

BENEFITS CHALLENGES AND TRENDS FOR EXPATRIATES AND INTERNATIONALLY MOBILE EMPLOYEES

MARCH 2012



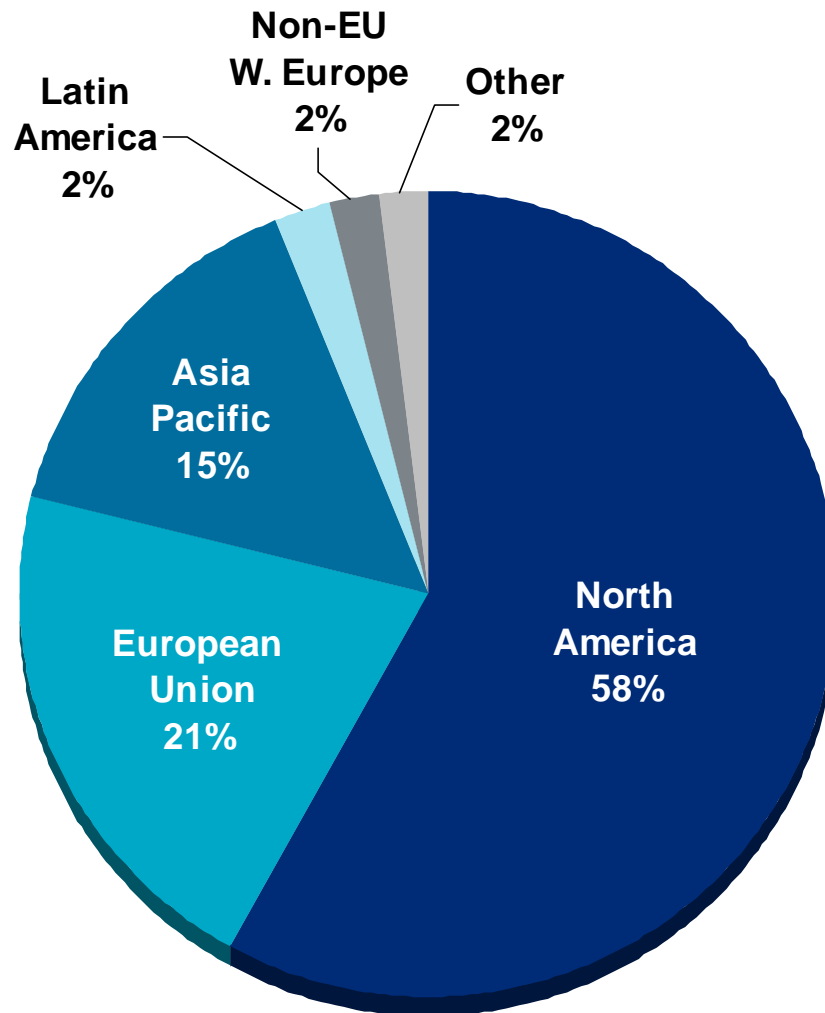
**Mark Price, Roger Herod and
Callum Burns-Green**

AGENDA

- Overview of survey participants
- Typical expatriate benefits
- Types of assignment
- Benefits challenges
- Survey highlights
- Benefits:
 - Retirement
 - Expatriate localization
 - International medical
 - Overview of life & disability
- Questions & contact details

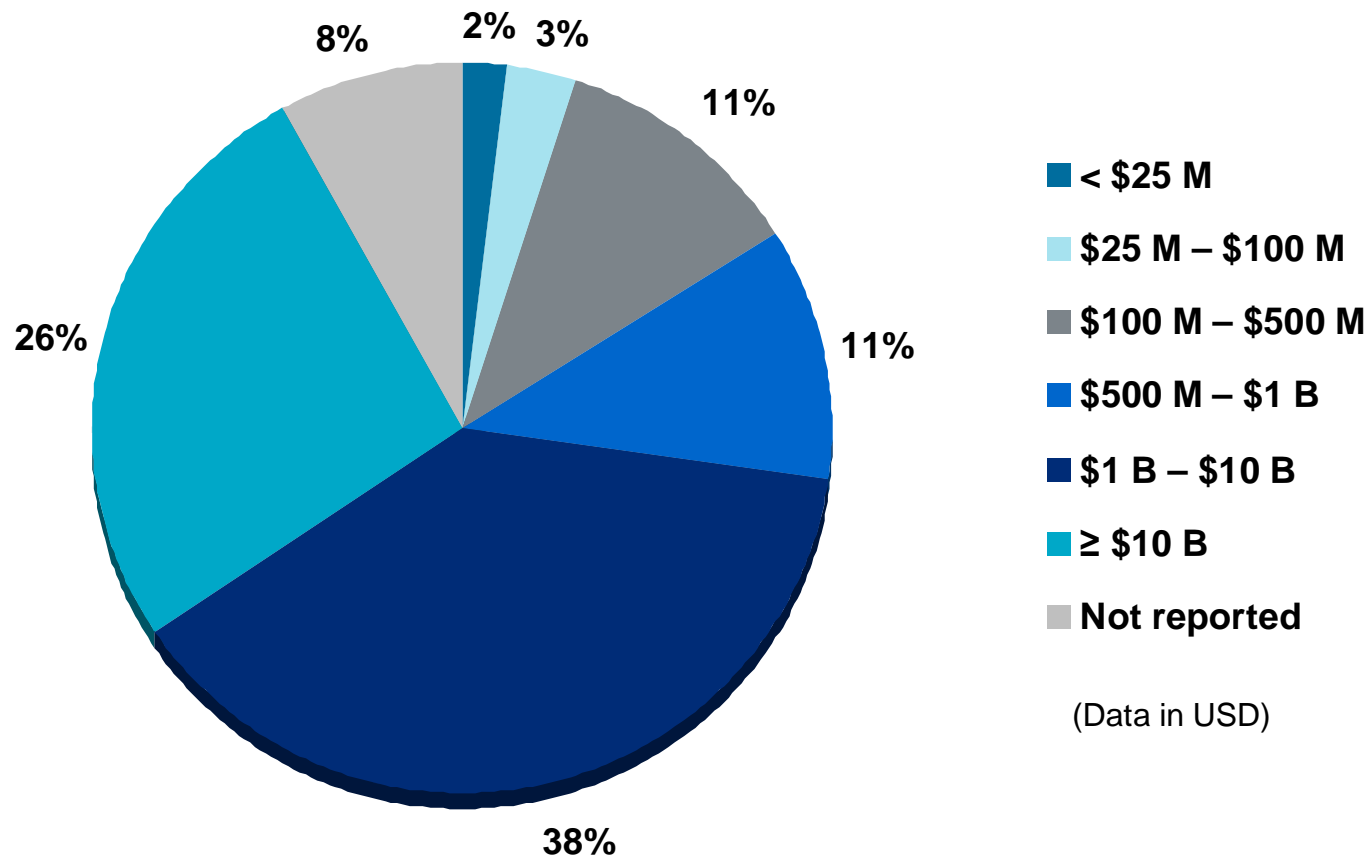
RESPONDENTS BY REGION

288 MNCs REPRESENTING 119,000 EXPATRIATES



RESPONDENTS BY ANNUAL REVENUE

64% EXCEED \$1 BILLION



BENEFITS TYPICALLY PROVIDED TO EXPATRIATES

- **Retirement**
- **Medical**
- **Accident**
- **Death**
- **Disability**
- **Other** (dental, vision, maternity, emergency assistance/evacuation, dependent medical, critical illness and short-term disability)

FIVE ASSIGNMENT TYPES

TRADITIONAL

Assigned for 1–5 years, expecting to return to home country

LONG-TERM

Assigned for > 5 years, not localized to host country programs, not expected to move country to country

GLOBAL NOMAD

Move country to country on varying assignments

FIVE ASSIGNMENT TYPES, CONT'D

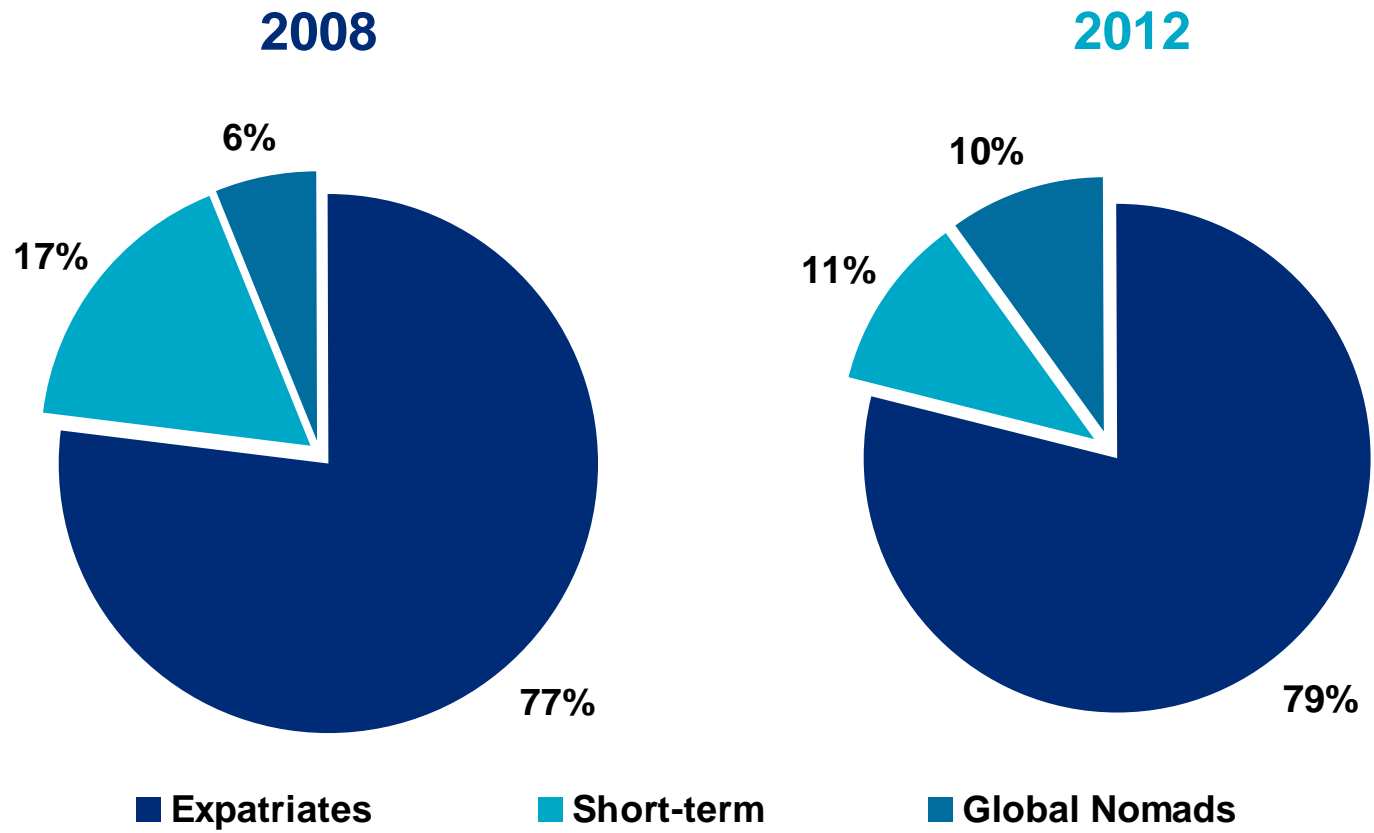
SHORT-TERM

Assigned < 1 year (excluding those who travel frequently on business); most will remain in home country programs and maintain home residence

