

Global Benefits Management — Leading Through a Pandemic

April 2020

Fidelity's international benefits newsletter focuses on the key issues surrounding employer-sponsored benefit plan management globally. This month we look at key legislative developments and considerations given the current pandemic situation the world faces, including specific cost relief in China and the UK. The Philippines has followed other countries in mandating mental health support, while many countries have their own support packages that will need consideration within total well-being frameworks. This newsletter's feature article examines two key priorities for most global benefits management professionals — supporting their workforce and managing expenses and cash flow. This should assist with your budgeting considerations for 2020 and 2021.

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Legislative Updates

China



Temporary reductions and some exemptions have been made for contributions toward social security and housing provident funds. The amount and duration of the reductions and exemptions depends on the location and the size of the organization's workforce.

In general, employers with smaller workforces (while defined by industry, generally less than 1,000 employees and operating income of less than CNY 200 million/~US\$28m), are exempt from paying social security contributions through June 2020, and large employers may reduce contributions up to 50% through April 2020.

Regardless of employer size, social security health benefit contributions may be reduced up to 50% through June 2020.

Action Required

Take Action – identify potential cost saving opportunities.

United Kingdom



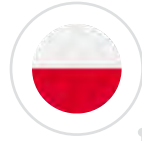
The Pensions Regulator ("TPR") has issued temporary guidelines (valid through June 30, 2020) for various aspects related to the funding and investments of defined benefit ("DB") Plans. For defined contribution ("DC") plans the government's furlough support includes payment of the employer mandatory contribution required under auto-enrollment. In addition, TPR has provided guidance on the method by which employers could reduce their retirement contribution for furloughed employees. The full summary is available on TPR's website [here](#).

Separately, the UK Government has announced that employers must allow employees to carry forward unused annual leave for up to two years where it is not reasonably practicable for them to take leave due to the Coronavirus.

Action Required

- Review TPR temporary guidelines and note potential temporary funding relief.
- Employers with key workers should also review/update their HR policies and systems to allow for the change in annual leave carry-forward rules.

Poland



Mandatory DC Employee Capital Plans ("PPK") have been gradually rolling out with specific deadlines based on the local employee headcount size. The most recent deadlines (for employers with at least 50 employees as of June 30, 2019) were to have plan management contracts signed by April 24, 2020, and operational contracts signed by May 11, 2020. To provide relief to employers, the current contract deadlines have been extended to October 27, 2020 and November 10, 2020, respectively.

Action Required

Determine implications of postponing implementation vs potential cost savings.

Philippines



The Department of Labor and Employment ("DOLE") issued guidelines effective from March 4, 2020 that requires employers to implement programs or policies that support their workers with mental health issues. This follows in the footsteps of similar requirements in countries such as Japan and Mexico.

The guidelines apply to all private-sector employees including overseas deployed Filipino workers and requires the programs/policies provide support in areas such as mental health risks, work/life balance, counselling, and employee trainings as well as specified measures to accommodate affected staff.

The employer's Occupational Safety and Health Committee (OSHC), which is a mandatory committee for employers with 10 or more employees, is responsible for developing the programs to be integrated with existing policies and submitted to DOLE authorities.

Private health insurance is generally universal as an employee in the Philippines, but very few plans have mental health service (e.g. counselling, or psychiatric care).

Action Required

Engage with local HR to confirm compliance and implement if necessary. Global EAP resources may be a cost-effective way to provide mental health and resilience resources to employees both locally and globally.

Other Social and Regulatory Changes

Many governments around the world have taken various approaches to provide relief to individuals and corporations. While no two stimulus packages look exactly alike, the general intent to provide relief and extend health care coverage for COVID-19 is consistent.

Examples include:



The Australian Government is allowing individuals affected by COVID-19 to access up to AUD 10,000 from their superannuation, tax-free, for each of the 2019/20 and 2020/21 tax years.



The French government is providing temporary social security contribution relief to some employers.

Given the differences in stimulus packages across the world, it is critical that corporate HR and business partners identify the local relief and implications, and communicate these to their employees and business units. When reviewing benefit programs, it is important to consider the full picture within a total well-being framework, which is likely different in each country.

Action Required

To best support your workforce, identify the local specifics and necessary solutions prior to implementing benefit changes, and the governance framework that supports them.

Global Benefits Budgeting

Considerations for Engaging Employees and Managing Costs

With the rapidly evolving pandemic situation, global employers are trying to balance two key priorities – supporting their workforce and managing expenses and cash flow. In a recent webcast with over 200 participants, over 80% cited the need to support their workforce in the new working environment in their top three priorities. The next highest priority was reducing/managing expenses and cash flow. Below we have summarized various options to help you achieve these business goals.

Driving Financial Savings

Potential Savings: **High**

Timing: **Short Term (Next 12 months)**



Introduce short-term benefit reductions where possible in some countries to temporarily reduce costs. In terms of short-term cash flow, this would include looking at employer retirement contributions. Other reductions, including cost sharing, are likely to lead to savings in the following year.



Review deficit reduction contributions as more regulators are reviewing the ability for employers to defer deficit reduction contributions (this can help with immediate cash flow issues).



Furlough employees to immediately reduce costs which, in addition to the provisions of avoiding staff costs, some countries are providing subsidies both to salaries and potentially pension contributions to support employees whose employers need to reduce costs.

Potential Savings: **High**

Timing: **Medium Term (1 – 3 years)**



Review broker services and commissions by conducting an independent assessment of your third-party local brokers, to ensure negotiation of the most competitive commission/fee levels so that they are commensurate with the services provided. This could involve reduction in current levels, with no change in provider, or competitive tenders to drive lower costs. These opportunities also apply where you have a global broker in place.



