



## International Benefits Committee

June 2, 2009 – New York City

The International Benefits Committee (IBC) met at the Yale Club of New York City; participants included:

All Net/ Allianz	HRS Group	Nationale-Nederlanden
Aon	IMS Health	NBA
Bristol-Myers Squibb	ING Employee Benefits	NFTC
Celgene	Insurope	Pacific Resources
Chevron	Johnson & Johnson	Pfizer
Deloitte	JP Morgan Chase	Tiffany
GE	Marsh	Watson Wyatt
Hewitt	MasterCard	White & Case
Honeywell	McKinsey	Zurich Insurance

### **Corporate Oversight, Governance and Management of International Benefits at General Electric.**

Karen Beyer provided a comprehensive overview of international benefits management at GE. Ongoing effort is to find cost efficiencies in an environment where there are very different business sectors. Karen discussed the elements of governance that GE focuses on (roles and responsibilities; managing plan assets; benchmarking; selecting and managing plan administrations; leveraging purchasing power). There are governance committees on a regional basis. There is a corporate Benefits Board that meets monthly that includes corporate human resources, finance, tax, and legal representatives. Karen described the consistency of processes that have helped understand financial liability and management.

### **Update on the Netherlands**

Hasko Van Dalen of Nationale Nederlanden described how unexpected developments affect benefits (economics, demographics, and the world financial crisis).

Collective Labor Agreements still play a major role on benefits within each economic sector. Institutionally there is a Labour Foundation and a Social and Economic Council (which controls any change to social policy).

In the early 1980s when there was a severe economic climate all shareholders came together (government, unions, and employer associations) to come to consensus on resolving the economic problems. In the Netherlands there is mandatory retirement at age 65 (going to 67 is under consideration). Managing rising health care costs and looking for more flexible retirement ages are under consideration. A major question today is who is to bear the risk (the government, the employer, or the employee).



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Employers are not obligated to provide a pension plan but most employees are generally covered by an industry plan. Majority of plans are still DB.

There are collective DC Plans that control risk for employees. Anticipating the graying of the population by 2030 there will caps on statutory benefits.

There have been efforts during the current financial crisis period to reduce expenses. Where plan is below 110% funding rate, have to get back to that level in five years.

Hasko then described the Dutch health care system, which has taken 40 years to develop. The government ensures good medical care. There are penalties for non-insured and a subsidy for lower income citizens.

In the Netherlands there is a comprehensive Long Term Care for the elderly. Costs are increasing at such a rate that services will either be reduced and/or higher premia will be necessary.

Hasko then reviewed how Workers Compensation works. There still is a generous program for sickness. He also described LTD plans.

### **Global Labor Locator Indicators**

Michael Broomhead of Watson Wyatt presented on research done on labor cost/productivity indicators. Talent and labor are part of the total picture. Michael then reviewed the factors companies need to assess when considering setting up operations in another country (labor availability; cost; cost of establishing operations; risk management, and quantitative/qualitative variables). He then described a Market Evaluation Methodology for an R&D facility in the pharmaceutical sector. In the pharmaceutical industry the costs of R&D can up to 70% of cost in developing new medications which has led to movement of facilities to China and India. Besides labor costs also need to assess innovation capacity; skills and talent; infrastructure; business environment and costs. Israel and Singapore rate high overall.

### **International Benefits Data Management**

Kari-Ann Mighty of McKinsey described the goals and processes set for gathering data. The system they implemented is Mercer Gold. The system allows for comparison of benefits between countries (statutory and employer provided). One feature was the exporting of current country business unit plans to central database. Continuously minimized customization of data; use to track insurance, tax, and insurance providers.

The system helps assess situations when McKinsey opens in a new country. Mercer Gold provides any country legislative updates (and if any action will be required).

Jacqueline Arroll then described how data is being utilized (i.e. governance/compliance).



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### Wellness Programs Go Global

Janis Davis-Street of Chevron and Larysa Zubach and Doug Carey of Deloitte described overall objectives of Chevron's Global Wellness program, what works or doesn't work in other countries.

In the U.S. about 2/3 of employees offer some forms of Wellness programs domestically. These programs are now being extended internationally. Some companies are expanding the use of on-site clinics at worksites in other countries. The insurers are expanding their services globally.

At Chevron the focus has been on medical conditions that are global (108 countries). The program focuses on cardiovascular disease (high blood pressure, obesity, high cholesterol).

Risk assessment/metrics are used to focus on behavioral factors that can be changed (smoking, stress management, weight management) to move employees from high risk to lower risk levels. Chevron also wants employees to understand that the corporation is concerned about them. Research has shown that coaching and incentives will have positive effect on behavioral changes.

Nationwide Insurance has developed a prevention program that Chevron has been utilizing for several years. They consistently worked on making terminology global. Regarding incentives these too have been adopted to levels of local compensation.

Janis stressed the importance of getting all the stakeholders involved; supported by sustainability plan. Engagement and re-engagement of business leaders is also critical. The program was piloted in the Philippines and Nigeria. Cultural nuances and differences must be understood to ensure the program's success. Chevron initiated a "Community of Practice" on their website to share learnings.

### Acquired Rights/Transfer of Undertakings

Don Dowling of White & Case discussed various issues related to workforce restructurings and "vested" or "acquired" rights outside the U.S. He reminded us that the U.S. is unique with its "employment at will" concepts which apply to the vast majority of employees (those outside the public sector or covered by Collective Labor Agreements). Outside the U.S. employers generally have less latitude to change terms and conditions of employment, even when a business is sold (or bought). Employers cannot make "reductions" without legally acceptable consent (which may also entail consultation with works councils or labor unions). He also gave examples of situations in Europe to clarify the differences amongst European countries and the UK.

The next International Benefits Committee (IBC) meeting  
will be in New York City on October 20, 2009.