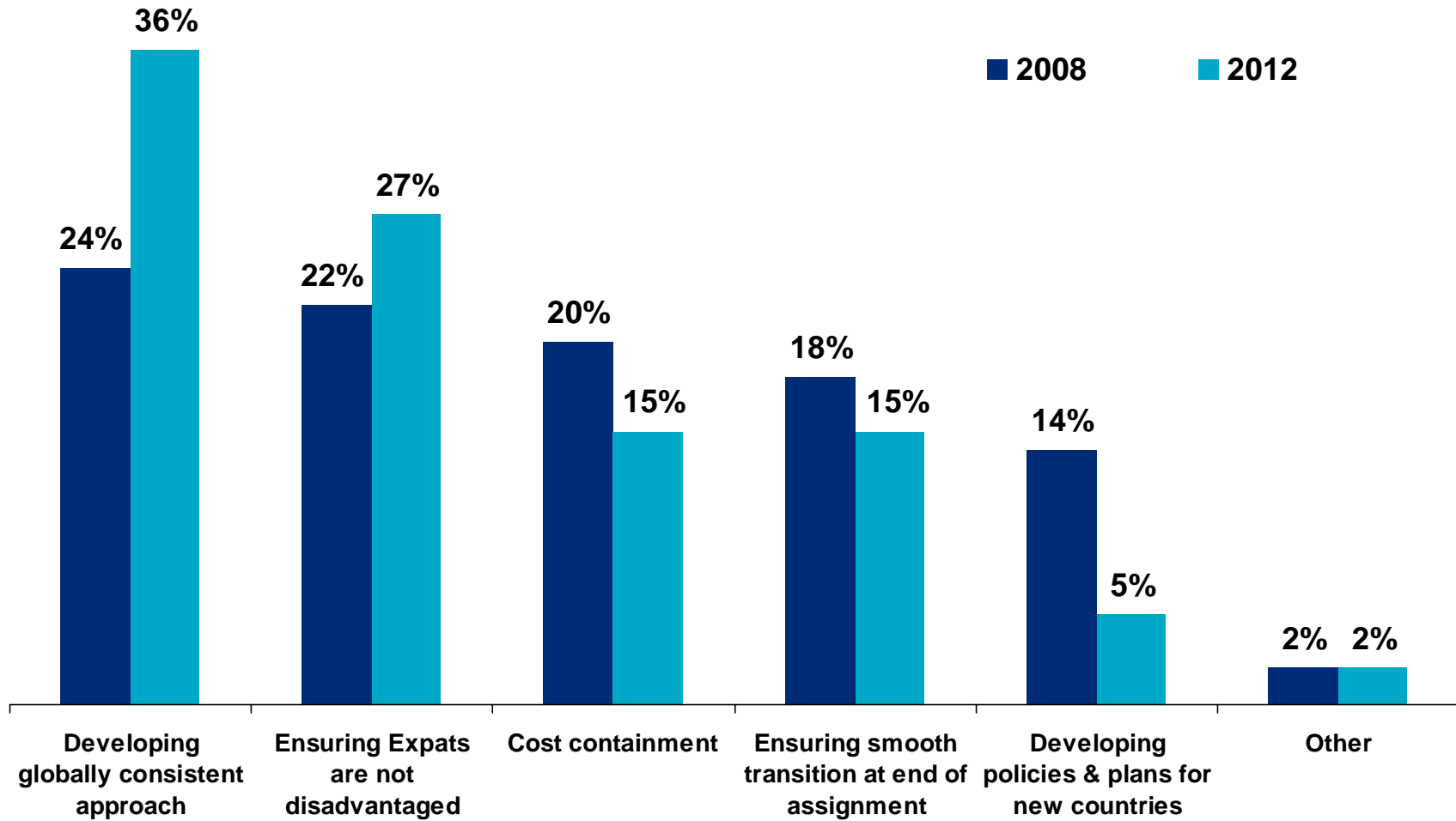
LOCALIZED

Moved to host country programs; no longer considered a traditional expatriate

ASSIGNMENT TYPES DISTRIBUTION IN SURVEY



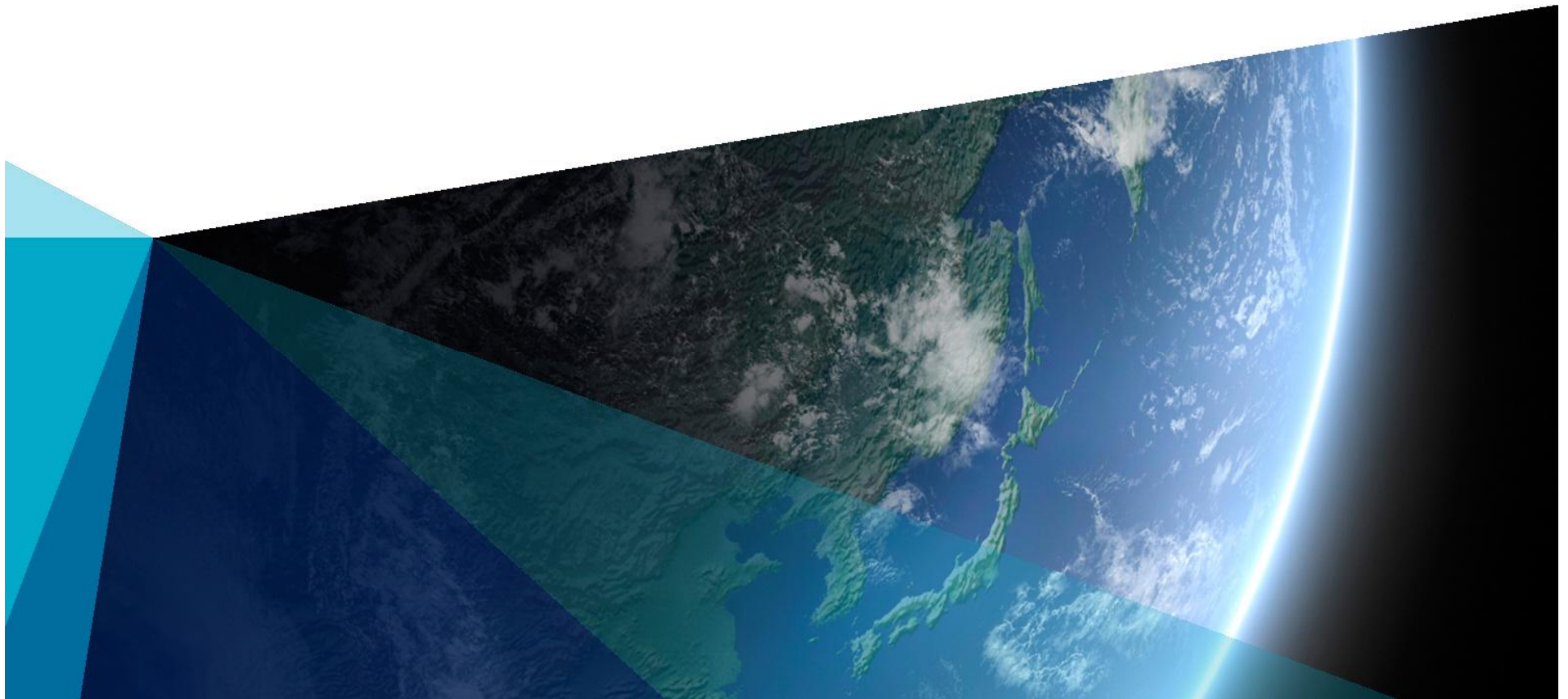
CHALLENGES IN EXPATRIATE BENEFIT PROVISIONS



KEY SURVEY HIGHLIGHTS

- **63%** of traditional expatriates are maintained in home country retirement plans
- **12%** of companies have established International Pension Plans to ensure continuity of benefits for global nomads and long-term expatriates
- **60%** of International Pension Plans are now DC plans vs. only about **20%** in 1991
- **53%** of companies experienced premium increases of **6%** or more in their international medical plan premiums at their last renewal

RETIREMENT



KEY RETIREMENT BENEFITS CHALLENGES

NATURE OF
ASSIGNMENTS

LONG-TERM NATURE
OF PENSIONS

EMPLOYEE
EXPECTATIONS

BENEFITS
FRAGMENTATION

TAXATION

COST
ALLOCATION

APPROACHES TO PROVIDING BENEFITS RETIREMENT

HOME COUNTRY

- Maintain membership in home country plan
- Suitable for short- and medium-term assignees (up to 5 years)
- Avoids fragmentation
- Aligns with employee expectations
- Can be expensive, hard to administer

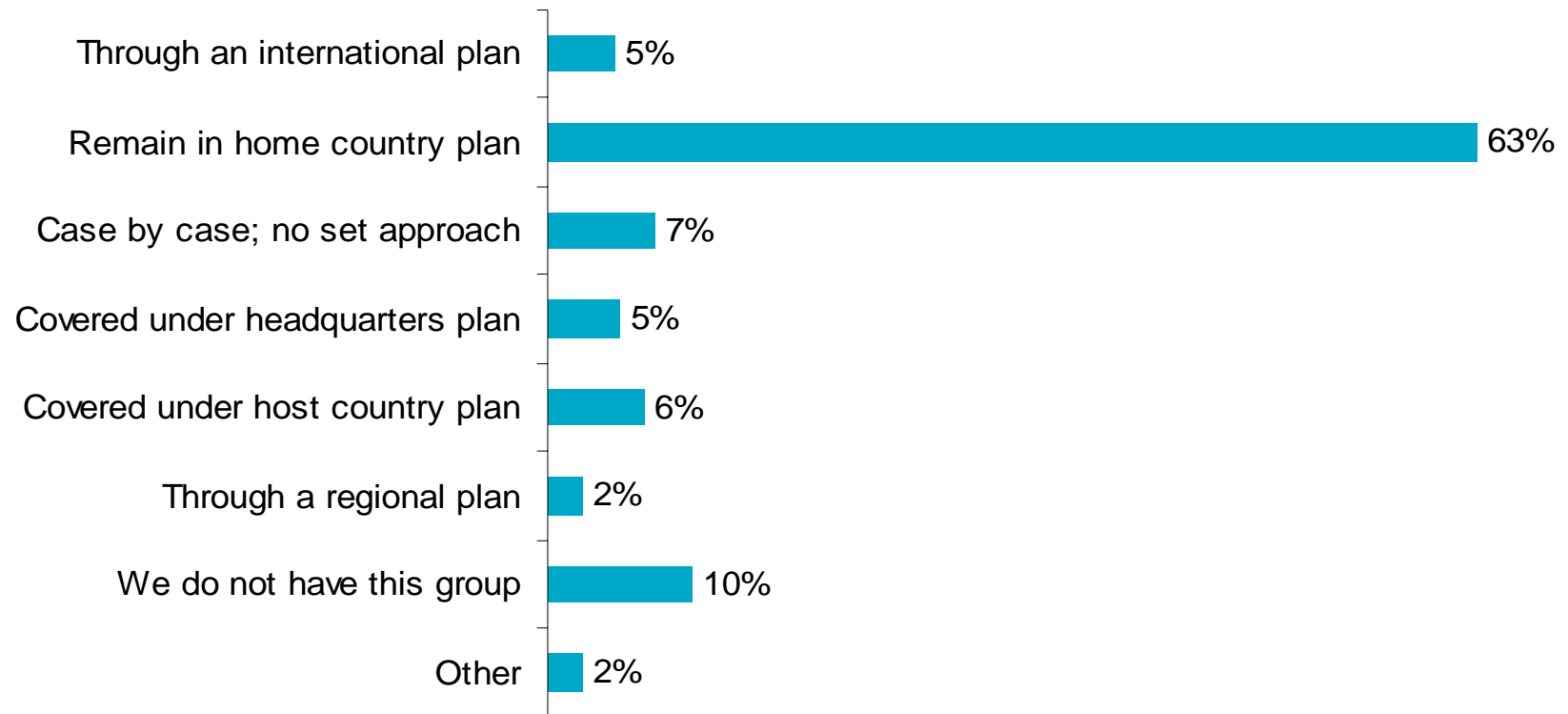
HOST COUNTRY

- Leave home country, and join host country plans
- Suitable for localization and DC environments
- Equity between expats and locals
- Can fragment benefits