Pool risks or move to global underwriting to leverage global economies of scale and to obtain a discount to all policies through global underwriting of risk with global insurance carriers. This can be accompanied with a significant reduction in commission levels.



Remarket longstanding insured policies including life insurance, disability, medical and travel to drive down premium levels and negotiate features, such as enhanced services or free cover limits, that might be added at no additional cost.



Remove duplication in benefits between local / global programs and multiple vendors to save costs in coverages such as business travel, accident and well-being programs. Coordination with risk departments can help identify and ensure elimination of duplications.

Potential Savings: **Medium**

Timing: **Medium Term (1 – 3 years)**



Review benefits optimization to better tailor international benefits programs to employee needs while reducing costs/coverage to meet corporate targets.



Conduct participant and dependent audits to ensure only the appropriate membership is covered for benefits; this applies to retirement and medical benefits.

Potential Savings: **Low**

Timing: **Short Term (Next 12 months)**



Explore health care profit sharing due to significant reductions in the level of treatments provided to employees as resources are redirected to support treatment of the Coronavirus. This reduction in treatment is likely to lead to a profit to the health care insurer which could be repatriated through a profit share.



Review or temporarily suspend non-essential or low utilization programs which may, in the current climate, provide short-term opportunities to reduce benefit spend. This could include transportation and fitness benefits, which will likely have been put into deferral as a result of the virus.

Employee Engagement (Ongoing Actions)

Employee Impact: **High, Favorable**

Implementation Ease: **Simple**



Promote global EAP resources to provide support to employees around debt, mental resilience and broader well-being. We are seeing an acceleration in employee needs, and utilization of existing resources can support employees during and after the current pandemic.

Quick Win

Consider implementing a short-term stress-management crisis hotline with your health care / EAP provider for non-US virtual counselling services.



Employee Impact: **High, Favorable**

Implementation Ease: **Medium**



Offer preventive measures such as vaccinations for flu, late in 2020 to reduce the potential cross diagnosis with COVID-19 which is likely to still be prevalent. This is likely to be beneficial to employees and reduce absenteeism.



Extend help to employees whose mental welfare may have suffered during extended periods of isolation, those with increased debt, and for furloughed employees who would likely suffer from increased anxiety.

What's Next for Multinationals?

As the spread of COVID-19 develops, employers should begin to plan for operational return. This will include, for example, consideration around the treatment of benefits for furloughed employees, and the graduated or immediate return of workforce; areas worth investing time in to ensure clarity and reduce interruption to your organization further down the line.

Upcoming – Global Financial Wellness Survey Results

Thanks to all of you who provided submissions to our recent Global Financial Wellness Survey. We look forward to sharing the results of this study with you in an upcoming newsletter.

For more information on any areas covered by the newsletter or to discuss your international benefits or global mobility programs, contact:

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About Fidelity Workplace Consulting Global

Fidelity's Workplace Consulting Global team is independent and focuses on supporting clients in meeting their business objectives through the provision of impartial, but tailored, advice reflecting market trends and best practice.

Global Benefits Governance	International Defined Contribution Governance	International Retirement & Financial Wellness	International Health Care & Wellbeing	International Mobility	International Miscellaneous
<p>Design / implementation of a tailored global benefits governance structure</p> <p>International audit and compliance review of overseas plans</p> <p>Benchmarking and development of global policies and standards</p> <p>Independent ongoing support to global benefits committees</p> <p>Advice on global financing opportunities, including risk financing</p> <p>Training on best practices in international benefits management</p>	<p>Developing fiduciary and compliance oversight and policy for international DC plans</p> <p>Cross border implementation of best practice and group policy</p> <p>Development of preferred provider arrangements to drive operational and financial efficiency</p> <p>Support on enhancing employee experience through developing & implementing communication best practice</p> <p>Ongoing support to global benefits committees</p>	<p>Retirement</p> <p>Benchmarking/ setting of globally consistent financing assumptions</p> <p>Advice on opportunities for de-risking in respect of retirement plans</p> <p>Consolidation of financial reporting & budgeting</p>	<p>Health care</p> <p>Vendor selection for international health care policies</p> <p>Advice on strategies to improve employee behaviors and reduce health care costs</p> <p>Development of health care policies to improve financial/ operational efficiency</p>	<p>International Mobility Policy</p> <p>Overall assessment / design of mobility framework and policies</p> <p>Vendor assessment and selection</p> <p>Alignment with talent strategy and assignment goals</p> <p>International Benefits Programs</p> <p>Support with design and implementation</p> <p>Support with stakeholder engagement</p> <p>Ongoing Support</p> <p>Day-to-day plan management</p> <p>Support with budgeting</p> <p>Support with complex cases</p> <p>Vendor management</p>	<p>Development of global insurance programs to reduce costs / commissions and improve operational efficiency</p> <p>Advice on country benefits practice (both mandatory and typical practice)</p> <p>Support for benefit aspects on mergers, acquisitions and divestitures / splits</p> <p>Independent second opinions on local advice</p> <p>Strategy to respond to legislative changes</p> <p>Facilitation of global stock plan advice</p> <p>On-site support and benefits leadership</p>
		<p>Financial Wellness</p> <p>Benchmarking/ implementation of global best practice</p> <p>Design/ implementation of programs to support financial well-being</p> <p>Vendor selection and oversight for globally consistent local implementation</p>	<p>Wellbeing</p> <p>Global wellbeing education strategies & programs</p> <p>Benchmarking and deployment of global wellbeing programs</p> <p>Vendor selection for International providers</p>		