



International Benefits Committee

October 8, 2008 – New York City

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

AIG	IMS Health	Pfizer
Cytec	ING	Proskauer Rose
Epstein, Becker, & Green	Johnson & Johnson	Tyco Electronics
General Electric	Marsh	Tyco International
Hewitt	Merck	Ultrasis
Honeywell	NFTC	Watson Wyatt

Israel – Update on Provident Funds

Nina Bacher called in from Israel to provide an update on the new Provident Fund Law . Provident Funds must be set up as a Trust with an investment manager authorized by the Finance Ministry. A trade union can establish a fund for employees of unrelated business entities. The money can be invested by the money managers (monies can be invested outside Israel). Contributions are tax free.

Most investment managers are owned by insurance companies and brokers. The Ministry of Finance and the Ministry of Tax supervise the Provident Funds. Documents must be submitted for approval. Law does not require a trustee. Each fund will have an Investment Committee. Employers are responsible for timely processing of payroll deductions.

The Law has a liability feature that requires the employer to inform employees if there are delays in remitting contributions. The Law also outlines clearly what are prohibited transactions (i.e. investments in a related company of the employer.)

By 2009 the vesting period will be six months. One form of fund is a DB plan with a guaranteed benefit level. Contributions can be withdrawn as either a lump sum or monthly benefit. Death benefit distributions are not usually considered as part of the Estate. Life insurance can be included under the Provident Fund Law. The Fund has to be the owner of the policy with the benefit is limited to four times the value of the account. Individual accounts can be established with ability to direct investments. Earnings on the Fund are tax exempt as are some forms of withdrawals. Dispute resolution procedures are clearly delineated, including arbitration procedures.



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Open Forum Discussion

- Reorganization of corporation into six global lines of business, replacing previous regional structure. Challenge is how to provide oversight and introduction of new benefit plans.
- Challenge of medical coverage for assignees coming into the U.S. (especially as the number of assignees increases).
- Harmonization of benefits by country across business units. Trying to be cost neutral (challenge in some countries where they may be very strong unions for some employee groups).
- UK – establishing true flexible benefits program.
- Growth outside the U.S. has been by acquisition so for many years benefit plans were left in place. During last few years have been working on harmonization (including pooling where possible.).
- Africa- expansion due to growth of oil and gas business raises issues of competitive benefit plans.
- Middle East- growth of business activities and competition for talent pushing need for benefit plans.
- Risk Management increased focus due to current global financial situation.
- 401(K) education of employees on diversifying investments.
- Conducting downsizing analysis.
- Global insurance-impact of financial crisis on advising clients how to react.
- Expansion of Wellness and Absence Management outside the U.S.
- Restructuring sales force, outsourcing R&D, manufacturing and distribution. These efforts are leading to downsizing and focus on severance plans.



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- Restructuring – adding clarity about roles of Compensation and Benefits. Working on harmonizing within major markets (including consolidation of vendors and governance).
- Eastern Europe- shift of business to Kazakstan, Romania, and Ukraine from Western Europe. Assessing benefit plan needs and designs by country.
- HR and Procurement working on installing multinational pools.
- Hungary: looking at flex benefits.
- Inventory of benefit plans outside U.S.
- Brazil: post-merger of two business units now harmonizing benefit plans.
- UK - Computer delivery of absence management.

UPDATE ON LATIN AMERICA

Tom Dolan of Watson Wyatt provided an update on Brazil, Chile, and Mexico. So far, there has been less impact of the sub prime crisis in the region.

In Brazil there has been a drop since 1998 in post-retirement medical coverage (with limited products available).

Need to determine if there are any accounting issues for accrued liability (how can the costs be accurately projected?)

Insurance companies are offering services for closed pension plans

Chile- set stage in 1980 with pension plan law. Recently reviewed to provide more incentive for low wage earners facilitation of employer matching contributions.

Mexico- market is moving towards flexible benefits, (which are tax favored by both employees and employers). Need to take into account acquired rights.

RUSSIA

Fernando Jaime of AIG reviewed the challenge of demographic trends within Russia which already has a high percentage of retirees. During the last 10 years there has been a shift of the pension burden from Government to employers and individuals. In Russia individuals can opt out of the 2nd Pillar provided by the Government (the process was very cumbersome so there was little actual take up).

Challenges include growing deficit of the Government-sponsored First Pillar. More attention is being placed on the Third Pillar which can be either a Trust Fund or Insurance Company managed. The investments must be in Russia. Fernando provided an overview on 2008 tax law changes that affect benefits. He expects more demand and competition for Third Pillar plans.



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UK: HEALTHCARE ISSUES and TRENDS

Gerry Malone, former member of Parliament, and Minister for Health in the UK, provided an overview of current trends in mental health care in the UK. With increased life expectancy and greater awareness of health, the expectation of treatment has risen. Question of effectiveness of system has led to search for more efficient and effective programs. The National Institute for Health and Clinical Excellence (N.I.C.E.) was established nationally to assess effectiveness of the National Health System. One area that was focused upon was the direct and indirect costs of depression on productivity (absenteeism), cost of treatment and methods of treatment. Recently a report was done in the U.K. by Dame Black which highlighted the 12 million lost days (at a cost of \$200 billion) per annum.

Ultrasis offers a computerized course of treatment, which has been recognized by the NHS. Available 24/7 at a fraction of the cost of previous face to face therapy. As opposed to therapist provided treatment which is costly and has waiting lists, the computer based system has increased usage and accelerated return to normal.

UKRAINE -Implementing Welfare Benefits

Marybeth Eaves of Tyco Electronics described their experiences as they expanded manufacturing activities into Eastern Europe. She took us through the implementation of their benefits project in the Ukraine. Part of the project included site visits to the call centers of local insurance companies. Medical inflation currently running at 30% (with overall inflation rate of 18%). The end result is a program that has been very well received by employees in a very competitive job market.

<p>The next International Benefits Committee (IBC) meeting will be in New York City on February 12, 2009.</p>