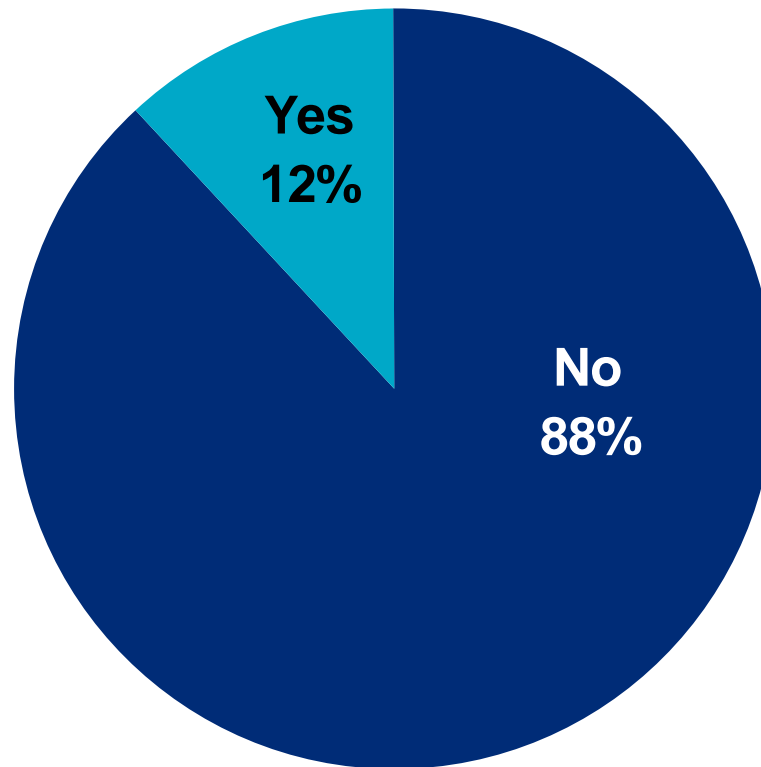
INTERNATIONAL PLAN

- Join dedicated international benefit programs
- Participation in home/host country programs may be waived
- Suitable for global nomads
- Provides common design, addresses home country coverage limitations
- Tax challenges, limits on membership

