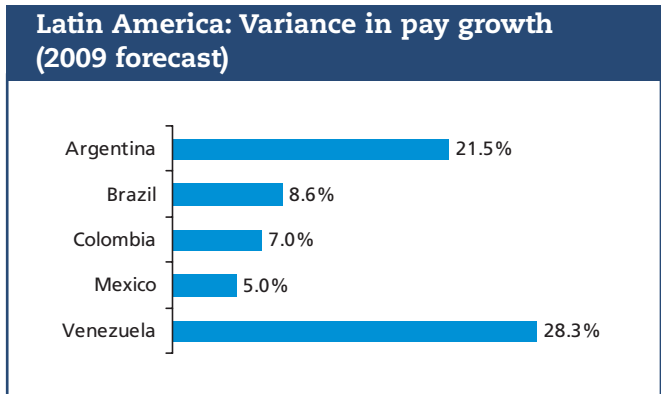
- Private medical plans not majority practice
- Some countries provide private medical benefits only to their management

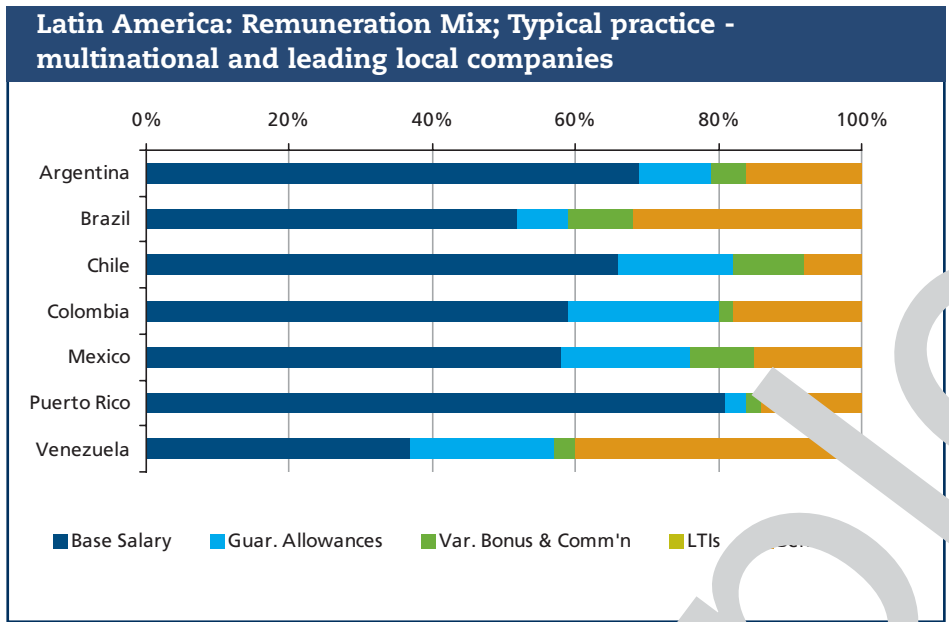
Source: Benefits and Compensation Plans around the World, Mercer (2009)

Latin America: Remuneration

As we move on to Latin America, many countries have a mandated additional salary payment, such as a 13th-month salary, Christmas or holiday vacation bonuses, or mandated profit sharing.

High inflation in Latin America has resulted in a review of salaries more than once a year in some countries in the region. Venezuela and Argentina face very high inflation and are experiencing the highest salary increases.





Remuneration in Latin America

Mandated additional salary payment is common. For example:

- 13th month salary payment,
- Christmas or vacation bonus, or
- Mandated profit sharing

Sources: Benefits and Compensation Plans around the World, Mercer (2009); Global Compensation Planning Report, Mercer (October 2009).

