



International Benefits Committee

October 11, 2007 – New York City

The International Benefits Committee (IBC) met in New York City; participants included:

Accenture	IBIS Advisors	Norfolk Mobility Benefits
Aetna	ING Employee Benefits	Orange Business Solutions
AIG	Ingersoll Rand	Pfizer
AOL	Insurope	Sherwood Solutions
All Net / Allianz	Johnson & Johnson	Tiffany's
Arrow Electronics	Mckinsey	Towers Perrin
Bristol-Myers Squibb	Mercer	Tyco Electronics
CIGNA	NFTC	Watson Wyatt
HRS & Associates	Nokia	Willis

Open-Forum Discussion:

The meeting commenced with an open-forum discussion on issues and trends affecting the participating organizations, including:

- Belgium – close down of generous SRP's
- Brazil – introducing a DC plan
- Canada – reviewing SRP limits on compensation
- China – considering whether to implement on Enterprise Annuity
- Czech Republic – introducing employer –sponsor pension plan
- France – considering whether to implement a tax favored retirement savings plan
- Germany – working on a DC plan
- Greece – considering a DC plan for all employees
- Korea – local management wants a DB vs DC plan
- Mexico – introducing a hybrid DB / DC plan
- Netherlands – responding to confusion on state of disability, healthcare , and pension plans
- New Zealand – Introduction of the Kiwi Savings Plan



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- Sweden – evolution of private health care products
- Switzerland – working on a “social plan” that helps bridge gap between early and normal retirement
- UAE / Saudi Arabia – reviewing latest government requirements for healthcare coverage
- UK – pension plan reviews under anti –discrimination regulations

China: Expatriate and Local Compensation Practice

Michael Broomhead of Watson Wyatt, provided an update on trends on expatriate and local compensation.

It is expected that in 2008, that China will be host to the largest number of long term expatriates. One Factor is the demographics of the local population. There is a gap that impacts pool of senior managers / executives, thus the continued need of expats. He also commented that medical benefits are prevalent and retirement plans for local staff are growing.

Liability Driven Investments (LDI)

John Toohey of AIG oversees the investment management of AIG’s own DB pension plans in the US and worldwide.

He started his presentation with a definition of Liability Driven Investments (LDI). LDI has developed over the last 5 or 6 years due to heightened global regulatory oversight (combined with adverse financial conditions). In 1998 many plans were actually over funded. The fall in asset values did not match rise in overall liability. Now many plans are not fully funded. He described the process followed within AIG to identify their global pension plan assets and liabilities.

Legacy Pension Liabilities

Stephen Gould of Towers Perrin described how employers are handling closed (non – strategic) pension plans. There still are demographic, risk and regulatory issues which employers must consider and manage. The UK has a lot of activity on this issue.

Investors see that many plans have substantial assets making an employer a potential takeover target.



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He also highlighted where there are significant pension management issues – Canada, the US, Japan and Western Europe (Netherlands, Switzerland). Regarding demographics it is important to understand Mortality Tables that to understand may not reflect country experience (which can lead to under funding).

More countries are focused on a plan funding to ensure solvency which include buffer reserves (Netherlands, Switzerland).

Once an analysis of long term liabilities has been made, Steve described several alternative solutions including a Pension Captive that will help manage them.

South Korea – Update on Pension Issues

Kenneth Hwang of Mercer provided an update on statutory benefits (social security, retirement and other benefits) and market trends. Traditionally in South Korea, pension benefits were delivered in the form of a Severance Pay Schemes. The Korean government has recently legislated a choice of DC, DB or IRA- type plans.

The current National Pension Scheme is significantly under funded (and employees know this and are concerned). There also is a National Medical Scheme.

In December 2005, the Employee Security Act (ERSA) was passed. A challenge for MNC's is that they want DC not DB plans. It is a major challenge to communicate value of new programs vs previous SPS so as to improve the acceptance of the new alternatives.

Korean employees are generally resistive to DC plans. Change will require a lot of pre- work analysis and communication.

<p>The next International Benefits Committee (IBC) meeting will be in New York City on February 20, 2008.</p>