RETIREMENT BENEFITS FOR TRADITIONAL EXPATRIATES

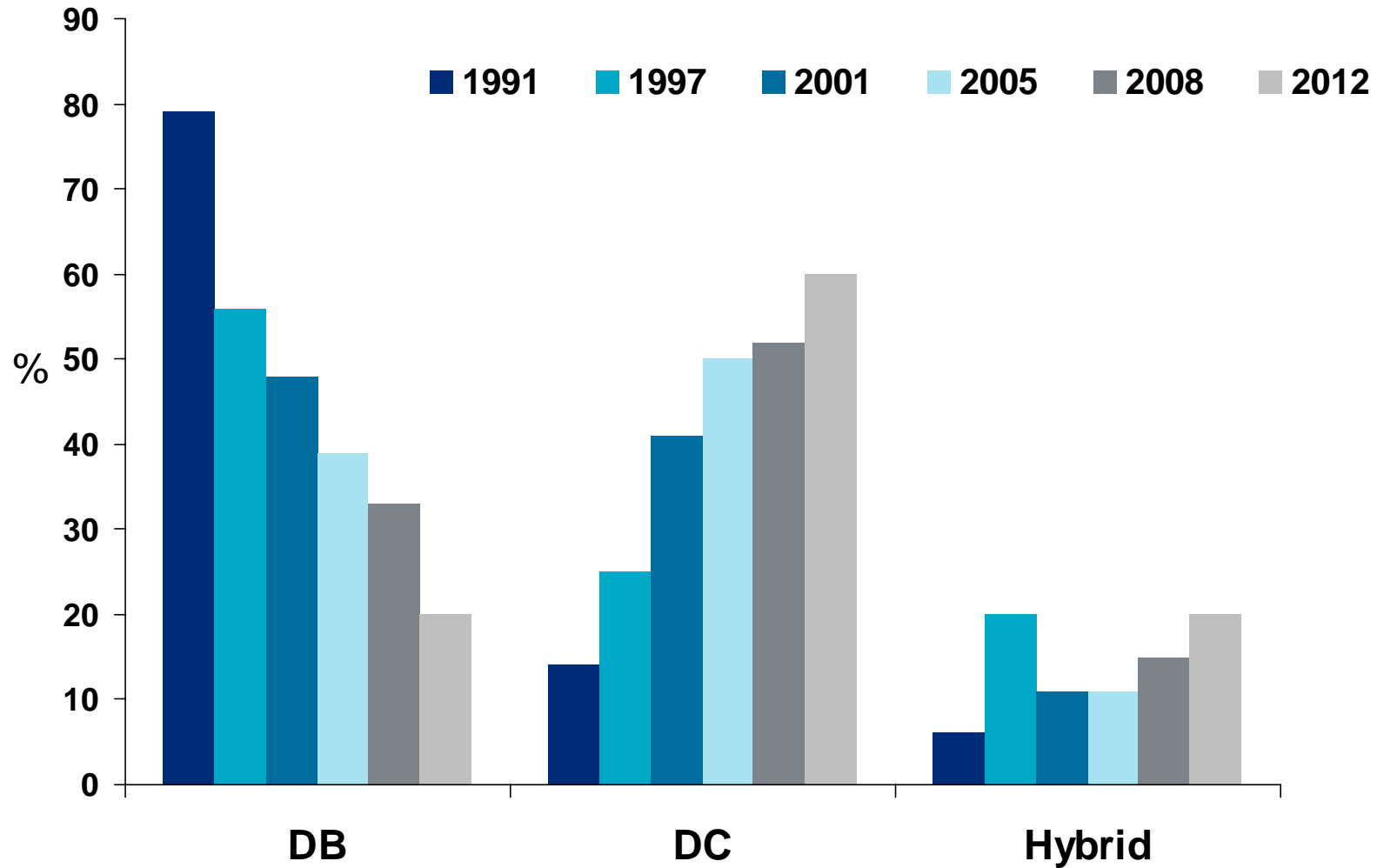


INTERNATIONAL PENSION PLANS PERCENT OF RESPONDENTS THAT SPONSOR THEM

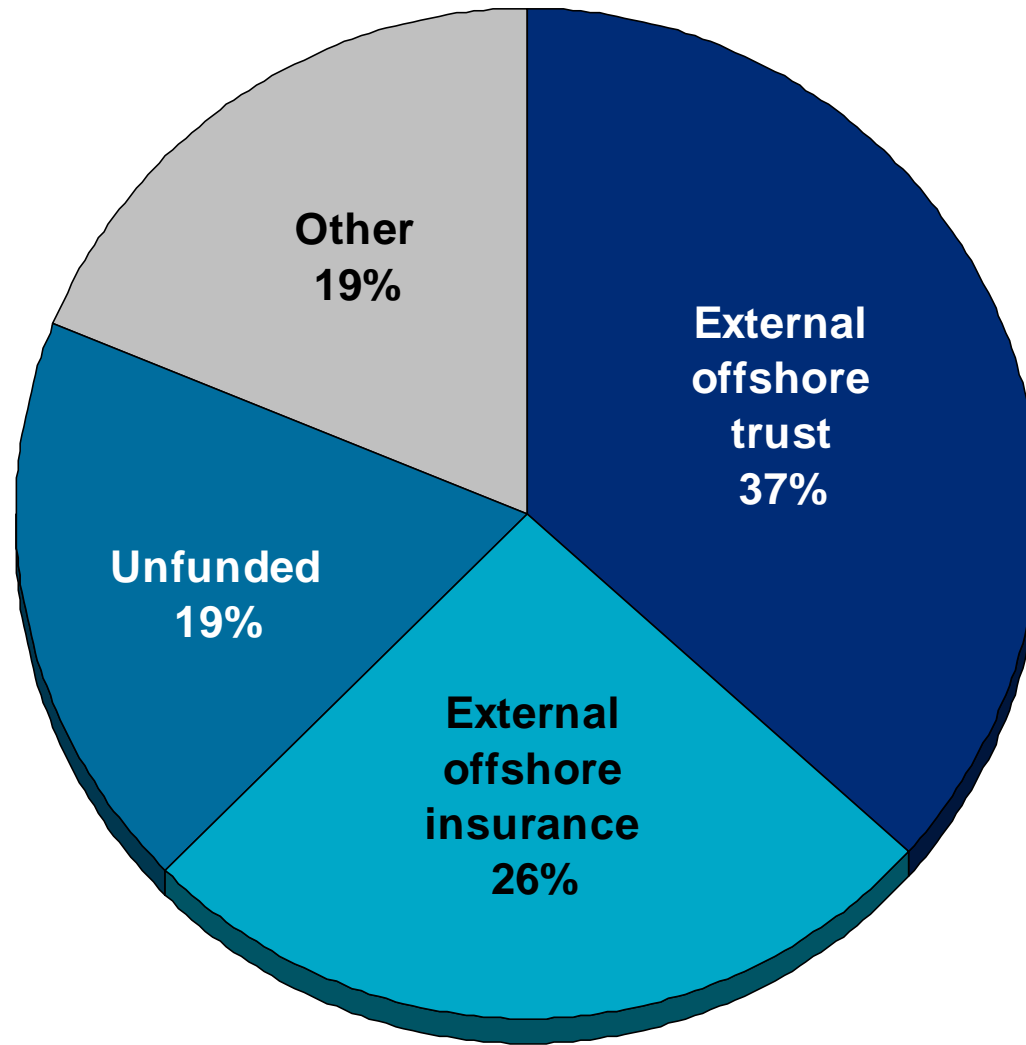


INTERNATIONAL PENSION PLANS

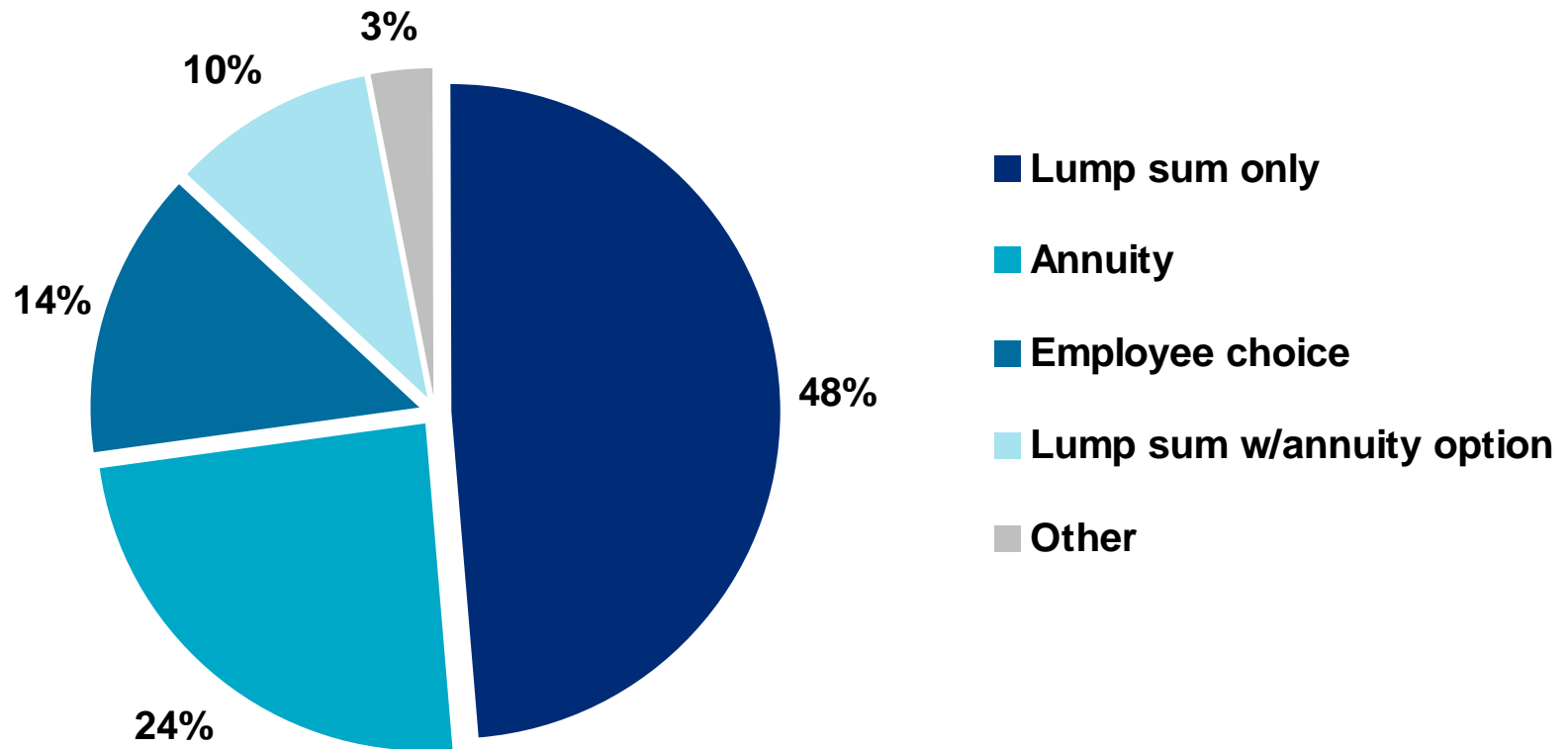
TRENDS IN PLAN TYPES



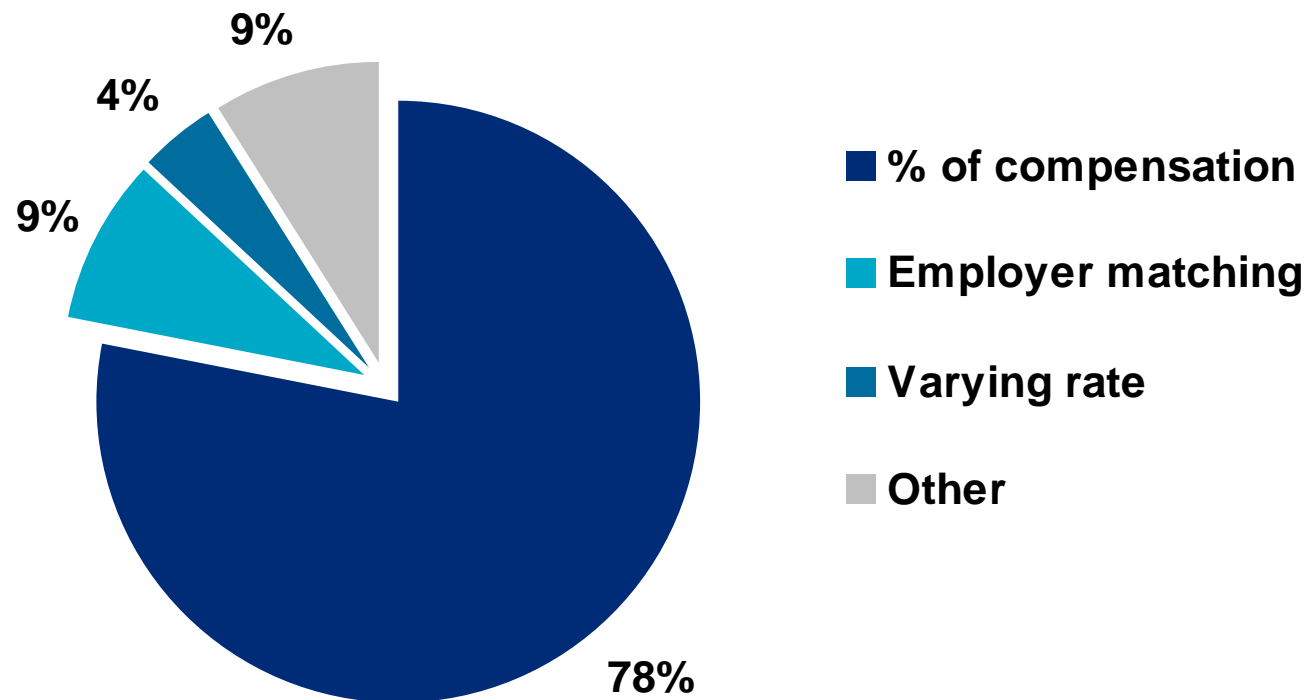
INTERNATIONAL PENSION PLANS FUNDED STATUS