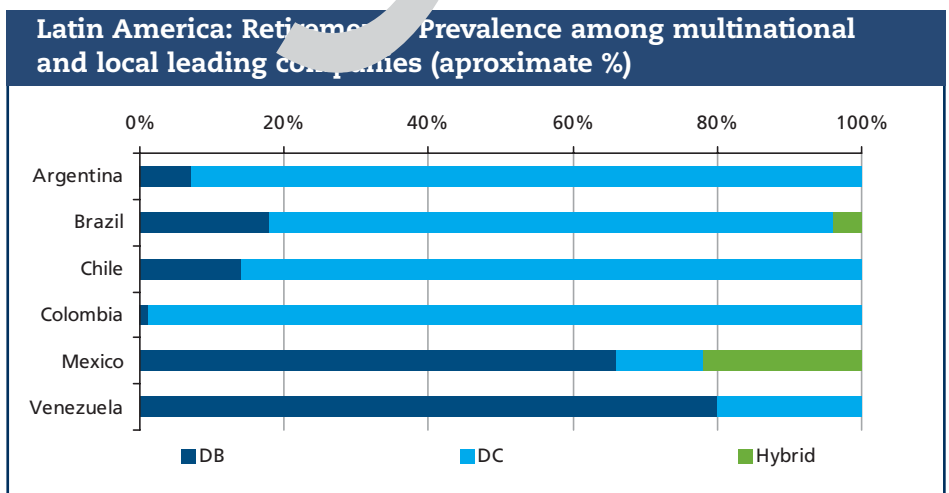
Offering variable compensation at all organizational levels is gaining prevalence every year in the region, with Brazil leading the trend.

Foreign direct investment has been growing in Latin America, particularly in Brazil, Colombia and Peru. Costa Rica and Panama are becoming preferred locations for regional offices, shared service centers, call centers and so forth. Human resources professionals are increasingly assuming regional positions to address more strategic challenges.

There is a war for talent due to the lack of experienced professionals, which is affecting the market median compensation for some key positions – especially for those with IT profiles.

Latin America: Retirement benefits

Supplemental pension plans are not the majority practice except in Brazil and Mexico.



Increase in the prevalence of pension plans is expected and we are already seeing this in parts of Brazil, Colombia and Venezuela. Current social security systems do not guarantee a sufficient retirement benefit in many Latin American countries, and real projected benefits are decreasing due to high inflation rates.

Source: Benefits and Compensation Plans around the World, Mercer (2009)

For example, starting with Brazil, the prevalence of supplementary retirement plans is high among medium and large multinational companies, but the need to supplement is growing among smaller companies as well.

In Colombia, we see the emergence of additional voluntary employer contributions to the mandated private system managed by the AFPs (the private pension funds administrators), especially for executives and key staff.

Some big companies are starting to offer defined contribution retirement plans as an attraction and retention strategy.

In Venezuela, pension supplementation or alternative sources of retirement income are becoming a more prevalent topic of discussion among HR managers and senior-level employees.

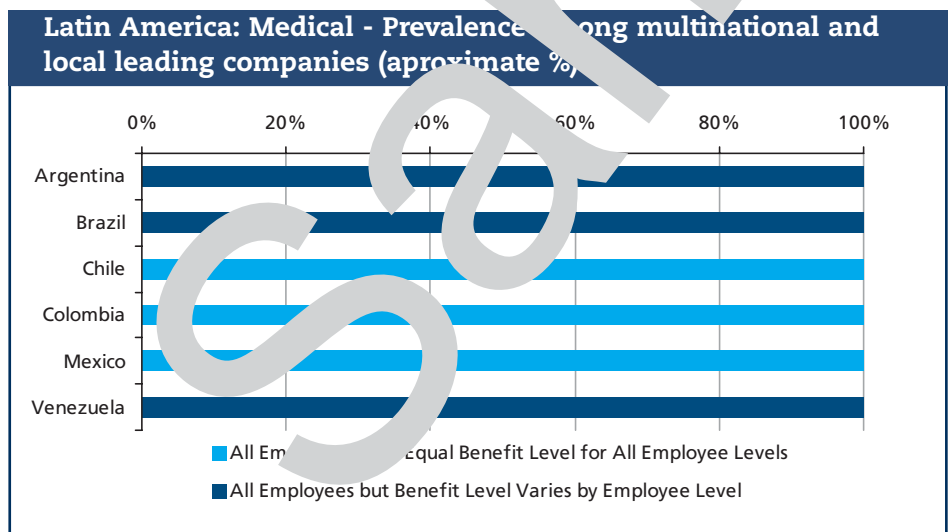
In Mexico, recently implemented multiple new laws have affected employer-sponsored pension plans.

Retirement in Latin America

- Real projected benefits are decreasing due to high inflation
- Supplementary plan prevalence expected to increase
- Trend from DB to Hybrid or DC

Latin America: Medical Benefits

Private medical coverage for all employees is very common in Latin America:



Medical benefits in Latin America

- Private medical coverage for all staff is very common
- Trend towards wellness programs

Source: Benefits and Compensation Plans around the World, Mercer (2009)

Employers are increasingly interested in wellness programs and more sophisticated cost management as a means to slow the future cost increases.