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

- North America: 58%
- European Union: 21%
- Asia Pacific: 15%
- Latin America: 2%
- Non-EU W. Europe: 2%
- Other: 2%
RESPONDENTS BY ANNUAL REVENUE
64% EXCEED $1 BILLION

(Data in USD)
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

2008

- Expatriates: 77%
- Short-term: 17%
- Global Nomads: 6%

2012

- Expatriates: 79%
- Short-term: 11%
- Global Nomads: 10%
CHALLENGES IN EXPATRIATE BENEFIT PROVISIONS

- Developing globally consistent approach: 36% (2008), 24% (2012)
- Ensuring Expats are not disadvantaged: 27% (2008), 22% (2012)
- Cost containment: 20% (2008), 15% (2012)
- Ensuring smooth transition at end of assignment: 18% (2008), 15% (2012)
- Developing policies & plans for new countries: 14% (2008), 5% (2012)
- Other: 2% (2008), 2% (2012)
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

<table>
<thead>
<tr>
<th>HOME COUNTRY</th>
<th>HOST COUNTRY</th>
<th>INTERNATIONAL PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Maintain membership in home country plan</td>
<td>- Leave home country, and join host country plans</td>
<td>- Join dedicated international benefit programs</td>
</tr>
<tr>
<td>- Suitable for short- and medium-term assignees (up to 5 years)</td>
<td>- Suitable for localization and DC environments</td>
<td>- Participation in home/host country programs may be waived</td>
</tr>
<tr>
<td>- Avoids fragmentation</td>
<td>- Equity between expats and locals</td>
<td>- Suitable for global nomads</td>
</tr>
<tr>
<td>- Aligns with employee expectations</td>
<td>- Can fragment benefits</td>
<td>- Provides common design, addresses home country coverage limitations</td>
</tr>
<tr>
<td>- Can be expensive, hard to administer</td>
<td></td>
<td>- Tax challenges, limits on membership</td>
</tr>
</tbody>
</table>
RETIREMENT BENEFITS FOR TRADITIONAL EXPATRIATES

- Through an international plan: 5%
- Remain in home country plan: 63%
- Case by case; no set approach: 7%
- Covered under headquarters plan: 5%
- Covered under host country plan: 6%
- Through a regional plan: 2%
- We do not have this group: 10%
- Other: 2%
INTERNATIONAL PENSION PLANS
PERCENT OF RESPONDENTS THAT SPONSOR THEM

Yes 12%
No 88%
INTERNATIONAL PENSION PLANS
TRENDS IN PLAN TYPES


%
INTERNATIONAL PENSION PLANS
FUNDED STATUS

- External offshore trust: 37%
- External offshore insurance: 26%
- Unfunded: 19%
- Other: 19%
INTERNATIONAL PENSION PLANS
DC - FORMS OF PAYMENT

- Lump sum only: 48%
- Annuity: 24%
- Employee choice: 14%
- Lump sum w/annuity option: 10%
- Other: 3%
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?

- Employee request on assignment completion: 27%
- After specified period: 39%
- Case by case: 73%
- Other: 3%
LOCALIZATION
WHAT HAPPENS TO PENSION BENEFITS WHEN LOCALIZED?

- **Host plan, no special treatment of home service**: 18% (Most cases), 18% (All cases)
- **Case-by-case**: 14% (Most cases), 11% (All cases)
- **Host plan with transfer of benefits where possible**: 12% (Most cases), 8% (All cases)
- **Remain in home plan**: 12% (Most cases), 5% (All cases)
- **Other**: 1% (Most cases), 3% (All cases)
INTERNATIONAL MEDICAL BENEFITS
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

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

- Expatriate type: 31%
- Country / region of origin: 24%
- Length of assignment: 21%
- Employee position/level: 8%
- Length of service: 1%
- Other: 15%
INTERNATIONAL MEDICAL COVERAGE BY INSURANCE COMPANY

- **CIGNA**: 32% (2012), 46% (2008)
- **BUPA**: 11% (2012), 10% (2008)
- **Aetna**: 10% (2012), 11% (2008)
- **Allianz**: 9% (2012), 3% (2008)
- **AXA**: 6% (2012), 6% (2008)
- **Aviva**: 1% (2012), 1% (2008)
- **Other**: 23% (2012), 30% (2008)
INTERNATIONAL MEDICAL
HIGH-VALUE BENEFITS INCLUDED

- Primary care: 81%
- Routine maternity: 74%
- Chronic Illness: 72%
- Routine dental: 69%
- Evacuation: 56%
- Repatriation: 50%
- Other: 2%
INTERNATIONAL MEDICAL
PREMIUM INCREASES AT LAST RENEWAL

- Over 20%
- 16-20%
- 11-15%
- 6-10%
- 1-5%
- None

2012
2008

%
INTERNATIONAL MEDICAL
COST CONTAINMENT MEASURES

- Employee deductible: 57%
- Co-insurance: 50%
- Annual benefits limits: 42%
- Restrictions on providers / networks: 28%
- Annual claims cap: 25%
- Claims pre-authorisation: 20%
- Other: 3%
OVERVIEW: DEATH AND LONG-TERM DISABILITY
DEATH 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
www.mercer.com/globaltalent

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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