INTERNATIONAL PENSION PLANS DC – FORMS OF PAYMENT

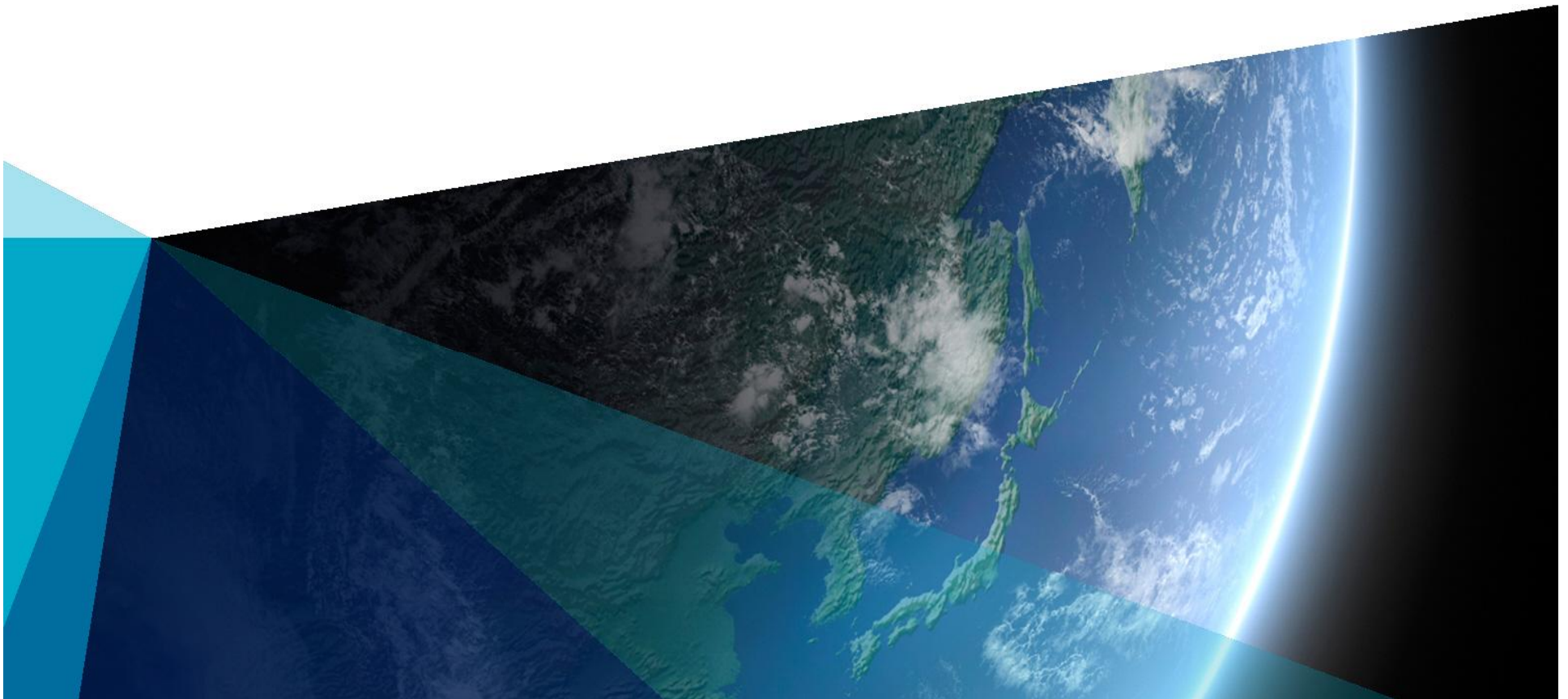


INTERNATIONAL PENSION PLANS DC – CONTRIBUTION STRUCTURES

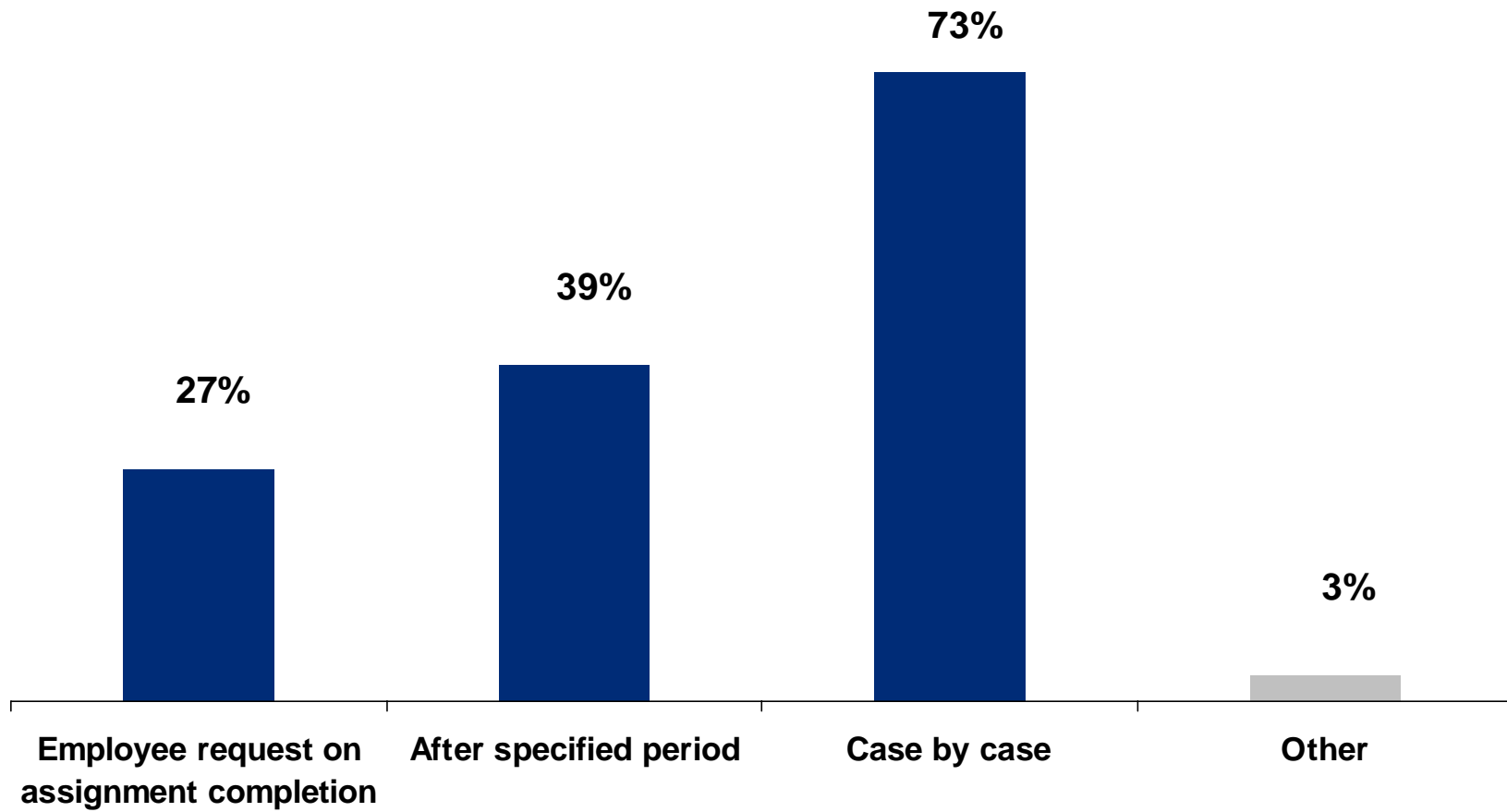


Average employer contribution rate is ~ 8.5% of compensation
– change from 9% in 2008 and 7.5% in 2005

LOCALIZATION

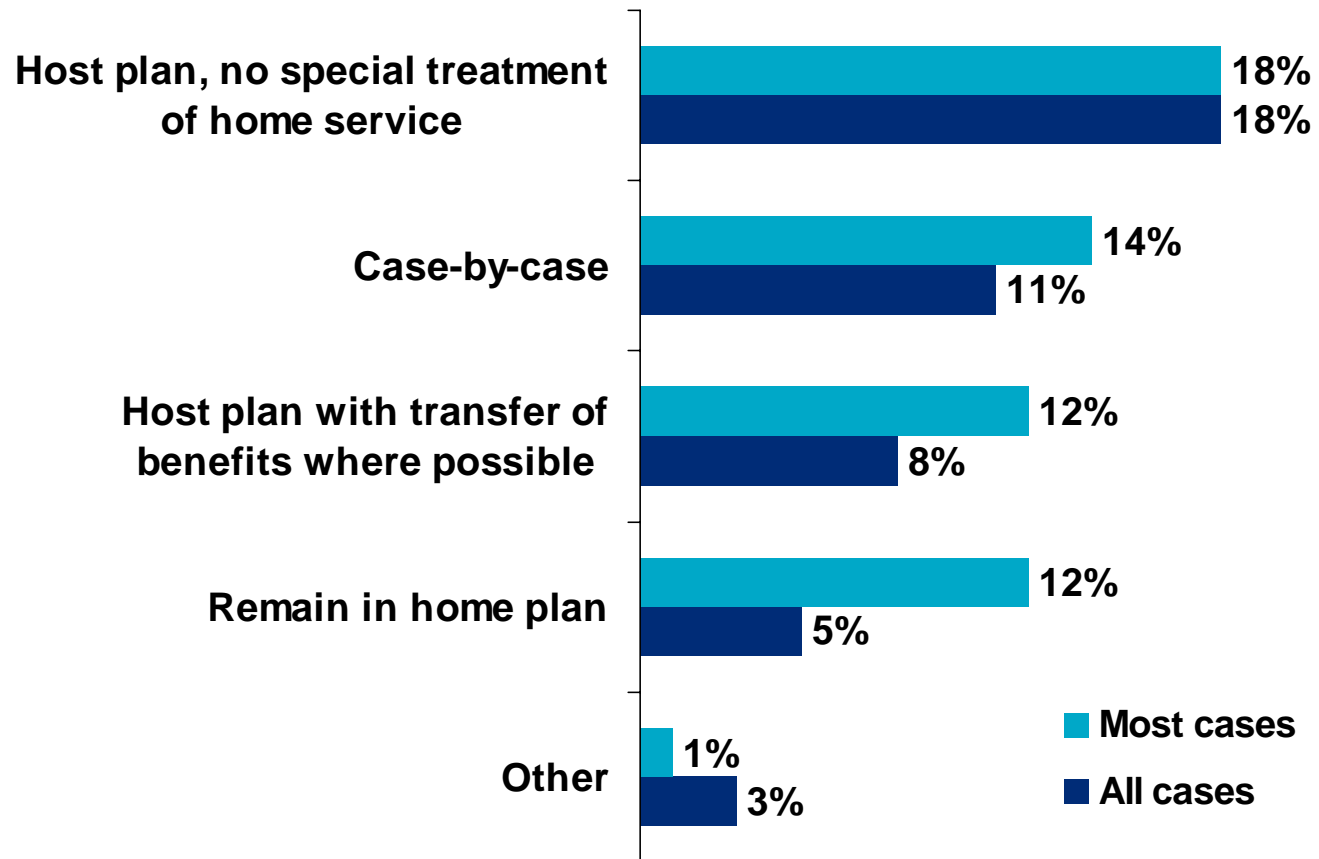


LOCALIZATION WHAT ARE THE TRIGGERS?

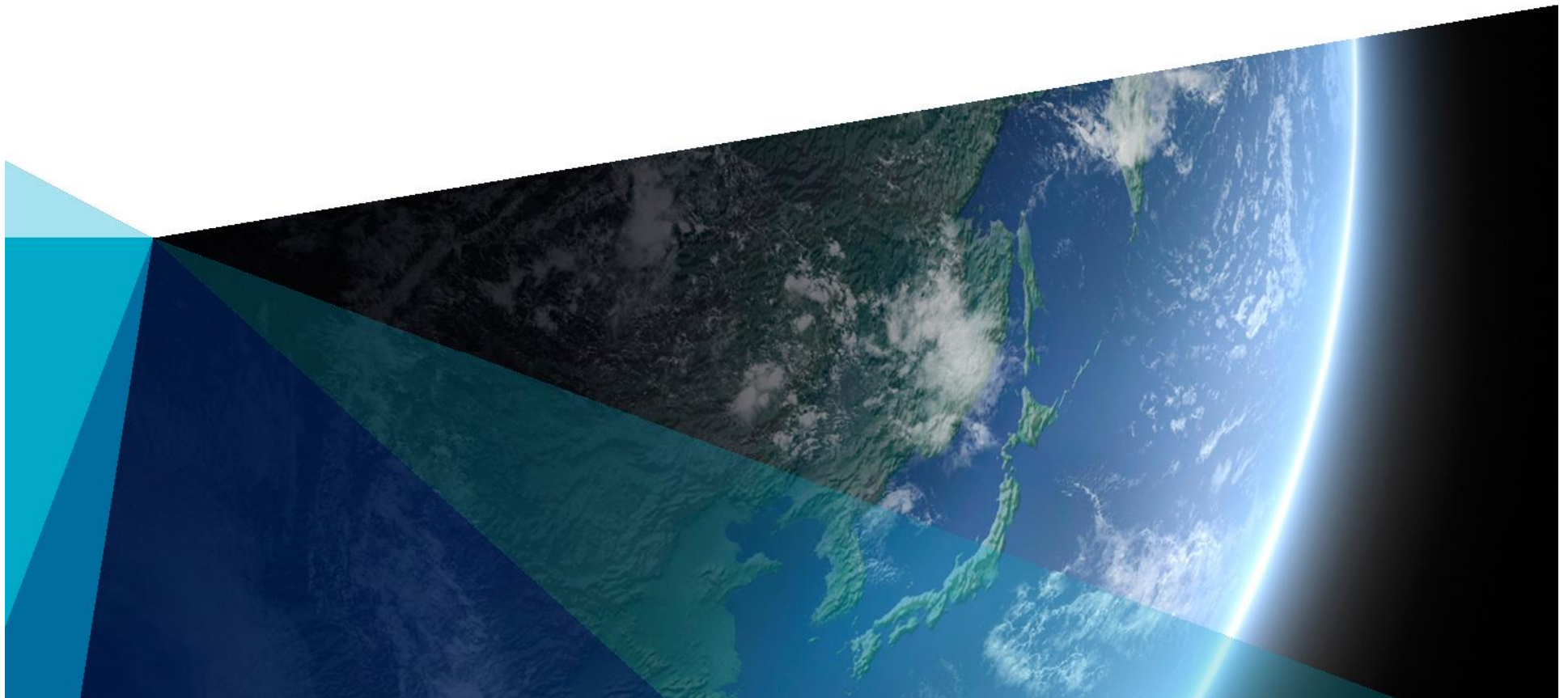


LOCALIZATION

WHAT HAPPENS TO PENSION BENEFITS WHEN LOCALIZED?



INTERNATIONAL MEDICAL BENEFITS



APPROACHES TO PROVIDING BENEFITS MEDICAL

HOME COUNTRY

- Aligns with employee expectations
- Reinforces assignment's temporary nature
- Maintains equity with home country peers
- Aligns with home country Social Security
- Avoids problems with pre-existing conditions

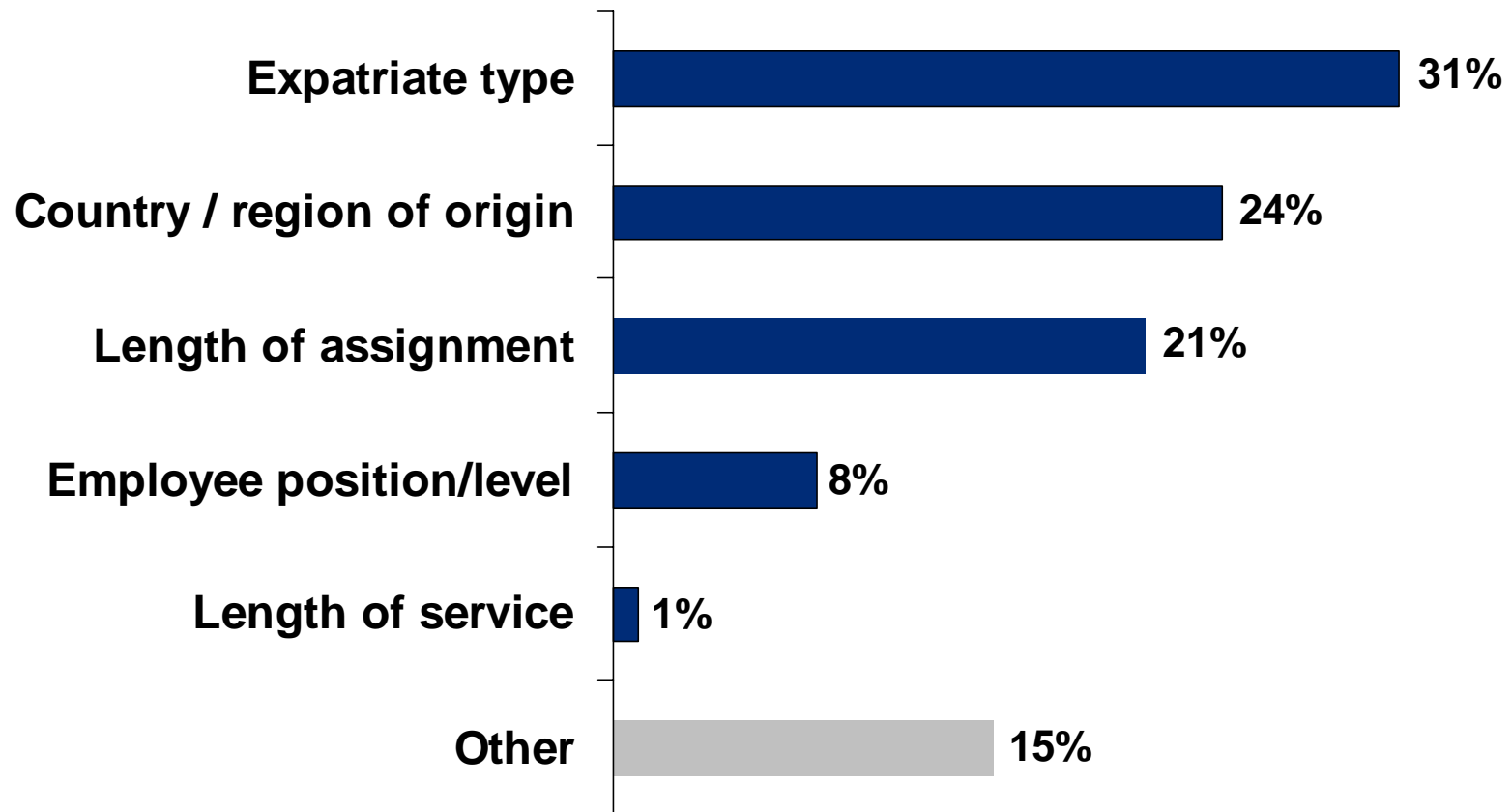
HOST COUNTRY

- Equity between expats and locals
- Benefits appropriate to host country
- Local employer costs in line with domestic burden
- Local tax relief – both corporate and personal

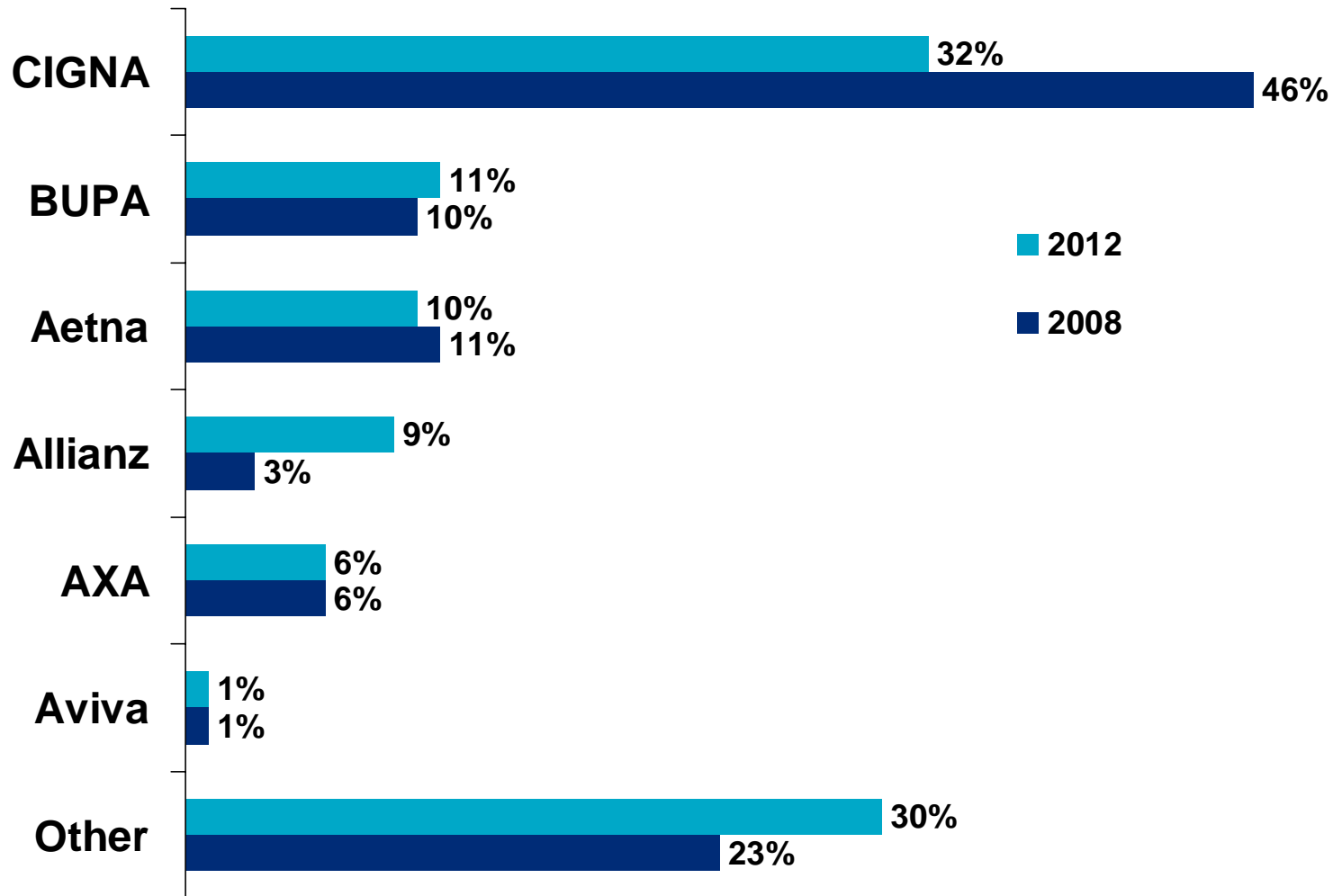
INTERNATIONAL PLAN

- Common design; equity among expatriates
- Reduces administration effort
- Relieves financial, time resource constraints
- Often anticipated by Social Security reciprocity agreements

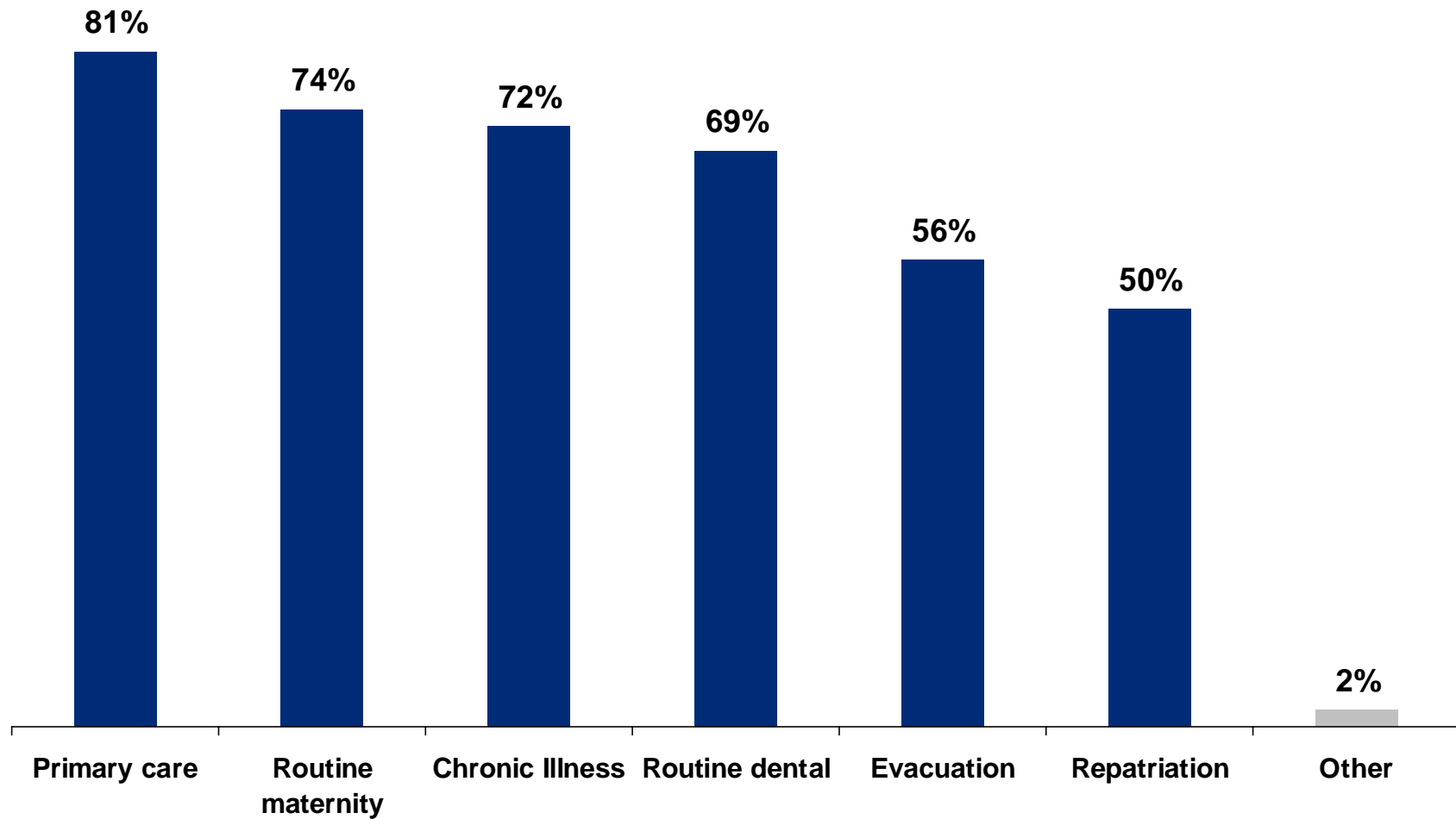
INTERNATIONAL MEDICAL PLAN ELIGIBILITY CRITERIA



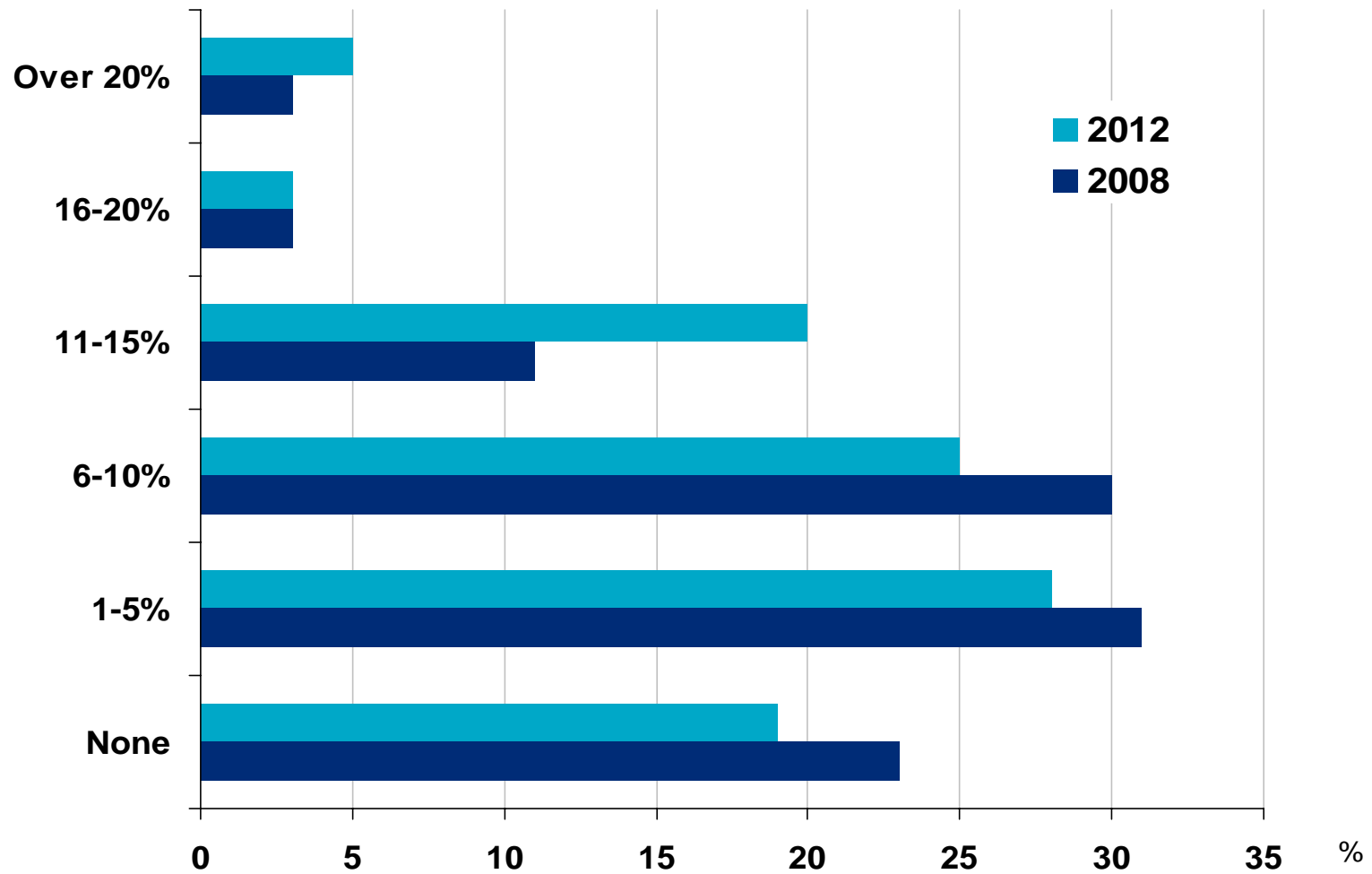
INTERNATIONAL MEDICAL COVERAGE BY INSURANCE COMPANY



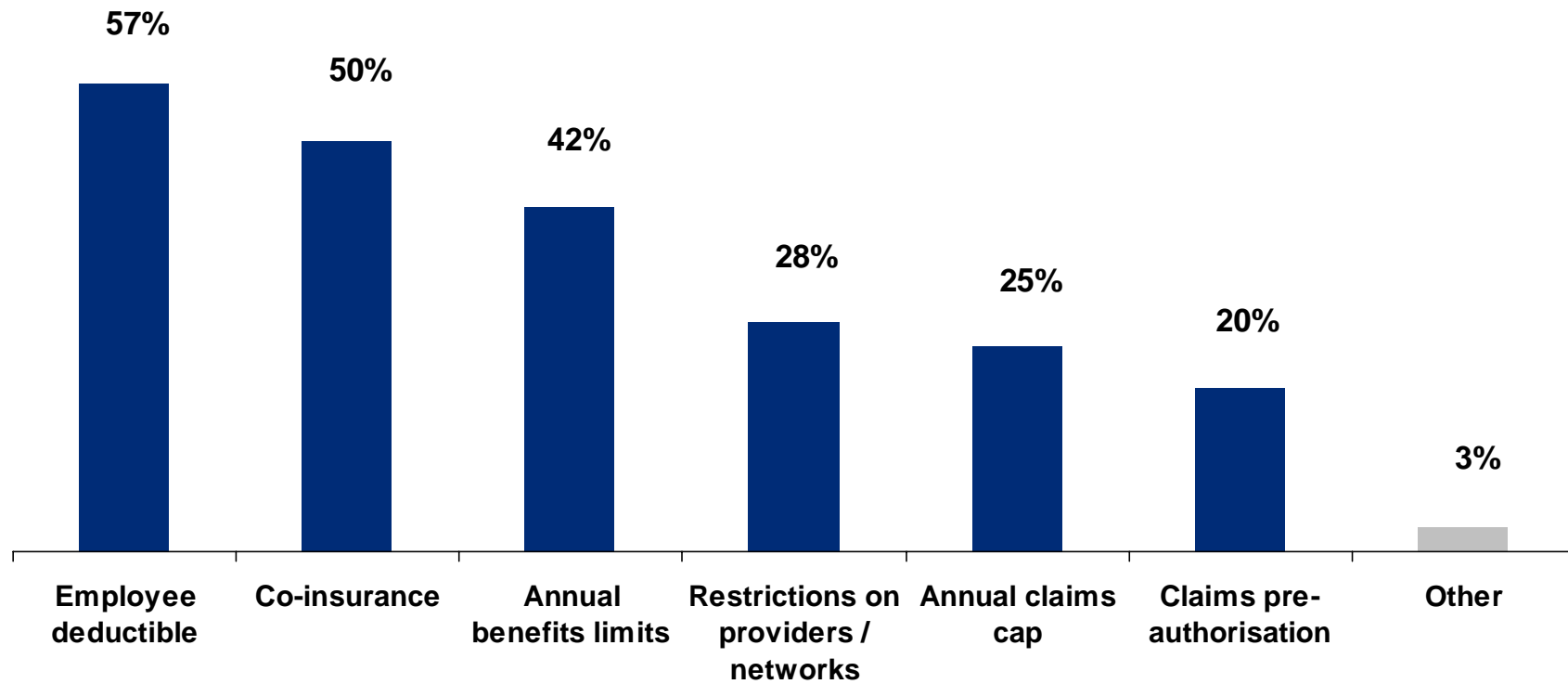
INTERNATIONAL MEDICAL HIGH-VALUE BENEFITS INCLUDED



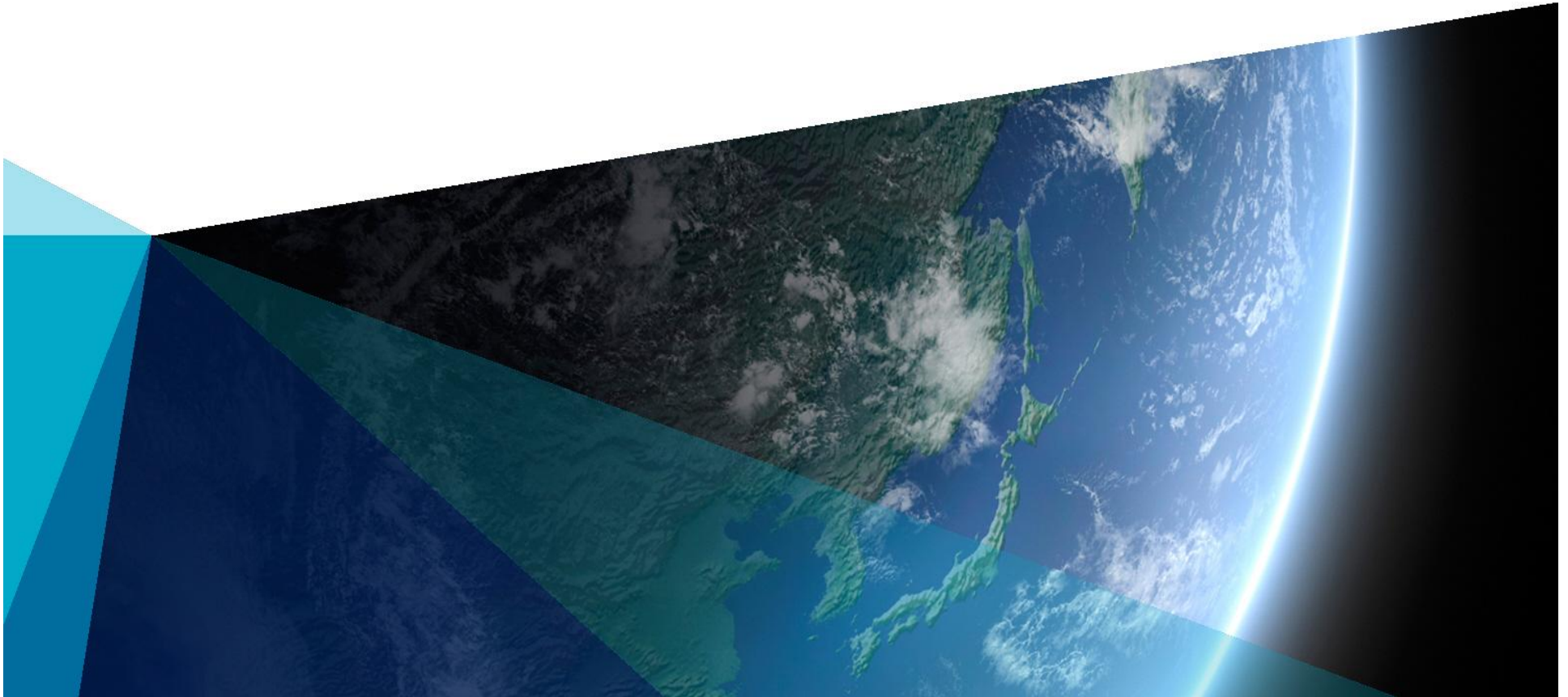
INTERNATIONAL MEDICAL PREMIUM INCREASES AT LAST RENEWAL



INTERNATIONAL MEDICAL COST CONTAINMENT MEASURES

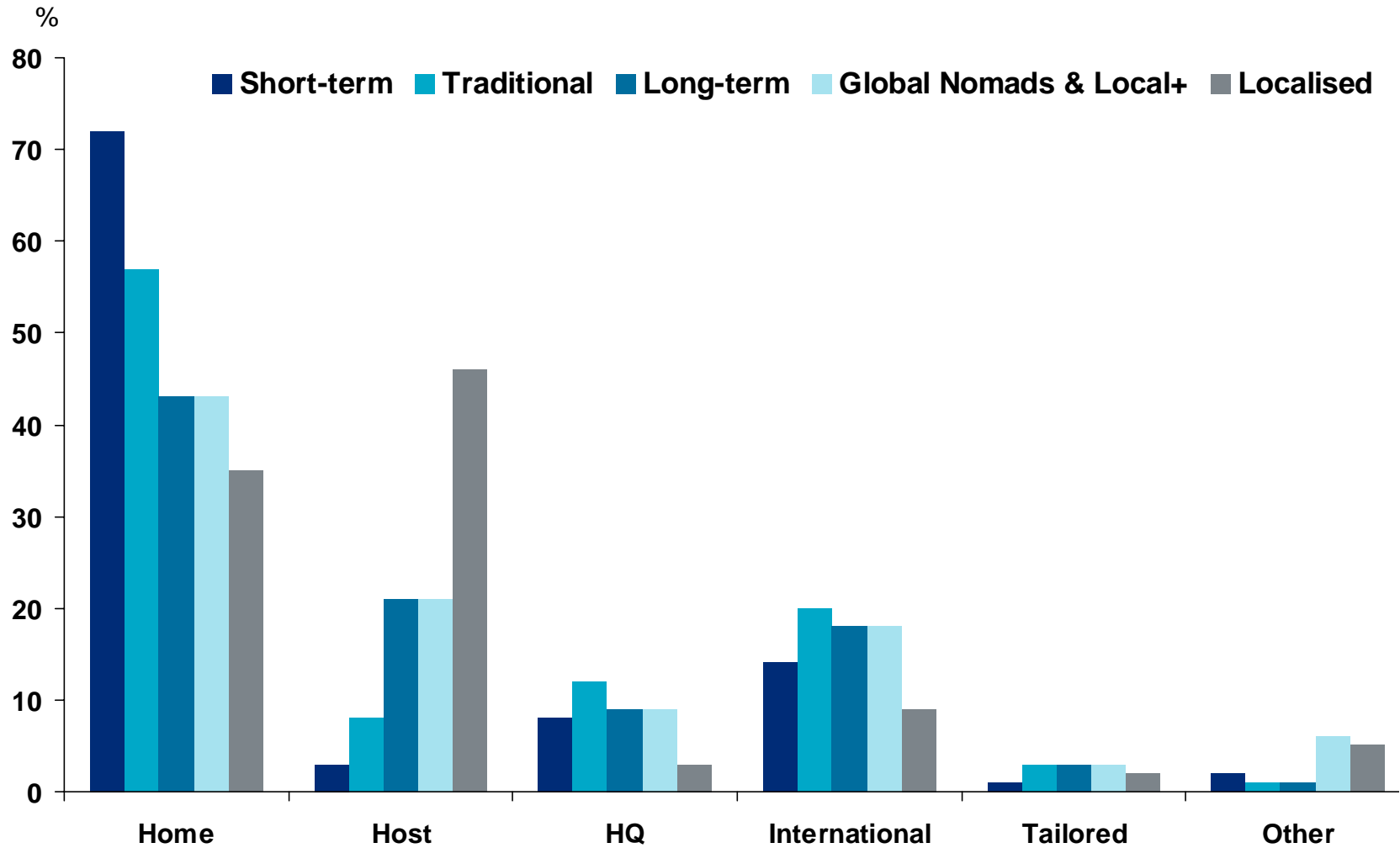


OVERVIEW: DEATH AND LONG-TERM DISABILITY

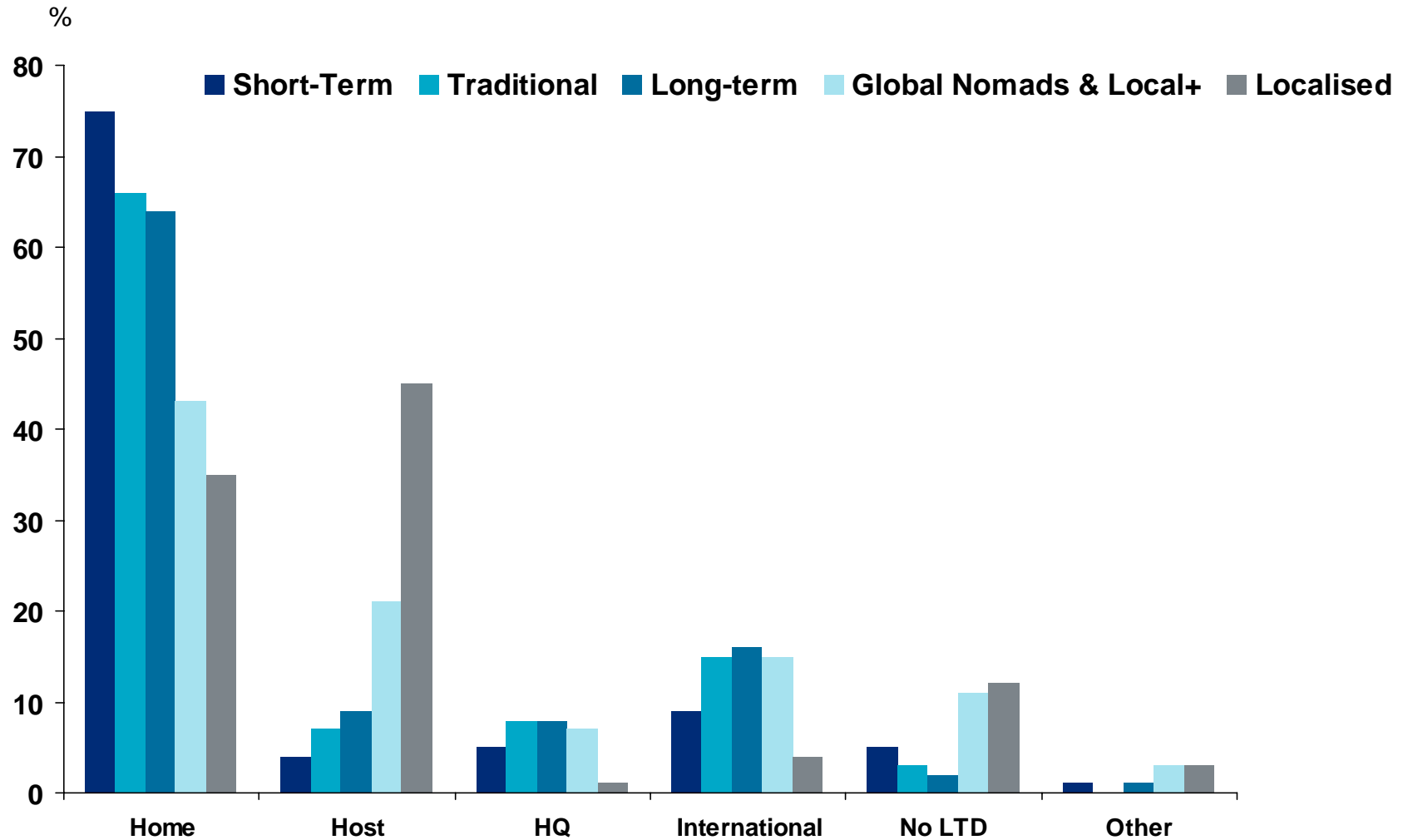


DEATH BENEFITS

METHOD OF PROVISION BY TYPE OF EXPATRIATE



LONG-TERM DISABILITY BENEFITS METHOD OF PROVISION BY TYPE OF EXPATRIATE



MERCER'S OTHER SURVEYS AND RESEARCH

WORLD ECONOMIC FORUM, ASSIGNMENT POLICIES SURVEY

TODAY'S GLOBAL BENEFITS SURVEY AND PRESENTATION

- Thanks to all who participated
- Copy of presentation and link to recording to be emailed
- Full report available at end of April
- Pre-order report at www.imercer.com/expatbenefits

WEF RESEARCH ON TALENT MOBILITY

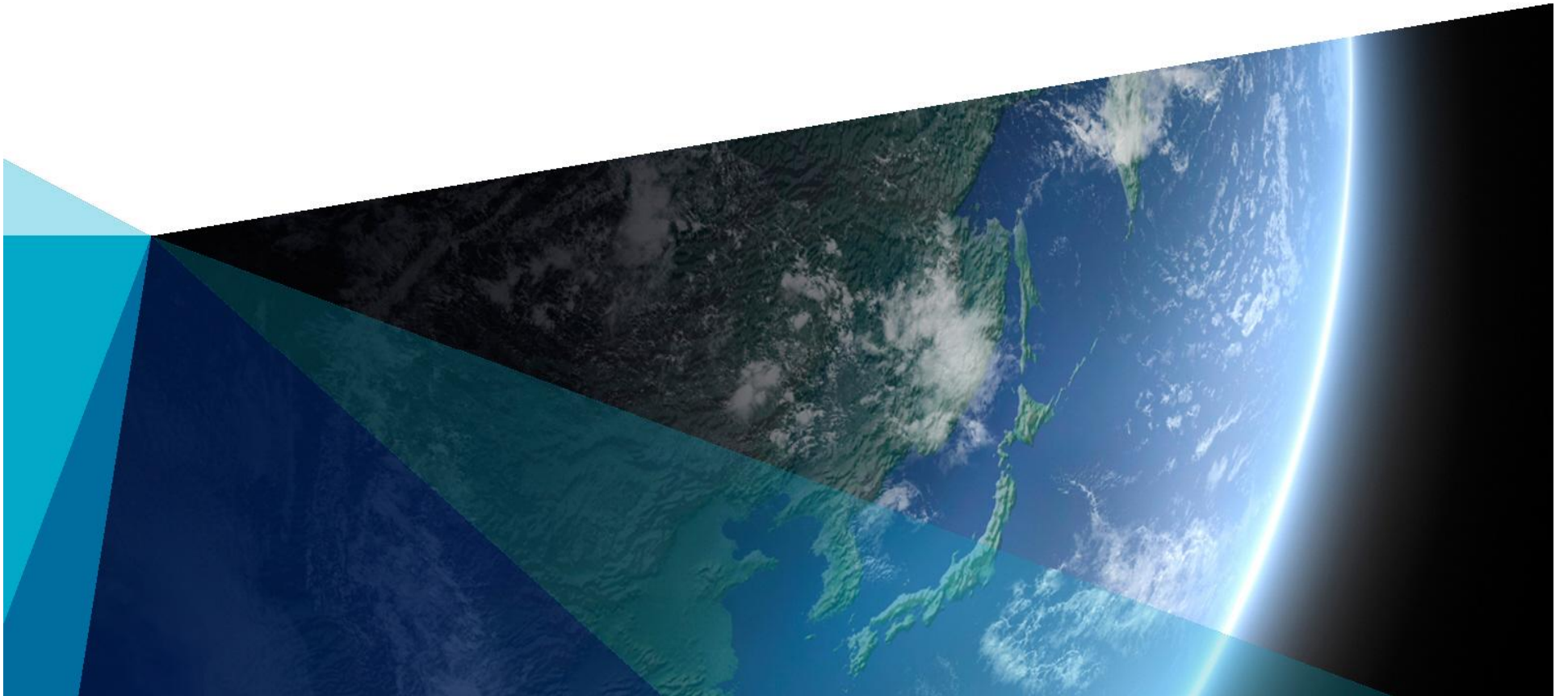


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2012 WORLDWIDE SURVEY OF INT'L ASSIGNMENT POLICIES & PRACTICES

- Participation open later this week in English at www.imercer.com/wiapp
- Soon available in Spanish, Japanese, Chinese, Korean
- More than 1,000 MNCs took the last survey
- New this year – assessment tool for 7 different common expatriation patterns

QUESTIONS?



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